

Bank SinoPac

**Financial Statements for the
Years Ended December 31, 2008 and 2007 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Bank SinoPac

We have audited the accompanying balance sheets of Bank SinoPac as of December 31, 2008 and 2007, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Bank SinoPac's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bank SinoPac as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended, in conformity with Criteria Governing the Preparation of Financial Reports by Public Banks, 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.

We have also audited the consolidated financial statements of Bank SinoPac and subsidiaries as of and for the years ended December 31, 2008 and 2007, on which we have issued an unqualified opinion thereon, respectively.

February 19, 2009

Notice to Readers

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

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

BANK SINOPAC

BALANCE SHEETS DECEMBER 31, 2008 AND 2007

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

ASSETS	2008	2007	%	LIABILITIES AND STOCKHOLDERS' EQUITY	2008	2007	%
	Amount	Amount			Amount	Amount	
CASH AND CASH EQUIVALENTS (Note 4)	\$ 14,923,761	\$ 13,554,793	10	CALL LOANS AND DUE TO BANKS (Note 16)	\$ 39,155,198	\$ 44,903,578	(13)
DUE FROM THE CENTRAL BANK AND OTHER BANKS (Notes 5, 26 and 27)	90,569,206	147,868,608	(39)	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2, 6 and 36)	16,918,491	10,157,510	67
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2, 6, 7, 26, 27 and 36)	32,281,295	28,942,915	12	SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE (Notes 2, 7 and 26)	4,426,100	6,437,672	(31)
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 2 and 7)	2,598,782	4,024,177	(35)	ACCOUNTS, INTEREST AND OTHER PAYABLES (Notes 2, 17 and 26)	24,438,371	20,937,385	17
ACCOUNTS, INTEREST AND OTHER RECEIVABLES, NET (Notes 2, 8, 25 and 26)	36,507,900	37,182,609	(2)	DEPOSITS AND REMITTANCES (Notes 18 and 26)	795,088,535	793,459,982	-
DISCOUNTS AND LOANS, NET (Notes 2, 9, 26 and 36)	629,440,360	602,246,769	5	BANK DEBENTURES (Notes 2, 19, 26 and 36)	28,763,023	31,133,473	(8)
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 2, 7, 10, 27 and 36)	23,628,091	110,506,001	(79)	BONDS PAYABLE (Notes 2 and 19)	4,950,359	5,709,968	(13)
HELD-TO-MATURITY INVESTMENTS (Notes 2, 11, 26, 27 and 36)	115,762,458	2,678,079	4,223	OTHER FINANCIAL LIABILITIES (Note 2)	779,569	984,669	(21)
EQUITY INVESTMENTS - EQUITY METHOD (Notes 2, 12 and 30)	9,631,678	9,636,453	-	OTHER LIABILITIES (Notes 2, 20, 24 and 25)	<u>3,560,564</u>	<u>3,482,036</u>	2
OTHER FINANCIAL ASSETS, NET				Total liabilities	<u>918,080,210</u>	<u>917,206,273</u>	-
Unquoted equity instruments (Notes 2, 13, 26 and 36)	488,507	721,707	(32)	STOCKHOLDERS' EQUITY (Notes 2 and 21)			
Non-active market debt instruments (Notes 2, 7, 13 and 36)	432,841	3,479,450	(88)	Capital stock, \$10 par value, authorized 8,000,000 thousands shares; issued 4,481,847 thousand shares in 2008 and 4,585,197 thousand shares in 2007	<u>44,818,469</u>	<u>45,851,972</u>	(2)
Others (Notes 13, 27 and 36)	<u>1,786,604</u>	<u>1,937,519</u>	(8)	Capital surplus			
Other financial assets, net	<u>2,707,952</u>	<u>6,138,676</u>	(56)	Additional paid-in capital	115,561	118,226	(2)
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	4,872,880	-	Total capital surplus	<u>8,192,263</u>	<u>8,194,928</u>	-
Buildings	4,589,528	4,385,598	5	Retained earnings			
Computer and machinery equipment	4,579,516	4,424,089	4	Legal reserve	6,435,486	6,927,060	(7)
Transportation equipment	<u>8,451</u>	<u>24,271</u>	(65)	Special reserve	282,977	282,977	-
Total cost	14,055,026	13,706,838	3	Accumulated deficit	<u>(3,689,463)</u>	<u>(491,574)</u>	651
Less: Accumulated depreciation	<u>5,128,998</u>	<u>4,862,756</u>	5	Total retained earnings	<u>3,029,000</u>	<u>6,718,463</u>	(55)
Advances on acquisitions of equipment and construction in progress	<u>206,802</u>	<u>230,950</u>	(10)	Cumulative translation adjustments	<u>27,956</u>	<u>(23,642)</u>	218
Net properties	<u>9,132,830</u>	<u>9,075,032</u>	1	Unrealized losses on financial instruments	<u>(19,860)</u>	<u>(535,996)</u>	(96)
INTANGIBLE ASSETS (Notes 2 and 3)	<u>155,736</u>	<u>170,054</u>	(8)	Net loss not recognized as pension cost	<u>(642,321)</u>	<u>(648,249)</u>	(1)
OTHER ASSETS (Notes 2, 15 and 25)	<u>7,175,822</u>	<u>5,769,737</u>	24	Unrealized revaluation increment on land	<u>1,030,154</u>	<u>1,030,154</u>	-
TOTAL	<u>\$ 974,515,871</u>	<u>\$ 977,793,903</u>	-	Total stockholders' equity	<u>56,435,661</u>	<u>60,587,630</u>	(7)
				TOTAL	<u>\$ 974,515,871</u>	<u>\$ 977,793,903</u>	-

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

BANK SINOPAC

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2008</u>	<u>2007</u>	%
	Amount	Amount	
INTEREST REVENUE (Notes 2 and 26)	\$48,464,096	\$41,979,708	15
INTEREST EXPENSE (Note 26)	<u>35,964,020</u>	<u>28,618,093</u>	26
NET INTEREST	<u>12,500,076</u>	<u>13,361,615</u>	(6)
NET REVENUES OTHER THAN INTEREST			
Commissions and fee revenues, net (Notes 2, 22 and 26)	2,746,944	4,165,689	(34)
Losses from financial assets and liabilities at fair value through profit or loss (Notes 2 and 6)	(4,208,854)	(3,669,744)	15
Realized gains from available-for-sale financial assets (Notes 2 and 21)	298,264	2,319	12,762
Income from equity investments - equity method, net (Notes 2 and 12)	152,363	1,051,208	(86)
Foreign exchange gain, net (Note 2)	1,463,459	1,617,812	(10)
Impairment losses on assets (Note 2)	(3,194,061)	(2,383,952)	34
Gains from unquoted equity instruments	36,811	35,096	5
Recovery of bad debts	473,139	390,488	21
Rental revenues	145,582	141,557	3
Gains from convertible bond repurchased	113,061	-	-
Other net revenues	<u>(7,261)</u>	<u>416,059</u>	(102)
Total net revenues	<u>10,519,523</u>	<u>15,128,147</u>	(30)
PROVISION FOR BAD DEBTS (Notes 2 and 9)	<u>4,334,000</u>	<u>6,524,000</u>	(34)
OPERATING EXPENSES (Notes 2 and 23)			
Personnel expenses	6,367,956	5,965,280	7
Depreciation and amortization	555,516	622,319	(11)
Others	<u>3,294,968</u>	<u>3,400,945</u>	(3)
Total operating expenses	<u>10,218,440</u>	<u>9,988,544</u>	2
LOSS BEFORE INCOME TAX	(4,032,917)	(1,384,397)	191
INCOME TAX BENEFIT (Notes 2 and 25)	<u>1,275,794</u>	<u>892,823</u>	43
NET LOSS	<u>\$ (2,757,123)</u>	<u>\$ (491,574)</u>	461
	<u>2008</u>	<u>2007</u>	
	Pretax	After Tax	Pretax
	After Tax	Pretax	After Tax
EARNINGS PER SHARE (Note 21)			
Basic earnings per share	<u>\$ (0.88)</u>	<u>\$ (0.60)</u>	<u>\$ (0.30)</u>
		<u>\$ (0.11)</u>	

