

Bank SinoPac

**Financial Statements for the
Three Months Ended March 31, 2008 and 2007 and
Independent Accountants' Review Report**

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Stockholders
Bank SinoPac

We have reviewed the accompanying balance sheets of Bank SinoPac as of March 31, 2008 and 2007, and the related statements of income, and cash flows for the three months then ended. These financial statements are the responsibility of the Bank SinoPac's management. Our responsibility is to issue a report on these financial statements based on our reviews.

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

Based on our reviews, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with the Criteria Governing the Preparation of Financial Reports by Public Banks, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

April 21, 2008

Notice to Readers

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

For the convenience of readers, the accountants' review 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' review report and financial statements shall prevail.

BANK SINOPAC

BALANCE SHEETS

MARCH 31, 2008 AND 2007

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

(Reviewed, Not Audited)

ASSETS	2008	2007	%	LIABILITIES AND STOCKHOLDERS' EQUITY	2008	2007	%
	Amount	Amount			Amount	Amount	
CASH AND CASH EQUIVALENTS (Note 4)	\$ 10,697,638	\$ 18,443,216	(42)	CALL LOANS AND DUE TO BANKS (Note 17)	\$ 34,335,276	\$ 61,378,957	(44)
DUE FROM THE CENTRAL BANK AND OTHER BANKS (Notes 5 and 27)	107,674,533	67,037,255	61	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2, 6 and 36)	13,461,819	3,614,199	272
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2, 6, 7, 27, 28 and 36)	31,691,986	114,093,527	(72)	SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE (Notes 2, 7 and 27)	8,464,747	11,912,855	(29)
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 2 and 7)	7,762,177	6,260,106	24	ACCOUNTS, INTEREST AND OTHER PAYABLES (Notes 2, 18 and 27)	19,293,503	23,737,807	(19)
ACCOUNTS, INTEREST AND OTHER RECEIVABLES, NET (Notes 2, 8, 26 and 27)	34,957,059	34,686,418	1	DEPOSITS AND REMITTANCES (Notes 19 and 27)	804,313,450	762,576,777	5
DISCOUNTS AND LOANS, NET (Notes 2, 9, 27 and 36)	600,233,803	576,350,012	4	BANK DEBENTURES (Notes 2, 20 and 36)	34,643,551	31,029,021	12
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 2, 7, 10, 28 and 36)	157,570,086	118,705,316	33	BONDS PAYABLE (Notes 2 and 20)	5,351,280	5,823,664	(8)
HELD-TO-MATURITY INVESTMENTS (Notes 2, 7, 12, 27, 28 and 36)	2,295,567	2,593,046	(11)	OTHER FINANCIAL LIABILITIES (Note 2)	810,365	1,152,039	(30)
EQUITY INVESTMENTS - EQUITY METHOD (Notes 2 and 13)	9,416,908	9,301,662	1	OTHER LIABILITIES (Notes 2, 21, 25 and 26)	<u>3,255,676</u>	<u>2,691,976</u>	21
OTHER FINANCIAL ASSETS, NET				Total liabilities	<u>923,929,667</u>	<u>903,917,295</u>	2
Unquoted equity instruments (Notes 2, 14 and 36)	715,707	722,259	(1)	STOCKHOLDERS' EQUITY (Note 22)			
Non-active market debt instruments (Notes 2, 7, 14 and 36)	888,042	4,695,462	(81)	Capital stock, \$10 par value	<u>45,851,972</u>	<u>45,851,972</u>	-
Others (Notes 14, 28 and 36)	<u>2,112,890</u>	<u>1,873,570</u>	13	Capital surplus			
Other financial assets, net	<u>3,716,639</u>	<u>7,291,291</u>	(49)	Additional paid-in capital	118,226	118,226	-
PROPERTIES (Notes 2 and 15)				Capital surplus from business combination	8,076,524	8,076,524	-
Cost and revaluation increment				Others	<u>178</u>	<u>178</u>	-
Land	4,884,570	5,009,615	(2)	Total capital surplus	<u>8,194,928</u>	<u>8,194,928</u>	-
Buildings	4,445,856	4,623,147	(4)	Retained earnings			
Computer and machinery equipment	4,484,107	4,557,754	(2)	Legal reserve	6,927,060	6,280,113	10
Transportation equipment	<u>21,293</u>	<u>36,224</u>	(41)	Special reserve	282,977	282,977	-
Total cost	13,835,826	14,226,740	(3)	Unappropriated (accumulated deficit)	<u>(3,021,900)</u>	<u>3,592,438</u>	(184)
Less: Accumulated depreciation	<u>4,952,621</u>	<u>4,840,308</u>	2	Total retained earnings	<u>4,188,137</u>	<u>10,155,528</u>	(59)
Advances on acquisitions of equipment and construction in progress	<u>243,174</u>	<u>141,982</u>	71	Cumulative translation adjustments	<u>(291,174)</u>	<u>53,843</u>	(641)
Net properties	<u>9,126,379</u>	<u>9,528,414</u>	(4)	Unrealized losses on financial instruments	<u>(184,372)</u>	<u>(110,208)</u>	67
INTANGIBLE ASSETS (Note 3)	<u>161,754</u>	<u>160,788</u>	1	Net loss not recognized as pension cost	<u>(648,249)</u>	<u>(155,953)</u>	316
OTHER ASSETS (Notes 2, 16 and 26)	<u>6,766,534</u>	<u>4,486,508</u>	51	Unrealized revaluation increment on land	<u>1,030,154</u>	<u>1,030,154</u>	-
TOTAL	<u>\$ 982,071,063</u>	<u>\$ 968,937,559</u>	1	Total stockholders' equity	<u>58,141,396</u>	<u>65,020,264</u>	(11)
				TOTAL	<u>\$ 982,071,063</u>	<u>\$ 968,937,559</u>	1

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

BANK SINOPAC

STATEMENTS OF INCOME FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars, Except Earnings (Losses) Per Share) (Reviewed, Not Audited)

	<u>2008</u>	<u>2007</u>	
	Amount	Amount	%
INTEREST REVENUE (Notes 2 and 27)	\$ 11,674,455	\$ 9,547,340	22
INTEREST EXPENSE (Note 27)	<u>8,587,930</u>	<u>6,147,495</u>	40
NET INTEREST	<u>3,086,525</u>	<u>3,399,845</u>	(9)
NET REVENUES OTHER THAN INTEREST			
Commissions and fee revenues, net (Notes 2, 23 and 27)	855,678	1,019,201	(16)
Losses from financial assets and liabilities at fair value through profit or loss (Notes 2 and 6)	(2,390,279)	(424,127)	464
Realized (losses) gains from available-for-sale financial assets (Notes 2 and 22)	(15,213)	289	(5,364)
Income from equity investments - equity method, net (Notes 2 and 13)	281,448	290,374	(3)
Foreign exchange gain, net (Note 2)	149,609	795,785	(81)
Impairment losses on asset (Note 2)	(1,808,630)	(15,734)	11,395
Gains from unquoted equity instruments (Note 2)	5,983	2,004	199
Recovery of bad debts	190,909	405,421	(53)
Rental revenues	35,823	36,671	(2)
Other net revenues	<u>7,127</u>	<u>24,855</u>	(71)
Total net revenues	<u>398,980</u>	<u>5,534,584</u>	(93)
PROVISION FOR BAD DEBTS (Notes 2 and 9)	<u>987,000</u>	<u>1,108,000</u>	(11)
OPERATING EXPENSES (Notes 2 and 24)			
Personnel expenses	1,985,361	1,720,310	15
Depreciation and amortization	140,970	163,513	(14)
Others	<u>758,830</u>	<u>718,556</u>	6
Total operating expenses	<u>2,885,161</u>	<u>2,602,379</u>	11
(LOSS) INCOME BEFORE INCOME TAX	(3,473,181)	1,824,205	(290)
INCOME TAX BENEFIT (EXPENSE) (Notes 2 and 26)	<u>942,855</u>	<u>(388,257)</u>	343
NET (LOSS) INCOME	<u>\$ (2,530,326)</u>	<u>\$ 1,435,948</u>	(276)

(Continued)

BANK SINOPAC

STATEMENTS OF INCOME FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars, Except Earnings (Losses) Per Share) (Reviewed, Not Audited)

	<u>2008</u>		<u>2007</u>	
	Pretax	After Tax	Pretax	After Tax
(LOSSES) EARNINGS PER SHARE (Note 22)				
Basic (losses) earnings per share	<u>\$ (0.76)</u>	<u>\$ (0.55)</u>	<u>\$ 0.40</u>	<u>\$ 0.31</u>
Diluted (losses) earnings per share	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0.37</u>	<u>\$ 0.29</u>

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

(Concluded)

BANK SINOPAC

STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income	\$ (2,530,326)	\$ 1,435,948
Adjustments to reconcile net (loss) income to net cash provided by operating activities		
Depreciation and amortization	147,726	167,676
Amortization on premium or discount of financial assets	3,111	16,059
Provision for credit and trading losses	987,000	1,105,792
Impairment losses on asset	1,808,630	15,734
Unrealized losses on financial assets and liabilities at fair value through profit or loss	2,162,666	216,074
Losses (gains) on disposal of available-for-sale financial assets	15,213	(289)
Accrued pension cost	(6,558)	(2,092)
Income from equity investments - equity method	(281,448)	(290,374)
Losses on disposal of properties and idle assets, net	1,749	2,593
(Gains) losses on disposal of collateral assumed, net	(2,083)	1,986
Deferred income tax	137,363	40,905
Increase in held for trading financial assets	(4,922,708)	(86,933,282)
Increase (decrease) in held for trading financial liabilities	3,304,309	(244,592)
Foreign exchange (gains) losses on bonds payable	(358,688)	86,768
Decrease in accounts, interest and other receivables	2,036,064	2,708,249
Decrease in accounts, interest and other payables	<u>(1,513,315)</u>	<u>(3,198,772)</u>
Net cash provided by (used in) operating activities	<u>988,705</u>	<u>(84,871,617)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in due from the Central Bank and other banks	40,194,075	32,136,654
Increase in securities purchased under agreements to resell	(3,738,000)	(1,478,983)
Increase in financial assets designated at fair value through profit or loss	-	(694,869)
Decrease in financial assets designated at fair value through profit or loss	10,971	23,883
Acquisition of non-active market debt instruments	-	(1,408,850)
Proceeds from sale of non-active market debt instruments	1,018,187	148,852
Decrease in unquoted equity instruments	6,000	-
Decrease in discounts and loans	1,041,550	11,992,779
Acquisition of properties	(164,429)	(162,212)
Proceeds from sale of properties	135	3,702
Acquisition of available-for-sale financial assets	(48,993,227)	(16,802,297)
Proceeds from sale of available-for-sale financial assets	2,124,118	68,292,078
Acquisition of held-to-maturity investments	(255,439)	(636,127)
Proceeds from held-to-maturity investments matured	418,494	379,766
Proceeds from sale of collateral assumed	45,397	15,203

(Continued)

BANK SINOPAC

STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2008	2007
Increase in other financial assets	\$ (134,285)	\$ (49,121)
Increase in other assets	<u>(838,604)</u>	<u>(361,853)</u>
Net cash (used in) provided by investing activities	<u>\$ (9,265,057)</u>	<u>\$91,398,605</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in call loans and due to banks	(10,568,302)	(15,756,607)
Increase (decrease) in securities sold under agreements to repurchase	2,027,075	(2,741,006)
Increase in deposits and remittances	10,853,468	6,112,438
Bank debentures issued	6,400,000	-
Repayment of bank debentures	(3,000,000)	-
Decrease in other financial liabilities	(80,122)	(14,396)
Decrease in other liabilities	<u>(225,462)</u>	<u>(71,563)</u>
Net cash provided by (used in) financing activities	<u>5,406,657</u>	<u>(12,471,134)</u>
EFFECTS OF CHANGES IN EXCHANGE RATE	<u>12,540</u>	<u>8,757</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(2,857,155)	(5,935,389)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>13,554,793</u>	<u>24,378,605</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$10,697,638</u>	<u>\$18,443,216</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 7,840,060</u>	<u>\$ 5,691,462</u>
Income tax paid	<u>\$ 159,939</u>	<u>\$ 103,530</u>

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

(Concluded)

BANK SINOPAC

NOTES TO FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars, Unless Otherwise Stated) (Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

Organization

- August 8, 1991 Bank SinoPac (the "Bank") obtained government approval to incorporate.
- January 28, 1992 The Bank started operations.
- May 9, 2002 The Bank swap shares with SinoPac Securities Corporation and SinoPac Securities Co., Ltd. (the "SPS") to established SinoPac Financial Holdings Company Limited (the "SPH"), a financial holding company, resulting in the Bank become an unlisted wholly owned subsidiary of SPH.
- December 26, 2005 SPH finished the merger with International Bank of Taipei Co., Ltd. (IBT), through a 100% share swap.
- May 8, 2006 The boards of directors of IBT resolved to transfer credit card business and related assets and liabilities to SinoPac Card Services Co., Ltd. The transaction has been approved by the authorities on June 22, 2006 and the assets have been transferred at the book value of \$5,171,080 on August 4, 2006.
- July 21, 2006 The boards of directors of the Bank resolved a merger with IBT. The Bank was the surviving entity and IBT was the company ceasing to exist.
- November 13, 2006 The preliminary effective date of the share swap and merger. The Bank acquired the assets and liabilities of IBT through a share swap at ratio of 1.175 shares of the Bank to swap for 1 share of IBT.

Operations

The Bank engages in commercial banking, trust, and established International Division and Offshore Banking Unit (OBU) to manage foreign exchange operations as allowed under the Banking Law.

As of March 31, 2008 and 2007, the Bank had a total of 4,865 and 4,760 employees, respectively.

As of March 31, 2008, the Bank's operating units included Banking, Trust, and International Division of the Head Office, OBU, 128 domestic branches, 3 overseas branches, 2 overseas sub-branches and 1 overseas representative office.

The operations of the Bank's Trust Department consist of planning, managing and operating of trust business and affiliated business. These operations are governed by the Banking Law and the Trust Law.

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, requirement of the Business Accounting Law, Guidelines Governing Business Accounting and accounting principles generally accepted in the Republic of China (ROC). In determining the fair value of certain financial instruments, allowance for credit losses, depreciation, assets impairment, pension, income tax, losses upon suspended lawsuit, provision for losses on guarantees, bonus to employees and remuneration to directors and supervisors, the Bank needs to make estimates based on judgment and available information. 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 31 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.

Fair Value Determination

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

Financial Instruments at Fair Value Through Profit or Loss

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

A derivative that does not meet the criteria for hedge accounting is classified as a financial asset or a financial liability held for trading. If the fair value of the derivative is positive, the derivative is recognized as a financial asset; otherwise, the derivative is recognized as a financial liability.

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

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 upon settlement are credited or charged to current income. As of the balance sheet date, outstanding contracts are measured at fair value through profit or loss.

b. Forward rate agreements

Forward rate agreements, which are mainly for accommodating customers' needs or managing the Bank's interest rate positions, are recorded by memorandum entries at the contract dates. Gains or losses arising from the differences between the contracted interest rates and actual interest rates upon settlement are credited or charged to current income. As of the balance sheet date, outstanding contracts are measured at fair value through profit or loss.

c. Currency swaps

Foreign-currency spot-position assets or liabilities arising from currency swaps, which are mainly for accommodating customers' needs or managing the Bank's currency positions, are recorded at spot rates when the transactions occur; while corresponding forward-position assets or liabilities are recorded at the contracted forward rates, with receivables net of the related payables. The interest part of swap points is amortized during the contract period. As of the balance sheet date, outstanding contracts are measured at fair value through profit or loss.

d. Cross-currency swaps

Cross-currency swaps, which are mainly for accommodating customers' needs or managing the Bank's currency position, are marked to market as of the balance sheet date. The interest received or paid at each settlement date is recognized as interest income or expense, which is credited or charged to current income. As of the balance sheet date, outstanding contracts are measured at fair value through profit or loss.

e. Options

Options bought and/or held and options written, which are mainly for accommodating customers' needs or managing the Bank's currency positions, are recorded as assets and liabilities when the transactions occur. These instruments are marked to market as of the balance sheet date. The carrying amounts of the instruments, which are recorded either as assets or liabilities, are credited or charged to current 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 the exchange of notional amounts, are not recognized as either assets and/or liabilities on the contract dates. The interest received or paid at each settlement date on the swaps, which are mainly for accommodating customers' needs or managing the Bank's interest rate positions is recognized as interest income or expense. These instruments are marked to market as of the balance sheet date.

g. Asset swaps

Asset swaps involve exchanging the fixed interest of convertible bonds or fixed rate notes for floating interest. In addition, asset swaps involve exchanging the fixed or floating interest of credit link notes for floating or fixed interest. These transactions are recorded by memorandum entries at the contract dates. Net interest received or paid at each settlement date is recognized as interest income or expense, which is credited or charged to current income. As of the balance sheet date, outstanding contracts are measured at fair value through profit or loss.

h. Futures

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

i. Credit default swaps

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

j. Commodity - linked interest rate swaps, equity - linked swaps, and credit - linked swaps (miscellaneous swap contracts)

Commodity - linked interest rate swaps, equity - linked swaps and credit - linked swaps, which do not involve the exchange of notional amounts, are recorded by memorandum entries at the contract dates. The gains and losses resulting from the swapped-in and swapped-out are included in current income on the settlement dates. As of the balance sheet date, outstanding contracts are measured at fair value through profit or loss.

