

## **Bank SinoPac**

**Financial Statements for the  
Nine Months Ended September 30, 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 September 30, 2008 and 2007, and the related statements of income, and cash flows for the nine 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.

October 22, 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**  
**SEPTEMBER 30, 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)	\$ 18,083,623	\$ 25,651,345	(30)	CALL LOANS AND DUE TO BANKS (Note 16)	\$ 51,131,661	\$ 55,031,186	(7)
DUE FROM THE CENTRAL BANK AND OTHER BANKS (Notes 5 and 26)	75,878,409	184,003,491	(59)	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2, 6 and 35)	10,707,426	6,466,382	66
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2, 6, 7, 26, 27 and 35)	36,921,665	35,438,697	4	SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE (Notes 2, 7 and 26)	3,332,114	12,027,881	(72)
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 2 and 7)	4,132,132	8,514,597	(51)	ACCOUNTS, INTEREST AND OTHER PAYABLES (Notes 2, 17 and 26)	26,547,451	25,530,711	4
ACCOUNTS, INTEREST AND OTHER RECEIVABLES, NET (Notes 2, 8, 25 and 26)	39,302,534	32,104,737	22	DEPOSITS AND REMITTANCES (Notes 18 and 26)	786,253,613	770,999,254	2
DISCOUNTS AND LOANS, NET (Notes 2, 9, 26 and 35)	633,011,428	599,253,812	6	BANK DEBENTURES (Notes 2, 19 and 35)	36,240,341	31,010,772	17
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 2, 7, 10, 27 and 35)	46,893,487	54,324,448	(14)	BONDS PAYABLE (Notes 2 and 19)	5,654,880	5,734,080	(1)
HELD-TO-MATURITY INVESTMENTS (Notes 2, 7, 11, 26, 27 and 35)	99,143,231	2,742,915	3,515	OTHER FINANCIAL LIABILITIES (Note 2)	806,516	1,098,728	(27)
EQUITY INVESTMENTS - EQUITY METHOD (Notes 2 and 12)	9,652,244	9,477,033	2	OTHER LIABILITIES (Notes 2, 20, 24 and 25)	<u>3,246,284</u>	<u>2,764,197</u>	17
OTHER FINANCIAL ASSETS, NET				Total liabilities	<u>923,920,286</u>	<u>910,663,191</u>	1
Unquoted equity instruments (Notes 2, 13 and 35)	715,707	722,997	(1)	STOCKHOLDERS' EQUITY (Notes 2 and 21)			
Non-active market debt instruments (Notes 2, 7, 13 and 35)	659,952	4,883,990	(86)	Capital stock, \$10 par value, authorized: 8,000,000 (shares in thousands), issued: 4,585,197 (shares in thousands)	<u>45,851,972</u>	<u>45,851,972</u>	-
Others (Notes 13, 27 and 35)	<u>1,557,402</u>	<u>2,259,362</u>	(31)	Capital surplus			
Other financial assets, net	<u>2,933,061</u>	<u>7,866,349</u>	(63)	Additional paid-in capital	118,226	118,226	-
PROPERTIES (Notes 2 and 14)				Capital surplus from business combination	8,076,524	8,076,524	-
Cost and revaluation increment				Others	<u>178</u>	<u>178</u>	-
Land	4,877,531	4,762,673	2	Total capital surplus	<u>8,194,928</u>	<u>8,194,928</u>	-
Buildings	4,523,023	4,248,878	6	Retained earnings			
Computer and machinery equipment	4,536,534	4,546,635	-	Legal reserve	6,435,487	6,927,060	(7)
Transportation equipment	<u>14,917</u>	<u>25,015</u>	(40)	Special reserve	282,977	282,977	-
Total cost	13,952,005	13,583,201	3	Unappropriated earnings (accumulated deficit)	<u>(1,987,443)</u>	<u>1,534,260</u>	(230)
Less: Accumulated depreciation	<u>5,077,732</u>	<u>4,871,978</u>	4	Total retained earnings	<u>4,731,021</u>	<u>8,744,297</u>	(46)
	8,874,273	8,711,223	2	Cumulative translation adjustments	<u>(36,178)</u>	<u>(7,593)</u>	376
Advances on acquisitions of equipment and construction in progress	<u>229,364</u>	<u>176,163</u>	30	Unrealized losses on financial instruments	<u>(1,044,547)</u>	<u>(176,998)</u>	490
Net properties	<u>9,103,637</u>	<u>8,887,386</u>	2	Net loss not recognized as pension cost	<u>(648,249)</u>	<u>(155,953)</u>	316
INTANGIBLE ASSETS (Notes 2 and 3)	<u>149,971</u>	<u>178,199</u>	(16)	Unrealized revaluation increment on land	<u>1,030,154</u>	<u>1,030,154</u>	-
OTHER ASSETS (Notes 2, 15 and 25)	<u>6,793,965</u>	<u>5,700,989</u>	19	Total stockholders' equity	<u>58,079,101</u>	<u>63,480,807</u>	(9)
TOTAL	<u>\$ 981,999,387</u>	<u>\$ 974,143,998</u>	1	TOTAL	<u>\$ 981,999,387</u>	<u>\$ 974,143,998</u>	1

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

# BANK SINOPAC

## STATEMENTS OF INCOME FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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)	\$36,331,398	\$30,097,582	21
INTEREST EXPENSE (Note 27)	<u>27,073,683</u>	<u>20,064,226</u>	35
NET INTEREST	<u>9,257,715</u>	<u>10,033,356</u>	(8)
NET REVENUES OTHER THAN INTEREST			
Commissions and fee revenues, net (Notes 2, 22 and 27)	2,296,218	3,208,088	(28)
Losses from financial assets and liabilities at fair value through profit or loss (Notes 2 and 6)	(3,642,846)	(1,405,336)	159
Realized gains from available-for-sale financial assets (Notes 2 and 21)	766	10,317	(93)
Income from equity investments - equity method, net (Notes 2 and 12)	393,684	891,742	(56)
Foreign exchange gain, net (Note 2)	1,063,080	1,421,062	(25)
Impairment losses on asset (Note 2)	(2,092,852)	(1,215,052)	72
Gains from unquoted equity instruments (Note 2)	36,811	35,096	5
Recovery of bad debts	414,376	209,150	98
Rental revenues	108,597	106,714	2
Other net revenues	<u>37,988</u>	<u>386,150</u>	(90)
Total net revenues	<u>7,873,537</u>	<u>13,681,287</u>	(42)
PROVISION FOR BAD DEBTS (Notes 2 and 9)	<u>2,951,000</u>	<u>4,598,000</u>	(36)
OPERATING EXPENSES (Notes 2 and 23)			
Personnel expenses	4,946,460	4,848,849	2
Depreciation and amortization	417,673	472,390	(12)
Others	<u>2,426,417</u>	<u>2,413,796</u>	1
Total operating expenses	<u>7,790,550</u>	<u>7,735,035</u>	1
(LOSS) INCOME BEFORE INCOME TAX	(2,868,013)	1,348,252	(313)
INCOME TAX BENEFIT (Notes 2 and 25)	<u>880,570</u>	<u>186,008</u>	373
NET (LOSS) INCOME	<u>\$ (1,987,443)</u>	<u>\$ 1,534,260</u>	(230)

(Continued)

# BANK SINOPAC

## STATEMENTS OF INCOME FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007 (In Thousands of New Taiwan Dollars, Except Earnings (Losses) Per Share) (Reviewed, Not Audited)

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	<u>2008</u>		<u>2007</u>	
	<b>Pretax</b>	<b>After Tax</b>	<b>Pretax</b>	<b>After Tax</b>
(LOSSES) EARNINGS PER SHARE (Note 21)				
Basic (losses) earnings per share	<u>\$ (0.63)</u>	<u>\$ (0.43)</u>	<u>\$ 0.29</u>	<u>\$ 0.33</u>
Diluted earnings per share	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0.28</u>	<u>\$ 0.31</u>

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

(Concluded)

# BANK SINOPAC

## STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net (loss) income	\$ (1,987,443)	\$ 1,534,260
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities		
Depreciation and amortization	437,752	490,837
Amortization on premium or discount of financial assets	(14,665)	(1,451)
Amortization on discount of bank debentures	254	-
Provision for credit and trading losses	2,954,564	4,599,193
Impairment losses on asset	2,092,852	1,215,052
Unrealized losses on financial assets and liabilities at fair value through profit or loss	3,352,865	1,651,958
Losses on disposal of available-for-sale financial assets	16,503	32,862
Foreign exchange gains on bonds payable	(55,088)	(2,816)
Accrued pension cost	40,247	(9,574)
Income from equity investments - equity method	(393,684)	(891,742)
Cash dividend received from equity investments - equity method	282,774	118,045
Gains on sale of properties and idle assets	(94)	(224)
(Gains) losses on disposal of collateral assumed, net	(9,901)	416
Loss on retirement of assets	4,969	10,075
Deferred income tax	71,970	75,293
Increase in held for trading financial assets	(11,634,749)	(8,932,299)
Increase in held for trading financial liabilities	549,916	2,607,591
Increase in accounts, interest and other payables	6,366,343	2,733,051
(Increase) decrease in accounts, interest and other receivables	<u>(3,002,869)</u>	<u>988,621</u>
Net cash (used in) provided by operating activities	<u>(927,484)</u>	<u>6,219,148</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease (increase) in due from the Central Bank and other banks	71,990,199	(84,829,582)
Increase in securities purchased under agreements to resell	(107,955)	(3,733,474)
Acquisition of financial assets designated at fair value through profit or loss	(152,025)	(2,176,878)
Proceeds from sale of financial assets designated at fair value through profit or loss	415,015	723,855
Acquisition of non-active market debt instruments	-	(3,476,473)
Proceeds from sale of non-active market debt instruments	1,010,710	908,577
Cash returned on capital reduction of unquoted equity instruments	6,000	-
Increase in unquoted equity instruments	-	(738)
Increase in discounts and loans	(33,589,941)	(14,360,624)
Acquisition of properties	(413,629)	(348,327)
Proceeds from sale of properties	2,015	5,459
Acquisition of available-for-sale financial assets	(261,764,017)	(45,541,221)

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# BANK SINOPAC

## STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2008	2007
Proceeds from sale of available-for-sale financial assets	\$ 324,912,273	\$ 161,318,662
Acquisition of held-to-maturity investments	(97,396,951)	(1,005,739)
Proceeds from held-to-maturity investments matured	649,717	521,337
Proceeds from sale of equity investments - equity method	-	188,321
Cash returned on liquidation of equity instrument - equity method	2,139	-
Proceeds from sale of collateral assumed	218,262	42,679
Decrease (increase) in other financial assets	402,456	(12,071)
Increase in other assets	<u>(1,284,657)</u>	<u>(1,247,487)</u>
Net cash provided by investing activities	<u>4,899,611</u>	<u>6,976,276</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in call loans and due to banks	6,228,083	(22,104,378)
Decrease in securities sold under agreements to repurchase	(3,105,558)	(2,625,980)
(Decrease) increase in deposits and remittances	(7,206,369)	14,534,915
Bank debentures issued	9,994,685	-
Repayment of bank debentures	(5,100,000)	-
Decrease in other financial liabilities	(64,388)	(69,190)
Cash dividend	-	(1,487,274)
Remuneration to directors and supervisors and bonus to employees	-	(22,269)
Decrease in other liabilities	<u>(197,263)</u>	<u>(150,046)</u>
Net cash provided by (used in) financing activities	<u>549,190</u>	<u>(11,924,222)</u>
EFFECTS OF CHANGES IN EXCHANGE RATE	<u>7,513</u>	<u>1,538</u>
INCREASE IN CASH AND CASH EQUIVALENTS	4,528,830	1,272,740
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>\$ 18,083,623</u>	<u>\$ 25,651,345</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Interest paid	<u>\$ 25,545,523</u>	<u>\$ 19,131,298</u>
Income tax paid	<u>\$ 588,559</u>	<u>\$ 461,513</u>

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

(Concluded)

# BANK SINOPAC

## NOTES TO FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007 (In Thousands of New Taiwan Dollars, Unless Otherwise Stated) (Reviewed, Not Audited)

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### 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 September 30, 2008 and 2007, the Bank had a total of 4,759 and 4,956 employees, respectively.

As of September 30, 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 30 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. Applying the fair value option eliminates accounting measurement mismatch for items that naturally offset each other or eliminates the burden of separating embedded derivatives that are not considered to be closely related to the host contract pertaining to a hybrid instrument. If the Bank does not adopt hedge accounting and the hedged items are not designated as financial assets or liabilities at fair value through profit or loss, accounting measurement mismatches on these items will occur as a result of differences in measurement attributes. Thus, the Bank designated debt instruments and bank debentures issued as financial assets and liabilities at financial assets or liabilities at fair value through profit or loss. Moreover, the Bank designated hybrid instruments as financial assets and liabilities at financial assets or liabilities at fair value through profit or loss because embedded derivatives are not separated from the host contract in a hybrid instrument. 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 attribute to the Bank’s shareholders. On disposal of an available-for-sale financial asset, the accumulated, unrealized gain or loss in equity attributable to the Bank’s shareholders is transferred to net profit and loss for the period. 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.

### **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 since January 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 current 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 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.