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

BANK SINOPAC

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)**

	Capital Stock		Capital Surplus (Notes 2 and 21)				Retained Earnings (Note 21)				Cumulative Translation Adjustments (Note 2)	Unrealized Gains (Losses) on Financial Instruments (Note 2)	Net Loss Not Recognized as Pension Cost (Note 2)	Unrealized Revaluation Increment on Land	Total Stockholders' Equity
	Shares in Thousands	Amount (Note 21)	Additional Paid-in Capital	Capital Surplus from Business Combination	Others	Total	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficit)	Total					
BALANCE, JANUARY 1, 2007	4,585,197	\$ 45,851,972	\$ 118,226	\$ 8,076,524	\$ 178	\$ 8,194,928	\$ 6,280,113	\$ 282,977	\$ 2,156,490	\$ 8,719,580	\$ 1,890	\$ 166,778	\$ (155,953)	\$ 1,030,154	\$ 63,809,349
Appropriation of 2006 earnings															
Legal reserve	-	-	-	-	-	-	646,947	-	(646,947)	-	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	(22,043)	(22,043)	-	-	-	-	(22,043)
Bonus to employees	-	-	-	-	-	-	-	-	(226)	(226)	-	-	-	-	(226)
Cash dividends - \$0.3243 per share	-	-	-	-	-	-	-	-	(1,486,979)	(1,486,979)	-	-	-	-	(1,486,979)
Bonus to shareholders	-	-	-	-	-	-	-	-	(295)	(295)	-	-	-	-	(295)
Net loss for the year ended December 31, 2007	-	-	-	-	-	-	-	-	(491,574)	(491,574)	-	-	-	-	(491,574)
Unrealized gains or losses on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	(702,774)	-	-	(702,774)
Net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	-	-	-	(492,296)	-	(492,296)
Change in translation adjustment on equity investment - equity method	-	-	-	-	-	-	-	-	-	-	(25,532)	-	-	-	(25,532)
BALANCE, DECEMBER 31, 2007	4,585,197	45,851,972	118,226	8,076,524	178	8,194,928	6,927,060	282,977	(491,574)	6,718,463	(23,642)	(535,996)	(648,249)	1,030,154	60,587,630
Legal reserve to offset deficit	-	-	-	-	-	-	(491,574)	-	491,574	-	-	-	-	-	-
Net loss for the year ended December 31, 2008	-	-	-	-	-	-	-	-	(2,757,123)	(2,757,123)	-	-	-	-	(2,757,123)
Cancellation of treasury stocks	(103,350)	(1,033,503)	(2,665)	-	-	(2,665)	-	-	(932,340)	(932,340)	-	1,151,097	-	-	(817,411)
Unrealized gains or losses on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	(634,961)	-	-	(634,961)
Net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	-	-	-	5,928	-	5,928
Change in translation adjustment on equity investment - equity method	-	-	-	-	-	-	-	-	-	-	51,598	-	-	-	51,598
BALANCE, DECEMBER 31, 2008	<u>4,481,847</u>	<u>\$ 44,818,469</u>	<u>\$ 115,561</u>	<u>\$ 8,076,524</u>	<u>\$ 178</u>	<u>\$ 8,192,263</u>	<u>\$ 6,435,486</u>	<u>\$ 282,977</u>	<u>\$ (3,689,463)</u>	<u>\$ 3,029,000</u>	<u>\$ 27,956</u>	<u>\$ (19,860)</u>	<u>\$ (642,321)</u>	<u>\$ 1,030,154</u>	<u>\$ 56,435,661</u>

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

BANK SINOPAC

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (2,757,123)	\$ (491,574)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	552,849	618,722
Amortization on premium or discount of financial assets	(16,249)	(44,071)
Amortization on discount of bank debentures	476	-
Provision for credit and trading losses	4,393,531	6,524,000
Impairment losses on assets	3,194,061	2,383,952
Unrealized losses on financial assets and liabilities at fair value through profit or loss	1,405,474	840,901
Gains (losses) on disposal of available-for-sale financial assets	(280,995)	40,893
Gains on financial assets designated at fair value through profit or loss	-	(44)
Income from equity investments - equity method	(152,363)	(1,051,208)
Cash dividend received from equity investments - equity method	282,774	118,045
Losses (gains) on sale and retirement of properties and idle assets	12,549	(3,229)
(Gains) losses on disposal of collateral assumed, net	(6,933)	6,050
Accrued pension cost	41,049	(19,582)
Foreign exchange gains on bonds payable	73,903	(26,928)
Gains from convertible bond repurchased	(113,061)	-
Deferred income tax	(99,701)	74,302
Increase in held for trading financial assets	(5,161,437)	(1,750,985)
Increase in held for trading financial liabilities	6,760,981	6,298,719
Increase in accounts, interest and other receivables	(1,156,754)	(580,352)
Increase (decrease) in accounts, interest and other payables	<u>5,231,503</u>	<u>(5,054,932)</u>
Net cash provided by operating activities	<u>12,204,534</u>	<u>7,882,679</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in due from the Central Bank and other banks	57,299,402	(48,694,699)
Decrease in securities purchased under agreements to resell	1,425,395	756,946
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	572,742	849,424
Acquisition of non-active market debt instruments	(164,300)	(4,976,607)
Proceeds from sale of non-active market debt instruments	1,062,799	2,806,929
Increase in discounts and loans	(31,355,883)	(19,231,217)
Acquisition of properties	(579,831)	(632,970)
Proceeds from sale of properties	2,508	124,407
Acquisition of available-for-sale financial assets	(292,545,903)	(218,857,701)
Proceeds from sale of available-for-sale financial assets	377,499,833	278,090,633
Acquisition of held-to-maturity investments	(114,738,856)	(3,343,762)
Proceeds from held-to-maturity investments matured	1,381,981	2,761,617
		(Continued)

BANK SINOPAC

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars)

	2008	2007
Cash returned on capital reduction of unquoted equity instruments	\$ 6,000	\$ -
Proceeds from sale of unquoted equity instruments	227,200	-
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	222,275	47,167
Decrease (increase) in other financial assets	57,064	(341,756)
Increase in other assets	<u>(1,500,814)</u>	<u>(1,243,096)</u>
Net cash used in investing activities	<u>(1,278,274)</u>	<u>(13,873,242)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in call loans and due to banks	(5,748,380)	(32,231,986)
Decrease in securities sold under agreements to repurchase	(2,011,572)	(8,216,189)
Increase in deposits and remittances	1,628,553	36,995,643
Bank debentures issued	9,994,685	-
Decrease in convertible bond	(720,451)	-
Repayment of bank debentures	(12,500,000)	-
Decrease in other financial liabilities	(107,177)	(72,212)
(Decrease) increase in other liabilities	(76,295)	204,911
Remuneration to directors and supervisors and bonus to employees	-	(22,269)
Cash dividend	<u>-</u>	<u>(1,487,274)</u>
Net cash used in financing activities	<u>(9,540,637)</u>	<u>(4,829,376)</u>
EFFECTS OF CHANGES IN EXCHANGE RATE	<u>(16,655)</u>	<u>(3,873)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,368,968	(10,823,812)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>13,554,793</u>	<u>24,378,605</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 14,923,761</u>	<u>\$ 13,554,793</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 35,377,772</u>	<u>\$ 27,306,619</u>
Income tax paid	<u>\$ 665,883</u>	<u>\$ 693,507</u>

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

(Concluded)

BANK SINOPAC

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars, Unless Otherwise Stated)

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. |
| December 26, 2008 | The board of directors which executed the rights and functions of the stockholders' meeting resolved a cash merger with SinoPac Card Services Co., Ltd. (SinoPac Card Services). The preliminary effective date of the merger will be March 30, 2009. Under this merger, the Bank will be the surviving entity and SinoPac Card Services will be the company ceasing to exist. |

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 December 31, 2008 and 2007, the Bank had a total of 4,621 and 4,986 employees, respectively.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Bank's financial statements were prepared in conformity with Criteria Governing the Preparation of Financial Reports by Public Banks, requirement of the Business Accounting Law, Guidelines Governing Business Accounting and accounting principles generally accepted in the Republic of China (ROC). In determining the fair value of certain financial instruments, allowance for credit losses, depreciation, assets impairment, pension, income tax, losses upon suspended lawsuit, provision for losses on guarantees, bonus to employees and remuneration to directors and supervisors, the Bank needs to make estimates based on judgment and available information. The estimates were usually made under uncertain conditions; actual results could differ from those estimates. Since the operating cycle could not be reasonably identified in the banking industry, accounts included in the Bank's financial statements were not classified as current or non-current. Nevertheless, accounts were properly categorized according to the nature of each account, and sequenced by their liquidity. Please refer to Note 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.

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 related transactions, except for bonds, for which settlement date accounting is used.

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.

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. The Bank uses trade date accounting when recording related transactions, except for bonds, for which settlement date accounting is used.

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. The Bank uses trade date accounting when recording related transactions, except for bonds, for which settlement date accounting is used.

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 and machinery equipment, 3 to 15 years; transportation equipment, 5 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.

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 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 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 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.

Curtailment or settlement gains or losses of the defined benefit plan are recognized as part of the net periodic pension cost for the year.

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.

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

On January 6, 2009, the Legislative Yuan of the Republic of China passed the amendment of Article 39 of the Income Tax Law, which extends the operating losses carryforward period from five years to ten years. The Bank reassessed deferred tax assets according to the amended Article and recorded the resulting difference as a deferred income tax benefit.

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 as of and for the year ended December 31, 2007 have been reclassified to conform to the financial statement presentation as of and for the year ended December 31, 2008.

3. ACCOUNTING CHANGES

The ARDF issued Interpretation2007-052 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.

On July 1, 2008, the Bank adopted the newly amended SFAS No. 34, “Financial Instruments: Recognition and Measurement”. The amendments to SFAS 34 mainly deal with reclassifications of financial assets at fair value through profit or loss that are held for trading. The adoption of the amendments has no significant influence on the financial statements.