Repurchase and Reverse Repurchase Transactions

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

Nonperforming Loans

Under guidelines issued by the Banking Bureau of Financial Supervisory Commission (the Banking Bureau), the balance of loans and other credits extended by the Bank and the related accrued interest thereon are classified as nonperforming when the loan is overdue and shall be authorized by a resolution passed by the board of directors.

Nonperforming loans reclassified from loans are classified as discounts and loans; otherwise, they are classified as other financial assets.

Allowance for Credit Losses and Provision for Losses on Guarantees

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

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 Banking Bureau, the Bank evaluates credit losses on the basis of the estimated collectibility. In accordance with the Regulations stated above, the loan assets divided into different classes subject to assets that require special mentioned, 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.

Write-offs of loans falling under the Banking Bureau guidelines, upon approval by the board of directors, are offset against the recorded allowance for credit losses. Recovery of loans written off on the current year is recorded as reverse of allowance whereas recovery of loans written off on the previous years is recorded as other revenue.

Available-for-sale Financial Assets

Available-for-sale financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. Unrealized gains or losses on available-for-sale financial assets are reported in equity attributable to the Bank's shareholders. On disposal of an available-for-sale financial asset, the accumulated, unrealized gain or loss in equity attributable to the Bank's shareholders is transferred to net profit and loss for the period. All regular way purchase or sales of financial assets are accounted for on a trade date basis.

Cash dividends are recognized on the ex-dividend date. Cash dividends received a year after investment acquisition is recognized as income, otherwise as a reduction of the carrying value of the investments. The effective interest rate method of amortization and accretion is used; the straight line method is used if there is no significant difference.

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

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 available-for-sale financial assets - on the loans has been surrendered and transferred to a special purpose trustee.

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

Subordinated beneficiary certificates - retained interest of securitization are accounted for as available-for-sale financial assets. Interest revenue is recorded when received. The Bank evaluates retained interests by estimating present value of expected future cash flows, the difference will be recognized under stockholders' equity. If the substantive period the impairment is obviously related to the subject occurred after the recognition of impairment, the difference will be reversed and recognized as current income or loss. However, the book value with the reversal amount must not exceed the amortized cost without recognizing the loss.

Held-to-maturity Investments

Held-to-maturity investments are carried at amortized cost using the effective interest method; otherwise the straight line method can be used if there is no significant difference. At initial recognition, the costs of the financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition. The net profit and loss of the held-to-maturity investments for the period is reported in to income statement when the financial assets are derecognized, impaired or amortized. All regular way purchase or sales of financial assets are accounted for on a trade date basis.

If a held-to-maturity financial asset is determined to be impaired, the impairment loss is recognized and reported in income statement. Loss reversal is credited to current income and should not be more than the carrying amount had the impairment not been recognized.

Equity Investments - Equity Method

Equity investments are accounted for by the equity method if the Bank has significant influence over the investees. Under this method, investments are stated at cost plus (or minus) a proportionate share in net earnings (losses) or changes in net worth of the investees. Until December 31, 2005, any difference between the acquisition cost and the equity in the investee is amortized over 15 years. Such goodwill is not amortized but is tested annually for impairment since January 1, 2006. Stock dividends only result in an increase in number of shares and are not recognized as investment income.

In accordance with Statement of Financial Accounting Standards Interpretation No. (91) 33 dated March 8, 2002 issued by the Accounting Research and Development Foundation of the Republic of China (ARDF of ROC), the SPH commence reorganization and the Bank transferred the investment at book value.

Other Financial Assets

Non-active market debt instruments are those which do not have quoted market prices in an active market, and whose fair value cannot be reliably measured. Non-active market debt instruments are carried at amortized cost. The accounting treatment for such debt instruments is similar to that for held-to maturity investments except for the absence of restriction or the timing of their disposal.

Investments in equity instruments without quoted market prices in an active market and whose fair value cannot be reliably measured are measured at their original cost. If there is objective evidence that the asset is impaired, an impairment loss is recognized and a reversal of the impairment loss is prohibited.

Properties and Non-operating Assets

Properties and non-operating assets are stated at cost plus revaluation increment less accumulated depreciation and accumulated impairment losses. Major renewals, additions and improvements are capitalized, while cost of repairs and maintenance are expensed as incurred.

Upon sale or disposal of properties and non-operating assets, their cost, revaluation increment and related accumulated depreciation and accumulated impairment losses are removed from the accounts. Any resulting gain or loss is credited or charged to current income.

Depreciation is calculated on the straight-line basis over estimated useful lives as follows: buildings, 5 to 60 years; computer equipment, 3 to 5 years; transportation equipment, 5 years; and office and other equipment, 3 to 15 years. Depreciation of revaluated property is computed on the straight-line basis over their remaining useful lives determined at the time of revaluation. For assets still in use beyond their original estimated useful lives, further depreciation is calculated on the basis of any remaining salvage value and the estimated additional useful lives.

Intangible Assets

The cost of computer software is amortized on the straight-line basis over 5 years.

Other Assets

Collaterals assumed

Collaterals assumed are recorded at cost (included in other assets) and revalued at the lower of cost or net fair value as of the balance sheet date, and the resulting loss is charged to current income.

Asset Impairment

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 the relevant cash-generating units (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. An impairment loss on a revalued asset is recognized directly against capital surplus from revaluation for the asset to the same asset. A reversal of an impairment loss on a revalued asset is credited directly to capital surplus from revaluation under the heading capital surplus from revaluation. However, to the extent that an impairment loss on the same revalued asset was previously recognized as profit or loss, a reversal of that impairment loss is also recognized as profit or loss.

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. 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, a reversal of an impairment loss on goodwill is prohibited.

Bonds Payable

The Euro-convertible bonds issued before December 31, 2005 were recognized as liabilities by its issued price. Under the book value method applied for the conversion of Euro-convertible bonds, the carrying amount, interest premium and the related issuance costs were converted into capital stocks in the amount of face value, while the remaining amount was recorded into capital surplus on the conversion date.

Upon repurchase of the Euro-convertible bonds, the face amount plus the premium and bond issuance expense accrued to the date of repurchase are removed from the accounts, and any resulting gain or loss is credited or charged to income.

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 Ministry of Finance (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 carry forward 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 allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized.

Tax credits for personnel training expenditures and acquisition of equity investments are recognized as reduction of current income tax.

Interest income from short-term bills and asset backed securities have been taxed separately and recorded as tax expenses. The adjustment of prior year's income tax was included in the current income tax.

Income tax (10%) on inappropriate 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. 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.

“Income Basic Tax Act” shall come into force on January 1, 2006. The amount of basic income of a profit-seeking enterprise shall be the sum of the taxable income as calculated in accordance with the Income Tax Act and income exempted due to suspension of income tax and other relevant laws, and then multiplied by the tax rate (10%) prescribed by the Executive Yuan. The affect of which higher between regular income tax and basic tax had been considered in current income tax.

Contingencies

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

Foreign-currency Translations

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

Non-derivative foreign currencies are translated into New Taiwan dollars using the rate of the trading date. Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, are recognized in the income statement. Unrealized exchange differences on non-monetary financial assets (e.g. investments in equity instruments) are a component of the change in their entire fair value. For non-monetary financial investments, which are classified as available-for-sale, unrealized exchange differences are recorded directly in equity. For non-monetary financial assets classified as held for trading, unrealized exchange differences are recognized in the income statement. For non-monetary financial assets classified as unquoted equity investments are measured at the rate of trading date.

Hedge Accounting

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

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

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

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

Reclassifications

Certain accounts for the three months ended March 31, 2007 have been reclassified to conform to the financial statement presentation for the three months ended March 31, 2008.

3. ACCOUNTING CHANGES

In March 2007, the ARDF issued Interpretation 2007-052 that requires companies to recognize as compensation expenses bonuses paid to employees, directors and supervisors beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. The adoption of this interpretation resulted in a increase of \$4,875 in net loss and a increase in after income tax basic losses per share of NT\$0.001 for the three months ended March 31, 2008.

On January 1, 2007, the Bank adopted the newly released SFAS No. 37 "Accounting for Intangible Assets" and other standards amended for harmonizing with this standard. The Bank reassessed the useful lives of and the amortization method for its recognized intangible assets as of the same date.

4. CASH AND CASH EQUIVALENTS

	<u>March 31</u>	
	<u>2008</u>	<u>2007</u>
Cash on hand	\$ 5,756,261	\$ 5,906,082
Due from other banks	3,192,705	6,551,525
Notes and checks in clearing	<u>1,748,672</u>	<u>5,985,609</u>
	<u>\$ 10,697,638</u>	<u>\$ 18,443,216</u>

5. DUE FROM THE CENTRAL BANK AND OTHER BANKS

	<u>March 31</u>	
	<u>2008</u>	<u>2007</u>
Call loans to banks	\$ 47,592,717	\$ 42,145,853
Due from Central Banks - certificate of deposit	26,910,000	-
Due from Central Banks - A	11,328,689	7,197,562
Deposit reserve - B	18,206,689	17,591,264
Deposit reserve - foreign currency	<u>3,636,438</u>	<u>102,576</u>
	<u>\$ 107,674,533</u>	<u>\$ 67,037,255</u>

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. Deposit reserve - B can not be withdrawn momentarily, except for adjusting the deposit reserve account monthly. In addition, the foreign-currency deposit reserves are determined at prescribed rates on balances of additional foreign-currency deposits. The foreign-currency deposit reserves may be withdrawn momentarily and are no interest earning.

6. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Related information regarding financial instruments at fair value through profit or loss please refer to Table 6-1.

The Bank engages in derivative transactions mainly for accommodating customers' needs and managing its exposure positions. The contract amounts (or notional amounts) of the outstanding derivative transactions please refer to Table 6-2, and the related information regarding to gains or loses please refer to Table 6-8. 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 loss on held for trading financial assets and liabilities for the three months ended March 31, 2008 and 2007 was \$2,362,173 and \$412,683. The loss on financial assets designated at fair value through profit or loss for the three months ended March 31, 2008 and 2007 was \$28,106 and \$11,444. The loss on held for trading financial assets and liabilities include loss on the fair value adjustments of structured investment vehicles \$2,224,541, collateralized debt obligation \$98,247 and gain on the fair value adjustment of mortgage backed securities \$6,322 for the three months ended March 31, 2008, please refer to Table 6-9.

7. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL AND SOLD UNDER AGREEMENTS TO REPURCHASE

As of March 31, 2008 and 2007, securities were purchased under agreements to resell at \$7,784,356 and \$6,272,407 between April and July 2008 and between April and July 2007, respectively.

As of March 31, 2008 and 2007, securities were sold under agreements to repurchase at \$8,476,085 and \$11,940,650 between April and July 2008 and between April and September 2007, respectively.

The details of financial assets sold under agreements to repurchase were summarized as follows:

Financial Assets	March 31	
	2008	2007
Held for trading	\$ 7,822,285	\$ 5,538,163
Available-for-sale	642,462	5,655,503
Held-to-maturity	-	155,948
Non-active market debt instruments	-	563,241

8. ACCOUNTS, INTEREST AND OTHER RECEIVABLES, NET

	March 31	
	2008	2007
Accounts receivable - factoring	\$ 21,287,158	\$ 21,881,183
Interest receivable and revenue receivable	5,257,497	3,967,582
Receivables from related parties (Note 27)	4,391,169	3,656,277
Acceptances	2,985,883	4,099,801
Accounts receivable and notes receivable	695,265	1,041,965
Others	<u>355,683</u>	<u>270,908</u>
	34,972,655	34,917,716
Less - allowance for credit losses	<u>15,596</u>	<u>231,298</u>
	<u>\$ 34,957,059</u>	<u>\$ 34,686,418</u>

9. DISCOUNTS AND LOANS, NET

	March 31	
	2008	2007
Import and export negotiations	\$ 2,010,470	\$ 2,053,772
Overdrafts	58,379	102,658
Secured overdrafts	932,889	1,060,793
Accounts receivable - financing	2,478,867	3,714,301
Short-term loans	109,553,668	109,681,153
Short-term secured loans	39,703,770	33,341,145
Medium-term loans	66,598,372	71,280,656
Medium - term secured loans	40,798,746	53,681,181
Long-term loans	13,867,018	15,825,166
Long-term secured loans	320,323,629	279,996,178
Nonperforming loans transferred from loans	<u>10,084,056</u>	<u>11,071,921</u>
	606,409,864	581,808,924
Less - allowance for credit losses	<u>6,176,061</u>	<u>5,458,912</u>
	<u>\$ 600,233,803</u>	<u>\$ 576,350,012</u>

As of March 31, 2008 and 2007, the balances of nonaccrual interest loans were \$12,060,508 and \$12,855,001, respectively. The unrecognized interest revenues on nonaccrual interest loans amounted to \$139,402 and \$174,434 for the three months ended March 31, 2008 and 2007, respectively.

For the three months ended March 31, 2008 and 2007, 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 loans for the three months ended March 31, 2008 and 2007, please refer to Table 7-1.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Related information regarding available-for-sale financial assets please refer to Table 6-3.

As of March 31, 2008 and 2007, the Bank held 120,031 thousand shares of SPH, with carrying amount of \$1,968,508 and market value of \$1,728,446 and \$1,824,471 based on the closing prices as of March 31, 2008 and 2007, respectively. A difference of \$240,062 and \$144,037 were recorded as unrealized loss of financial instruments under stockholders' equity, respectively.

11. FINANCIAL ASSET SECURITIZATION

Related information regarding financial asset securitization please refer to Table 6-4.

12. HELD-TO-MATURITY INVESTMENTS

Related information regarding held-to-maturity financial assets please refer to Table 6-5.

For the three months ended March 31, 2008, the Bank recognized impairment loss on structured investment vehicles amounted to \$219,654, please refer to Table 6-9.

13. EQUITY INVESTMENTS - EQUITY METHOD AND INCOME FROM EQUITY INVESTMENTS

	Balance of		Income from	
	Equity Investments		Equity Investments	
	March 31		For the Three Months	
	2008	2007	2008	2007
SinoPac Bancorp	\$ 6,563,200	\$ 6,600,930	\$ 117,773	\$ 155,473
SinoPac Leasing Corporation	1,317,141	1,212,811	33,995	39,118
SinoPac Capital Limited (H.K.)	1,106,575	1,057,148	49,287	32,099
SinoPac Life Insurance Agent Co., Ltd.	394,077	223,697	72,379	55,368
SinoPac Property Insurance Agent Co., Ltd.	33,689	17,576	8,014	5,044
SinoPac Financial Consulting Co., Ltd.	2,226	2,394	-	83
SinoPac Securities Investment Trust Co., Ltd.	-	187,106	-	3,189
	<u>\$ 9,416,908</u>	<u>\$ 9,301,662</u>	<u>\$ 281,448</u>	<u>\$ 290,374</u>

To comply with the reorganization of SPH, the equity investment under equity method on SinoPac Securities Investment Trust Co., Ltd. (formerly named Grand Cathay Securities Investment Trust Corporation and renamed in January 2008) held by the Bank amounting to \$188,321 in 2007 had transferred to SPH at book value.