### **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.

Equity investments are accounted for by equity method of foreign financial statements, monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rates on balance sheet date. Foreign currency income and expenses are translated using the average exchange rate in the period. Translation difference net of income tax is recorded as “cumulative translation adjustments” under stockholders’ equity.

### **Hedge Accounting**

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 nine months ended September 30, 2007 have been reclassified to conform to the financial statement presentation for the nine months ended September 30, 2008.

### 3. ACCOUNTING CHANGES

In March 2007, the ARDF issued Interpretation No.(96)52 that requires companies to recognize bonuses paid to employees, directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. The adoption of this interpretation has no significant influence on the financial statement.

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>September 30</u>	
	<u>2008</u>	<u>2007</u>
Due from other banks	\$ 6,742,934	\$ 13,785,158
Notes and checks in clearing	5,836,249	6,188,785
Cash on hand	<u>5,504,440</u>	<u>5,677,402</u>
	<u>\$ 18,083,623</u>	<u>\$ 25,651,345</u>

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

	<u>September 30</u>	
	<u>2008</u>	<u>2007</u>
Call loans to banks	\$ 46,898,063	\$ 78,180,629
Due from Central Banks - certificate of deposit	-	76,910,000
Due from Central Banks - checking account	7,363,034	7,337,759
Deposit reserve - demand account	21,517,709	17,352,735
Deposit reserve - foreign currency	<u>99,603</u>	<u>4,222,368</u>
	<u>\$ 75,878,409</u>	<u>\$ 184,003,491</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 - demand account 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 (notional amounts) of the outstanding derivative transactions please refer to Table 6-2, and the related information regarding to gains or losses please refer to Table 6-7. 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.

Financial instruments at fair value through profit or loss for the nine months ended September 30, 2008 and 2007, were as follows:

	<u>September 30</u>	
	<u>2008</u>	<u>2007</u>
Held for trading financial assets and liabilities		
Realized gains (losses)	\$ (2,971,890)	\$ 631,918
Valuation losses	<u>(589,342)</u>	<u>(1,996,799)</u>
	<u>(3,561,232)</u>	<u>(1,364,881)</u>
Financial assets and liabilities designated at fair value through profit or loss		
Valuation losses	<u>(81,614)</u>	<u>(40,455)</u>
	<u>\$ (3,642,846)</u>	<u>\$ (1,405,336)</u>

The loss on held for trading financial assets and liabilities include loss on the fair value adjustments of structured investment vehicles \$2,628,187, collateralized debt obligation \$110,319 and mortgage backed securities \$827 for the nine months ended September 30, 2008, please refer to Table 6-8.

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

As of September 30, 2008 and 2007, securities were purchased under agreements to resell at \$4,141,877 and \$8,536,117 between October and December 2008 and between October 2007 and January 2008, respectively.

As of September 30, 2008 and 2007, securities were sold under agreements to repurchase at \$3,336,820 and \$12,051,370 between October and December 2008 and between October 2007 and January 2008, respectively.

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

	<u>September 30</u>	
<b>Financial Assets</b>	<u>2008</u>	<u>2007</u>
Held for trading	\$ 2,707,817	\$ 9,122,218
Available-for-sale	624,297	2,173,688
Held-to-maturity	-	240,603
Non-active market debt instruments	-	491,372

## 8. ACCOUNTS, INTEREST AND OTHER RECEIVABLES, NET

	<u>September 30</u>	
	<u>2008</u>	<u>2007</u>
Accounts receivable - factoring	\$ 25,164,510	\$ 19,292,595
Interest receivable and revenue receivable	5,602,908	4,506,899
Receivables from related parties (Note 26)	4,680,547	4,029,612
Acceptances	2,360,173	3,666,974
Accounts receivable and notes receivable	1,090,746	464,852
Others	<u>472,005</u>	<u>352,477</u>
	39,370,889	32,313,409
Less - allowance for credit losses	<u>68,355</u>	<u>208,672</u>
	<u>\$ 39,302,534</u>	<u>\$ 32,104,737</u>

## 9. DISCOUNTS AND LOANS, NET

	<u>September 30</u>	
	<u>2008</u>	<u>2007</u>
Import and export negotiations	\$ 1,811,524	\$ 2,233,451
Overdrafts	26,904	78,342
Secured overdrafts	890,159	952,661
Accounts receivable - financing	2,493,795	3,541,140
Short-term loans	128,048,524	104,600,833
Short-term secured loans	41,433,572	34,452,056
Medium-term loans	69,803,315	73,807,067
Medium - term secured loans	47,564,270	53,857,743
Long-term loans	13,661,380	14,139,813
Long-term secured loans	324,659,874	305,520,456
Nonperforming loans transferred from loans	<u>8,571,544</u>	<u>12,231,724</u>
	638,964,861	605,415,286
Less - allowance for credit losses	<u>5,953,433</u>	<u>6,161,474</u>
	<u>\$ 633,011,428</u>	<u>\$ 599,253,812</u>

As of September 30, 2008 and 2007, the balances of nonaccrual interest loans were \$9,942,203 and \$13,353,813, respectively. The unrecognized interest revenues on nonaccrual interest loans amounted to \$301,998 and \$434,691 for the nine months ended September 30, 2008 and 2007, respectively.

For the nine months ended September 30, 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 nine months ended September 30, 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 September 30, 2008 and 2007, the Bank held 120,031 thousand shares of SPH, with carrying amount of \$1,968,508 and market value of \$1,045,470 and \$1,836,474 based on the closing prices as of September 30, 2008 and 2007, respectively. A difference of \$923,038 and \$132,034 were recorded as unrealized loss of financial instruments under stockholders' equity.

## 11. HELD-TO-MATURITY INVESTMENTS

Related information regarding held-to-maturity financial assets please refer to Table 6-4.

For the nine months ended September 30, 2008, the Bank recognized impairment loss on structured investment vehicles amounted to \$237,603, please refer to Table 6-8.

## 12. EQUITY INVESTMENTS - EQUITY METHOD AND INCOME (LOSS) FROM EQUITY INVESTMENTS

	<u>Balance of</u> <u>Equity Investments</u> <u>September 30</u>		<u>Income (Loss) from</u> <u>Equity Investments</u> <u>For the Nine Months Ended</u> <u>September 30</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
SinoPac Bancorp	\$ 6,606,717	\$ 6,768,708	\$ (130,418)	\$ 419,967
SinoPac Leasing Corporation	1,426,409	1,283,539	94,609	121,037
SinoPac Capital Limited (H.K.)	1,205,515	1,146,397	80,575	133,106
SinoPac Life Insurance Agent Co., Ltd.	384,769	253,149	326,511	196,424
SinoPac Property Insurance Agent Co., Ltd.	28,834	22,962	22,494	16,754
SinoPac Financial Consulting Co., Ltd.	-	2,278	(87)	84
SinoPac Securities Investment Trust Co., Ltd.	-	-	-	4,370
	<u>\$ 9,652,244</u>	<u>\$ 9,477,033</u>	<u>\$ 393,684</u>	<u>\$ 891,742</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 and related income or loss 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 loss of SinoPac Bancorp amounting to \$124,096 for the nine months ended September 30, 2008 was translated into NTD at the average exchange rate for the respective periods. The difference between the translated net loss 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 the equity investment on SinoPac Bancorp. Nevertheless, the board of directors resolved to withdraw the disposal on October 21, 2008.

To restructuring the organization and investment in investees, the shareholders' meeting resolved to liquidate SinoPac Financial Consulting Co., Ltd. on March 28, 2008, and was approved by Taipei City Government on April 25, 2008.

### 13. OTHER FINANCIAL ASSETS, NET

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

For the nine months ended September 30, 2008, the Bank recognized impairment loss on non-active market debt instruments including structured investment vehicles \$1,845,015, please refer to Table 6-8.

Investments in equity instruments without quoted prices in an active market and whose fair values cannot be reliably measured are measured at their 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.

### 14. PROPERTIES

	<u>September 30</u>	
	<u>2008</u>	<u>2007</u>
Cost and revaluation increment	\$ 13,952,005	\$ 13,583,201
Accumulated depreciation		
Buildings	1,677,988	1,494,590
Computer and machinery equipment	3,386,268	3,357,115
Transportation equipment	<u>13,476</u>	<u>20,273</u>
	<u>5,077,732</u>	<u>4,871,978</u>
Advances on acquisitions of equipment and construction in progress	<u>229,364</u>	<u>176,163</u>
Net properties	<u>\$ 9,103,637</u>	<u>\$ 8,887,386</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 13, 2006.

### 15. OTHER ASSETS

	<u>September 30</u>	
	<u>2008</u>	<u>2007</u>
Deferred income tax assets	\$ 3,203,686	\$ 1,507,213
Rental properties, net	1,368,350	1,546,806
Collateral assumed, net of accumulated impairment \$35,875 and \$35,339, respectively	709,325	767,632
Land value increment tax	478,205	486,830
Idle assets, net	460,033	453,189

(Continued)

	<b>September 30</b>	
	<b>2008</b>	<b>2007</b>
Prepayment	\$ 398,891	\$ 373,914
Deferred pension cost	122,100	207,052
Temporary payment	36,234	332,458
Others	<u>17,141</u>	<u>25,895</u>
	<u>\$ 6,793,965</u>	<u>\$ 5,700,989</u>

(Concluded)

#### 16. CALL LOANS AND DUE TO BANKS

	<b>September 30</b>	
	<b>2008</b>	<b>2007</b>
Call loans	\$ 29,882,440	\$ 41,254,442
Redeposit from the directorate general of postal remittance	21,066,675	13,694,909
Due to the Central Bank	105,200	45,598
Due to banks	<u>77,346</u>	<u>36,237</u>
	<u>\$ 51,131,661</u>	<u>\$ 55,031,186</u>

#### 17. ACCOUNTS, INTEREST AND OTHER PAYABLES

	<b>September 30</b>	
	<b>2008</b>	<b>2007</b>
Accounts payable - factoring	\$ 8,664,057	\$ 7,282,915
Interest payable	6,372,440	4,465,733
Notes and checks in clearing	5,836,249	6,188,785
Acceptance payable	2,360,173	3,666,974
Receipts under custody payable	1,010,415	1,286,836
Accrued expenses	820,018	1,564,634
Tax payable	359,920	268,835
Accounts payable	316,422	248,307
Others	<u>807,757</u>	<u>557,692</u>
	<u>\$ 26,547,451</u>	<u>\$ 25,530,711</u>

#### 18. DEPOSITS AND REMITTANCES

	<b>September 30</b>	
	<b>2008</b>	<b>2007</b>
Checking	\$ 13,558,079	\$ 12,362,292
Demand	102,665,245	106,060,568
Savings - demand	160,196,585	169,155,746
Time	272,303,982	240,579,386

(Continued)

	<u>September 30</u>	
	<u>2008</u>	<u>2007</u>
Negotiable certificates of deposit	\$ 18,172,900	\$ 37,330,700
Savings - time	217,659,808	202,067,669
Inward remittances	811,706	3,412,721
Outward remittances	<u>885,308</u>	<u>30,172</u>
	<u>\$ 786,253,613</u>	<u>\$ 770,999,254</u>
		(Concluded)

## 19. 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, March 25, 2008, and September 9, 2008, as a total of \$10,000,000. The related information please refers to Table 6-6.

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 Taiwan Stock Exchange. 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 September 30, 2008 and 2007, the outstanding bonds' value were both US\$176,000.

## 20. OTHER LIABILITIES

	<u>September 30</u>	
	<u>2008</u>	<u>2007</u>
Accrued pension liabilities	\$ 1,180,731	\$ 724,843
Deferred income tax liabilities	1,050,269	1,064,758
Reserve of land value increment tax	458,362	458,362
Temporary receipt	264,809	268,685
Advanced receipt	220,013	158,382
Others	<u>72,100</u>	<u>89,167</u>
	<u>\$ 3,246,284</u>	<u>\$ 2,764,197</u>

## 21. STOCKHOLDERS' EQUITY

a. 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 equity investments under equity method may not be used for any purpose.

b. 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.

The Bank's Articles of Incorporation were revised at July 25, 2008 shareholders' meeting, provide that annual net income should be appropriated after deducting any accumulated losses and taxes, provide 30% of legal reserve and set aside any special reserve or retained earnings, and allocated 2% of the remaining earnings which allocated stockholders' dividends as employee bonus. The board of directors will then propose to the shareholders' meeting for appropriation of the remainder and retained earnings from previous year.

