

Bank SinoPac

**Financial Statements for the
Three Months Ended March 31, 2006 and 2005 and
Independent Accountants' Review Report**

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and the Stockholders
Bank SinoPac

We have reviewed the accompanying balance sheets of Bank SinoPac as of March 31, 2006 and 2005, and the related statements of income, and cash flows for the three 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 12 to the financial statements, the carrying amount of the equity investments accounted for by the equity method as of March 31, 2005 amounted to NT\$1,008,729 thousand, the related investment income for the three months then ended amounted to NT\$27,051 thousand, 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 accompanying financial statements, effective January 1, 2006, the Bank adopted the Statement of Financial Accounting Standards No. 34 “Accounting for Financial Instruments”, No. 36 “Disclosure and Presentation of Financial Instruments” and other standards amended for harmonising with those two standards.

April 21, 2006

Notice to Readers

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

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

BANK SINOPAC

BALANCE SHEETS

MARCH 31, 2006 AND 2005

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

(Reviewed, Not Audited)

ASSETS	2006	2005	%	LIABILITIES AND STOCKHOLDERS' EQUITY	2006	2005	%
	Amount	Amount			Amount	Amount	
CASH AND CASH EQUIVALENTS (Note 4)	\$ 8,555,647	\$ 6,971,209	23	CALL LOANS AND DUE TO BANKS (Note 16)	\$ 32,937,617	\$ 27,350,311	20
DUE FROM THE CENTRAL BANK AND OTHER BANKS (Notes 5 and 25)	47,063,768	36,861,014	28	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2, 3, 6 and 29)	2,270,721	1,513,961	50
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2, 3, 6, 25 and 29)	31,277,780	23,845,169	31	SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE (Notes 2 and 25)	7,773,027	13,009,112	(40)
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 2 and 26)	5,743,897	17,878,926	(68)	ACCOUNTS, INTEREST AND OTHER PAYABLES (Notes 2, 17, 23 and 25)	12,407,370	14,380,716	(14)
ACCOUNTS, INTEREST AND OTHER RECEIVABLES, NET (Notes 2, 3, 7, 23 and 25)	20,357,679	27,093,423	(25)	DEPOSITS AND REMITTANCES (Notes 18 and 25)	404,851,549	330,212,971	23
DISCOUNTS AND LOANS, NET (Notes 2, 8, 25 and 29)	302,589,927	272,083,741	11	BANK DEBENTURES (Note 19)	35,451,388	32,800,000	8
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET (Notes 2, 3, 9, 10 and 29)	91,207,228	47,250,616	93	OTHER FINANCIAL LIABILITIES (Notes 2 and 29)	662,000	228,989	189
HELD-TO-MATURITY INVESTMENTS, NET (Notes 2, 3, 11, 25 and 29)	1,582,041	2,055,556	(23)	DEFERRED TAX LIABILITIES (Notes 2 and 23)	720,984	511,681	41
EQUITY INVESTMENTS - EQUITY METHOD (Notes 2, 12 and 29)	7,898,714	8,258,563	(4)	OTHER LIABILITIES (Notes 2, 3, 22 and 29)	<u>224,128</u>	<u>890,414</u>	<u>(75)</u>
OTHER FINANCIAL ASSETS, NET				Total liabilities	<u>497,298,784</u>	<u>420,898,155</u>	<u>18</u>
Unquoted equity instruments (Notes 2, 3, 13 and 29)	278,290	375,074	(26)	STOCKHOLDERS' EQUITY (Notes 2, 3 and 20)			
Non-active market debt instruments (Notes 2, 3, 13 and 29)	1,413,285	315,671	348	Capital stock, \$10 par value			
Others (Notes 13 and 29)	<u>136,192</u>	<u>84,752</u>	<u>61</u>	Authorized and issued: 2006 - 1,972,806,800 shares; 2005 - 1,944,397,617 shares	<u>19,728,068</u>	<u>19,443,976</u>	<u>1</u>
Other financial assets, net	<u>1,827,767</u>	<u>775,497</u>	<u>136</u>	Capital surplus			
PROPERTIES (Notes 2, 14 and 21)				Additional paid-in capital	118,226	125,030	(5)
Cost				Donated capital	83	83	-
Land	2,007,731	2,007,731	-	Other	<u>95</u>	<u>1,855</u>	<u>(95)</u>
Buildings	2,275,918	2,266,648	-	Total capital surplus	<u>118,404</u>	<u>126,968</u>	<u>(7)</u>
Computer equipment	1,418,613	1,365,534	4	Retained earnings			
Transportation equipment	38,576	48,193	(20)	Legal reserve	6,280,113	4,497,477	40
Office and other equipment	<u>1,659,924</u>	<u>1,366,544</u>	<u>21</u>	Special reserve	282,977	282,977	-
Total cost	7,400,762	7,054,650	5	Unappropriated	<u>946,555</u>	<u>5,025,416</u>	<u>(81)</u>
Less: Accumulated depreciation	<u>(2,639,093)</u>	<u>(2,347,219)</u>	<u>(12)</u>	Total retained earnings	<u>7,509,645</u>	<u>9,805,870</u>	<u>(23)</u>
	4,761,669	4,707,431	1	Unrealized gains or loss on financial instruments	<u>(102,846)</u>	<u>-</u>	<u>-</u>
Advances on acquisitions of equipment and construction in progress	<u>87,651</u>	<u>195,810</u>	<u>(55)</u>	Other adjustments	<u>-</u>	<u>(259,693)</u>	<u>100</u>
Net properties	<u>4,849,320</u>	<u>4,903,241</u>	<u>(1)</u>	Cumulative translation adjustments	<u>(6,075)</u>	<u>(68,341)</u>	<u>91</u>
OTHER ASSETS (Notes 2, 3, 15 and 23)	<u>1,592,212</u>	<u>1,969,980</u>	<u>(19)</u>	Total stockholders' equity	<u>27,247,196</u>	<u>29,048,780</u>	<u>(6)</u>
TOTAL	<u>\$ 524,545,980</u>	<u>\$ 449,946,935</u>	<u>17</u>	CONTINGENCIES AND COMMITMENTS (Notes 2, 26 and 29)			
				TOTAL	<u>\$ 524,545,980</u>	<u>\$ 449,946,935</u>	<u>17</u>

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

(With Deloitte & Touche review report dated April 21, 2006)

BANK SINOPAC

STATEMENTS OF INCOME FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005 (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	<u>2006</u>	<u>2005</u>	
	Amount	Amount	%
INTEREST REVENUE (Notes 2 and 3)	\$ 4,896,996	\$ 3,554,279	38
INTEREST EXPENSE	<u>3,149,372</u>	<u>1,937,167</u>	<u>63</u>
NET INTEREST	<u>1,747,624</u>	<u>1,617,112</u>	<u>8</u>
NET REVENUES OTHER THAN INTEREST			
Commissions and fee revenues, net (Notes 2 and 25)	459,061	414,134	11
Gains (losses) from financial assets and liabilities at fair value through profit or loss (Note 3)	291,734	(658,117)	144
Income from equity investments - equity method (Notes 2 and 12)	209,208	128,524	63
Foreign exchange gain (loss), net (Note 2)	(81,652)	827,958	(110)
Other net revenues (Note 3)	<u>43,171</u>	<u>65,269</u>	<u>(34)</u>
Total net revenues	<u>2,669,146</u>	<u>2,394,880</u>	<u>11</u>
PROVISION FOR LOAN LOSSES	<u>400,000</u>	<u>150,000</u>	<u>167</u>
OPERATING EXPENSES (Note 2)			
Personnel expenses (Notes 21 and 22)	765,858	684,526	12
Depreciation and amortization (Note 21)	118,042	113,814	4
Others	<u>427,245</u>	<u>410,238</u>	<u>4</u>
Total operating expenses	<u>1,311,145</u>	<u>1,208,578</u>	<u>8</u>
INCOME BEFORE INCOME TAX	958,001	1,036,302	(8)
INCOME TAX EXPENSE (Notes 2 and 23)	<u>260,513</u>	<u>190,955</u>	<u>36</u>
INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGES	697,488	845,347	(17)
CUMULATIVE EFFECT OF ACCOUNTING CHANGES (NET OF TAX BENEFIT \$17,232) (Note 3)	<u>249,067</u>	<u>-</u>	<u>-</u>
NET INCOME	<u>\$ 946,555</u>	<u>\$ 845,347</u>	<u>12</u>
	<u>2006</u>	<u>2005</u>	
	Pretax	Pretax	After Tax
EARNINGS PER SHARE (Note 24)			
Basic earnings per share	<u>\$ 0.60</u>	<u>\$ 0.53</u>	<u>\$ 0.43</u>

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

(With Deloitte & Touche review report dated April 21, 2006)

BANK SINOPAC

STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 946,555	\$ 845,347
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	117,213	113,282
Provision for credit and trading losses	399,192	151,062
Reversal of allowance for decline in market value of collaterals assumed	-	(1,062)
Cumulative effect of accounting changes	(249,067)	-
Decrease in held for trading financial assets	15,217,803	8,157,263
Decrease in held for trading financial liabilities	(1,281,699)	(5,908,407)
Unrealized (gain) loss on financial assets and liabilities at fair value through profit or loss	(73,956)	455,673
Accrued pension cost	(1,795)	(6,742)
Income from equity investments under the equity method	(209,208)	(128,524)
Loss on disposal of properties, net	1,091	-
Gain on disposal of collateral assumed, net	(1,932)	(5,661)
Deferred income tax	67,277	(60,829)
(Increase) decrease in other financial assets	(48,854)	990
Decrease in other financial liabilities	(686)	-
Decrease in accounts, interest and other receivables	5,821,727	4,459,092
Decrease in accounts, interest and other payables	<u>(3,720,399)</u>	<u>(5,250,000)</u>
Net cash provided by operating activities	<u>16,983,262</u>	<u>2,821,484</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in due from the Central Bank and other banks	29,411,465	(896,665)
Decrease (increase) in securities purchased under agreements to resell	105,363	(444,306)
Increase in financial assets designated at fair value through profit or loss	(12,734,443)	(153,297)
Increase in non-active market debt instruments	(705,203)	(154,151)
(Increase) decrease in available-for-sale financial assets	(35,570,202)	25,087,752
Decrease (increase) in held-to-maturity investments	4,618	(207,517)
Increase in discounts and loans	(705,105)	(11,526,860)
Acquisition of properties	(36,616)	(165,770)
Proceeds from sale of properties	100	-
Acquisition of collateral assumed	(7)	(7,595)
Proceeds from sale of collateral assumed	47,448	81,826
(Increase) decrease in other assets	<u>(55,059)</u>	<u>83,171</u>
Net cash (used in) provided by investing activities	<u>(20,237,641)</u>	<u>11,696,588</u>

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	2006	2005
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in call loans and due to banks	\$ (4,432,128)	\$ (15,752,630)
Decrease in securities sold under agreements to repurchase	(1,667,241)	(5,265,728)
Increase in deposits and remittances	10,198,627	4,796,203
(Decrease) increase in other liabilities	<u>(429,555)</u>	<u>149,786</u>
Net cash provided by (used in) financing activities	<u>3,669,703</u>	<u>(16,072,369)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	415,324	(1,554,297)
EFFECTS OF CHANGES IN EXCHANGE RATE	487	(705)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>8,139,836</u>	<u>8,526,211</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 8,555,647</u>	<u>\$ 6,971,209</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 2,917,239</u>	<u>\$ 729,540</u>
Income tax paid	<u>\$ 303,308</u>	<u>\$ 146,052</u>

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

(With Deloitte & Touche review report dated April 21, 2006)

(Concluded)

BANK SINOPAC

NOTES TO FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005 (In Thousands of New Taiwan Dollars, Unless Otherwise Stated) (Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

Bank SinoPac (the “Bank”) obtained government approval to incorporate on August 8, 1991 and started operations on January 28, 1992. The Bank engages 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 March 31, 2006 and 2005, the Bank had a total of 2,135 and 2,194 employees, respectively.

As of March 31, 2006, 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 channels, 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, income tax 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, actual results could differ from those estimates. Since the operating cycle could not be reasonably identified in the banking industry, accounts included in the Bank’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 28 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.