The aforementioned equity-method investees' financial statement which had been used to determine the carrying amount of the Bank investments, had been reviewed, except those of SinoPac Securities Investment Trust Co., Ltd. and SinoPac Financial Consulting Co., Ltd. The Bank believes that, had those financial statements been reviewed, any adjustments arising would have had no material effect on the Bank's financial statements.

The net income of SinoPac Bancorp amounting to \$124,298 for the three months ended March 31, 2008 was translated into NTD at the average exchange rate for the respective periods. The difference between the translated net income of SinoPac Bancorp and the one recognized by the Bank was generated from some different accounting treatments between ROC GAAP and US GAAP.

To comply with the operation strategy as a financial institution across the Asia-Pacific region, on January 25, 2008, the board of directors resolved to dispose of the equity investment on SinoPac Bancorp.

To restructuring the organization and investment in investees, the shareholders' meeting resolved to liquidate SinoPac Financial Consulting Co., Ltd.

14. OTHER FINANCIAL ASSETS, NET

Related information regarding other financial assets please refer to Table 6-6.

For the three months ended March 31, 2008, the Bank recognized impairment loss on non-active market debt instruments including structured investment vehicles \$1,588,976, please refer to Table 6-9.

Investments in equity instruments without quoted prices in an active market and whose fair values cannot be reliably measured are measured at their original cost. Investments in debt instruments without quoted prices in an active market and with fixed or determinable payments are carried at amortized cost using the effective interest method.

15. PROPERTIES

	<u>March 31</u>	
	<u>2008</u>	<u>2007</u>
Cost and revaluation increment	\$ 13,835,826	\$ 14,226,740
Accumulated depreciation		
Buildings	1,631,284	1,537,039
Computer and machinery equipment	3,303,725	3,273,344
Transportation equipment	<u>17,612</u>	<u>29,925</u>
	<u>4,952,621</u>	<u>4,840,308</u>
Advances on acquisitions of equipment and construction in progress	<u>243,174</u>	<u>141,982</u>
Net properties	<u>\$ 9,126,379</u>	<u>\$ 9,528,414</u>

Under government regulations, the Bank revalued its properties, in the following years: Land in 1961, 1964, 1967, 1974, and 2001; and properties other than land in 1961.

Under the Financial Institutions Merger Act and interpretation (94) 349 issued by the ARDF of ROC, the Bank did not book the land value increment tax reserve amounting to \$555,910 since the land was not revalued when both banks merged in November 15, 2006.

16. OTHER ASSETS

	March 31	
	2008	2007
Deferred income tax assets	\$ 3,145,362	\$ 986,124
Rental properties, net	1,407,000	1,058,833
Collateral assumed, net of accumulated impairment \$35,339	829,497	665,947
Land value increment tax	478,205	530,985
Idle assets, net	412,805	419,062
Prepayment	288,294	299,620
Deferred pension cost	122,100	207,052
Temporary payment	63,492	289,020
Others	19,779	29,865
	<u>\$ 6,766,534</u>	<u>\$ 4,486,508</u>

17. CALL LOANS AND DUE TO BANKS

	March 31	
	2008	2007
Call loans	\$ 13,034,172	\$ 50,926,361
Redeposit from the directorate general of postal remittance	21,160,118	10,373,662
Due to banks	24,512	21,793
Due to the Central Bank	116,474	45,849
Overdrafts of bank	-	11,292
	<u>\$ 34,335,276</u>	<u>\$ 61,378,957</u>

18. ACCOUNTS, INTEREST AND OTHER PAYABLES

	March 31	
	2008	2007
Accounts payable - factoring	\$ 7,186,448	\$ 6,381,825
Interest payable	5,592,150	3,988,838
Acceptance payable	2,985,883	4,099,801
Notes and checks in clearing	1,748,672	5,985,609
Accrued expenses	735,187	1,010,826
Tax payable	252,557	1,005,923
Accounts payable	244,697	740,406
Receipts under custody payable	57,452	132,923
Others	490,457	391,656
	<u>\$ 19,293,503</u>	<u>\$ 23,737,807</u>

19. DEPOSITS AND REMITTANCES

	<u>March 31</u>	
	<u>2008</u>	<u>2007</u>
Checking	\$ 10,872,961	\$ 13,169,220
Demand	110,933,815	103,786,350
Savings - demand	162,959,360	165,495,925
Time	282,008,822	233,081,572
Negotiable certificates of deposit	14,709,200	39,825,000
Savings - time	222,007,560	205,817,780
Inward remittances	660,100	1,297,753
Outward remittances	<u>161,632</u>	<u>103,177</u>
	<u>\$ 804,313,450</u>	<u>\$ 762,576,777</u>

20. BANK DEBENTURES AND BONDS PAYABLE

To raise capital for financial operation and to increase capital adequacy ratio, the Bank was approved to issue subordinate bank debentures on March 17, 2008 and March 25, 2008, as a total of \$6,400,000. The related information please refers to Table 6-7.

The Bank (formerly IBT) issued US\$180,000 thousand in zero coupon Euro convertible bonds with par of US\$1,000 on December 22, 2004. The terms of the bonds are as follows:

a. Redemption method

The Bank will redeem the bonds on the maturity date at a price equal to 99.95% of the outstanding principal amount unless the bonds have been previously redeemed, repurchased and canceled, or converted.

1) Redemption at the Bank's option

- a) During the periods from December 22, 2006 to December 22, 2009, the Bank may redeem all or parts of the bonds if the average closing price over 130% of the conversion price of the shares at least 20 consecutive trading days.
- b) The Bank may redeem all of the bonds at any time if at least 90% of the principal of the bonds has already been redeemed, repurchased and canceled, or converted.
- c) The Bank may redeem all of the bonds at any time if any changes in ROC taxation would require the Bank to gross up the payment of interest or premium.

2) Redemption at the holders' option

- a) Each bondholder has the right to require the Bank to redeem all or parts of the bonds only on December 22, 2006 at 99.98% of the principal unless the bonds had been previously redeemed, repurchased and canceled, or converted.
- b) Each holder has the right to require the Bank to buy all of the holder's bonds at 100% of the principal if the shares cease to be listed or admitted for trading on the TSE for at least five consecutive trading days.
- c) Each holder has the right to require the Bank to buy all or parts of the holder's bonds at 100% of the principal if there is a change of control over the Bank.

d) On December 26, 2005, the Bank became a wholly-owned subsidiary of SPH. This development constitutes a change of control, on which the bond indenture has certain provisions. Thus, under the indenture, each holder has the right to require IBT to repurchase all or parts of his/her bond holdings. In addition, IBT set December 22, 2006 as the change of control date and the change of put price at 100% of the unpaid principal of the bonds.

b. Maturity date

The maturity period is five years after bond issuance. Since the bonds were issued on December 22, 2004, the maturity date is on December 22, 2009.

c. Pledged: None.

d. Conversion period and object

The bondholders can convert the bonds to IBT's stock between January 21, 2005 and December 12, 2009. They, however, will not be able to effect conversions during the closed period. A closed period is (i) 60 days before any general stockholders' meetings; (ii) 30 days before any special stockholders' meetings; (iii) 5 days before the declaration of dividends or other benefits; (iv) the period from the date following the third trading day before the date of IBT's notification to the Taiwan Stock Exchange of the record date for the determination of stockholders entitled to the receipt of dividends, subscription for new shares due to capital increase, or appropriation of other benefits and bonus; and (v) such other periods during which IBT should suspend the trading of its stocks, as required by ROC laws and regulations.

e. Conversion price

1) The conversion price on issuance is NT\$26.26 per share. The conversion price in U.S. dollars is based on the exchange rate of US\$1=NT\$32.49. The conversion price is subject to adjustment based on certain terms of the related indenture. (Effective July 8, 2005, the conversion price for distributing cash dividends was adjusted from NT\$26.26 to NT\$25.22.)

2) If the average closing price of the shares for any 30 consecutive trading days immediately before December 22, 2005, December 22, 2006, December 24, 2007 and December 22, 2008 (the "special reset dates"), converted into U.S. dollars at the prevailing rate on the special reset dates, is less than the conversion price then in effect converted into U.S. dollars at the fixed exchange rate, the conversion price may be decreased up to 80% of original conversion price. Effective December 22, 2005, the conversion price was reset from NT\$25.22 to NT\$22.99. Effective June 30, 2006, the conversion price was reset from NT\$22.99 to NT\$22.25. Effective November 13, 2006, the conversion price was reset at NT\$18.94. When converting to SPH's shares, the conversion price was \$16.31 which was reset at a share swap ratio 1.3646. Effective June 28, 2007, the conversion price was reset from NT\$18.94 to NT\$18.58 because of the distribution of cash dividend. When converting to SPH's shares, the conversion price was NT\$16.00 which was reset at a share swap ratio 1.1614, which according to second augment contract of November 13, 2006.

f. Settlement option

Instead of delivering to the holders some or all of the shares required for the valid exercise of a conversion right, IBT may elect to make cash payment for all or parts of a holder's bonds deposited for conversion.

g. Supplemental agreements

On December 26, 2005, IBT became a wholly-owned subsidiary of SPH and IBT's common shares were ceased to be traded on the TSE. In the interest of the bondholders, IBT granted to the bondholders outside the United States the additional rights, after converting the bonds into common shares of IBT, and further exchanging IBT's common shares for SPH's shares at a certain ratio. If the bondholders do not choose to convert into the SPH's common shares, their bonds still can be converted into IBT's common shares.

In 2005, formerly IBT repurchased 2,000 units at discount price 99 and 99.375. And the bondholders sold the aforementioned 2,000 units at exercise price 100 in 2006, hence, as of March 31, 2008 and 2007, the outstanding bonds' value were both US\$176,000.

21. OTHER LIABILITIES

	<u>March 31</u>	
	<u>2008</u>	<u>2007</u>
Accrued pension liabilities	\$ 1,133,926	\$ 729,184
Deferred income tax liabilities	1,121,734	965,089
Reserve of land value increment tax	458,362	458,362
Temporary receipt	294,909	366,191
Advanced receipt	169,351	122,499
Others	<u>77,394</u>	<u>50,651</u>
	<u>\$ 3,255,676</u>	<u>\$ 2,691,976</u>

22. STOCKHOLDERS' EQUITY

a. Capital stock

The capital stock was \$19,728,068 on January 1, 2006. The Bank increased its authorized capital to \$80,000,000 to accommodate the need of merging with IBT and issued 26,123,904 shares for the merger with IBT on November 13, 2006. The capital stock after merger was \$45,851,972.

b. Capital surplus

Under related regulations, capital surplus may only be used to offset a deficit. However, capital surplus from shares issued in excess of par value (including additional paid-in capital from issuance of common stock, issuance of shares for combinations and treasury stock transactions) and donations may be transferred to common stock on the basis of the percentage of shares held by the stockholders. Any capital surplus transferred to common stock should be within a certain percentage prescribed by law. Also, the capital surplus from long-term investments may not be used for any purpose.

c. Appropriation of 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 Stockholders' dividends
- 6) Allocated at least 1% of the remaining earnings which allocated stockholders' dividends 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 10% and stock dividends may be declared if the CAR is equal to or less than 10%. However, the Bank may make discretionary cash distribution even if the CAR is below 10%, 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.

The Bank did not estimate the bonus to employees payable, because the Bank were net loss for the three months ended March 31, 2008. And the bonus to directors and supervisors were estimated based on past experiences. Material differences between such estimated amounts and the amounts proposed by the Board of Directors in the following year are retroactively adjusted for in the current year. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate.

Based on a directive issued by the Securities and Futures Bureau, an amount equal to the balance of unrealized gain or loss on financial instruments under shareholders' equity accounts shall be transferred from unappropriated earnings to a special reserve. Any special reserve appropriated may be reversed to the extent of the decrease in the balance.

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 the aggregate par value of the outstanding capital stock of the Bank, the legal reserve over 50% can be distributed as stock dividends or bonus if the Bank has no earnings, or the Bank can retain the legal reserve up to 50% of the outstanding capital and transfer the remaining legal reserve to common stock if the Bank has no deficit. 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 the 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 of the stockholders' meeting, which is under no jurisdiction in the related regulations in the Company Law.

Legal reserve \$491,574 were used to offset a deficit, which appropriations of earnings for 2007 had been proposed in the board of director meeting on March 28, 2008.

On June 22, 2007, the board of directors which execute the rights and functions of the stockholders' meeting resolved the appropriation of earnings for 2006, as follows:

	Appropriation of Earnings	Dividends Per Share (New Taiwan Dollars)
Legal reserve	\$ 646,947	
Remuneration to directors and supervisors	22,043	
Bonus to employees - cash	226	
Cash dividends	1,486,979	\$0.3243
Bonus to shareholders	<u>295</u>	
	<u>\$ 2,156,490</u>	

The related information regarding the proposed and resolved appropriation of earnings is available on the Market Observation Post System (M.O.P.S.) website of the Taiwan Stock Exchange.

d. Unrealized gains or losses on financial instruments

The movements of unrealized gains or losses on financial instruments for the three months ended March 31, 2008 and 2007, respectively, were summarized as follows:

	For the Three Months Ended March 31	
	2008	2007
Balance, beginning of period	\$ (535,996)	\$ 166,778
Recognized in stockholders' equity	336,411	(276,697)
Transferred to profit or loss	<u>15,213</u>	<u>(289)</u>
Balance, end of period	<u>\$ (184,372)</u>	<u>\$ (110,208)</u>

e. (Loss) earnings per share

For the three months ended March 31, 2008, there would be an anti-dilutive effect on potential common stock because of net loss so as not to compute the diluted EPS. The numerators and denominators used in computing (loss) earnings per shares (EPS) were summarized as follows:

	Numerator (Amounts)		Denominator (Shares in Thousands)	EPS (NT\$)	
	Pretax	After Tax		Pretax	After Tax
For the three months ended <u>March 31, 2008</u>					
Basic EPS					
Net loss to common stockholders	<u>\$ (3,473,181)</u>	<u>\$ (2,530,326)</u>	<u>4,585,197</u>	<u>\$ (0.76)</u>	<u>\$ (0.55)</u>

(Continued)

	<u>Numerator (Amounts)</u>		<u>Denominator (Shares in Thousands)</u>	<u>EPS (NT\$)</u>	
	<u>Pretax</u>	<u>After Tax</u>		<u>Pretax</u>	<u>After Tax</u>
For the three months ended <u>March 31, 2007</u>					
Basic EPS					
Net income to common stockholders	\$ 1,824,205	\$ 1,435,948	4,585,197	<u>\$ 0.40</u>	<u>\$ 0.31</u>
Influence on dilutive potential common shares					
Bonds payable	<u>-</u>	<u>-</u>	<u>301,974</u>		
Diluted EPS	<u>\$ 1,824,205</u>	<u>\$ 1,435,948</u>	<u>4,887,171</u>	<u>\$ 0.37</u>	<u>\$ 0.29</u>

(Concluded)

23. COMMISSIONS AND FEE REVENUES, NET

	<u>For the Three Months Ended March 31</u>	
	<u>2008</u>	<u>2007</u>
Commissions and fees revenues		
Mutual funds and structured notes	\$ 497,926	\$ 634,644
Loan	157,956	178,030
Foreign exchange	96,344	107,459
Factoring and financing	80,673	77,160
Trust and custody	67,513	77,218
Remittance expenses	20,489	18,771
Automatic equipment service fees	16,864	19,295
Guarantee and acceptance	16,598	11,871
Credit card	545	699
Others	<u>12,580</u>	<u>18,506</u>
	<u>967,488</u>	<u>1,143,653</u>
Commissions and fees expenses		
Mutual funds and structured notes	29,446	33,700
Automatic equipment service fees	26,503	24,651
Financial transaction	26,337	24,707
Loan	9,631	18,288
Trust and custody	8,207	8,071
Remittance expenses	1,069	1,182
Foreign exchange	1,028	1,127
Others	<u>9,589</u>	<u>12,726</u>
	<u>111,810</u>	<u>124,452</u>
	<u>\$ 855,678</u>	<u>\$ 1,019,201</u>

24. OPERATING EXPENSES

	For the Three Months Ended March 31	
	2008	2007
Personnel expenses		
Salaries and wages	\$ 1,575,895	\$ 1,464,538
Pension	213,857	115,918
Labor insurance and national health insurance	74,227	66,055
Others	<u>121,382</u>	<u>73,799</u>
	1,985,361	1,720,310
Depreciation	122,510	144,876
Amortization	18,460	18,637
Others	<u>758,830</u>	<u>718,556</u>
	<u>\$ 2,885,161</u>	<u>\$ 2,602,379</u>

25. PENSION

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 subject 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. On November 13, 2006, for those employees who joined the Bank owing to the merger and still choose to be subject to the Labor Standard Law, the Bank made monthly contributions, equal to 4% of employee salaries, to the severance payment fund excluding those who are eligible for promoted or enforced retirement project. 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 subject to the Labor Pension Act, the Bank ceases to contribute into severance payment fund. The amount of the cumulative contributions generated before applying the Labor Pension Act is summed up in the balance at that month and retained in the severance payment fund. The employees will receive the severance payment based on the severance payment criteria when they quit willingly.