4. CASH AND CASH EQUIVALENTS

	December 31	
	2008	2007
Cash on hand	\$ 5,943,250	\$ 5,428,064
Due from other banks	5,670,519	5,982,230
Notes and checks in clearing	<u>3,309,992</u>	<u>2,144,499</u>
	<u>\$ 14,923,761</u>	<u>\$ 13,554,793</u>

5. DUE FROM THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2008	2007
Call loans to banks	\$ 69,934,071	\$ 89,265,631
Due from Central Banks - certificate of deposit	-	31,910,000
Due from Central Banks - checking account	2,929,597	7,966,005
Deposit reserve - demand account	17,603,672	18,091,089
Deposit reserve - foreign currency	<u>101,866</u>	<u>635,883</u>
	<u>\$ 90,569,206</u>	<u>\$ 147,868,608</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 7-1.

	December 31	
	2008	2007
Held for trading financial assets	\$ 30,629,206	\$ 26,408,989
Financial assets designated at fair value through profit or losses	<u>1,652,089</u>	<u>2,533,926</u>
	<u>\$ 32,281,295</u>	<u>\$ 28,942,915</u>

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 7-2, and the related information regarding to gains or losses please refer to Table 7-7. 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.

Gains or losses of financial instruments at fair value through profit or loss for the years ended December 31, 2008 and 2007, were as follows:

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Held for trading financial assets and liabilities		
Realized losses	\$ (2,803,380)	\$ (2,828,887)
Valuation losses	<u>(941,220)</u>	<u>(770,567)</u>
	<u>(3,744,600)</u>	<u>(3,599,454)</u>
Financial assets and liabilities designated at fair value through profit or loss		
Realized gains	-	44
Valuation losses	<u>(464,254)</u>	<u>(70,334)</u>
	<u>(464,254)</u>	<u>(70,290)</u>
	<u>\$ (4,208,854)</u>	<u>\$ (3,669,744)</u>

The losses on held for trading financial assets and liabilities include losses on the fair value adjustments of structured investment vehicles \$2,693,264 and \$2,977,326, collateralized debt obligation \$209,648 and \$323,604, mortgage backed securities \$3,739 and \$43,123 for the years ended December 31, 2008 and 2007, respectively, please refer to Table 7-8.

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

As of December 31, 2008 and 2007, securities were purchased under agreements to resell at \$2,605,548 and \$4,028,161 between January and February 2009 and in January 2008, respectively.

As of December 31, 2008 and 2007, securities were sold under agreements to repurchase at \$4,430,174 and \$6,454,111 between January and March 2009 and between January and April 2008, respectively.

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

	<u>December 31</u>	
Financial Assets	<u>2008</u>	<u>2007</u>
Held for trading	\$ 4,203,791	\$ 4,412,286
Available-for-sale	222,309	2,005,855
Non-active market debt instruments	-	19,531

8. ACCOUNTS, INTEREST AND OTHER RECEIVABLES, NET

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Accounts receivable - factoring	\$ 25,168,377	\$ 24,178,983
Interest receivable and revenue receivable	4,460,060	4,782,444
Receivables from related parties (Note 26)	3,812,295	4,266,263
Acceptances	1,385,778	3,155,539
Accounts receivable and notes receivable	1,150,551	383,412
Others	<u>599,014</u>	<u>424,614</u>
	36,576,075	37,191,255
Less - allowance for credit losses	<u>68,175</u>	<u>8,646</u>
	<u>\$ 36,507,900</u>	<u>\$ 37,182,609</u>

9. DISCOUNTS AND LOANS, NET

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Import and export negotiations	\$ 1,246,141	\$ 2,438,717
Overdrafts	23,041	91,573
Secured overdrafts	853,387	981,097
Accounts receivable - financing	2,167,621	3,338,790
Short-term loans	121,913,506	108,211,747
Short-term secured loans	41,000,638	40,182,675
Medium-term loans	73,580,928	69,983,245
Medium-term secured loans	49,529,808	43,818,096
Long-term loans	13,257,261	13,743,936
Long-term secured loans	324,631,698	314,821,856
Nonperforming loans transferred from loans	<u>7,697,760</u>	<u>10,637,108</u>
	635,901,789	608,248,840
Allowance for credit losses	(6,463,059)	(5,996,151)
Hedged item valuation adjustments	<u>1,630</u>	<u>(5,920)</u>
	<u>\$ 629,440,360</u>	<u>\$ 602,246,769</u>

As of December 31, 2008 and 2007, the balances of nonaccrual interest loans were \$11,498,094 and \$12,775,782, respectively. The unrecognized interest revenues on nonaccrual interest loans amounted to \$338,079 and \$486,997 for the years ended December 31, 2008 and 2007, respectively.

For the years ended December 31, 2008 and 2007, the Bank had not written off credits for which legal proceedings had not been initiated.

The details of and changes in allowance for credit losses of discounts and loans for the years ended December 31, 2008 and 2007, please refer to Table 8-1.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Related information regarding available-for-sale financial assets please refer to Table 7-3.

As of December 31, 2007, the Bank held 120,031 thousand shares of SPH, with carrying amount of \$1,968,508 and market value of \$1,458,377 based on the closing prices as of December 31, 2007. A difference of \$510,131 was recorded as unrealized losses on financial instruments under stockholders' equity. Under the Financial Holding Company Act No. 31, if the subsidiaries holding the shares of a Financial Holding Company do not transfer or sell the shares within 3 years, the shares shall be treated as unissued shares of the Financial Holding Company and re-registered accordingly as such. On November 21, 2008, the boards of directors of the Bank resolved to write off the shares and reduce the amount of capital. The Bank recognized impairment loss on collateralized debt obligation \$744,552 and \$0 for the years ended December 31, 2008 and 2007, respectively, please refer to Table 7-8.

11. HELD-TO-MATURITY INVESTMENTS

Related information regarding held-to-maturity financial assets please refer to Table 7-4.

For the years ended December 31, 2008 and 2007, the Bank recognized impairment loss on structured investment vehicles amounted to \$241,487 and \$242,739, respectively; the Bank recognized impairment loss on floating rate notes amounted to \$49,398 and \$0, respectively, please refer to Table 7-8.

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

	<u>Balance of</u> <u>Equity Investments</u> <u>December 31</u>		<u>Income (Loss) from</u> <u>Equity Investments</u> <u>For the Years Ended</u> <u>December 31</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
SinoPac Bancorp	\$ 6,488,373	\$ 6,824,129	\$ (424,345)	\$ 464,183
SinoPac Leasing Corporation	1,385,200	1,334,924	36,526	175,742
SinoPac Capital Limited (H.K.)	1,233,060	1,127,802	79,822	122,443
SinoPac Life Insurance Agent Co., Ltd.	490,827	321,697	432,569	264,973
SinoPac Property Insurance Agent Co., Ltd.	34,218	25,675	27,878	19,466
SinoPac Financial Consulting Co., Ltd.	-	2,226	(87)	31
SinoPac Securities Investment Trust Co., Ltd.	-	-	-	4,370
	<u>\$ 9,631,678</u>	<u>\$ 9,636,453</u>	<u>\$ 152,363</u>	<u>\$ 1,051,208</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.

Income from equity investments under the equity method were recognized on the basis of investees' audited financial statements for the same period, except for SinoPac Securities Investment Trust Co., Ltd. 2007' income based on the unaudited statements for the same period.

The net (loss) gain of SinoPac Bancorp amounting to \$(417,989) and \$496,672 for the years ended December 31, 2008 and 2007 was translated into NTD at the average exchange rate for the respective periods. The difference between the translated net (loss) gain 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.

SinoPac Financial Consulting Co., Ltd., the subsidiary of the Bank, was not included in the consolidated entities since it was considered immaterial.

13. OTHER FINANCIAL ASSETS, NET

Related information regarding other financial assets please refer to Table 7-5.

For the year ended December 31, 2008 and 2007, the Bank recognized impairment loss on non-active market debt instruments including structured investment vehicles amounting to \$2,128,821 and \$1,977,578; floating rate notes amounting to \$22,890 and \$15,734; and collateralized debt obligation amounted to \$0 and \$147,901, respectively, please refer to Table 7-8.

To comply with reorganization of SPH, a part of unquoted equity instruments held by the Bank in 2008 had transferred to SinoPac Venture Capital Co., Ltd. (SinoPac Venture Capital) at book value. Related information please refer to Note 26.

