SinoPac Bank SinoPac

2005 ANNUAL REPORT

A Customer-driven Financial Service Provider

Dynamic Growth . Execution Power . Performer of Excellence


SinoPac
建華銀行

2005 ANNUAL REPORT

CONTENTS

SinoPac Bank SinoPac

Financial Highlights

(in NT$ millions, except per share data)	2005		2004
	NT$	US$ (1)	NT$
For the year			
Pretax income	**2,665**	**81.11**	4,903
Net income	**2,117**	**64.45**	4,285
At year-end			
Deposits and remittances	**398,499**	**12,130.87**	329,552
Loans (2)	**302,284**	**9,201.95**	260,718
Securities purchased	**85,594**	**2,605.60**	94,880
Total assets	**522,510**	**15,905.93**	471,441
Shareholders' equity	**27,594**	**840.01**	28,234
Per share			
Earnings per share	**1.03**	**0.03**	2.05
Shareholders' equity per share	**13.99**	**0.43**	14.52
Dividends declared per share (3)			
- Cash dividend	**0.57**	**0.017**	0.73
- Stock dividend	**-**	**-**	0.73
Capital adequacy			
BIS ratio(consolidated)	**10.94%**	**-**	11.25%

Note: (1) US dollar amounts are converted for convenience only at NT$32.850 per dollar, the prevailing rate on Dec. 30, 2005.

(2) Representing total loans, discounts and bills purchased.

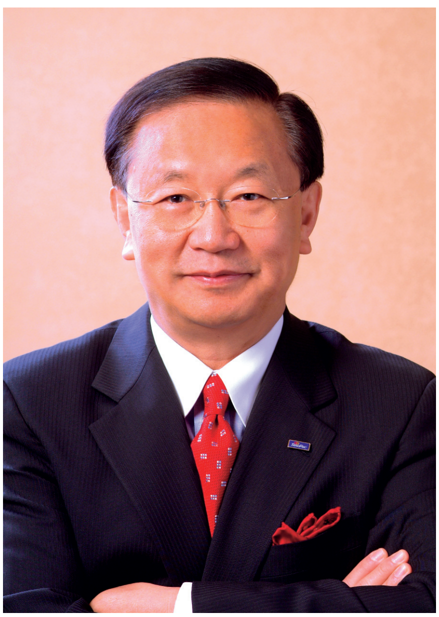
(3) Dividends are distributed in the following year.

Message from the Chairman and the President

We are delighted to report a most significant achievement in Bank SinoPac's history, since we first opened for business in January 1992. The Board of Directors of SinoPac Financial Holdings Company Ltd. (SinoPac Holdings) and the Board of Directors of International Bank of Taipei voted to merge the two entities. In this merger of equals, the share for share equity exchange enables International Bank of Taipei to become a wholly owned subsidiary of SinoPac Holdings. This action paves the way for the merger of Bank SinoPac and International Bank of Taipei in 2006. Once the two subsidiary banks become fully integrated, the combined entity will be Taiwan's fourth largest private-owned bank and the 8th largest financial holding company with assets exceeding NT$1 trillion (US$32 billion). The newly formed entity will boost a network of 129 domestic branches, 32 locations overseas in the U.S., Hong Kong, Macau, Vietnam and China, and a client base of over 2.5 million. The combined size, strength and management expertise makes the newly formed franchise a prominent financial institution in Taiwan and the highly competitive Asia Pacific market.

The 2005 business environment for financial institutions in Taiwan was a difficult one. Oil prices continued to climb and broke US$70 per barrel at one point. Prices of raw materials and basic metals also remained at high levels throughout the year. These factors greatly increased manufacturing costs and consequently created inflationary pressure in many economies. In the U.S., the Federal Reserve Bank increased the federal funds rate 13 consecutive times, from 1% p.a. to 4.25% p.a. by the end of 2005. These actions had a great impact on foreign exchange markets, causing major currencies to depreciate considerably against the U.S. Dollar.

In contrast to the fast-changing international financial environment, Taiwan's domestic economy was stagnant for most of 2005. Taiwan's gross domestic product was expected to have grown by a mere 4.09% in 2005, far short of the 6.07% growth for the previous year. Additionally, private investment decreased by 1.34% in 2005, compared with a growth of 31% for the year prior. Deteriorating signs were also apparent in foreign trade, with the trade surplus declining 83% to US$790 million for the first seven months of 2005. Fortunately, export momentum resumed in the latter part of the year, aided by the weaker NT Dollar, and total surplus increased to US$7.8 billion, resulting in an annual increase of 27% in Taiwan's trade surplus. Nevertheless, domestic macroeconomic conditions continued to be sluggish with weakening domestic business activity.



Paul C. Lo, Chairman

Consumer banking business activities were dampened by increasingly large credit card debts in the second half of 2005. Many domestic banks deployed extensive resources to boost their consumer business, encouraging people to use their credit cards, cash cards and small personal loan products. This propelled consumer revolving outstanding credit balances to grow rapidly to some NT$800 billion. Bank SinoPac, in keeping with its prudent risk management strategy, chose not to pursue the popular fast-growing cash card business. As a result, AnShin Card Services, a subsidiary of SinoPac Holdings, was shielded from the huge negative impact of consumer credit card losses prevalent in Taiwan. Bank SinoPac was able to concentrate its efforts in expanding other consumer-related product development, including the successful "MMA 3G Wealth Management" program. This product, based on Bank SinoPac's well-known and highly-acclaimed MMA money management account platform, is designed to provide individual clients with the latest investment planning tools for use during various stages of their lifetimes and technology to pursue appropriate yield investments during each stage. Coupled with SinoPac Holdings' comprehensive array of products offered through its numerous subsidiaries, our customers can build a long-term financial strategy to accommodate their personal investment needs for all "3 Generations" with flexible portfolio and asset allocation options, including mutual funds, loan and insurance products.

As a result of active product campaigns and business development, Bank SinoPac's 2005 year-end deposits increased 21% to NT$398 billion, up NT$69 billion over the prior year. Loan outstandings increased by 16% or NT$42 billion to reach NT$304 billion, while total credit lines increased by NT$36 billion to NT$349 billion. At the same time, the delinquency ratio for loans was kept at a low rate of only 1.01%, a further improvement of 4 basis points from 2004. The reserves to loan loss coverage ratio also improved from 45% in 2004 to 52% in 2005. Total net earnings for 2005 were NT$2.12 billion, or NT$1.03 per share. This exceptional accomplishment was the direct result of the high caliber, teamwork, and diligence of the Bank SinoPac staff, in their efforts to weather constant market changes and to pursue steadfast growth amid turbulent business conditions.

Bank SinoPac's vigorous employment of resources and enthusiastic forward-looking efforts in its overseas markets also yielded impressive results. Far East National Bank in California, a wholly owned subsidiary, reported after-tax earnings of US$17.8 million and a 10.3% return on equity for 2005. Its year-end net worth was US$182 million, with total deposits of US$1.3 billion and loan outstandings of US$1.2 billion. Bank SinoPac's Hong Kong Branch also reported remarkable performance, posting substantially higher after-tax earnings of US$13 million, with total deposits of US$750 million and loan outstandings of US$355 million.

Despite increasing competition and challenging markets, Bank SinoPac continues to strive for the highest performance standards and to enhance its capabilities in the various facets of its operations. This constant search for performance excellence was validated by global media and financial publications. Specifically, Bank SinoPac was named the "Best Domestic Bank" for four consecutive years by *The Asset* magazine in 2005. The *Asian Banker Journal* named Bank SinoPac among the "Asia Pacific's Strongest Banks" in its September 2005 issue.

For 2006, Bank SinoPac will continue to devote itself to the development of its corporate finance, individual banking and financial markets businesses. At the same time, we will also expedite our integration with International Bank of Taipei in order to successfully build a most extensive and efficient branch network in the Greater Taipei area and to enhance our overseas regional financial delivery platforms. Our merger with International Bank of Taipei gives us a great opportunity to expand the scale and scope of our business activities. We will continue to provide first-rate financial services to our large combined customer base in Taiwan and abroad. In looking forward to the exciting challenges that lie ahead, we are confident that our new combined franchise will provide excellence in customer service and delivery of solutions in the thriving Asia Pacific financial markets in which we serve our customers, shareholders and employees.

Paul C. Lo
Chairman

Chen Pou-tsang
(Angus Chen)
President

Chen Pou-tsang (Angus Chen), President

Corporate Profile

Background

Bank SinoPac was one of the first newly incorporated banks in Taiwan after the Banking Law was revised in 1989 to allow the entry of new private banks. Its primary founders included the Central Investment Company, Ruentex Industries, Southeast Soda Manufacturing Co. and Formosa Oilseed Processing Co., and individuals such as Mr. Paul Lo. Based on the principles of "customer prioritization, stability affirmation, teamwork, coordination, profit generation and social contribution," we have since our founding set ourselves the goal of becoming a top commercial bank in the Asia Pacific region.

We obtained the approval of the Ministry of Finance in August 1991 and opened for business in January 1992. Since opening, we have been very active in the expansion of commercial banking services. The Trust Division and the International Division were launched in 1993 and 1994, respectively, enabling us to commence the business of trust, securities investment, financial consulting and foreign exchange.

On Sept. 28, 2001, Bank SinoPac (BSP), National Securities and SinoPac Securities jointly announced plans to form a financial holding company – SinoPac Financial Holdings – of which BSP became a wholly owned subsidiary, marking the first case of Taiwan's financial holding companies being integrated within different business sectors. In succession, SinoPac Financial Holdings (SPFH) took a big step forward, engaging in a merger with International Bank of Taipei (IBT) on Dec. 26, 2005. As a result, SPFH was ranked fourth in the private banking sector in Taiwan, with total assets of well over NT$1,000 billion.

For the past 14 years, we have not only conducted our business all over Taiwan, but have expanded to Hong Kong, Vietnam, China and the United States. To effectively manage business in these locations, we have built up a rather efficient operational structure consisting of 24 divisions, an offshore banking unit, 44 local branches, two overseas branches in Hong Kong and Los Angeles, one representative office in Vietnam and one subsidiary in California – Far East National Bank – which operates through 15 branches in the U.S., one full service branch in Vietnam and one representative office in Beijing. The total number of employees is over 2,000 (not including more than 700 foreign employees in our 21 overseas locations), paid-in capital has reached NT$19.7 billion, and total assets amount to NT$522.5 billion. These achievements have ranked BSP among the top 500 banks in the world.

Being well positioned as a full-service commercial bank, we have developed business in areas covering both individual banking and corporate banking with balanced emphasis. Our individual banking service is primarily focused on customers with high net worth as well as middle-class customers with steady income. In addition to providing conventional products such as savings and mortgages, we have continued to develop and introduce integrated products and services, of which the most well-known and most successful is our Money Management Account (MMA), a value-added product released in 2000 that has the benefits of consolidating customer's savings, loans, securities, mutual funds and credit cards into one book, and consequently one account, enabling our customers to manage their assets much more efficiently. As for corporate banking services, both large-size domestic companies and small- and medium-sized enterprises have always been our main business targets of equal weight. By providing them with tailor-made packages of products structured as total solutions for their financial needs, we can serve as their controlling hub of financial management. Furthermore, a number of creative products in this line have recently been made available for our customers by utilizing our knowledge of e-commerce and our exclusive channel of cross-border banking services, such as B-to-B Pay-Web, e-Factoring Payment System, as well as the powerful CrossPacific Account (CPA), which was launched in 2003. Through these products, we can successfully help our clients establish highly effective cash flow management platforms.

We also currently have four subsidiaries: SinoPac Leasing Corporation; SinoPac Capital Ltd. (HK); Far East National Bank (US); and SinoPac Financial Consulting Corporation, each of whom renders distinctive financial services that are different from one another and from those offered by us. By integrating the resources from these subsidiaries, as well as those from our parent, SPFH, such as securities, discretionary investment business, credit cards, insurance and leasing, into our service package, we can provide a well programmed, perfectly matched financial environment for our customers in the years to come.

General Corporate Data	December 31, 2005
Date of incorporation:	January 28, 1992
Date of listing on Taiwan Stock Exchange:	June 29, 1998
Re-listing date of SinoPac Holdings:	May 9, 2002
Total shareholders' equity:	NT$27,594,215,363
Paid-in capital:	NT$19,728,067,510
Number of shares issued:	1,972,806,751
Number of employees:	2,171
Auditor:	Deloitte Touche Tohmatsu
Moody's Ratings (July 1, 2005)	
Long-term deposits rating:	Baa2
Short-term deposits rating:	Prime-3
Bank financial strength rating:	D+
S&P Ratings (July 11, 2005)	
Long-term credit rating:	BBB
Short-term credit rating:	A-2
Bank fundamental strength rating:	C+
Fitch Ratings (October 20, 2005)	
Long-term senior:	BBB+
Short-term senior:	F2
Individual rating:	B/C
Taiwan Ratings (September 2, 2005)	
Long-term credit rating:	twA+
Short-term credit rating:	twA-1

Strategic Information

Corporate Mission

Our mission is to operate as a highly professional, full-service bank throughout the Pacific Rim. To be more specific, we have these aims:

- To provide an increasing range of service to an increasing variety of customers.
- To render service in the friendliest, most responsive and most efficient ways.
- To enlarge our business territory to include most areas around the Pacific Rim, starting in the US, Hong Kong and other Asian countries.

Business Philosophy

These are our guiding principles:

- Customer focus
- Prudence and precision
- Unity and Harmony
- Creation of profit
- Contribution to society

And these are the ethical standards we adhere to:

- Diligence and honesty
- Astuteness and empathy
- Accuracy and fulfillment
- Integrity and sincerity

Business Policy

We aim to become a major regional bank in the Asia-Pacific region early in the 21st Century. To expedite that, we will be expanding operations locally and overseas, striving toward service excellence and diversifying product lines, business lines, business territories, and funds and revenue sources. These are our guidelines:

- Appropriately organize and manage key elements such as staff, funds, technology and information to build distinctive bank strengths and positions.
- Create a winning situation for customers, shareholders and employees through product standardization, service uniqueness and process automation, thereby improving efficiency, raising service quality, reducing operating costs and evenly distributing workloads.
- Maintain balance among corporate banking, individual banking and financial markets to improve our ability to provide diverse and comprehensive customer services.
- Gain international recognition by expediting the planning and establishment of an overseas branch network providing cross-border banking services.
- Develop an ownership culture within the bank whereby employees regard the bank's development as personally rewarding. Encourage initiative, innovation and self-improvement.
- Continue an aggressive yet prudent business policy by balancing strong growth with quality assets.
- Build information technology in line with customer needs.
- Promote management depth and teamwork among staff. Develop strong staff willingness to respond to market and organization changes.

Business Goals

To achieve these strategic targets, we have these mid- to short-term goals to pursue:

- To implement the merger of BSP and IBT on an equal basis.
- To enhance the branch model with strong channels in Greater Taipei to become the No. 1 retail and small- and medium-sized enterprise (SME) bank in that area, and thereby enhance branch profitability where wealth is highly concentrated.
- To seek to expand overseas business and specifically, become a distinctive player in Greater China.
- To enlarge the customer base through integration and enhancing R&D in value-added products.
- To provide a full range of financial services and products, especially to retail and SME customers, while rendering niche products to medium and large companies
- To further penetrate mass affluent & affluent customers with a particular focus on individual and branch-based services.
- To offer value adding tools to SMEs with service needs across the Greater China region.

- To deeply cultivate selected medium and large companies with sophisticated and cross-border financial needs.

Human Resources

Employee Statistics

Year-end	2005	2004	2003
Number of staff	2,171	2,242	2,026
Average age	33.14	32.12	31.93
Average seniority	5.34	4.27	4.15
Education			
PhD. degree	0.14%	0.13%	0.10%
Master's degree	20.64%	19.76%	20.24%
University & college	65.22%	65.61%	63.87%
Junior college	12.25%	12.49%	13.57%
High school and others	1.75%	2.00%	2.22%
Total	100%	100%	100%

Board of Directors & Supervisors

February 28, 2006

Title	Name	Date of Assignment	Office Term	Positions Held Concurrently
Chairman	Paul C. Lo	April 19,2004	3	CEO, SinoPac Holdings
Director	Desmond Chiang	April 19, 2004	3	Vice President, IBT
Director	Liang-Chin Lee	April 19, 2004	3	Managing Director, IBT
Director	Felix Y. Ho	April 19, 2004	3	AVP, Yuen Foong Yu Paper Mfg. Co. Ltd.
Director	Lin, Ying-Feng	April 19, 2004	3	Professor, National Chengchi University
Director	Hsu, Cheng-Tsai	April 19, 2004	3	Chairman of Formosa Rubber Group, Ltd.
Director	Chen, Pou-Tsang	April 19, 2004	3	President, Bank SinoPac
Director	Jenn-Chuan Chern	April 19, 2004	3	Professor, Dep. of Civil Engineering, National Taiwan University
Director	Chia, Chen-I	April 19, 2004	3	SEVP, Bank SinoPac
Supervisor	Wang, Eli C.	April 19, 2004	3	Managing Partner, Eli C Wang & Co CPAS
Supervisor	Nancy Chen Lee	April 19, 2004	3	Chief Auditor, SinoPac Holdings
Supervisor	Huang Chung-hsing	April 19, 2004	3	Associate Professor, Business Administration Dept. of National Taiwan University

* All directors and supervisors are legal representatives of SinoPac Holdings.

Executive Officers

February 28, 2006

- Chen, Pou-Tsang (Angus Chen)
  President
- Chia, Chen-I
  Senior Executive Vice President and Chief Operating Officer
- Chen, Chien-Jung (C.J. Chen)
  Senior Executive Vice President and General Manager, Wealth Management Division
- Fang Nai-Chen (Joan N. Fang)
  Senior Executive Vice President
- Lu Wen-Yir
  Executive Vice President and General Manager, Corporate Banking Division and Financial Institution Division
- Ted C.Y. Liao
  Executive Vice President and General Manager, Branch Banking Division and Offshore Banking Unit
- Yang Shun-Fa (S.F. Yang)
  Chief Auditor
- Han Dao-Wei (David Han)
  Executive Vice President
- Lily Twu
  Executive Vice President
- Hsu Swei-Yuan
  Executive Vice President, Chief Secretary and General Manager, Legal Division
- Huang Chi-Lin
  Executive Vice President and General Manager, Northern Region Branches General Manager Office
- Han Ai-Mei (Amy Han)
  Executive Vice President and General Manager, Human Resources Division

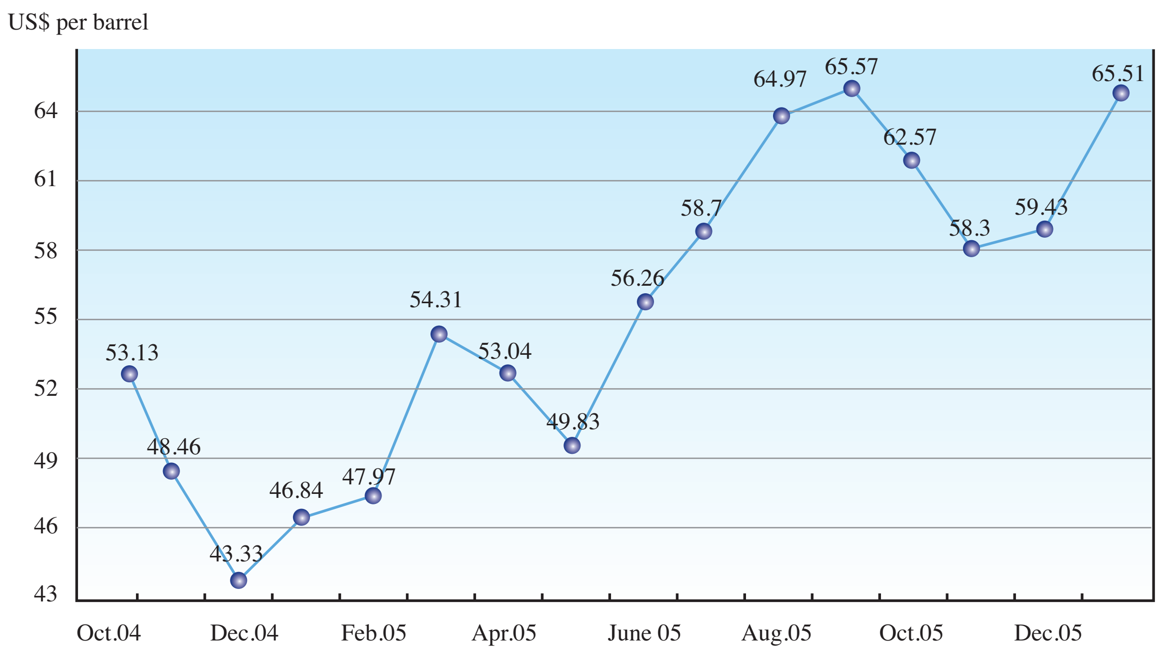
Economic and Financial Review

Global Outlook

Under the impact of extreme weather, soaring oil prices and rising raw material costs in 2005, most major economies in the world were worrying about impending inflation. The various authorities have tried to tackle the problem in advance by implementing various measures, especially those of monetary policies. For example, the Fed of the US raised the Fed funds rate 13 times in about 18 months, allowing it to jump from 1% per annum in June 2004 to 4.25% at the end of 2005. The European Central Bank, which had held its benchmark rate at 2% since June 2003, also started to lift the rate to 2.25% in December 2005. Even Japan, which was just recovering slowly from the prolonged economic depression, had experienced a tough period for keeping its zero-interest-rate policy. Suppressed by a rising interest rate, the global economy in 2005 did not move swiftly, and would only expand by an estimated 3.2% for the whole year, a little lower than the 3.4% for 2004.

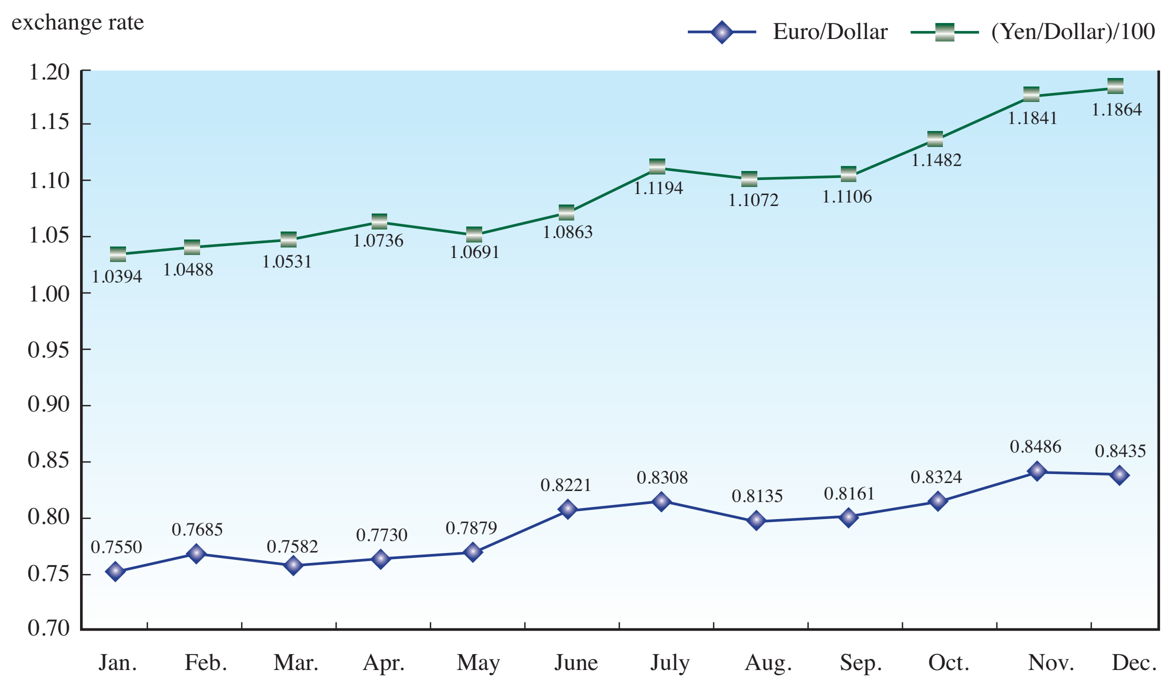
On the other hand, the value of the US dollar benefited from the consecutive elevation of the Fed funds rate and appreciated 12% and 13% against the euro and the yen, respectively, throughout 2005. Moreover, the renminbi, which had been pegged to the US dollar for almost a decade, was finally revalued from 8.27 yuan per US dollar to 8.11 in July 2005 under increasing international pressure. Since then, it had risen by 2.5% against the dollar until the end of 2005, making it one of the few currencies to resist the overwhelming influence of the strong dollar in that year. In summary, the US dollar was the catalyst that led global economic and financial development for most of 2005. The origin was the surging raw material costs and the driving force was the escalating interest rate.