Financial Instruments at Fair Value Through Profit or Loss

Financial instruments at fair value through profit or loss consist of any financial asset that is designated on initial recognition as one to be measured at fair value with fair value changes in profit or loss and financial assets and liabilities which should be classified as held for trading. Those instruments are required to be recognized at fair value and to be measured at fair value through profit or loss on the balance sheet date. The Bank uses trade date accounting when recording transaction.

Derivative instruments transaction which do not meet the specified criteria to obtain hedge accounting treatment are classified as financial assets or liabilities held for trading when the fair value of a derivative is positive, it is carried as an asset and where negative as a liability.

Fair value are determined as follows: (a) listed stocks and GreTai Securities Market (the "GTSM") stocks - closing prices as of the balance sheet date; (b) beneficiary certificates (open-end fund) - net asset values as of the balance sheet dates; (c) bonds - period-end reference prices published by the GTSM or Bloomberg; and (d) for the financial instruments without active markets, fair value is determined using valuation techniques.

Any financial asset and any financial liability may be designated as financial instruments at fair value through profit or loss to eliminate measurement anomalies for items that provide a natural offset of each other. Besides, the set of financial assets, financial liabilities or combined by both of them managed according to the Bank's risk management policies and investment strategies will be designated as financial instruments at fair value through profit or loss.

Repurchase and Reverse Repurchase Transactions

Securities purchased under agreement to resell (reverse repurchase) agreements and securities sold under agreements to repurchase are generally treated as collateralized financing transactions. Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements is recognized as interest income or interest expense over the life of each agreement.

Available-for-sale Financial Assets

Available-for-sale financial assets are carried at fair value. Unrealized gains or losses on available-for-sale financial assets are reported in equity attribute to the Bank's shareholders. On disposal of an available-for-sale financial asset, the accumulated, unrealized gain or loss in equity attributable to the Bank's shareholders is transferred to net profit and loss for the period. The Bank uses trade date accounting when recording available-for-sale portfolio transactions.

Dividend income from equity securities is recognized on ex-dividend dates or shareholders' resolution dates. Cash dividends received a year after investment acquisition are recognized as income, otherwise as a reduction of the carrying value of the investments. The effective interest rate method of amortization and accretion is used.

If an available-for-sale financial asset is determined to be impaired, the accumulative unrealized loss previously recognized in equity attributable to the Bank shareholders is recognized as impairment loss and reported in income statement. For equity investments, loss reversal is adjusted to the equity attributable to the Bank shareholders. For debt investments, loss reversal is credited to current income.

Nonperforming Loans

Under guidelines issued by the Financial Supervisory Commission Banking Bureau, 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 overdue and shall be authorized by a resolution passed by the board of directors.

Non-performing loans reclassified from loans are recognized as discounts and loans; otherwise, are recognized as other financial assets.

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 discounts and loans, accounts receivables, interest other receivables, and other financial assets, as well as guarantees and acceptances as of the balance sheet dates.

Pursuant to “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” (the “Regulations”) issued by the Ministry of Finance (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 Regulations stated above, the minimum provision for credit losses should not be less than the aggregate of 50% of the doubtful credits and 100% of the unrecoverable credits. Since July 2005, the Regulations amended the classification of loan assets, which divided the loan assets into different class subjects to assets that require special mention, assets that are substandard, assets that are doubtful, and assets for which there is loss. The minimum allowance for credit losses and provision for losses on guarantees for the aforementioned classes should be 2%, 10%, 50% and 100% of outstanding credits, respectively. The amendments on the classification of loan assets have no significant impact on the Bank’s 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.

Held-to-Maturity Financial Assets

Held-to-maturity financial assets are carried at amortized cost, which are valued by interest method, otherwise use the straight line method if there is no significant difference. At initial recognition, the costs of the financial assets are valued at fair value of the financial assets together with acquire or issue costs. The net profit and loss of the held-to-maturity financial assets for the period are reported in to income statement when on disposal, impairment or amortization. The Bank uses trade date accounting when recording transaction.

If a held-to-maturity financial asset is determined to be impaired, the impairment loss is recognized and reported in income statement. For equity investments, loss reversal is adjusted to the equity attributable to the Bank’s shareholders. For debt investments, loss reversal is credited to current income.

Equity Investments - Equity Method

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. Goodwill is not amortized but test annually for impairment since January 1, 2006. Until December 31, 2005, any difference between the acquisition cost and the equity in the investee is amortized over 15 years. 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 of the Bank’s equity in the investee’s net asset is credited to capital surplus. Any decrease of 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.

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 held-to-maturity 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 are accounted for as available-for-sale financial assets. 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 fair value on the balance sheet dates.

Other Financial Assets

Non-active market debt instruments are those which do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. Non-active market debt instruments are carried at amortized cost. The accounting treatment of non-active market debt instruments is similar to the one of held-to maturity investments but there’s no prohibition on sale of non-active market debt instruments.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measure, are measured at cost. If there is objective evidence that a financial asset is impaired, an impairment loss is recognized and reversal of impairment loss is prohibited.

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. Contracts outstanding on the balance sheet dates are measured at fair value through profit or loss.

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 are credited or charged to current income. On balance sheet dates, outstanding contracts are measured at fair value through profit or loss.

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. On balance sheet dates, outstanding contracts are measured at fair value through profit or loss.

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 is recognized as interest income or expense, which is credited or charged to current income. On balance sheet dates, outstanding contracts are measured at fair value through profit or loss.

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.

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. Net interest on each settlement is recorded as current income or expense. On balance sheet dates, outstanding contracts are measured at fair value through profit or loss.

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.

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 is recorded as current income by the accrual method. On balance sheet dates, outstanding contracts are measured at fair value through profit or loss.

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

Pension expense under defined benefit pension plan is determined on the basis of actuarial calculations. Pension under defined contribution pension plan is expensed during the period when the employees rendered their services.

Income Tax

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

Tax credits for acquisitions of equipment or technology, research and development expenditures, personnel training expenditures and 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 investments accounted for by the equity method, properties, goodwill, etc., be subject to an impairment review.

SFAS No. 35 requires the impairment review on long-term investments accounted for by the equity method and properties to be made on each balance sheet date. If assets or CGUs are deemed impaired, then the 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 Translations

Foreign currency transactions are recorded at the rate of exchange on the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are reported using the closing exchange rate. Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, as well as unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities, are recognized in the income statement.

Unrealized exchange differences on non-monetary financial assets (investments in equity instruments) are a component of the change in their entire fair value. For a non-monetary financial asset classified as held for trading, unrealized exchange differences are recognized in the income statement. For non-monetary financial investments, which are classified as available-for-sale, unrealized exchange differences are recorded directly in equity until the asset is sold or becomes impaired. Gains or losses resulting from restatement at period-end of foreign-currency denominated equity investments accounted for by the equity method are credited or charged to “cumulative translation adjustment” under stockholders’ equity.

Hedge Accounting

Non-trading derivatives, which are used primarily as a risk management tool for hedging interest rate risk arising on on-balance sheet liabilities, are accounted for on the same basis as the underlying items being hedged.

In order to qualify as a hedge, a derivative must effectively reduce any risk inherent in the hedged item from potential movements in interest rates, exchange rates and market values. Changes in the fair value of the derivative must be highly correlated with changes in the fair value of the underlying hedged item over the life of the hedged contract. At the inception of the hedge, there must be formal designation and documentation of the hedging relationship, the Bank’s risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged items, overall risk management objectives and strategies and how the entity will assess the hedging instrument’s effectiveness.

A fair value hedge that meets all the hedge accounting criteria is accounted for as follows:

- a. The gain or loss from re-measuring the hedging instrument at fair value (for a derivative hedging instrument) or the foreign currency component of its carrying amount (for a non-derivative hedging instrument) is recognised immediately in profit or loss, and
- b. The carrying amount of the hedged item is adjusted through profit or loss for the corresponding gain or loss attributable to the hedged risk.

Reclassifications

Certain 2005 accounts have been reclassified to conform to the 2006 financial statements presentation.

3. ACCOUNTING CHANGES

Effective January 1, 2006, the Bank adopted the Statement of Financial Accounting Standard No. 34 “Accounting for Financial Instruments”, No. 36 “Disclosure and Presentation of Financial Instruments” and other standards amended for harmonising with those two standards.

- a. The amount of the cumulative effect resulting from the change to new accounting principles

The Bank properly reclassifies the financial assets and financial liabilities when adopting aforementioned new accounting standards and related amendments to existing standards. The effects of the financial assets and liabilities at fair value through profit or loss and derivative of fair value hedge are included in cumulative effect of accounting changes. The effects of the fair value change of available-for-sale financial assets are included in stockholders’ equity adjustments.

The cumulative effect of accounting changes are as follows:

	Cumulative Effect of Accounting Changes, After Tax	Stockholders' Equity Adjustments, After Tax
Financial assets at fair value through profit or loss	\$ (699,229)	\$ -
Available-for-sale financial assets	-	(89,113)
Financial liabilities at fair value through profit or loss	<u>450,162</u>	<u>-</u>
	<u>\$ (249,067)</u>	<u>\$ (89,113)</u>

b. Reclassification

Under an explanation issued by Accounting Research and Development Foundation of the Republic of China (ARDF of ROC), when the Bank adopts Statement of Financial Accounting Standard No. 34 effective on January 1, 2006, the Bank needs to reclassify the comparative financial statements for the year ended 2004 instead of restating. The Bank shall state the different valuation method in the notes to the financial statements.

The different valuation method of financial instruments the Bank applies are summarized as follows:

1) Securities purchased

Securities which are acquired principally for the purpose of sale in the near term 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 and; (b) GTSM stocks - average daily closing prices for the last month of the accounting period, published by GTSM.

2) Long-term investments

Long-term equity investments are accounted for by the cost method if the Bank does not have significant influence over the investees. 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 as permanent loss, the decline is charged to current income.

3) 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.

4) 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.

5) 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.

6) 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.

Certain 2005 accounts have been reclassified to conform 2006 financial statements presentation and new accounting standards' requirement:

	<u>March 31, 2005</u>	
	Before Reclassification	After Reclassification
<u>Balance sheets</u>		
Securities purchased	\$ 67,760,428	\$ -
Accounts, interest and other receivables, net	1,459,547	-
Long-term equity investments - cost method	772,834	-
Other long-term investments	1,094,300	-
Financial assets at fair value through profit or loss	-	23,845,169
Available-for-sale financial assets	-	46,236,316
Held-to-maturity investments	-	3,069,856
Non-active market debt instruments	-	315,671
Unquoted equity instruments	-	375,074
Other assets	2,754,977	-
Other liabilities - others	1,513,961	-
Financial liabilities at fair value through profit or loss	<u>-</u>	<u>1,513,961</u>
	<u>\$ 75,356,047</u>	<u>\$ 75,356,047</u>

**For the Three Month Ended
March 31, 2005**

	Before Reclassification	After Reclassification
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Income statement

Interest revenue	\$ 3,385,423	\$ 3,554,279
Loss on derivative financial instruments transactions	(690,800)	-
Income from securities, net	213,341	-
Gain (loss) from financial assets and liabilities at fair value through profit or loss	-	(658,117)
Other net revenues	-	<u>11,802</u>
	<u>\$ 2,907,964</u>	<u>\$ 2,907,964</u>

4. CASH AND CASH EQUIVALENTS

	March 31	
	2006	2005
Due from other banks	\$ 6,293,878	\$ 4,786,121
Cash on hand	1,717,870	1,707,172
Notes and checks in clearing	<u>543,990</u>	<u>477,916</u>
	<u>\$ 8,555,647</u>	<u>\$ 6,971,209</u>

5. DUE FROM THE CENTRAL BANK AND OTHER BANKS

	March 31	
	2006	2005
Due from the Central Bank	\$ 33,342,370	\$ 10,615,755
Call loans to banks	<u>13,721,398</u>	<u>26,245,259</u>
	<u>\$ 47,063,768</u>	<u>\$ 36,861,014</u>

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

Under a directive issued by the Central Bank of the ROC, NTD-denominated deposit reserves are determined monthly at prescribed rates on average balances of customers' NTD-denominated deposits. These reserves included \$8,592,008 and \$7,129,817 as of March 31, 2006 and 2005, 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 earning. As of March 31, 2006 and 2005, the balances of foreign-currency deposit reserves were \$81,150 and \$53,601, respectively.