For the Bank's employees who choose the pension mechanism regulated by the Labor Standard Law, the retirement payments shall be paid to employees on the basis of the following standards: (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 year shall be counted as one year of service, and any fraction of a year which is less than year shall be counted as half a year of service.

The Bank applied defined contribution plan regulated by Labor Pension Act after July 1, 2005. Under this Act, the Bank contributed 6% of the employee salaries to the Labor Insurance Administration (according to this Act, the contribution rate by the employer to the Labor Pension Fund per month shall not be less than 6% of the employee's monthly wages). For the three months ended March 31, 2008 and 2007, the pension expense amounted to \$36,650 and \$34,283, respectively, 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 Three Months Ended March 31	
	2008	2007
Balance, January 1	\$ 1,893,619	\$ 1,581,140
Contributions	227,094	107,271
Benefits paid	(121,411)	(13,527)
Interest revenue	<u>15,316</u>	<u>9,392</u>
Balance, March 31	<u>\$ 2,014,618</u>	<u>\$ 1,684,276</u>

The aforementioned pension funds were contributed by the Bank.

- b. The components of the net pension cost were summarized below:

	For the Three Months Ended March 31	
	2008	2007
Balance, January 1	\$ 1,140,484	\$ 734,417
Provision under defined contribution plans	177,207	81,635
Contributions	<u>(183,765)</u>	<u>(86,868)</u>
Balance, March 31	<u>\$ 1,133,926</u>	<u>\$ 729,184</u>

The Bank recognized pension costs (including overseas branches) amount to \$213,857 and \$115,918 for the three months ended March 31, 2008 and 2007, respectively.

26. INCOME TAX

Under a directive issued by the MOF, a financial holding company and its domestic subsidiaries which over 90% of shares issued were held by the financial holding company for 12 months within the same tax year may choose to adopt the linked-tax system for income tax filings. SPH adopted the linked-tax system for income tax filings with its qualified subsidiaries since 2003.

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

	For the Three Months Ended March 31	
	2008	2007
Current income tax payable (deductible loss carry forward)	\$ (1,246,146)	\$ 12,486
Separate taxes	141,693	177,339
Deferred income taxes	136,086	40,905
Overseas income taxes payable	25,512	106,772
The minimum income tax	-	50,461
Prior year adjustments	<u>-</u>	<u>294</u>
Tax (benefit) expense	<u>\$ (942,855)</u>	<u>\$ 388,257</u>

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

- b. Reconciliation of tax on pretax (loss) income at statutory rate and current income tax payable (deductible loss carry forward):

	For the Three Months Ended March 31	
	2008	2007
Tax on pretax (loss) income at 25% statutory rate	\$ (868,296)	\$ 456,041
Add (deduct) tax effects of:		
Tax-exempt income	(23,132)	(28,867)
Permanent difference	(220,725)	(380,413)
Temporary difference	(133,993)	(33,984)
Investment tax credit	<u>-</u>	<u>(291)</u>
Current income tax payable (deductible loss carry forward)	<u>\$ (1,246,146)</u>	<u>\$ 12,486</u>

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

	March 31	
	2008	2007
Loss carry forward	\$ 2,767,485	\$ 594,676
Deferred pension cost	335,854	330,555
Unrealized loss on foreign exchange and revaluation of financial instrument, net	25,305	39,476
Staff training	5,837	5,837
Others	<u>10,881</u>	<u>15,580</u>
Deferred income tax assets, net	<u>\$ 3,145,362</u>	<u>\$ 986,124</u>

Deferred income tax liabilities consisted of the tax effects of the following:

	March 31	
	2008	2007
Investment income under the equity method	\$ (1,075,179)	\$ (918,534)
Others	<u>(46,555)</u>	<u>(46,555)</u>
Deferred income tax liabilities, net	<u>\$ (1,121,734)</u>	<u>\$ (965,089)</u>

The unused loss carry forward as of March 31, 2008, are as follows:

Deficit Year	The Last Year of Deductible Loss	Amount
2006	2011	\$ 578,773
2007	2012	1,049,828
2008	2013	<u>1,138,884</u>
		<u>\$ 2,767,485</u>

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

	<u>March 31</u>	
	<u>2008</u>	<u>2007</u>
Receivables from related parties	<u>\$ 1,059,032</u>	<u>\$ 326,576</u>

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

	<u>March 31</u>	
	<u>2008</u>	<u>2007</u>
Balances of imputed tax credit account	<u>\$ 1,847,426</u>	<u>\$ 1,675,129</u>

For the year ended December 31, 2007, the Bank has no distributable earnings due to the deficit, and the tax credit will be used to compute the creditable tax ratios in the following years when there are distributable earnings. The actual creditable tax ratio used for distributing earnings generated in 2006 was 20.94%.

- f. The inappropriate earnings generated before January 1, 1997 as of March 31, 2008 was \$8,758, which was recorded as capital surplus owing to merger of IBT.

Regulated by the law of income tax, when distributing the inappropriate earnings generated after January 1, 1997, stockholders will get imputation credit which counted by imputed tax credit ratio as of dividend declared date; as to inappropriate earnings generated before January 1, 1997, no imputation credit will allocate to stockholders.

- g. For the Bank, income tax returns through 2002, except those for 1996, had been examined by the tax authorities. On the income tax returns for the aforementioned years, the tax authorities denied the creditability of 10% withholding tax on interest income on bonds pertaining to the period when those bonds were held by other investors. The Bank appealed the decision of the tax authorities. Nevertheless, on the basis of conservative principles, 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. The income tax return for 2002 had been examined by the tax authorities according to the aforementioned refund percentage. Consequently, the Bank accrued 35% of the withholding tax denied on the interest income on bonds as income tax expenses for 2003 to 2007, which were not refunded by tax authorities.
- h. For IBT, income tax returns through 2004 had been examined by the tax authorities. For the income tax returns for 1995 to 2001, the tax authorities denied the creditability of 10% withholding tax on interest income on bonds amounting to \$173,382 in 2001, which pertained to the period those bonds were held by other investors. IBT accrued this liability and appealed the decision of the tax authorities. In 2003, IBT 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 IBT. The income tax return for 2002 to 2004 had been examined by the tax authorities according to the aforementioned refund percentage. Consequently, IBT accrued 35% of the withholding tax denied on the interest income on bonds as income tax expenses for 2005 to 2006, which were not refunded by tax authorities.

27. RELATED-PARTY TRANSACTIONS

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

a. Related parties

Name	Relationship with the Bank
SinoPac Financial Holdings Company Limited (SPH)	Parent company
SinoPac Securities Corporation (SinoPac Securities)	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 Co., Ltd. (SinoPac Asset Management)	Subsidiary of SPH
SinoPac Life Insurance Agent Co., Ltd. (SPLIA)	Subsidiary of the Bank
SinoPac Property Insurance Agent Co., Ltd. (SPPIA)	Subsidiary of the Bank
SinoPac Card Services Co., Ltd. (SinoPac Card Services)	Subsidiary of SPH
SinoPac Securities Investment Trust Co., Ltd.	Investee company under the equity method (has been transferred to SPH at the book value during the six months ended June 30, 2007)
Far East National Bank (FENB)	Overseas affiliate of the Bank
SinoPac Leasing Corporation (SPL)	Subsidiary of the Bank
SinoPac Capital Ltd. (Hong Kong)	Overseas affiliate of the Bank
Grand Capital International Limited (Grand Capital)	Subsidiary of SPL
Fortune Investment Co., Ltd. (Fortune Investment)	Supervisor of SPH
Ruentex Development Co., Ltd. (Ruentex Development)	Affiliate of the director of SPH
Wal Tech International Corporation (Wal Tech International)	Affiliate of SPH
Yuen Foong Industrial Co., Ltd.	Affiliate of the second-degree of kinship of the director of Bank SinoPac
Taiwan Genome Sciences, Inc.	Affiliate of the Bank's director
Grand Cathay New Century Fund	Managed by SinoPac Securities Investment Trust Co., Ltd.
SinoPac Small & Medium Capital Fund	Managed by SinoPac Securities Investment Trust Co., Ltd.
SinoPac Fund	Managed by SinoPac Securities Investment Trust Co., Ltd.
SinoPac Global Fixed Income Portfolio Fund	Managed by SinoPac Securities Investment Trust Co., Ltd.
SinoPac Securities (Asia) Ltd.	Affiliate of SinoPac Securities
SinoPac Futures Corporation (SinoPac Futures)	Subsidiary of SinoPac Securities
SinoPac Asia Ltd.	Affiliate of SinoPac Securities
Rung-Tzung Investment Corp.	Affiliate of the second-degree of kinship of the director of SinoPac Securities
TaiGen Biotechnology Company Ltd.	Affiliate of the Bank's director
Development Center for Biotechnology	Affiliate of the Bank's director
BoardTek Electronics Corp.	Affiliate of the Bank's director
Yung An Leasing Corporation	Affiliate of the Bank's director
Liu, Shiou Fong	Manager of SPH

(Continued)

<u>Name</u>	<u>Relationship with the Bank</u>
Chen Hsu, Yu Rong	The second-degree of kinship of the director of SPPIA
Guo, Kai Wei	Manager of the Bank
Zhong, Dau Cheng	Manager of the Bank
Jhuo, Shu Lin	Manager of the Bank
Chen, Jih Wen	Manager of the Bank
Ji, Ying Huei	Manager of the Bank
Liao, Jih Ming	Manager of the Bank
Bai, Su Cing	Manager of the Bank
Chu, Wen Chi	Manager of the Bank
Yu, Chun Nan	Manager of the Bank
Wu, Yi Ching	Manager of the Bank
Lin, Cheng Che	Manager of the Bank
Chien, Wei Liang	Manager of the Bank
Guo, Ling Ling	Manager of the Bank
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.

(Concluded)

b. Significant transactions between the Bank and the related parties

1) Due from banks

	<u>Ending Balance</u>		<u>% of Total</u>	
	<u>March 31</u>		<u>March 31</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Due from banks - FENB	\$ 126,567	\$ 52,606	3.96%	0.80%

2) Financial assets at fair value through profit or loss

	<u>Ending Balance</u>		<u>% of Total</u>	
	<u>March 31</u>		<u>March 31</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Beneficiary certificates - SinoPac Small & Medium Capital Fund	\$ 103,069	\$ 67,713	0.33%	0.06%
Beneficiary certificates - SinoPac Fund	30,510	21,049	0.10%	0.02%
Beneficiary certificates - SinoPac Global Fixed Income Portfolio Fund	-	127,437	-	0.11%
Beneficiary certificates - Grand Cathay New Century Fund	-	69,432	-	0.06%

3) Derivative financial instruments

March 31, 2008						
	Contract (Notional) Amount	Contract Period	Fair Value	Balance Sheet		
				Account	Balance	
Currency swap contracts						
Grand Capital	\$ 374,779	2007.12.5-2008.6.5	\$ 192	Financial assets at fair value through profit or loss	\$ 192	
SinoPac Capital (H.K.)	926,183	2008.3.26-2008.4.2	63	Financial assets at fair value through profit or loss	63	
Interest rate swap contracts						
SinoPac Securities	8,900,000	2006.9.11-2013.3.13	2,049	Financial assets at fair value through profit or loss	2,049	
SPL	100,000	2007.7.26-2009.7.27	467	Financial assets at fair value through profit or loss	467	
Forward contracts						
Grand Capital	14,402	2008.3.14-2009.2.23	11	Financial assets at fair value through profit or loss	11	
March 31, 2007						
	Contract (Notional) Amount	Contract Period	Fair Value	Balance Sheet		
				Account	Balance	
Currency swap contracts						
SPH	\$ 1,500,000	2007.2.6-2007.4.9	\$ (314)	Financial liabilities at fair value through profit or loss	\$ (314)	
Grand Capital	45,458	2007.2.15-2008.2.15	74	Financial assets at fair value through profit or loss	74	
Interest rate swap contracts						
SinoPac Securities	600,000	2006.9.11-2012.1.3	2,614	Financial assets at fair value through profit or loss	2,614	
Forward contracts						
Grand Capital	231,623	2007.1.15-2008.2.15	53	Financial assets at fair value through profit or loss	53	

4) Accounts, interest, other receivables and payables

As of March 31, 2008 and 2007, the Bank's receivables from SinoPac Card Services amounted to \$50,781 and \$35,804, respectively.

As of March 31, 2008 and 2007, other receivables from related parties amounted to \$9,478 and \$9,556, respectively. As of March 31, 2008, other payables from relative parties amounted to \$6,228.

As of March 31, 2008 and 2007, the Bank's receivable from sale of credit card business at book value to SinoPac Card Services amounted to \$3,309,492. Interest on the aforementioned receivable has been received using the short-term bills secondary market rate for thirty days plus 0.3%. The related interest revenues for the three months ended March 31, 2008 and 2007 were \$19,924 and \$17,998, respectively; interest receivables as of March 31, 2008 and 2007 were \$13,167 and \$10,653.

As of March 31, 2008 and 2007, the Bank's estimated receivables resulting from the adoption of the linked-tax system amounted to \$1,059,032 and \$326,576, respectively.

5) Loans

For the Three Months Ended March 31, 2008

Category	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collaterals	Is the Transaction at Arm's Length Commercial Term
Employees consuming loan	22	\$ 6,940	\$ 5,551	V	-	None	Yes
Households mortgages	210	1,102,054	1,048,262	V	-	Real estate	Yes
Others:	SPL	579,000	384,000	V	-	Real estate	Yes
	BoardTek Electronics Corp.	394,125	363,188	V	-	Real estate	Yes
	Rung-Tzung Investment Corp.	246,671	246,671	V	-	Real estate	Yes
	Yung An Leasing Corporation	198,800	198,000	V	-	Real estate	Yes
	Fortune Investment	36,000	-	V	-	Real estate	Yes
	Liu, Shiou Fong	1,785	565	V	-	Real estate	Yes
	Chen Hsu, Yu Rong	6,320	5,847	V	-	Real estate	Yes
	Chu, Wen Chi	2,207	2,207	V	-	Certificate of deposit	Yes
	Guo, Kai Wei	798	-	V	-	Certificate of deposit	Yes
	Zhong, Dau Cheng	27	-	V	-	Certificate of deposit	Yes
	Jhuo, Shu Lin	500	-	V	-	Certificate of deposit	Yes
	Chen, Jhih Wen	1	-	V	-	Certificate of deposit	Yes
	Ji, Ying Huei	20	-	V	-	Certificate of deposit	Yes
	Liao, Jhih Ming	2,794	-	V	-	Certificate of deposit	Yes
	Yu, Chun Nan	44	-	V	-	Certificate of deposit	Yes
	Wu, Yi Ching	1,736	-	V	-	Certificate of deposit	Yes
	Bai, Su Cing	38	-	V	-	Certificate of deposit	Yes
	Lin, Cheng Che	351	-	V	-	Certificate of deposit	Yes
	Chien, Wei Liang	950	-	V	-	Certificate of deposit	Yes
	Guo, Ling Ling	130	-	V	-	Certificate of deposit	Yes
	Other	<u>1,472,297</u>	<u>1,200,478</u>				
		<u>\$ 2,581,291</u>	<u>\$ 2,254,291</u>				