Trend of Crude Oil Price (monthly average of WTI)



Source : http://www.economagic.com/em-cgi/data.exe/var/west-texas-crude-long

Trends of the Euro and the Yen against the Dollar in 2005



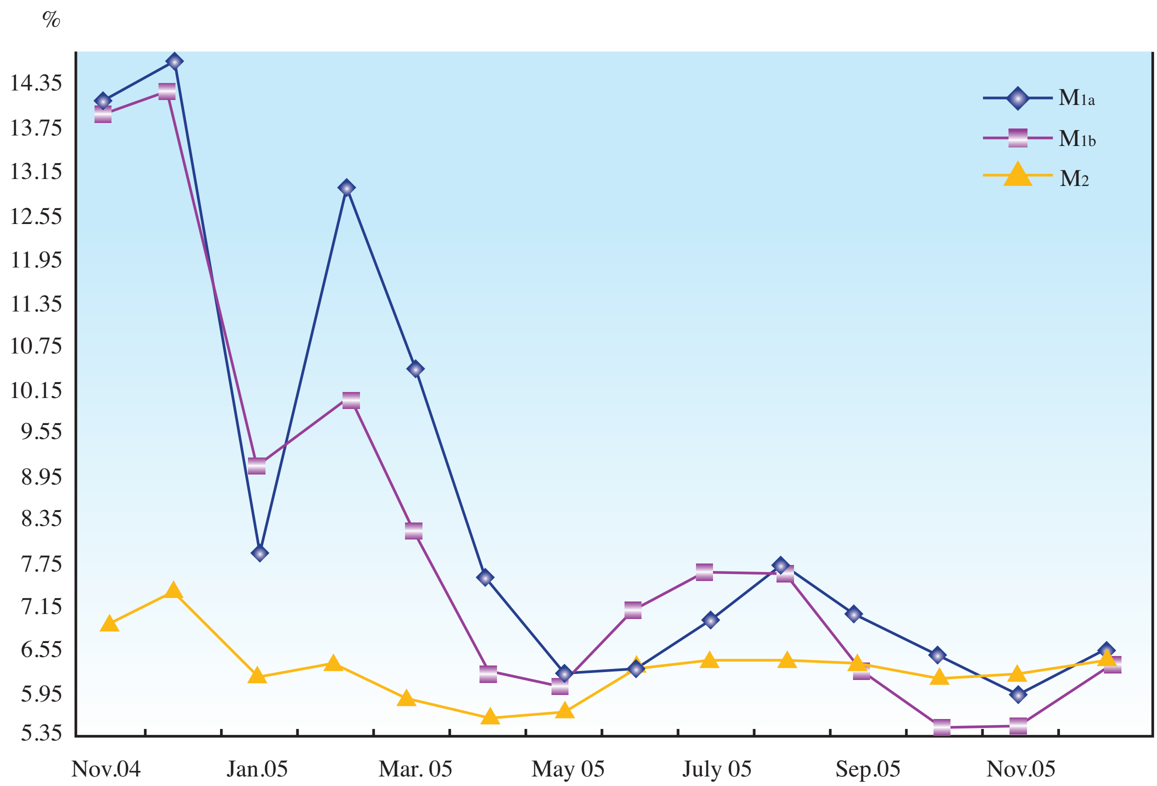
For 2006, it is anticipated that the price of crude oil will still keep hovering at a high level, but the US inflation rate should be under good control. It is very probable that the Fed will cease raising interest rates further, which in succession will arouse the expectations of lowered interest rate differences between the dollar and other major currencies, and cause the dollar to depreciate to a certain extent, while the euro, yen and other Asian currencies should also become relatively stronger. In addition, the renminbi, being in the limelight, is expected to appreciate further sooner or later in reflection of the realities of expanding trade surplus, surging foreign capital inflow and a sharp rise in foreign exchange reserves, notwithstanding the foreseeable intense intervention by the Chinese authorities. As for the global economic performance, The Economist has forecast that 2006 might be worse than the previous year, with the growth rate declining a little to 3%. Nevertheless, some prevalent threats, such as terrorist attacks, devastating disasters from extreme weather, earthquakes or tsunami, crisis caused by nuclear weapon issues linked to Iran and North Korea, conflicts out of religious and ideological differences, and potential panic due to the outbreak of avian influenza are all variables that might influence the global economy significantly.

Domestic Prospects

Affected by rising international oil prices, slowing global economic growth and a rising proportion of overseas production for major manufacturing industries, most key economic indicators of Taiwan declined in 2005. Firstly, the growth rate of industrial production decreased dramatically by 6.48 percentage points to 3.37%. Secondly, the growth rate of private sector investment dropped every quarter and the annual growth rate was estimated at -1.34%, a drastic shrinkage from the 31% in 2004. Thirdly, the growth rates of export and import amounts also declined from the previous year's 20.7% and 31.9% to 8.8% and 8.2%, respectively. In an alarming signal, the trade surplus in the first half of 2005 only amounted to a historical low of US$0.4 billion. Fortunately, benefiting from the depreciation of the NT dollar, the total export orders received in the second half of the year started to expand remarkably and sharply boosted the whole year's trade surplus to the level of US$7.79 billion, representing a 27.2% increase over the previous year. These unfavorable factors caused the whole economy to stumble. The GDP growth rate of 2005 for Taiwan plunged to 4.09% from the 6.07% of 2004. Moreover, the stock market performed poorly as well. Most of the time, the average daily trading amount was far below NT$80 billion, although the TAIEX went up 6.6% in 2005.

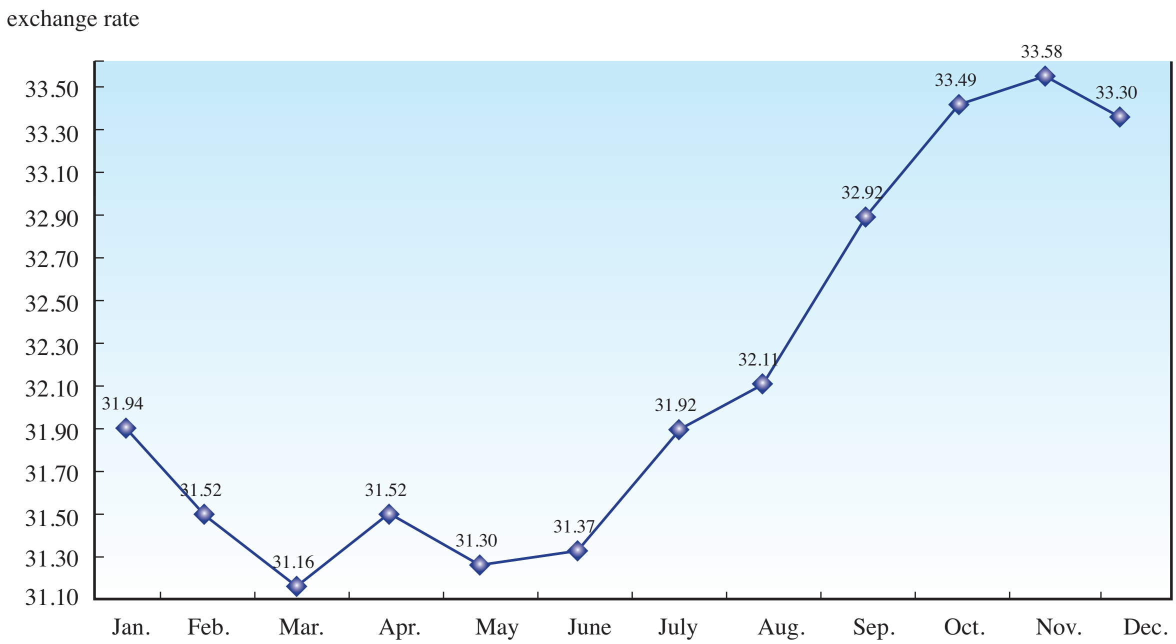
Similarly, motivated by the upward price movement of international energy resources, the prices of domestic industrial materials and agriculture products were both pushed up. That, along with the effects of the depreciation of the NT dollar, made the consumer price index rise by 2.3% in 2005, much higher than the 1.62% of 2004. Meanwhile, the wholesale price index only increased 0.6%, partly because the 7% increase of 2004 had already lifted the comparison base to a rather high level.

Trends of Growth Rates for Taiwan's Money Supply



Due to the fact that the economy was stagnant and inflation was moderate, the money supply for the year was quite tight, even if the factor of abundant net capital inflow was included. According to the statistics of the Central Bank, the growth rate of M_{1a}, M_{1b} and M_2 in 2005 declined sharply to 7.65%, 7.10% and 6.22% from 21.10%, 18.98% and 7.45% in 2004, respectively, and accordingly there was no need for interest rates to go up. However, the impact of the continual raising of the interest rate by the US Fed was so overwhelming that the Central Bank inevitably had to follow suit to some degree. As a whole for the year, the rediscount rate and the rate on accommodation with collateral were both raised by 50 basis points, to 2.25% and 2.625%, respectively. The weighted average of overnight interest rate in the market was also pushed up from 1.149% to 1.406% through 2005, except that the interest rates for deposits less than one year offered by banks were still under 2% in general. As to the exchange rate of the NT dollar, basically its movement reflected the strength and weakness of the US dollar in 2005 by starting to depreciate against the latter from the second quarter all the way to the end of October, and then entering a phase of adjustments and consolidations until the year-end. On aggregate, the value of the NT dollar in terms of US dollars fell about 3% throughout the year.

Movement of the Exchange Rate of NT$ against US$ in 2005



As for the prospects for 2006, although the expected performance of global economy will not improve, the progress of the accumulation of our trade surplus is expected to continue due to the belief that the NT dollar will not pick up too fast and will be helpful for stimulating the domestic economy. The GDP growth rates for 2006 forecast by various domestic major institutions are all higher than 4%, while those of international institutions lie between 3.3%-4.3%. The increase of price indexes will be limited even with taking Chinese Petroleum's oil price rise in February into consideration, provided that international energy resource prices do not exceed the previous year's high level. Moreover, if factors such as the US dollar turning bearish, western capital continuing to flow into Asia, and China revaluing its renminbi again, become realized in the near future, the NT dollar will certainly get stronger, although the appreciation pace will be mitigated assuming that the Central Bank still maintains the policy of keeping the exchange rate relatively stable in order not to weaken the competitiveness of export goods. As for the interest rate, it is still expected to rise slightly in reflection of the possibly favorable performance of the economy and the still-negative real interest return.

Significant Events in 2005

Jan. 3	The Central Bank of China (CBC) allowed certain domestic banks to conduct foreign exchange derivatives business with a limited exclusive list.
Jan.10	SPFH together with BSP and Sinopac Securities donated NT$ 8 million to Indonesia's Tsunami recovery and reconstruction program.
Jan. 21	We served as the trustee for "Taipei Public Trust of Taipei Excavation Reserve and Development Fund," the first cultural public trust in Taiwan.
Mar. 24	The Financial Supervisory Commission (FSC) approved "the content of the calculation for operational risk" under new capital adequacy rules.
Mar. 25	CBC raised discount rate, the interest rate of accommodation with collateral, and the interest rate of accommodation without collateral by 12.5 basis points each to 1.875%, 2.25% and 4.125%, respectively.
Mar. 31	We relocated our Chunglun Branch to 172, Roosevelt Rd., Sec.2, Taipei 100 and renamed it the Chungcheng Branch. We relocated our Guting Branch to 3F. 306, Bade Rd., Sec.2, Taipei 104 and renamed it the Chunglun Branch.
Apr. 28	FSC passed "guidelines governing the cash cards business of financial institutions" to strengthen the management of that business and the protection of cardholders.
May 31	The legislature passed the "Resolution Trust Committee Fund Regulatory Provisions" to increase the amount of the Financial Restructuring Fund to NT$110 billion and upgrade its capacity for solving local financial institutions' bad-debt problems.
June 1	ATM transfers to non-designated accounts was limited to NT$30,000.
July 1	CBC raised discount rate, the interest rate of accommodation with collateral, and the interest rate of accommodation without collateral by 12.5 basis points each to 2%, 2.375%, and 4.25%, respectively.
July 11	S&P rated us BBB for long-term obligation, A-2 for short-term obligation, and stable for outlook.
Aug. 30	We arranged a NT$8.1 billion syndication loan for Lone Star Group.
Sep. 4	BSP and Philharmonic Radio Taipei co-sponsored the 2005 Sinopac classical music contest, awarding 4 winners with elite musician prizes.
Sep. 16	CBC raised discount rate, the interest rate of accommodation with collateral, and the interest rate of accommodation without collateral by 12.5 basis points each to 2.125%, 2.5% and 4.375%, respectively.
Oct. 26	We launched "MMA 3G wealth management plan," the first financial service utilizing the next generation communication technology in Taiwan.
Dec. 23	CBC raised discount rate, the interest rate of accommodation with collateral, and the interest rate of accommodation without collateral by 12.5 basis points each to 2.25%, 2.625 and 4.5%, respectively.

Operating Report

Business Review

Individual Financial Services Group

Consumer Banking

2005 was an extraordinary year for us in developing our business of consumer banking in both quantitative and qualitative terms. In fact, in order to prevent the interest spread from falling further due to fierce competition, we had already started an aggressive strategy to cope with the market changes and customers' needs since 2004 by taking a number of key initiatives, including loosening the acceptable risk level of business undertaking, expanding the customer base of lending, expediting innovative product introduction and catering to the diverse requirements of different market segments. As a result, a variety of diversified and high interest rate consumer banking products were launched during 2005, such as "Real Estate Pay Amount," "MMA Car Loan," "MMA Consumer Loan," "MMA Revolving Credit" and so on. They were all well received by the customers, especially those of middle-income, and therefore strengthened our business performance dramatically.

By the end of 2005, we had granted NT$263 billion in credit lines to 81,203 individual customers, up 15.6% from 2004, and the related loans outstanding had reached NT$202 billion, a year-on-year increase of over 18%, well above the industry average of 11.68%. As to our unsecured consumer loans in particular, the outstandings at the same time increased NT$8,327 million, or a remarkable 162% per annum, and thereby drastically enlarged its proportion in the total consumer loan balance to about 7% from just 3% in 2004. In addition, benefiting from the successful introduction of these high-interest-rate products, the average spread of our consumer banking business was kept at a level higher than that of the previous year.

More importantly, we not only maintained outstanding credit quality, but also enjoyed a significantly lower delinquency ratio due to larger business volume. As of the end of 2005, non-performing loans constituted 0.24% of the total consumer loans outstanding, down from 0.38% at year-end 2004, while loans charged-off in 2005 was only 0.07%, compared with 0.21% in 2004. In other words, our revenue has been growing hand in hand with our asset quality throughout the year, which helped a great deal in strengthening our solid basis of consumer banking business.

Wealth Management and Trust Business

To provide a full-scope business and fulfill all our customers' financial needs, we have been committed to delivering the widest array of products and services. In addition, we hope to diversify our sources of revenue and build up a stable earning-generating basis. In recent years, the fast increase in national income has triggered dramatic growth of wealth that in turn has accelerated the demand for consolidated financial services for our customers in Taiwan. In response to that, we set up the Wealth Management Division with responsibility for the planning and development of this kind of business. We also opened a couple of Wealth Management Centers on the island, with experienced advisors sitting in to provide extensive wealth management services for our target customers. The division and the centers cooperate closely with each other. The Wealth Management Division provides strong support through strategic planning and extensive product offerings, while on the business front, our Wealth Management Centers render location-dependent promotion programs and customized consulting services. In this way, we have had very smooth progression in this business and have made great penetration in the market. In October 2005, in accordance with the new regulatory requirements for this kind of business, we applied for a business license for conducting wealth management and obtained approval in November. We believe we can push our wealth management business up to a more sophisticated level, through which our earnings and customers will both be enlarged significantly.

Also worthy of note in terms of our wealth management is the trust business. Trust is a special kind of management of assets by which the assets' ownership and administration can be separated effectively. It also has valuable benefits of tax planning, profit stability and diverse investment opportunities, which make it a suitable vehicle for the goals of both conservative and aggressive asset owners. Accordingly, trust is highly favored by high net worth individuals and therefore is regarded as the foundation of wealth management business. After 12 years of operations, we have devoted countless staff and money on business development and product packaging, accumulating a great deal of professional knowledge and structuring a top-level product line in the field of trust services. This has helped us establish a much more concrete foundation for our trust business. During 2005, the amount of designated purpose pecuniary trust we handled for investments in local mutual funds and foreign securities totaled NT$40 billion. Moreover, the total amount of stocks and corporate bonds attested was NT$56 billion for the year and local mutual funds in custody at the year-end amounted to NT$106 billion, while the entrusted corporate bond balance reached NT$242 billion. In addition, we also entered several other specialist trust activities, such as custody of domestic securities for foreign institutions, employee welfare and savings trust, employee pension funds, and discretionary investment business. As a whole, the total assets in custody for these activities in 2005 reached NT$215 billion.

Corporate Financial Services Group

Corporate Banking Business

Since the inception of Bank SinoPac, corporate banking, as one of its major pillars, has set a goal of becoming the best financial services provider for Chinese enterprises in the Pacific Rim. To achieve this goal, building a comprehensive branch network in the region has therefore become our first priority. In fact, the network has taken shape after the acquisition of Far East National Bank and the setup of our Los Angeles Branch, Vietnam representative office and the fully licensed branch in Hong Kong. At present, Bank SinoPac's business territory covers most of the Chinese commerce areas in Asia. We already can provide integrated and cross-border banking services through which clients can obtain efficient, secure and reliable banking services. Every customer in Taiwan can thereby benefit from those services in terms of consolidating its outlets on and off this island such as through its Taiwan logistics center, Vietnam manufacturing site, Hong Kong trading hub, and U.S. marketing arm, into an efficient and effective cash flow processing system.

In 2005, to extend the achievements mentioned above, our Corporate Banking Division continued to develop and integrate its overseas businesses. We have greatly enhanced the service functions of our Hong Kong Branch. In addition, we introduced the CPRM (Cross Platforms Relationship Management) system through which every customer is assigned a dedicated account officer who assumes responsibility for maintaining the customer's overall relationship and coordinating the financing management activities for its worldwide subsidiaries. In this way, we can hopefully accelerate the integration of our cross-border and cross-platform resources and immensely improve our service quality. Moreover, the CrossPacific Account (CPA), officially launched in 2003, was still our major tool to provide the dual solutions of cross-border cash management and cross-border financing for SMEs. Its high value-added benefits had attracted over 1,700 corporate clients by the end of 2005. Besides, another popular instrument of ours, the MMAb2b website – a convenient on-line service tool – has been even more successful and has attracted nearly 14,000 enterprise users so far. Furthermore, the promotion of our FBI (Factoring By Insurance) service also performed so well in 2005 that we are going to expand this business into European and U.S. markets in the coming year.

With regard to the domestic market, Bank SinoPac has tried hard to retain existing clients as well as develop potential ones, while on the other hand placing special focus on cultivating the syndicated loans market. In 2005, in addition to participating in syndications led by other banks, we succeeded in arranging the 2-year, NT$8.1 billion syndication loan for Lone Star Assets Management Group, in which we acted as the lead and agent bank. The syndication was the fifth cooperation between Bank SinoPac and Lone Star and has set a new record for the amount raised by Lone Star in the Taiwan syndication market.

By the end of 2005, the balance of our corporate loans was NT$102 billion, an increase of 12% from 2004. The top 3 categories of clients were electronics (absorbing 29.5% of our corporate loans), traditional manufacturing (22.7%) and financial institutions (16%).

Offshore Banking and Foreign Exchange Business

The foreign exchange-related services and transactions with domestic and offshore customers are other focal points of corporate banking business.

In the traditional realm of these banking services, we continued to cooperate with Far East National Bank, our subsidiary in California, to provide trade finance and remittance services between Taiwan and the United States for our customers to fulfill their escalating needs resulting from rapid advancement in globalization. Additionally, our designated foreign exchange branches, Offshore Banking Unit (OBU), Hong Kong Branch, and Los Angeles Branch have all been approved to conduct banking transactions directly with institutions and individuals in mainland China, including such services and products as deposit taking, remittances, import and export negotiations, payment and collection services, credit granting and factoring (the last two can be carried out only by Hong Kong Branch and Los Angeles Branch). With the help of these diversified instruments, we provided ultra-convenience for our corporate customers in 2005, especially for those Taiwan merchants operating in mainland China.

As for the non-traditional side, our OBU has been very active engaging in investments in securities. During 2005, our major portfolios included credit derivatives and asset securitization products with fixed income, such as Asset Swaps, in which we have hands-on experience, as well as Credit Index and CDS Swap Line, which have both been very popular in the market. Coping with the persistent declining trend of default rates on securities all over the world and the gradual decreasing tendency of interest spread of credit products, OBU has built up fitting portfolios of reasonable return and affordable risk through the aforementioned investments, from which stabilized interest gains can be assured in the future.

In the previous years, the portfolios of OBU's investment had focused on those issued by or associated (through performance linkag) with entities in Taiwan and Asia with a very narrow distribution of industries. In 2005, OBU expanded its exposure to more diverse industries in wider areas such as Europe and the United States to decrease the risk of concentration.

Following the introduction of on-line letters of credit negotiations and on-line letters of credit issuances in 2002, we took a big step forward by launching import and export electronic services in 2005, which effectively strengthened the functions of the platform of our MMAb2b. By the end of 2005, our trading volume (including overseas branches) of export negotiations amounted to US$1.55 billion, of which US$1.05 billion was realized solely in Taiwan, representing a market share of 2.11% and ranking 11th among local banks. The amount of our import letters of credit issued in the whole year (also including overseas branches) reached US$1.13 billion, of which US$0.78 billion was conducted in Taiwan, representing a market share of 1.23% and ranking 17th among local banks.

Financial Market Group

Bank SinoPac has been an active player in the derivatives market. Taking FX options as an example, we have been providing quoting services in the brokerage market for NTD Exchange Rate Options from 2002 and two-way market quoting services from 2003, which has made us a leader in this kind of business in Taiwan. We are not only the only one with the ability to quote for G3 PV options and exotic options among domestic financial institutions, but are also an important market maker of this kind in the Hong Kong and Tokyo foreign exchange markets.

Recently, in view of the thriving domestic wealth management market, all of the financial institutions have made their best efforts to boost their business in this field. However, in this era of persistent low interest rates, the pure fixed income products that have been popular in the market can no longer satisfy the high net worth customers' requirements of wealth management. Therefore, in addition to promoting bonds and traditional derivatives products, such as DF, NDF, FX Swap, FX Option, IRS, CCS, FRA, Futures, Cap/Floor, Swaption and so on, the Financial Market Group of Bank SinoPac has vigorously developed structured deposits with linkage to the other financial products' indices in order to meet customers' diverse demands on asset allocations, increasing our fee income accordingly. In 2005, our Financial Market Group launched 314 structured deposits, of which 6 were equities linked, 108 interest rate linked, 186 exchange rate linked, 2 commodities linked, and 12 credit linked. The related business volume for the year dramatically increased 3-fold from the previous year.