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>March 31</u>	
	<u>2006</u>	<u>2005</u>
<u>Held for trading financial assets</u>		
Corporate bonds	\$ 8,189,725	\$ 4,386,168
Bank debentures	1,879,177	157,650
Forward contracts	1,740,132	575,636
Beneficiary certificates	974,989	1,011,347
Interest rate swap	954,744	-
Premium paid on option contracts	694,030	1,734,894
Listed stock	495,208	2,015,397
Assets based securities	468,479	315,300
Government bonds	419,095	157,317
Structured instruments	66,017	55,347
Commercial papers	-	6,755,202
Treasury bills	-	2,024,289
Negotiable certificates of deposit	-	100,000
Cross currency swap contracts	-	943,412
Others	<u>10,652</u>	<u>-</u>
	<u>15,892,248</u>	<u>20,231,959</u>
<u>Designation at fair value through profit or loss financial assets</u>		
Negotiable certificates of deposit	15,001,147	-
Corporate bonds	220,836	523,270
Credit linked notes	162,544	3,089,940
Government bonds	<u>1,005</u>	<u>-</u>
	<u>15,385,532</u>	<u>3,613,210</u>
	<u>\$ 31,277,780</u>	<u>\$ 23,845,169</u>

The Bank originally 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 through cash dividend of \$108,163, and stock dividend of \$99,523 (9,952,311 shares). The Bank held 226,495,205 shares of SPH with carrying amounts of \$2,896,922 after the appropriation. To deal with SPH's shares held by the Bank, the board of directors (hereinafter the "Board") of SPH resolved to sell 144,361,929 shares through the securities exchange market. The Bank had sold 109,929,965 shares of SPH. The remaining 116,565,240 shares of SPH held by the Bank did not abide with the Financial Holding Company Act, which requires those shares to be (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 which causes the SPH's capital stock to decrease, and the alteration registration should be completed. According to the explanations of ARDF of ROC, if the Bank does not receive any proceeds from SPH for those cancelled shares, the Bank needs to decrease its capital based on the capital decrease ratio while SPH follows the regulation to cancel and decrease its capital stock. The Bank got approval from the authorities for the cancellation of capital stock, resulting in decreasing of capital stock of the Bank by \$1,135,324. The date for capital decreasing is on August 26, 2005.

To comply with the Central Bank's clearing system of Real-time Gross Settlement (RTGS), negotiable certificates of deposit aggregating \$15,001,147 had been provided as collateral for the day time overdraft as of March 31, 2006, with the pledged amount which can be adjusted momentarily. As of March 31, 2006, designation at fair value through profit or loss financial assets aggregating \$1,005 had been pledged to the GTSM for the bond settlement reserves for electronic bond trading system.

Held-for-trading financial assets as of March 31, 2006 and 2005 with a total face amount of \$2,262,958 and \$3,094,318 were sold under agreement to repurchase.

	March 31	
	2006	2005
<u>Held for trading financial liabilities</u>		
Forward contracts	\$ 926,473	\$ 5,355
Interest rate swap contracts	776,672	22,335
Premiums received on option contracts	466,978	1,486,271
Structured instruments	16,440	-
Cross-currency swap contracts	11,137	-
Other	<u>73,021</u>	<u>-</u>
	<u>\$ 2,270,721</u>	<u>\$ 1,513,061</u>

The Bank engages in derivative transactions mainly for accommodating customers' needs and managing its exposure positions. 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 contract amounts (or notional amounts) of derivative transactions for accommodating customers' needs and managing its exposure positions were as follows:

	March 31	
	2006	2005
Cross-currency swap contracts	\$ 6,960,760	\$ 13,125,840
Interest rate swap contracts	157,800,952	93,723,094
Currency swap contracts	176,949,199	203,332,070
Forward contracts		
Buy	66,461,055	86,995,561
Sell	68,850,112	94,354,730
Interest rate futures contracts		
Long position	-	977,430
Short position	1,055,340	15,765,000
Options		
Long position	49,153,325	103,396,832
Short position	49,324,303	107,703,291

The gains (losses) on held for trading financial assets and liabilities for the three months ended March 31, 2006 and 2005 were \$280,340 and (\$658,117).

7. ACCOUNTS, INTEREST AND OTHER RECEIVABLES, NET

	March 31	
	2006	2005
Accounts receivable - factoring	\$ 16,378,730	\$ 22,383,465
Acceptances	1,868,038	3,157,375
Interest receivable	1,071,268	888,008
Accounts receivable	400,975	189,141
Accrued revenue	371,384	138,789

(Continued)

	March 31	
	2006	2005
Receivable from related party for allocation of linked-tax system	\$ 97,082	\$ 97,082
Tax refundable	38,274	125,684
Other	<u>135,337</u>	<u>176,439</u>
	20,361,088	27,155,983
Less - allowance for credit losses	<u>3,409</u>	<u>62,560</u>
	<u>\$ 20,357,679</u>	<u>\$ 27,093,423</u>

8. LOANS, DISCOUNTS AND BILLS PURCHASED

	March 31	
	2006	2005
Import and export negotiations	\$ 1,864,778	\$ 3,485,517
Overdrafts	1,138,365	1,241,420
Short-term loans	67,732,064	70,627,108
Accounts receivable - financing	3,078,357	-
Medium-term loans	53,175,214	45,454,617
Long-term loans	174,534,968	150,435,712
Nonperforming loans transferred from loans	<u>2,966,773</u>	<u>1,972,122</u>
	304,490,519	273,216,496
Less allowance for credit losses	<u>1,900,592</u>	<u>1,132,755</u>
	<u>\$ 302,589,927</u>	<u>\$ 272,083,741</u>

As of March 31, 2006 and 2005, the balances of nonaccrual interest loans were \$3,253,699 and \$2,289,627, respectively. The unrecognized interest revenues on nonaccrual interest loans amounted to \$24,276 and \$20,182 for the three months ended March 31, 2006 and 2005, respectively.

For the three months ended March 31, 2006 and 2005, 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 three months ended March 31, 2006 and 2005, respectively, were summarized below:

	For the Three Months Ended		
	March 31, 2006		
	Specific Reserve	General Reserve	Total
Balance, January 1	\$ 535,882	\$ 1,059,984	\$ 1,595,866
Provision	400,000	-	400,000
Write-off	(93,206)	-	(93,206)
Reclassifications	(188,190)	188,471	281
Result from change of foreign exchange rate	(1,785)	-	1,785
Other	<u>(564)</u>	<u>-</u>	<u>(564)</u>
Balance, March 31	<u>\$ 652,137</u>	<u>\$ 1,248,455</u>	<u>\$ 1,900,592</u>

	For the Three Months Ended March 31, 2005		
	Specific Reserve	General Reserve	Total
Balance, January 1	\$ 331,625	\$ 843,273	\$ 1,174,898
Provision	150,000	-	150,000
Write-off	(179,901)	-	(179,901)
Recovery of written-off credits	1,461	-	1,461
Reclassifications	90,063	(102,166)	(12,103)
Result from change of foreign exchange rate	(1,600)	-	(1,600)
Balance, March 31	<u>\$ 391,648</u>	<u>\$ 741,107</u>	<u>\$ 1,132,755</u>

As of March 31, 2006 and 2005, allowances for credit losses and provisions for losses on guarantees of the Bank were \$1,975,852 and \$1,228,083, respectively.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	March 31	
	2006	2005
Negotiable certificate of deposit	\$ 89,000,457	\$ 45,300,000
Subordinated beneficiary certificates of securitization	1,014,300	1,014,300
Government bonds	617,607	936,316
Bank debentures	574,864	-
	<u>\$ 91,207,228</u>	<u>\$ 47,250,616</u>

The available-for-sale financial assets amounting to \$373,405 and \$22,673 as of March 31, 2006 and 2005 had been provided to GTSM as bond payment settlement reserves for electronic bond trading system and to court for provisional seizure.

To comply with the Central Bank's clearing system of RTGS, negotiable certificates of deposit aggregating \$2,800,000 had been provided as collaterals for the daytime overdraft as of March 31, 2005, with pledged amounts that can be adjusted momentarily.

The available-for-sale financial assets amounting \$154,957 and \$447,140 as of March 31, 2006 and 2005, respectively, had been sold under agreements to repurchase.

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:

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

March 31, 2006

Series of Certificates	Senior				Subordinated
	First Tranche	Second Tranche	Third Tranche	Fourth Tranche	Fifth Tranche
Principal amount	\$ 1,188,100	\$ 534,100	\$ 441,000	\$ 122,500	\$ 1,014,300
Annual interest	Floating interest rate plus 0.4% (Note)	Floating interest rate plus 0.6% (Note)	Floating interest rate plus 1.0% (Note)	Floating interest rate plus 1.2% (Note)	-

Key assumptions used in
measuring retained
interests

Expected weighted- average life (in years)	3
Expected credit losses (annual rate)	-
Discounted rate for residual cash flows	1.499%

March 31, 2005

Series of Certificates	Senior				Subordinated
	First Tranche	Second Tranche	Third Tranche	Fourth Tranche	Fifth Tranche
Principal amount	\$ 2,198,472	\$ 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)	-

(Continued)

Series of Certificates	Senior				Subordinated
	First Tranche	Second Tranche	Third Tranche	Fourth Tranche	Fifth Tranche
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			1.234%		

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 March 31, 2006 and 2005, key economic assumptions and the sensitivity of the current fair value of residual cash flows to immediate 10 percent and 20 percent adverse changes in these assumptions were as follows:

	Enterprise Loans	
	March 31	
	2006	2005
Carrying amount of retained interest	\$ 1,014,300	\$ 1,014,300
Weighted-average life (in years)	3 years	3 years
Discount rate of residual cash flows (annual rate)	1.499%	1.234%
Impact on fair value of 10% adverse change	(82)	(75)
Impact on fair value of 20% adverse change	(229)	(194)

c. The securitized enterprise loans had not resulted in any credit losses as of March 31, 2005; 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 three months ended March 31, 2005, the prepayments of principal before due date resulted in the cash inflow amounted to \$589,628.

11. HELD-TO-MATURITY FINANCIAL ASSETS

	<u>March 31</u>	
	<u>2006</u>	<u>2005</u>
Bank debentures	\$ 788,313	\$ 763,127
Floating rate notes	486,900	472,950
Government bonds	210,598	739,479
Beneficiary certificates - credit card receivables	80,000	80,000
Negotiable certificate of deposit	<u>16,230</u>	<u>-</u>
	<u>\$ 1,582,041</u>	<u>\$ 2,055,556</u>

To comply with Bank SinoPac - Hong Kong branch's clearing system of real-time gross settlement, government bonds aggregating \$210,598 and \$739,479 had been provided as collaterals as of March 31, 2006 and 2005.

The held-to-maturity financial assets amounting \$328,073 and \$350,834 as of March 31, 2006 and 2005, respectively, had been sold under agreement to repurchase.

12. EQUITY INVESTMENTS UNDER EQUITY METHOD

	<u>March 31</u>	
	<u>2006</u>	<u>2005</u>
SinoPac Bancorp.	\$ 5,820,520	\$ 5,255,885
SinoPac Leasing Corporation	1,141,016	1,993,949
SinoPac Capital Limited (H.K.)	934,922	1,006,266
SinoPac Financial Consulting Co., Ltd.	<u>2,256</u>	<u>2,463</u>
	<u>\$ 7,898,714</u>	<u>\$ 8,258,563</u>

Income from equity investments for the three months ended March 31, 2006 and 2005, respectively, were summarized as follows:

	<u>For the Three Months Ended</u>	
	<u>March 31</u>	
	<u>2006</u>	<u>2005</u>
<u>Equity method</u>		
SinoPac Bancorp	\$ 120,081	\$ 79,701
SinoPac Leasing Corporation	41,109	21,772
SinoPac Capital Limited (H.K.)	48,016	27,036
SinoPac Financial Consulting Co., Ltd.	<u>2</u>	<u>15</u>
	<u>\$ 209,208</u>	<u>\$ 128,524</u>

The net income of SinoPac Bancorp for the three months ended March 31, 2005 amounted to \$98,784 was 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. Upon the adoption of accounting standards effective on January 1, 2006, those different accounting treatments have been eliminated.