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 accrue the bonus to employees and the remuneration to directors and supervisors, because the Bank were net loss for the nine months ended September 30, 2008. 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 resolved in the board of directors which execute the rights and functions of the stockholders' meeting on June 27, 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:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (New Taiwan Dollars)</b>
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.

c. Unrealized gains or losses on financial instruments

The movements of unrealized gains or losses on financial instruments for the nine months ended September 30, 2008 and 2007, respectively, were summarized as follows:

	<b>For the Nine Months Ended September 30</b>	
	<b>2008</b>	<b>2007</b>
Balance, beginning of period	\$ (535,996)	\$ 166,778
Recognized in stockholders' equity	(525,054)	(376,638)
Transferred to profit or loss	<u>16,503</u>	<u>32,862</u>
Balance, end of period	<u>\$ (1,044,547)</u>	<u>\$ (176,998)</u>

d. (Losses) earnings per share

For the nine months ended September 30, 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 (losses) earnings per shares (EPS) were summarized as follows:

	<b>Numerator (Amounts)</b>		<b>Denominator (Shares in Thousands)</b>	<b>EPS (NT\$)</b>	
	<b>Pretax</b>	<b>After Tax</b>		<b>Pretax</b>	<b>After Tax</b>
For the nine months ended <u>September 30, 2008</u>					
Basic EPS					
Net loss to common stockholders	<u>\$ (2,868,013)</u>	<u>\$ (1,987,443)</u>	<u>4,585,197</u>	<u>\$ (0.63)</u>	<u>\$ (0.43)</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 nine months ended <u>September 30, 2007</u>					
Basic EPS					
Net income to common stockholders	\$ 1,348,252	\$ 1,534,260	4,585,197	\$ 0.29	\$ 0.33
Influence on diluted potential basic EPS					
Bond payable	<u>          -</u>	<u>          -</u>	<u>361,622</u>		
Diluted EPS	<u>\$ 1,348,252</u>	<u>\$ 1,534,260</u>	<u>4,946,819</u>	<u>\$ 0.28</u>	<u>\$ 0.31</u>

(Concluded)

## 22. COMMISSIONS AND FEE REVENUES, NET

	<u>For the Nine Months Ended September 30</u>	
	<u>2008</u>	<u>2007</u>
Commissions and fees revenues		
Mutual funds and structured notes	\$ 1,174,354	\$ 2,144,906
Loan	522,972	507,980
Foreign exchange	293,080	312,803
Trust and custody	217,426	234,902
Factoring and financing	213,102	206,963
Remittance expenses	64,416	62,524
Automatic equipment service fees	49,851	55,907
Guarantee and acceptance	47,495	39,797
Credit card	1,587	2,169
Others	<u>40,592</u>	<u>58,050</u>
	<u>2,624,875</u>	<u>3,626,001</u>
Commissions and fees expenses		
Automatic equipment service fees	79,766	73,484
Financial transaction	79,681	79,258
Mutual funds and structured notes	75,809	149,311
Loan	29,017	43,343
Trust and custody	23,485	28,154
Remittance expenses	3,470	3,537
Foreign exchange	3,146	3,519
Others	<u>34,283</u>	<u>37,307</u>
	<u>328,657</u>	<u>417,913</u>
	<u>\$ 2,296,218</u>	<u>\$ 3,208,088</u>

## 23. OPERATING EXPENSES

	<b>For the Nine Months Ended</b>	
	<b>September 30</b>	
	<b>2008</b>	<b>2007</b>
Personnel expenses		
Salaries and wages	\$ 3,768,403	\$ 4,012,505
Pension	610,648	346,964
Labor insurance and national health insurance	218,107	209,731
Others	<u>349,302</u>	<u>279,649</u>
	4,946,460	4,848,849
Depreciation	361,878	415,181
Amortization	55,795	57,209
Others	<u>2,426,417</u>	<u>2,413,796</u>
	<u>\$ 7,790,550</u>	<u>\$ 7,735,035</u>

## 24. PENSION

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 nine months ended September 30, 2008 and 2007, the pension expense amounted to \$107,985 and \$102,401, 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:

	<b>For the Nine Months Ended September 30</b>	
	<b>2008</b>	<b>2007</b>
Balance, January 1	\$ 1,893,619	\$ 1,581,140
Contributions	504,204	228,643
Benefits paid	(436,276)	(42,206)
Interest revenue	<u>36,175</u>	<u>39,274</u>
Balance, September 30	<u>\$ 1,997,722</u>	<u>\$ 1,806,851</u>

The aforementioned pension funds were contributed by the Bank.

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2008</b>	<b>2007</b>
Balance, January 1	\$ 1,140,484	\$ 734,417
Provision under defined contribution plans	502,663	244,563
Contributions	<u>(462,416)</u>	<u>(254,137)</u>
Balance, September 30	<u>\$ 1,180,731</u>	<u>\$ 724,843</u>

The Bank recognized pension costs (including overseas branches) amount to \$610,648 and \$346,964 for the nine months ended September 30, 2008 and 2007, respectively.

## 25. 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 benefit were as follows:

	<b>For the Nine Months Ended September 30</b>	
	<b>2008</b>	<b>2007</b>
Current deductible loss carry forward	\$ (1,531,407)	\$ (709,296)
Separate taxes	479,226	377,500
Investment credit	(4,988)	-
Deferred income taxes	71,970	75,293
Overseas income taxes payable	68,812	68,138
Prior year adjustments	<u>35,817</u>	<u>2,357</u>
Tax benefit	<u>\$ (880,570)</u>	<u>\$ (186,008)</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 deductible loss carry forward:

	<b>For the Nine Months Ended</b>	
	<b>September 30</b>	
	<b>2008</b>	<b>2007</b>
Tax on pretax (loss) income at 25% statutory rate	\$ (717,003)	\$ 337,063
Add (deduct) tax effects of:		
Tax-exempt income	32,345	(169,040)
Permanent difference	(762,486)	(812,519)
Temporary difference	<u>(84,263)</u>	<u>(64,800)</u>
Deductible loss carry forward	<u>\$ (1,531,407)</u>	<u>\$ (709,296)</u>

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

	<b>September 30</b>	
	<b>2008</b>	<b>2007</b>
Loss carry forward	\$ 2,718,830	\$ 1,050,539
Deferred pension cost	332,762	330,555
Unrealized loss on foreign exchange and revaluation of financial instrument, net	13,973	106,908
Staff training	17,784	10,560
Allowance for credit loss over limit	81,409	-
Others	<u>38,928</u>	<u>8,651</u>
Deferred income tax assets, net	<u>\$ 3,203,686</u>	<u>\$ 1,507,213</u>

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

	<b>September 30</b>	
	<b>2008</b>	<b>2007</b>
Investment income under the equity method	\$ (1,003,714)	\$ (1,018,203)
Others	<u>(46,555)</u>	<u>(46,555)</u>
Deferred income tax liabilities, net	<u>\$ (1,050,269)</u>	<u>\$ (1,064,758)</u>

The unused loss carry forward as of September 30, 2008, are as follows:

<b>Deficit Year</b>	<b>The Last Year of Deductible Loss</b>	<b>Amount</b>
2006	2011	\$ 573,699
2007	2012	977,539
2008	2013	<u>1,167,592</u>
		<u>\$ 2,718,830</u>

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

	<u>September 30</u>	
	<u>2008</u>	<u>2007</u>
Receivables from related parties	\$ 1,348,540	\$ 691,658

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

	<u>September 30</u>	
	<u>2008</u>	<u>2007</u>
Balances of imputed tax credit account	\$ 2,116,005	\$ 1,575,335

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 September 30, 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 returns 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.

## 26. RELATED-PARTY TRANSACTIONS

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

a. Related parties

<u>Name</u>	<u>Relationship with the Bank</u>
SinoPac Financial Holdings Company Limited(SPH)	Parent company of the Bank
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. (SinoPac Securities Investment Trust)	Investee company under the equity method (has been transferred to SPH at the book value during the nine months ended September 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 (Removed in June 2008)
Ruentex Development Co., Ltd. (Ruentex Development)	Affiliate of the director of SPH
Wal Tech International Corporation (Wal Tech International)	Affiliate of SPH
Grand Cathay New Century Fund	Managed by SinoPac Securities Investment Trust
SinoPac Small & Medium Capital Fund	Managed by SinoPac Securities Investment Trust
SinoPac Fund	Managed by SinoPac Securities Investment Trust
BoardTek Electronics Corp. (BoardTek Electronics)	Affiliate of the Bank's director
Yung An Leasing Corporation (Yung An Leasing)	Affiliate of the Bank's director
SinoPac Securities (Asia) Ltd.	Affiliate of SinoPac Securities
TaiGen Biotechnology Company Ltd. (TaiGen Biotechnology)	Affiliate of the Bank's director
SinoPac Futures Corporation (SinoPac Futures)	Subsidiary of SinoPac Securities
SinoPac Asia Ltd.	Affiliate of SinoPac Securities
Rung-Tzung Investment Corp. (Rung-Tzung Investment)	Affiliate of the second-degree of kinship of the director of SinoPac Securities
Liu, Shiou Fong	Manager of SPH
Chen, Yu Chien	The director of SPPIA
Chen Hsu, Yu Rong	The second-degree of kinship of the director of SPPIA
Chen, Yun Shion	The second-degree of kinship of the director of SPPIA
Chen, Chao Bang	The supervisor of SinoPac Venture Capital

(Continued)

<u>Name</u>	<u>Relationship with the Bank</u>
Kao, Shu Hui	The spouse of the supervisor of SinoPac Venture Capital
Lin, Hsiao Fen	The director of SinoPac Securities
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
Wu, Jih Ciang	Manager of the Bank
Yang, Su Mei	Manager of the Bank
Guan, Yao Jhan	Manager of the Bank
Chien, Wei Liang	Manager of the Bank
Guo, Ling Ling	Manager of the Bank
Lin, Ji Tien	Manager of the Bank
Lai, Li Ru	Manager of the Bank
Huang, Chiung Yao	Manager of the Bank
Li, Liang	Manager of the Bank
Chung, Jing Ping	Manager of the Bank
Huang, Jing Fang	Manager of the Bank
Chang, Dong Ying	Manager of the Bank
Huang, Lien Cheng	Manager of the Bank
Li, Chih Neng	Manager of the Bank
Zhung, Ji Cheng	Manager of the Bank
Luo, Guang Tsai	Manager of the Bank
Kao, Guo Hsing	Manager of the Bank
Huang, Yung Guang	Manager of the Bank
Hong, Wen Jing	Manager of the Bank
Lien, Hsi Chuan	Manager of the Bank
Others	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

	<u>Ending Balance</u>		<u>% of Total</u>	
	<u>September 30</u>		<u>September 30</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
1) Due from banks				
Due from banks - FENB	\$ 46,324	\$ 53,094	0.69%	0.39%

	<u>Ending Balance</u>		<u>% of Total</u>	
	<u>September 30</u>		<u>September 30</u>	
	2008	2007	2008	2007
2) Financial assets at fair value through profit or loss				
Beneficiary certificates - SinoPac Small & Medium Capital Fund	\$ 70,783	\$ 96,904	0.19%	0.27%
Beneficiary certificates - SinoPac Fund	21,954	29,933	0.16%	0.08%
Beneficiary certificates - Grand Cathay New Century Fund	-	75,341	-	0.21%

### 3) Derivative financial instruments

	<u>September 30, 2008</u>				
	<u>Contract (Notional) Amount</u>	<u>Contract Period</u>	<u>Fair Value</u>	<u>Balance Sheet</u>	
				<u>Account</u>	<u>Balance</u>
Currency swap contracts					
SinoPac Capital (H.K.)	\$ 960,554	2008.9.11-2008.10.14	\$ 83	Financial assets at fair value through profit or loss	\$ 83
Grand Capital	542,917	2008.8.18-2008.12.24	(30)	Financial liabilities at fair value through profit or loss	(30)
Interest rate swap contracts					
SinoPac Securities	13,920,000	2006.9.7-2013.9.17	(3,992)	Financial liabilities at fair value through profit or loss	(3,992)
SPL	100,000	2007.7.24-2009.7.27	334	Financial assets at fair value through profit or loss	334
Forward contracts					
Grand Capital	14,236	2008.3.14-2009.2.23	(131)	Financial liabilities at fair value through profit or loss	(131)
SPL	10,442	2008.7.2-2008.10.6	5	Financial assets at fair value through profit or loss	5
Non-delivery forward contract - short position FENB	64,260	2008.5.26-2009.5.29	(4,271)	Financial liabilities at fair value through profit or loss	(4,271)
	<u>September 30, 2007</u>				
	<u>Contract (Notional) Amount</u>	<u>Contract Period</u>	<u>Fair Value</u>	<u>Balance Sheet</u>	
				<u>Account</u>	<u>Balance</u>
Currency swap contracts					
Grand Capital	\$ 24,224	2007.2.14-2008.2.29	\$ 108	Financial assets at fair value through profit or loss	\$ 108
SinoPac Capital (H.K.)	996,362	2007.9.24-2007.10.2	(8)	Financial liabilities at fair value through profit or loss	(8)
Interest rate swap contracts					
SinoPac Securities	900,000	2006.9.7-2012.1.3	(12,471)	Financial liabilities at fair value through profit or loss	(12,471)
SPL	100,000	2007.7.24-2009.7.27	462	Financial assets at fair value through profit or loss	462

### 4) Accounts, interest, other receivables and payables

As of September 30, 2008 and 2007, the Bank's receivables from SinoPac Card Services amounted to \$34,376 and \$58,696, respectively.

As of September 30, 2008 and 2007, other receivables from related parties amounted to \$9,105 and \$15,280, respectively. As of September 30, 2008, other payables to related parties amounted to \$8,044.

As of September 30, 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 nine months ended September 30, 2008 and 2007 were \$60,305 and \$57,821, respectively; interest receivables as of September 30, 2008 and 2007 were \$13,410 and \$13,182.

As of September 30, 2008 and 2007, the Bank's estimated receivables resulting from the adoption of the linked-tax system amounted to \$1,348,540 and \$691,658, respectively.