For the Three Months Ended March 31, 2007

Category	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collaterals	Is the Transaction at Arm's Length Commercial Term
Employees consuming loan	33	\$ 8,653	\$ 6,954	V	-	None	Yes
Households mortgages	168	827,263	717,990	V	-	Real estate	Yes
Others:	Taiwan Genome Sciences, Inc.	2,500	2,500	V	-	Real estate	Yes
	Grand Capital	264,712	264,712	V	-	None	Yes
	Development Center for Biotechnology	55,000	55,000	V	-	None	Yes
	Yung An Leasing Corporation	200,000	200,000	V	-	Real estate	Yes
	Rung-Tzung Investment Corp.	246,671	246,671	V	-	Real estate	Yes
	Yuen Foong Industrial Co., Ltd.	232,350	151,851	V	-	Listed stocks	Yes
	SPL	890,000	865,000	V	-	Real estate	Yes
	SinoPac Securities	733,000	135,000	V	-	Certificate of deposit and real estate	Yes
	Wal Tech International	16,000	15,000	V	-	Real estate	Yes
	Fortune Investment	68,500	68,500	V	-	Real estate	Yes
	BoardTek Electronics Corp.	359,000	335,000	V	-	Real estate	Yes
	Liu, Shiou Fong	2,767	1,840	V	-	Real estate	Yes
	Jhuo, Shu Lin	1,000	-	V	-	Certificate of deposit	Yes

(Continued)

For the Three Months Ended March 31, 2007

Category	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collaterals	Is the Transaction at Arm's Length Commercial Term
	Ji, Ying Huei	\$ 917	\$ -	V	-	Certificate of deposit	Yes
	Liao, Jhih Ming	1,291	-	V	-	Certificate of deposit	Yes
	Zhong Dau Cheng	8	-	V	-	Certificate of deposit	Yes
	Guo, Kai Wei	804	-	V	-	Certificate of deposit	Yes
	Others	<u>3,074,520</u>	<u>2,341,074</u>				
		<u>\$ 3,910,436</u>	<u>\$ 3,066,018</u>				

(Concluded)

6) Guarantees

March 31, 2008

Related Party	The Highest Balance in Current Period	Ending Balance	Provision	Rates	Type of Collaterals
SinoPac Securities	\$ 38,000	\$ 38,000	\$ -	0.30%	Real estate and certificate of deposit
TaiGen Biotechnology Company Ltd.	18,340	18,340	-	0.45%	Certificate of deposit

March 31, 2007

Related Party	The Highest Balance in Current Period	Ending Balance	Provision	Rates	Type of Collaterals
TaiGen Biotechnology Company Ltd.	\$ 18,340	\$ 18,340	\$ -	0.45%	Certificate of deposit

7) Held-to-maturity investments

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

	<u>March 31</u>	
	2008	2007
Subordinate debenture beneficiary certificates - credit card receivables	<u>\$ 80,000</u>	<u>\$ 80,000</u>

8) Securities sold under agreements to repurchase

	<u>Face Amount</u>		<u>Cost</u>	
	<u>March 31</u>		<u>March 31</u>	
	2008	2007	2008	2007
Others	\$ 354,307	\$ 543,841	\$ 391,399	\$ 596,364

9) Deposits

	Ending Balance	% of Total	Interest Rate	Interest Expense	% of Total
<u>For the three months ended March 31, 2008</u>					
SinoPac Securities	\$ 1,959,271	0.24%	0-2.54	\$ 6,096	0.07%
SinoPac Securities (Asia) Ltd.	1,308,766	0.14%	0-4.60	7,003	0.08%
SinoPac Futures	761,597	0.09%	0.1-2.56	3,107	0.04%
SPLIA	488,020	0.06%	0.1-1.94	1,784	0.02%
SinoPac Asia Ltd.	359,488	0.04%	0.6-4.30	3,420	0.04%
Others	5,988,621	0.75%	0-13	18,446	0.21%
<u>For the three months ended March 31, 2007</u>					
SPH	422,680	0.06%	0.1-8.5	4,729	0.08%
SinoPac Securities	1,510,439	0.20%	0.02-8.5	7,144	0.12%
SinoPac Securities (Asia) Ltd.	1,418,304	0.19%	0-5.08	11,711	0.19%
TaiGen Biotechnology Company Ltd.	387,964	0.05%	0.1-1.97	2,127	0.03%
SinoPac Venture Capital	439,937	0.06%	0.1-2.35	1,722	0.03%
Others	5,477,546	0.72%	0.02-13	13,304	0.22%

10) Bank debentures

	Ending Balance	% of Total	Interest Expense	% of Total
<u>For the three months ended March 31, 2008</u>				
SinoPac Futures	\$ -	-	\$ 309	-
<u>For the three months ended March 31, 2007</u>				
SinoPac Futures	50,035	0.16%	269	-

11) Revenues and expenses

	Amount		% of Total	
	For the Three Months Ended March 31 2008	2007	For the Three Months Ended March 31 2008	2007
Service fees	\$ 12,415	\$ 12,589	1.28%	0.28%
Service expenses	381	1,307	0.34%	0.05%
Project popularizing expense	498	12	0.07%	-
Other revenues	2,382	759	0.08%	0.03%

12) Lease

a) The Bank as a lessee

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

Lessor	<u>Rental Expenses</u>		Lease Term	Payment Frequency
	<u>For the Three Months Ended March 31</u>			
	2008	2007		
SPL	\$ 26,477	\$ 12,336	February 2020	Rentals paid monthly
Ruentex Development	900	1,200	September 2010	Rentals paid monthly

b) The Bank as a lessor

Lessee	<u>Rental Income</u>		Lease Term	Payment Frequency
	<u>For the Three Months Ended March 31</u>			
	2008	2007		
SinoPac Card Services	\$ 6,464	\$ 5,976	September 2011	Rentals received monthly
SinoPac Securities	3,667	3,235	November 2011	Rentals received monthly
SPL	1,488	1,488	July 2011	Rentals received monthly
SinoPac Call Center	569	720	October 2008	Rentals received monthly
SPLIA	563	375	January 2012	Rentals received monthly
SPPIA	99	-	January 2012	Rentals received monthly
SinoPac Asset Management	-	182	April 2007	Rentals received monthly
Wal Tech International	15	15	June 2011	Rentals received monthly
SinoPac Venture Capital	2	2	June 2010	Rentals received monthly

13) Professional advisory charges

The Bank had entered into several professional advisory contracts with its investees. The professional advisory charges paid for the three months ended March 31, 2008 and 2007 amounted to \$20,454 and \$22,740, respectively.

Transactions between the Bank and the related parties are at arms length commercial terms 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.

28. RESTRICTED ASSETS

As of March 31, 2008 and 2007, pledged or restricted assets of the Bank are summarized as follows:

Restricted Assets	Object	Fair Value		Purposes
		2008	2007	
Financial assets at fair value through profit or loss	Government bonds	\$ 1,003	\$ 1,005	GTSM as bond payment settlement reserves for electronic bond trading system
Available-for-sale financial assets	Certificate of deposit	15,000,000	15,050,000	Intraday overdraft facilities
Available-for-sale financial assets	Government bonds	579,456	582,352	Pledged to bank as collaterals for filing provisional seizure, GTSM as bond payment settlement reserves for electronic bond trading system
Held-to-maturity investments	Government bonds	193,617	208,060	Hong Kong branch's clearing system of real-time gross settlement
Other financial assets	Guarantee deposits, negotiable certificate of deposits and cash	1,487,271	1,166,194	Futures guarantee deposits or restricted

29. SIGNIFICANT CONTINGENCIES AND COMMITMENTS

In addition to those disclosed in Note 31, 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
April 1 to December 31, 2008	\$ 258,635
2009	293,319
2010	245,520
2011	180,788
2012	137,169

Rentals for the years beyond 2013 amount to \$268,059, the present value of which is about \$215,536 as discounted at the Bank's one-year time deposit rate of 2.62% on March 31, 2008.

b. Equipment purchase contract

The Bank had entered into contracts to buy computer equipment and office equipment for \$382,553, of which \$96,450 had already been paid as of March 31, 2008.

c. Interior decoration contract

The Bank had entered into interior decoration contracts for \$261,561, of which \$146,724 had already been paid as of March 31, 2008.

- d. The Securities and Futures Investors Protection Center (SFIPC) was filing a lawsuit against the Bank and SPL's subsidiary, Grand Capital, in the ground that Procomp Informatics Ltd. provided deposit US\$10,000,000 with the Bank's Shisung Branch (formally Sungshan Branch) and limited the usage as a condition for short-term loan to Addie International Limited granted by SPL and for helping Yeh, Sue-Fei and Procomp Informatics Ltd. processing irregular trading and appropriating the aforementioned limited deposit for fictitious sales. Finally the Bank directly took compensation from Procomp Informatics Ltd's account, causing Procomp's damage. And the Bank was suspected of misleading investors by providing unreal confirmations for conceal with the limited deposit of the Procomp and window-dressing its financial statements. The SFIPC filed additional lawsuit against the Bank, SPL and all other parties related to Procomp Informatics Ltd for involving liability \$55.8 hundred millions to pay compensation. The Shihlin District Court rejected the SFIPC's lawsuit against the Bank on March 31, 2008.
- e. The SFIPC is believed by investors to be filing a lawsuit against the Bank in the ground that National Aerospace Fasteners Corporation provided an accounts receivable - factoring with the Bank's Tunpei Branch and recorded the substantially loan transaction as an accounts receivable financing activity to window-dress its financial position which the investors made their investing decision based on. The SFIPC files lawsuit against the Bank and all other parties for compensation \$5.7 hundred millions. The Bank has entered a plea on such charges and the case is under trying in the Taipei District Court.
- f. The FSC imposed a disciplinary, FSC (6) 09480115211, at December 23, 2005 for restraining the Bank from developing new clients of accounts receivable factoring activities (except for authorized limit of original clients) in the period of January to June 2006, due to believing the Bank accommodated client to increase bank deposit falsely for window dressing the clients' financial reports, and not sufficiently disclosed the restricted deposit for CPA confirmation.

Not willing to accept the aforementioned disciplinary as final, the bank has been appealed to Executive Yuan, but it was rejected at July 17, 2006. For aforementioned disciplinary and appeal decision, the Bank filed an administrative lawsuit, but the Taipei High Administrative Court determined the Bank lost on July 5, 2007. It appeals to the court on August 3, 2007.

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

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

	For the Three Months Ended March 31			
	2008		2007	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Due from the Central Bank and other banks	\$ 52,483,564	2.21	\$ 22,058,596	2.71
Call loans to banks	65,265,801	3.67	44,297,048	4.55
Financial assets at fair value through profit or loss	19,548,102	2.40	96,603,442	2.34
Available-for-sale financial assets	133,209,875	2.26	133,519,834	1.95
Discounts and loans	606,240,174	3.57	585,949,975	3.67
Accounts receivable - factoring	12,810,827	4.40	12,853,829	5.45
Held-to-maturity investments	2,565,599	4.85	2,520,052	6.01
Securities purchased under agreements to resell	5,824,850	1.91	6,993,452	1.64
Other financial assets	3,290,313	1.09	4,402,464	6.48

(Continued)

	For the Three Months Ended March 31			
	2008		2007	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-bearing liabilities</u>				
Due to the Central Bank and other banks	\$ 19,490,413	2.62	\$ 10,594,777	2.29
Call loans	20,287,441	3.68	64,808,445	3.77
Demand	105,328,431	0.81	102,635,372	1.37
Savings - demand	162,223,158	0.59	165,169,440	0.58
Time	276,998,601	2.68	234,587,263	2.90
Savings - time	223,046,152	2.50	204,851,170	2.17
Negotiable certificates of deposit	19,802,915	2.15	39,834,748	1.76
Securities sold under agreements to repurchase	7,461,567	2.04	14,375,183	2.14
Bank debentures	30,750,589	1.36	30,813,307	1.01
Other liabilities - appropriated loan fund	461,386	1.00	514,190	1.01
Bonds payable	5,489,349	-	5,807,566	-
				(Concluded)

31. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

	March 31			
	2008		2007	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<u>Financial assets</u>				
Other short-term financial assets	\$ 159,752,505	\$ 159,752,505	\$ 126,083,758	\$ 126,083,758
Financial assets at fair value through profit or loss	31,691,986	31,691,986	114,093,527	114,093,527
Discounts and loans	600,233,803	600,233,803	576,350,012	576,350,012
Available-for-sale financial assets	157,570,086	157,570,086	118,705,316	118,705,316
Held-to-maturity investment	2,295,567	2,413,118	2,593,046	2,681,165
Equity investment-equity method	9,416,908	9,416,908	9,301,662	9,301,662
Unquoted equity instruments	715,707	-	722,259	-
Non-active market debt instruments	888,042	866,068	4,695,462	4,695,462
Other financial assets	2,112,890	2,112,890	1,873,570	1,873,570
<u>Financial liabilities</u>				
Other short-term financial liabilities	61,840,969	61,840,969	96,023,696	96,023,696
Financial liabilities at fair value through profit or loss	13,461,819	13,461,819	3,614,199	3,614,199
Deposits and remittances	804,313,450	804,313,450	762,576,777	762,576,777
Bonds payable	5,351,280	5,543,926	5,823,664	5,841,135
Other financial liabilities	810,365	810,365	1,152,039	1,152,039

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

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

- 2) For financial instruments at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and hedged derivative financial instruments, fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Bank's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using available indirect data and appropriate valuation methodologies.

Forward contracts' and interest rate swap contracts' fair values are based on estimates using present value techniques. Options' fair value is based on estimates using Black & Scholes model.

Fair value of forward contracts is estimated based on the forward rates provided by Reuters or the Associated Press.

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

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

- 3) Discounts and loans, deposits, remittances and other financial liabilities are interest-earning assets and interest-bearing liabilities. Thus, their carrying amounts represent fair values. Fair value of nonperforming loans is based on the carrying amount, which is net of allowance for credit losses.
 - 4) When unquoted equity instruments which the Bank does not have significant influence over the investees do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost. There are no quoted market prices for equity investments-equity method, thus their carrying amounts represent fair values. And non-active market debt instruments used estimated value as its fair value.
 - 5) Fair value of bonds payables is estimated at present value of expected cash flow, the discount rate is based on the available interest rates with similar terms.
 - 6) Fair values of refundable guarantee deposits and guarantee deposits received are estimated at their carrying amounts since such deposits do not have specific due dates.
- c. Interest revenue of financial assets and liabilities other than those at fair value through profit or loss amounted to \$7,223,536 and \$6,945,893, for the three months ended March 31, 2008 and 2007, respectively. Interest expense of financial assets and liabilities other than those at fair value through profit or loss amounted to \$4,139,915 and \$4,268,425, for the three months ended March 31, 2008 and 2007, respectively.
- d. Financial risk information
- 1) Market risk

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

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

	<u>Quoted Market Prices</u>		<u>Fair Value Based on Estimates</u>	
	<u>March 31</u>		<u>March 31</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<u>Financial assets</u>				
Financial assets at fair value through profit or loss	\$ 23,158,815	\$ 105,491,983	\$ 8,533,171	\$ 8,601,544
Available-for-sale financial assets	156,482,126	117,691,039	1,087,960	1,014,277
Held-to-maturity investments	2,206,826	1,927,020	88,741	666,026
Other financial assets- non-active market debt instruments	-	-	888,042	4,695,462
<u>Financial liabilities</u>				
Financial liabilities at fair value through profit or loss	12,523,425	2,977,687	938,394	636,512

The Bank sets up independent risk management team to control the market risk, and to carry the market risk management policy out, including organization frame, responsibility and management process; also set clear market risk regulation and limited. Each sub-risk management team reviews limits on monitoring and managing risk exposures under the respective supervision and reports to head office management team timely.

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

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

2) Credit risk

The Bank is exposed to credit risk in the event of default on contracts by counter-parties. The Bank makes credit commitments and issues financial guarantees and standby letters of credit only after careful evaluation of customers' credit worthiness. On the basis of the result of the credit evaluation, the Bank may require collaterals before drawings are made against the credit facilities. As of March 31, 2008 and 2007, ratios of secured loans to total loans were 66.8% and 62.7%, respectively. Ratio of secured financial guarantees and standby letters of credits were from 24.8% to 26.4%. Collaterals held vary but may include cash, inventories, marketable securities, and other properties. When the customers default, the Bank will, as required by circumstances, foreclose the collaterals or execute other rights arising out of the guarantees given. Since most of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash demands. The maximum potential amount of future payments represents the notional amounts that could be lost under the guarantees if there were a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions or from collaterals held or pledged.