The aforementioned income from equity investments under the equity method were recognized on the basis of investees' reviewed financial statements for the same period, except for the investment income of SinoPac Financial Consulting Co., Ltd. for the three months ended March 31, 2006 and 2005 and that of SinoPac Capital Limited (H.K.) for the three months ended March 31, 2005 which were based on the unreviewed financial statements for the same period. The carrying amounts of the investments accounted for by the equity method as of March 31, 2005 totalling \$1,008,729, and the related investment income \$27,051, for the three months then ended were based on the investees' unreviewed financial statements for the same period. The Bank believes that any adjustments that some have to be made to these investments and investment income if such financial statements had been reviewed.

The Bank believes that the adjustment is immaterial to the investment and investment income of SinoPac Financial Consulting Co., Ltd. if such financial statements had been reviewed.

As of March 31, 2006, part of the unrealized gains or losses on financial instruments (included in stockholders' equity as deductions) resulting from valuation of available-for-sale financial assets held by an investee accounted for by the equity method. The unrealized gains or losses on financial instruments recognized from the investee as of March 31, 2006 amounted to \$101,135.

As of March 31, 2005, part of the unrealized loss on equity investments (included in stockholders' equity as deductions) resulting from market value decline of GTSM stocks held by an investee accounted for by the equity method. The unrealized loss on long-term equity investments recognized from the investee as of March 31, 2005 amounted to \$16,695.

13. OTHER FINANCIAL ASSETS

	<u>March 31</u>	
	<u>2006</u>	<u>2005</u>
Non active market debt investments		
Floating rate notes	\$ 1,187,549	\$ 253,556
Collateralized debt obligation	225,736	62,115
Unquoted equity instruments		
Unlisted equity investments	278,290	375,074
Other financial assets		
Nonperforming loans transferred from other than loans	61,702	-
Excess margin	53,788	68,404
Short-term advancement	20,473	15,578
Other	<u>229</u>	<u>770</u>
	<u>\$ 1,827,767</u>	<u>\$ 775,497</u>

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured are measured at cost.

14. PROPERTIES

	<u>March 31</u>	
	<u>2006</u>	<u>2005</u>
Cost	\$ 7,400,762	\$ 7,054,650
Accumulated depreciation		
Buildings	553,593	477,812
Computer equipment	1,042,529	944,479
Transportation equipment	31,545	38,391
Office and other equipment	<u>1,011,426</u>	<u>886,537</u>
	<u>2,639,093</u>	<u>2,347,219</u>
	4,761,669	4,707,431
Advances on acquisitions of equipment and construction in progress	<u>87,651</u>	<u>195,810</u>
	<u>\$ 4,849,320</u>	<u>\$ 4,903,241</u>

15. OTHER ASSETS

	<u>March 31</u>	
	<u>2006</u>	<u>2005</u>
Collateral assumed, net of accumulated impairment	\$ 594,112	\$ 842,215
Guarantee deposits	413,646	441,391
Prepaid expenses	280,964	225,446
Computer system software	182,068	200,642
Suspense account	33,419	30,553
Idle assets	27,823	28,005
Other deferred assets	23,355	26,614
Prepaid interest	-	169,530
Other	<u>36,825</u>	<u>5,584</u>
	<u>\$ 1,592,212</u>	<u>\$ 1,969,980</u>

16. CALL LOANS AND DUE TO BANKS

	<u>March 31</u>	
	<u>2006</u>	<u>2005</u>
Call loans	\$ 29,011,221	\$ 23,257,275
Redeposits form the directorate general of postal remittance	3,846,242	4,023,855
Due to banks	53,601	29,776
Due to the Central Bank	<u>26,553</u>	<u>39,405</u>
	<u>\$ 32,937,617</u>	<u>\$ 27,350,311</u>

17. ACCOUNTS, INTEREST AND OTHER PAYABLES

	March 31	
	2006	2005
Accounts payable - factoring	\$ 5,887,616	\$ 8,140,731
Acceptance payable	1,868,038	3,157,375
Interest payable	1,813,658	1,253,648
Dividends payable	1,116,514	-
Notes and checks in clearing	543,990	477,916
Accrued expenses	450,092	435,233
Tax payable	258,506	195,971
Accounts payable	224,370	124,373
Payable to related party for allocation of linked-tax system	67,554	358,168
Other	<u>177,032</u>	<u>237,301</u>
	<u>\$ 12,407,370</u>	<u>\$ 14,380,716</u>

18. DEPOSITS AND REMITTANCES

	March 31	
	2006	2005
Checking	\$ 5,948,958	\$ 5,158,642
Demand	56,033,412	55,468,438
Savings - demand	78,294,967	72,840,836
Time	164,608,402	100,136,747
Negotiable certificates of deposit	21,544,000	28,110,500
Savings - time	77,677,374	68,043,183
Inward remittances	622,422	286,525
Outward remittances	<u>122,014</u>	<u>168,100</u>
	<u>\$ 404,851,549</u>	<u>\$ 330,212,971</u>

19. BANK DEBENTURES

	March 31		Maturity Date	Terms
	2006	2005		
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	999,822	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	499,777	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	1,497,123	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.

(Continued)

	March 31		Maturity Date	Terms
	2006	2005		
Fourth dominant bank debenture issued in 2003	\$ 376,953	\$ 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	992,325	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	695,853	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	793,057	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	495,853	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	297,070	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	987,222	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	992,087	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	492,425	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	495,552	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	2,165,531	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	461,328	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	242,244	300,000	2004.04.28-2009.10.28 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Third dominant bank debentures issued in 2004	494,839	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	198,102	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	296,712	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	492,402	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	197,861	200,000	2004.05.21-2009.05.21 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.

(Continued)

	March 31		Maturity Date	Terms
	2006	2005		
Eighth dominant bank debentures issued in 2004	\$ 477,239	\$ 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	295,709	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	487,717	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	194,883	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	480,192	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	292,143	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	485,758	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	573,609	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.
First subordinated debentures issued in 2005	3,000,000	-	2005.12.13-2011.06.13 Principal is repayable on maturity date.	Index rate plus 0.35%. Interest is reset semiannually since the issuance date. Interest is paid semiannually.
	<u>\$ 35,451,388</u>	<u>\$ 32,800,000</u>		

20. STOCKHOLDERS' EQUITY

a. Capital stock

The capitalization of retained earnings in 2004 had 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 those cancelled shares, it had to decrease 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 remaining earnings as legal reserve;
- 4) Set aside any special reserve or retained earnings allocated at its option;
- 5) Allocated at least 1% of the remaining earnings as employee bonus.

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

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

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

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

On March 28, 2006, the board of directors resolved the appropriation of 2005 earnings, and April 28, 2005, the board of directors which execute rights and functions of stockholders' meeting resolved the appropriation of 2004 earnings, as follows:

	Earnings Appropriation		Dividends Per Share (New Taiwan Dollars)	
	2005	2004	2005	2004
Legal reserve	\$ 497,192	\$ 1,285,444		
Remuneration to directors and supervisors	32,000	26,847		
Bonus to employees - cash	11,601	28,946		
Cash dividends	1,116,514	1,419,416	\$0.57	\$0.73
Stock dividends	-	1,419,416	-	0.73
	<u>\$ 1,657,307</u>	<u>\$ 4,180,069</u>		

21. PERSONNEL EXPENSE, DEPRECIATION AND AMORTIZATION

	For the Three Months Ended March 31	
	2006	2005
Personnel expenses		
Salaries and wages	\$ 645,969	\$ 575,616
Pension	47,715	41,287
Labor insurance and national health insurance	31,209	29,964
Other	40,965	37,659
Depreciation	93,239	91,249
Amortization	24,803	22,565

22. 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.

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

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

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

The Bank applied defined contribution plan regulated by Labor Pension Act after July 1, 2005. Under this Act, the Bank contributed 6% of the employee salaries to the Labor Insurance Administration (according to this Act, the contribution rate by the employer to the Labor Pension Fund per month shall not be less than 6% of the employee's monthly wages). For the three months ended March 31, 2006, the pension expense amounted to \$19,201, which was contributed to personal pension accounts.

Information related to defined benefit pension plan of the Bank is disclosed as follows:

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

	For the Three Months Ended March 31	
	2006	2005
Balance, January 1	\$ 851,701	\$ 1,280,049
Contributions	31,416	73,028
Benefits paid	(6,404)	(28,362)
Interest revenue	<u>4,897</u>	<u>9,758</u>
Balance, March 31	<u>\$ 881,610</u>	<u>\$ 1,334,473</u>

The ending balances as of March 31, 2006 and 2005 consisted of:

	March 31	
	2006	2005
Contributions by the Bank	\$ 881,610	\$ 832,733
Contributions by employees	<u>-</u>	<u>501,740</u>
	<u>\$ 881,610</u>	<u>\$ 1,334,473</u>

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

	For the Three Months Ended March 31	
	2006	2005
Balance, January 1	\$ 125,821	\$ 121,606
Provision under defined benefit plans	21,970	39,729
Provision under defined contribution plans	19,201	-
Contributions	<u>(36,320)</u>	<u>(46,471)</u>
Balance, March 31	<u>\$ 130,672</u>	<u>\$ 114,864</u>

Pension expenses including domestic and overseas branches amounted to \$47,715 and \$41,287 for the three months ended March 31, 2006 and 2005, respectively.

23. INCOME TAX

Under a directive issued by the MOF, a financial holding company and its domestic subsidiaries which 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 adopted the linked-tax system for income tax filings with its qualified subsidiaries since 2003.

The accounting treatment applied by the Group to the income tax is to adjust in SPH's book the difference between the combined current/deferred taxes and the total of each Group member's current/deferred. Related payables and receivables were recorded in each of the Group members' books.

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

	For the Three Months Ended March 31	
	2006	2005
Current income tax payable	\$ (43,039)	\$ 207,026
Separate taxes on short-term bills interest revenue	70,342	40,169
Change in deferred income taxes	127,216	(60,829)
Income tax on unappropriated earnings	105,994	-
Foreign income taxes over limitation	<u>-</u>	<u>4,589</u>
	<u>\$ 260,513</u>	<u>\$ 190,955</u>

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

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

	For the Three Months Ended March 31	
	2006	2005
Tax on pretax income at 25% statutory rate	\$ 239,500	\$ 259,065
Add (deduct) tax effects of:		
Tax-exempt income	(4,645)	(3,470)
Permanent difference	(153,950)	(111,539)
Temporary difference	(123,612)	63,314
Investment tax credit	<u>(332)</u>	<u>(344)</u>
Current income tax payable	<u>\$ (43,039)</u>	<u>\$ 207,026</u>

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

	March 31	
	2006	2005
Investment income under the equity method	\$ (712,402)	\$ (570,245)
Deferred pension cost	32,946	27,910
Unrealized foreign exchange loss	5,027	77,209
Carry forward of unused tax losses	59,939	-
Effect on linked-tax system	(59,939)	-
Other	<u>(46,555)</u>	<u>(46,555)</u>
Deferred income tax liabilities, net	<u>\$ (720,984)</u>	<u>\$ (511,681)</u>
Deferred income tax assets (included in other assets)	<u>\$ 4,641</u>	<u>\$ 5,519</u>

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

	<u>March 31</u>	
	<u>2006</u>	<u>2005</u>
Receivable from related party	\$ <u>97,082</u>	\$ <u>97,082</u>
Payable to related party	\$ <u>67,554</u>	\$ <u>358,168</u>

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

	<u>March 31</u>	
	<u>2006</u>	<u>2005</u>
Balances of imputed tax credit account	\$ <u>169,498</u>	\$ <u>183,250</u>

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

The tax credits allocable to shareholders are based on the balance of Imputation Credit Account on the dividend distribution date. Thus, the 2005 projected creditable tax ratio may vary from the actual ratio.

- f. Income tax returns through 2002, except those for 1996, had been examined by the tax authorities. On the income tax returns for the aforementioned years, the tax authorities denied the creditability of 10% withholding tax on interest income on bonds pertaining to the period when those bonds were held by other investors. The Bank appealed the decision of the tax authorities. Nevertheless, on the basis of conservative principles, in 2001, the Bank recognized \$111,209 as part of income tax expenses to reflect accrued liabilities and any assets written off in relation to the foregoing withholding taxes.