## 5) Loans

		<b>September 30, 2008</b>					
		<b>September 30, 2008 Balance</b>	<b>Highest Balance</b>	<b>%</b>	<b>Interest/Fee Rates</b>	<b>Interest Revenue</b>	
Loans		<u>\$ 2,462,875</u>	<u>\$ 3,007,720</u>	<u>0.39</u>	2.5%-8.29%	<u>\$ 51,891</u>	
		<b>September 30, 2008</b>					
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	29	\$ 11,017	\$ 6,482	V	-	None	Yes
Households mortgages	219	1,395,768	1,072,653	V	-	Real estate	Yes
Others:	SPL	579,000	477,000	V	-	Real estate	Yes
	BoardTek Electronics	469,125	376,313	V	-	Real estate	Yes
	Rung-Tzung Investment	246,671	246,671	V	-	Real estate	Yes
	Yung An Leasing	198,800	198,800	V	-	Real estate	Yes
	SinoPac Asia Ltd.	72,292	72,292	V	-	Unsecured corporate bond	Yes
	Liu, Shiou Fong	1,785	550	V	-	Real estate	Yes
	Chen Hsu, Yu Rong	7,000	5,620	V	-	Real estate	Yes
	Zhong, Dau Cheng	27	-	V	-	Certificate of deposit	Yes
	Jhuo, Shu Lin	500	-	V	-	Certificate of deposit	Yes
	Chen, Jhih Wen	1,230	760	V	-	Certificate of deposit	Yes
	Ji, Ying Huei	170	87	V	-	Certificate of deposit	Yes
	Liao, Jhih Ming	2,794	-	V	-	Certificate of deposit	Yes
	Bai, Su Cing	40	-	V	-	Certificate of deposit	Yes
	Lin, Cheng Che	351	-	V	-	Certificate of deposit	Yes
	Chu, Wen Chi	5,354	4,013	V	-	Certificate of deposit	Yes
	Chen, Chao Bang	807	-	V	-	Certificate of deposit	Yes
	Wu, Jhih Ciang	2,805	1,634	V	-	Certificate of deposit	Yes
	Chien, Wei Liang	950	-	V	-	Certificate of deposit	Yes
	Guo, Ling Ling	310	-	V	-	Certificate of deposit	Yes
	Yu, Chun Nan	44	-	V	-	Certificate of deposit	Yes
	Kao, Shu Hui	949	-	V	-	Certificate of deposit	Yes
	Lin, Ji Tien	6,884	-	V	-	Certificate of deposit	Yes
	Lin, Hsiao Fen	14	-	V	-	Certificate of deposit	Yes
	Huang, Chiung Yao	407	-	V	-	Certificate of deposit	Yes
	Guo, Kai Wei	2,626	-	V	-	Certificate of deposit	Yes
	Sub-total	<u>1,600,935</u>	<u>1,383,740</u>				
		<u>\$ 3,007,720</u>	<u>\$ 2,462,875</u>				

**September 30, 2007**

	<b>September 30, 2007 Balance</b>	<b>Highest Balance</b>	<b>%</b>	<b>Interest/Fee Rates</b>	<b>Interest Revenue</b>
Loans	<u>\$ 2,243,564</u>	<u>\$ 2,796,879</u>	<u>0.37</u>	2%-8.45%	<u>\$ 64,085</u>

**September 30, 2007**

<b>Category</b>	<b>Account Volume or Name of Related Party</b>	<b>Highest Balance</b>	<b>Ending Balance</b>	<b>Normal</b>	<b>Overdue</b>	<b>Type of Collaterals</b>	<b>Is the Transaction at Arm's Length Commercial Term</b>		
Employees consuming loan	34	\$ 10,972	\$ 7,723	V	-	None	Yes		
Households mortgages	190	958,456	864,412	V	-	Real estate	Yes		
Others:	SPL	877,000	659,000	V	-	Real estate	Yes		
	SinoPac Securities	70,000	-	V	-	Certificate of deposit and real estate	Yes		
	BoardTek Electronics	351,000	280,063	V	-	Real estate	Yes		
	Rung-Tzung Investment	246,671	246,671	V	-	Real estate	Yes		
	Yung An Leasing	197,600	175,200	V	-	Real estate	Yes		
	Fortune Investment	72,000	-	V	-	Real estate	Yes		
	Liu, Shiou Fong	1,858	1,804	V	-	Real estate	Yes		
	Chen Hsu, Yu Rong	6,476	6,142	V	-	Real estate	Yes		
	Ji, Ying Huei	1,015	342	V	-	Certificate of deposit	Yes		
	Liao, Jhieh Ming	1,291	40	V	-	Certificate of deposit	Yes		
	Yang, Su Mei	13	13	V	-	Certificate of deposit	Yes		
	Chen, Jhieh Wen	950	940	V	-	Certificate of deposit	Yes		
	Guo, Kai Wei	804	795	V	-	Certificate of deposit	Yes		
	Bai, Su Cing	350	-	V	-	Certificate of deposit	Yes		
	Chen, Yun Shion	272	268	V	-	Certificate of deposit	Yes		
	Guan, Yao Jhan	143	143	V	-	Certificate of deposit	Yes		
	Zhong Dau Cheng	8	8	V	-	Certificate of deposit	Yes		
	Sub-total	<u>1,827,451</u>	<u>1,371,429</u>						
		<u>\$ 2,796,879</u>	<u>\$ 2,243,564</u>						

6) Guarantees

September 30, 2008

<b>Related Party</b>	<b>The Highest Balance in Current Period</b>	<b>Ending Balance</b>	<b>Provision</b>	<b>Rates</b>	<b>Type of Collaterals</b>	<b>Note</b>	
SinoPac Securities	\$ 38,000	\$ 38,000	\$ -	0.30%	Real estate and certificate of deposit		
TaiGen Biotechnology	18,340	-	-	0.45%	Certificate of deposit		
Li, Liang	140	140	-	1.5%-2.5%	None		Note
Chung, Jing Ping	50	50	-	1.5%-2.5%	None		Note
Guo, Ling Ling	40	40	-	1.5%-2.5%	None		Note
Huang, Jing Fang	40	40	-	1.5%-2.5%	None		Note
Chang, Dong Ying	50	50	-	1.5%-2.5%	None		Note
Huang, Lien Cheng	500	500	-	1.5%-2.5%	None		Note

(Continued)

<b>Related Party</b>	<b>The Highest Balance in Current Period</b>	<b>Ending Balance</b>	<b>Provision</b>	<b>Rates</b>	<b>Type of Collaterals</b>	<b>Note</b>
Li, Chih Neng	\$ 155	\$ 155	\$ -	1.5%-2.5%	None	Note
Zhong, Dau Cheng	225	225	-	1.5%-2.5%	None	Note
Zhung, Ji Cheng	220	220	-	1.5%-2.5%	None	Note
Luo, Guang Tsai	225	225	-	1.5%-2.5%	None	Note
Kao, Guo Hsing	175	175	-	1.5%-2.5%	None	Note
Huang, Chiung Yao	110	110	-	1.5%-2.5%	None	Note
Huang, Yung Guang	110	110	-	1.5%-2.5%	None	Note
Hong, Wen Jing	505	505	-	1.5%-2.5%	None	Note
Lien, His Chuan	755	755	-	1.5%-2.5%	None	Note
Chen, Yu Chien	225	225	-	1.5%-2.5%	None	Note

(Concluded)

Note: The listed sixteen guarantees are employees consuming loans.

September 30, 2007

<b>Related Party</b>	<b>The Highest Balance in Current Period</b>	<b>Ending Balance</b>	<b>Provision</b>	<b>Rates</b>	<b>Type of Collaterals</b>
SinoPac Securities	\$ 38,000	\$ 38,000	\$ -	0.30%	Real estate and certificate of deposit
TaiGen Biotechnology	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>September 30</u>	
	<u>2008</u>	<u>2007</u>
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>September 30</u>		<u>September 30</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Others	\$ 296,000	\$ 587,405	\$ 326,156	\$ 655,838

9) Deposits

	<b>Ending Balance</b>	<b>% of Total</b>	<b>Interest Rate</b>	<b>Interest Expense</b>	<b>% of Total</b>
<u>For the nine months ended September 30, 2008</u>					
SinoPac Futures	\$ 1,773,691	0.23%	0.1-2.665	\$ 16,243	0.06%
SinoPac Securities	1,630,547	0.21%	0-2.54	19,024	0.07%
SinoPac Securities (Asia) Ltd.	1,374,368	0.17%	0.0005-6.5	16,654	0.06%
SinoPac Venture Capital	1,253,929	0.16%	0.1-2.05	7,121	0.03%
SPLIA	494,095	0.06%	0.1-1.9	5,979	0.02%
Others	5,740,814	0.73%	0-13	97,661	0.36%
<u>For the nine months ended September 30, 2007</u>					
SinoPac Securities	2,005,089	0.26%	0.10-2.23	17,211	0.09%
SinoPac Securities (Asia) Ltd.	1,969,137	0.26%	0.0005-6.02	42,296	0.21%
SinoPac Futures	815,685	0.11%	0.10-2.475	11,953	0.06%
TaiGen Biotechnology	340,359	0.04%	0.10-2.025	5,526	0.03%
SinoPac Venture Capital	339,877	0.04%	0.04-2.09	4,052	0.02%
Others	4,642,536	0.60%	0.0005-13	69,722	0.35%

10) Bank debentures

	<b>Ending Balance</b>	<b>% of Total</b>	<b>Interest Expense</b>	<b>% of Total</b>
<u>For the nine months ended September 30, 2008</u>				
SinoPac Futures	\$ -	-	\$ 309	-
<u>For the nine months ended September 30, 2007</u>				
SinoPac Futures	50,035	0.16%	1,030	0.01%

11) Revenues and expenses

	<b>Amount</b>		<b>% of Total</b>	
	<b>For the Nine Months Ended September 30 2008</b>	<b>2007</b>	<b>For the Nine Months Ended September 30 2008</b>	<b>2007</b>
Service fees	\$ 36,458	\$ 62,995	1.39%	1.74%
Service expenses	4,128	2,429	1.26%	0.58%
Project popularizing expense	1,524	1,427	0.06%	0.06%
Other revenues	7,117	7,480	0.96%	0.96%

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 Nine Months Ended September 30</u>			
	2008	2007		
SPL	\$ 79,583	\$ 73,278	February 2020	Rentals paid monthly
Ruentex Development	2,700	3,000	September 2010	Rentals paid monthly

b) The Bank as a lessor

Lessee	<u>Rental Income</u>		Lease Term	Payment Frequency
	<u>For the Nine Months Ended September 30</u>			
	2008	2007		
SinoPac Card Services	\$ 19,396	\$ 18,254	September 2011	Rentals received monthly
SinoPac Securities	11,000	9,613	November 2011	Rentals received monthly
SPL	4,464	4,464	July 2011	Rentals received monthly
SinoPac Call Center	3,688	2,160	October 2008	Rentals received monthly
SPLIA	1,688	1,500	January 2012	Rentals received monthly
SPPIA	297	264	January 2012	Rentals received monthly
SinoPac Asset Management	-	242	April 2007	Rentals received monthly
Wal Tech International	45	45	June 2011	Rentals received monthly
SinoPac Venture Capital	7	7	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 nine months ended September 30, 2008 and 2007 amounted to \$66,795 and \$63,650, respectively.

Transactions between the Bank and the related parties are at arm's 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.

## 27. RESTRICTED ASSETS

As of September 30, 2008 and 2007, pledged or restricted assets of the Bank are summarized as follows:

Restricted Assets	Object	Fair Value		Purposes
		September 30 2008	2007	
Due from the Central Bank and other banks	Certificate of deposit with maturities under one year	\$ -	\$ 10,000,000	Intraday overdraft facilities
Financial assets at fair value through profit or loss	Government bonds	1,000	995	GTSM as bond payment settlement reserves for electronic bond trading system
Available-for-sale financial assets	Certificate of deposit assets	5,000,757	4,997,008	Intraday overdraft facilities
Available-for-sale financial assets	Government bonds	541,234	588,715	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	206,000	206,828	Hong Kong branch's clearing system of real-time gross settlement
Held-to-maturity investments	Certificate of deposit	2,000,000	-	Intraday overdraft facilities
Other financial assets	Guarantee deposits, negotiable certificate of deposits and cash	794,672	1,569,598	Futures guarantee deposits or restricted

## 28. SIGNIFICANT CONTINGENCIES AND COMMITMENTS

In addition to those disclosed in Note 30, 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
October 1 to December 31, 2008	\$ 92,374
2009	330,447
2010	279,251
2011	212,990
2012	167,175

Rentals for the years beyond 2013 amount to \$351,896, the present value of which is about \$281,945 as discounted at the Bank's one-year time deposit rate of 2.72% on September 30, 2008.

### b. Equipment purchase contract

The Bank had entered into contracts to buy computer equipment and office equipment for \$234,909, of which \$111,449 had already been paid as of September 30, 2008.

### c. Interior decoration contract

The Bank had entered into interior decoration contracts for \$229,438, of which \$117,915 had already been paid as of September 30, 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 \$41.7 hundred millions to pay compensation. The Shihlin District Court rejected the SFIPC's lawsuit against the Bank on September 30, 2008. SFIPC has filed an appeal.
- 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, FSC 0950088724, 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.