Also in recent years, the influence of bond supply on the bond market has been increasing, while the correlation between fundamentals and the bond market has gradually decreased. Furthermore, the fluctuation of exchange rates and the price of commodities became larger than ever due to the short-term trading of hedge funds. All these issues have made it more difficult for trading to perform well in the financial market. However, our Financial Market Group, through diligently grasping the market information and nimbly utilizing the transaction finesse, still maintained its performance at a certain level. In 2005, our trading volume of derivatives amounted to US$113 billion, while the trading volume of government bonds increased 4-fold to NT$ 4,193 billion compared to 2004.

Operating Summary

Deposits

In NT$ millions

Items	12/31/2005		12/31/2004	
	Amount	%	Amount	%
Current deposits				
Checking	6,437	1.62%	5,779	1.76%
Demand-general	22,509	5.65%	21,296	6.47%
Demand-employee	1,167	0.29%	980	0.30%
Savings	80,426	20.20%	73,452	22.32%
Foreign currency	38,381	9.64%	31,571	9.59%
Subtotal	148,938	37.41%	133,078	40.44%
Fixed-term deposits				
Time deposits	114,859	28.85%	88,357	26.85%
Savings	74,873	18.81%	65,594	19.93%
Foreign currency	55,564	13.96%	37,926	11.52%
Others	3,846	0.97%	4,135	1.26%
Subtotal	249,142	62.59%	196,012	59.56%
Total	398,080	100.00%	329,090	100.00%
Account numbers	1,321,304		1,208,169	

Loans and Guarantees

In NT$ millions

Items	12/31/2005		12/31/2004	
	Amount	%	Amount	%
Loans				
Short-term unsecured	**52,873**	**17.40%**	46,949	17.93%
Short-term secured	**21,903**	**7.21%**	22,710	8.67%
Medium-term unsecured	**30,034**	**9.88%**	21,099	8.06%
Medium-term secured	**26,425**	**8.70%**	23,270	8.89%
Long-term unsecured	**3,952**	**1.30%**	3,351	1.28%
Long-term secured	**164,293**	**54.06%**	140,086	53.48%
Non-performing	**2,903**	**0.96%**	1,881	0.72%
Bills purchased and export negotiation	**1,497**	**0.49%**	2,547	0.97%
Total	**303,880**	**100.00%**	261,893	100.00%
Guarantees, acceptances, letters of credit, etc.	**15,544**	**-**	17,414	-
Factoring	**13,844**	**-**	16,185	-
Others	**15,416**	**-**	17,639	-
Grand total	**348,684**	**-**	313,131	-

Credit Exposure

In NT$ millions

Items	12/31/2005	12/31/2004
Corporate banking		
Credit lines	**353,555**	386,208
Credit outstanding	**146,635**	142,237
Loans outstanding	**101,831**	90,999
Consumer banking		
Credit lines	**262,933**	227,401
Credit outstanding	**202,049**	170,894
Loans outstanding	**202,049**	170,894
Total credit outstanding	**348,684**	313,131
Total loans outstanding	**303,880**	261,893

Overdue Credits

In NT$ millions

Items	12/31/2005		12/31/2004	
	Amount	%*	Amount	%*
Overdue credit-type A	**195**	**0.06%**	62	0.02%
Non-performing loans-type A	**2,604**	**0.86%**	1,881	0.72%
Overdue credit & non-performing loans-type B	**271**	**0.09%**	820	0.31%
Total overdue credit & under surveillance	**3,070**	**1.01%**	2,763	1.05%
Loans charged-off	**322**	**0.11%**	908	0.35%
Bad debt reserve	**1,596**	**-**	1,258	-

*Based on total loan balance on designated date.

Foreign Exchange Business

In US$ millions

Items	2005	2004
Inward remittances	**40,542**	29,913
Outward remittances	**39,534**	30,627
Export negotiation & collection	**1,554**	1,899
Letter of credit & D/P, D/A	**1,131**	1,926
Cash & travelers check trade	**75**	75
Bills collection & purchases	**36**	39
Total	**82,872**	64,479

Securities Investment

In NT$ millions

Items	2005	2004
Bills and bonds turnover	**3,686,654**	2,208,001
Bills and bonds on hand - Average balance	**74,463**	114,283
- Year-end balance	**69,815**	98,412
Listed stocks on hand - Average balance	**1,069**	3,095
- Year-end balance	**483**	1,602
Beneficiary certificates on hand - Average balance	**1,133**	851
- Year-end balance	**937**	1,320
Short-term bills accredited and underwritten	**54,566**	30,256

Summary of Income and Expenses

In NT$ millions

Items	2005	2004
Interest income	15,855	10,713
Interest expense	10,133	5,781
Net interest income	5,721	4,932
Provision for credit losses	762	540
Net interest income after provision for credit losses	4,960	4,392
Non-interest revenues		
Fee income, net	1,825	1,846
Capital gain on bills, net	1,242	2,193
Gain on long term investment, net	(754)	516
Gain on foreign exchange, net	1,556	4,114
Gain on sales of derivatives, net	(950)	(2,873)
Other operating income	60	99
Non-operating income	170	284
Subtotal	3,150	6,179
Non-interest expense		
Operating and administrative expense	5,350	5,623
Provision for trading losses	-	3
Other operating expense	0.03	0.31
Non-operating expense	95	43
Subtotal	5,445	5,669
Pretax income	2,665	4,903
Income tax expense	547	618
Net income	2,117	4,285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Financial Report

Condensed Five-year Financial Statements

Balance Sheets

In NT$ millions

Items		12/31/2005	12/31/2004	12/31/2003	12/31/2002	12/31/2001
Cash and due from banks		**84,615**	44,491	33,374	23,600	50,021
Securities purchased, net		**85,594**	94,880	116,475	88,675	32,797
Loans, discounts, and bills purchased		**302,284**	260,718	210,582	187,069	167,150
Long-term investments, net		**9,250**	10,005	9,189	8,817	11,196
Properties, net		**4,919**	4,835	4,930	4,793	4,732
Other assets		**35,848**	56,513	35,445	17,748	12,533
Call loans and due to banks		**33,524**	38,968	39,071	52,071	24,084
Deposits and remittances		**398,499**	329,552	304,288	235,997	217,610
Bank debentures		**35,800**	32,800	21,400	7,000	5,000
Other liabilities		**27,093**	41,888	19,089	10,639	8,414
Capital stocks	Ex-dividends	**19,728**	19,444	19,444	19,444	19,444
	Post-dividends	**-**	20,863	19,444	19,444	19,444
Capital surplus	Ex-dividends	**118**	125	125	125	148
	Post-dividends	**-**	125	125	125	148
Retained earnings	Ex-dividends	**7,723**	8,961	6,708	5,527	4,331
	Post-dividends	**-**	6,066	4,780	3,954	3,260
Equity adjustment		**25**	(296)	(133)	(100)	(601)
Total assets		**522,510**	471,441	409,994	330,702	278,429
Total liabilities	Ex-dividends	**494,916**	443,208	383,848	305,707	255,107
	Post-dividends	**-**	444,683	385,775	307,279	256,179
Total stockholder's equity	Ex-dividends	**27,594**	28,234	26,147	24,996	23,321
	Post-dividends	**-**	26,758	24,219	23,423	22,250

Statements of Income

In NT$ millions

Items	2005	2004	2003	2002	2001
Operating revenues	**20,739**	19,709	15,077	15,145	16,361
Operating expenses	**18,150**	15,048	12,187	12,494	14,511
Operating income	**2,589**	4,662	2,890	2,651	1,851
Non-operating income, net	**76**	242	121	110	165
Pretax income	**2,665**	4,903	3,012	2,760	2,016
Net income	**2,117**	4,285	2,754	2,255	1,551
EPS (in NT$)	**1.03**	2.05	1.32	1.10	0.75

Note: EPS for the years were adjusted for the distribution of stock dividends.

Auditors' Report — unconsolidated

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Bank SinoPac

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

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

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

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

We have also audited the consolidated financial statements of Bank SinoPac and subsidiaries as of and for the years ended December 31, 2005 and 2004, on which we have issued unqualified and modified unqualified opinion thereon, respectively.

Deloitte & Touche

February 21, 2006

<u>*Notice to Readers*</u>

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

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

BANK SINOPAC

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

	2005		2004	
	Amount	%	Amount	%
OPERATING REVENUES				
Interest (Notes 2, 3, 23 and 28)	$ 15,854,588	76	$ 10,713,469	54
Service fees (Notes 2, 17 and 23)	2,025,799	10	2,073,575	11
Income from securities, net (Notes 2, 3 and 18)	1,242,454	6	2,193,195	11
Income from long-term equity investments under the equity method, net (Notes 2 and 9)	-	-	515,809	3
Foreign exchange gain, net (Notes 2 and 28)	1,556,062	8	4,114,272	21
Other	59,710	-	98,933	-
Total operating revenues	20,738,613	100	19,709,253	100
OPERATING COSTS AND EXPENSES				
Interest (Notes 2, 3, 23 and 28)	10,133,113	49	5,781,155	29
Service charges (Note 23)	200,758	1	227,477	1
Provision for trading losses	-	-	3,132	-
Loss from long-term equity investments under the equity method, net (Notes 2 and 9)	441,561	2	-	-
Provision for credit losses (Notes 2, 7 and 8)	761,692	4	540,000	3
Operating and administrative expenses (Notes 2, 19, 20 and 23)	5,350,328	26	5,622,947	28
Loss from derivative financial instruments transactions (Note 28)	949,601	5	2,872,713	15
Realized loss of decline in value for long-term investments (Notes 2 and 9)	312,542	1	-	-
Others	26	-	309	-
Total operating costs and expenses	18,149,621	88	15,047,733	76
OPERATING INCOME	2,588,992	12	4,661,520	24
NONOPERATING INCOME AND GAINS (Note 2)	170,340	1	284,253	1
NONOPERATING EXPENSES AND LOSSES (Note 2)	(94,803)	-	(42,688)	-
INCOME BEFORE INCOME TAX	2,664,529	13	4,903,085	25
INCOME TAX (Notes 2 and 21)	547,365	3	618,270	3
NET INCOME	$ 2,117,164	10	$ 4,284,815	22

	2005		2004	
	Pretax	After Tax	Pretax	After Tax
EARNINGS PER SHARE (Note 22)				
Basic earnings per share	$ 1.30	$ 1.03	$ 2.35	$ 2.05

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

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

BANK SINOPAC

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

	2005		2004	
ASSETS	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Note 4)	$ 8,139,836	1	$ 8,526,211	2
DUE FROM THE CENTRAL BANK AND OTHER BANKS (Notes 5 and 23)	76,475,233	15	35,964,349	8
SECURITIES PURCHASED (Notes 2, 6 and 23)	85,593,900	16	94,879,770	20
ACCOUNTS, INTEREST AND OTHER RECEIVABLES, NET (Notes 2, 7, 21 and 23)	24,537,799	5	29,006,814	6
ACCEPTANCES	2,013,120	-	3,004,844	1
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 2, 3 and 24)	5,849,260	1	17,434,620	4
PREPAYMENTS	219,382	-	401,776	-
LOANS, DISCOUNTS AND BILLS PURCHASED, NET (Notes 2, 8 and 23)	302,283,944	58	260,718,198	55
LONG-TERM INVESTMENTS (Notes 2, 9, 10 and 23)				
Long-term equity investments - equity method	7,877,839	2	8,222,432	2
Long-term equity investments - cost method	278,290	-	1,015,832	-
	8,156,129	2	9,238,264	2
Unrealized loss	-	-	(247,482)	-
Other long-term investments	1,094,300	-	1,014,300	-
Long-term investments, net	9,250,429	2	10,005,082	2
PROPERTIES (Notes 2, 11 and 24)				
Cost				
Land	2,007,731	-	2,007,731	-
Buildings	2,275,918	1	2,265,758	1
Computer equipment	1,429,232	-	1,354,052	-
Transportation equipment	40,851	-	48,216	-
Office and other equipment	1,649,405	-	1,358,461	-
Total cost	7,403,137	1	7,034,218	1
Accumulated depreciation	2,572,748	-	2,256,495	-
	4,830,389	1	4,777,723	1
Advances on acquisitions of equipment and construction in progress	88,568	-	57,332	-
Net properties	4,918,957	1	4,835,055	1
OTHER ASSETS (Notes 2, 12 and 21)	3,228,044	1	6,664,495	1
TOTAL	$ 522,509,904	100	$ 471,441,214	100

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

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

LIABILITIES AND STOCKHOLDERS' EQUITY		2005 Amount	%		2004 Amount	%
CALL LOANS AND DUE TO BANKS	$	33,523,503	7	$	38,967,866	8
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE (Notes 2, 3, 23 and 24)		9,440,268	2		18,274,840	4
ACCOUNTS, INTEREST AND OTHER PAYABLES (Notes 2, 13, 21and 23)		13,176,787	3		16,473,341	3
ACCEPTANCES PAYABLE		2,013,120	-		3,004,844	1
DEPOSITS AND REMITTANCES (Notes 14 and 23)		398,499,164	76		329,551,843	70
BANK DEBENTURES (Note 15)		35,800,000	7		32,800,000	7
DEFERRED TAX LIABILITIES (Notes 2, 20 and 21)		593,768	-		572,510	-
OTHER (Notes 2, 20 and 21)		1,869,078	-		3,562,373	1
Total liabilities		494,915,688	95		443,207,617	94
CAPITAL STOCK, $10 PAR VALUE Authorized and issued (shares in thousands): 1,972,807 and 1,944,398 as of December 31, 2005 and 2004, respectively		19,728,068	4		19,443,976	4
CAPITAL SURPLUS						
Additional paid-in capital		118,226	-		125,030	-
Donated capital		83	-		83	-
Other		95	-		95	-
RETAINED EARNINGS						
Legal reserve		5,782,921	1		4,497,477	1
Special reserve		282,977	-		282,977	-
Unappropriated		1,657,307	-		4,180,069	1
UNREALIZED LOSS ON LONG-TERM EQUITY INVESTMENTS		-	-		(264,260)	-
CUMULATIVE TRANSLATION ADJUSTMENT		24,539	-		(31,850)	-
Total stockholders' equity		27,594,216	5		28,233,597	6
CONTINGENCIES AND COMMITMENTS (Notes 2, 24 and 28)						
TOTAL	$	522,509,904	100	$	471,441,214	100

BANK SINOPAC

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

	Capital Stock (Notes 6 and 16)		Capital Surplus (Notes 2 and 16)
	Shares in Thousands	Amount	
BALANCE, JANUARY 1, 2004	1,944,398	$ 19,443,976	$ 125,208
Appropriation of 2003 earnings			
Legal reserve	-	-	-
Remuneration to directors and supervisors	-	-	-
Bonus to employees	-	-	-
Cash dividends - $0.962 per share	-	-	-
Net income for the year ended December 31, 2004	-	-	-
Recovery of unrealized loss on long-term equity investments	-	-	-
Change in translation adjustment on long-term equity investments	-	-	-
Realized deferred loss on upstream transaction of long-term equity investments	-	-	-
BALANCE, DECEMBER 31, 2004	1,944,398	19,443,976	125,208
Appropriation of 2004 earnings			
Legal reserve	-	-	-
Remuneration to directors and supervisors	-	-	-
Bonus to employees	-	-	-
Cash dividends - $0.73 per share	-	-	-
Stock dividends - $0.73 per share	141,941	1,419,416	-
Capital decrease and cancellation resulting from holding shares of the parent company	(113,532)	(1,135,324)	(6,804)
Net income for the year ended December 31, 2005	-	-	-
Recovery of unrealized loss on long-term equity investments	-	-	-
Change in translation adjustment on long-term equity investments	-	-	-
BALANCE, DECEMBER 31, 2005	1,972,807	$ 19,728,068	$ 118,404

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

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

Retained Earnings (Note 16) Legal Reserve	Special Reserve	Unappropriated	Total	Unrealized Loss on Long-term Equity Investments (Notes 2 and 9)	Cumulative Translation Adjustment (Note 2)	Total Stockholders' Equity
$ 3,671,307	$ 282,977	$ 2,753,899	$ 6,708,183	$ (297,567)	$ 166,872	$ 26,146,672
826,170	-	(826,170)	-	-	-	-
-	-	(38,000)	(38,000)	-	-	(38,000)
-	-	(19,277)	(19,277)	-	-	(19,277)
-	-	(1,870,452)	(1,870,452)	-	-	(1,870,452)
-	-	4,284,815	4,284,815	-	-	4,284,815
-	-	-	-	33,307	-	33,307
-	-	-	-	-	(198,722)	(198,722)
-	-	(104,746)	(104,746)	-	-	(104,746)
4,497,477	282,977	4,180,069	8,960,523	(264,260)	(31,850)	28,233,597
1,285,444	-	(1,285,444)	-	-	-	-
-	-	(26,847)	(26,847)	-	-	(26,847)
-	-	(28,946)	(28,946)	-	-	(28,946)
-	-	(1,419,416)	(1,419,416)	-	-	(1,419,416)
-	-	(1,419,416)	(1,419,416)	-	-	-
-	-	(459,857)	(459,857)	-	-	(1,601,985)
-	-	2,117,164	2,117,164		-	2,117,164
-	-	-	-	264,260	-	264,260
-	-	-	-	-	56,389	56,389
$ 5,782,921	$ 282,977	$ 1,657,307	$ 7,723,205	$ -	$ 24,539	$ 27,594,216

BANK SINOPAC

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

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 2,117,164	$ 4,284,815
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	465,361	509,557
Expensed assets	1,571	488
Provision for credit and trading losses, and losses on guarantees	761,334	543,132
Provision for allowance for decline in market value of collateral assumed	32,050	3,206
Accrued pension cost	168,025	154,464
Loss (income) from long-term equity investments under the equity method, net	441,561	(515,809)
Realized loss on long-term equity investment reclassified as securities	270,125	-
Cash dividends received from long-term equity investments under the equity method	272	141,041
Realized loss of decline in value for long-term equity investments	42,417	-
Gain on sales of long-term equity investments	-	(53,811)
Loss on disposal of properties, net	8,585	10,143
Gain on disposal of collateral assumed, net	(11,001)	(78,516)
Deferred income taxes	23,014	35,252
Decrease in securities purchased - for trading purposes	9,564,625	19,940,822
Decrease (increase) in accounts, interest and other receivables	4,512,587	(1,671,117)
Decrease (increase) in prepayments	182,394	(233,686)
Increase (decrease) in accounts, interest and other payables	(3,300,600)	2,435,723
Net cash provided by operating activities	15,279,484	25,505,704
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in due from the Central Bank and other banks	(40,510,884)	(11,667,512)
Decrease (increase) in securities purchased under agreements to resell	11,585,360	(17,434,620)
Decrease (increase) in securities purchased - for investing purposes	(1,399,040)	1,654,244
Increase in loans, discounts and bills purchased	(42,340,285)	(50,665,093)
Proceeds from sales of long-term equity investments	54,367	62,811
Acquisition of properties	(513,478)	(358,699)
Proceeds from sales of properties	784	1,597
Acquisition of collateral assumed	(45,035)	(195,265)
Proceeds from sales of collateral assumed	293,431	710,947
Decrease (increase) in other assets	2,983,340	(1,017,167)
Increase in other long-term investments	(80,000)	(1,014,300)
Net cash used in investing activities	(69,971,440)	(79,923,057)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in call loans and due to banks	(5,444,363)	(103,244)
Increase (decrease) in securities sold under agreements to repurchase	(8,834,572)	18,274,840
Increase in deposits and remittances	68,947,321	25,264,044
Increase in bank debentures	3,000,000	11,400,000
Increase (decrease) in other liabilities	(1,893,775)	971,534
Remuneration to directors and supervisors and bonus to employees	(51,747)	(57,277)
Cash dividends paid	(1,419,416)	(1,870,452)
Net cash provided by financing activities	54,303,448	53,879,445
DECREASE IN CASH AND CASH EQUIVALENTS	(388,508)	(537,908)
EFFECT OF CHANGES IN EXCHANGE RATE	2,133	(13,066)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	8,526,211	9,077,185
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 8,139,836	$ 8,526,211
SUPPLEMENTAL INFORMATION		
Interest paid	$ 9,396,770	$ 5,885,511
Income tax paid	$ 729,726	$ 81,175
NONCASH INVESTING AND FINANCING ACTIVITIES		
Capital decrease and cancellation resulting from holding shares of the parent company	$ 1,490,917	$ -

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

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

BANK SINOPAC

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

1. ORGANIZATION AND OPERATIONS

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

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

As of December 31, 2005, the Bank's operating units included Banking, Trust, International Division of the Head Office, an 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 27 for maturity analysis of assets and liabilities. Significant accounting policies of the Bank are summarized below:

Basis of Financial Statement Preparation

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

Securities Purchased

Securities purchased include negotiable certificates of deposit, short-term bills, stocks, beneficiary certificates, treasury bills, floating rate notes, structured instruments and bonds.

Short-term bills and treasury bills are stated at cost, which approximates market value. Stocks, beneficiary certificates, structured instruments and bonds are stated at the lower of cost or market value. Market prices are determined as follows: (a) listed stocks - average daily closing prices for the last month of the accounting period; (b) beneficiary certificates (open-end fund) - net asset values as of the balance sheet dates; and (c) GreTai Securities Market (the "GTSM") stocks - average daily closing prices for the last month of the accounting period, published by GTSM; (d) bonds - period-end reference prices published by the GTSM; and (e) structured instruments - period-end prices quoted by counter party.

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

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

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

Nonperforming Loans

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

Allowance for Credit Losses and Provision for Losses on Guarantees

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

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

Long-term Investments

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

If an investee issues new shares and the Bank does not acquire new shares in proportion to its current equity in the investee, the resulting increase 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.

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.

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

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

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

Financial Asset Securitization

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

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

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

Properties

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

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

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

Collaterals Assumed

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

Derivative Financial Instruments

a. Foreign exchange forward

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

b. Forward rate agreements

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

c. Currency swaps

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

d. Cross-currency swaps

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

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

e. Options

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

f. Interest rate swaps

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

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

g. Asset swaps

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

h. Futures

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

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

i. Credit default swaps

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

j. Commodity - linked interest rate swaps

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

Recognition of Interest Revenue and Service Fees

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

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

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

Pension

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 long-term investments accounted for by the equity method, properties, goodwill, etc., be subject to an impairment review.

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

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

Contingencies

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

Foreign-currency Transactions

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

3. ACCOUNTING CHANGES

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

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

4. CASH AND CASH EQUIVALENTS

	December 31	
	2005	2004
Due from other banks	$ 5,031,135	$ 4,040,865
Cash on hand	1,724,697	1,707,320
Notes and checks in clearing	1,384,004	2,778,026
	$ 8,139,836	$ 8,526,211

5. DUE FROM THE CENTRAL BANK AND BANKS

	December 31	
	2005	2004
Call loans to banks	$ 59,713,831	$ 20,843,771
Due from the Central Bank	16,761,402	15,120,578
	$ 76,475,233	$ 35,964,349

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

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

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

6. SECURITIES PURCHASED

	December 31	
	2005	2004
Negotiable certificate of deposit	$ 69,000,000	$ 70,480,225
Corporate bonds	7,877,063	4,933,908
Floating rate notes	3,337,067	3,718,142
Bank debentures	2,529,391	1,057,994
Beneficiary certificates	1,605,065	1,733,617
Government bonds	616,183	3,269,457
Listed and GTSM stocks	482,531	1,602,026
Structured instruments	146,600	-
Commercial paper	-	7,176,112
Treasury bills	-	908,289
	$ 85,593,900	$ 94,879,770

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

The securities purchased amounting $3,885,507 and $3,805,299 as of December 31, 2005 and 2004, respectively, had been sold under agreements to repurchase.