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

Under the Integrated Income Tax system, noncorporate and ROC-resident stockholders are allowed a tax credit for the income tax paid by the Bank on earnings generated since 1998.

24. EARNINGS PER SHARE

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

	<u>Numerator (Amounts)</u>		<u>Denominator (Shares in Thousands)</u>	<u>EPS (NT\$)</u>	
	<u>Pretax</u>	<u>After Tax</u>		<u>Pretax</u>	<u>After Tax</u>
<u>For the three months ended March 31, 2006</u>					
Basic EPS					
Income before cumulative effect of accounting changes	\$ 958,001	\$ 697,488	1,972,807	\$ 0.49	\$ 0.35
Cumulative effect of accounting change	<u>231,835</u>	<u>249,067</u>	1,972,807	<u>0.11</u>	<u>0.13</u>
Net income of common stockholders	<u>\$ 1,189,836</u>	<u>\$ 946,555</u>	1,972,807	<u>\$ 0.60</u>	<u>\$ 0.48</u>
<u>For the three months ended March 31, 2005</u>					
Basic EPS					
Net income to common stockholders	<u>\$ 1,036,302</u>	<u>\$ 845,347</u>	1,944,398	<u>\$ 0.53</u>	<u>\$ 0.43</u>

25. RELATED-PARTY TRANSACTIONS

In addition to the disclosure in other footnotes, relationship with the Bank and significant transactions between the Bank and related parties were summarized as follows:

a. Related parties

<u>Name</u>	<u>Relationship with the Bank</u>
SinoPac 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

(Continued)

Name	Relationship with the Bank
RSP Information Service Company Limited (RSP Information)	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)	Director of the Bank
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
International Bank of Taipei Co., Ltd. (International Bank of Taipei)	Subsidiary of SPH (became a wholly owned subsidiary of SPH since December 26, 2005)
Formosa Plastic Corporation (Formosa Plastic)	Director of International Bank of Taiwan
Panasonic Taiwan Co., Ltd. (PTW)	Same chairperson with SPH (the chairperson resigned on May 2005)
SinoPac Asia Limited	Affiliate of SinoPac Securities
SinoPac Asia Securities (Asia) Limited	Affiliate of SinoPac Securities
SinoPac Futures Corporation (SinoPac Futures)	Subsidiary of SinoPac Securities
SinoPac Managed Futures Co., Ltd. (SinoPac Managed Futures)	Affiliate of SinoPac Securities
Other	The Bank's directors, supervisors, managers and their relatives, department chiefs, the investees accounted for by the equity method and their subsidiaries, and the investees of SPH's other subsidiaries, etc.
Other	Related parties under the control of the Bank but without transactions, please refer to Table 6

b. Significant transactions between the Bank and related parties

1) Loans

	Ending Balance	% of Total	Interest Rate	Interest Revenue	% of Total
For the three months ended <u>March 31, 2006</u>					
SinoPac Securities	\$ 613,000	0.20%	1.64	\$ 178	0.00%
SPL	455,000	0.15%	1.62-1.72	2,037	0.01%
SinoPac Asia Limited	222,026	0.07%	5.46-5.53	161	0.00%
Formosa Plastic Corporation	101,252	0.03%	3.145	795	0.01%
Others	1,326,506	0.44%	0-10.52	1,040	0.01%

(Continued)

	Ending Balance	% of Total	Interest Rate	Interest Revenue	% of Total
For the three months ended <u>March 31, 2005</u>					
SinoPac Securities	\$ 595,717	0.22%	1.35	\$ 5,892	0.17%
SPL	500,000	0.18%	1.5-4.7	77	-
Wal-Tech International	315,500	0.12%	1.56	959	0.03%
Grand Capital	263,032	0.10%	1.825	41	-
SinoPac Asia Limited	156,074	0.06%	2.85-3.11	45	-
Others	1,973,411	0.73%	1.80-12.60	5,282	0.16%

2) Deposits

	Ending Balance	% of Total	Interest Rate	Interest Expense	% of Total
For the three months ended <u>March 31, 2006</u>					
SPH	\$ 3,338,368	0.84%	0.3-8	\$ 24,830	0.25%
SinoPac Securities	1,875,239	0.47%	0.005-5.01	3,613	0.04%
SinoPac Securities (Asia) Limited	1,108,854	0.28%	0-4.55	161	0.00%
SinoPac Venture Capital	546,811	0.14%	0.3-2.06	844	0.01%
SPLIA	150,738	0.04%	0.3-5.51	100	0.00%
Others	5,731,870	1.44%	0-12.85	12,968	0.13%

For the three months ended
March 31, 2005

PTW	923,254	0.28%	0.3-4.35	1,946	0.10%
SPH	834,144	0.25%	0.3-5.1	709	0.04%
SinoPac Futures	720,260	0.22%	0.3-1.64	1,466	0.08%
SinoPac Securities	644,568	0.19%	0.002-4.6	3,011	0.16%
SinoPac Managed Futures	187,720	0.06%	0.3-1.64	633	0.03%
Others	1,791,388	0.54%	0-7	4,759	0.25%

3) Due from banks and other receivables

	Ending Balance		% of Total	
	March 31		March 31	
	2006	2005	2006	2005
Call loans to banks - International Bank of Taipei	\$ 162,300	\$ 2,933,889	0.49%	11.18%
Due from banks - FENB	74,551	103,401	0.54%	0.33%
Other receivables	40,543	222,664	0.19%	0.88%

4) Financial assets at fair value through profit or loss

	<u>Ending Balance</u>		<u>% of Total</u>	
	<u>March 31</u>		<u>March 31</u>	
	2006	2005	2006	2005
Structured instruments - SinoPac Securities	65,776	54,400	0.21%	0.23%
Beneficiary certificates - SinoPac New Century Fund	70,795	53,750	0.23%	0.18%
Beneficiary certificates - SinoPac Columbus Fund	58,488	42,159	0.19%	0.23%
Other	-	82,316	-	0.33%

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>March 31</u>	
	2006	2005
SinoPac Securities	<u>\$ 35,000</u>	<u>\$ 35,000</u>

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

	<u>March 31</u>	
	2006	2005
Properties - carrying amount	<u>\$ 1,102,170</u>	<u>\$ 1,111,762</u>

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

	<u>March 31</u>	
	2006	2005
Properties and leased assets - carrying amount	\$ 1,170,923	\$ 1,181,314
Certificates of deposit	<u>930,000</u>	<u>410,000</u>
	<u>\$ 2,100,923</u>	<u>\$ 1,591,314</u>

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

	<u>March 31</u>	
	2006	2005
Properties - carrying amount	\$ 40,064	\$ 40,064
Stocks - fair value	7,919	7,748

6) Held-to-maturity 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>March 31</u>	
	<u>2006</u>	<u>2005</u>
Beneficiary certificates - credit card receivables - AnShin Card Services	\$ 80,000	\$ 80,000

7) Revenues and expenses

	<u>Amount</u>		<u>% of Total</u>	
	<u>For the Three Months Ended March 31</u>		<u>For the Three Months Ended March 31</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Service fees	\$ 6,216	\$ 9,876	1.18%	2.12%
Project popularizing expense	22	220	1.23%	0.89%

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

	<u>Face Amount</u>		<u>Cost</u>	
	<u>March 31</u>		<u>March 31</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
SPH				
Short-term bonds sold under agreements to repurchase	\$ 282,000	\$ 614,400	\$ 313,406	\$ 701,246
Other				
Short-term bills and bonds sold under agreements to repurchase	12,246	11,000	13,271	10,944

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 1 to 15 years, with rentals paid monthly. The related information was summarized as follows:

Lessor	<u>Rental Expenses</u>		Lease Term	Payment Frequency
	<u>2006</u>	<u>2005</u>		
SPL	\$ 17,738	\$ 1,508	February 2020	Rentals paid monthly
China Television	-	2,488	July 2005	Rentals paid monthly
Ruentex Development	-	924	September 2010	Rentals paid monthly

b) The Bank as a lessor

Lessee	<u>Rental Income</u> <u>For the Three</u> <u>Months Ended</u> <u>March 31</u>		Lease Term	Payment Frequency
	2006	2005		
SPL	\$ 1,527	\$ -	May 2010	Rentals received monthly
SinoPac Call Center	648	648	October 2006	Rentals received monthly
SinoPac Securities	617	617	November 2008	Rentals received monthly
SinoPac Marketing Consulting	449	468	May 2007	Rentals received monthly
SinoPac Asset Management	182	-	June 2010	Rentals received monthly
AnShin Card Services	68	61	December 2006	Rentals received monthly
SinoPac Venture Capital	2	-	June 2010	Rentals received monthly
WalTech International	15	-	June 2006	Rentals received monthly
SPH	1,550	-	May 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 three months ended March 31, 2006 and 2005 amounted to \$30,489 and \$29,711, respectively.

11) Due from/to affiliates

As of March 31, 2006 and 2005, the Bank's receivables from AnShin Card Services amounted to \$33,023 and \$29,390, respectively.

As of March 31, 2006 and 2005, the Bank's estimated receivables resulting from the adoption of the linked-tax system both amounted to \$97,082, and the estimated payables resulting from the adoption of the linked-tax system as of March 31, 2006 and 2005 amounted to \$22,284 and \$356,168, respectively.

As of March 31, 2006, the cash dividends payable resulting from the appropriation of 2005 earnings amounted to \$1,116,514.

12) Asset transactions

For the three months ended March 31, 2005, the Bank purchased structured instruments from SinoPac Securities amounted to \$54,400.

13) Derivative financial instruments

FENB	<u>March 31, 2006</u>		
	<u>Contract</u> <u>(Notional)</u> <u>Amount</u>	<u>Credit Risk</u>	<u>Fair Value</u>
Interest rate swap contracts	\$ 32,460	\$ -	\$ (87)
Currency swap contracts	967,304	147	129
Forward contracts	5,792	212	(5,910)

SPL	March 31, 2006		
	Contract (Notional) Amount	Credit Risk	Fair Value
Interest rate swap contracts	\$ 80,000	\$ 1,487	\$ 1,487

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.

26. SIGNIFICANT CONTINGENCIES AND COMMITMENTS

In addition to those disclosed in Note 29, financial instruments, significant contingencies and commitments of the Bank, are summarized as follows:

a. Lease contract

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

Year	Amount
April 1 to December 31, 2006	\$ 209,339
2007	235,982
2008	181,166
2009	146,799
2010	104,848

Rentals for the years beyond 2010 amount to \$606,343, the present value of which is about \$509,051 as discounted at the Bank's one-year time deposit rate of 1.99% on April 1, 2006.

b. Equipment purchase contract

The Bank had entered into contracts to buy computer hardware and software for \$177,387, of which \$62,397 had already been paid as of March 31, 2006.

c. Interior decoration contract

The Bank had entered into interior decoration contracts for \$28,632, of which \$25,035 has already been paid as of March 31, 2006.

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

As of March 31, 2006, short-term bills and bonds with a total face amount of \$7,248,390 were sold under agreements to repurchase at \$7,790,095 between April 2006 and September 2006.

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

As of March 31, 2006, short-term bills and bonds with a total face amount of \$5,282,900 were purchased under agreements to resell at \$5,747,986 in April 2006.

- f. The Securities and Futures Investors Protection Center (SFIPC) is believed by investors to be filing a lawsuit against the Bank in the ground that Procomp Informatics Ltd. provided US\$10 million deposit with the Bank's Sungshan Branch and limited the usage as a condition for short-term loan to Addie International Limited granted by SPL and for helping Procomp Informatics Ltd. window-dressing 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 \$4,467,129. As a matter of fact, the Bank was authorized to engage in financing activities and did not help Procomp Informatics Ltd. window-dressing its 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.