## 29. 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.

	<b>For the Nine Months Ended September 30</b>			
	<b>2008</b>		<b>2007</b>	
	<b>Average Balance</b>	<b>Average Rate (%)</b>	<b>Average Balance</b>	<b>Average Rate (%)</b>
<u>Interest-earning assets</u>				
Due from the Central Bank and other banks	\$ 43,446,681	2.12	\$ 42,816,527	2.45
Call loans to banks	57,823,310	3.24	64,397,586	4.61
Financial assets at fair value through profit or loss	17,969,907	2.66	79,111,022	2.48
Available-for-sale financial assets	99,381,333	2.28	88,970,093	2.06
Discounts and loans	618,367,334	3.49	590,850,220	3.61
Accounts receivable - factoring	12,953,152	3.85	11,169,530	5.47
Held-to-maturity investments	50,388,317	2.28	2,591,669	6.19
Securities purchased under agreements to resell	5,177,373	1.82	6,905,035	1.66
Other financial assets	1,915,454	1.49	5,183,959	6.67

(Continued)

	<b>For the Nine Months Ended September 30</b>			
	<b>2008</b>		<b>2007</b>	
	<b>Average Balance</b>	<b>Average Rate (%)</b>	<b>Average Balance</b>	<b>Average Rate (%)</b>
<u>Interest-bearing liabilities</u>				
Due to the Central Bank and other banks	\$ 20,623,643	2.64	\$ 11,036,896	2.34
Call loans	26,852,281	3.10	48,025,949	3.90
Demand	103,956,394	0.60	106,462,567	1.44
Savings - demand	161,506,993	0.60	168,200,454	0.58
Time	279,819,073	2.60	239,684,484	2.99
Savings - time	221,671,888	2.55	203,153,094	2.20
Negotiable certificates of deposit	18,000,701	2.15	33,128,663	1.81
Securities sold under agreements to repurchase	6,505,952	1.86	12,301,258	2.22
Bank debentures	33,258,615	2.15	30,812,267	1.10
Other liabilities - appropriated loan fund	477,015	1.02	499,343	0.94
Bonds payable	5,456,286	-	5,796,349	-

(Concluded)

### 30. FINANCIAL INSTRUMENTS

#### a. Fair value of financial instruments

	<b>September 30</b>			
	<b>2008</b>		<b>2007</b>	
	<b>Carrying Amount</b>	<b>Estimated Fair Value</b>	<b>Carrying Amount</b>	<b>Estimated Fair Value</b>
<u>Financial assets</u>				
Other short-term financial assets	\$ 135,768,288	\$ 135,768,288	\$ 249,565,851	\$ 249,565,851
Financial assets at fair value through profit or loss	36,921,665	36,921,665	35,438,697	35,438,697
Discounts and loans	633,011,428	633,011,428	599,253,812	599,253,812
Available-for-sale financial assets	46,893,487	46,893,487	54,324,448	54,324,448
Held-to-maturity investments	99,143,231	98,109,603	2,742,915	2,742,067
Equity investment-equity method	9,652,244	9,652,244	9,477,033	9,477,033
Unquoted equity instruments	715,707	-	722,997	-
Non-active market debt instruments	659,952	622,091	4,883,990	4,883,990
Other financial assets	1,557,402	1,557,402	2,259,362	2,259,362
<u>Financial liabilities</u>				
Other short-term financial liabilities	80,651,305	80,651,305	92,320,943	92,320,943
Financial liabilities at fair value through profit or loss	10,707,426	10,707,426	6,466,382	6,466,382
Deposits and remittances	786,253,613	786,253,613	770,999,254	770,999,254
Bank debentures	36,240,341	36,240,341	31,010,772	31,010,772
Bonds payable	5,654,880	5,196,835	5,734,080	6,023,651
Other financial liabilities	806,516	806,516	1,098,728	1,098,728

#### 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, bond debentures, bonds payable 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 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 \$21,350,455 and \$21,342,338, for the nine months ended September 30, 2008 and 2007, respectively. Interest expense of financial assets and liabilities other than those at fair value through profit or loss amounted to \$12,284,158 and \$12,839,158, for the nine months ended September 30, 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>September 30</u>		<u>September 30</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	\$ 29,606,279	\$ 26,549,938	\$ 7,315,386	\$ 8,888,759
Available-for-sale financial assets	45,799,962	54,324,448	1,093,525	-
Held-to-maturity investments	98,029,603	2,060,965	80,000	681,102
Other financial assets - non-active market debt instruments	-	-	622,091	4,883,990
<u>Financial liabilities</u>				
Financial liabilities at fair value through profit or loss	9,860,216	5,361,043	847,210	1,105,339

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 (ex: Black & Scholes Model) provided by transaction systems (ex: Fenics, Kondor Plus, Bloomberg and etc.) 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 September 30, 2008 and 2007, ratios of secured loans to total loans were 65.18% and 65.8%, respectively. Ratio of secured financial guarantees and standby letters of credits were from 24.79% to 28.62%. 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	<u>September 30</u>	
	<u>2008</u>	<u>2007</u>
	Maximum Credit Exposure	Maximum Credit Exposure
Off-balance-sheet credit risk		
Financial guarantees and standby letter of credit	\$ 23,791,017	\$ 25,325,340
Undrawn loan commitments	22,342,643	24,136,540

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	<u>September 30</u>	
	<u>2008</u>	<u>2007</u>
	Maximum Credit Exposure	Maximum Credit Exposure
Consumer	\$ 356,641,173	\$ 353,226,919
Private sector	247,300,999	230,073,836
Government	<u>35,352,558</u>	<u>22,337,670</u>
	<u>\$ 639,294,730</u>	<u>\$ 605,638,425</u>

Credit Risk Profile by Industry Sector	<u>September 30</u>	
	<u>2008</u>	<u>2007</u>
	Maximum Credit Exposure	Maximum Credit Exposure
Electricity industry	\$ 50,133,577	\$ 42,722,616
Wholesale trade	30,872,850	33,316,293
Insurance and real estate activities	<u>22,887,723</u>	<u>15,258,440</u>
	<u>\$ 103,894,150</u>	<u>\$ 91,297,349</u>

Credit Risk Profile by Region	<u>September 30</u>	
	<u>2008</u>	<u>2007</u>
	Maximum Credit Exposure	Maximum Credit Exposure
Domestic area	\$ 580,549,280	\$ 564,206,374
Asia	27,132,018	17,199,306
North America	<u>17,584,653</u>	<u>10,277,528</u>
	<u>\$ 625,265,951</u>	<u>\$ 591,683,208</u>

### 3) Liquidity risk

As of September 30, 2008 and 2007, the liquidity reserve ratio was 23.01% and 25.18%, 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:

	September 30, 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
<b>Assets</b>							
Cash and cash equivalents	\$ 18,083,623	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,083,623
Due from the Central Bank and other banks	69,902,229	4,369,680	1,606,500	-	-	-	75,878,409
Financial assets at fair value through profit or loss	31,219,993	204,111	5,122,457	256,188	118,916	-	36,921,665
Securities purchased under agreements to resell	3,659,510	472,622	-	-	-	-	4,132,132
Receivables	18,075,073	12,262,753	2,514,019	1,702,960	4,816,084	-	39,370,889
Discounts and loans	75,083,945	56,997,118	32,226,731	33,325,408	110,223,107	331,108,552	638,964,861
Available-for-sale financial assets	13,111,558	24,383,072	371,771	2,820,772	4,277,013	1,929,301	46,893,487
Held-to-maturity investments	59,150,554	20,359,621	17,500,000	510,685	1,259,909	362,462	99,143,231
Non-active market debt instruments	25,463	-	-	122,676	490,707	21,106	659,952
Hedged derivative financial assets	-	44,913	5,240	119,005	394,403	-	563,561
	<u>288,311,948</u>	<u>119,093,890</u>	<u>59,346,718</u>	<u>38,857,694</u>	<u>121,580,139</u>	<u>333,421,421</u>	<u>960,611,810</u>
<b>Liabilities</b>							
Call loans and due to banks	25,263,957	13,758,655	5,405,008	6,704,041	-	-	51,131,661
Financial liabilities at fair value through profit or loss	5,369,822	139,749	503,470	4,693,459	926	-	10,707,426
Securities sold under agreements to repurchase	2,752,622	579,492	-	-	-	-	3,332,114
Payables	15,145,342	5,774,393	3,346,599	1,663,205	617,912	-	26,547,451
Deposits and remittances	180,181,875	133,821,503	208,520,173	184,472,378	79,257,684	-	786,253,613
Bank debentures	545,402	7,400,000	700,000	5,700,000	21,894,939	-	36,240,341
Bonds payable	-	-	-	-	5,654,880	-	5,654,880
Hedged derivative financial liabilities	-	-	2,224	-	15,935	-	18,159
	<u>229,259,020</u>	<u>161,473,792</u>	<u>218,477,474</u>	<u>203,233,083</u>	<u>107,442,276</u>	<u>-</u>	<u>919,885,645</u>
Net liquidity gap	<u>\$ 59,052,928</u>	<u>\$ (42,379,902)</u>	<u>\$ (159,130,756)</u>	<u>\$ (164,375,389)</u>	<u>\$ 14,137,863</u>	<u>\$ 333,421,421</u>	<u>\$ 40,726,165</u>

	September 30, 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
<b>Assets</b>							
Cash and cash equivalents	\$ 25,651,345	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,651,345
Due from the Central Bank and other banks	168,463,780	7,982,686	7,557,025	-	-	-	184,003,491
Financial assets at fair value through profit or loss	32,313,458	480,515	1,596,128	816,195	217,500	14,901	35,438,697
Securities purchased under agreements to resell	7,063,687	1,150,910	300,000	-	-	-	8,514,597
Receivables	14,392,532	12,934,239	3,855,425	774,942	356,271	-	32,313,409
Discounts and loans	61,972,947	52,950,232	32,845,295	30,527,773	112,659,609	314,459,430	605,415,286

(Continued)

September 30, 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
Available-for-sale financial assets	\$ 14,102,711	\$ 29,000,000	\$ 4,884,202	\$ 1,829,516	\$ 4,407,278	\$ 100,741	\$ 54,324,448
Held-to-maturity investments	244,161	325,852	-	-	1,552,346	620,556	2,742,915
Non-active market debt instruments	-	65,097	36,148	-	2,276,695	2,506,050	4,883,990
Hedged derivative financial assets	-	-	-	-	443,859	-	443,859
	<u>324,204,621</u>	<u>104,889,531</u>	<u>51,074,223</u>	<u>33,948,426</u>	<u>121,913,558</u>	<u>317,701,678</u>	<u>953,732,037</u>
<b>Liabilities</b>							
Call loans and due to banks	29,471,405	13,837,953	4,924,344	6,797,484	-	-	55,031,186
Financial liabilities at fair value through profit or loss	4,648,065	159,481	449,960	1,208,876	-	-	6,466,382
Securities sold under repurchase agreements to	10,099,110	1,820,274	108,497	-	-	-	12,027,881
Payables	13,550,540	6,592,110	2,068,363	1,613,088	1,706,610	-	25,530,711
Deposits and remittances	181,853,998	134,837,520	176,781,164	189,338,321	88,188,251	-	770,999,254
Bank debentures	-	-	-	-	31,010,772	-	31,010,772
Bonds payable	-	-	-	-	5,734,080	-	5,734,080
Hedge derivative financial liabilities	-	-	-	-	233,087	-	233,087
	<u>239,623,118</u>	<u>157,247,338</u>	<u>184,332,328</u>	<u>198,957,769</u>	<u>126,872,800</u>	<u>-</u>	<u>907,033,353</u>
Net liquidity gap	<u>\$ 84,581,503</u>	<u>\$ (52,357,807)</u>	<u>\$ (133,258,105)</u>	<u>\$ (165,009,343)</u>	<u>\$ (4,959,242)</u>	<u>\$ 317,701,678</u>	<u>\$ 46,698,684</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.