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

Items	March 31	
	2008	2007
	Maximum Credit Exposure	Maximum Credit Exposure
Off-balance-sheet credit risk		
Financial guarantees and standby letter of credit	\$ 27,697,438	\$ 24,678,110
Undrawn loan commitments	24,360,590	25,206,799

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

Credit Risk Profile by Counterparty	March 31	
	2008	2007
	Maximum Credit Exposure	Maximum Credit Exposure
Consumer	\$ 360,044,713	\$ 336,381,134
Private sector	217,325,724	217,227,004
Government	<u>29,335,673</u>	<u>28,381,373</u>
	<u>\$ 606,706,110</u>	<u>\$ 581,989,511</u>

Credit Risk Profile by Industry Sector	March 31	
	2008	2007
	Maximum Credit Exposure	Maximum Credit Exposure
Electricity industry	\$ 40,410,215	\$ 40,602,405
Wholesale trade	28,414,822	30,974,826
Insurance and real estate activities	<u>17,963,705</u>	<u>7,801,297</u>
	<u>\$ 86,788,742</u>	<u>\$ 79,378,528</u>

Credit Risk Profile by Region	March 31	
	2008	2007
	Maximum Credit Exposure	Maximum Credit Exposure
Domestic area	\$ 563,992,301	\$ 555,581,478
North America	15,878,251	8,513,336
Asia	<u>15,385,325</u>	<u>14,493,743</u>
	<u>\$ 595,255,877</u>	<u>\$ 578,588,557</u>

3) Liquidity risk

As of March 31, 2008 and 2007, the liquidity reserve ratio was 28.25% and 31.98%, respectively. The Bank has sufficient capital and working capital to execute all the obligation of contract and has no liquidity risk. The possibility of the derivative financial instruments held by the Bank failing to liquidate quickly with minimal loss in value is low.

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

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

	March 31, 2008						
	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due Between One Year and Seven Years	Due After Seven Years	Total
Assets							
Cash and cash equivalents	\$ 10,697,638	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,697,638
Due from the Central Bank and other banks	99,343,905	7,418,478	912,150	-	-	-	107,674,533
Financial assets at fair value through profit or loss	23,959,507	377,090	6,509,948	632,695	212,746	-	31,691,986
Securities purchased under agreements to resell	5,041,177	2,257,000	464,000	-	-	-	7,762,177
Receivables	12,923,430	11,630,023	3,328,755	1,780,375	5,310,072	-	34,972,655
Discounts and loans	52,413,134	49,332,821	47,122,012	26,889,481	102,423,324	328,229,092	606,409,864
Available-for-sale financial assets	76,698,385	20,498,910	28,823,168	27,509,821	3,598,492	441,310	157,570,086
Held-to-maturity investments	223,515	152,025	334,178	123,509	1,059,594	402,746	2,295,567
Non-active market debt instruments	33,734	-	-	-	382,512	471,796	888,042
Hedged derivative financial assets	-	-	5,228	69,402	406,663	-	481,293
	<u>281,334,425</u>	<u>91,666,347</u>	<u>87,499,439</u>	<u>57,005,283</u>	<u>113,393,403</u>	<u>329,544,944</u>	<u>960,443,841</u>
Liabilities							
Call loans and due to banks	7,433,422	6,190,068	6,349,152	14,362,634	-	-	34,335,276
Financial liabilities at fair value through profit or loss	6,481,315	254,482	331,294	6,392,921	1,807	-	13,461,819
Securities sold under agreements to repurchase	7,574,556	884,113	6,078	-	-	-	8,464,747
Payables	7,972,506	5,601,629	2,724,741	2,174,036	820,591	-	19,293,503
Deposits and remittances	163,297,484	108,930,882	196,795,387	252,822,121	82,467,576	-	804,313,450
Bank debentures	443,551	-	2,100,000	7,400,000	24,700,000	-	34,643,551
Bonds payable	-	-	-	-	5,351,280	-	5,351,280
Hedge derivative financial liabilities	-	-	11,638	10,235	15,869	-	37,742
	<u>193,202,834</u>	<u>121,861,174</u>	<u>208,318,290</u>	<u>283,161,947</u>	<u>113,357,123</u>	<u>-</u>	<u>919,901,368</u>
Net liquidity gap	<u>\$ 88,131,591</u>	<u>\$ (30,194,827)</u>	<u>\$ (120,818,851)</u>	<u>\$ (226,156,664)</u>	<u>\$ 36,280</u>	<u>\$ 329,544,944</u>	<u>\$ 40,542,473</u>

	March 31, 2007						
	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due Between One Year and Seven Years	Due After Seven Years	Total
Assets							
Cash and cash equivalents	\$ 18,443,216	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,443,216
Due from the Central Bank and other banks	58,752,994	2,481,682	4,975,352	827,227	-	-	67,037,255
Financial assets at fair value through profit or loss	112,029,611	446,422	228,958	1,183,596	204,940	-	114,093,527
Securities purchased under agreements to resell	4,460,577	1,299,529	500,000	-	-	-	6,260,106
Receivables	10,868,883	14,324,858	4,677,963	1,069,025	3,976,987	-	34,917,716
Discounts and loans	54,789,200	51,066,209	44,798,488	29,965,159	113,304,676	287,885,192	581,808,924
Available-for-sale financial assets	28,246,850	17,677,787	43,324,871	20,979,208	6,990,779	1,485,821	118,705,316

(Continued)

	March 31, 2007						
	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due Between One Year and Seven Years	Due After Seven Years	Total
Held-to-maturity investments	\$ -	\$ 165,446	\$ -	\$ 165,656	\$ 1,896,216	\$ 365,728	\$ 2,593,046
Non-active market debt instruments	-	-	-	102,560	3,162,002	1,430,900	4,695,462
Hedged derivative financial assets	-	-	-	-	460,625	-	460,625
	<u>287,591,331</u>	<u>87,461,933</u>	<u>98,505,632</u>	<u>54,292,431</u>	<u>129,996,225</u>	<u>291,167,641</u>	<u>949,015,193</u>
Liabilities							
Call loans and due to banks	46,747,138	5,059,161	2,655,821	6,916,837	-	-	61,378,957
Financial liabilities at fair value through profit or loss	3,614,199	-	-	-	-	-	3,614,199
Securities sold under agreements to repurchase	9,409,075	2,430,124	73,656	-	-	-	11,912,855
Payables	11,784,566	6,735,950	2,213,739	1,123,191	1,880,361	-	23,737,807
Deposits and remittances	153,246,343	129,714,377	196,651,566	195,934,702	87,029,789	-	762,576,777
Bank debentures	-	-	-	3,000,002	28,029,019	-	31,029,021
Bonds payable	-	-	-	-	5,823,664	-	5,823,664
Hedged derivative financial liabilities	-	-	-	-	231,604	-	231,604
	<u>224,801,321</u>	<u>143,939,612</u>	<u>201,594,782</u>	<u>206,974,732</u>	<u>122,994,437</u>	<u>-</u>	<u>900,304,884</u>
Net liquidity gap	<u>\$ 62,790,010</u>	<u>\$ (56,477,679)</u>	<u>\$ (103,089,150)</u>	<u>\$ (152,682,301)</u>	<u>\$ 7,001,788</u>	<u>\$ 291,167,641</u>	<u>\$ 48,710,309</u>

(Concluded)

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

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

e. Fair value hedge

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

Hedged Items	Hedging Instruments	March 31			
		2008		2007	
		Notion Amount	Fair Value	Notion Amount	Fair Value
Bank debentures	Interest rate swap	\$ 10,200,000	\$ 60,671	\$ 11,200,000	\$ (146,636)
	Cross currency swap	14,300,000	382,880	14,300,000	375,667

32. MARKET RISK CONTROL AND HEDGE STRATEGY

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

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

a. Asset quality

The overdue loans and receivables information please refer to Table 7-2.

b. Maturity analysis of assets and liabilities

**Maturity Analysis of Assets and Liabilities (In New Taiwan Dollars)
March 31, 2008**

(In Thousands of New Taiwan Dollars)

	Total	The Amount of Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Main capital inflow on maturity	\$ 958,108,937	\$ 224,642,629	\$ 96,350,041	\$ 109,859,696	\$ 89,664,407	\$ 437,592,164
Main capital outflow on maturity	971,150,040	145,709,473	125,275,122	137,875,659	240,649,835	321,639,951
Gap	(13,041,103)	78,933,156	(28,925,081)	(28,015,963)	(150,985,428)	115,952,213

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

**Maturity Analysis of Assets and Liabilities (In U.S. Dollars)
March 31, 2008**

(In Thousands of U.S. Dollars)

	Total	The Amount of Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Main capital inflow on maturity	\$ 9,675,828	\$ 3,125,491	\$ 2,392,907	\$ 2,112,499	\$ 1,436,215	\$ 608,716
Main capital outflow on maturity	9,914,940	3,843,560	1,878,908	1,544,653	1,454,785	1,193,034
Gap	(239,112)	(718,069)	513,999	567,846	(18,570)	(584,318)

Note 1: The above amounts are book value held by the onshore branches and offshore banking unit of the Bank in U.S. dollars, without off-balance amounts (for example, the issuance of negotiable certificate of deposits, bonds or stocks).

Note 2: If the overseas assets amount to at least 10% of the total assets, there should be additional disclosures.

**Maturity Analysis of Assets and Liabilities (In New Taiwan Dollars)
March 31, 2007**

(In Thousands of New Taiwan Dollars)

	Total	The Amount of Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Main capital inflow on maturity	\$ 879,349,574	\$ 216,894,165	\$ 81,373,930	\$ 90,901,124	\$ 63,325,350	\$ 426,855,005
Main capital outflow on maturity	891,818,832	158,567,273	136,839,666	104,806,798	144,711,708	346,893,387
Gap	(12,469,258)	58,326,892	(55,465,736)	(13,905,674)	(81,386,358)	79,961,618

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

Maturity Analysis of Assets and Liabilities (In U.S. Dollars)
March 31, 2007

(In Thousands of U.S. Dollars)

	Total	The Amount of Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Main capital inflow on maturity	\$ 7,693,194	\$ 2,672,786	\$ 2,222,049	\$ 1,278,100	\$ 1,109,570	\$ 410,689
Main capital outflow on maturity	7,802,202	3,013,472	1,476,501	1,266,175	1,113,089	932,965
Gap	(109,008)	(340,686)	745,548	11,925	(3,519)	(522,276)

Note 1: The above amounts are book value held by the onshore branches and offshore banking unit of the Bank in U.S. dollars, without off-balance amounts (for example, the issuance of negotiable certificate of deposits, bonds or stocks).

Note 2: If the overseas assets amount to at least 10% of the total assets, there should be additional disclosures.

c. Profitability

(%)

Items		For the Three Months Ended March 31, 2008	For the Three Months Ended March 31, 2007
Return on total assets	Before income tax	(0.35)	0.19
	After income tax	(0.26)	0.15
Return on net worth	Before income tax	(5.85)	2.83
	After income tax	(4.26)	2.23
Profit margin		(634.20)	25.95

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

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

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

Note 4: Income before (after) income tax represents income for the three months ended March 31, 2008 and 2007.

d. Interest rate sensitivity information

Interest Rate Sensitivity (New Taiwan Dollars)
March 31, 2008

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-rate sensitive assets	\$ 425,393,430	\$ 119,470,071	\$ 127,961,782	\$ 62,937,831	\$ 735,763,114
Interest-rate sensitive liabilities	354,429,941	276,149,325	90,642,920	8,547,886	729,770,072
Interest-rate sensitive gap	70,963,489	(156,679,254)	37,318,862	54,389,945	5,993,042
Net worth					61,017,628
Ratio of interest-rate sensitive assets to liabilities					100.82%
Ratio of interest-rate sensitive gap to net worth					9.82%

March 31, 2007

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-rate sensitive assets	\$ 431,108,847	\$ 129,857,354	\$ 109,392,413	\$ 62,265,439	\$ 732,624,053
Interest-rate sensitive liabilities	229,833,963	247,848,306	163,491,689	40,205,828	681,379,786
Interest-rate sensitive gap	201,274,884	(117,990,952)	(54,099,276)	22,059,611	51,244,267
Net worth					64,704,290
Ratio of interest-rate sensitive assets to liabilities					107.52%
Ratio of interest-rate sensitive gap to net worth					79.20%

Note 1: The above amounts included only New Taiwan dollar amounts held by the onshore branches of the Bank (i.e., excluding foreign currency). In compliance with Central Bank's supervision policies, the above data is prepared for off-site monitoring by 15th of next month.

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

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

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

Interest Rate Sensitivity (USD)
March 31, 2008

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

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-rate sensitive assets	\$ 3,536,196	\$ 677,552	\$ 167,737	\$ 714,474	\$ 5,095,959
Interest-rate sensitive liabilities	2,455,552	1,895,469	198,984	269,283	4,819,288
Interest-rate-sensitive gap	1,080,644	(1,217,917)	(31,247)	445,191	276,671
Net worth					15,757
Ratio of interest-rate sensitive assets to liabilities					105.74%
Ratio of interest-rate sensitive gap to net worth					1,755.86%

March 31, 2007

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

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-rate sensitive assets	\$ 3,188,052	\$ 606,952	\$ 249,391	\$ 302,429	\$ 4,346,824
Interest-rate sensitive liabilities	2,682,714	1,819,752	158,138	1,533	4,662,137
Interest-rate sensitive gap	505,338	(1,212,800)	91,253	300,896	(315,313)
Net worth					18,977
Ratio of interest-rate sensitive assets to liabilities					93.24%
Ratio of interest-rate sensitive gap to net worth					(1,661.55%)

Note 1: The above amounts include only USD amounts held by the onshore branches, OBU and offshore branches of the Bank, excludes contingent assets and contingent liabilities. In compliance with Central Bank's supervision policies, the above data is prepared for off-site monitoring by 15th of next month.

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

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

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

e. Concentration of credit extensions

March 31, 2008

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	Group Name (Note 2)	Total Credit Consists of Loans (Note 3)	Percentage of Net Worth (%) (Note 4)
1	BenQ Corporation, Ltd.	6,359,561	10.50%
2	Dell Inc.	5,432,678	8.97%
3	Formosa Plastics Group	5,336,057	8.81%
4	Far East Group	5,246,430	8.66%
5	Hontai Construction	5,150,000	8.50%
6	China Metal Products Group	5,073,267	8.37%
7	China Airlines	4,802,500	7.93%
8	Chinatrust Group	3,985,725	6.58%
9	Foxconn	3,312,621	5.47%
10	Chi Mei Optoelectronics	3,046,937	5.03%

March 31, 2007

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	Group Name (Note 2)	Total Credit Consists of Loans (Note 3)	Percentage of Net Worth (%) (Note 4)
1	BenQ Corporation, Ltd.	8,629,261	13.85%
2	Formosa Plastics Group	6,939,631	11.14%
3	Dell Inc.	5,006,273	8.04%
4	Foxconn	4,986,403	8.00%
5	China Airlines	4,853,500	7.79%
6	Far East Group	4,381,000	7.03%
7	Hontai Construction	4,353,500	6.99%
8	China Metal Products Group	3,500,782	5.62%
9	Chi Mei Optoelectronics	3,370,562	5.41%
10	Chinatrust Group	2,974,831	4.78%

Note 1: Ranking top ten groups (excluded the government or state - owned utilities) accounting to total credit consists of loans.

Note 2: Groups were regulated in the Banking Law Article 33-3.

Note 3: Total credit consists of loans were totalized each credit (included import bill negotiated, export bill negotiated, discounts, overdrafts, short-term loans, short-term secured loans, marginal receivables, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, and nonperforming loans overdue receivables), exchange bills negotiated, accounts receivable - without recourse factoring, acceptances receivable, and grantees issued.