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

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

	<u>For the Three Months Ended March 31, 2006</u>	
	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>		
Due from other banks	\$ 4,063,015	4.75
Call loans (placement)	47,928,864	2.89
Due from the Central Bank	8,469,539	1.50
Financial assets at fair value through profit or loss	38,568,548	1.81
Available-for-sale financial assets	69,628,745	1.54
Discounts and loans	300,928,322	3.58
Accounts receivable - factoring	9,840,907	5.10
Held-to-maturity financial assets	3,056,284	2.12
Securities purchased under agreement to resell	11,041,809	1.41
Other financial assets	26,799,270	-
<u>Interest-bearing liabilities</u>		
Due to other banks	3,901,241	2.08
Call loans (taken)	22,947,491	3.03
Demand deposits	104,732,823	0.93
Savings - demand deposits	79,858,674	0.48
Time deposits	242,399,997	1.59
Savings - time deposits	76,330,121	1.92
Negotiable certificates of deposit	21,445,841	1.47
Securities sold under agreement to repurchase	11,450,485	2.24
Bank debentures	35,800,000	1.36

**For the Three Months
Ended March 31, 2005**

	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>		
Due from other banks	\$ 5,347,374	2.27
Call loans (placement)	31,633,366	2.25
Due from the Central Bank	7,244,397	1.50
Securities purchased	70,406,775	1.46
Securities purchased under agreement to resell	17,689,420	1.12
Loans, discounts and bills purchased	270,832,832	3.29
Accounts receivable from factoring	12,776,741	4.02
Other long-term investments	1,409,836	0.92

Interest-bearing liabilities

Due to other banks	64,367	1.03
Call loans (taken)	29,498,266	2.00
Demand deposits	83,604,910	0.65
Savings - demand deposits	74,291,801	0.47
Time deposits	149,310,284	1.14
Savings - time deposits	66,465,146	1.53
Negotiable certificates of deposit	24,256,258	1.12
Securities sold under agreement to repurchase	15,539,500	1.20
Bank debentures	32,800,000	2.20

28. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

	March 31, 2006			
	Due in One Year	Due Between One Year and Five Years	Due After Five Years	Total
<u>Assets</u>				
Cash and cash equivalent	\$ 8,555,647	\$ -	\$ -	\$ 8,555,647
Due from the Central Bank and other banks	47,063,768	-	-	47,063,768
Financial assets at fair value through profit or loss	30,109,090	1,168,690	-	31,277,780
Receivables	20,361,088	-	-	20,361,088
Securities purchased under agreements to resell	5,743,897	-	-	5,743,897
Discounts and loans	68,872,991	61,082,560	174,534,968	304,490,519
Non-active market debt instruments	-	388,415	1,024,870	1,413,285
Available-for-sale financial assets	89,974,928	1,232,300	-	91,207,228
Held-to-maturity investments	<u>979,755</u>	<u>277,686</u>	<u>324,600</u>	<u>1,582,041</u>
	<u>\$ 271,661,164</u>	<u>\$ 64,149,651</u>	<u>\$ 175,884,438</u>	<u>\$ 511,695,253</u>

(Continued)

	March 31, 2006			
	Due in One Year	Due Between One Year and Five Years	Due After Five Years	Total
<u>Liabilities</u>				
Call loans and due to banks	\$ 32,937,617	\$ -	\$ -	\$ 32,937,617
Securities sold under agreements to repurchase	7,773,027	-	-	7,773,027
Payables	12,407,370	-	-	12,407,370
Financial liabilities at fair value through profit or loss	2,270,721	-	-	2,270,721
Deposits and remittances	362,238,549	42,613,000	-	404,851,549
Bank debentures	<u>5,000,000</u>	<u>26,500,540</u>	<u>3,950,848</u>	<u>35,451,388</u>
	<u>\$ 422,627,284</u>	<u>\$ 69,113,540</u>	<u>\$ 3,950,848</u>	<u>\$ 495,691,672</u>

	March 31, 2005			
	Due in One Year	Due Between One Year and Five Years	Due After Five Years	Total
<u>Assets</u>				
Cash and cash equivalent	\$ 6,971,209	\$ -	\$ -	\$ 6,971,209
Due from the Central Bank and other banks	36,861,014	-	-	36,861,014
Securities purchased	67,760,428	-	-	67,760,428
Receivables	28,615,530	-	-	28,615,530
Securities purchased under agreements to resell	17,878,926	-	-	17,878,926
Loans, discounts and bills purchased (excluding nonperforming loans)	86,615,994	29,333,150	155,296,000	271,245,144
Other long-term investments	<u>-</u>	<u>1,094,300</u>	<u>-</u>	<u>1,094,300</u>
	<u>\$ 244,703,101</u>	<u>\$ 30,427,450</u>	<u>\$ 155,296,000</u>	<u>\$ 430,426,551</u>

<u>Liabilities</u>				
Call loans and due to banks	\$ 23,326,456	\$ -	\$ -	\$ 23,326,456
Securities sold under agreements to repurchase	13,009,112	-	-	13,009,112
Payables	14,380,716	-	-	14,380,716
Deposits and remittances	325,444,826	8,792,000	-	334,236,826
Bank debentures	<u>-</u>	<u>27,800,000</u>	<u>5,000,000</u>	<u>32,800,000</u>
	<u>\$ 376,161,110</u>	<u>\$ 36,592,000</u>	<u>\$ 5,000,000</u>	<u>\$ 417,753,110</u>

29. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

	March 31			
	2006		2005	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<u>Assets</u>				
Financial assets - with fair values approximating carrying amounts	\$ 81,682,717	\$ 81,682,717	\$ 88,678,888	\$ 88,678,888
Financial assets at fair value through profit or loss	31,277,780	31,277,780	23,845,169	27,511,998
Available-for-sale financial assets	91,207,228	91,207,228	47,250,616	44,538,054
Discounts and loans	302,589,927	302,589,927	272,083,741	272,083,741
Held-to-maturity investments	1,582,041	1,572,720	2,055,556	2,051,788
Equity investment	7,898,714	7,898,714	8,258,563	8,258,563
Other financial assets	1,827,767	1,827,767	775,497	775,497

(Continued)

	March 31			
	2006		2005	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<u>Liabilities</u>				
Financial liabilities - with fair values approximating carrying amounts	\$ 457,711,057	\$ 457,711,057	\$ 384,757,139	\$ 384,757,139
Financial liabilities at fair value through profit or loss	2,270,721	2,270,721	1,513,961	1,513,961
Other financial liabilities	662,000	662,000	228,989	228,989
Other liabilities	224,128	224,128	890,414	890,414

Effective on January 1, 2006, the Bank adopted the Statement of Financial Accounting Standard No. 34 “Accounting for Financial Instruments”, No. 36 “Disclosure and Presentation of Financial Instruments” and other standards amended for harmonising with those two standards. The amount of the cumulative effect resulting from the change to new accounting principles refers to Note 3.

b. Methods and assumptions applied in estimating the fair values disclosures for financial instruments are as follows:

- 1) The carrying amounts of cash and cash equivalent, due from the Central Bank and other banks, securities purchased under agreements to resell, receivable, call loans and due to banks, payables, securities sold under agreements to repurchase, and remittances, approximate their fair values because of the short maturities of these instruments.
- 2) For financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and hedged derivative financial instruments, fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Bank’s various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using available indirect data and appropriate valuation methodologies.
- 3) Discounts and loans, and deposits 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) When unquoted equity instruments which the Bank does not have significant influence over the investees do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost.
- 5) Forward contracts’ and interest rate swap contracts’ fair values are based on estimates using present value techniques. Options’ fair value are based on estimates using Black Scholes model.
- 6) Fair value of forward contracts are estimated based on the forward rates provided by Reuters or the Associated Press.

Fair value of structured instruments are provided by the counter parties. All outstanding contracts are based on match basis and market risks will be offset.

Fair value of interest rate swap contracts and cross currency swap contracts are estimated based on the market quotation provided by Reuters.

c. For the three months ended March 31, 2006 and 2005, gains (losses) on valuation of financial assets and liabilities at fair value through profit or loss were \$73,956 and (\$455,673), respectively.

- d. Interest revenue of financial assets and liabilities other than those at fair value through profit or loss amounted to \$4,725,280 and \$3,297,302, respectively, for the three months ended March 31, 2006 and 2005. Interest expense of financial assets and liabilities other than those at fair value through profit or loss amounted to \$3,029,165 and \$1,759,535, respectively, for the three months ended March 31, 2006 and 2005. Unrealized gains or losses on available-for-sale financial assets amounted to \$102,846 were charged to stockholders' equity.
- e. Commissions and fee revenues, net \$459,061 is consisted of revenues of \$527,168 and charges of \$68,107 for the three months ended March 31, 2006.
- f. Realized gain and gain on valuation of financial assets and liabilities at fair value through profit or loss were \$217,778 and \$73,956, respectively, for the three months ended March 31, 2006.
- g. Financial risk information

1) Market risk

The Bank sets up risk managing indicators according to the characters of the products to achieve the goal of risk management. The Bank evaluates market risk exposure limits approved by the board of directors and informs related units when over the limits timely.

Fair value of financial assets and financial liabilities determined based upon quoted market prices or estimates summarized as follows:

	<u>Quoted Market Prices</u>	<u>Fair Value Based on Estimates</u>
	March 31, 2006	
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	\$ 24,906,448	\$ 6,371,332
Available-for-sale financial assets	90,192,928	1,014,300
Held-to-maturity investments	1,485,811	96,230
Other financial assets	-	1,691,575
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss	1,518,171	752,550

The Bank establishes various specialist committees in head office and oversea branches to perform the role of implementing the risk management policies and procedures. Each sub-risk management team reviews limits on monitoring and managing risk exposures under the respective supervision and reports to head office management team.

Market risk reports which include the monitor of outstanding position limitation of loss and quantitative measures of risk indicators are provided to risk management sector to manage risk exposure, risk premium and capital allocation. The indicators are calculated by the valuation models. The Bank uses the value-at-risk approach and Monte Carlo simulation method to derive quantitative measures for the trading book market risks under normal condition since 2005.

The Bank formally document in writing its intention to apply hedge accounting and follow the requirement of related accounting standards. Risk management sector should assess the effectiveness of the hedge relationship periodically.

2) Credit risk

The Bank is exposed to credit risk in the event of default on contracts by counter-parties. 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 March 31, 2006 and 2005, ratios of secured loans to total loans were 71% and 70%, respectively. Ratio of secured financial guarantees and standby letters of credits were from 14.2% to 18.2%. 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. 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 maximum potential amount of future payments represents the notional amounts that could be lost under the guarantees if there were a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions or from collateral held or pledged.

The maximum credit exposure of the financial instruments held by the Bank equaled the book value except which analysed as follows:

Items	March 31			
	2006		2005	
	Carrying Amount	Maximum Credit Exposure	Carrying Amount	Maximum Credit Exposure
Off-balance-sheet credit risk				
Financial guarantees and standby letter of credit	\$ -	\$ 13,507,748	\$ -	\$ 13,965,019
Undrawn loan commitments	-	2,546,749	-	2,971,887

The Bank applied the ROC SFAS No. 34 "Accounting for Financial Instruments" since January 1, 2006, thus the relative illustration of the cumulative effect of changes in accounting principles and equity adjustments refer to Note 3.

Concentrations of credit risk exist when changes in economic, industry or geographic factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to the Bank's total credit exposure. The Bank maintains a diversified portfolio, limits its exposure to any one geographic region, country or individual creditor and monitors the exposure on a continuous basis. On March 31, 2006 and 2005, the Bank's most significant concentrations of credit risk were summarized as follows:

Credit Risk Profile by Counterparty	March 31			
	2006		2005	
	Carrying Amount	Maximum Credit Exposure	Carrying Amount	Maximum Credit Exposure
Private sector	\$ 88,804,349	\$ 88,804,349	\$ 86,482,734	\$ 86,482,734
Consumer	213,755,946	213,755,946	184,034,762	184,034,762
Government	2,063,775	2,063,775	2,699,000	2,699,000
	<u>\$ 304,624,070</u>	<u>\$ 304,624,070</u>	<u>\$ 273,216,496</u>	<u>\$ 273,216,496</u>

Credit Risk Profile by Industry Sector	March 31			
	2006		2005	
	Carrying Amount	Maximum Credit Exposure	Carrying Amount	Maximum Credit Exposure
Electricity industry	\$ 25,198,348	\$ 25,198,348	\$ 26,314,204	\$ 26,314,204
Wholesale trade	11,024,281	11,024,281	10,640,528	10,640,528
Insurance and real estate activities	7,876,098	7,876,098	3,804,761	3,804,761
	<u>\$ 44,098,727</u>	<u>\$ 44,098,727</u>	<u>\$ 40,759,493</u>	<u>\$ 40,759,493</u>

Credit Risk Profile by Region	March 31			
	2006		2005	
	Carrying Amount	Maximum Credit Exposure	Carrying Amount	Maximum Credit Exposure
Domestic area	\$ 295,299,545	\$ 295,299,545	\$ 264,848,402	\$ 264,848,402
Asia	4,374,017	4,374,017	2,845,015	2,845,015
North America	4,244,859	4,244,859	4,206,197	4,206,197
	<u>\$ 303,918,421</u>	<u>\$ 303,918,421</u>	<u>\$ 271,899,614</u>	<u>\$ 271,899,614</u>

3) Liquidity risk

As of March 31, 2006 and 2005, the liquidity reserve ratio was 34.83% and 24.41%, respectively. The Bank has sufficient capital and working capital to execute all the obligation of contract and had no liquidity risk. The possibility of the derivative financial instruments held by the Bank fail to liquidate quickly with minimal loss in value.