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

	December 31	
	2005	2004
Corporate bonds	$ 7,985,165	$ 5,185,383
Floating rate notes	3,333,790	3,719,933
Bank debentures	2,524,740	1,060,705
Beneficiary certificates	1,757,306	1,750,534
Government bonds	617,728	3,283,653
Listed and GTSM stocks	492,428	2,205,949
Structured instruments	136,680	-

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, 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.

7. ACCOUNTS, INTEREST AND OTHER RECEIVABLES

	December 31	
	2005	2004
Accounts receivable	$ 22,785,565	$ 27,033,063
Interest receivable	1,162,391	722,044
Forward exchange receivable, net	206,746	623,536
Accrued revenue	163,345	395,676
Cash dividends receivable - related party	102,577	-
Receivable from related party for allocation of linked-tax system	97,082	96,582
Tax refundable	23,036	125,972
Other	91,327	60,352
	24,632,069	29,057,225
Less - allowance for credit losses	94,270	50,411
	$ 24,537,799	$ 29,006,814

The balances of the accounts receivable as of December 31, 2005 and 2004 included $22,613,133 and $26,586,160, respectively, representing accounts receivable from other parties in the factoring business.

8. LOANS, DISCOUNTS AND BILLS PURCHASED

	December 31	
	2005	2004
Overdrafts	$ 1,121,424	$ 1,423,774
Short-term loans	73,653,846	68,235,712
Medium-term loans	56,458,628	44,368,939
Long-term loans	168,245,394	143,437,315
Import and export negotiations	1,496,326	2,546,397
Bills purchased	906	273
Nonperforming loans	2,903,286	1,880,686
	303,879,810	261,893,096
Less - allowance for credit losses	1,595,866	1,174,898
	$ 302,283,944	$ 260,718,198

As of December 31, 2005 and 2004, the balances of nonaccrual loans were $3,056,614 and $2,199,037, respectively. The unrecognized interest revenues on nonaccrual loans amounted to $62,123 and $67,845 for the years ended December 31, 2005 and 2004, respectively.

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

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

	For the Year Ended December 31, 2005		
	For Losses on Particular Loans	For Losses on the Overall Loan Portfolio (Excluding Particular Loans)	Total
Balance, January 1	$ 331,625	$ 843,273	$ 1,174,898
Provision	684,192	77,500	761,692
Write-off	(333,938)	-	(333,938)

(Continued)

	For the Year Ended December 31, 2005		
	For Losses on Particular Loans	For Losses on the Overall Loan Portfolio (Excluding Particular Loans)	Total
Recovery of written-off credits	$ 9,550	$ -	$ 9,550
Reclassifications	(150,257)	139,211	(11,046)
Result from change of foreign exchange rate	1,802	-	1,802
Other	(7,092)	-	(7,092)
Balance, December 31	$ 535,882	$ 1,059,984	$ 1,595,866

	For the Year Ended December 31, 2004		
	For Losses on Particular Loans	For Losses on the Overall Loan Portfolio (Excluding Particular Loans)	Total
Balance, January 1	$ 593,239	$ 951,702	$ 1,544,941
Provision	540,000	-	540,000
Write-off	(932,811)	-	(932,811)
Recovery of written-off credits	24,721	-	24,721
Reclassifications	108,670	(108,429)	241
Result from change of foreign exchange rate	(11,712)	-	(11,712)
Other	9,518	-	9,518
Balance, December 31	$ 331,625	$ 843,273	$ 1,174,898

As of December 31, 2005 and 2004, allowances for credit losses and provisions for losses on guarantees of the Bank were $1,690,136 and $1,258,123, respectively.

9. LONG-TERM INVESTMENTS

	December 31	
	2005	2004
Long-term equity investments		
Equity method - unlisted stocks	$ 7,877,839	$ 8,222,432
Cost method		
Listed and GTSM stocks	-	640,758
Unlisted stocks	278,290	375,074
	278,290	1,015,832
	8,156,129	9,238,264
Less unrealized losses	-	247,482
	8,156,129	8,990,782
Other long-term equity investments		
Subordinated beneficiary certificates of securitization (Note 10)	1,094,300	1,014,300
	$ 9,250,429	$ 10,005,082

The market values of listed and GTSM stocks which included Mega Financial Holding Co., Ltd., Ruentex Industries Limited and China Television Co., Ltd. were $88,487, $162,280 and $142,509 as of December 31, 2004, respectively.

Income from (loss on) long-term equity investments for the years ended December 31, 2005 and 2004 were summarized as follows:

	For the Years Ended December 31	
	2005	2004
Equity method		
SinoPac Bancorp	$ 468,658	$ 313,658
SinoPac Leasing Corporation	(798,375)	179,566
SinoPac Capital Limited (H.K.)	(111,922)	22,314
SinoPac Financial Consulting Co., Ltd.	78	271
Income from (loss on) long-term equity investments under the equity method, net	$ (441,561)	$ 515,809

The net income of SinoPac Bancorp for the years ended December 31, 2005 and 2004, amounted to $547,638 and $395,632, respectively, were translated into NTD at the average exchange rate for the respective periods. The difference between the translated net income of SinoPac Bancorp and the one recognized by the Bank was generated from some different accounting treatments between ROC GAAP and US GAAP (please see Note 35 and Table 6).

The subsidiary, SinoPac Financial Consulting Co., Ltd., was not included in the Bank's consolidated entities since it is immaterial to the consolidated financial statements of the Bank and subsidiaries.

Realized losses amounted to $270,125 arising from market values lower than costs were recognized for the year ended December 31, 2005, when long-term equity investment accounted for by the cost method were reclassified as securities purchased.

For the year ended December 31, 2005, realized loss of decline in value of long-term equity investments accounted for by cost method recognized by the Bank amount to $42,417, which are summarized as follows:

Investee	Amount
Prudence International Fund Ltd.	$ 14,400
Z-Com, Inc.	5,229
Taiwan Leader Advanced Technology Co., Ltd.	5,788
Mondex Taiwan Inc.	17,000
	$ 42,417

As of December 31, 2004, part of the unrealized loss on long-term 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 amounted to $16,778.

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	-

December 31, 2005

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

December 31, 2004

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

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

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

b. Sensitivity analysis

As of December 31, 2005 and 2004, key economic assumptions and the sensitivity of the current fair value of residual cash flows to immediate 10 percent and 20 percent adverse changes in these assumptions were as follows:

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

c. The securitized enterprise loans had not resulted in any credit losses as of December 31, 2005 and 2004; thus, the expected static pool credit losses (total amount of actual credit losses and expected credit losses divided by securitized enterprise loans) are equal to the expected credit losses. The Bank anticipates that no credit losses would result from the securitized enterprise loans since there has been no default on those loans.

d. Cash flows

For the year ended December 31, 2005, the prepayments of principal before due date resulted in the cash inflow amounted to $1,600,000. For the year ended December 31, 2004, cash flows from the securitization trust included proceeds from new securitizations $3,595,309 and current cash reserve $18,531, respectively.

11. PROPERTIES

	December 31 2005	2004
Cost	$ 7,403,137	$ 7,034,218
Accumulated depreciation		
Buildings	534,587	459,053
Computer equipment	1,030,134	911,008
Transportation equipment	33,229	37,654
Office and other equipment	974,798	848,780
	2,572,748	2,256,495
	4,830,389	4,777,723
Advances on acquisitions of equipment and construction in progress	88,568	57,332
	$ 4,918,957	$ 4,835,055

12. OTHER ASSETS

	December 31 2005	2004
Guarantee deposits	$ 1,021,658	$ 1,511,744
Value of options purchased	916,996	3,910,028
Collateral assumed, net	639,622	909,067
Computer system software	196,038	211,266
Revaluation of derivative assets	138,904	26,401
Other	314,826	95,989
	$ 3,228,044	$ 6,664,495

As of December 31, 2005 and 2004, guarantee deposits included $588,928 and $975,692, respectively, which were provided by government bonds and certificates of deposit.

13. ACCOUNTS, INTEREST AND OTHER PAYABLES

	December 31 2005	2004
Accounts payable	$ 8,944,992	$ 10,601,110
Interest payable	1,581,512	1,114,411
Notes and checks in clearing	1,384,004	2,778,026

(Continued)

	December 31	
	2005	2004
Accrued expenses	$ 855,435	$ 1,014,941
Tax payable	115,238	101,489
Collections payable	101,087	63,077
Payable to related-party for allocation of linked-tax system	22,284	358,168
Other	172,235	442,119
	$ 13,176,787	$ 16,473,341

The balances of the accounts payable as of December 31, 2005 and 2004 included $8,767,767 and $10,399,058, respectively, representing costs of accounts receivable acquired from other parties in the factoring business.

14. DEPOSITS AND REMITTANCES

	December 31	
	2005	2004
Checking	$ 6,454,933	$ 5,779,417
Demand	60,889,882	52,867,111
Savings - demand	81,592,834	74,431,567
Time	152,595,922	104,635,386
Negotiable certificates of deposit	21,672,800	25,782,900
Savings - time	74,873,426	65,594,035
Inward remittances	177,863	222,410
Outward remittances	241,504	239,017
	$ 398,499,164	$ 329,551,843

15. BANK DEBENTURES

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

	December 31 2005	December 31 2004	Maturity Date	Terms
Seventh dominant bank debenture issued in 2003	$ 800,000	$ 800,000	2003.09.16-2008.09.16 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually
Eighth dominant bank debenture issued in 2003	500,000	500,000	2003.09.16-2008.09.16 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually
Ninth dominant bank debenture issued in 2003	300,000	300,000	2003.09.22-2008.09.22 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually
Tenth dominant bank debenture issued in 2003	1,000,000	1,000,000	2003.11.05-2008.11.05 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Eleventh dominant bank debenture issued in 2003	1,000,000	1,000,000	2003.11.14-2008.11.14 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Twelfth dominant bank debenture issued in 2003	500,000	500,000	2003.11.21-2008.11.21 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Thirteenth dominant bank debenture issued in 2003	500,000	500,000	2003.11.28-2008.11.28 Principal is repayable on maturity date.	Floating rate except for the first year fixed at 4%. Interest is paid semiannually.
Fourteenth dominant bank debenture issued in 2003	2,200,000	2,200,000	2003.12.02-2009.06.02 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Second subordinated bank debentures issued in 2003	3,600,000	3,600,000	2004.03.18-2009.09.18 Principal is repayable on maturity date.	Fixed interest rate of 2.3%, interest is paid semiannually.
First dominant bank debentures issued in 2004	500,000	500,000	2004.04.26-2009.10.26 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually with simple interest based on actual days.
Second dominant bank debentures issued in 2004	300,000	300,000	2004.04.28-2009.10.28 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Third dominant bank debentures issued in 2004	500,000	500,000	2004.04.29-2009.04.29 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually with simple interest based on actual days.
Fourth dominant bank debentures issued in 2004	200,000	200,000	2004.05.14-2009.05.14 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Fifth dominant bank debentures issued in 2004	300,000	300,000	2004.05.17-2009.05.17 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Sixth dominant bank debentures issued in 2004	500,000	500,000	2004.05.17-2009.05.17 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Seventh dominant bank debentures issued in 2004	200,000	200,000	2004.05.21-2009.05.21 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Eighth dominant bank debentures issued in 2004	500,000	500,000	2004.05.21-2011.05.21 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually with simple interest based on actual days.
Ninth dominant bank debentures issued in 2004	300,000	300,000	2004.06.03-2009.06.03 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Tenth dominant bank debentures issued in 2004	500,000	500,000	2004.06.07-2009.06.07 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually with simple interest based on actual days.
Eleventh dominant bank debentures issued in 2004	200,000	200,000	2004.06.15-2009.06.15 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually with simple interest based on actual days.

	December 31 2005	December 31 2004	Maturity Date	Terms
Twelfth dominant bank debentures issued in 2004	$ 500,000	$ 500,000	2004.06.15-2010.06.15 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually with simple interest based on actual days.
Thirteenth dominant bank debentures issued in 2004	300,000	300,000	2004.06.30-2009.06.30 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Fourteenth dominant bank debentures issued in 2004	500,000	500,000	2004.07.09-2010.07.09 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Fifteenth dominant bank debentures issued in 2004	500,000	500,000	2004.07.13-2011.07.13 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
First subordinated bank debentures issued in 2004	1,500,000	1,500,000	2004.09.14-2010.06.14 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Second subordinated bank debentures issued in 2004	500,000	500,000	2004.09.14-2010.06.14 Principal is repayable on maturity date.	Index rate plus 0.50%. Interest is reset semiannually since the issuance date. Interest is paid semiannually.
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.
	$ 35,800,000	$ 32,800,000		

16. 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 April 28, 2005 and April 14, 2004, the board of directors which execute rights and functions of stockholders' meeting resolved the appropriation of 2004 and 2003 earnings, respectively, as follows:

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

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

In addition, had the aforementioned remuneration to directors and supervisors and bonus to employees (included in the appropriation of 2004 and 2003 earnings) been recognized as expenses, the basic EPS (after tax) for 2004 would have been decreased from NT$2.05 to NT$2.03 per share, and the basic EPS (after tax) for 2003 would have been decreased from NT$1.32 to NT$1.30 per share.

17. SERVICE FEES

	For the Years Ended December 31	
	2005	2004
Mutual funds	$ 622,008	$ 652,836
Loan documentation fee	476,931	439,054
Factoring and financing	318,179	342,935
Import and export	239,179	243,049
Custody	195,977	226,116
Other	173,525	169,585
	$ 2,025,799	$ 2,073,575

18. INCOME FROM SECURITIES, NET

	For the Years Ended December 31	
	2005	2004
Short-term bills		
Interest revenue	$ 825,174	$ 1,350,036
Capital gain, net	5,632	2,259
	830,806	1,352,295
Bonds		
Capital gain, net	215,866	202,770
Stocks and beneficiary certificates		
Dividend revenue	102,577	108,163
Capital gain, net	92,511	529,482
Dividend distributed form mutual funds	459	485
	195,547	638,130
Structured instruments		
Gain from structured instruments	235	-
	235	-
	$ 1,242,454	$ 2,193,195

19. PERSONNEL EXPENSE, DEPRECIATION AND AMORTIZATION

	For the Years Ended December 31	
	2005	2004
Personnel expenses		
Salaries and wages	$ 2,480,004	$ 2,713,845
Pension	168,025	154,464
Labor insurance and national health insurance	123,271	116,298
Other	20,911	37,775
Depreciation	371,366	403,386
Amortization	96,915	104,817

20. PENSION

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

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

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

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 year ended 2005, the pension expense under the defined contribution pension plan amounted to $35,969, which were 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 Years Ended December 31	
	2005	2004
Balance, January 1	$ 1,280,049	$ 1,084,416
Contributions	171,165	207,428
Benefits paid	(637,810)	(49,817)
Interest revenue	38,297	38,022
Balance, December 31	$ 851,701	$ 1,280,049

The ending balances as of December 31, 2005 and 2004 consisted of:

	December 31	
	2005	2004
Contributions by the Bank	$ 851,701	$ 802,255
Contributions by employees	-	477,794
	$ 851,701	$ 1,280,049

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

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

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

	December 31	
	2005	2004
Benefit obligation		
Vested benefit obligation	$ 123,385	$ 124,258
Nonvested benefit obligation	602,509	674,572
Accumulated benefit obligation	725,894	798,830
Additional benefit based on future salaries	335,544	299,250
Projected benefit obligation	1,061,438	1,098,080
Fair value of plan assets	(853,803)	(802,204)
Funded status	207,635	295,876

(Continued)

	December 31	
	2005	2004
Unrecognized net transition obligation	$ (24,887)	$ (29,865)
Un-amortized prior service cost	(428)	(556)
Un-amortized pension loss	(59,444)	(146,898)
Accrued pension cost	$ 122,876	$ 118,557
d. Vested benefit	$ 251,460	$ 259,289
e. Actuarial assumptions		
1) Discount rate used in determining present value	3.5%	3.5%
2) Expected rate of return on plan assets	2.5%	3.5%
3) Future salary increase rate	2.5%	2.5%

21. INCOME TAX

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

a. The components of income tax were as follows:

	For the Years Ended December 31	
	2005	2004
Current income tax payable	$ 352,481	$ 524,250
Separate taxes on short-term bills interest revenue	195,570	74,089
Foreign income taxes over limitation	5,294	58,563
Change in deferred income taxes	23,014	35,252
Prior year's adjustment	(28,994)	(73,884)
Income tax	$ 547,365	$ 618,270

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

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

	For the Years Ended December 31	
	2005	2004
Tax on pretax income at 25% statutory rate	$ 666,132	$ 1,225,761
Add (deduct) tax effects of:		
Tax-exempt income	1,395	(182,210)
Permanent difference	(325,777)	(497,096)
Temporary difference	15,256	(8,625)
Investment tax credit	(4,525)	(13,580)
Current income tax payable	$ 352,481	$ 524,250

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

	For the Years Ended December 31	
	2005	2004
Investment income under the equity method	$ (659,900)	$ (541,076)
Deferred pension cost	30,649	29,593
Unrealized foreign exchange loss (gain)	82,038	(14,472)
Other	(46,555)	(46,555)
Deferred income tax liabilities	$ (593,768)	$ (572,510)
Deferred income tax assets (included in other assets)	$ 3,993	$ 5,587

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

	December 31	
	2005	2004
Receivable from related party	$ 97,082	$ 96,582
Payable to related party	$ 22,284	$ 358,168

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

	December 31	
	2005	2004
Balances of imputed tax credit account	$ 139,615	$ 95,182

The projected imputed 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 imputed tax ratio may vary from the actual ratio.

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

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

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.

22. EARNINGS PER SHARE

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

	Numerator (Amounts) Pretax	After Tax	Denominator (Shares in Thousands)	EPS Pretax	After Tax
For the year ended December 31, 2005					
Basic EPS					
Net income belongs to common stockholders	$ 2,664,529	$ 2,117,164	2,046,836	$ 1.30	$ 1.03
For the year ended December 31, 2004					
Basic EPS					
Net income belongs to common stockholders	$ 4,903,085	$ 4,284,815	2,086,339	$ 2.35	$ 2.05

The EPS has been adjusted for the distribution of stock dividends. For the year ended December 31, 2004, the pretax EPS has been adjusted from $2.52 to $2.35, the after tax EPS has been adjusted from $2.20 to $2.05, respectively.

23. RELATED-PARTY TRANSACTIONS

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

a. Related parties

Name	Relationship with the Bank
SinoPac Financial Holdings Company Limited (SPH)	Parent company
SinoPac Securities Corporation (SinoPac Securities)	Subsidiary of SPH
SinoPac Marketing Consulting Co., Ltd. (SinoPac Marketing Consulting)	Subsidiary of SPH
SinoPac Call Center Co., Ltd. (SinoPac Call Center)	Subsidiary of SPH
SinoPac Venture Capital Co., Ltd. (SinoPac Venture Capital)	Subsidiary of SPH
SinoPac Asset Management International (SinoPac Asset Management)	Subsidiary of SPH
SinoPac Life Insurance Agent Co., Ltd. (SPLIA)	Subsidiary of SPH
SinoPac Property Insurance Agent Co., Ltd. (SPPIA)	Subsidiary of SPH
AnShin Card Services Company Limited (AnShin Card Services)	Subsidiary of SPH
SinoPac Securities Investment Trust Co., Ltd. (SinoPac Investment Trust)	Subsidiary of SPH
Far East National Bank (FENB)	Overseas affiliate of the Bank
SinoPac Leasing Corporation (SPL)	Subsidiary
RSP Information Service Company Limited (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
China Television Co., Ltd. (China Television)	The Bank is a director of the Company (the director resigned on November 2004)
Ruentex Development Co., Ltd. (Ruentex Development)	Related party in substance
Wal Tech International Corporation (Wal Tech International)	Affiliate
SinoPac Asia Limited	Subsidiary of SinoPac Securities
Formosa Plastic Corporation (Formosa Plastic)	Related party in substance
SinoPac Futures Corporation (SinoPac Futures)	Subsidiary of SinoPac Securities
SinoPac Securities (Cayman) Holdings	Subsidiary of SinoPac Securities
Panasonic Taiwan Co., Ltd. (PTW)	Same chairperson with SPH (the chairperson resigned on May 2005)
SinoPac Managed Futures Co., Ltd. (SinoPac Managed Futures)	Affiliate

(Continued)

Name	Relationship with the Bank
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)
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 year ended December 31, 2005					
SPL	$ 558,000	0.18%	1.58%-1.72%	$ 18,341	0.12%
SinoPac Securities	500,000	0.17%	1.53%	459	-
SinoPac Asia Limited	230,607	0.08%	4.92%-4.99%	3,725	0.02%
Formosa Plastic Corporation	101,252	0.03%	3.04%	3,367	0.02%
Others	829,869	0.27%	1.58%-7.40%	12,473	0.08%
For the year ended December 31, 2004					
SPL	1,006,000	0.39%	1.56%-4.70%	23,260	0.22%
SinoPac Securities	500,000	0.19%	1.42%	8	-
Wal-Tech International	213,000	0.08%	1.31%-1.56%	867	0.01%
Grand Capital	296,828	0.11%	1.83%	8,496	0.08%
Others	45,098	0.02%	1.75%-12.30%	9,639	0.09%

2) Deposits

	Ending Balance	% of Total	Interest Rate	Interest Revenue	% of Total
For the year ended December 31, 2005					
SPH	$ 3,040,618	0.76%	0%-4.50125%	$ 30,374	0.30%
SinoPac Securities	1,244,444	0.31%	0.3%-4.91%	12,805	0.13%
SinoPac Venture Capital	547,291	0.14%	0.30%	1,812	0.02%
SinoPac Futures Corporation	257,329	0.06%	0.3%-1.94%	13,317	0.13%
SinoPac Securities (Cayman)	227,727	0.06%	4.05%-4.25%	4,035	0.04%
Others	3,051,121	0.77%	0%-6.475%	23,830	0.24%

		Ending Balance	% of Total	Interest Rate		Interest Revenue	% of Total
For the year ended December 31, 2004							
SPH	$	1,977,289	0.60%	0.30%-2.60%	$	37,133	0.64%
SinoPac Securities		1,367,757	0.41%	0.002%-4.53%		17,471	0.30%
PTW		871,504	0.26%	0.3%-4.28%		1,664	0.03%
SinoPac Futures Corporation		705,185	0.21%	0.3%-1.35%		8,005	0.14%
SinoPac Managed Futures		187,534	0.06%	0.3%-1.4%		2,929	0.05%
Others		1,700,684	0.52%	0.3%-6.475%		16,611	0.29%

3) Due from banks and other receivables

	Ending Balance		% of Total	
	December 31		December 31	
	2005	2004	2005	2004
Call loans to banks - IBT	$ 279,600	$ 319,170	0.47%	1.53%
Due from banks - FENB	63,413	44,283	1.26%	0.18%
Other receivables	33,173	218,413	0.14%	0.75%

4) Securities purchased

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

5) 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:

	December 31	
	2005	2004
SinoPac Securities	$ 35,000	$ 35,000
Wal Tech International	-	140,000
	$ 35,000	$ 175,000

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

	December 31	
	2005	2004
Properties - carrying amount	$ 1,104,568	$ 1,114,160

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

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

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

	December 31	
	2005	2004
Properties - carrying amount	$ 40,064	$ 40,064
Stocks - fair value	8,253	8,010

6) Long-term investments

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

	Shares in Thousands	Book Value
Prudence International Fund Ltd.	$ 5,000	$ 35,600
Taiwan Leader Advanced Technology Co., Ltd.	1,103	10,766
Z-Com, Inc.	1,196	8,001

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

	December 31, 2005
Beneficiary certificates - credit card receivables - AnShin Card Services	$ 80,000

7) Revenues and expenses

	Amount For the Years Ended December 31		% of Total For the Years Ended December 31	
	2005	2004	2005	2004
Service fees	$ 22,556	$ 7,163	1.11%	0.35%
Service charges	-	1,595	-	0.70%
Project popularizing expense	410	4,152	0.20%	2.21%

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

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

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:

	Rental Expenses For the Years Ended December 31			
Lessor	2005	2004	Lease Term	Payment Frequency
SPL	$ 65,541	$ 6,191	February 2020	Rentals paid monthly
China Television	4,975	9,950	July 2005	Rentals paid monthly
Ruentex Development	3,672	3,566	September 2010	Rentals paid monthly
SinoPac Securities	-	2,085	-	Rentals paid monthly

b) The Bank as a lessor

	Rental Income For the Years Ended December 31			
Lessee	2005	2004	Lease Term	Payment Frequency
SPL	$ 3,324	$ -	May 2010	Rentals received monthly
SinoPac Call Center	2,592	2,160	October 2006	Rentals received monthly
SinoPac Securities	2,469	2,545	November 2008	Rentals received monthly
SinoPac Marketing Consulting	1,870	2,387	May 2007	Rentals received monthly
SinoPac Asset Management	363	-	June 2010	Rentals received monthly
AnShin Card Services	243	180	November 2005	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 years ended December 31, 2005 and 2004 amounted to $127,327 and $231,020, respectively.