Trust Properties of Trust Accounts
March 31, 2008

(In Thousands of New Taiwan Dollars)

Investment Portfolio	Book Value	Note
Bonds	\$ 39,463,961	
Stocks	2,944,377	
Funds	101,651,797	
Asset pool of financial asset securitization	9,358,083	
Asset pool of real estate securitization	4,903,430	
Real estate		
Land	6,473,190	
Buildings	24,110	
Work in process	2,979,022	
Securities under custody	<u>208,638,276</u>	
Total	<u>\$ 376,436,246</u>	

Balance Sheets of Trust Accounts
For the Three Months Ended March 31, 2007

(In Thousands of New Taiwan Dollars)

	Other Trust Business	Financial Assets and Real Estate Trust Plan	Total
<u>Trust assets</u>			
Bank deposits	\$ 2,060,815	\$ 86,907	\$ 2,147,722
Bonds	46,545,299	9,751,184	56,296,483
Stocks	5,487,898	-	5,487,898
Funds	81,812,065	-	81,812,065
Receivables	17,698	17,933	35,631
Prepayments	16	6,474	6,490
Real estate			
Land	5,876,007	3,204,139	9,080,146
Buildings	23,098	1,235,861	1,258,959
Work in process	1,907,494	-	1,907,494
Other assets	<u>-</u>	<u>91,795</u>	<u>91,795</u>
Total trust assets	<u>\$ 143,730,390</u>	<u>\$ 14,394,293</u>	<u>\$ 158,124,683</u>
<u>Trust liabilities</u>			
Payables	\$ 18,577	\$ 19,005	\$ 37,582
Advance receipts	-	15,893	15,893
Other liabilities	-	33,720	33,720
Trust capital	142,178,463	13,998,725	156,177,188
Reserves and cumulative earnings			
Reserves	-	71,184	71,184
Net income	95,014	23,349	118,363
Cumulative earnings	1,511,836	232,417	1,744,253
Deferred amount	<u>(73,500)</u>	<u>-</u>	<u>(73,500)</u>
Total trust liabilities	<u>\$ 143,730,390</u>	<u>\$ 14,394,293</u>	<u>\$ 158,124,683</u>

Trust Properties of Trust Accounts
March 31, 2007

(In Thousands of New Taiwan Dollars)

Investment Portfolio	Book Value	Note
Bonds	\$ 46,545,299	
Stocks	5,487,898	
Funds	81,812,065	
Asset pool of financial asset securitization	9,751,184	
Asset pool of real estate securitization	4,440,000	
Real estate		
Land	5,876,007	
Buildings	23,098	
Work in process	1,907,494	
 Total	 \$ 155,843,045	

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

35. CROSS SELLING INFORMATION

For the three months ended March 31, 2008 and 2007, the Bank charged SinoPac Securities for \$1,556 and \$251, respectively, as marketing and opening accounts and paid SinoPac Securities \$32 and \$16, respectively, as commission of promoting real estate loan financing under cross selling business.

In February 2003, the Bank had contracts with SPLIA and SPPIA, respectively, for cross selling business. The contracts refer to the rules of promoting cross selling business and how to allocate the related expenses to sites, personnel, and equipments and how to calculate the related compensation. For the three months March 31, 2008 and 2007, the Bank charged SPPIA for \$1,631 and \$1,651, respectively, as incentive rewards under cross selling business.

36. ADDITIONAL DISCLOSURES

- a. and b. 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) Acquired and disposed of investee investment at cost or prices of at least NT\$300 million or 10% of the issued capital: None;
 - 6) Acquisition of individual real estate at costs of at least NT\$300 million or 10% of the issued capital: None;

- 7) Disposal of individual real estate at prices of at least NT\$300 million or 10% of the issued capital: None;
- 8) Financial asset securitization: Please refer to Note 11 and Table 6-4;
- 9) Allowance for service fees to related-parties amounting to at least NT\$5 million: None;
- 10) Receivables from related parties amounting to at least NT\$300 million or 10% of the issued capital: Table 4;
- 11) Sale of nonperforming loans: Table 5;
- 12) The information of investees: Not required in quarterly financial statements.
- 13) Other significant transactions which may affect the decisions of users of financial reports: None;
- 14) Derivative financial transactions: Except the disclosure in other footnotes, the derivative financial instruments of the Bank are disclosed in Notes 6 and 31, and the derivative financial instrument transactions of Far East National Bank ("FENB", a wholly owned subsidiary of SinoPac Bancorp, which is a wholly owned subsidiary of the Bank) are summarized below:

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

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

As of March 31, 2008 and 2007, the contract amounts (or notional amounts), credit risks and fair values of outstanding contracts were as follows:

Financial Instruments	March 31, 2008		
	Contract (Notional) Amount	Credit Risk	Fair Value
For the purpose of accommodating customers' needs or managing FENB's exposures:			
Non-deliverable forward contracts - long position	\$ 178,331	\$ 7,195	\$ 178,097
Non-deliverable forward contracts - short position	177,869	7,176	(177,583)
Financial Instruments	March 31, 2007		
	Contract (Notional) Amount	Credit Risk	Fair Value
For the purpose of accommodating customers' needs or managing FENB's exposures:			
Forward contract contracts - short position	\$ 79,325	\$ 3,966	\$ (80,582)

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.

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

BANK SINOPAC AND INVESTEEES

**FINANCING PROVIDED
FOR THE THREE MONTHS ENDED MARCH 31, 2008
(In Thousands of New Taiwan Dollars)**

No.	Financing Name	Counter-party	Financial Statement Account	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	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 Leasing Corporation	Wal-Tech International Corporation	Other receivable - related parties	\$ 173,000	\$ 90,500	2.42%-3.838%	Short-term financial	\$ -	Operating use	\$ -	-	\$ -	\$ 179,000 (Note 1)	\$ 970,523 (Note 2)
2	SinoPac Leasing Corporation	Grand Capital International Limited	Other receivable - related parties	80,825	3,865	3.125%	Short-term financial	-	Operating use	-	-	-	91,215 (Note 1)	970,523 (Note 2)

Note 1: According to the Operational Procedures for Making Loans to Others, the financing limit for the borrowing company is 30% of the reviewed net asset value NT\$2,426,308 (in thousand) of SinoPac Leasing Corporation as of March 31, 2008. The maximum amount approved by the board of directors is NT\$179,000 (in thousand) for Wal-Tech International Corporation in May 2007 and US\$3,000 (in thousand) for Grand Capital International Limited in October 2007.

Note 2: According to the Operational Procedures for Making Loans to Others, the financing company's financing amount limits are 40% of the reviewed net asset value NT\$2,426,308 (in thousand) of SinoPac Leasing Corporation as of March 31, 2008.

Note 3: Foreign-currency amounts were translated to New Taiwan dollars at the closing exchange rate as of March 31, 2008.

BANK SINOPAC AND INVESTEES

**ENDORSEMENT/GUARANTEE PROVIDED
FOR THE THREE MONTHS ENDED MARCH 31, 2008
(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 3)	\$ 6,643,493	\$ 6,369,848	\$ -	262.53%	(Note 5)

Note 1: Foreign-currency amounts were translated to New Taiwan dollars at the closing exchange rate as of March 31, 2008.

Note 2: The reviewed net asset value of SinoPac Leasing Corporation as of March 31, 2008 is NT\$2,426,308 (in thousand).

Note 3: The limit on individual endorsement or guarantee amounts is up to 200% of the net asset value of the Corporation. As of March 31, 2008, the limit was NT\$4,852,616 (in thousand) (Note 6). But no limit applied on subsidiaries reinvested over 50% of the Corporation.

Note 4: The net asset value of SinoPac Leasing Corporation was based on its reviewed financial statements as of March 31, 2008.

Note 5: The maximum amount of endorsement or guarantee amounts is up to 500% of the net asset value of the Corporation. As of March 31, 2008, the limit was NT\$12,131,540 (in thousands) (Note 6). But no limit applied on subsidiaries reinvested over 50% of the Corporation.

Note 6: According to the operational procedures for endorsement and guarantee to others, the net asset value of SinoPac Leasing Corporation was based on its reviewed financial statements as of March 31, 2008.

BANK SINOPAC AND INVESTEEES

MARKETABLE SECURITIES HELD

MARCH 31, 2008

(In Thousands of New Taiwan Dollars)

Name of Holding Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	March 31, 2008				Note
				Shares/Units/ Face Amount (In Thousand)	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
SinoPac Bancorp	<u>Stock</u> Far East National Bank	Subsidiary	Equity investments - equity method	180	\$ 6,709,850	100.00%	\$ 6,709,850	Note 4
Far East Capital Corporation	<u>Stock (common stock)</u> PCRS Capital Partners, LLC	-	Unquoted equity investments	-	1,046	4.00%	1,046	Note 5
	TVIA, Inc.	-	Available-for-sale financial assets	33	30	0.20%	30	Note 2
	Metropolos Digital	-	Unquoted equity investments	1,257	-	8.00%	-	Note 5
	<u>Stock (preferred stock)</u> AgraQuest, Inc.	-	Unquoted equity investments	100	820	0.80%	820	Note 5
	Silicon Motion, Inc.	-	Available-for-sale financial assets	1	429	0.10%	429	Note 2
	Zone Reactor, Inc.	-	Unquoted equity investments	23	30	1.50%	30	Note 5
	iPhysician Net, Inc.	-	Unquoted equity investments	115	-	0.30%	-	Note 5
	Softknot Corporation	-	Unquoted equity investments	250	-	2.00%	-	Note 5
	SinoPac Leasing Corporation	<u>Stock</u> Grand Capital International Limited	Subsidiary	Equity investments - equity method	29,900	792,972	100.00%	792,972
<u>Fund</u> SinoPac Global Fixed Income Portfolio Fund		Affiliate	Trading financial assets - current	3,000	31,022	-	31,022	Note 6
SinoPac Capital Limited	<u>Stock</u> SinoPac Capital (B.V.I.) Ltd.	Subsidiary	Equity investments - equity method	4,450	32,402	100.00%	57,283	Note 4
	SinoPac Insurance Brokers Ltd.	Subsidiary	Equity investments - equity method	100	1,172	100.00%	66,509	Note 4
	China Metal	-	Trading financial assets	300	2,226	0.03%	2,226	Note 2
	Wealthmark	-	Trading financial assets	4,441	15,264	0.78%	15,264	Note 2
	Magna Chip	-	Unquoted equity investments	16	30,284	-	30,284	Note 5
	Bestfield Enterprises Ltd.	-	Financial assets designated at fair value through profit or loss	-	2,257	-	2,257	Note 2
	FerroChina Ltd.	-	Trading financial assets	700	20,040	0.09%	20,040	Note 2
	<u>Fund</u> China Enterprise Capital	-	Unquoted equity investments	0.02	30,284	-	30,284	Note 5

(Continued)

Name of Holding Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	March 31, 2008				Note
				Shares/Units/ Face Amount (In Thousand)	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
SinoPac Capital (B.V.I.) Ltd.	<u>Stock</u> Shanghai International Asset Management (Hong Kong) Co., Ltd.	Subsidiary	Equity investments - equity method	4,800	\$ 34,311	60.00%	\$ 12,125	Note 4
	Pinnacle Investment Management Ltd.	Subsidiary	Equity investments - equity method	200	6,081	100.00%	7,671	Note 4
	RSP Information Service Company Limited	Subsidiary	Equity investments - equity method	1,000	3,898	100.00%	3,440	Note 4
Shanghai International Asset Management (Hong Kong) Co., Ltd.	GCL-Poly Energy	-	Trading financial assets	30	183	0.003%	183	Note 2
	QunXing Paper	-	Trading financial assets	6	75	0.001%	75	Note 2
	China Railway Construction	-	Trading financial assets	8.5	355	0.0004%	355	Note 2
SinoPac Property Insurance Agent	<u>Bond</u> Government bond 88-3	-	Guarantee deposits	600	645	-	755	Pledge
SinoPac Life Insurance Agent	<u>Bond</u> Government bond 88-3	-	Guarantee deposits	600	645	-	755	Pledge

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

Note 2: Market prices of listed and GreTai Securities Market stocks were determined by closing prices at March 31, 2008.

Note 3: Net asset values were based on the investees' unaudited or unreviewed financial statements for 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 based on closing prices or net value of funds at March 31, 2008.

(Concluded)

BANK SINOPAC AND INVESTEES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL
MARCH 31, 2008
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Bank SinoPac	SinoPac Card Services	Subsidiary of SinoPac Financial Holdings Company Limited	\$ 3,325,571	-	\$ -	-	\$ -	\$ -
Bank SinoPac	SinoPac Financial Holdings Company Limited	The parent company of the Bank	1,059,369	-	-	-	-	-

Note: Included mostly receivables resulting from the adoption of the linked-tax system and receivable from related parties.

BANK SINOPAC AND INVESTEES

TRADING INFORMATION - SELLING NONPERFORMING LOANS
MARCH 31, 2008
(In Thousands of New Taiwan Dollars)

Date	Counter-parties	Loans	Carrying Amount (Note)	Selling Price	Gain or Loss on Disposal	Attachment	Relation
January 28, 2008	Far Eastern Asset Management Co., Ltd.	Loans to enterprises	\$86,152	\$138,552	\$(33,753)	None	None

Note: Carrying amount is the original credit amount deducted allowance for bad debt.

TABLE 6-1**BANK SINOPAC****FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS****MARCH 31, 2008 AND 2007****(In Thousands of New Taiwan Dollars)**

	March 31	
	2008	2007
<u>Held for trading financial assets</u>		
Forward contracts	\$ 6,127,930	\$ 2,406,415
Negotiable certificates of deposit	3,998,885	86,302,400
Corporate bonds	3,662,679	4,115,807
Premium paid on option contracts	3,566,061	1,401,684
Bank debentures	3,347,623	3,304,382
Interest rate swap	2,934,075	1,013,799
Convertible bonds	2,383,412	2,248,052
Beneficiary certificates	1,355,382	2,923,883
Currency swap contracts	411,978	70,485
Listed stock	360,764	1,213,708
Government bonds	296,229	464,259
Structured investment vehicles	256,836	5,768,245
Collateralized debt obligation	181,756	698,515
Equity-linked swap contracts	146,620	41,833
Cross-currency swap contract	80,796	100,153
Credit default swap	72,337	15,659
Mortgage backed securities	8,187	68,187
Futures	-	740
Commercial papers	-	19
	<u>29,191,550</u>	<u>112,158,225</u>
<u>Financial assets designated at fair value through profit or loss</u>		
Corporate bonds	1,959,700	1,365,435
Credit linked notes	526,446	266,068
Convertible bonds	14,290	303,799
	<u>2,500,436</u>	<u>1,935,302</u>
Total of Financial assets at fair value through profit or loss	<u>\$ 31,691,986</u>	<u>\$ 114,093,527</u>
<u>Held for trading financial liabilities</u>		
Forward contracts	\$ 5,571,335	\$ 828,772
Premium received from option contract	3,112,576	1,420,656
Interest rate swap	3,072,115	855,086
Securities purchased under agreement to resell-short sales	993,349	248,801
Currency swap contracts	435,544	128,182
Credit default swap	76,801	75,973
Cross-currency swap contracts	53,080	15,230
Others	147,019	41,499
	<u>\$ 13,461,819</u>	<u>\$ 3,614,199</u>

TABLE 6-2**BANK SINOPAC****THE CONTRACT AMOUNTS OF OUTSTANDING DERIVATIVE TRANSACTIONS****MARCH 31, 2008 AND 2007****(In Thousands of New Taiwan Dollars)**

	March 31	
	2008	2007
Interest rate swap contracts	\$ 579,788,715	\$ 268,158,125
Currency swap contracts	363,045,829	219,847,246
Options		
Long position	74,544,065	122,051,546
Short position	82,873,610	98,754,257
Forward contracts		
Long position	19,876,900	5,867,833
Short position	4,698,558	6,038,283
Non-deliverable forward contracts		
Long position	107,972,082	83,824,218
Short position	108,892,094	83,251,386
Cross-currency swap contracts	13,443,190	16,480,750
Assets swap contracts	2,983,899	2,663,665
Credit default swap contracts	1,556,075	1,596,335
Commodity linked interest rate swap contracts	-	103,238
Equity-linked swap contracts	2,005,045	1,232,896
Futures		
Long position	-	909,948
Short position	4,560,750	817,528
Credit linked swap contract	5,400,000	5,400,000

TABLE 6-3**BANK SINOPAC****AVAILABLE-FOR-SALE FINANCIAL ASSETS****MARCH 31, 2008 AND 2007****(In Thousands of New Taiwan Dollars)**

	March 31	
	2008	2007
Negotiable certificates of deposit	\$ 141,358,299	\$ 103,626,822
Commercial papers	8,437,624	-
Government bonds	2,215,736	5,477,849
Listed stock	1,871,447	1,970,744
Bank debentures	1,506,516	4,511,553
Corporate bonds	1,092,503	2,104,071
Collateralized debt obligations	1,087,961	-
Subordinated beneficiary certificates of securitization	-	1,014,277
	<u>\$ 157,570,086</u>	<u>\$ 118,705,316</u>

BANK SINOPAC

FINANCIAL ASSET SECURITIZATION

MARCH 31, 2008 AND 2007

(In Thousands of New Taiwan Dollars)

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

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

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

March 31, 2007	Senior				Subordinated
Series of Certificates	First Tranche	Second Tranche	Third Tranche	Fourth Tranche	Fifth Tranche
Principal amount	\$ 989,419	\$ 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	1.762%

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.