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>December 31</u>	
	<u>2008</u>	<u>2007</u>
Cost and revaluation increment	\$ 14,055,026	\$ 13,706,838
Accumulated depreciation		
Buildings	1,712,149	1,564,838
Computer and machinery equipment	3,409,417	3,277,896
Transportation equipment	<u>7,432</u>	<u>20,022</u>
	<u>5,128,998</u>	<u>4,862,756</u>
Advances on acquisitions of equipment and construction in progress	<u>206,802</u>	<u>230,950</u>
Net properties	<u>\$ 9,132,830</u>	<u>\$ 9,075,032</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

	December 31	
	2008	2007
Deferred income tax assets	\$ 3,626,266	\$ 2,098,920
Rental properties, net	1,369,942	1,397,413
Collateral assumed, net of accumulated impairment \$42,251 and \$35,339, respectively	717,454	825,256
Land value increment tax	478,205	478,205
Idle assets, net	459,879	448,922
Deferred pension cost	355,875	122,100
Prepayment	114,328	283,647
Temporary payment	38,091	92,871
Others	<u>15,782</u>	<u>22,403</u>
	<u>\$ 7,175,822</u>	<u>\$ 5,769,737</u>

16. CALL LOANS AND DUE TO BANKS

	December 31	
	2008	2007
Call loans	\$ 18,035,607	\$ 26,394,498
Redeposit from the directorate general of postal remittance	21,064,745	18,325,437
Due to the Central Bank	29,265	74,034
Due to banks	<u>25,581</u>	<u>109,609</u>
	<u>\$ 39,155,198</u>	<u>\$ 44,903,578</u>

17. ACCOUNTS, INTEREST AND OTHER PAYABLES

	December 31	
	2008	2007
Accounts payable - factoring	\$ 12,505,241	\$ 8,620,846
Interest payable	5,430,528	4,844,280
Notes and checks in clearing	3,309,992	2,144,499
Acceptance payable	1,385,778	3,155,539
Accrued expenses	942,477	1,227,734
Tax payable	172,902	152,105
Accounts payable	149,518	307,903
Receipts under custody payable	66,706	70,313
Others	<u>475,229</u>	<u>414,166</u>
	<u>\$ 24,438,371</u>	<u>\$ 20,937,385</u>

18. DEPOSITS AND REMITTANCES

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Checking	\$ 11,190,893	\$ 14,134,038
Demand	109,798,536	108,293,543
Savings - demand	161,600,259	163,521,784
Time	295,209,223	259,463,448
Negotiable certificates of deposit	10,590,700	24,257,000
Savings - time	205,990,817	222,825,672
Inward remittances	594,450	685,801
Outward remittances	<u>113,657</u>	<u>278,696</u>
	<u>\$ 795,088,535</u>	<u>\$ 793,459,982</u>

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 7-6.

The Bank (formerly IBT) issued US\$180,000 thousand in zero coupon 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 December 31, 2007, the outstanding bonds' value was US\$176,000 thousand. The Bank repurchased bonds amounting to US\$25,350 thousand in 2008. As of December 31, 2008, the outstanding bonds' value was US\$150,650 thousand.

20. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Accrued pension cost	\$ 1,409,379	\$ 1,140,484
Deferred income tax liabilities	959,021	1,076,599
Reserve of land value increment tax	458,362	458,362
Temporary receipt	343,920	567,884
Advanced receipt	218,343	155,485
Others	<u>171,539</u>	<u>83,222</u>
	<u>\$ 3,560,564</u>	<u>\$ 3,482,036</u>

21. STOCKHOLDERS' EQUITY

a. Capital stocks

The Bank, formerly IBT, held 120,031 thousand shares of SPH without transferring or selling within 3 years. The board of directors resolved to reduce the amount of capital \$1,033,503 and cancel 103,350 thousand shares as of December 26, 2008. The percentage of cancellation was 2.254%.

b. Capital surplus

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

c. Appropriation of earnings and dividend policy

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

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

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 2.5% 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 was net loss for the year ended December 31, 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 losses 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:

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

As of February 19, 2009, the appropriation of earning for 2008 has not been resolved by the board of directors. The related information regarding the proposed and resolved appropriation of earnings is available on the Market Observation Post System (M.O.P.S.) website of the Taiwan Stock Exchange.

d. Unrealized gains or losses on financial instruments

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

	For the Years Ended December 31	
	2008	2007
Balance, beginning of year	\$ (535,996)	\$ 166,778
Recognized in stockholders' equity	797,131	(743,667)
Transferred to profit or loss	<u>(280,995)</u>	<u>40,893</u>
Balance, end of year	<u>\$ (19,860)</u>	<u>\$ (535,996)</u>

e. Earnings per share

For the years ended December 31, 2008 and 2007, 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 earnings per shares (EPS) were summarized as follows:

	<u>Numerator (Amounts)</u>		<u>Denominator (Shares in Thousands)</u>	<u>EPS (NT\$)</u>	
	<u>Pretax</u>	<u>After Tax</u>		<u>Pretax</u>	<u>After Tax</u>
For the year ended <u>December 31, 2008</u>					
Basic EPS					
Net loss to common stockholders	<u>\$ (4,032,917)</u>	<u>\$ (2,757,123)</u>	<u>4,583,503</u>	<u>\$ (0.88)</u>	<u>\$ (0.60)</u>
For the year ended <u>December 31, 2007</u>					
Basic EPS					
Net loss to common stockholders	<u>\$ (1,384,397)</u>	<u>\$ (491,574)</u>	<u>4,585,197</u>	<u>\$ (0.30)</u>	<u>\$ (0.11)</u>

22. COMMISSIONS AND FEE REVENUES, NET

	<u>For the Years Ended December 31</u>	
	<u>2008</u>	<u>2007</u>
Commissions and fees revenues		
Mutual funds and structured notes	\$ 1,345,171	\$ 2,831,100
Loan	613,132	608,409
Foreign exchange, import and export business	380,597	413,157
Trust and custody	273,099	319,915
Factoring and financing	272,899	281,776
Remittance expenses	86,896	85,983
Automatic equipment service fees	66,585	74,922
Guarantee and acceptance	60,393	54,127
Credit card	2,173	2,892
Others	<u>53,323</u>	<u>72,113</u>
	<u>3,154,268</u>	<u>4,744,394</u>
Commissions and fees expenses		
Automatic equipment service fees	106,944	100,399
Financial transaction	96,419	112,184
Mutual funds and structured notes	85,354	218,843
Loan	35,104	54,080
Trust and custody	29,090	37,939
Remittance expenses	4,660	4,693
Foreign exchange	4,265	4,535
Others	<u>45,488</u>	<u>46,032</u>
	<u>407,324</u>	<u>578,705</u>
	<u>\$ 2,746,944</u>	<u>\$ 4,165,689</u>

23. OPERATING EXPENSES

	For the Years Ended December 31	
	2008	2007
Personnel expenses		
Salaries and wages	\$ 4,890,838	\$ 4,819,387
Pension	820,489	462,119
Labor insurance and national health insurance	284,459	280,843
Others	<u>372,170</u>	<u>402,931</u>
	6,367,956	5,965,280
Depreciation	482,691	545,732
Amortization	72,825	76,587
Others	<u>3,294,968</u>	<u>3,400,945</u>
	<u>\$ 10,218,440</u>	<u>\$ 9,988,544</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 years ended December 31, 2008 and 2007, the pension expense amounted to \$141,217 and \$136,092, respectively, which were contributed to personal pension accounts.

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

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

	For the Years Ended December 31	
	2008	2007
Balance, beginning of year	\$ 1,893,619	\$ 1,581,140
Contributions	639,540	327,304
Benefits paid	(544,195)	(55,498)
Interest revenue	<u>56,454</u>	<u>40,673</u>
Balance, end of year	<u>\$ 2,045,418</u>	<u>\$ 1,893,619</u>

The aforementioned pension funds were contributed by the Bank.

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

	For the Years Ended December 31	
	2008	2007
Service cost	\$ 157,039	\$ 130,066
Interest cost	152,475	111,875
Expected return on pension fund assets	(50,039)	(40,653)
Curtailement or settlement losses	246,583	-
Net amortization and deferral	<u>173,214</u>	<u>124,739</u>
Net pension cost	<u>\$ 679,272</u>	<u>\$ 326,027</u>

- c. The reconciliations of the funded status of the plan and accrued pension cost as of December 31, 2008 and 2007 were as follows:

	December 31	
	2008	2007
Benefit obligation		
Vested benefit obligation	\$ 861,317	\$ 1,022,174
Nonvested benefit obligation	<u>2,592,537</u>	<u>2,011,929</u>
Accumulated benefit obligation	3,453,854	3,034,103
Additional benefit based on future salaries	<u>1,122,878</u>	<u>1,382,082</u>
Projected benefit obligation	4,576,732	4,416,185
Fair value of plan assets	<u>(2,045,418)</u>	<u>(1,893,619)</u>
Funded status	2,531,314	2,522,566
Unrecognized net transition obligation	(9,230)	(14,933)
Unamortized prior service cost	(346,644)	(107,167)
Unamortized pension loss	(1,765,200)	(2,030,331)
Additional accrued pension liability	<u>998,196</u>	<u>770,349</u>
Accrued pension cost	<u>\$ 1,408,436</u>	<u>\$ 1,140,484</u>
d. Vested benefit	<u>\$ 1,309,470</u>	<u>\$ 1,531,504</u>

	<u>December 31</u>	
	2008	2007
e. Actuarial assumptions		
1) Discount rate used in determining present value	2.5%	3.5%
2) Future salary increase rate	2.0%	3.0%
3) Expected rate of return on plan assets	2.5%	2.5%

The Bank recognized pension costs (including overseas branches) of \$820,489 and \$462,119 for the years ended December 31, 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:

	<u>For the Years Ended December 31</u>	
	2008	2007
Current deductible loss carry forward	\$ (1,848,771)	\$ (1,507,156)
Separate taxes	602,185	479,324
Investment credit	(7,303)	(6,959)
Deferred income taxes	(99,701)	74,302
Overseas income taxes payable	41,979	65,274
Prior year adjustments	<u>35,817</u>	<u>2,392</u>
Tax benefit	<u>\$ (1,275,794)</u>	<u>\$ (892,823)</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 at statutory rate and deductible loss carry forward:

	<u>For the Years Ended December 31</u>	
	2008	2007
Tax on pretax loss at 25% statutory rate	\$ (1,008,229)	\$ (346,099)
Add (deduct) tax effects of:		
Tax-exempt income	(67,442)	(100,240)
Permanent difference	(842,929)	(1,005,182)
Temporary difference	<u>69,829</u>	<u>(55,635)</u>
Deductible loss carry forward	<u>\$ (1,848,771)</u>	<u>\$ (1,507,156)</u>

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

	<u>December 31</u>	
	2008	2007
Loss carry forward	\$ 3,079,839	\$ 1,628,601
Deferred pension cost	340,498	335,854
Unrealized loss on foreign exchange and revaluation of financial instrument, net	17,480	117,533
Staff training	20,099	5,837
Allowance for credit loss over limit	149,063	-
Others	<u>19,287</u>	<u>11,095</u>
Deferred income tax assets, net	<u>\$ 3,626,266</u>	<u>\$ 2,098,920</u>

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

	<u>December 31</u>	
	2008	2007
Investment income under the equity method	\$ (912,466)	\$ (1,030,044)
Others	<u>(46,555)</u>	<u>(46,555)</u>
Deferred income tax liabilities, net	<u>\$ (959,021)</u>	<u>\$ (1,076,599)</u>

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

Deficit Year	The Last Year of Deductible Loss	Amount
2006	2016	\$ 573,699
2007	2017	977,539
2008	2018	<u>1,528,601</u>
		<u>\$ 3,079,839</u>

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

	<u>December 31</u>	
	2008	2007
Receivables from related parties	<u>\$ 1,316,182</u>	<u>\$ 939,235</u>

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

	<u>December 31</u>	
	2008	2007
Balances of imputed tax credit account	<u>\$ 2,460,425</u>	<u>\$ 1,761,515</u>

For the years ended December 31, 2008 and 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.

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

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

- g. For the Bank, income tax returns through 2002, except those for 1996, had been examined by the tax authorities. On the income tax returns for the aforementioned years, the tax authorities denied the creditability of 10% withholding tax on interest income on bonds pertaining to the period when those bonds were held by other investors. The Bank appealed the decision of the tax authorities. Nevertheless, on the basis of conservative principles, the Bank recognized \$111,209 as part of income tax expenses to reflect accrued liabilities and any assets written off in relation to the foregoing withholding taxes. In January 2004, the Bank reached an agreement with the Taipei National Tax Administration (TNTA) on the above appealing cases, in which TNTA would refund 65% of the withholding tax denied on the interest income on bonds to the Bank. The income tax return for 2002 had been examined by the tax authorities according to the aforementioned refund percentage. Consequently, the Bank accrued 35% of the withholding tax denied on the interest income on bonds as income tax expenses for 2003 to 2007, which were not refunded by tax authorities.
- h. For IBT, income tax returns through 2005 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 Management Co., Ltd. (SinoPac Management)	Subsidiary of SPH
SinoPac Leasing Corporation (SPL)	Subsidiary of the Bank
SinoPac Life Insurance Agent Co., Ltd. (SPLIA)	Subsidiary of the Bank
SinoPac Property Insurance Agent Co., Ltd. (SPPIA)	Subsidiary of the Bank

(Continued)

<u>Name</u>	<u>Relationship with the Bank</u>
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 year ended December 31, 2007)
Far East National Bank (FENB)	Overseas affiliate 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
SinoPac High ROE & Dividend Balanced 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
Guan, Yao Jhan	The spouse of the supervisor of SPH (removed in June 2008)
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
Kao, Shu Hui	The spouse of the supervisor of SinoPac Venture Capital
Lin, Hsiao Fen	The director of SinoPac Capital Management Corp.
Guo, Kai Wei	Manager of the Bank
Zhong, Dau Cheng	Manager of the Bank
Jhuo, Shu Lin	Manager of the Bank
Chen, Jhieh Wen	Manager of the Bank
Ji, Ying Huei	Manager of the Bank
Liao, Jhieh 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
Lin, Cheng Che	Manager of the Bank
Wu, Jhieh Ciang	Manager of the Bank

(Continued)

<u>Name</u>	<u>Relationship with the Bank</u>
Yang, Su Mei	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
Lu, Zhong Xiong	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
Chang, Ping Zhou	Manager of the Bank
He, Xi Jian	Manager of the Bank
Hsu, Bao Zhen	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>December 31</u>		<u>December 31</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
1) Due from banks				
Due from banks - FENB	\$ 17,677	\$ 57,716	0.31%	0.96%
2) Financial assets at fair value through profit or loss				
Beneficiary certificates - SinoPac High ROE & Dividend Balanced Fund	37,075	-	0.11%	-
Beneficiary certificates - SinoPac Small & Medium Capital Fund	-	87,718	-	0.30%
Beneficiary certificates - SinoPac Fund	-	27,203	-	0.09%

3) Derivative financial instruments

December 31, 2008					
	Contract (Notional) Amount	Contract Period	Fair Value	Balance Sheet	
				Account	Balance
Currency swap contracts					
SinoPac Capital (H.K.)	\$ 988,300	2008.12.15- 2009.1.15	\$ 130	Financial assets at fair value through profit or loss	\$ 130
Grand Capital	740,523	2008.10.17 2009.3.26	51	Financial assets at fair value through profit or loss	51
Interest rate swap contracts					
SinoPac Securities	13,920,000	2006.12.29- 2013.9.17	(49,687)	Financial liabilities at fair value through profit or loss	(49,687)
SPL	100,000	2007.7.24- 2009.7.27	742	Financial assets at fair value through profit or loss	742
Forward contracts					
Grand Capital	203,004	2008.3.14- 2009.4.6	(5)	Financial liabilities at fair value through profit or loss	(5)
Non-delivery forward contract - short position					
FENB	71,799	2008.5.26- 2009.6.1	(4,513)	Financial liabilities at fair value through profit or loss	(4,513)
Non-delivery forward contract - Long position					
FENB	65,720	2008.12.5- 2009.5.29	(1,543)	Financial liabilities at fair value through profit or loss	(1,543)
December 31, 2007					
	Contract (Notional) Amount	Contract Period	Fair Value	Balance Sheet	
				Account	Balance
Currency swap contracts					
Grand Capital	\$ 31,433	2007.2.14- 2008.6.5	\$ 80	Financial assets at fair value through profit or loss	\$ 80
SinoPac Capital (H.K.)	998,278	2007.12.27- 2008.1.3	14	Financial assets at fair value through profit or loss	14
Interest rate swap contracts					
SinoPac Securities	2,400,000	2006.9.7- 2012.12.4	(8,165)	Financial liabilities at fair value through profit or loss	(8,165)
SPL	100,000	2007.7.24- 2009.7.27	453	Financial assets at fair value through profit or loss	453

4) Accounts, interest, other receivables and payables

As of December 31, 2008 and 2007, the Bank's receivables from SinoPac Card Services amounted to \$23,159 and \$59,606, respectively.

As of December 31, 2008 and 2007, other receivables from related parties amounted to \$10,625 and \$10,756, respectively. As of December 31, 2008 and 2007, other payables to related parties amounted to \$26,390 and \$10,593, respectively.

As of December 31, 2008 and 2007, the Bank's receivable from sale of credit card business at book value to SinoPac Card Services amounted to \$2,482,119 and \$3,309,492, respectively. 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 years ended December 31, 2008 and 2007 were \$72,841 and \$77,808, respectively; interest receivables as of December 31, 2008 and 2007 were \$3,369 and \$6,780.

As of December 31, 2008 and 2007, the Bank's estimated receivables resulting from the adoption of the linked-tax system amounted to \$1,316,182 and \$939,235, respectively.

5) Loans

December 31, 2008					
	December 31, 2008 Balance	Highest Balance	%	Interest/Fee Rates	Interest Revenue
Loans	<u>\$2,236,946</u>	<u>\$3,077,243</u>	<u>0.35</u>	1.57%-8.3%	<u>\$ 67,234</u>

December 31, 2008							
Category	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collaterals	Is the Transaction at Arm's Length Commercial Term
Employees consuming loan	32	\$ 13,197	\$ 7,420	V	-	None	Yes
Households mortgages	227	1,595,708	1,037,657	V	-	Real estate	Yes
Others:	SPL	579,000	410,000	V	-	Real estate	Yes
	BoardTek Electronics	407,250	342,354	V	-	Real estate	Yes
	Rung-Tzung Investment	246,671	246,671	V	-	Real estate	Yes
	Yung An Leasing	198,800	180,800	V	-	Real estate	Yes
	Liu, Shiou Fong	1,785	48	V	-	Real estate	Yes
	Chen Hsu, Yu Rong	7,000	5,522	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	800	V	-	Certificate of deposit	Yes
	Ji, Ying Huei	182	-	V	-	Certificate of deposit	Yes
	Liao, Jhih Ming	2,794	-	V	-	Certificate of deposit	Yes
	Bai, Su Cing	41	-	V	-	Certificate of deposit	Yes
	Lin, Cheng Che	351	-	V	-	Certificate of deposit	Yes
	Chu, Wen Chi	5,674	5,674	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	34	-	V	-	Certificate of deposit	Yes
	Chang, Ping Zhou	440	-	V	-	Certificate of deposit	Yes
	He, Xi Jian	600	-	V	-	Certificate of deposit	Yes
	Hsu, Bao Zhen	6	-	V	-	Certificate of deposit	Yes
	Chen, Chao Bang	807	-	V	-	Certificate of deposit	Yes
	Huang, Chiung Yao	416	-	V	-	Certificate of deposit	Yes
	Wu, Jhih Ciang	2,805	-	V	-	Certificate of deposit	Yes
	Guo, Kai Wei	2,788	-	V	-	Certificate of deposit	Yes
	Sub-total	<u>1,468,338</u>	<u>1,191,869</u>				
		<u>\$ 3,077,243</u>	<u>\$ 2,236,946</u>				