11) Due from/to affiliates

As of December 31, 2005 and 2004, the Bank's receivables from AnShin Card Services amounted to $30,535 and $25,725, respectively.
As of December 31, 2005 and 2004, the Bank's estimated receivables resulting from the adoption of the linked-tax system amounted to $97,082 and $96,582, respectively, and the estimated payables resulting from the

adoption of the linked-tax system as of December 31, 2005 and 2004 amounted to $22,284 and $356,168, respectively.

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

12) Asset transactions

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

13) Derivative financial instruments

	December 31, 2005		
FENB	**Contract (Notional) Amount**	**Credit Risk**	**Fair Value**
Interest rate swap contracts	$ 32,850	$ -	$ (102)
Currency swap contracts	423,420	62	62
Forward contracts	19,506	1,044	(1)

	December 31, 2005		
SPL	**Contract (Notional) Amount**	**Credit Risk**	**Fair Value**
Interest rate swap contracts	$ 80,000	$ 1,941	$ 1,941

	December 31, 2005		
SinoPac Capital Ltd.	**Contract (Notional) Amount**	**Credit Risk**	**Fair Value**
Interest rate swap contracts	$ 522,769	$ -	$ (717)
Currency swap contracts	522,765	28	19

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

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

24. SIGNIFICANT CONTINGENCIES AND COMMITMENTS

In addition to those disclosed in Note 28, financial instruments, significant contingencies and commitments of the Bank, are summarized as follows:

a. Lease contract

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

Year	**Amount**
2006	$ 264,846
2007	220,615
2008	166,676
2009	133,542
2010	95,060

Rentals for the years beyond 2010 amount to $604,318, the present value of which is about $507,216 as discounted at the Bank's one-year time deposit rate of 1.99% on January 1, 2006.

b. Equipment purchase contract

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

c. Interior decoration contract

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

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

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

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

As of December 31, 2005, short-term bills and bonds with a total face amount of $5,400,200 were purchased under agreements to resell at $5,854,056 on January 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.

25. CAPITAL ADEQUACY RATIO

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

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

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

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

	For the Years Ended December 31			
	2005		2004	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-earning assets				
Due from other banks	$ 4,816,799	3.06	$ 4,539,653	1.02
Call loans (placement)	38,730,745	2.66	12,399,828	1.63
Due from the Central Bank	7,540,379	1.50	7,417,488	1.56
Securities purchased	75,520,989	1.63	122,114,201	1.43
Securities purchased under agreement to resell	18,014,965	1.25	9,475,174	1.07
Loans, discounts and bills purchased	274,496,877	3.46	242,487,403	3.22
Accounts receivable from factoring	11,499,315	4.40	12,467,985	3.84
Other long-term investments	1,212,319	2.91	418,468	1.26

	For the Years Ended December 31			
	2005		2004	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-bearing liabilities				
Due to banks	$ 49,287	1.43	$ 65,130	1.18
Call loans (taken)	32,900,616	2.74	40,230,715	1.32
Demand deposits	52,553,535	1.33	77,011,852	0.42
Savings - demand deposits	73,882,276	0.48	69,575,428	0.48
Time deposits	118,754,307	1.92	104,436,485	1.14
Savings - time deposits	69,976,912	1.63	62,923,792	1.51
Negotiable certificates of deposit	28,527,012	1.26	27,718,490	1.01
Securities sold under agreement to repurchase	13,465,088	1.58	12,344,902	1.01
Bank debentures	32,956,164	1.84	28,245,628	2.66

27. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

	December 31, 2005			
	Due in One Year	Due Between One Year and Five Years	Due After Five Years	Total
Assets				
Cash and cash equivalent	$ 8,139,836	$ -	$ -	$ 8,139,836
Due from the Central Bank and other banks	76,475,233	-	-	76,475,233
Securities purchased	85,593,900	-	-	85,593,900
Receivables	26,654,420	-	-	26,654,420
Securities purchased under agreements to resell	5,849,260	-	-	5,849,260
Loans, discounts and bills purchased (excluding nonperforming loans)	89,566,324	33,561,200	177,849,000	300,976,524
Other long-term investments	-	1,094,300	-	1,094,300
	$ 292,278,973	$ 34,655,500	$ 177,849,000	$ 504,783,473
Liabilities				
Call loans and due to banks	$ 33,523,503	$ -	$ -	$ 33,523,503
Securities sold under agreements to repurchase	9,440,268	-	-	9,440,268
Payables	15,189,907	-	-	15,189,907
Deposits and remittances	384,408,164	14,091,000	-	398,499,164
Bank debentures	5,000,000	26,800,000	4,000,000	35,800,000
	$ 447,561,842	$ 40,891,000	$ 4,000,000	$ 492,452,842

	December 31, 2004			
	Due in One Year	Due Between One Year and Five Years	Due After Five Years	Total
Assets				
Cash and cash equivalent	$ 8,526,211	$ -	$ -	$ 8,526,211
Due from the Central Bank and other banks	35,964,349	-	-	35,964,349
Securities purchased	94,879,770	-	-	94,879,770
Receivables	32,062,069	-	-	32,062,069
Securities purchased under agreement to resell	17,434,620	-	-	17,434,620
Loans, discounts and bills purchased (excluding nonperforming loans)	80,960,544	30,414,866	148,637,000	260,012,410
Other long-term investments	-	1,014,300	-	1,014,300
	$ 269,827,563	$ 31,429,166	$ 148,637,000	$ 449,893,729
Liabilities				
Call loans and due to banks	$ 38,967,866	$ -	$ -	$ 38,967,866
Securities sold under agreement to repurchase	18,274,840	-	-	18,274,840
Payables	19,478,185	-	-	19,478,185
Deposits and remittances	320,427,843	9,124,000	-	329,551,843
Bank debentures	-	23,900,000	8,900,000	32,800,000
	$ 397,148,734	$ 33,024,000	$ 8,900,000	$ 439,072,734

28. FINANCIAL INSTRUMENTS

a. Derivative financial instruments

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

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

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

	December 31					
	2005			2004		
Financial Instruments	Contract (Notional) Amount	Credit Risk	Fair Value	Contract (Notional) Amount	Credit Risk	Fair Value
For hedging purposes:						
Interest rate swap contracts	$ 12,616,000	$ 68,613	$ (361,497)	$ 16,084,437	$ 279,484	$ 279,484
Cross-currency swap contracts	14,300,000	152,354	21,380	14,300,000	1,195,636	1,190,878

(continued)

	December 31					
	2005			2004		
Financial Instruments	**Contract (Notional) Amount**	**Credit Risk**	**Fair Value**	**Contract (Notional) Amount**	**Credit Risk**	**Fair Value**
For the purposes of accommodating customers' needs or managing the Bank's exposures:						
Forward contracts						
- Buy	$ 55,643,571	$ 408,981	$ 74,202	$ 97,593,843	$ 258,822	$ (2,026,583)
- Sell	49,634,061	318,631	104,305	97,408,876	1,720,095	1,698,365
Forward rate agreement						
- Buy	-	-	-	1,900,000	-	(486)
Currency swap contracts	193,492,848	470,554	110,878	180,604,017	1,810,078	(134,145)
Interest rate swap contracts	129,845,616	134,726	(9,329)	69,916,423	921,464	(19,206)
Cross-currency swap contracts	9,473,375	77,962	452	13,675,871	80,880	3,288
Interest rate futures contracts						
- Long position	367,462	-	475	-	-	-
- Short position	1,169,066	-	(2,469)	95,751	-	501
Commodity - linked interest rate swap contracts	115,632	219	-	-	-	-
Credit-linked deposit	4,300,000	-	(43,978)	-	-	-

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

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

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

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

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

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

	Account	For the Years Ended December 31 2005	2004
For hedging purposes:			
Cross-currency swap contracts			
- Realized	Interest revenue	$ 252,649	$ 286,447
	Interest expense	(459,472)	(192,934)
Interest rate swap contracts			
- Realized	Interest revenue	48,325	133,063
	Interest expense	(88,297)	(26,397)
	Income from derivative financial instruments transactions	12,669	-
	Foreign exchange gain	41,967	-
Interest rate futures contracts	Loss on derivative financial instruments transactions	-	$ (7,195)
Options contracts	Income from derivative financial instruments transactions	-	20,101
		(192,159)	213,085
For the purposes of accommodating customers' needs or managing the Bank's exposures:			
Forward contracts			
- Realized	Interest revenue	260,306	71,640
	Interest expense	(83,018)	(14,463)
- Realized	Foreign exchange gain (loss)	274,395	(8,784)
- Unrealized	Foreign exchange gain (loss)	539,171	(580,888)
- Unrealized	Gain (loss) on derivative financial instruments transactions	(1,972)	30,474
Forward rate agreements			
- Realized	Loss on derivative financial instruments transactions	(487)	(3,513)
- Unrealized	Income from derivative financial instruments transactions	486	3,039
Currency swap contracts			
- Realized	Interest revenue	2,160,289	778,153
	Interest expense	(1,748,995)	(728,396)
- Unrealized	Income (loss) from derivative financial instruments transactions	92,224	(9,014)
Interest rate swap contracts			
- Realized	Interest revenue	738,541	230,603
	Interest expense	(787,770)	(285,815)
- Realized	Income from derivative financial instruments transactions	10,575	78,746
- Unrealized	Income from derivative financial instruments transactions	8,980	22,662
Foreign-currency options contracts			
- Realized	Loss on derivative financial instruments transactions	(409,989)	(3,247,298)
	Foreign exchange gain (loss)	(244,412)	3,675,154
- Unrealized	Gain (loss) on derivative financial instruments transactions	(660,359)	273,996
Interest rate futures contracts			
- Realized	Loss on derivative financial instruments transactions	(2,422)	(40,710)
- Unrealized	Gain (loss) on derivative financial instruments transactions	(2,495)	949

	Account	For the Years Ended December 31 2005	2004
Cross-currency swap contracts			
- Realized	Interest revenue	408,070	33,199
	Interest expense	(406,123)	(31,715)
- Unrealized	Loss on derivative financial instruments transactions	(2,836)	(224)
Credit default swap contracts			
- Realized	Income from derivative financial instruments transactions	4,900	5,274
Commodity-linked interest rate swap contracts			
- Realized	Income from derivative financial instruments transactions	1,125	-
		148,184	253,069
Net gains		$ (43,975)	$ 466,154

b. Fair value of nonderivative financial instruments

	December 31 2005 Carrying Amount	2005 Fair Value	2004 Carrying Amount	2004 Fair Value
Assets				
Financial assets - with fair values approximating carrying amounts	$ 116,992,212	$ 116,992,212	$ 93,810,866	$ 93,810,866
Securities purchased	85,593,900	85,625,144	94,879,770	95,770,783
Loans, discounts and bills purchased	302,283,944	302,283,944	260,718,198	260,718,198
Long-term equity investments	8,156,129	8,156,129	8,990,782	8,990,782
Other long-term investments	1,094,300	1,094,300	1,014,300	1,014,300
Guarantee deposits	1,021,658	1,016,155	1,511,744	1,515,942
Liabilities				
Financial liabilities - with fair values approximating carrying amounts	58,137,406	58,137,406	76,619,402	76,619,402
Deposits and remittances	398,499,164	398,499,164	329,551,843	329,551,843
Bank debentures	35,800,000	35,800,000	32,800,000	32,800,000
Other liabilities	25,824	25,824	134,782	134,782

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

1) The carrying amounts of cash and cash equivalent, due from the Central Bank and other banks, acceptances, receivables, securities purchased under agreements to resell, call loans and due to banks, securities sold under agreements to repurchase, payables, acceptances payable and remittances, approximate their fair values because of the short maturities of these instruments.

2) The fair values of securities purchased, long-term equity investments and other long-term investments are based on their market prices if these market prices are available. Otherwise, fair values are estimated at their carrying amounts.

3) Loans, discounts and bills purchased, deposits, bank debentures and funds received for subloans are interest-earning assets and interest-bearing liabilities. Thus, their carrying amounts represent fair values. Fair value of nonperforming loans is based on the carrying amount, which is net of allowance for credit losses.

4) The fair values of government bonds submitted as guarantee deposits are based on market values while those of certificates of deposit are estimated at their carrying amounts. Fair values of other guarantee deposits and guarantee deposits received are estimated at their carrying amounts since such deposits do not have specific due dates.

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

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

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

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

	December 31	
	2005	**2004**
Financial guarantees and standby letters of credit	$ 13,531,309	$ 14,409,729
Undrawn loan commitments	4,605,736	4,172,889

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

The Bank makes credit commitments and issues financial guarantees and standby letters of credit only after careful evaluation of customers' credit worthiness. On the basis of the result of the credit evaluation, the Bank may require collateral before drawings are made against the credit facilities. As of December 31, 2005 and 2004, ratios of secured loans to total loans were 70% and 71%, respectively. 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.

29. INFORMATION ON CONCENTRATIONS OF RISK

The Bank has no credit risk concentration arising from any counter-party or groups of counter-parties engaged in similar business activities. Industries that accounted for 5% or more of the outstanding loans as of December 31, 2005 and 2004 were as follows:

	December 31			
	2005		2004	
	Amount	**%**	**Amount**	**%**
Natural person	$ 202,048,058	66	$ 170,893,952	65
Manufacturing	50,433,500	17	46,467,640	18

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

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

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

a. Credit risks

1) Assets quality

(In Thousands of New Taiwan Dollars, %)

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

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

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

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

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

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

2) Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

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

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

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

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

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

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

4) Concentrations of risk: Please refer to Note 29.

b. Market risk

1) Average amount and average interest rate of interest-earning assets and interest-bearing liabilities: Please refer to Note 26.

2) Interest rate sensitivity

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

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

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

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

3) Net positions of the major foreign-currency: Please refer to Note 29.

c. Liquidity risk

1) Profitability

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

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

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

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

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

2) Maturity analysis of assets and liabilities

December 31, 2005

(In Millions of New Taiwan Dollars)

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

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

d. Operating risk and litigation risk

Matters Requiring Special Notation
December 31, 2005

Causes (Note)	Summary and Amount
Within the past one year, a responsible person or professional employee, in the course of business, violated the law, resulting in an indictment by a prosecutor.	None
Within the past one year, a fine was levied on the Bank for violations of the related regulations.	None

Causes (Note)	Summary and Amount
Within the past one year, misconduct occurred that resulted in the Financial Supervisory Commission imposing strict corrective measures.	1. The Financial Supervisory Commission (FSC) imposed strict corrective measures on the factory business transacted at Tunpei Branch on July 13, 2005. FSC consider the Tunpei Branch helped the client increase bank deposits in false, window dress the financial statements and insufficient disclosure with respect to letters for confirmation on bank deposits with restricted usage from auditors. On December 23, 2005, FSC restricted the Bank for accepting any factoring business from new clients and only dealing within the credit limited for existing clients for the period of January to June 2006. The Bank has filing the appeal on the matter of punishment, and asked the related business units follow the rulings established by FSC. For the disclosure requirement, the Bank has set up a standard operating procedure for all business units to follow. 2. The Bank's affiliate company, Grand Capital International Limited (Grand Capital), had granted short-term loans to Addie International Limited. On October 26, 2004, the FSC imposed strict corrective measure on the significant weakness of Grand Capital's related controls. Some employees involved in the significant weakness of the aforementioned loans had been punished, and the Bank had followed the FSC's instructions to strengthen plan on the investees' management.
Within the past one year, the loss from one incident or the total losses from employee corruption, periodic events of a material nature, or failure to abide by the "Guidelines for the Maintenance of Soundness of Financial Institutions" exceeded NT$50 million dollars.	None
Other	Cause of the case: The Securities and Futures Investors Protection Center (SFIPC) added the Bank and SPL as additional defendants for joint and several compensation liabilities to the Procomp Informatics Ltd. case on the ground that Procomp Informatics Ltd. provided US$10 million deposit with the Bank's Sunshan Branch and limited the usage as a condition for short-term loan to Addie International Limited granted by SPL. The value of the object of litigation: $4,470,000. Period to bring up a litigation state - first session was August 1, 2005. Main parties: SFIPC, Procomp Informatics Ltd., Yeh Shu-Fei, the Bank and SPL. Status: Under the investigation on first court instance.

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

31. STATEMENT OF CAPITAL ADEQUACY

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

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

32. INFORMATION REGARDING THE TRUST BUSINESS UNDER THE TRUST LAW

a. Balance sheets and trust properties of trust accounts

Balance Sheets of Trust Accounts
December 31, 2005 and 2004

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

Trust Properties of Trust Accounts
December 31, 2005 and 2004

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

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

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

December 31, 2005

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

December 31, 2004

Category	Account Volume	December 31, 2005	Possibility of Loss (Note C)
Consumer loans (A)	499	$ 304,697	-
Loans for employees' family mortgage	264	658,353	-
Other borrowers (B)	621	2,862,331	-
Guarantees	491	2,331,963	-
Collateral providers	1,274	5,316,600	-

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

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

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

34. CROSS SELLING INFORMATION

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

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

In February 2003, the Bank had entered into contracts with SPLIA and SPPIA, respectively, for cross selling business. The contracts refer to the rules of promoting cross selling business and how to allocate the related expenses to sites, personnel, and equipments and how to calculate the related compensation. For the year ended December 31, 2005, the Bank charged SPPIA $3,160 of service fees, and charged SPLIA $38,970 of promoting bonus under cross selling business.

35. ADDITIONAL DISCLOSURES

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

1) Financing provided: Table 1;

2) Endorsement/guarantee provided: Table 2;

3) Marketable securities held: Table 3;

4) Marketable securities acquired and disposed of, at costs or prices of at least NT$300 million or 10% of the issued capital: None;

5) Acquisition of individual real estate at costs of at least NT$300 million or 10% of the issued capital: Table 4;

6) Disposal of individual real estate at prices of at least NT$300 million or 10% of the issued capital: Table 5;

7) Allowance for service fees to related-parties amounting to at least NT$5 million: None;

8) Receivables from related parties amounting to at least NT$300 million or 10% of the issued capital: None;

9) Sale of nonperforming loans amounting to at least NT$5 billion: None;

10) Other significant transactions which may affect the decisions of users of financial reports: None;

11) Names, locations, and other information of investees on which the Bank exercises significant influence: Table 6;

12) Derivative financial transactions: The derivative financial instruments of the Bank are disclosed in Note 28, 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 December 31, 2005, the contract amounts (or notional amounts), credit risks and fair values of outstanding contracts were as follows:

	December 31, 2005		
Financial Instruments	**Contract (Notional) Amount**	**Credit Risk**	**Fair Value**
For the purpose of accommodating customers' needs or managing FENB's exposures:			
Interest rate swap contracts	$ 32,850	$ -	$ (102)
Currency swap contracts	423,420	62	62
Forward contracts			
- Sell	19,506	1,044	(1)

	December 31, 2004		
Financial Instruments	**Contract (Notional) Amount**	**Credit Risk**	**Fair Value**
For the purpose of accommodating customers' needs or managing FENB's exposures:			
Options			
- Long position	$ 478,755	$ 478,755	$ 480,739
- Short position	15,959	479	(16,250)

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 years ended December 31, 2005 and 2004 were insignificant.

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

36. SEGMENT AND GEOGRAPHIC INFORMATION

The Bank engages only in banking activities as prescribed by the Banking Law and has no single customer that accounts for 10% or more of the Bank's operating revenues. Thus, no industrial and customorial information disclosure is required.

The geographic information about the Bank for the year ended December 31, 2005 is as follows:

	Domestic	United States	Hong Kong	Adjustments and Eliminations	Total
Revenues from third parties	$ 17,984,323	$ 541,707	$ 2,212,583	$ -	$ 20,738,613
Segment income	$ 1,906,137	$ 262,888	$ 495,504	$ -	$ 2,664,529
Investment income under the equity method					-
Income before income tax					$ 2,664,529
Identifiable assets	$ 463,298,390	$ 15,191,405	$ 36,142,270	$ -	$ 514,632,065
Long-term equity investments under the equity method					7,877,839
Total assets					$ 522,509,904

The geographic information about the Bank for the year ended December 31, 2004 is as follows:

	Domestic	United States	Hong Kong	Adjustments and Eliminations	Total
Revenues from third parties	$ 17,656,637	$ 405,578	$ 1,131,229	$ -	$ 19,193,444
Segment income	$ 3,918,082	$ 366,972	$ 102,222	$ -	$ 4,387,276
Investment income under the equity method					515,809
Income before income tax					$ 4,903,085
Identifiable assets	$ 200,289,302	$ 13,874,502	$ 249,054,978	$ -	$ 463,218,782
Long-term equity investments under the equity method					8,222,432
Total assets					$ 471,441,214

TABLE 1

BANK SINOPAC AND INVESTEES

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

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

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

TABLE 2

BANK SINOPAC AND INVESTEES

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

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

Note 1: Foreign-currency amounts were translated to New Taiwan dollars at the exchange rate as of the balance sheet date.
Note 2: The limit on individual endorsement or guarantee amount is up to 200% of the net asset value (Note 4) of the Corporation. But no limit applied on any subsidiary of the Corporation. As of December 31, 2005, the limit was $2,269,005.
Note 3: The maximum amount of endorsement or guarantee amounts is up to 500% of the net asset value (Note 4) of the Corporation. But no limit applied on any subsidiary of the Corporation. As of December 31, 2005, the maximum allowance was $5,672,511.
Note 4: The net asset value of SinoPac Leasing Corporation was based on its audited financial statements as of December 31, 2005.