2. Sensitivity analysis

As of March 31, 2007, 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:

	March 31, 2007
	Enterprise Loans
Carrying amount of retained interest	\$ 1,014,277
Weighted-average life (in years)	3 years
Discount rate of residual cash flows (annual rate)	1.762%
Impact on fair value of 10% adverse change	(137)
Impact on fair value of 20% adverse change	(305)

3. Due to the loans for securitized having no actual credit losses, the rate of expected static group loss equals to that of expected credit loss. The expected credit losses for the three months ended March 31, 2007 are \$23.
4. The financial asset securitization was matured on August 2007 and the carrying amount of retained interest have already compensated.

TABLE 6-5**BANK SINOPAC****HELD-TO-MATURITY INVESTMENTS****MARCH 31, 2008 AND 2007****(In Thousands of New Taiwan Dollars)**

	March 31	
	2008	2007
Floating rate notes	\$ 688,533	\$ 338,183
GSE debentures	485,511	586,026
Structured investment vehicle	456,075	493,870
Government bonds	449,056	208,060
Bank debentures	431,701	721,462
Negotiable certificates of deposit	152,025	165,445
Beneficiary certificates - credit card receivables	<u>80,000</u>	<u>80,000</u>
	2,742,901	2,593,046
Less - accumulated impairment	<u>447,334</u>	<u>-</u>
	<u>\$ 2,295,567</u>	<u>\$ 2,593,046</u>

TABLE 6-6**BANK SINOPAC****OTHER FINANCIAL ASSETS****MARCH 31, 2008 AND 2007****(In Thousands of New Taiwan Dollars)**

	March 31	
	2008	2007
Unquote equity instruments		
Unlisted equity investments	\$ 715,707	\$ 722,259
Non-active market debt instruments		
Structured investment vehicles	3,466,170	2,655,392
Collateralized debt obligations	213,587	623,956
Bank debentures	152,025	1,158,115
Mortgage backed securities	108,538	221,287
Floating rate notes	48,192	52,446
	<u>3,988,512</u>	<u>4,711,196</u>
Less - accumulated impairment	<u>3,100,470</u>	<u>15,734</u>
	<u>888,042</u>	<u>4,695,462</u>
Other financial assets		
Guarantee deposits	1,170,271	1,013,022
Hedged derivative financial instruments	481,293	460,625
Excess margin	317,000	153,172
Short-term advancement	135,823	160,868
Nonperforming receivables transferred from other than loans, net	8,193	85,560
Bills purchased	310	323
	<u>2,112,890</u>	<u>1,873,570</u>
	<u>\$ 3,716,639</u>	<u>\$ 7,291,291</u>

TABLE 6-7**BANK SINOPAC****BANK DEBENTURES
MARCH 31, 2008 AND 2007****(In Thousands of New Taiwan Dollars)**

	March 31		Maturity Date	Terms
	2008	2007		
First subordinated bank debenture issued in 2002	\$ -	\$ 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	-	1,000,002	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	502,775	500,048	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	1,516,379	1,501,718	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	409,790	414,468	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	1,019,219	1,003,754	2003.08.11-2010.08.11 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Sixth dominant bank debenture issued in 2003	695,244	700,778	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	788,626	802,213	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	502,453	501,453	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	299,736	300,918	2003.09.22-2008.09.22 Principal is repayable on maturity date.	Coupon rate at 2.55% for the first year of the issuance and 5% minus index rate for the years thereon.
Tenth dominant bank debenture issued in 2003	1,012,928	1,004,182	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	1,012,235	1,002,136	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	506,939	502,860	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	505,652	501,326	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	2,261,397	2,217,460	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.

(Continued)

	March 31		Maturity Date	Terms
	2008	2007		
First dominant bank debentures issued in 2004	\$ 522,850	\$ 527,437	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	305,129	301,440	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	514,497	503,255	2004.04.29-2009.04.29 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually with simple interest based on actual days.
Fourth dominant bank debentures issued in 2004	198,817	200,975	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	312,634	301,513	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	518,380	505,178	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	198,864	200,779	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	548,396	522,333	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	300,037	302,514	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	527,703	511,557	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	207,837	203,032	2004.06.15-2009.06.15 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually with simple interest based on actual days.
Twelfth dominant bank debentures issued in 2004	530,618	515,360	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	313,983	304,749	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	532,910	510,736	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	550,612	521,134	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 (A)	500,000	500,000	2004.09.14-2009.09.14 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
First subordinated bank debentures issued in 2004 (B)	600,000	600,000	2004.09.14-2009.12.14 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
First subordinated bank debentures issued in 2004 (C)	426,911	443,713	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	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.

(Continued)

	March 31		Maturity Date	Terms
	2008	2007		
First subordinated bank debentures issued in 2008	\$ 1,400,000	\$ -	- 2008.03.17-2013.09.17 Principal is repayable on maturity date.	Fixed interest rate of 3.05%, interest is paid annually.
Second subordinated bank debentures issued in 2008 (A)	4,500,000	-	- 2008.03.25-2015.03.25 Principal is repayable on maturity date.	Index rate plus 1%. Interest is reset quarterly since the issuance date and paid annually.
Second subordinated bank debentures issued in 2008 (B)	500,000	-	- 2008.03.25-2015.03.25 Principal is repayable on maturity date.	Fixed interest rate of 3.2%, interest is paid annually.
	<u>\$ 34,643,551</u>	<u>\$ 31,029,021</u>		

(Concluded)

TABLE 6-8**BANK SINOPAC****THE GAINS (LOSSES) ON DERIVATIVE FINANCIAL INSTRUMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars)**

	Account	For the Three Months Ended March 31	
		2008	2007
For hedging purposes:			
Cross-currency swap contracts			
- Realized	Interest revenue	\$ 33,877	\$ 26,849
	Interest expense	(160,974)	(189,970)
	Foreign exchange gain (loss)	74,600	(7,389)
Interest rate swap contracts			
- Realized	Interest revenue	11,254	7,531
	Interest expense	(41,818)	(40,158)
	Foreign exchange gain (loss)	<u>2,524</u>	<u>(6,830)</u>
		<u>(80,537)</u>	<u>(209,967)</u>
For the purposes of accommodating customers' needs or managing the Bank's exposures:			
Forward contracts			
- Realized	Interest revenue	37,551	55,352
	Interest expense	(33,179)	(26,548)
- Realized	Foreign exchange gain	45,424	28,575
- Unrealized	(Loss on) income from derivative financial instruments transactions	(2,452)	485
- Unrealized	Foreign exchange (loss) gain	(26,744)	421,231
Currency swap contracts			
- Realized	Interest revenue	900,667	1,045,736
	Interest expense	(742,041)	(641,719)
	Loss on derivative financial instruments transactions	(66,460)	(133,426)
- Unrealized	Income from derivative financial instruments transactions	36,397	22,444
- Realized	Foreign exchange gain	158,461	691,223
Interest rate swap contracts			
- Realized	Interest revenue	3,309,113	854,539
	Interest expense	(3,323,341)	(849,542)
- Realized	Loss on derivative financial instruments transactions	(26,005)	(8,670)
- Unrealized	Loss on derivative financial instruments transactions	(136,545)	(3,603)
Foreign-currency options contracts			
- Realized	Loss on derivative financial instruments transactions	(212,377)	(318,432)
	Foreign exchange (loss) gain	(945,479)	1,308,087
- Unrealized	Income from (loss on) derivative financial instruments transactions	313,903	(244,614)

(Continued)

		For the Three Months Ended March 31	
Account		2008	2007
Interest rate futures contracts			
- Realized	Income from derivative financial instruments transactions	\$ 18,993	\$ 20,998
	Foreign exchange (loss) gain	(1,552)	704
- Unrealized	(Loss on) income from derivative financial instruments transactions	(925)	2,828
Cross-currency swap contracts			
- Realized	Interest revenue	54,466	53,160
	Interest expense	(42,841)	(52,845)
	Income from derivative financial instruments transactions	68,090	130,405
- Unrealized	Loss on derivative financial instruments transactions	(22,751)	(5,027)
Credit default swap contracts			
- Realized	Loss on derivative financial instruments transactions	(2,582)	(3,582)
- Unrealized	Loss on derivative financial instruments transactions	(42,670)	(24,626)
Miscellaneous swap contracts - exchange rate			
- Realized	Income from derivative financial instruments transactions	1,863	36
Miscellaneous swap contracts - stock index			
- Realized	(Loss on) Income from derivative financial instruments transactions	(815)	15,825
Commodity linked interest rate swap contracts			
- Realized	Loss on derivative financial instruments transactions	-	(672)
		<u>(683,831)</u>	<u>2,338,322</u>
		<u>\$ (764,368)</u>	<u>\$ 2,128,355</u>

(Concluded)

TABLE 6-9**BANK SINOPAC****STATEMENTS OF IMPAIRMENT LOSS ON FINANCIAL ASSETS
FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars)**

	March 31		Notes
	2008	2007	
Impairment losses on assets			
Non-active market debt instruments	\$ 1,588,976	\$ 15,734	Note 14
Held-to-maturity investments	<u>219,654</u>	<u>-</u>	Note 12
	<u>\$ 1,808,630</u>	<u>\$ 15,734</u>	
Financial assets at fair value through profit or loss			
Valuation losses on structured investment vehicles	\$ 2,193,044	\$ -	Note 6
Realized losses on structured investment vehicles	31,497	-	Note 6
Valuation losses on collateralized debt obligations	98,247	40,155	Note 6
Reversal of valuation loss of mortgage backed securities	(6,322)	(1,181)	Note 6
Other financial instruments	<u>73,813</u>	<u>385,153</u>	
	<u>\$ 2,390,279</u>	<u>\$ 424,127</u>	

Bank SinoPac recognized loss on structured investment vehicles, collateralized debt obligations, mortgage backed securities and floating rate notes amounted to \$4,125,096 and \$54,708, respectively, for the three months ended March 31, 2008 and 2007 were as follows:

	March 31	
	2008	2007
Financial assets at fair value through profit or loss		
Valuation losses on structured investment vehicles	\$ 2,193,044	\$ -
Realized losses on structured investment vehicles	31,497	-
Valuation losses of collateralized debt obligations	98,247	40,155
Reversal of valuation loss of mortgage backed securities	(6,322)	(1,181)
Impairment loss on held-to-maturity investments	219,654	-
Impairment loss on non-active market debt instruments	<u>1,588,976</u>	<u>15,734</u>
	<u>\$ 4,125,096</u>	<u>\$ 54,708</u>

TABLE 7-1

BANK SINOPAC

ALLOWANCE FOR CREDIT LOSS
MARCH 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars)

	For the Three Months Ended March 31, 2008							
	Discounts and Loans			Account Receivable	Non-performing Receivable Transferred from Other Than Loans	Provisions for Acceptance and Guarantees	Other Assets	Total
	Specific Reserve	General Reserve	Subtotal					
Balance January 1	\$ 3,689,790	\$ 2,306,361	\$ 5,996,151	\$ 8,646	\$ 319,164	\$ 16,961	\$ 140	\$ 6,341,062
Provision	622,697	364,661	987,358	-	-	(358)	-	987,000
Write-off	(799,249)	-	(799,249)	-	-	-	-	(799,249)
Recovery of written-off credits	1,823	-	1,823	-	-	-	-	1,823
Reclassifications	235,199	(232,320)	2,879	28,231	(31,110)	-	-	-
Result from change of foreign exchange rate	(12,901)	-	(12,901)	(8,401)	-	(28)	-	(21,330)
Others	-	-	-	(12,880)	-	-	-	(12,880)
Balance, March 31	<u>\$ 3,737,359</u>	<u>\$ 2,438,702</u>	<u>\$ 6,176,061</u>	<u>\$ 15,596</u>	<u>\$ 288,054</u>	<u>\$ 16,575</u>	<u>\$ 140</u>	<u>\$ 6,496,426</u>
	For the Three Months Ended March 31, 2007							
	Discounts and Loans			Account Receivable	Non-performing Receivable Transferred from Other Than Loans	Provisions for Acceptance and Guarantees	Other Assets	Total
	Specific Reserve	General Reserve	Subtotal					
Balance January 1	\$ 3,916,746	\$ 1,788,618	\$ 5,705,364	\$ 544,149	\$ 91,530	\$ 6,945	\$ 7,140	\$ 6,355,128
Provision	762,269	336,426	1,098,695	9,305	-	-	-	1,108,000
Write-off	(1,325,739)	-	(1,325,739)	(41,777)	-	-	-	(1,367,516)
Recovery of written-off credits	5,626	-	5,626	-	-	-	-	5,626
Reclassifications	403,755	(433,325)	(29,570)	33,072	3,498	-	(7,000)	-
Result from change of foreign exchange rate	4,536	-	4,536	6,114	-	2	-	10,652
Others	-	-	-	(319,565)	-	-	-	(319,565)
Balance, March 31	<u>\$ 3,767,193</u>	<u>\$ 1,691,719</u>	<u>\$ 5,458,912</u>	<u>\$ 231,298</u>	<u>\$ 95,028</u>	<u>\$ 6,947</u>	<u>\$ 140</u>	<u>\$ 5,792,325</u>

BANK SINOPAC

OVERDUE LOANS AND RECEIVABLE
MARCH 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars, %)

Items		March 31, 2008					March 31, 2007				
		Non-performing Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)	Non-performing Loan (NPL)	Total Loans	NPL Ratio	Loan Loss Reserves (LLR)	Coverage Ratio
Corporate loan	Secured	\$ 2,266,001	\$ 73,261,710	3.09%	\$ 1,460,762	64.46%	\$ 2,771,756	\$ 74,570,667	3.72%	\$ 1,395,397	50.34%
	Unsecured	2,673,826	173,108,721	1.54%	1,720,700	64.35%	2,833,434	170,857,123	1.66%	1,426,438	50.34%
Consumer loan	Mortgage (Note 4)	5,045,815	339,037,531	1.49%	1,634,952	32.40%	5,036,683	305,829,672	1.65%	808,546	16.05%
	Cash card	23,524	185,208	12.70%	28,406	120.75%	27,719	389,610	7.11%	37,683	135.95%
	Micro credit (Note 5)	1,370,745	14,530,071	9.43%	1,268,651	92.55%	2,696,586	21,604,794	12.48%	1,737,592	64.44%
	Other (Note 6)	Secured	46,995	6,286,623	0.75%	62,590	133.18%	116,277	8,557,058	1.36%	53,256
Non-secured											
Total		11,426,906	606,409,864	1.88%	6,176,061	54.05%	13,482,455	581,808,924	2.32%	5,458,912	40.49%
		Overdue Receivable	Account Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio	Overdue Receivable	Account Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card		-	-	-	-	-	-	-	-	-	-
Account receivable - factoring with no recourse (Note 7)		19,390	14,105,523	0.14%	11,198	57.75%	2,814	15,505,490	0.02%	1,407	50.00%

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

For Credit card business: Overdue receivables are regulated by the Banking Bureau dated July 6, 2005 (Ref. No. 0944000378).

Note 2: For Loan business: NPL ratio = NPL/Total loans.

For Credit card business: Delinquency ratio = Overdue receivable/Account receivable.

Note 3: For loan business: Coverage ratio = LLR/NPL

For credit card business: Coverage ratio = Allowance for credit losses/Overdue receivables.

Note 4: Household mortgage means the purpose of financing is to purchase, build, or fix up the dwelling and provides dwelling owned by the borrower, spouse, or children to fully secure the loan.

Note 5: Micro credit is regulated by the Banking Bureau dated December 19, 2005 (Ref. No. 09440010950).

Note 6: Others in consumer loans refer to secured or unsecured loans excluding mortgage, cash card, micro credit, and credit cards.

Note 7: Account receivable - factoring with no recourse as required by the Banking Bureau letter dated July 19, 2005 (Ref. No. 094000494), provision for bad debt are recognized once no compensation are made from factoring or insurance company.