The management policy of the Bank is to match in the contractual maturity profile and interest rate of its assets and liabilities. As a result of the uncertainty, the maturities and interest rates of assets and liabilities usually didn't fully match. The gap may arise potential gain or loss.

The Bank applied appropriate way to group assets and liabilities. The maturity analysis of assets and liabilities was as follows:

	March 31, 2006			
	Up to 1 Year	Over 1 to 5 Years	Over 5 years	Total
<u>Assets</u>				
Cash and cash equivalents	\$ 8,555,647	\$ -	\$ -	\$ 8,555,647
Due from the Central Bank and other banks	47,063,768	-	-	47,063,768
Financial assets at fair value through profit or loss	30,109,090	1,168,690	-	31,277,780
Accounts, interest and other receivables	20,361,088	-	-	20,361,088
Available-for-sale financial assets	89,974,928	1,232,300	-	91,207,228
Discounts and loans	68,872,991	61,082,560	174,534,968	304,490,519
Held-to-maturity investments	979,755	277,686	324,600	1,582,041
	<u>265,917,267</u>	<u>63,761,236</u>	<u>174,859,568</u>	<u>504,538,071</u>
<u>Liabilities</u>				
Call loans and due to banks	32,937,617	-	-	32,937,617
Accounts, interest and other receivables	12,407,370	-	-	12,407,370
Deposits and remittance	362,238,549	42,613,000	-	404,851,549
Bank debentures	5,000,000	26,500,540	3,950,848	35,451,388
Hedge derivative financial liabilities	-	299,460	49,152	348,612
	<u>412,583,536</u>	<u>69,413,000</u>	<u>4,000,000</u>	<u>485,996,536</u>
Net liquidity gap	<u>\$ (146,666,269)</u>	<u>\$ (5,651,764)</u>	<u>\$ 170,859,568</u>	<u>\$ 18,541,535</u>

4) Cash flow risk and fair value risk arising from interest rate fluctuations

Interest rate risk is the risk to earnings and value of financial instruments caused by fluctuations in interest risk. The risk is considered to be material to the Bank, and the Bank enters into interest rate swap contracts to manage the risk.

h. Fair value hedge

The Bank enters into interest rate swap contracts and cross currency swap contracts to hedge the risk the interest rate fluctuation of the bank debenture.

Hedged Items	Hedging Instruments	March 31			
		2006		2005	
		Notion Amount	Fair Value	Notion Amount	Fair Value
Bank debentures	Interest rate swap	\$ 11,200,000	\$ (205,847)	\$ 11,716,000	\$ 238,458
	Cross currency swap	<u>14,300,000</u>	<u>554,459</u>	<u>14,300,000</u>	<u>1,458,036</u>
		<u>\$ 25,500,000</u>	<u>\$ 348,612</u>	<u>\$ 26,016,000</u>	<u>\$ 1,696,494</u>

30. MARKET RISK CONTROL AND HEDGE STRATEGY

The Bank documents the risk management policies, including overall operating strategies and risks control philosophy. The Bank's overall risk management policies are to minimize the possibility of potential unfavorable factors. The board of directors approves the documentation of overall risk management policies and specific risk management policies; including exchange rate risk, interest rate risk, credit risk, derivative instruments transactions and managements. The board of directors review the policies annually, and review the operation to make sure the Bank's policies are executed properly.

31. ASSET QUALITY, CONCENTRATION OF CREDIT EXTENSIONS, INTEREST RATE SENSITIVITY, PROFITABILITY AND MATURITY ANALYSIS OF ASSETS AND LIABILITIES

a. Asset quality

March 31, 2006

(In Thousands of New Taiwan Dollars, %)

Item	Amount	Overdue Loans/ Outstanding Loan Balance
Overdue loans - class A	\$3,417,835	1.12%
Overdue loans - class B	323,181	0.11%
Total overdue loans	3,741,016	1.23%

Note 1: Overdue loans represent the amounts of reported overdue loans pursuant to "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrued Loans" issued by the MOF.

Note 2: Overdue loans - class A and class B represent the amounts of reported overdue loans as required by the Banking Bureau letters dated April 19, 2005 (Ref. No. 0941000251).

Note 3: Overdue loans ratio = Overdue loans/Outstanding loans balance.

March 31, 2005

(In Thousands of New Taiwan Dollars, %)

Item	March 31, 2005
Overdue loans (including nonperforming loans) (Note 1)	\$2,353,051
Nonperforming loans	1,972,122
Overdue loans ratio (Note 2)	0.86
Classified loans (Note 3)	385,682
Ratios of classified loans to total loans	0.14
Allowance for credit losses	1,144,904
Write-off amounts of credits (Note 4)	179,901

Note 1: 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).

Note 2: Overdue loans ratio = Overdue loans (including nonperforming loans)/(Outstanding loan balance + Nonperforming loans). If overdue loans (including nonperforming loans)/Total credits, the overdue loans ratio as of March 31, 2005 and 2004 were 0.73% and 1.20%, respectively.

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

Note 4: Write-off amounts of credits = Accumulated write-off amounts of credits for the three months ended March 31, 2006.

b. Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

	March 31, 2006		March 31, 2005	
Credit extensions to interested parties	\$5,276,956		\$3,977,641	
Ratios of credit extensions to interested parties	1.53		1.24	
Ratios of credit extensions secured by pledged stocks	0.10		0.15	
Industry concentration	Industry	Percentage	Industry	Percentage
	Consumer	77.55%	Consumer	76.01%
	Manufacturing	9.07%	Manufacturing	9.99%
	Wholesaling and retailing	4.42%	Wholesaling and retailing	5.11%

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

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

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

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

c. Interest rate sensitivity information

Interest Rate Sensitivity (New Taiwan Dollars)
March 31, 2006

(In Millions of New Taiwan Dollars, %)

Items	1 to 90 Days (Included)	90 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-rate sensitive assets	\$ 360,266	\$ 13,342	\$ 9,829	\$ 17,647	\$ 401,084
Interest-rate sensitive liabilities	159,350	128,500	55,536	14,611	357,997
Interest-rate-sensitive gap	200,916	(115,158)	(45,707)	3,036	43,087
Net worth					28,812
Ratio of interest-rate sensitive assets to liabilities					112.04%
Ratio of interest-rate sensitive gap to net worth					149.55%

Note 1: The above amounts included only New Taiwan dollar amounts held by the onshore branches of the Bank (i.e., excluding foreign currency).

Note 2: Interest-rate sensitive assets and liabilities mean the revenues or costs of interest-earnings assets and interest-bearing liabilities are affected by interest-rate changes.

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

Note 4: Ratio of interest-rate sensitive assets to liabilities = Interest-rate sensitive assets/Interest-rate sensitive liabilities (in New Taiwan dollars).

Interest Rate Sensitivity (USD)
March 31, 2006

(In Thousands of U.S. Dollars, %)

Items	1 to 90 Days (Included)	90 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-rate sensitive assets	\$ 1,905,123	\$ 196,507	\$ 44,786	\$ 219,323	\$ 2,365,739
Interest-rate sensitive liabilities	2,156,058	934,999	118,994	1,878	3,211,929
Interest-rate-sensitive gap	(250,935)	(738,492)	(74,208)	217,445	(846,190)
Net worth					2,571
Ratio of interest-rate sensitive assets to liabilities					73.65%
Ratio of interest-rate sensitive gap to net worth					(32,912.87%)

Note 1: The above amounts include only USD amounts held by the onshore branches, OBU and offshore branches of the Bank, excludes contingent assets and contingent liabilities.

Note 2: Interest-rate sensitive assets and liabilities mean the revenues or costs of interest-earnings assets and interest-bearing liabilities are affected by interest-rate changes.

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

Note 4: Ratio of interest-rate sensitive assets to liabilities = Interest-rate sensitive assets/Interest-rate sensitive liabilities (in U.S. dollars)

d. Profitability

(%)

Items		Three Months Ended	Three Months Ended
		March 31, 2006	March 31, 2005
Return on total assets	Before income tax	0.73	0.90
	After income tax	0.72	0.73
Return on net worth	Before income tax	13.97	14.47
	After income tax	13.81	11.81
Profit margin		35.46	35.30

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

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

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

Note 4: Income before (after) income tax represents income for the three months ended March 31, 2006 and 2005.

Note 5: The above profitability ratios are exchanged to annual rates.

e. Maturity analysis of asset and liabilities

Maturity Analysis of Asset and Liabilities (In New Taiwan Dollars)
March 31, 2006

(In Millions of New Taiwan Dollars)

	Total	The Amount of Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Main capital inflow on maturity	\$ 494,829	\$ 160,011	\$ 42,095	\$ 20,360	\$ 33,427	\$ 238,936
Main capital outflow on maturity	497,623	103,775	83,798	88,934	110,966	110,150
Gap	(2,794)	56,236	(41,703)	(68,574)	(77,539)	128,786

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

Maturity Analysis of Assets and Liabilities (In U.S. Dollars)
March 31, 2006

(In Thousands of U.S. Dollars)

	Total	The Amount of Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Capital inflow on maturity	\$ 6,617,552	\$ 2,251,702	\$ 1,469,037	\$ 1,141,454	\$ 1,631,996	\$ 123,363
Capital outflow on maturity	6,747,858	2,299,309	1,312,197	1,133,248	1,562,534	440,570
Gap	(130,306)	(47,607)	156,840	8,206	69,462	(317,207)

Note A: The above amounts are book value held by the onshore branches and offshore banking unit of the Bank in U.S. dollars, without off-balance amounts (for example, the issuance of negotiable certificate of deposits, bonds or stocks).

Note B: If the overseas assets amounting to at least 10% of the total assets, there should be additional disclosures.

March 31, 2005

(In Million of New Taiwan Dollars)

	Total	The Amount of Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Assets	\$ 435,061	\$ 123,961	\$ 59,671	\$ 22,628	\$ 15,926	\$ 212,875
Liabilities	438,226	94,701	88,400	51,567	48,805	154,753
Gap	(3,165)	29,260	(28,729)	(28,939)	(32,879)	58,122
Accumulated gap	(3,165)	29,260	531	(28,408)	(61,287)	(3,165)

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

32. STATEMENT OF CAPITAL ADEQUACY

(%)

	December 31, 2005	December 31, 2004
Net eligible capital	38,116,753	34,320,898
Total risk-weighted assets	292,885,713	271,599,515
Capital adequacy ratios	13.01	12.64
Ratios of tier 1 capital to risk-weighted assets	9.42	10.40
Ratios of tier 2 capital to risk-weighted assets	3.72	3.56
Ratios of tier 3 capital to risk-weighted assets	-	-
Ratios of the deduction from capital to risk-weighted assets	(0.13)	(1.32)
Ratios of common stockholders' equity to total assets	5.28	5.99

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 December 31, 2005 and 2004.