December 31, 2007					
	December 31, 2007 Balance	Highest Balance	%	Interest/Fee Rates	Interest Revenue
Loans	<u>\$ 2,365,306</u>	<u>\$ 3,640,923</u>	<u>0.39</u>	2%-8.04%	<u>\$ 76,025</u>

December 31, 2007

Category	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collaterals	Is the Transaction at Arm's Length Commercial Term
Employees consuming loan	34	\$ 12,194	\$ 6,695	V	-	None	Yes
Households mortgages	199	1,024,285	899,361	V	-	Real estate	Yes
Others:	SPL	877,000	579,000	V	-	Real estate	Yes
	SinoPac Securities	700,000	-	V	-	Certificate of deposit and real estate	Yes
	BoardTek Electronics	496,000	394,125	V	-	Real estate	Yes
	Rung-Tzung Investment	246,671	246,671	V	-	Real estate	Yes
	Yung An Leasing	197,600	192,300	V	-	Real estate	Yes
	Fortune Investment	72,000	36,000	V	-	Real estate	Yes
	Liu, Shiou Fong	1,858	1,785	V	-	Real estate	Yes
	Chen Hsu, Yu Rong	6,476	6,320	V	-	Real estate	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
	Jhou, Shu Lin	500	500	V	-	Certificate of deposit	Yes
	Chen, Jhih Wen	950	940	V	-	Certificate of deposit	Yes
	Ji, Ying Huei	1,015	342	V	-	Certificate of deposit	Yes
	Liao, Jhih Ming	1,291	40	V	-	Certificate of deposit	Yes
	Yang, Su Mei	13	13	V	-	Certificate of deposit	Yes
	Bai, Su Cing	350	-	V	-	Certificate of deposit	Yes
	Guo, Kai Wei	2,297	795	V	-	Certificate of deposit	Yes
	Sub-total	<u>2,604,444</u>	<u>1,459,250</u>				
		<u>\$ 3,640,923</u>	<u>\$ 2,365,306</u>				

6) Guarantees

December 31, 2008

Related Party	The Highest Balance in Current Period	Ending Balance	Provision	Rates	Type of Collaterals	Note
SinoPac Securities	\$ 38,000	\$ 7,000	\$ -	0.3%	Real estate and certificate of deposit	
TaiGen Biotechnology	18,340	-	-	0.45%	Certificate of deposit	
Lien, His Chuan	755	-	-	1.5%-2.5%	None	Note
Hong, Wen Jing	505	330	-	1.5%-2.5%	None	Note
Huang, Lien Cheng	500	230	-	1.5%-2.5%	None	Note
Luo, Guang Tsai	225	90	-	1.5%-2.5%	None	Note
Chen, Yu Chien	225	90	-	1.5%-2.5%	None	Note
Zhong, Dau Cheng	225	-	-	1.5%-2.5%	None	Note
Zhung, Ji Cheng	220	-	-	1.5%-2.5%	None	Note
Kao, Guo Hsing	175	-	-	1.5%-2.5%	None	Note
Li, Chih Neng	155	20	-	1.5%-2.5%	None	Note
Li, Liang	140	20	-	1.5%-2.5%	None	Note
Lu, Zhong Xiong	120	120	-	1.5%-2.5%	None	Note
Huang, Chiung Yao	110	-	-	1.5%-2.5%	None	Note
Huang, Yung Guang	110	-	-	1.5%-2.5%	None	Note
Chung, Jing Ping	50	20	-	1.5%-2.5%	None	Note
Chang, Dong Ying	50	20	-	1.5%-2.5%	None	Note
Guo, Ling Ling	40	-	-	1.5%-2.5%	None	Note
Huang, Jing Fang	40	-	-	1.5%-2.5%	None	Note

Note: The listed seventeen guarantees are employees consuming loans.

December 31, 2007

Related Party	The Highest Balance in Current Period	Ending Balance	Provision	Rates	Type of Collaterals
SinoPac Securities	\$ 38,000	\$ 38,000	\$ -	0.30%	Real estate and certificate of deposit
TaiGen Biotechnology	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>December 31</u>	
	<u>2008</u>	<u>2007</u>
Subordinate debenture beneficiary certificates - credit card receivables	\$ <u>80,000</u>	\$ <u>80,000</u>

8) Unquoted equity instruments

To comply with the reorganization of SPH, the unquoted equity instruments held by the Bank had transferred to SinoPac Venture Capital:

Investee Company	Shares (in Thousands)	Book Value
Boston Life Science Venture Co.	10,000	\$ 100,000
Taiwan Global Bio Fund	5,625	56,250
Taiwan Incubator Small & Medium Enterprises	3,417	29,000
Cathay Venture Capital Corp.	2,400	24,000
China Technology Venture Capital Corp.	1,670	16,700
Lian An Services Co., Ltd.	125	1,250

9) Securities sold under agreements to repurchase

	<u>Face Amount</u>		<u>Cost</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Others	\$ 487,800	\$ 397,453	\$ 532,823	\$ 438,284

10) Deposits

	Ending Balance	% of Total	Interest Rate	Interest Expense	% of Total
<u>For the year ended December 31, 2008</u>					
SinoPac Securities	\$ 6,922,118	0.87%	0-2.57	\$ 36,765	0.10%
SinoPac Futures	3,898,961	0.49%	0.1-2	28,974	0.08%
SinoPac Securities (Asia) Ltd.	1,500,903	0.19%	0-6.5	23,378	0.07%
SinoPac Venture Capital	1,299,923	0.16%	0.05-1.95	13,614	0.04%
SinoPac Card Services	1,269,328	0.16%	0.05-0.75	174	-
Others	6,832,850	0.86%	0-13	134,803	0.37%
<u>For the year ended December 31, 2007</u>					
SinoPac Securities	1,492,450	0.19%	0-2.54	23,098	0.08%
SinoPac Securities (Asia) Ltd.	1,323,124	0.17%	0-6.02	55,055	0.19%
SPLIA	428,122	0.05%	0.1-1.76	3,652	0.01%
SinoPac Asia Ltd.	380,201	0.05%	1.25-5.25	4,680	0.02%
SinoPac Futures	330,175	0.04%	0.1-2.56	14,659	0.05%
Others	5,478,031	0.69%	0-13	103,788	0.36%

11) Bank debentures

	Ending Balance	% of Total	Interest Expense	% of Total
<u>For the year ended December 31, 2008</u>				
SinoPac Futures	\$ -	-	\$ 309	-
<u>For the year ended December 31, 2007</u>				
SinoPac Futures	50,035	0.16%	1,297	0.01%

12) Revenues and expenses

	Amount		% of Total	
	For the Years Ended December 31		For the Years Ended December 31	
	2008	2007	2008	2007
Service fees	\$ 44,538	\$ 69,839	1.41%	1.47%
Service expenses	4,443	21,794	1.09%	3.77%
Project popularizing expense	2,274	1,997	0.07%	0.06%
Other revenues	9,187	8,578	8.68%	2.06%

13) 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 Years Ended</u>			
	<u>December 31</u>			
	2008	2007		
SPL	\$ 106,180	\$ 98,853	February 2020	Rentals paid monthly
Ruentex Development	3,600	3,900	September 2010	Rentals paid monthly

b) The Bank as a lessor

Lessee	<u>Rental Income</u>		Lease Term	Payment Frequency
	<u>For the Years Ended</u>			
	<u>December 31</u>			
	2008	2007		
SinoPac Card Services	\$ 25,860	\$ 24,718	September 2011	Rentals received monthly
SinoPac Securities	14,667	13,279	November 2011	Rentals received monthly
SPL	5,952	5,952	July 2011	Rentals received monthly
SinoPac Call Center	5,247	2,880	October 2008	Rentals received monthly
SPLIA	2,250	2,063	January 2012	Rentals received monthly
SPPIA	396	363	January 2012	Rentals received monthly
Wal Tech International	60	60	June 2011	Rentals received monthly
SinoPac Venture Capital	10	10	June 2010	Rentals received monthly
SinoPac Management	-	242	April 2007	Rentals received monthly

14) Professional advisory charges

The Bank had entered into several professional advisory contracts with its investees. The professional advisory charges paid for the years ended December 31, 2008 and 2007 amounted to \$87,558 and \$84,274, 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.

c. Compensation of directors, supervisors and management personnel; please refer to annual report for the detail information.