		September 30			
		2008		2007	
Hedged Items	Hedging Instruments	Notion Amount	Fair Value	Notion Amount	Fair Value
Bank debentures	Interest rate swap	\$ 11,100,000	\$ 209,643	\$ 11,200,000	\$ (101,400)
	Cross currency swap	12,700,000	335,759	14,300,000	312,172

### 31. 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.

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

a. Statement of capital adequacy

**Capital Adequacy**

			<b>June 30, 2008</b>	
			<b>Standalone</b>	<b>Consolidation</b>
Eligible capital	Tier 1 capital		\$ 53,070,162	\$ 56,631,602
	Tier 2 capital		6,764,403	11,839,909
	Tier 3 capital		-	-
	Eligible capital		59,834,565	68,471,511
Risk-weighted assets	Credit risk	Standardized approach	528,175,092	580,468,604
		Internal rating - based approach	N/A	N/A
		Securitization	1,696,268	3,058,197
	Operational risk	Basic indicator approach	34,925,638	40,223,938
		Standardized approach/Alternative standardized approach	N/A	N/A
		Advanced measurement approach	N/A	N/A
	Market risk	Standardized approach	18,730,844	19,275,952
		Internal models approach	N/A	N/A
	Total risk-weighted assets		583,527,842	643,026,691
	Capital adequacy rate			10.25%
Tier 1 risk - based capital ratio			9.09%	8.81%
Tier 2 risk - based capital ratio			1.16%	1.84%
Tier 3 risk - based capital ratio			-	-
Ratios of common stockholders' equity to total assets			4.63%	4.34%

			<b>June 30, 2007</b>	
			<b>Standalone</b>	<b>Consolidation</b>
Eligible capital	Tier 1 capital		\$ 58,339,206	\$ 61,344,922
	Tier 2 capital		2,770,964	7,446,880
	Tier 3 capital		-	-
	Eligible capital		61,110,170	68,791,802
Risk-weighted assets	Credit risk	Standardized approach	505,760,674	560,089,404
		Internal rating - based approach	N/A	N/A
		Securitization	3,612,354	3,612,354
	Operational risk	Basic indicator approach	38,097,163	43,264,359
		Standardized approach/Alternative standardized approach	N/A	N/A
		Advanced measurement approach	N/A	N/A
	Market risk	Standardized approach	38,500,575	42,528,925
		Internal models approach	N/A	N/A
	Total risk-weighted assets		585,970,766	649,495,042
	Capital adequacy rate			10.43%
Tier 1 risk - based capital ratio			9.96%	9.44%
Tier 2 risk - based capital ratio			0.47%	1.15%
Tier 3 risk - based capital ratio			-	-
Ratios of common stockholders' equity to total assets			4.72%	4.40%

## Capital Adequacy

		December 31, 2007		
		Standalone	Consolidation	
Eligible capital	Tier 1 capital	\$ 54,687,753	\$ 58,017,419	
	Tier 2 capital	2,666,728	7,718,735	
	Tier 3 capital	-	-	
	Eligible capital	57,354,481	65,736,154	
Risk-weighted assets	Credit risk	Standardized approach	518,024,974	569,717,164
		Internal rating - based approach	N/A	N/A
		Securitization	812,215	2,006,805
	Operational risk	Basic indicator approach	38,097,163	43,264,363
		Standardized approach/Alternative standardized approach	N/A	N/A
		Advanced measurement approach	N/A	N/A
	Market risk	Standardized approach	33,003,009	34,877,838
		Internal models approach	N/A	N/A
	Total risk-weighted assets		589,937,361	649,866,170
	Capital adequacy rate		9.72%	10.12%
Tier 1 risk - based capital ratio		9.27%	8.93%	
Tier 2 risk - based capital ratio		0.45%	1.19%	
Tier 3 risk - based capital ratio		-	-	
Ratios of common stockholders' equity to total assets		4.69%	4.38%	

Note 1: These tables were filled according to "Regulations Governing the Capital Adequacy Ratio of Banks" and related calculation tables.

Note 2: The bank shall disclose the capital adequacy ratio for the current and previous period in annual financial reports. For semiannual financial report, the Bank shall disclose the capital adequacy ratio for the current period, previous period, and previous year end.

Note 3: The formula:

- 1) Eligible capital = Tier 1 capital + Tier 2 capital + Tier 3 capital.
- 2) Total risk - weighted assets = Risk-weighted assets for credit risk + (Capital requirements for operational risk + Capital requirement for market risk) x 12.5.
- 3) Ratio of capital adequacy = Eligible capital/Total risk - weighted assets.
- 4) Tier 1 risk - based capital ratio = Tier 1 capital/Total risk - weighted assets.
- 5) Tier 2 risk - based capital ratio = Tier 2 capital/Total risk - weighted assets.
- 6) Tier 3 risk - based capital ratio = Tier 3 capital/Total risk - weighted assets.
- 7) Ratios of common stockholders' equity to total assets = Common stock/Total assets.

b. Asset quality

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

c. Maturity analysis of assets and liabilities

**Maturity Analysis of Assets and Liabilities (In New Taiwan Dollars)**  
September 30, 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	\$ 922,480,337	\$ 223,084,691	\$ 119,054,262	\$ 61,977,621	\$ 71,713,738	\$ 446,650,025
Main capital outflow on maturity	931,817,320	176,172,883	152,234,297	136,889,791	162,352,697	304,167,652
Gap	(9,336,983)	46,911,808	(33,180,035)	(74,912,170)	(90,638,959)	142,482,373

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

**Maturity Analysis of Assets and Liabilities (In U.S. Dollars)**  
September 30, 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	\$ 8,699,470	\$ 3,424,269	\$ 2,303,773	\$ 1,253,489	\$ 1,095,311	\$ 622,628
Main capital outflow on maturity	8,738,796	3,792,469	1,884,803	885,072	1,300,732	875,720
Gap	(39,326)	(368,200)	418,970	368,417	(205,421)	(253,092)

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)**  
September 30, 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	\$ 842,714,545	\$ 194,535,009	\$ 88,733,050	\$ 41,320,009	\$ 82,061,643	\$ 436,064,834
Main capital outflow on maturity	850,656,584	162,851,821	117,747,374	82,496,039	148,759,115	338,802,235
Gap	(7,942,039)	31,683,188	(29,014,324)	(41,176,030)	(66,697,472)	97,262,599

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

**Maturity Analysis of Assets and Liabilities (In U.S. Dollars)**  
September 30, 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	\$ 7,330,111	\$ 2,596,539	\$ 1,902,718	\$ 1,013,550	\$ 1,326,258	\$ 491,046
Main capital outflow on maturity	6,267,807	2,772,178	1,314,464	867,091	193,921	1,120,153
Gap	1,062,304	(175,639)	588,254	146,459	1,132,337	(629,107)

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.

d. Profitability

(%)

Items		For the Nine Months Ended September 30, 2008	For the Nine Months Ended September 30, 2007
Return on total assets	Before income tax	(0.29)	0.14
	After income tax	(0.20)	0.16
Return on net worth	Before income tax	(4.83)	2.12
	After income tax	(3.35)	2.41
Profit margin		(25.24)	11.21

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 nine months ended September 30, 2008 and 2007.

e. Interest rate sensitivity information

**Interest Rate Sensitivity (New Taiwan Dollars)  
September 30, 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	\$ 643,482,906	\$ 21,188,964	\$ 42,218,155	\$ 21,918,804	\$ 728,808,829
Interest-rate sensitive liabilities	358,542,077	275,977,316	59,085,318	10,228,817	703,833,528
Interest-rate sensitive gap	284,940,829	(254,788,352)	(16,867,163)	11,689,987	24,975,301
Net worth					61,434,525
Ratio of interest-rate sensitive assets to liabilities					103.55%
Ratio of interest-rate sensitive gap to net worth					40.65%

**Interest Rate Sensitivity (New Taiwan Dollars)  
September 30, 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	\$ 388,276,123	\$ 90,888,956	\$ 92,105,716	\$ 63,605,068	\$ 634,875,863
Interest-rate sensitive liabilities	224,475,191	265,213,088	65,565,036	104,041,849	659,295,164
Interest-rate-sensitive gap	163,800,932	(174,324,132)	26,540,680	(40,436,781)	(24,419,301)
Net worth					64,277,952
Ratio of interest-rate sensitive assets to liabilities					96.30%
Ratio of interest-rate sensitive gap to net worth					(37.99%)

Note 1: The above amounts include only New Taiwan dollar amounts held by the onshore branches of the Bank (i.e. exclude foreign currency). In compliance with Central Bank's supervision policies, the above data is prepared for off-site monitoring by 15<sup>th</sup> 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)**  
**September 30, 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	\$ 5,217,359	\$ 259,486	\$ 90,102	\$ 482,718	\$ 6,049,665
Interest-rate sensitive liabilities	3,300,575	1,718,877	122,084	167	5,141,703
Interest-rate-sensitive gap	1,916,784	(1,459,391)	(31,982)	482,551	907,962
Net worth					35,980
Ratio of interest-rate sensitive assets to liabilities					117.66%
Ratio of interest-rate sensitive gap to net worth					2,523.52%

**Interest Rate Sensitivity (USD)**  
**September 30, 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	\$ 3,901,798	\$ 779,356	\$ 198,615	\$ 390,679	\$ 5,270,448
Interest-rate sensitive liabilities	3,403,509	1,897,468	207,512	126,745	5,635,234
Interest-rate-sensitive gap	498,289	(1,118,112)	(8,897)	263,934	(364,786)
Net worth					32,606
Ratio of interest-rate sensitive assets to liabilities					93.53%
Ratio of interest-rate sensitive gap to net worth					(1,118.77%)

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

f. Concentration of credit extensions

September 30, 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	Formosa Plastics Group	\$13,584,478	22.42%
2	Dell Inc.	7,823,436	12.91%
3	CHI MEI Optoelectronics	6,243,213	10.30%
4	HON HAI Precision Group	5,425,566	8.95%
5	China Metal Products Group	5,121,284	8.45%
6	Hung Tai Construction	5,020,000	8.29%
7	China Airlines	4,777,000	7.88%
8	Qisda Corporation/AUO Optronics Group	4,406,767	7.27%
9	Far East Group	3,997,429	6.60%
10	Chinatrust Group	3,619,894	5.97%

September 30, 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	Qisda Corporation/AUO Optronics Group	\$5,770,928	9.26%
2	Formosa Plastics Group	5,424,414	8.71%
3	CHI MEI Optoelectronics	4,992,880	8.01%
4	Hung Tai Construction	4,950,000	7.95%
5	Far East Group	4,943,122	7.93%
6	China Airlines	4,828,000	7.75%
7	Chinatrust Group	4,430,057	7.11%
8	China Metal Products Group	4,113,909	6.60%
9	Quanta Computer	3,282,825	5.27%
10	HON HAI Precision Group	3,024,542	4.85%

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), exchange bills negotiated, accounts receivable - without recourse factoring, acceptances receivable, and grantees issued.

Note 4: Net worth of previous year end.



**Trust Properties of Trust Accounts  
September 30, 2008**

(In Thousands of New Taiwan Dollars)

Investment Portfolio	Book Value	Note
Bonds	\$ 29,609,455	
Stocks	10,532,053	
Funds	97,038,720	
Asset pool of financial asset securitization	8,911,144	
Asset pool of real estate securitization	4,903,430	
Real estate		
Land	6,470,093	
Buildings	371,370	
Work in process	3,951,312	
Securities under custody	<u>181,498,991</u>	
Total	<u>\$ 343,286,568</u>	

**Balance Sheets of Trust Accounts  
For the Nine Months Ended September 30, 2007**

(In Thousands of New Taiwan Dollars)

	Other Trust Business	Financial Assets and Real Estate Trust Plan	Total
<u>Trust assets</u>			
Bank deposits	\$ 3,396,502	\$ 83,159	\$ 3,479,661
Bonds	46,489,303	9,804,877	56,294,180
Stocks	3,265,170	-	3,265,170
Funds	97,650,025	-	97,650,025
Receivables	5,405	16,069	21,474
Prepayments	92	8,373	8,465
Real estate			
Land	6,390,155	3,538,574	9,928,729
Buildings	40,069	1,364,856	1,404,925
Work in process	2,096,463	-	2,096,463
Other assets	<u>-</u>	<u>86,367</u>	<u>86,367</u>
Total trust assets	<u>\$ 159,333,184</u>	<u>\$ 14,902,275</u>	<u>\$ 174,235,459</u>
<u>Trust liabilities</u>			
Payables	\$ 814	\$ 18,385	\$ 19,199
Advance receipts	-	15,479	15,479
Other liabilities	-	26,776	26,776
Trust capital	157,662,876	14,010,518	171,673,394

(Continued)

	<b>Other Trust Business</b>	<b>Financial Assets and Real Estate Trust Plan</b>	<b>Total</b>
Reserves and cumulative earnings			
Reserves	\$ -	\$ 71,184	\$ 71,184
Net income	439,936	64,086	504,022
Cumulative earnings	1,511,836	232,417	1,744,253
Deferred amount	(282,278)	-	(282,278)
Unrealized revaluation increment on land	<u>-</u>	<u>463,430</u>	<u>463,430</u>
Total trust liabilities	<u>\$ 159,333,184</u>	<u>\$ 14,902,275</u>	<u>\$ 174,235,459</u> (Concluded)

Note: As of September 30, 2007, balance of securities under custody had not been reclassified.

### Trust Properties of Trust Accounts September 30, 2007

(In Thousands of New Taiwan Dollars)

<b>Investment Portfolio</b>	<b>Book Value</b>	<b>Note</b>
Bonds	\$ 46,489,303	
Stocks	3,265,170	
Funds	97,650,025	
Asset pool of financial asset securitization	9,804,877	
Asset pool of real estate securitization	4,903,430	
Real estate		
Land	6,390,155	
Buildings	40,069	
Work in process	<u>2,096,463</u>	
Total	<u>\$ 170,639,492</u>	

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

### 34. CROSS SELLING INFORMATION

For the nine months ended September 30, 2008 and 2007, the Bank charged SinoPac Securities for \$4,624 and \$4,093, respectively, as marketing and opening accounts and paid SinoPac Securities \$126 and \$120, 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 nine months ended September 30, 2008 and 2007, the Bank charged SPPIA for \$4,506 and \$6,086, respectively, as incentive rewards under cross selling business.