TABLE 3

BANK SINOPAC AND INVESTEES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2005
(In Thousands of New Taiwan Dollars)

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

Name of Holding Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	December 31, 2005 Shares/Units/ Face Amount (In Thousand)	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	Note
	Wealthmark	-	Short-term investments	15,327	$ 35,066	5.11%	$ 38,962	Note 2
	Magna Chi	-	Short-term investments	16	65,700	-	65,700	Note 2
	Fund							
	China Enterprise Capital	-	Short-term investments	US$ 1,000	32,850	-	32,850	Note 5
SinoPac Capital (B.V.I.) Ltd.	Stock							
	Cyberpac Holding Ltd. (B.V.I.)	Subsidiary	Long-term equity investments	4,000	131,400	100.00%	1,678	Note 3
	Shanghai International Asset Management (Hong Kong) Co., Ltd.	Subsidiary	Long-term equity investments	4,800	37,071	60.00%	40,649	Note 3
	Pinnacle Investment Management Ltd.	Subsidiary	Long-term equity investments	200	6,570	100.00%	3,739	Note 3
	RSP Information Service Company Limited	Subsidiary	Long-term equity investments	1,000	4,212	100.00%	2,063	Note 3
Allstar Venture Ltd. (B.V.I.)	Venture fund							
	InveStar Excelsus Venture Capital (Int'l) Inc., LDC	-	Long-term investments	1,529	57,557	6.25%	57,557	Note 3
	UOB Venture Technology Investments Limited	-	Long-term investments	26	35,369	8.62%	35,369	Note 3
	MDS Life Sciences Technology Fund - Barbados	-	Long-term investments	50	26,108	25.00%	26,108	Note 3
	Biotechnology Development Fund II, L.P.	-	Long-term investments	-	14,910	2.30%	14,910	Note 3
	North America Venture Fund II, L.P.O.	-	Long-term investments	-	11,960	2.07%	11,960	Note 3
	Stock (common stock)							
	Enhance Biotech	Investee accounted for by the cost method	Long-term equity investments	104	1,984	42.00%	1,984	Note 5
	DiCon Fiberoptics, Inc.	Investee accounted for by the cost method	Long-term equity investments	221	6,976	0.20%	6,976	Note 5
	Stock (preferred stock)							
	Tanox	-	Long-term equity investments	9	4,825	0.08%	4,825	Note 5
	Altor	-	Long-term equity investments	100	1,708	0.87%	1,708	Note 5
	Phytoceutica, Inc.	-	Long-term equity investments	200	8,475	1.45%	8,475	Note 5
	Immusol, Inc.	-	Long-term equity investments	25	10,075	0.05%	10,075	Note 5

Name of Holding Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	December 31, 2005 Shares/Units/ Face Amount (In Thousand)	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	Note
Wal Tech International Corporation	Stock							
	Intellisys Corp.	Subsidiary	Long-term equity investments	7,197	$ 78,701	62.58%	$ 98,073	Note 3
	Multiwin Asset Management Co., Ltd.	Investee accounted for by the equity method	Long-term equity investments	1,800	10,947	30.00%	10,947	Note 3
	Webi & Neti Internet Services Inc.	Investee accounted for by the cost method	Long-term equity investments	63	477	2.63%	477	Note 3
	SynTest Technologies, Inc., Taiwan	Investee accounted for by the cost method	Long-term equity investments	79	354	0.35%	430	Note 3
	Taiwan Leader Advanced Technology Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	1,575	15,000	1.53%	15,370	Note 3
	Ruentex Resources Integration Co., Ltd.	A subsidiary of Bank SinoPac's supervisor and investee accounted for by the cost method	Long-term equity investments	2,361	24,114	2.47%	24,941	Note 3
	SonicEdge Industries Corporation	Investee accounted for by the cost method	Long-term equity investments	290	1,238	1.16%	1,239	Note 3
	Maximum Venture I, Inc., Taiwan	Investee accounted for by the cost method	Long-term equity investments	17,500	175,350	8.33%	158,935	Note 3
	Silicon Motion Inc.	Investee accounted for by the cost method	Long-term equity investments	13	6,219	-	5,228	Note 6
Intellisys Corp.	Stock							
	Orion Financial Tech. Ltd.	Investee accounted for by the cost method	Long-term equity investments	81	-	2.31%	21	Note 3

Note 1: Foreign-currency amounts were translated to New Taiwan dollars at the exchange rate as of the balance sheet date.
Note 2: Market prices of listed and over-the-counter stocks were determined by average daily closing prices in December 2005.
Note 3: Net asset values were based on the investees' unaudited or unreviewed financial statements for the latest period.
Note 4: Net asset values were based on the investees' audited or reviewed financial statements for the latest period.
Note 5: Net asset values were based on the carrying amounts.
Note 6: Market prices were determined at the closing prices on December 31, 2005.

TABLE 4

BANK SINOPAC AND INVESTEES

ACQUISITION OF INDIVIDUAL REAL ESTATES AT COSTS OF AT LEAST NT$300 MILLION OR 10% OF THE ISSUED CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2005
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

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

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

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

TABLE 5

BANK SINOPAC AND INVESTEES

DISPOSAL OF INDIVIDUAL REAL ESTATE AT COST OF AT LEAST NT$300 MILLION OR 10% OF THE ISSUED CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2005
(In Thousands of New Taiwan Dollars)

Company Name	Property	Transaction Date	Acquisition Date	Carrying Amount	Transaction Amount	Collection Terms	Gain (Loss) of Disposal	Counter-party	Relationship	Price Reference	Purpose of Disposal	Other Terms
SinoPac Leasing Corporation	Property hold for lease - land	March 4, 2005	June 28, 2001	$231,040	$ 184,443	Collected	$ (46,596)	AnHong Co., Ltd.	-	Appraisal report of real estate	For business	-
	Property hold for lease - building	March 4, 2005	June 28, 2001	103,639	95,016 (Note 1)	Collected	(13,148)	AnHong Co., Ltd.	-	Appraisal report of real estate	For business	-

TABLE 6

BANK SINOPAC AND INVESTEES

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2005			Net Income (Loss) of the Investee (Note 2)	Investment Gains (Loss)	Note
				December 31, 2005 (Note 1)	December 31, 2004 (Note 1)	Shares (Thousand)	Percentage of Ownership (%)	Carrying Amount (Note 2)			
Bank SinoPac	SinoPac Bancorp	California	Stock holding	US$112,306	US$112,306	20	100.00	$ 5,871,192	$ 548,938	$ 468,658	Subsidiary
	SinoPac Leasing Corporation	Taipei	Leasing aircraft and machinery equipment	$ 999,940	$ 999,940	176,689.62	99.7683	1,106,265	(798,181)	(798,375)	Subsidiary
	SinoPac Capital Limited	Hong Kong	Lending and financing	HK$229,998	HK$229,998	229,998	99.9991	898,128	(285,990)	(111,922)	Subsidiary
	SinoPac Financial Consulting Co., Ltd.	Taipei	Investment advisory and business management advisory	$ 1,940	$ 1,940	194	97.00	2,255	80	78	Subsidiary
SinoPac Bancorp	Far East National Bank	California	Commercial bank	US$112,714	US$112,714	180	100.00	5,964,254	572,714	-	Affiliate
	SinoPac Financial Services (USA) Ltd.	California	Securities brokerage	US$ 25	US$ 25	2.5	100.00	26,306	(15,197)	-	Affiliate
Far East National Bank	Far East Capital Corporation	California	Investment bank	US$ 3,500	US$ 3,500	350	100.00	54,815	(2,997)	-	Affiliate
SinoPac Leasing Corporation	Grand Capital International Limited	British Virgin Islands	Oversea trading, leasing, lending and financing	US$ 29,900	US$ 29,900	29,900	100.00	547,418	(944,971)	-	Affiliate
SinoPac Capital Limited	SinoPac Capital (B.V.I.) Ltd.	British Virgin Islands	Financial advisory	US$ 4,450	US$ 4,450	4,450	100.00	199,639	18,712	-	Affiliate
	SinoPac Insurance Brokers Ltd.	Hong Kong	Insurance brokerage	HK$ 300	HK$ 300	100	100.00	1,280	1,131	-	Affiliate
	SinoPac (Hong Kong) Nominees Ltd.	Hong Kong	Custody securities	HK$ 0.001	HK$ 0.001	0.001	100.00	0.004	-	-	Affiliate
SinoPac Capital (B.V.I.) Ltd.	Cyberpac Holding Ltd. (B.V.I.)	British Virgin Islands	Investment and advisory	US$ 4,000	US$ 4,000	100	100.00	131,400	5,584	-	Affiliate
	Shanghai International Asset Management (Hong Kong) Co., Ltd.	Hong Kong	Asset management	HK$ 10,000	HK$ 10,000	4,800	60.00	37,071	11,040	-	Affiliate
	Pinnacle Investment Management Ltd.	Hong Kong	Asset management, trust and consulting	US$ 200	US$ 200	200	100.00	6,570	136	-	Affiliate
	RSP Information Service Company Limited	Hong Kong	General trading and providing interest - based service	HK$999.999	HK$999.999	1,000	100.00	4,212	(19)	-	

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2005			Net Income (Loss) of the Investee (Note 2)	Investment Gains (Loss)	Note
				December 31, 2005 (Note 1)	December 31, 2004 (Note 1)	Shares (Thousand)	Percentage of Ownership (%)	Carrying Amount (Note 2)			
Wal Tech International Corporation	Intellisys Corp.	Taipei	Computer and peripheral system integration engineering, software development and design	258,836	258,836	7,197	62.58	78,701	527	-	Affiliate
	Multiwin Asset Management Co., Ltd.	Taipei	Asset management	18,000	18,000	1,800	30.00	10,947	5,308	-	Investee under significant influence held by the Bank's affiliate

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

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

Auditors' Report — consolidated

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Bank SinoPac

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

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

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

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

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

Deloitte & Touche

February 21, 2006

<u>*Notice to Readers*</u>

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

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

BANK SINOPAC AND SUBSIDIARIES

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

	2005 Amount	2005 %	2004 (Restated - Note 2) Amount	2004 (Restated - Note 2) %
CASH AND CASH EQUIVALENTS (Note 5)	$ 9,951,164	2	$ 9,621,731	2
DUE FROM THE CENTRAL BANK AND OTHER BANKS (Notes 6 and 28)	76,475,234	13	35,964,349	7
SECURITIES PURCHASED, NET (Notes 2, 7 and 28)	86,672,846	15	96,998,680	18
ACCOUNTS, INTEREST AND OTHER RECEIVABLES, NET (Notes 2, 8 and 28)	30,488,183	5	33,935,771	6
ACCEPTANCES	2,062,098	-	3,045,568	1
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 2, 3,28 and 29)	8,143,070	1	19,505,472	4
PREPAYMENTS	335,637	-	695,713	-
LOANS, DISCOUNTS AND BILLS PURCHASED, NET (Notes 2, 9 and 28)	343,677,495	58	302,716,687	57
LONG-TERM INVESTMENTS (Notes 2, 10, 11 and 28)				
Long-term equity investments - equity method	2,255	-	81,763	-
Long-term equity investments - cost method	952,166	-	2,528,930	-
	954,421	-	2,610,693	-
Unrealized loss	-	-	(264,299)	-
Other long-term investments	9,444,093	2	8,219,971	2
Long-term investments, net	10,398,514	2	10,566,365	2
PROPERTIES (Notes 2, 12, 28 and 29)				
Cost				
Land	2,065,015	-	2,098,476	-
Buildings	2,373,480	1	2,410,520	1
Computer equipment	1,527,361	-	1,458,303	-
Transportation equipment	52,506	-	57,388	-
Office and other equipment	2,153,398	-	1,845,486	-
Leasehold improvement	9,176	-	14,827	-
Total cost	8,180,936	1	7,885,000	1
Accumulated depreciation	(3,010,817)	-	(2,653,189)	-
	5,170,119	1	5,231,811	1
Advances on acquisitions of equipment and construction in progress	88,568	-	1,869,781	-
Net properties	5,258,687	1	7,101,592	1
LEASED ASSETS, NET (Notes 2 and 13)	3,701,824	1	1,844,971	-
LONG-TERM LEASE RECEIVABLES (Note 2)	1,136,592	-	939,661	-
OTHER ASSETS (Notes 2, 14 and 26)	10,308,761	2	11,346,064	2
TOTAL	$ 588,610,105	100	$ 534,282,624	100

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

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

LIABILITIES AND STOCKHOLDERS' EQUITY	2005 Amount	%	2004 (Restated - Note 2) Amount	%
CALL LOANS AND DUE TO BANKS	$ 37,077,346	6	$ 43,190,326	8
SHORT-TERM BORROWINGS (Notes 15 and 20)	8,159,231	1	10,538,606	2
COMMERCIAL PAPER PAYABLE (note 16)	1,124,529	-	1,038,191	-
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE (Notes 2, 3, 28 and 29)	9,440,268	2	18,274,840	3
ACCOUNTS, INTEREST AND OTHER PAYABLES (Notes 17 and 26)	14,809,966	3	18,516,215	4
ACCEPTANCES PAYABLE	2,062,098	-	3,045,568	1
DEPOSITS AND REMITTANCES (Notes 18 and 28)	441,116,333	75	372,029,054	70
BANK DEBENTURES (Note 19)	36,292,750	6	33,278,755	6
LONG-TERM BORROWINGS (Notes 15, 20 and 28)	2,373,125	1	631,669	-
DEFERRED TAX LIABILITIES (Note 26)	593,768	-	719,967	-
OTHER (Note 25)	7,947,945	1	4,691,974	1
Total liabilities	560,997,359	95	505,955,165	95
STOCKHOLDERS' EQUITY				
Capital stock, $10 par value				
Authorized and issued (shares in thousands) - 1,972,807 and 1,944,398 as of December 31, 2005 and 2004, respectively	19,728,068	4	19,443,976	3
Capital surplus				
Additional paid-in capital	118,226	-	125,030	-
Donated capital	83	-	83	-
Other	95	-	95	-
Retained earnings				
Legal reserve	5,782,921	1	4,497,477	1
Special reserve	282,977	-	282,977	-
Unappropriated	1,657,307	-	4,180,069	1
Unrealized loss on long-term equity investments	-	-	(264,260)	-
Cumulative translation adjustment	24,539	-	(31,850)	-
Total stockholders' equity of parent company	27,594,216	5	28,233,597	5
MINORITY INTEREST	18,530	-	93,862	-
Total stockholders' equity	27,612,746	5	28,327,459	5
CONTINGENCIES AND COMMITMENTS (Notes 2, 29 and 32)				
TOTAL	$ 588,610,105	100	$ 534,282,624	100

BANK SINOPAC AND SUBSIDIARIES

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

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

	2005		2004	
	Pre-tax	After Tax	Pre-tax	After Tax
EARNINGS PER SHARE (Note 27)				
Basic earnings per share	$ 1.38	$ 1.03	$ 2.55	$ 2.05

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

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

BANK SINOPAC AND SUBSIDIARIES

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

	2005	2004 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated income	$ 2,119,871	$ 4,287,585
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	633,588	674,607
Expensed assets	1,571	488
Premium amortization and discount accretion	33,462	75,360
Provision for credit and trading losses	1,974,778	699,367
Provision for allowance for decline in market value of securities purchased	(11,843)	21,338
Provision for allowance for decline in market value of collateral assumed	32,050	3,206
Realized loss of decline in value of long-term equity investments under the equity method	340,496	-
Realized loss on long-term equity investment reclassified as securities	270,125	-
Loss (gain) on sale of long-term equity investments	28,298	(31,985)
Loss on disposal of leased assets	60,973	7,334
Loss (gain) on disposal of properties, net	(164,090)	10,964
Gain on sale of collateral assumed, net	(11,001)	(78,516)
Income from investments under the equity method, net	(78)	(271)
Deferred income taxes	(193,683)	(4,195)
Increase (decrease) accrued pension cost	(306)	15,741
Increase in long-term lease and installment receivables	(185,597)	(171,702)
Decrease in securities purchased - for trading purposes	9,477,083	19,802,391
Decrease (increase) in accounts, interest and other receivables	3,476,706	(2,787,222)
Decrease (increase) in prepayments	354,694	(196,564)
Increase (decrease) in accounts, interest and other payables	(3,712,411)	2,148,651
Net cash provided by operating activities	14,524,686	24,476,577
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in due from the Central Bank and other banks	(40,510,884)	(11,667,512)
Decrease (increase) in securities purchased under agreements to resell	11,362,402	(19,505,472)
Decrease (increase) in securities purchased - for investing purposes	(259,691)	1,231,513
Increase in loans, discounts and bills purchased	(43,045,079)	(43,890,418)
Increase in long-term equity investments	-	(909,799)
Increase in other long-term investments	(1,257,584)	(1,112,796)
Decrease (increase) in prepayments and construction in progress	-	(1,010,798)
Proceeds from sale of long-term equity investments	727,840	338,044
Acquisition of properties	(504,996)	(454,625)
Proceeds from sale of properties	248,946	38,882
Acquisition of leased assets	(331,233)	(156,656)
Proceeds from sale of leased assets	331,175	64,093
Acquisition of collateral assumed	(45,035)	(195,265)
Proceeds from sale of collateral assumed	293,431	710,947
Decrease (increase) in other assets	671,501	(2,725,112)
Net cash used in investing activities	(72,319,207)	(79,244,974)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in call loans and due to banks	(6,112,980)	1,932,440
Increase (decrease) in short-term borrowings	(2,434,627)	1,576,191
Increase in commercial papers payable	86,338	123,646
Increase (decrease) in securities sold under agreements to repurchase	(8,834,572)	18,274,840
Increase in deposits and remittances	69,087,279	21,677,989
Increase in bank debentures	3,000,000	11,400,000
Decrease in bonds payable	-	(1,019,340)
Increase in long-term borrowings	1,685,146	359,905
Increase in other liabilities	3,145,783	1,369,971
Remuneration to directors and supervisors and bonus to employees	(51,747)	(57,277)
Cash dividends paid	(1,419,416)	(1,870,452)
Net cash provided by financing activities	58,151,204	53,767,913
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	356,683	(1,000,484)
EFFECTS OF CHANGES IN EXCHANGE RATE	(27,250)	106,552
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,621,731	10,515,663
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 9,951,164	$ 9,621,731
SUPPLEMENTAL INFORMATION		
Interest paid	$ 10,743,988	$ 6,843,939
Income tax paid	$ 1,132,870	$ 384,267
NONCASH INVESTINGS AND FINANCING ACTIVITIES		
Current-portion of long-term borrowings	$ 51,228	$ 169,272
Cancellation of treasury stock	$ 1,490,917	$ -
Long-term investment equity reclassified as securities purchased	$ 370,633	$ -
Payables of remuneration to directors and supervisors and bonus to employees	$ 4,046	$ -

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

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

BANK SINOPAC AND SUBSIDIARIES

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

	Capital Stock (Note 21)		Capital Surplus (Notes 2 and 16)
	Shares in Thousands	Amount	
BALANCE, JANUARY 1, 2004	1,944,398	$ 19,443,976	$ 125,208
Appropriation of 2003 earnings			
Legal reserve	-	-	-
Remuneration to directors and supervisors	-	-	-
Bonus to employees	-	-	-
Cash dividends - $0.962 per share	-	-	-
Consolidated income for the year ended December 31, 2004	-	-	-
Recovery of unrealized loss on long-term equity investments	-	-	-
Change in translation adjustment on long-term equity investments	-	-	-
Realized deferred loss on upstream transaction of long-term equity investments	-	-	-
Change in minority interest	-	-	-
BALANCE, DECEMBER 31, 2004	1,944,398	19,443,976	125,208
Appropriation of 2004 earnings			
Legal reserve	-	-	-
Remuneration to directors and supervisors	-	-	-
Bonus to employees	-	-	-
Cash dividends - $0.73 per share	-	-	-
Stock dividends - $0.73 per share	141,941	1,419,416	-
Capital decrease and cancellation resulting from holding shares of the parent company	(113,532)	(1,135,324)	(6,804)
Consolidated income for the year ended December 31, 2005	-	-	-
Recovery of unrealized loss on long-term equity investments	-	-	-
Change in translation adjustment on long-term equity investments	-	-	-
Change in minority interest	-	-	-
BALANCE, DECEMBER 31, 2005	1,972,807	$ 19,728,068	$ 118,404

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

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

Retained Earnings (Notes 16 and 21)				Unrealized Loss on Long-term Equity Investments	Cumulative Translation		Total
Legal Reserve	Special Reserve	Unappropriated	Total	Investments (Notes 2 and 9)	Adjustment (Note 2)	Minority Interest	Stockholders' Equity
$ 3,671,307	$ 282,977	$ 2,753,899	$ 6,708,183	$ (297,567)	$ 166,872	$ 91,369	$ 26,238,041
826,170	-	(826,170)	-	-	-	-	-
-	-	(38,000)	(38,000)	-	-	-	(38,000)
-	-	(19,277)	(19,277)	-	-	-	(19,277)
-	-	(1,870,452)	(1,870,452)	-	-	-	(1,870,452)
-	-	4,284,815	4,284,815	-	-	2,770	4,287,585
-	-	-	-	33,307	-	-	33,307
-	-	-	-	-	(198,722)	-	(198,722)
-	-	(104,746)	(104,746)	-	-	-	(104,746)
-	-	-	-	-	-	(277)	(277)
4,497,477	282,977	4,180,069	8,960,523	(264,260)	(31,850)	93,862	28,327,459
1,285,444	-	(1,285,444)	-	-	-	-	-
-	-	(26,847)	(26,847)	-	-	-	(26,847)
-	-	(28,946)	(28,946)	-	-	-	(28,946)
-	-	(1,419,416)	(1,419,416)	-	-	-	(1,419,416)
-	-	(1,419,416)	(1,419,416)	-	-	-	-
-	-	(459,857)	(459,857)	-	-	-	(1,601,985)
-	-	2,117,164	2,117,164	-	-	2,707	2,119,871
-	-	-	-	264,260	-	-	264,260
-	-	-	-	-	56,389	-	56,389
-	-	-	-	-	-	(78,039)	(78,039)
$ 5,782,921	$ 282,977	$ 1,657,307	$ 7,723,205	$ -	$ 24,539	$ 18,530	$ 27,612,746

BANK SINOPAC AND SUBSIDIARIES

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

1. ORGANIZATION AND OPERATIONS

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

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

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

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

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

Operating Cycle of Leasing

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

Securities Purchased

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

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

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

Nonperforming Loans

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

Allowance for Credit Losses and Provision for Losses on Guarantees

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

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

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

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

Long-term Investments

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

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

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

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

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

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

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

Financial Asset Securitization

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

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

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

Properties

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

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

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

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

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

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

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

Asset Impairment

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

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

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

Collaterals Assumed

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

Derivative Financial Instruments

a. Foreign exchange forward

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

b. Forward rate agreements

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

c. Currency swaps

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

d. Cross-currency swaps

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

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

e. Options

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

f. Interest rate swaps

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

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

g. Asset swaps

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

h. Futures

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

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

i. Credit default swaps

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

j. Commodity - linked interest rate swaps

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

Recognition of Interest Revenue and Service Fees

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

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

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

Pension

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

Income Tax

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

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

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

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

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

Accounting for Leasing Business

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

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

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

Account Receivable Factoring

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

Contingencies

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

Foreign-currency Transactions

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

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

3. ACCOUNTING CHANGES

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

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

4. ELIMINATIONS OF SIGNIFICANT TRANSACTIONS BETWEEN PARENT COMPANY AND SUBSIDIARIES

Name of Corporation	Elimination Account	Amount	Counterparties of Transaction
For the year ended December 31, 2005			
Bank SinoPac	Due from other banks	$ 63,413	SinoPac Bancorp and subsidiaries
	Interest receivable	682	SinoPac Leasing and subsidiaries
	Loans, discounts and bills purchased	558,000	SinoPac Leasing and subsidiaries
	Guarantee deposits	6,694	SinoPac Leasing and subsidiaries
	Accrued expenses	942	SinoPac Leasing and subsidiaries
	Deposits and remittances	123,901	SinoPac Leasing and subsidiaries
	Deposits and remittances	50,808	SinoPac Capital and subsidiaries
	Operating revenue	27,302	SinoPac Leasing and subsidiaries
	Operating revenue	2,484	SinoPac Capital and subsidiaries
	Rental revenue	3,049	SinoPac Leasing and subsidiaries
	Interest revenue	4,575	SinoPac Capital and subsidiaries
	Interest expense	2,140	SinoPac Capital and subsidiaries
	Interest expense	675	SinoPac Leasing and subsidiaries
	Operating costs and expenses	70,121	SinoPac Leasing and subsidiaries
	Service charges	34,130	SinoPac Capital and subsidiaries
SinoPac Bancorp and subsidiaries	Due to banks	63,413	Bank SinoPac
	Operating costs and expenses	10,842	SinoPac Capital and subsidiaries
SinoPac Leasing and subsidiaries	Cash and cash equivalents	123,901	Bank SinoPac
	Receivables	942	Bank SinoPac
	Short-term borrowings	558,000	Bank SinoPac
	Interest payable	682	Bank SinoPac
	Guarantee deposits received	6,694	Bank SinoPac
	Interest revenue	675	Bank SinoPac
	Interest revenue	3,660	SinoPac Capital and subsidiaries
	Rental revenue	69,683	Bank SinoPac
	Service fees	438	Bank SinoPac
	Rental expenses	3,049	Bank SinoPac
	Operating expenses	24,944	Bank SinoPac
	Operating expenses	3,230	SinoPac Capital and subsidiaries
	Nonoperating expense and losses	2,358	Bank SinoPac
SinoPac Capital and subsidiaries	Cash and cash equivalents	50,808	Bank SinoPac
	Operating revenue	36,270	Bank SinoPac
	Operating revenue	10,842	SinoPac Bancorp and subsidiaries
	Operating revenue	3,230	SinoPac Leasing and subsidiaries
	Interest expense	4,575	Bank SinoPac
	Interest expense	3,660	SinoPac Leasing and subsidiaries
	Operating costs and expenses	2,484	Bank SinoPac
For the year ended December 31, 2004			
Bank SinoPac	Due from other banks	44,283	SinoPac Bancorp and subsidiaries
	Interest receivable	2,345	SinoPac Leasing and subsidiaries
	Loans, discounts and bills purchased	802,828	SinoPac Leasing and subsidiaries
	Loans, discounts and bills purchased	213,000	SinoPac Capital and subsidiaries
	Prepayments	2,371	SinoPac Capital and subsidiaries
	Guarantee deposits	3,264	SinoPac Leasing and subsidiaries
	Accrued expenses	961	SinoPac Leasing and subsidiaries
	Deposits and remittances	83,965	SinoPac Leasing and subsidiaries
	Operating revenue	34,616	SinoPac Leasing and subsidiaries
	Operating revenue	2,574	SinoPac Capital and subsidiaries
	Operating costs and expenses	15,073	SinoPac Leasing and subsidiaries
	Operating costs and expenses	3,162	SinoPac Capital and subsidiaries