	2008	2007
Salary and compensation	\$ 160,634	\$ 154,738
Business-conducting expense	<u>4,943</u>	<u>5,069</u>
	<u>\$ 165,577</u>	<u>\$ 159,807</u>

27. RESTRICTED ASSETS

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

Restricted Assets	Object	Fair Value		Purposes
		December 31 2008	December 31 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	1,001	998	GTSM as bond payment settlement reserves for electronic bond trading system
Available-for-sale financial assets	Government bonds	530,124	542,083	Pledged to bank as collaterals for filing provisional seizure, GTSM as bond payment settlement reserves for electronic bond trading system
Available-for-sale financial assets	Certificate of deposit	-	5,003,437	Intraday overdraft facilities
Held-to-maturity investments	Government bonds	200,396	-	Pledged to court as collaterals for filing provisional seizure, GTSM as bond payment settlement reserves for electronic bond trading system
Held-to-maturity investments	Government bonds	211,564	205,746	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	1,170,138	1,295,207	Futures guarantee deposits, pledge to court as collateral for filing provisional seizure 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
2009	\$ 338,828
2010	288,228
2011	224,465
2012	178,402
2013	89,672

Rentals for the years beyond 2014 amount to \$250,425, the present value of which is about \$222,989 as discounted at the Bank's one-year time deposit rate of 1.47% on December 31, 2008.

b. Equipment purchase contract

The Bank had entered into contracts to buy computer equipment and office equipment for \$170,664, of which \$93,672 had already been paid as of December 31, 2008.

c. Interior decoration contract

The Bank had entered into interior decoration contracts for \$199,600, of which \$113,130 had already been paid as of December 31, 2008.

- d. The Securities and Futures Investors Protection Center (SFIPC) was filing a lawsuit against the Bank and SPL's subsidiary, Grand Capital, in the ground that Procomp Informatics Ltd. provided deposit US\$10,000,000 with the Bank's Shisung Branch (formally Sungshan Branch) and limited the usage as a condition for short-term loan to Addie International Limited granted by SPL and for helping Yeh, Sue-Fei and Procomp Informatics Ltd. processing irregular trading and appropriating the aforementioned limited deposit for fictitious sales. Finally the Bank directly took compensation from Procomp Informatics Ltd.'s account, causing Procomp's damage. And the Bank was suspected of misleading investors by providing unreal confirmations for conceal with the limited deposit of the Procomp and window-dressing its financial statements. The SFIPC filed additional lawsuit against the Bank, SPL and all other parties related to Procomp Informatics Ltd. for involving liability \$41.7 hundred millions to pay compensation. The Shihlin District Court rejected the SFIPC's lawsuit against the Bank on March 11, 2008. SFIPC has filed an appeal. The Bank has entered a plea on such charges and the case is under trying in the Taiwan High Court.
- 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 was appealed 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.

	For the Years Ended December 31			
	2008		2007	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Due from the Central Bank and other banks	\$ 38,155,413	2.00	\$ 47,877,968	2.40
Call loans to banks	55,705,046	3.07	69,810,206	4.56
Financial assets at fair value through profit or loss	17,794,704	2.79	64,542,094	2.51
Securities purchased under agreements to resell	4,626,625	1.79	6,059,931	1.69

(Continued)

	For the Years Ended December 31			
	2008		2007	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Available-for-sale financial assets	\$ 82,870,849	2.28	\$ 93,194,005	2.08
Discounts and loans	623,483,848	3.47	594,775,486	3.63
Accounts receivable - factoring	13,068,600	3.90	10,928,917	5.43
Held-to-maturity investments	61,781,414	2.20	2,672,858	5.82
Other financial assets	1,599,649	1.59	5,430,907	5.58

Interest-bearing liabilities

Due to the Central Bank and other banks	20,746,451	2.58	12,112,821	2.45
Call loans	24,784,269	3.02	43,600,649	3.94
Securities sold under agreements to repurchase	5,950,548	1.77	11,367,842	2.25
Demand	103,364,091	0.54	106,444,871	1.38
Savings - demand	160,042,305	0.60	167,849,884	0.58
Time	280,321,806	2.54	244,649,784	2.99
Savings - time	217,848,225	2.51	206,328,389	2.25
Negotiable certificates of deposit	16,789,683	2.13	32,892,490	1.88
Bank debentures	33,125,821	2.27	30,812,623	1.14
Other liabilities - appropriated loan fund	481,544	1.03	492,141	0.95
Bonds payable	5,430,054	-	5,771,552	-

(Concluded)

30. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

	December 31			
	2008		2007	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<u>Financial assets</u>				
Other short-term financial assets	\$ 143,012,821	\$ 143,012,821	\$ 201,411,082	\$ 201,411,082
Financial assets at fair value through profit or loss	32,281,295	32,281,295	28,942,915	28,942,915
Discounts and loans	629,440,360	629,440,360	602,246,769	602,246,769
Available-for-sale financial assets	23,628,091	23,628,091	110,506,001	110,506,001
Held-to-maturity investments	115,762,458	114,650,545	2,678,079	2,715,780
Equity investments-equity method	9,631,678	9,631,678	9,636,453	9,636,453
Unquoted equity instruments	488,507	-	721,707	-
Non-active market debt instruments	432,841	388,496	3,479,450	3,455,927
Other financial assets	1,786,604	1,786,604	1,937,519	1,937,519
<u>Financial liabilities</u>				
Other short-term financial liabilities	67,846,767	67,846,767	72,126,531	72,126,531
Financial liabilities at fair value through profit or loss	16,918,491	16,918,491	10,157,510	10,157,510
Deposits and remittances	795,088,535	795,088,535	793,459,982	793,459,982
Bank debentures	28,763,023	28,763,023	31,133,473	31,133,473
Bonds payable	4,950,359	4,600,794	5,709,968	5,669,998
Other financial liabilities	779,569	779,569	984,669	984,669

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 \$28,058,703 and \$29,116,222, for the years ended December 31, 2008 and 2007, respectively. Interest expense of financial assets and liabilities other than those at fair value through profit or loss amounted to \$15,880,141 and \$17,329,883, for the years ended December 31, 2008 and 2007, respectively.

d. Financial risk information

- 1) Market risk

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

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

	<u>Quoted Market Prices</u>		<u>Fair Value Based on Estimates</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<u>Financial assets</u>				
Financial assets at fair value through profit or loss	\$ 26,123,656	\$ 20,246,945	\$ 6,157,639	\$ 8,695,970
Available-for-sale financial assets	23,186,319	110,506,001	441,772	-
Held-to-maturity investments	114,570,545	2,354,659	80,000	361,121
Other financial assets - non-active market debt instruments	-	-	388,496	3,455,927
<u>Financial liabilities</u>				
Financial liabilities at fair value through profit or loss	16,308,983	9,207,331	609,508	950,179

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 December 31, 2008 and 2007, ratios of secured loans to total loans were 65.73% and 66.2%, respectively. Ratio of secured financial guarantees and standby letters of credits were from 26.01% to 29.07%. 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	December 31	
	2008	2007
	Maximum Credit Exposure	Maximum Credit Exposure
Off-balance-sheet credit risk		
Financial guarantees and standby letter of credit	\$ 19,058,620	\$ 27,507,616
Undrawn loan commitments	21,974,123	24,215,124

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	December 31	
	2008	2007
	Maximum Credit Exposure	Maximum Credit Exposure
Consumer	\$ 355,289,560	\$ 358,053,170
Private sector	253,087,752	229,444,770
Government	<u>27,857,660</u>	<u>21,078,805</u>
	<u>\$ 636,234,972</u>	<u>\$ 608,576,745</u>

Credit Risk Profile by Industry Sector	December 31	
	2008	2007
	Maximum Credit Exposure	Maximum Credit Exposure
Electricity industry	\$ 56,222,455	\$ 43,438,667
Material and supplies	42,926,928	34,811,240
Wholesale trade and retail business	<u>32,975,802</u>	<u>38,390,484</u>
	<u>\$ 132,125,185</u>	<u>\$ 116,640,391</u>

Credit Risk Profile by Region	December 31	
	2008	2007
	Maximum Credit Exposure	Maximum Credit Exposure
Domestic area	\$ 576,950,911	\$ 565,320,793
Asia	27,935,600	17,139,215
North America	<u>17,158,638</u>	<u>11,482,811</u>
	<u>\$ 622,045,149</u>	<u>\$ 593,942,819</u>

3) Liquidity risk

As of December 31, 2008 and 2007, the liquidity reserve ratio was 22.75% and 25.75%, respectively. The Bank has sufficient capital and working capital to execute all the obligation of contract and has no liquidity risk.