### 35. 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: None;
- 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: Table 6 and 7;
- 14) Derivative financial transactions: Except the disclosure in other footnotes, the derivative financial instruments of the Bank are disclosed in Notes 6 and 30, 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 September 30, 2008 and 2007, the contract amounts (or notional amounts), credit risks and fair values of outstanding contracts were as follows:

<b>Financial Instruments</b>	<b>September 30, 2008</b>		
	<b>Contract (Notional) Amount</b>	<b>Credit Risk</b>	<b>Fair Value</b>
For the purpose of accommodating customers' needs or managing FENB's exposures:			
Forward contracts - short position	\$ 5,152	\$ 155	\$ (4,970)
Non-deliverable forward contracts - long position	64,260	6,426	60,001
short position	64,260	6,426	(59,797)
<b>Financial Instruments</b>	<b>September 30, 2007</b>		
	<b>Contract (Notional) Amount</b>	<b>Credit Risk</b>	<b>Fair Value</b>
For the purpose of accommodating customers' needs or managing FENB's exposures:			
Forward contract contracts - short position	\$ 7,255	\$ 363	\$ (7,484)
Non-deliverable forward contracts - short position	3,258	326	(3,305)

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 INVESTEES

**FINANCING PROVIDED**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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	\$ 88,300	3.15%-3.29%	Short-term financial	\$ -	Operating use	\$ -	-	\$ -	\$ 89,800 (Note 1)	\$1,022,572 (Note 2)
2	SinoPac Leasing Corporation	Grand Capital International Limited	Other receivable - related parties	80,825	-	3.125%	Short-term financial	-	Operating use	-	-	-	96,390 (Note 1)	1,022,572 (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\$2,556,430 (in thousand) of SinoPac Leasing Corporation as of September 30, 2008. The maximum amount approved by the board of directors is NT\$89,800 (in thousand) for Wal-Tech International Corporation in May 2008 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\$2,556,430 (in thousand) of SinoPac Leasing Corporation as of September 30, 2008.

Note 3: Foreign-currency amounts were translated to New Taiwan dollars at the closing exchange rate as of September 30, 2008.

## BANK SINOPAC AND INVESTEEES

ENDORSEMENT/GUARANTEE PROVIDED  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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)	\$7,020,405	\$6,345,675	\$ -	248.22%	\$12,782,150 (Note 5)

Note 1: Foreign-currency amounts were translated to New Taiwan dollars at the closing exchange rate as of September 30, 2008.

Note 2: The reviewed net asset value of SinoPac Leasing Corporation as of September 30, 2008 is NT\$2,556,430 (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 September 30, 2008, the limit was NT\$5,112,860 (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 September 30, 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 September 30, 2008, the limit was NT\$12,782,150 (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 September 30, 2008.

## BANK SINOPAC AND INVESTEEES

## MARKETABLE SECURITIES HELD

SEPTEMBER 30, 2008

(In Thousands of New Taiwan Dollars)

Name of Holding Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	September 30, 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	\$ 6,768,647	100.00%	\$ 6,768,647	Note 4
Far East Capital Corporation	<u>Stock (common stock)</u> PCRS Capital Partners, LLC	-	Unquoted equity investments	-	1,105	4.00%	1,105	Note 5
	Vivaro Warrants	-	Unquoted equity investments	112	36	0.00%	36	Note 5
	Metropolis Digital	-	Unquoted equity investments	1,257	-	8.00%	-	Note 5
	TVIA, Inc.	-		-	-	0.20%	-	Note 5
	<u>Stock (preferred stock)</u> AgraQuest, Inc.	-	Unquoted equity investments	100	866	0.80%	866	Note 5
	Iphysician Net Inc	-	Unquoted equity investments	-	-	0.30%	-	Note 5
	Silicon Motion Inc	-	Unquoted equity investments	-	-	0.10%	-	Note 5
	Softknot Corporation	-	Unquoted equity investments	-	-	2.00%	-	Note 5
	Zone Reactor, Inc. (Lumexis)	-	Unquoted equity investments	23	32	1.50%	32	Note 5
	SinoPac Leasing Corporation	<u>Stock</u> Grand Capital International Limited	Subsidiary	Equity investments - equity method	29,900	929,675	100.00%	929,675
SinoPac Capital Limited (H.K.)	<u>Stock</u> SinoPac Capital (B.V.I.) Ltd.	Subsidiary	Equity investments - equity method	4,450	34,324	100.00%	60,734	Note 4
	SinoPac Insurance Brokers Ltd.	Subsidiary	Equity investments - equity method	100	1,241	100.00%	120,678	Note 4
	Bio-Dynamic	-	Trading financial assets - current	4,431	8,067	0.7829%	8,067	Note 2
	Magna Chip	-	Unquoted equity investments	16	19,228	-	19,228	Note 5
	<u>Fund</u> China Enterprise Capital	-	Unquoted equity investments	-	32,081	-	32,081	Note 5
SinoPac Capital (B.V.I.) Ltd.	<u>Stock</u> Shanghai International Asset Management (Hong Kong) Co., Ltd.	Subsidiary	Equity investments - equity method	4,800	36,258	60.00%	13,737	Note 4
	Pinnacle Investment Management Ltd.	Subsidiary	Equity investments - equity method	200	6,426	100.00%	10,352	Note 4
	RSP Information Service Company Limited	Subsidiary	Equity investments - equity method	1,000	4,119	100.00%	4,017	Note 4
Shanghai International Asset Management (Hong Kong) Co., Ltd.	GCL-Poly Energy	-	Trading financial assets - current	30	113	-	113	Note 2
	QunXing Paper	-	Trading financial assets - current	6	57	-	57	Note 2
	China Railway Const.	-	Trading financial assets - current	9	355	-	355	Note 2

(Continued)

Name of Holding Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	September 30, 2008				Note
				Shares/Units/ Face Amount (In Thousand)	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
SinoPac Property Insurance Agent Co., Ltd.	<u>Bond</u> Government bond 88-3	-	Guarantee deposits	600	\$ 643	-	\$ 742	Pledge
SinoPac Life Insurance Agent Co., Ltd.	<u>Bond</u> Government bond 88-3	-	Guarantee deposits	600	643	-	742	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 September 30, 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 September 30, 2008.

(Concluded)

**BANK SINOPAC AND INVESTEEES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL  
 SEPTEMBER 30, 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 Co., Ltd.	Subsidiary of SinoPac Financial Holdings Company Limited	\$ 3,359,593	-	\$ -	-	\$ -	\$ -
Bank SinoPac	SinoPac Financial Holdings Company Limited	The parent company of the Bank	1,348,829	-	-	-	-	-

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

**BANK SINOPAC AND INVESTEEES**

**TRADING INFORMATION - SELLING NONPERFORMING LOANS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008  
(In Thousands of New Taiwan Dollars)**

<b>Date</b>	<b>Counter-parties</b>	<b>Loans</b>	<b>Carrying Amount (Note)</b>	<b>Selling Price</b>	<b>Gain or Loss on Disposal</b>	<b>Attachment</b>	<b>Relation</b>
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**  
**SEPTEMBER 30, 2008 AND 2007**  
**(In Thousands of New Taiwan Dollars)**

	<b>September 30</b>	
	<b>2008</b>	<b>2007</b>
<u>Held for trading financial assets</u>		
Government bonds	\$ 11,694,588	\$ 340,285
Forward contracts	5,486,651	2,280,018
Bank debentures	3,216,239	3,280,836
Interest rate swap	3,172,178	2,617,448
Negotiable certificates of deposit	3,005,223	6,998,053
Corporate bonds	2,847,605	4,043,630
Convertible bonds	1,986,083	2,318,758
Premium paid on option contracts	1,295,224	1,680,052
Currency swap contracts	1,022,976	97,659
Beneficiary certificates	561,863	2,462,096
Collateralized debt obligations	158,169	617,790
Listed stock	139,966	578,843
Equity-linked swap contracts	102,473	100,938
Credit default swap	62,030	77,634
Cross-currency swap contracts	18,893	56,595
Mortgage backed securities	1,372	18,222
Futures	954	2,138
Structured investment vehicles (Note)	-	5,178,373
	<u>34,772,487</u>	<u>32,749,368</u>
<u>Financial assets designated at fair value through profit or loss</u>		
Corporate bonds	1,586,468	2,094,291
Credit linked notes	547,770	582,034
Convertible bonds	14,940	13,004
	<u>2,149,178</u>	<u>2,689,329</u>
Total of Financial assets at fair value through profit or loss	<u>\$ 36,921,665</u>	<u>\$ 35,438,697</u>

(Continued)

	<u>September 30</u>	
	<u>2008</u>	<u>2007</u>
<u>Held for trading financial liabilities</u>		
Forward contracts	\$ 5,135,409	\$ 833,385
Interest rate swap	3,223,955	2,519,581
Currency swap contracts	1,068,077	145,275
Premium received from option contract	1,064,205	1,512,555
Equity-linked swap contract	102,473	100,938
Credit default swap	64,842	41,026
Futures	24,349	5,801
Cross-currency swap contracts	24,116	85,849
Securities purchased under agreement to resell-short sales	<u>-</u>	<u>1,221,972</u>
	<u>\$ 10,707,426</u>	<u>\$ 6,466,382</u>

Note: As of September 30, 2008, structured investment vehicles amounted to \$5,096,541 with full valuation allowance are derecognized from the balance sheet according to the resolution of the boards of directors of the Bank on September 19, 2008.

(Concluded)

**TABLE 6-2****BANK SINOPAC**

**THE CONTRACT AMOUNTS OF OUTSTANDING DERIVATIVE TRANSACTIONS  
 SEPTEMBER 30, 2008 AND 2007  
 (In Thousands of New Taiwan Dollars)**

	<b>September 30</b>	
	<b>2008</b>	<b>2007</b>
Interest rate swap contracts	\$ 731,978,863	\$ 470,310,512
Currency swap contracts	361,301,732	204,925,103
Options		
Long position	48,400,446	91,180,700
Short position	51,103,804	87,626,238
Forward contracts		
Long position	7,476,788	7,744,989
Short position	2,684,662	4,217,790
Non-deliverable forward contracts		
Long position	106,092,351	98,646,566
Short position	103,202,322	104,416,921
Cross-currency swap contracts	9,048,800	16,335,665
Assets swap contracts	2,832,290	2,622,690
Credit default swap contracts	1,260,650	1,588,700
Equity-linked swap contracts	1,219,334	2,387,943
Futures		
Long position	1,927,800	7,111,074
Short position	1,124,550	8,787,021
Credit linked swap contracts	4,600,000	5,400,000

**TABLE 6-3****BANK SINOPAC****AVAILABLE-FOR-SALE FINANCIAL ASSETS  
SEPTEMBER 30, 2008 AND 2007  
(In Thousands of New Taiwan Dollars)**

	<b>September 30</b>	
	<b>2008</b>	<b>2007</b>
Negotiable certificates of deposit	\$ 31,341,186	\$ 44,402,415
Commercial papers	4,991,391	-
Government bonds	4,406,646	3,605,514
Treasury bills	1,957,848	-
Bank debentures	1,362,781	2,437,111
Listed stock	1,144,932	2,006,647
Collateralized debt obligations	1,093,525	-
Corporate bonds	<u>595,178</u>	<u>1,872,761</u>
	<u>\$ 46,893,487</u>	<u>\$ 54,324,448</u>

**TABLE 6-4****BANK SINOPAC****HELD-TO-MATURITY INVESTMENTS  
SEPTEMBER 30, 2008 AND 2007  
(In Thousands of New Taiwan Dollars)**

	<b>September 30</b>	
	<b>2008</b>	<b>2007</b>
Negotiable certificates of deposit	\$ 96,560,650	\$ 162,900
Government bonds	1,158,036	449,939
Bank debentures	669,157	710,573
GSE debentures	429,336	601,102
Floating rate notes	246,052	329,823
Beneficiary certificates - credit card receivables	80,000	80,000
Structured investment vehicles (Note)	<u>-</u>	<u>488,700</u>
	99,143,231	2,823,037
Less - accumulated impairment	<u>-</u>	<u>80,122</u>
	<u>\$ 99,143,231</u>	<u>\$ 2,742,915</u>

Note: As of September 30, 2008, structured investment vehicles amounted to \$481,950 with full accumulated impairment losses are derecognized from the balance sheet according to the resolution of the board of directors of the Bank on September 19, 2008.

**TABLE 6-5****BANK SINOPAC****OTHER FINANCIAL ASSETS  
SEPTEMBER 30, 2008 AND 2007  
(In Thousands of New Taiwan Dollars)**

	<b>September 30</b>	
	<b>2008</b>	<b>2007</b>
Unquoted equity instruments		
Unlisted equity investments	\$ 715,707	\$ 721,707
Emerging stock	-	1,290
	<u>715,707</u>	<u>722,997</u>
Non-active market debt instruments		
Structured investment vehicles (Note)	321,300	4,528,620
Collateralized debt obligations	219,066	713,216
Bank debentures	160,650	651,600
Floating rate notes	50,926	51,639
Mortgage backed securities	<u>21,106</u>	<u>73,602</u>
	773,048	6,018,677
Less - accumulated impairment	<u>113,096</u>	<u>1,134,687</u>
	<u>659,952</u>	<u>4,883,990</u>
Other financial assets		
Hedged derivative financial instruments	563,561	443,859
Guarantee deposits	502,415	1,283,568
Excess margin	292,257	286,030
Short-term advancement	113,751	175,781
Nonperforming receivables transferred from other than loans, net	83,921	67,205
Bills purchased	<u>1,497</u>	<u>2,919</u>
	<u>1,557,402</u>	<u>2,259,362</u>
	<u>\$ 2,933,061</u>	<u>\$ 7,866,349</u>

Note: As of September 30, 2008, structured investment vehicles amounted to \$3,662,820, of which \$3,341,520 with full accumulated impairment losses are derecognized from the balance sheet according to the resolution of the board of directors of the Bank on September 19, 2008.