Name of Corporation	Elimination Account	Amount	Counterparties of Transaction
	Interest expense	$ 620	SinoPac Leasing and subsidiaries
	Interest expense	158	SinoPac Capital and subsidiaries
	Service charges	138,900	SinoPac Capital and subsidiaries
SinoPac Bancorp and	Due to banks	44,283	Bank SinoPac
subsidiaries	Operating costs and expenses	56,924	SinoPac Capital and subsidiaries
SinoPac Leasing and	Cash and cash equivalents	83,965	Bank SinoPac
subsidiaries	Receivables	961	Bank SinoPac
	Short-term borrowings	10,000	Bank SinoPac
	Current portion of long-term borrowings	122,992	Bank SinoPac
	Long-term borrowings	669,836	Bank SinoPac
	Interest payable	2,345	Bank SinoPac
	Guarantee deposits received	3,264	Bank SinoPac
	Interest revenue	620	Bank SinoPac
	Rental revenue	14,556	Bank SinoPac
	Operating revenue	517	Bank SinoPac
	Operating expenses	34,616	Bank SinoPac
SinoPac Capital and	Other liabilities	213,000	Bank SinoPac
subsidiaries	Payables	2,371	Bank SinoPac
	Operating revenue	142,062	Bank SinoPac
	Operating revenue	56,924	SinoPac Bancorp and subsidiaries
	Interest revenue	158	Bank SinoPac
	Interest expense	5,062	Bank SinoPac
	Operating costs and expenses	2,574	Bank SinoPac

5. CASH AND CASH EQUIVALENTS

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

6. DUE FROM THE CENTRAL BANK AND OTHER BANKS

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

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

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

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

7. SECURITIES PURCHASED

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

(Continued)

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

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

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

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

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

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

8. ACCOUNTS, INTEREST AND OTHER RECEIVABLES

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

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

9. LOANS, DISCOUNTS AND BILLS PURCHASED

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

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

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

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

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

	For the Year Ended December 31, 2005		
	For Losses on Particular Loans	For Losses on the Overall Loan Portfolio (Excluding Particular Loans)	Total
Balance, January 1	$ 492,263	$ 1,255,915	$ 1,748,178
Provision	1,779,010	56,885	1,835,895
Write-off	(1,553,067)	(3,467)	(1,556,534)
Recovery of written-off credits	83,499	-	83,499
Reclassifications	(150,257)	139,211	(11,046)
Result from change of foreign exchange rate	(22,355)	(40,012)	(62,367)
Other	(7,092)	-	(7,092)
Balance, December 31	$ 622,001	$ 1,408,532	$ 2,030,533

	For the Year Ended December 31, 2004		
	For Losses on Particular Loans	For Losses on the Overall Loan Portfolio (Excluding Particular Loans)	Total
Balance, January 1	$ 783,489	$ 1,378,036	$ 2,161,525
Provision	660,188	13,813	674,001
Write-off	(1,128,684)	-	(1,128,684)
Recovery of written-off credits	86,477	-	86,477
Reclassifications	108,670	(108,429)	241
Result from change of foreign exchange rate	(27,395)	(27,505)	(54,900)
	9,518	-	9,518
Balance, December 31	$ 492,263	$ 1,255,915	$ 1,748,178

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

10. LONG-TERM INVESTMENTS

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

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

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

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

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

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

Investees	Amount
Prudence International Fund Ltd.	$ 14,400
Z-Com, Inc.	9,124
Taiwan Leader Advanced Technology Co., Ltd.	5,788
Mondex Taiwan Inc.	17,000
Ruentex Industries Ltd.	25,768
Mega Holdings	20,706
China Television	223,651
Chain Yarn Co., Ltd.	9,789
Tekcon Electronics Corp.	19,824
Telexpress Corp.	1,553
Walton Advanced Engineering, Inc.	12,303
Best 3C. Com	14,485
e21 Corporation	6,438
UOB	37,168
MDS Fund	88,076
Enchance Biotech	14,509
Dicon	25,348
Virtual Silicon	9,864
Tanox	8,299

(Continued)

Investees	Amount
Altor	$ 1,545
Phytoceutica	8,300
Bioagri	9,657
NavfII	131
Source one	26,895
	$ 610,621

11. SECURITIZATION

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

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

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

December 31, 2005

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

December 31, 2004

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

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

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

b. Sensitivity analysis

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

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

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

d. Cash flows

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

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

12. PROPERTIES

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

13. PROPERTIES HELD FOR LEASE

	December 31	
	2005	2004
Cost		
Land	$ 729,250	$ 960,290
Buildings	1,218,729	614,612
Transportation equipment	942,177	435,121
Superficies	1,032,617	-
Other	-	493
	3,922,773	2,010,516

(Continued)

	December 31	
	2005	2004
Accumulated depreciation		
Buildings	$ 66,122	$ 50,304
Transportation equipment	154,827	114,895
Other	-	346
	220,949	165,545
	$ 3,701,824	$ 1,844,971

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

14. OTHER ASSETS

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

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

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

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

15. SHORT-TERM BORROWINGS

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

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

16. COMMERCIAL PAPER PAYABLE

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

17. ACCOUNTS, INTEREST AND OTHER PAYABLES

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

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

18. DEPOSITS AND REMITTANCES

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

19. BANK DEBENTURES

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

	December 31			
	2005	2004	Maturity Date	Terms
Eighth dominant bank debenture issued in 2003	$ 500,000	$ 500,000	2003.09.16-2008.09.16 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Ninth dominant bank debenture issued in 2003	300,000	300,000	2003.09.22-2008.09.22 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Tenth dominant bank debenture issued in 2003	1,000,000	1,000,000	2003.11.05-2008.11.05 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Eleventh dominant bank debenture issued in 2003	1,000,000	1,000,000	2003.11.14-2008.11.14 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Twelfth dominant bank debenture issued in 2003	500,000	500,000	2003.11.21-2008.11.21 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Thirteenth dominant bank debenture issued in 2003	500,000	500,000	2003.11.28-2008.11.28 Principal is repayable on maturity date.	Floating rate except for the first year fixed at 4%. Interest is paid semiannually.
Fourteenth dominant bank debenture issued in 2003	2,200,000	2,200,000	2003.12.02-2009.06.02 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Second subordinated bank debentures issued in 2003	3,600,000	3,600,000	2004.03.18-2009.09.18 Principal is repayable on maturity date.	Fixed interest rate of 2.3%, interest is paid semiannually.
First dominant bank debentures issued in 2004	500,000	500,000	2004.04.26-2009.10.26 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Second dominant bank debentures issued in 2004	300,000	300,000	2004.04.28-2009.10.28 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Third dominant bank debentures issued in 2004	500,000	500,000	2004.04.29-2009.04.29 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Fourth dominant bank debentures issued in 2004	200,000	200,000	2004.05.14-2009.05.14 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Fifth dominant bank debentures issued in 2004	300,000	300,000	2004.05.17-2009.05.17 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Sixth dominant bank debentures issued in 2004	500,000	500,000	2004.05.17-2009.05.17 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Seventh dominant bank debentures issued in 2004	200,000	200,000	2004.05.21-2009.05.21 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Eighth dominant bank debentures issued in 2004	500,000	500,000	2004.05.21-2011.05.21 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Ninth dominant bank debentures issued in 2004	300,000	300,000	2004.06.03-2009.06.03 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Tenth dominant bank debentures issued in 2004	500,000	500,000	2004.06.07-2009.06.07 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Eleventh dominant bank debentures issued in 2004	200,000	200,000	2004.06.15-2009.06.15 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Twelfth dominant bank debentures issued in 2004	500,000	500,000	2004.06.15-2010.06.15 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Thirteenth dominant bank debentures issued in 2004	300,000	300,000	2004.06.30-2009.06.30 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Fourteenth dominant bank debentures issued in 2004	500,000	500,000	2004.07.09-2010.07.09 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.

	December 31 2005	December 31 2004	Maturity Date	Terms
Fifteenth dominant bank debentures issued in 2004	$ 500,000	$ 500,000	2004.07.13-2011.07.13 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
First subordinated bank debentures issued in 2004	1,500,000	1,500,000	2004.09.14-2010.06.14 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Second subordinated bank debentures issued in 2004	500,000	500,000	2004.09.14-2010.06.14 Principal is repayable on maturity date.	Index rate plus 0.50%. Interest is reset semiannually since the issuance date. Interest is paid semiannually.
First subordinated bank debentures issued in 2005	3,000,000	-	2005.12.13-2011.06.13 Principal is repayable on maturity date.	Index rate plus 0.35%. Interest is reset semiannually since the issuance date. Interest is paid semiannually.
FENB second subordinated bank debentures issued in 2004	328,500	319,170	2003.06.26-2013.06.26 Principal is repayable on maturity date.	Floating rate. Interest is paid quarterly.
FENB second subordinated bank debentures issued in 2004	164,250	159,585	2003.09.17-2013.09.17 Principal is repayable on maturity date.	Floating rate. Interest is paid quarterly.
	$ 36,292,750	$ 33,278,755		

20. LONG-TERM BORROWINGS

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

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

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

21. STOCKHOLDERS' EQUITY

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

b. Capital surplus

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

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

c. Retained earnings and dividend policy

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

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

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

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

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

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

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

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

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

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

22. SERVICE FEES

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

23. INCOME FROM SECURITIES, NET

	For the Years Ended December 31	
	2005	2004
Short-term bills		
Interest revenue	$ 825,174	$ 1,350,036
Capital loss, net	5,632	2,259
	830,806	1,352,295
Bonds		
Capital gain, net	153,933	196,589
Interest revenue	90,113	31,588
	244,046	228,177
Structured instruments		
Gain form structured instruments	235	-
Stocks and beneficiary certificates		
Capital gain (loss), net	114,476	618,887
Dividend revenue	121,508	126,114
Dividend distributed form mutual funds	459	485
	236,443	745,486
Reversal of allowance for decline in market value	11,843	(21,338)
	248,286	724,148
	$ 1,323,373	$ 2,304,620

24. OPERATING AND ADMINISTRATIVE EXPENSES

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

25. PENSION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	December 31	
	2005	2004
e. Actuarial assumptions		
1) Discount rate used in determining present values	3.5%	3.5%
2) Expected rate of return on plan assets	2.5%-3.0%	3.5%
3) Future salary increase rate	2.5%	2.5%

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

26. INCOME TAX

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

a. The components of income tax were as follows:

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

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

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

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

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

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

	December 31	
	2005	2004
SinoPac Bancorp and its subsidiaries		
Goodwill amortization	$ (46,276)	$ (54,174)
Deferred loan fees	(173,779)	(173,277)
Provision for credit losses	202,820	253,837
Other	105,894	49,382
Deferred income tax assets, net	$ 88,659	$ 75,768
SinoPac Leasing and it subsidiaries		
Investment loss (income) under the equity method	$ 81,029	$ (147,457)
Allowance for bad debts beyond limits	14,914	4,016
Other	(35,594)	(16)
Deferred income tax assets (liabilities), net	$ 60,349	$ (143,457)

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

	December 31	
	2005	2004
Receivables from related party	$ 97,082	$ 96,582
Payables to related party	$ 22,284	$ 358,168

e. Imputed tax credit information is as follows:

	December 31	
	2005	2004
Balances of ICA		
Bank SinoPac	$ 139,615	$ 95,182
SinoPac Leasing	60	17

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

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

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

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

27. EARNINGS PER SHARE

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

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

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

28. RELATED-PARTY TRANSACTIONS

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

a. Related parties

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

b. Significant transactions between the Bank and related parties

1) Loans

	Ending Balance	% of Total	Interest Rate	Interest Revenue	% of Total
For the year ended December 31, 2005					
SinoPac Securities	$ 500,000	0.17%	1.53%	$ 459	-
SinoPac Capital Limited	230,607	0.08%	4.92%-4.99%	3,725	0.02%
Formosa Plastic	101,252	0.03%	3.04%	3,367	0.02%
Other	1,387,869	0.40%	1.58%-7.40%	5,522	0.03%
For the year ended December 31, 2004					
SinoPac Securities	500,000	0.17%	1.42%	8	-
Other	545,098	0.18%	1.75%-12.30%	4,902	0.04%

2) Deposits

	Ending Balance	% of Total	Interest Rate	Interest Expense	% of Total
For the year ended December 31, 2005					
SPH	$ 3,040,618	0.69%	0%-4.50125%	$ 30,374	0.26%
SinoPac Securities	1,244,444	0.28%	0.3%-4.91%	12,805	0.11%
SinoPac Venture Capital	547,291	0.12%	0.30%	1,812	0.02%
SinoPac Futures	257,329	0.06%	0.3%-1.94%	13,317	0.11%
SinoPac Securities (Cayman) Holdings	227,727	0.05%	4.05%-4.25%	4,035	0.03%
Other	2,923,484	0.66%	0%-6.475%	21,034	0.18%
For the year ended December 31, 2004					
SPH	3,004,989	0.81%	0%-2.60%	59,215	0.88%
SinoPac Securities	1,367,757	0.37%	0.002%-4.53%	17,471	0.26%
PTW	871,504	0.23%	0.3%-4.28%	1,664	0.02%
SinoPac Futures	705,185	0.19%	0.3%-1.35%	8,005	0.12%
SinoPac Managed Futures	187,534	0.05%	0.3%-1.4%	2,929	0.04%
Other	1,683,629	0.45%	0.3%-6.475%	15,832	0.24%

3) Due from banks and other receivables

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

4) Guarantees and securities purchased

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

5) Long-term borrowings

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

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

	December 31	
	2005	2004
SinoPac Securities	$ 35,000	$ 35,000

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

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

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

	December 31			
	2005		2004	
Properties - carrying amount	$	40,064	$	40,064
Stocks - fair value		8,253		8,010

7) Long-term investments

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

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

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

	December 31, 2005
Beneficiary certificates - credit card receivables - AnShin Card Services	$ 80,000

8) Revenues and expenses

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

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

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

10) Lease

a) The Bank as a lessee

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

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

b) The Bank as a lessor

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

11) Professional advisory charges

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

12) Due from/to affiliates

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

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

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

13) Asset transactions

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

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

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

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

29. SIGNIFICANT CONTINGENCIES AND COMMITMENTS

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

a. Lease contract

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

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

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

b. Equipment purchase contract

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

c. Interior decoration contract

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

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

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

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

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

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

30. CAPITAL ADEQUACY RATIO

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

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

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

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

	For the Years Ended December 31			
	2005		2004	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-earning assets				
Due from other banks	$ 5,116,202	3.10	$ 4,627,020	1.03
Call loans (placement)	38,730,745	2.66	12,399,828	1.63
Due from the Central Bank	7,540,379	1.50	7,417,488	1.56
Securities purchased	76,654,878	1.65	123,369,807	1.44
Securities purchased under agreements to resell	20,185,592	1.51	11,464,467	1.15

	For the Years Ended December 31			
	2005		2004	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Loans, discounts and bills purchased	$ 312,497,395	3.90	$ 282,081,089	3.61
Accounts receivable factoring	11,499,315	4.40	12,467,985	3.84
Other long-term investments	12,717,435	2.95	9,899,081	2.60
Interest-bearing liabilities				
Due to banks	5,488,420	1.43	5,927,418	1.49
Call loans (taken)	32,900,616	2.74	40,230,715	1.32
Demand deposits	64,987,597	1.41	91,873,698	0.58
Savings - demand deposits	76,159,873	0.49	71,878,779	0.49
Time deposits	142,811,354	2.15	124,835,619	1.25
Savings - time deposits	69,976,912	1.63	62,923,792	1.51
Negotiable certificates of deposit	28,527,012	1.26	27,718,490	1.01
Securities sold under agreements to repurchase	13,465,088	1.58	12,344,902	1.01
Bank debentures	33,448,914	1.91	28,724,383	2.69

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

32. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

	December 31, 2005			
	Due in One Year	Due Between One Year and Five Years	Due After Five Years	Total
Assets				
Cash and cash equivalents	$ 9,412,415	$ -	$ -	$ 9,412,415
Due from the Central Bank and other banks	76,475,234	-	-	76,475,234
Securities purchased	86,413,047	-	-	86,413,047
Receivables	26,989,967	-	-	26,989,967
Securities purchased under agreements to resell	8,143,070	-	-	8,143,070
Loans, discounts and bills purchased (excluding nonperforming loans)	104,356,331	47,766,590	186,464,740	338,587,661
Other long-term investments	8,349,793	1,094,300	-	9,444,093
	$ 320,139,857	$ 48,860,890	$ 186,464,740	$ 555,465,487
Liabilities				
Call loans and due to banks	$ 37,077,346	$ -	$ -	$ 37,077,346
Securities sold under agreements to repurchase	9,440,268	-	-	9,440,268
Payables	16,576,500	-	-	16,576,500
Deposits and remittances	423,877,101	17,239,232	-	441,116,333
Bank debentures	5,492,750	26,800,000	4,000,000	36,292,750
	$ 492,463,965	$ 44,039,232	$ 4,000,000	$ 540,503,197

	December 31, 2004			
	Due in One Year	Due Between One Year and Five Years	Due After Five Years	Total
Assets				
Cash and cash equivalents	$ 9,247,320	$ -	$ -	$ 9,247,320
Due from the Central Bank and other banks	35,964,349	-	-	35,964,349
Securities purchased	95,918,174	-	-	95,918,174
Receivables	32,289,314	-	-	32,289,314
Securities purchased under agreements to resell	19,423,913	-	-	19,423,913
Loans, discounts and bills purchased (excluding nonperforming loans)	95,767,251	43,358,785	158,295,624	297,421,660
Other long-term investments	7,205,671	1,014,300	-	8,219,971
	$ 295,815,992	$ 44,373,085	$ 158,295,624	$ 498,484,701
Liabilities				
Call loans and due to banks	$ 43,190,326	$ -	$ -	$ 43,190,326
Securities sold under agreements to repurchase	18,274,840	-	-	18,274,840
Payables	20,468,099	-	-	20,468,099
Deposits and remittances	362,366,191	9,746,828	-	372,113,019
Bank debentures	-	23,900,000	9,378,755	33,278,755
	$ 444,299,456	$ 33,646,828	$ 9,378,755	$ 487,325,039

33. FINANCIAL INSTRUMENTS

a. Derivative financial instruments

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

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

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

	December 31					
	2005			2004		
Financial Instruments	Contract (Notional) Amount	Credit Risk	Fair Value	Contract (Notional) Amount	Credit Risk	Fair Value
For hedging purposes:						
Interest rate swap contracts	$ 12,616,000	$ 68,613	$ (361,497)	$ 16,244,022	$ 279,484	$ 278,575

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

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

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

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

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

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

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

	Account	For the Years Ended December 31 2005	2004
For hedging purposes:			
Cross-currency swap contracts			
- Realized	Interest revenue	$ 252,649	$ 286,447
	Interest expense	(459,472)	(192,934)
Interest rate swap contracts			
- Realized	Interest revenue	48,328	133,063
	Interest expense	(88,297)	(30,177)
	Income from derivative financial instruments transactions	12,669	-
	Foreign exchange gain	41,967	-
Interest rate futures contracts	Loss on derivative financial instruments transactions	-	(7,195)
Options contracts	Income from derivative financial instruments transactions	-	20,101
		(192,156)	209,305
For the purposes of accommodating customers' needs or managing the Bank's exposures:			
Forward contracts			
- Realized	Interest revenue	260,306	71,640
	Interest expense	(83,018)	(14,463)
- Realized	Foreign exchange gain (loss)	274,154	(7,209)
- Unrealized	Foreign exchange gain (loss)	539,171	(580,888)
- Unrealized	Income from (loss on) derivative financial instruments transactions	(1,972)	30,474
Forward rate agreements			
- Realized	Loss on derivative financial instruments transactions	(487)	(3,513)
- Unrealized	Income from derivative financial instruments transactions	486	3,039
Currency swap contracts			
- Realized	Interest revenue	2,160,289	778,153
	Interest expense	(1,748,995)	(728,396)
- Unrealized	Income from (loss on) derivative financial instruments transactions	90,949	(9,014)
Interest rate swap contracts			
- Realized	Interest revenue	736,466	228,293
	Interest expense	(787,770)	(285,815)
- Realized	Income from derivative financial instruments transactions	10,575	78,746
- Unrealized	Income from derivative financial instruments transactions	8,980	22,662
Options contracts			
- Realized	loss on derivative financial instruments transactions	(409,989)	(3,247,298)
	Foreign exchange gain (loss)	(244,412)	3,679,833
- Unrealized	Income from (loss on) derivative financial instruments transactions	(660,359)	273,996
Interest rate futures contracts			
- Realized	Loss on derivative financial instruments transactions	(2,422)	(40,710)
- Unrealized	Income from (loss on) derivative financial instruments transactions	(2,495)	949

(Continued)

	Account	For the Years Ended December 31 2005	2004
Cross-currency swap contracts			
- Realized	Interest revenue	$ 408,070	$ 33,199
	Interest expense	(406,123)	(31,715)
- Unrealized	Loss on derivative financial instruments transactions	(2,836)	(224)
Credit default swap contracts			
- Realized	Income from derivative financial instruments transactions	4,900	5,274
Commodity - linked interest rate swap			
- Realized	Income from derivative financial instruments transactions	1,125	-
		144,593	257,013
Net gains		$ (47,563)	$ 466,318

b. Fair value of nonderivative financial instruments

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

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

1) The carrying amounts of cash and cash equivalent, due from the Central Bank and other banks, acceptances, receivables, securities purchased under agreements to resell, call loans and due to banks, securities sold under agreements to repurchase, payables, acceptances payable and remittances, approximate their fair values because of the short maturities of these instruments.