33. INFORMATION REGARDING THE TRUST BUSINESS UNDER THE TRUST LAW

a. Balance sheets and trust properties of trust accounts

Balance Sheets of Trust Accounts March 31, 2006 and 2005

Trust Assets	2006	2005	Trust Liabilities	2006	2005
Bank deposits	\$ 935,101	\$ 1,218,793	Payables	\$ 9,965	\$ 458
Short-term investments	58,352,943	53,638,852	Trust capital	62,068,965	57,326,992
Receivables	53,867	185,310	Cumulative earnings	<u>1,390,655</u>	<u>1,243,724</u>
Prepayments	15	22			
Properties	3,627,473	2,867,799			
Net asset value of collective investment trust fund	<u>500,186</u>	<u>660,398</u>			
Total trust assets	<u>\$ 63,469,585</u>	<u>\$ 58,571,174</u>	Total trust liabilities	<u>\$ 63,469,585</u>	<u>\$ 58,571,174</u>

**Trust Properties of Trust Accounts
March 31, 2006 and 2005**

Investment Portfolio	2006	2005
Bank deposits	\$ 935,101	\$ 1,218,793
Short-term investments		
Bonds	12,261,145	9,467,052
Common stock	4,567,693	4,291,423
Funds	41,524,105	39,880,377
	<u>58,352,943</u>	<u>53,638,852</u>
Receivables	<u>53,867</u>	<u>185,310</u>
Prepayments	<u>15</u>	<u>22</u>
Properties		
Land	2,708,588	2,222,583
Buildings	26,685	7,530
Construction in process	<u>892,200</u>	<u>637,686</u>
	<u>3,627,473</u>	<u>2,867,799</u>
Net asset value of collective investment trust fund	<u>500,186</u>	<u>660,398</u>
 Total	 <u>\$ 63,469,585</u>	 <u>\$ 58,571,174</u>

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

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

March 31, 2006

Category	Account Volume	Amounts	Situation of Exercise	
			Normal	Overdue
Consumer loans (Note 1)	288	\$ 239,011	\$ 239,011	-
Loans for employees' family mortgage	228	547,337	547,337	-
Other borrowers (Note 2)	624	4,686,623	4,686,623	-
Guarantees	480	1,845,539	1,845,539	-
Collateral providers	1,064	7,856,981	7,856,981	-

March 31, 2005

Category	Account Volume	Amounts	Possibility of Loss
Consumer loans (Note 1)	412	\$ 261,780	-
Loans for employees' family mortgage	254	622,256	-
Other borrowers (Note 2)	637	3,479,208	-
Guarantees	498	2,236,711	-
Collateral providers	1,194	5,924,034	-

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

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

Note 3: The interest parties mentioned above is regulated in the banking Law Article 33-1.

35. CROSS SELLING INFORMATION

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 three months ended March 31, 2006, the Bank charged SPPIA for \$1,106 as service fees, and charged SPLIA for \$2,889 as incentive rewards and for \$690 as promoting rewards, respectively, under cross selling business.

36. ADDITIONAL DISCLOSURES

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

- 1) Financing provided: Table 1;
- 2) Endorsement/guarantee provided: Table 2;
- 3) Marketable securities held: Table 3;
- 4) Marketable securities acquired and disposed of, at costs or prices of at least NT\$300 million or 10% of the issued capital: None;
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 10% of the issued capital: None;
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 10% of the issued capital: None;
- 7) Financial asset securitization: Please refer to Note 10;
- 8) Allowance for service fees to related-parties amounting to at least NT\$5 million: None;
- 9) Receivables from related parties amounting to at least NT\$300 million or 10% of the issued capital: None;
- 10) Sale of nonperforming loans amounting to at least NT\$5 billion: None;
- 11) Other significant transactions which may affect the decisions of users of financial reports: None;
- 12) Names, locations, and other information of investees on which the Bank exercises significant influence: Table 4;
- 13) Derivative financial transactions: The derivative financial instruments of the Bank are disclosed in Notes 6 and 29, and the derivative financial instrument 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 financial instrument 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 March 31, 2006 and 2005, the contract amounts (or notional amounts), credit risks and fair values of outstanding contracts were as follows:

Financial Instruments	March 31, 2006		
	Contract (Notional) Amount	Credit Risk	Fair Value
For the purpose of accommodating customers' needs or managing FENB's exposures:			
Interest rate swap contracts	\$ 32,460	\$ -	\$ (87)
Currency swap contracts	967,304	147	129
Forward contracts			
- Sell	5,792	212	(5,910)
Financial Instruments	March 31, 2005		
	Contract (Notional) Amount	Credit Risk	Fair Value
For the purpose of accommodating customers' needs or managing FENB's exposures:			
Forward contracts			
- Sell	\$ 13,425	\$ 403	\$ (13,159)

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 three months ended March 31, 2006 and 2005 were insignificant.

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

BANK SINOPAC AND INVESTEES

FINANCING PROVIDED
THREE MONTHS ENDED MARCH 31, 2006
(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	\$ 145,155 (Note)	\$ 145,242 (Note)	US: 4.21%-4.75% HK: 3.73%-4.22%	Short-term financing	\$ -	Working capital	\$ -	-	\$ -	\$ - (Note 1)	\$ - (Note 1)
2	SinoPac Leasing Corporation	Wal-Tech International Corporation	Other receivable - related parties	179,000	179,000	2.3%	Short-term financing	-	Repay of borrowings	895	-	-	568,000	8,705,007

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
THREE MONTHS ENDED MARCH 31, 2006
(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)	\$ 3,515,888 (Note 1)	\$ 3,515,888 (Note 1)	-	12.63%	(Note 3)
		Wal Tech International Corporation	Affiliate	(Note 2)	16,000	16,000	-	0.06%	(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 March 31, 2006, the limit was \$4,352,504.

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 March 31, 2006, the maximum allowance was \$10,881,259.

Note 4: The net asset value of SinoPac Leasing Corporation was based on its reviewed financial statements as of March 31, 2006.

BANK SINOPAC AND INVESTEEES

MARKETABLE SECURITIES HELD

MARCH 31, 2006

(In Thousands of New Taiwan Dollars)

Name of Holding Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	March 31, 2006				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	Equity investments - equity method	180	\$ 6,011,627	100.00%	\$ 6,011,627	Note 3
	SinoPac Financial Service (USA) Ltd.	Subsidiary	Equity investments - equity method	2.5	27,826	100.00%	27,826	Note 3
Far East Capital Corporation	<u>Stock (common stock)</u> PCRS Capital Partners, LLC	-	Unquoted equity investments	-	1,337	4.00%	1,337	Note 5
	TVIA, Inc.	-	Unquoted equity investments	33	3,051	0.20%	3,051	Note 5
	<u>Stock (preferred stock)</u> AgraQuest, Inc.	-	Unquoted equity investments	100	880	0.80%	880	Note 5
	Silicon Motion, Inc.	-	Unquoted equity investments	11	4,508	0.20%	4,508	Note 5
	Zone Reactor, Inc.	-	Unquoted equity investments	23	1,093	1.50%	1,093	Note 5
	SinoPac Leasing Corporation	<u>Stock</u> Grand Capital International Limited	Subsidiary	Equity investments - equity method	29,900	572,119	100.00%	572,119
Global Securities Finance Corp.		Investee accounted for by the cost method	Unquoted equity investments	1,423	15,664	0.19%	15,869	Note 3
SinoPac Capital Limited	<u>Stock</u> SinoPac Capital (B.V.I.) Ltd.	Subsidiary	Equity investments - equity method	4,450	144,330	100.00%	177,410	Note 3
	SinoPac Insurance Brokers Ltd.	Subsidiary	Equity investments - equity method	100	1,280	100.00%	2,036	Note 3
	SinoPac (Hong Kong) Nominees Ltd.	Subsidiary	Equity investments - equity method	0.001	0.004	100.00%	0.004	Note 3
	HC-shares	-	Trading financial assets	7,998	52,532	1.72%	46,169	Note 2
	Suga International	-	Trading financial assets	7,080	42,859	3.11%	21,027	Note 2
	ZZNode	-	Trading financial assets	12,004	29,593	3.00%	26,111	Note 2
	Norstar	-	Trading financial assets	6,908	56,160	0.71%	106,916	Note 2
	Hans Energy	-	Trading financial assets	21,000	48,327	0.80%	41,286	Note 2
	China-Metal	-	Trading financial assets	300	1,782	0.03%	3,357	Note 2
	Wealthmark	-	Trading financial assets	15,327	34,621	5.11%	38,468	Note 2
	MagnaChip	-	Available-for-sale financial assets	16	64,920	-	64,920	Note 2
	Bestfield Enterprises Ltd.	-	Available-for-sale financial assets	38	48,690	-	48,690	Note 2
	<u>Fund</u> China Enterprise Capital	-	Available-for-sale financial assets	20	32,460	-	32,460	Note 5

(Continued)

Name of Holding Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	March 31, 2006				Note
				Shares/Units/ Face Amount (In Thousand)	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
SinoPac Capital (B.V.I.) Ltd.	<u>Stock</u>							
	Cyberpac Holding Ltd. (B.V.I.)	Subsidiary	Equity investments - equity method	4,000	\$ 129,840	100.00%	\$ 1,658	Note 3
	Shanghai International Asset Management (Hong Kong) Co., Ltd.	Subsidiary	Equity investments - equity method	4,800	36,630	60.00%	39,346	Note 3
	Pinnacle Investment Management Ltd.	Subsidiary	Equity investments - equity method	200	6,492	100.00%	3,679	Note 3
	RSP Information Service Company Limited	Subsidiary	Equity investments - equity method	1000	4,162	100.00%	1,936	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 GreTai Securities Market stocks were determined by average daily closing prices in March 2006.

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.

BANK SINOPAC AND INVESTEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
 FOR THE THREE MONTHS ENDED MARCH 31, 2006
 (In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2006			Net Income (Loss) of the Investee (Note 2)	Investment Gains (Loss) (Note 2)	Invested by the Same Person, the Same Related Person	Note
				March 31, 2006 (Note 1)	March 31, 2005 (Note 1)	Shares (Thousand)	Percentage of Ownership (%)	Carrying Amount (Note 2)				
Bank SinoPac	SinoPac Bancorp	California	Stock holding	US\$ 112,306	US\$ 112,306	20	100.00	\$ 5,820,520	\$ 121,911	\$ 120,081	-	Subsidiary
	SinoPac Leasing Corporation	Taipei	Oversea trading, leasing and financing	999,940	999,940	176,689.62	99.7683	1,141,016	48,122	41,109	-	Subsidiary
	SinoPac Capital Limited	Hong Kong	Financial advisory	HK\$ 229,998	HK\$ 229,998	229,998	99.9991	934,922	50,077	48,016	-	Subsidiary
	SinoPac Financial Consulting Co., Ltd.	Taipei	Investment advisory and business management advisory	\$ 1,940	\$ 1,940	194	97.00	2,256	2	2	-	Subsidiary
SinoPac Bancorp	Far East National Bank SinoPac Financial Service (USA) Ltd.	California	Commercial bank	US\$ 112,714	US\$ 112,714	180	100.00	6,011,627	132,939	-	-	Affiliate
		California	Securities brokerage	US\$ 25	US\$ 25	2.5	100.00	27,826	(7,873)	-	-	Affiliate
Far East National Bank	Far East Capital Corporation	California	Investment bank	US\$ 3,500	US\$ 3,500	350	100.00	57,526	1,713	-	-	Affiliate
SinoPac Leasing Corporation	Grand Capital International Limited	British Virgin Islands	Factoring, leasing, and financing	US\$ 29,900	US\$ 29,900	29,900	100.00	572,119	31,074	-	-	Affiliate
SinoPac Capital Limited	SinoPac Capital (B.V.I.) Ltd.	British Virgin Islands	Financial advisory	US\$ 4,450	US\$ 4,450	4,450	100.00	144,330	254,164	-	-	Affiliate
	SinoPac Insurance Brokers Ltd.	Hong Kong	Insurance brokerage	HK\$ 300	HK\$ 300	100	100.00	1,280	198	-	-	Affiliate
	SinoPac (Hong Kong) Nominees Ltd.	Hong Kong	Custody securities	HK\$ 0.001	HK\$ 0.001	0.001	100.00	0.004	-	-	-	Affiliate
SinoPac Capital (B.V.I.) Ltd.	Cyberpac Holding Ltd. (B.V.I.)	British Virgin Islands	Investment and advisory	US\$ 4,000	US\$ 4,000	4,000	100.00	129,840	-	-	-	Affiliate
	Shanghai International Asset Management (Hong Kong) Co., Ltd.	Hong Kong	Asset management	HK\$ 10,000	HK\$ 10,000	4,800	60.00	36,630	(744)	-	-	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\$ 1,560 HK\$ 1,000	US\$ 1,560 HK\$ 1,000	200 1,000	100.00 100.00	6,492 4,162	(13) (100)	- -	- -	Affiliate Affiliate