**TABLE 6-6****BANK SINOPAC****BANK DEBENTURES  
SEPTEMBER 30, 2008 AND 2007  
(In Thousands of New Taiwan Dollars)**

	<b>September 30</b>		<b>Maturity Date</b>	<b>Terms</b>
	<b>2008</b>	<b>2007</b>		
First subordinated bank debentures 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 debentures issued in 2003	-	1,000,000	2003.02.14-2008.02.14 Principal is repayable on maturity date.	3.65% minus 6-month LIBOR. Interest is paid semiannually.
Second dominant bank debentures issued in 2003	-	500,035	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 debentures issued in 2003	1,509,864	1,504,980	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 debentures issued in 2003	404,813	412,785	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 debentures 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 debentures issued in 2003	1,008,841	1,017,049	2003.08.11-2010.08.11 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Sixth dominant bank debentures issued in 2003	703,017	700,757	2003.08.20-2009.02.20 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Seventh dominant bank debentures issued in 2003	-	782,400	2003.09.16-2008.09.16 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Eighth dominant bank debentures issued in 2003	-	486,944	2003.09.16-2008.09.16 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Ninth dominant bank debentures issued in 2003	-	292,215	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 debentures issued in 2003	1,010,690	1,003,957	2003.11.05-2008.11.05 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Eleventh dominant bank debentures issued in 2003	1,009,108	1,000,237	2003.11.14-2008.11.14 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Twelfth dominant bank debentures issued in 2003	505,789	501,425	2003.11.21-2008.11.21 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Thirteenth dominant bank debentures issued in 2003	504,647	500,916	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 debentures issued in 2003	2,241,095	2,219,272	2003.12.02-2009.06.02 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.

(Continued)

	<u>September 30</u>		Maturity Date	Terms
	2008	2007		
Second subordinated bank debentures issued in 2003	\$ 3,600,000	\$ 3,600,000	2004.03.18-2009.12.18 Principal is repayable on maturity date.	Fixed interest rate of 2.3%. Interest is paid semiannually.
First dominant bank debentures issued in 2004	514,904	527,013	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	307,410	302,565	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	510,929	485,794	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	201,771	198,360	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	310,006	302,671	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	514,717	507,328	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	201,813	198,427	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	541,210	534,257	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	303,313	299,358	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	517,300	515,542	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	207,885	203,395	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	534,523	520,016	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	310,176	306,294	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	529,700	518,613	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	549,223	535,117	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)	425,139	433,050	2004.09.14-2010.06.14 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.

(Continued)

	<u>September 30</u>		<b>Maturity Date</b>	<b>Terms</b>
	<b>2008</b>	<b>2007</b>		
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 rate 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 rate is reset semiannually since the issuance date. Interest is paid semiannually.
First subordinated bank debentures issued in 2008	1,566,741	-	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)	4,497,765	-	2008.03.25-2015.03.25 Principal is repayable on maturity date.	Index rate plus 1%. Interest rate is reset quarterly since the issuance date and paid annually.
Second subordinated bank debentures issued in 2008 (B)	499,752	-	2008.03.25-2015.03.25 Principal is repayable on maturity date.	Fixed interest rate of 3.2%, interest is paid annually.
Third subordinated bank debentures issued in 2008	3,598,200	-	2008.09.09-2014.03.09 Principal is repayable on maturity date.	Index rate plus 0.95%. Interest rate is reset quarterly since the issuance date and paid annually.
	<u>\$ 36,240,341</u>	<u>\$ 31,010,772</u>		

(Concluded)

**TABLE 6-7****BANK SINOPAC****THE GAINS (LOSSES) ON DERIVATIVE FINANCIAL INSTRUMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007  
(In Thousands of New Taiwan Dollars)**

	Account	For the Nine Months Ended September 30	
		2008	2007
For hedging purposes:			
Cross-currency swap contracts			
- Realized	Interest revenue	\$ 180,037	\$ 81,601
	Interest expense	(383,378)	(574,147)
	Foreign exchange (loss) gain	(177,296)	5,880
Interest rate swap contracts			
- Realized	Interest revenue	103,435	22,107
	Interest expense	(145,514)	(125,786)
	Foreign exchange gain (loss)	<u>2,307</u>	<u>(25,790)</u>
		<u>(420,409)</u>	<u>(616,135)</u>
For the purposes of accommodating customers' needs or managing the Bank's exposures:			
Forward contracts			
- Realized	Interest revenue	128,186	225,625
	Interest expense	(55,215)	(73,035)
	Foreign exchange gain	125,501	121,942
- Unrealized	Income from (loss on) derivative financial instruments transactions	939	(2,489)
	Foreign exchange gain	61,086	52,772
Currency swap contracts			
- Realized	Interest revenue	2,623,487	2,854,819
	Interest expense	(1,972,677)	(2,134,179)
	Loss on derivative financial instruments transactions	(107,355)	(374,105)
- Unrealized	Income from derivative financial instruments transactions	15,777	32,561
- Realized	Foreign exchange gain	484,674	1,433,105
Interest rate swap contracts			
- Realized	Interest revenue	11,423,102	3,942,773
	Interest expense	(11,530,703)	(3,929,668)
- Realized	Loss on derivative financial instruments transactions	(59,045)	(71,714)
- Unrealized	Loss on derivative financial instruments transactions	(34,827)	(64,257)
Foreign-currency options contracts			
- Realized	Loss on derivative financial instruments transactions	(319,321)	(615,567)
	Foreign exchange gain	146,869	1,692,188
- Unrealized	Income from (loss on) derivative financial instruments transactions	98,149	(223,274)

(Continued)

		<b>For the Nine Months Ended September 30</b>	
<b>Account</b>		<b>2008</b>	<b>2007</b>
Interest rate futures contracts			
- Realized	(Loss on) income from derivative financial instruments transactions	\$ (7,092)	\$ 46,032
	Foreign exchange (loss) gain	(501)	665
- Unrealized	Loss on derivative financial instruments transactions	(24,146)	(1,894)
Cross-currency swap contracts			
- Realized	Interest revenue	177,168	163,132
	Interest expense	(166,780)	(135,382)
	Income from derivative financial instruments transactions	108,419	379,488
- Unrealized	Loss on derivative financial instruments transactions	(56,118)	(119,086)
Credit default swap contracts			
- Realized	Loss on derivative financial instruments transactions	(63,799)	(18,157)
- Unrealized	(Loss on) income from derivative financial instruments transactions	(40,102)	72,256
Miscellaneous swap contracts - exchange rate			
- Realized	Income from (loss on) derivative financial instruments transactions	2,094	(254)
Miscellaneous swap contracts - stock index			
- Realized	Income from derivative financial instruments transactions	2,591	59,468
Commodity linked interest rate swap contracts			
- Realized	Loss on derivative financial instruments transactions	-	(1,278)
		<u>960,361</u>	<u>3,312,487</u>
		<u>\$ 539,952</u>	<u>\$ 2,696,352</u>

(Concluded)

**TABLE 6-8****BANK SINOPAC****STATEMENTS OF IMPAIRMENT LOSS ON FINANCIAL ASSETS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007  
(In Thousands of New Taiwan Dollars)**

	<b>For the Nine Months Ended September 30</b>		<b>Notes</b>
	<b>2008</b>	<b>2007</b>	
Impairment losses on assets			
Non-active market debt instruments	\$ 1,854,713	\$ 1,134,930	Note 13
Held-to-maturity investments	237,603	80,122	Note 11
Other assets	<u>536</u>	<u>-</u>	
	<u>\$ 2,092,852</u>	<u>\$ 1,215,052</u>	
Financial assets at fair value through profit or loss			
Valuation losses on structured investment vehicles	\$ 2,594,822	\$ 1,195,157	Note 6
Realized losses on structured investment vehicles	33,365	-	Note 6
Valuation losses on collateralized debt obligations	110,319	103,068	Note 6
Valuation losses on mortgage backed securities	827	41,311	Note 6
Other financial instruments	<u>903,513</u>	<u>65,800</u>	
	<u>\$ 3,642,846</u>	<u>\$ 1,405,336</u>	

Bank SinoPac recognized loss on structured investment vehicles, collateralized debt obligations and mortgage backed securities amounted to \$4,821,951 and \$2,538,854, respectively, for the nine months ended September 30, 2008 and 2007 were as follows:

	<b>For the Nine Months Ended September 30</b>	
	<b>2008</b>	<b>2007</b>
Financial assets at fair value through profit or loss		
Valuation losses on structured investment vehicles	\$ 2,594,822	\$ 1,195,157
Realized losses on structured investment vehicles	33,365	-
Valuation losses on collateralized debt obligations	110,319	103,068
Valuation losses of mortgage backed securities	827	41,311
Impairment loss on held-to-maturity investments	237,603	80,122
Impairment loss on non-active market debt instruments	<u>1,845,015</u>	<u>1,119,196</u>
	<u>\$ 4,821,951</u>	<u>\$ 2,538,854</u>

TABLE 7-1

## BANK SINOPAC

## ALLOWANCE FOR CREDIT LOSS

For the Nine Months Ended

SEPTEMBER 30, 2008 AND 2007

(In Thousands of New Taiwan Dollars)

	For the Nine Months Ended September 30, 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	1,649,298	1,301,850	2,951,148	-	209	(357)	-	2,951,000
Write-off	(2,912,346)	-	(2,912,346)	(2,065)	(133,886)	-	-	(3,048,297)
Recovery of written-off credits	38,425	-	38,425	-	-	-	-	38,425
Reclassifications	726,825	(846,778)	(119,953)	66,783	69,695	(16,525)	-	-
Result from change of foreign exchange rate	8	-	8	(5,009)	3,646	(3)	-	(1,358)
Others	-	-	-	-	(12,880)	-	-	(12,880)
Balance, September 30	<u>\$ 3,192,000</u>	<u>\$ 2,761,433</u>	<u>\$ 5,953,433</u>	<u>\$ 68,355</u>	<u>\$ 245,948</u>	<u>\$ 76</u>	<u>\$ 140</u>	<u>\$ 6,267,952</u>
	For the Nine Months Ended September 30, 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	3,040,409	1,480,251	4,520,660	61,340	-	16,000	-	4,598,000
Write-off	(4,128,579)	-	(4,128,579)	(34,905)	-	-	-	(4,163,484)
Recovery of written-off credits	76,318	-	76,318	707	-	-	-	77,025
Reclassifications	1,001,219	(1,015,308)	(14,089)	(36,895)	64,405	(6,421)	(7,000)	-
Result from change of foreign exchange rate	1,800	-	1,800	3,699	(1)	-	-	5,498
Others	-	-	-	(329,423)	-	-	-	(329,423)
Balance, September 30	<u>\$ 3,907,913</u>	<u>\$ 2,253,561</u>	<u>\$ 6,161,474</u>	<u>\$ 208,672</u>	<u>\$ 155,934</u>	<u>\$ 16,524</u>	<u>\$ 140</u>	<u>\$ 6,542,744</u>

## BANK SINOPAC

**OVERDUE LOANS AND RECEIVABLE**  
**SEPTEMBER 30, 2008 AND 2007**  
**(In Thousands of New Taiwan Dollars, %)**

Items		September 30, 2008					September 30, 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	\$ 2,007,940	\$ 84,649,474	2.37%	\$ 871,649	43.41%	\$ 2,484,139	\$ 78,945,334	3.15%	\$ 914,082	36.80%
	Unsecured	2,559,830	197,674,214	1.29%	2,054,758	80.27%	3,289,843	173,243,032	1.90%	2,307,364	70.14%
Consumer loan	Mortgage (Note 4)	3,730,338	338,529,705	1.10%	1,425,136	38.20%	5,497,042	327,797,589	1.67%	1,540,116	28.02%
	Cash card	14,920	130,698	11.42%	32,578	218.35%	23,415	260,227	9.00%	26,093	111.44%
	Micro credit (Note 5)	937,959	12,496,422	7.51%	1,505,201	160.48%	2,090,596	17,434,128	11.99%	1,313,029	62.81%
	Other (Note 6)	Secured	38,825	5,484,348	0.71%	64,111	165.13%	58,979	7,734,976	0.76%	60,790
Non-secured											
Total		9,289,812	638,964,861	1.45%	5,953,433	64.09%	13,444,014	605,415,286	2.22%	6,161,474	45.83%
		<b>Overdue Receivable</b>	<b>Account Receivable</b>	<b>Delinquency Ratio</b>	<b>Allowance for Credit Losses</b>	<b>Coverage Ratio</b>	<b>Overdue Receivable</b>	<b>Account Receivable</b>	<b>Delinquency Ratio</b>	<b>Allowance for Credit Losses</b>	<b>Coverage Ratio</b>
Credit card		\$ -	\$ -	-	\$ -	-	\$ -	\$ -	-	\$ -	-
Account receivable - factoring with no recourse (Note 7)		10,106	16,555,653	0.06%	10,106	100.00%	59,506	10,022,000	0.59%	70,121	117.84%

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.