2) The fair values of securities purchased, long-term equity investments and other long-term investments are based on their market prices if these market prices are available. Otherwise, fair values are estimated at their carrying amounts.

3) Loans, discounts and bills purchased, deposits, bank debentures and funds received for subloans are interest-earning assets and interest-bearing liabilities. Thus, their carrying amounts represent fair values. Fair value of nonperforming loans is based on the carrying amount, which is net of allowance for credit losses.

4) The fair values of government bonds and corporate bonds submitted as guarantee deposits are based on market values while those of certificates of deposit are estimated at their carrying amounts. Fair values of other guarantee deposits and guarantee deposits received are estimated at their carrying amounts since such deposits do not have specific due dates.

5) Lease and installment receivables are fixed interest - earning assets. Thus, their discounted values (carrying amounts) represent fair values.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

a. Credit risks

1) Assets quality

(In Thousands of New Taiwan Dollars, %)

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

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

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

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

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

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

2) Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

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

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

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

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

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

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

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

b. Market risk

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

2) Interest rate sensitivity

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

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

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

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

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

c. Liquidity risk

1) Profitability

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

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

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

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

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

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

2) Maturity analysis of assets and liabilities

December 31, 2005

(In Millions of New Taiwan Dollars)

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

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

d. Operating risk and litigation risk

Matters Requiring Special Notation
December 31, 2005

Causes (Note)	Summary and Amount
Within the past one year, a responsible person or professional employee, in the course of business, violated the law, resulting in an indictment by a prosecutor.	None
Within the past one year, a fine was levied on the Bank for violations of the related regulations.	None

Causes (Note)	Summary and Amount
Within the past one year, misconduct occurred that resulted in the Financial Supervisory Commission imposing strict corrective measures.	1. The Financial Supervisory Commission (FSC) imposed strict corrective measures on the factory business transacted at Tunpei Branch on July 13, 2005. FSC consider the Tunpei Branch helped the client increase bank deposits in false, window dress the financial statements and insufficient disclosure with respect to letters for confirmation on bank deposits with restricted usage from auditors. On December 23, 2005, FSC restricted the Bank for accepting any factoring business from new clients and only dealing within the credit limited for existing clients for the period of January to June 2006. The Bank has filing the appeal on the matter of punishment, and asked the related business units follow the rulings established by FSC. For the disclosure requirement, the Bank has set up a standard operating procedure for all business units to follow. 2. The Bank's affiliate company, Grand Capital International Limited (Grand Capital), had granted short-term loans to Addie International Limited. On October 26, 2004, the FSC imposed strict corrective measure on the significant weakness of Grand Capital's related controls. Some employees involved in the significant weakness of the aforementioned loans had been punished, and the Bank had followed the FSC's instructions to strengthen plan on the investees' management.
Within the past one year, the loss from one incident or the total losses from employee corruption, periodic events of a material nature, or failure to abide by the "Guidelines for the Maintenance of Soundness of Financial Institutions" exceeded NT$50 million dollars.	None
Other	Cause of the case: The Securities and Futures Investors Protection Center (SFIPC) added the Bank and SPL as additional defendants for joint and several compensation liabilities to the Procomp Informatics Ltd. case on the ground that Procomp Informatics Ltd. provided US$10 million deposit with the Bank's Sunshan Branch and limited the usage as a condition for short-term loan to Addie International Limited granted by SPL. The value of the object of litigation: $4,470,000. Period to bring up a litigation state - first session was August 1, 2005. Main parties: SFIPC, Procomp Informatics Ltd., Yeh Shu-Fei, the Bank and SPL. Status: Under the investigation on first court instance.

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

36. STATEMENT OF CAPITAL ADEQUACY

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

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

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

a. Balance sheets and trust properties of trust accounts

Balance Sheets of Trust Accounts
December 31, 2005 and 2004

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

Trust Properties of Trust Accounts
December 31, 2005 and 2004

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

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

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

December 31, 2005

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

December 31, 2004

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

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

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

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

39. CROSS SELLING INFORMATION

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

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

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

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

40. ADDITIONAL DISCLOSURES

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

1) Financing provided: Table 1 (refer to P.72);
2) Endorsement/guarantee provided: Table 2 (refer to P.72);
3) Marketable securities held: Table 3 (refer to P.73~75);
4) Marketable securities acquired and disposed of, at costs or prices of at least NT$300 million or 10% of the issued capital: None;
5) Acquisition of individual real estate at costs of at least NT$300 million or 10% of the issued capital: Table 4 (refer to P.76);
6) Disposal of individual real estate at prices of at least NT$300 million or 10% of the issued capital: Table 5 (refer to P.76);
7) Allowance for service fees to related-parties amounting to at least NT$5 million: None;
8) Receivables from related parties amounting to at least NT$300 million or 10% of the issued capital: None;
9) Sale of nonperforming loans amounting to at least NT$5 billion: None;
10) Other significant transactions which may affect the decisions of users of financial reports: None;
11) Names, locations, and other information of investees on which the Bank exercises significant influence: Table 6 (refer to P.77~78);
12) Derivative financial transactions: The derivative financial instruments of the Bank are disclosed in Note 33.

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

41. SEGMENT AND GEOGRAPHIC INFORMATION

The Bank is engaged only in banking activities as prescribed by the Banking Law and has no single customer that accounts for 10% or more of the Bank's operating revenues. Thus, no industrial and customorial information disclosure is required. The geographic information about the Bank and subsidiaries for the years ended December 31, 2005 and 2004 is as follows:

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

TABLE 7

BANK SINOPAC AND INVESTEES

CONSOLIDATED ENTITIES
YEAR ENDED DECEMBER 31, 2005

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

TABLE 8

BANK SINOPAC AND INVESTEES

SUBSIDIARIES EXCLUDED IN CONSOLIDATED ENTITIES
YEAR ENDED DECEMBER 31, 2005

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

Note 1: Bank SinoPac acquired 97% ownership of and had ability to control SinoPac Financial Consulting Co., Ltd. However, the total capital of SinoPac Financial Consulting Co., Ltd. amounted to $2,000, representing less than 0.1% of the Company, and the total assets is less than 0.05% of the total assets of the Company. Thus, the SinoPac Financial Consulting Co., Ltd. is not included in the consolidated entities.

TABLE 9

BANK SINOPAC AND INVESTEES

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

2005

No. (Note 1)	Transaction Company	Counter-party	Nature of Relationship (Note 2)	Description of Transactions: Financial Statement Account	Transaction Amount	Transaction Item	Percentage of Consolidated Revenue/Assets (Note 3)
0	Bank SinoPac	SinoPac Bancorp and subsidiaries	1	Due from other banks	$ 63,413	(Note 4)	0.01%
		SinoPac Leasing and subsidiaries	1	Interest receivable	682	(Note 4)	0.00%
		SinoPac Leasing and subsidiaries	1	Loans, discounts and bills purchased	558,000	(Note 4)	0.09%
		SinoPac Leasing and subsidiaries	1	Guarantee deposits	6,694	(Note 4)	0.00%
		SinoPac Leasing and subsidiaries	1	Accrued expenses	942	(Note 4)	0.00%
		SinoPac Leasing and subsidiaries	1	Deposits and remittances	123,901	(Note 4)	0.02%
		SinoPac Capital and subsidiaries	1	Deposits and remittances	50,808	(Note 4)	0.01%
		SinoPac Leasing and subsidiaries	1	Operating revenue	27,302	(Note 4)	0.11%
		SinoPac Capital and subsidiaries	1	Operating revenue	2,484	(Note 4)	0.01%
		SinoPac Leasing and subsidiaries	1	Rental revenue	3,049	(Note 4)	0.01%
		SinoPac Capital and subsidiaries	1	Interest revenue	4,575	(Note 4)	0.02%
		SinoPac Capital and subsidiaries	1	Interest expense	2,140	(Note 4)	0.01%
		SinoPac Leasing and subsidiaries	1	Interest expense	675	(Note 4)	0.00%
		SinoPac Leasing and subsidiaries	1	Operating costs and expenses	70,121	(Note 4)	0.27%
		SinoPac Capital and subsidiaries	1	Service charges	34,130	(Note 4)	0.13%
1	SinoPac Bancorp and subsidiaries	Bank SinoPac	2	Due to banks	63,413	(Note 4)	0.01%
		SinoPac Capital and subsidiaries	3	Operating costs and expenses	10,842	(Note 4)	0.04%
2	SinoPac Leasing and subsidiaries	Bank SinoPac	2	Cash and cash equivalents	123,901	(Note 4)	0.02%
		Bank SinoPac	2	Receivables	942	(Note 4)	0.00%
		Bank SinoPac	2	Short-term borrowings	558,000	(Note 4)	0.09%
		Bank SinoPac	2	Interest payable	682	(Note 4)	0.00%
		Bank SinoPac	2	Guarantee deposits received	6,694	(Note 4)	0.00%
		Bank SinoPac	2	Interest revenue	675	(Note 4)	0.00%
		SinoPac Capital and subsidiaries	3	Interest revenue	3,660	(Note 4)	0.01%
		Bank SinoPac	2	Rental revenue	69,683	(Note 4)	0.27%
		Bank SinoPac	2	Service fees	438	(Note 4)	0.00%
		Bank SinoPac	2	Rental expenses	3,049	(Note 4)	0.01%
		Bank SinoPac	2	Operating expenses	24,944	(Note 4)	0.10%
		SinoPac Capital and subsidiaries	3	Operating expenses	3,230	(Note 4)	0.01%
		Bank SinoPac	2	Nonoperating expense and losses	2,358	(Note 4)	0.01%
3	SinoPac Capital and subsidiaries	Bank SinoPac	2	Cash and cash equivalents	50,808	(Note 4)	0.01%
		Bank SinoPac	2	Operating revenue	36,270	(Note 4)	0.14%
		SinoPac Bancorp and subsidiaries	3	Operating revenue	10,842	(Note 4)	0.04%
		SinoPac Leasing and subsidiaries	3	Operating revenue	3,230	(Note 4)	0.01%
		Bank SinoPac	2	Interest expense	4,575	(Note 4)	0.02%
		SinoPac Leasing and subsidiaries	3	Interest expense	3,660	(Note 4)	0.01%
		Bank SinoPac	2	Operating costs and expenses	2,484	(Note 4)	0.01%

2004

No. (Note 1)	Transaction Company	Counter-party	Nature of Relationship (Note 2)	Description of Transactions: Financial Statement Account	Transaction Amount	Transaction Item	Percentage of Consolidated Revenue/Assets (Note 3)
0	Bank SinoPac	SinoPac Bancorp and subsidiaries	1	Due from other banks	$ 44,283	(Note 4)	0.01%
		SinoPac Leasing and subsidiaries	1	Interest receivable	2,345	(Note 4)	0.00%
		SinoPac Leasing and subsidiaries	1	Loans, discounts and bills purchased	802,828	(Note 4)	0.15%
		SinoPac Capital and subsidiaries	1	Loans, discounts and bills purchased	213,000	(Note 4)	0.04%
		SinoPac Capital and subsidiaries	1	Prepayments	2,371	(Note 4)	0.00%
		SinoPac Leasing and subsidiaries	1	Guarantee deposits	3,264	(Note 4)	0.00%
		SinoPac Leasing and subsidiaries	1	Accrued expenses	961	(Note 4)	0.00%
		SinoPac Leasing and subsidiaries	1	Deposits and remittances	83,965	(Note 4)	0.02%
		SinoPac Leasing and subsidiaries	1	Operating revenue	34,616	(Note 4)	0.15%
		SinoPac Capital and subsidiaries	1	Operating revenue	2,574	(Note 4)	0.01%
		SinoPac Leasing and subsidiaries	1	Operating costs and expenses	15,073	(Note 4)	0.06%

No. (Note 1)	Transaction Company	Counter-party	Nature of Relationship (Note 2)	Description of Transactions			
				Financial Statement Account	Transaction Amount	Transaction Item	Percentage of Consolidated Revenue/Assets (Note 3)
		SinoPac Capital and subsidiaries	1	Operating costs and expenses	$ 3,162	(Note 4)	0.01%
		SinoPac Leasing and subsidiaries	1	Interest expense	620	(Note 4)	0.00%
		SinoPac Capital and subsidiaries	1	Interest expense	158	(Note 4)	0.00%
		SinoPac Capital and subsidiaries	1	Service charges	138,900	(Note 4)	0.60%
1	SinoPac Bancorp and subsidiaries	Bank SinoPac	2	Due to banks	44,283	(Note 4)	0.01%
		SinoPac Capital and subsidiaries	3	Operating costs and expenses	56,924	(Note 4)	0.24%
2	SinoPac Leasing and subsidiaries	Bank SinoPac	2	Cash and cash equivalents	83,965	(Note 4)	0.02%
		Bank SinoPac	2	Receivables	961	(Note 4)	0.00%
		Bank SinoPac	2	Short-term borrowings	10,000	(Note 4)	0.00%
		Bank SinoPac	2	Current portion of long-term borrowings	122,992	(Note 4)	0.02%
		Bank SinoPac	2	Long-term borrowings	669,836	(Note 4)	0.13%
		Bank SinoPac	2	Interest payable	2,345	(Note 4)	0.00%
		Bank SinoPac	2	Guarantee deposits received	3,264	(Note 4)	0.00%
		Bank SinoPac	2	Interest revenue	620	(Note 4)	0.00%
		Bank SinoPac	2	Rental revenue	14,556	(Note 4)	0.06%
		Bank SinoPac	2	Operating revenue	517	(Note 4)	0.00%
		Bank SinoPac	2	Operating expenses	34,616	(Note 4)	0.15%
3	SinoPac Capital and subsidiaries	Bank SinoPac	2	Other liabilities	213,000	(Note 4)	0.04%
		Bank SinoPac	2	Payables	2,371	(Note 4)	0.00%
		Bank SinoPac	2	Operating revenue	142,062	(Note 4)	0.61%
		SinoPac Bancorp and subsidiaries	3	Operating revenue	56,924	(Note 4)	0.24%
		Bank SinoPac	3	Interest revenue	158	(Note 4)	0.00%
		Bank SinoPac	3	Interest expense	5,062	(Note 4)	0.02%
		Bank SinoPac	3	Operating costs and expenses	2,574	(Note 4)	0.01%

Note 1: Transactions between parent company and subsidiaries should be distinguished as follows:
a. Parent company: 0.
b. Subsidiaries are numbered in sequence from 1.

Note 2: Types of transactions with related parties were classified as follows:
a. Parent company to subsidiaries.
b. Subsidiaries to parent company.
c. Subsidiaries to subsidiaries.

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

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

The Integrated Service Network of Bank SinoPac and Its Affiliates

Office Locations

Headquarters: 9-1 Chien Kuo North Road, Section 2, Taipei 104	Tel: (02) 2508-2288
Banking Division: B1-3F, 45 Han Ko Street, Section 1, Taipei 100	Tel: (02) 2388-1111
Trust Division: 6F, 306 Bade Road, Section 2, Taipei 104	Tel: (02) 8161-8888
International Division: 10F, 9-1 Chien Kuo North Road, Section 2, Taipei 104	Tel: (02) 2508-2288
Offshore Banking Unit: 3F, 9-1 Chien Kuo North Road, Section 2, Taipei 104	Tel: (02) 2508-2288
Taipei Branch: 9-1 Chien Kuo North Road, Section 2, Taipei 104	Tel: (02) 2508-2288
Tun Pei Branch: 209 Tun Hua North Road, Taipei 105	Tel: (02) 2712-7899
Chunghsiao Branch: 1 Lane 236 Tun Hua South Road, Section 1, Taipei 106	Tel: (02) 2778-8811
Sungshan Branch: 12 Tung Hsing Road, Taipei 105	Tel: (02) 2746-9888
Hsinyi Branch: 187 An Ho Road, Section 2, Taipei 106	Tel: (02) 2378-0707
Chungshan Branch: 192 Sung Chiang Road, Taipei 104	Tel: (02) 2567-9911
Tungmen Branch: 189 Hsin Yi Road, Section 2, Taipei 100	Tel: (02) 2392-6611
Tien Mou Branch: 249 Chung Chen Road, Section 2, Taipei 111	Tel: (02) 2872-1177
Chunglun Branch: 2F, 306 Bade Road, Section 2, Taipei 104	Tel: (02) 8161-8000
Chungcheng Branch: 172 Roosevelt Road, Section 2, Taipei 100	Tel: (02) 2367-2888
East Taipei Branch: 380 Keelung Road,Section 1, Taipei 110	Tel: (02) 2345-1177
Ta An Branch: 46 Hsin Yi Road, Section 4, Taipei 106	Tel: (02) 2704-9911
Neihu Branch: 244 Nei Hu Road, Section 1, Taipei 114	Tel: (02) 8797-6633
Panchiao Branch: 186 Min Chuan Road, Panchiao city, Taipei County 220	Tel: (02) 2968-1616
East Panchiao Branch: 147 Chung Shan Road, Section 2, Panchiao city, Taipei County 220	Tel: (02) 8952-2200
Hsinchuang Branch: 265 Hsin Tai Road, Hsinchuang City, Taipei County 242	Tel: (02) 2992-9898
Sanchung Branch: 80 Chung Hsiao Road, Section 2, Sanchung City, Taipei County 241	Tel: (02) 2983-3008
North Sanchung Branch: 55 Cheng Yi N. Road, Sanchung City, Taipei County 241	Tel: (02) 8985-2888
Luchou Branch: 160 Chung Shan 1st Road, Luchou City, Taipei County 247	Tel: (02) 8285-0088
Shuangho Branch: 253 Chung Cheng Road, Yungho City, Taipei County 234	Tel: (02) 2232-9988
Hsintien Branch: 260 Bei Hsin Road, Section 2, Hsintien City, Taipei County 231	Tel: (02) 2912-7799
Tucheng Branch: 124 Hsueh Fu Road, Section 1, Tucheng City, Taipei County 236	Tel: (02) 2266-2000
Keelung Branch: 10 Ren Wu Road, Keelung 200	Tel: (02) 2423-2323
Taoyuan Branch: 51 Fu Hsing Road, Taoyuan 330	Tel: (03) 333-9000
North Taoyuan Branch: 656 Chun Ji Road, Taoyuan 330	Tel: (03) 317-8889
Chungli Branch: 160 Tzu Hui 3rd Street, Chungli City, Taoyuan County 320	Tel: (03) 427-8988
Hsinchu Branch: 293 Kuang Fu Road, Section 2, Hsinchu 300	Tel: (03) 572-8866

Guanghwa Branch: 35 Tien Mei 3rd Street, Hsinchu 300	Tel: (03) 535-6688
Chupei Branch: 1-2F, 87-6 Kuang Ming 6th Road, Chupei City, Hsinchu County 302	Tel: (03) 553-0000
Taichung Branch: 101 Tzu Yu Road, Section 1, Taichung 403	Tel: (04) 2220-5766
North Taichung Branch: 1027 Wen Hsin Road, Section 3, Taichung 406	Tel: (04) 2293-8101
South Taichung Branch: 66 Kung I Road, Section 2, Taichung 408	Tel: (04) 2323-2468
Changhua Branch: 317 Min Tsu Road, Changhua 500	Tel: (04) 726-3111
Fong Yuan Branch: 139 Sanmin Road, Fong Yuan City, Taichung County 420	Tel: (04) 2520-8966
Chiayi Branch: 338 Hsing Yeh West Road, Chiayi 600	Tel: (05) 235-7888
Tainan Branch: 114 Chien Kang Road, Section 2, Tainan 702	Tel: (06) 223-2888
East Tainan Branch: 163 Chang Ron Road, Section 2, Tainan 701	Tel: (06) 200-5566
Yungkang Branch: 725 Chung Hua Road, Yung Kang City, Tainan County 710	Tel: (06) 202-8599
Kaohsiung Branch: 143 Chung Cheng 2nd Road, Kaohsiung 802	Tel: (07) 224-3733
Sanmin Branch: 78 Min Tsu 1st Road, Kaohsiung 807	Tel: (07) 392-8988
South Kaohsiung Branch: 100 Jong Hwa 4th Road, Kaohsiung 802	Tel: (07) 535-1111
North Kaohsiung Branch: 1-2F, 441 Yu Chen Road, Kaohsiung 813	Tel: (07) 557-5888
Fengshan Branch: 366 Kuang Yuan Road, Fengshan City, Kaohsiung County 830	Tel: (07) 710-8866
Pingtung Branch: 14 Fu Shing North. Road, Pingtung 900	Tel: (08) 732-3322
Hong Kong Branch: 23F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong	Tel: 852-2801-2801
Los Angeles Branch: Two California Plaza 350 South Grand Avenue, Suite 1650, Los Angeles, CA 90071, U. S. A.	Tel: (213) 437-4800
Vietnam Representative Office: 11F, Unit A No.8, Nguyen Hue Boulevard, District.1, HCMC	Tel: (848) 825-7612

Major Subsidiaries

Far East National Bank

Address: 41st Floor, Two California Plaza, 350 South Grand Avenue, Los Angeles, CA 90071 U.S.A.
Tel: (213) 687-1200

SinoPac Capital Limited

Address: 23rd Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong
Tel: 852-2801-2828

SinoPac Leasing Co, Ltd.

Address: 3rd Floor, 9-1 Chien Kuo North Road, Section 2, Taipei 104
Tel: (02) 2508-2288

SinoPac Financial Consulting Co, Ltd.

Address: 9th Floor, 306 Bade Road, Section 2, Taipei 104
Tel: (02) 8161-8716

Domestic Major Economic Indicators

In US$ millions

	2005	2004	2003	2002	2001
National income					
GDP	344,640	322,179	299,785	294,803	291,694
GDP per capital (in US$)	15,215	14,271	13,327	13,163	13,093
Economic growth rate (GDP)	3.80%	6.07%	3.43%	4.25%	-2.17%
Foreign trade					
Export	189,394	174,014	144,179	130,597	122,866
Import	181,606	167,890	127,248	112,530	107,237
Trade surplus	7,788	6,124	16,931	18,067	15,629
Price indexes					
Commercial price Index	2.30%	1.62%	-0.28%	-0.20%	-0.01%
Wholesale price Index	0.61%	7.03%	2.48%	0.05%	-13.40%
Money supply					
Annual growth in M_2	6.22%	7.45%	3.77%	3.55%	5.79%
Annual growth in M_{1b}	7.10%	18.98%	11.82%	17.01%	-1.02%
Annual growth in M_{1a}	7.65%	21.10%	11.28%	8.59%	-4.69%
Key interest rates (end of period)					
Rates of Central Bank					
Discount rate	2.250%	1.750%	1.375%	1.625%	2.125%
Rate on accommodations with collateral	2.625%	2.125%	1.750%	2.000%	2.500%
Interbank call loan market					
Weighted average of overnight	1.312%	1.061%	1.097%	2.046%	3.692%
Stock market					
Weighted Stock Index (TAIEX)-Average	6,092.27	6,033.78	5,161.90	5,525.61	4,907.43
-Year-end	6,548.34	6,139.69	5,890.69	4,452.45	5,551.24
Daily average trading value*	77,222	96,711	82,378	88,636	75,497
Foreign exchange					
Foreign exchange reserve	253,290	241,738	206,632	161,656	122,211
Exchange rate (NT$/US$)-Average	32.167	33.422	34.418	34.575	33.800
-Year-end	32.850	31.917	33.978	34.753	34.999
Balance of payment	20,056	26,595	37,092	33,664	17,353
Others					
Industrial production index	3.37%	9.85%	7.10%	7.92%	-7.81%
Unemployment rate	4.13%	4.44%	4.99%	5.17%	4.57%
Growth rate of investment in private sector	-1.34%	30.96%	-0.26%	4.07%	-26.83%
Population (mid-year)	22,650,658	22,575,034	22,493,921	22,396,420	22,277,933

* (In NT$ millions)

建華商業銀行股份有限公司

董事長 盧 正 昕

總經理 陳 柏 蒼


SinoPac Bank SinoPac