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:

	December 31, 2008						
	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due Between One Year and Seven Years	Due After Seven Years	Total
<u>Assets</u>							
Cash and cash equivalents	\$ 14,923,761	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,923,761
Due from the Central Bank and other banks	72,583,964	5,580,592	1,807,300	10,597,350	-	-	90,569,206
Financial assets at fair value through profit or loss	24,738,727	633,297	6,376,675	411,256	121,340	-	32,281,295
Securities purchased under agreements to resell	1,974,130	624,652	-	-	-	-	2,598,782
Receivables	16,600,561	12,124,488	1,834,063	1,612,887	4,404,076	-	36,576,075
Discounts and loans	58,876,364	62,937,549	44,348,609	28,141,981	111,420,631	330,178,285	635,903,419
Available-for-sale financial assets	9,111,476	504,776	2,675,201	377,628	10,416,251	542,759	23,628,091
Held-to-maturity investments	47,450,553	35,801,973	27,664,300	2,479,784	1,996,576	369,272	115,762,458
Non-active market debt instruments	13,021	-	145,712	-	262,880	11,228	432,841
Hedged derivative financial assets	20,257	5,282	84,873	17,240	362,862	-	490,514
	<u>246,292,814</u>	<u>118,212,609</u>	<u>84,936,733</u>	<u>43,638,126</u>	<u>128,984,616</u>	<u>331,101,544</u>	<u>953,166,442</u>
<u>Liabilities</u>							
Call loans and due to banks	6,384,516	15,385,740	2,016,770	15,368,172	-	-	39,155,198
Financial liabilities at fair value through profit or loss	10,749,261	402,310	176,050	5,589,908	962	-	16,918,491
Securities sold under agreements to repurchase	3,895,440	530,660	-	-	-	-	4,426,100
Payables	13,961,387	6,691,428	1,911,840	1,495,520	378,196	-	24,438,371
Deposits and remittances	167,469,954	146,041,961	203,676,348	197,774,457	80,125,815	-	795,088,535
Bank debentures	468,017	700,000	5,700,000	10,450,359	11,444,647	-	28,763,023
Bonds payable	-	-	-	-	4,950,359	-	4,950,359
Hedged derivative financial liabilities	21,886	2,241	-	-	-	-	24,127
	<u>202,950,461</u>	<u>169,754,340</u>	<u>213,481,008</u>	<u>230,678,416</u>	<u>96,899,979</u>	<u>-</u>	<u>913,764,204</u>
Net liquidity gap	<u>\$ 43,342,353</u>	<u>\$ (51,541,731)</u>	<u>\$ (128,544,275)</u>	<u>\$ (187,040,290)</u>	<u>\$ 32,084,637</u>	<u>\$ 331,101,544</u>	<u>\$ 39,402,238</u>

	December 31, 2007						
	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due Between One Year and Seven Years	Due After Seven Years	Total
<u>Assets</u>							
Cash and cash equivalents	\$ 13,554,793	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,554,793
Due from the Central Bank and other banks	136,493,360	8,059,013	3,316,235	-	-	-	147,868,608
Financial assets at fair value through profit or loss	24,645,863	655,511	2,804,502	593,886	243,153	-	28,942,915
Securities purchased under agreements to resell	4,024,177	-	-	-	-	-	4,024,177
Receivables	12,425,694	15,673,529	4,481,515	536,459	4,074,058	-	37,191,255
Discounts and loans	57,896,201	45,941,047	32,333,859	40,634,577	108,365,347	323,071,889	608,242,920

(Continued)

	December 31, 2007						
	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due Between One Year and Seven Years	Due After Seven Years	Total
Available-for-sale financial assets	\$ 54,859,927	\$ 19,000,000	\$ 997,790	\$ 31,689,876	\$ 3,856,378	\$ 102,030	\$ 110,506,001
Held-to-maturity investments	223,514	485,246	-	33,253	1,462,003	474,063	2,678,079
Non-active market debt instruments	35,996	-	-	-	1,691,497	1,751,957	3,479,450
Hedged derivative financial assets	-	-	-	89,304	382,013	-	471,317
	<u>304,159,525</u>	<u>89,814,346</u>	<u>43,933,901</u>	<u>73,577,355</u>	<u>120,074,449</u>	<u>325,399,939</u>	<u>956,959,515</u>
Liabilities							
Call loans and due to banks	19,128,258	6,123,520	3,663,693	15,988,107	-	-	44,903,578
Financial liabilities at fair value through profit or loss	7,012,443	348,516	2,640,395	155,449	707	-	10,157,510
Securities sold under repurchase agreements	5,335,386	1,088,595	13,691	-	-	-	6,437,672
Payables	8,706,199	6,963,878	2,755,825	1,601,779	909,704	-	20,937,385
Deposits and remittances	182,068,305	116,556,013	171,855,150	233,867,747	89,112,767	-	793,459,982
Bank debentures	-	3,000,000	-	9,559,355	18,574,118	-	31,133,473
Bonds payable	-	-	-	-	5,709,968	-	5,709,968
Hedge derivative financial liabilities	-	-	-	24,029	107,895	-	131,924
	<u>222,250,591</u>	<u>134,080,522</u>	<u>180,928,754</u>	<u>261,196,466</u>	<u>114,415,159</u>	<u>-</u>	<u>912,871,492</u>
Net liquidity gap	<u>\$ 81,908,934</u>	<u>\$ (44,266,176)</u>	<u>\$ (136,994,853)</u>	<u>\$ (187,619,111)</u>	<u>\$ 5,659,290</u>	<u>\$ 325,399,939</u>	<u>\$ 44,088,023</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 and a part of fixed rate loans.

Hedged Items	Hedging Instruments	December 31			
		2008		2007	
		Notion Amount	Fair Value	Notion Amount	Fair Value
Bank debentures	Interest rate swap	\$ 7,800,000	\$ 203,992	\$ 11,200,000	\$ (45,082)
	Cross currency swap	9,700,000	264,025	14,300,000	378,555
Fixed rate loans	Interest rate swap	367,203	(1,630)	377,329	5,920

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

			December 31, 2008	
			Standalone	Consolidation
Eligible capital	Tier 1 capital		\$ 51,981,518	\$ 56,276,474
	Tier 2 capital		8,855,268	15,078,068
	Tier 3 capital		-	-
	Eligible capital		60,836,786	71,354,542
Risk-weighted assets	Credit risk	Standardized approach	528,034,082	587,026,066
		Internal rating - based approach	N/A	N/A
		Securitization	883,186	2,000,091
	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	18,780,898	20,261,254
		Internal models approach	N/A	N/A
	Total risk-weighted assets		582,623,804	649,511,349
	Capital adequacy rate			10.44%
Tier 1 risk - based capital ratio			8.92%	8.67%
Tier 2 risk - based capital ratio			1.52%	2.32%
Tier 3 risk - based capital ratio			-	-
Ratios of common stockholders' equity to total assets			4.60%	4.28%

			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%
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 8-2.

c. Maturity analysis of assets and liabilities

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

(In Thousands of New Taiwan Dollars)

	Total	The Amount of Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Main capital inflow on maturity	\$ 879,838,484	\$ 183,297,256	\$ 115,345,463	\$ 90,272,261	\$ 42,252,252	\$ 448,671,252
Main capital outflow on maturity	887,859,861	143,018,949	150,799,018	137,670,252	157,979,458	298,392,184
Gap	(8,021,377)	40,278,307	(35,453,555)	(47,397,991)	(115,727,206)	150,279,068

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)
December 31, 2008

(In Thousands of U.S. Dollars)

	Total	The Amount of Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Main capital inflow on maturity	\$ 7,803,930	\$ 3,261,864	\$ 2,152,463	\$ 1,485,101	\$ 363,982	\$ 540,520
Main capital outflow on maturity	7,989,572	3,599,750	1,678,039	1,272,155	584,860	854,768
Gap	(185,642)	(337,886)	474,424	212,946	(220,878)	(314,248)

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)
December 31, 2007

(In Thousands of New Taiwan Dollars)

	Total	The Amount of Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Main capital inflow on maturity	\$ 882,825,502	\$ 202,340,639	\$ 80,567,943	\$ 49,596,017	\$ 115,870,974	\$ 434,449,929
Main capital outflow on maturity	893,695,453	147,243,187	110,193,765	90,599,431	215,204,662	330,454,408
Gap	(10,869,951)	55,097,452	(29,625,822)	(41,003,414)	(99,333,688)	103,995,521

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)
December 31, 2007

(In Thousands of U.S. Dollars)

	Total	The Amount of Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Main capital inflow on maturity	\$ 8,192,172	\$ 2,475,281	\$ 2,025,904	\$ 1,620,526	\$ 1,394,533	\$ 675,928
Main capital outflow on maturity	8,352,130	3,091,150	1,542,206	1,131,652	1,427,564	1,159,558
Gap	(159,958)	(615,869)	483,698	488,874	(33,031)	(483,630)

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 Year Ended December 31, 2008	For the Year Ended December 31, 2007
Return on total assets	Before income tax	(0.41)	(0.14)
	After income tax	(0.28)	(0.05)
Return on net worth	Before income tax	(6.89)	(2.23)
	After income tax	(4.71)	(0.79)
Profit margin		(26.21)	(3.25)

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 years ended December 31, 2008 and 2007.

e. Interest rate sensitivity information

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

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-rate sensitive assets	\$ 593,282,146	\$ 45,529,372	\$ 28,223,534	\$ 36,361,363	\$ 703,396,415
Interest-rate sensitive liabilities	294,095,392	283,193,247	100,064,964	10,888,121	688,241,724
Interest-rate sensitive gap	299,186,754	(237,663,875)	(71,841,430)	25,473,242	15,154,691
Net worth					60,373,536
Ratio of interest-rate sensitive assets to liabilities					102.20%
Ratio of interest-rate sensitive gap to net worth					25.10%

Interest Rate Sensitivity (New Taiwan Dollars)
December 31, 2007

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-rate sensitive assets	\$ 404,151,165	\$ 85,580,624	\$ 135,048,371	\$ 65,914,993	\$ 690,695,153
Interest-rate sensitive liabilities	252,774,321	270,775,508	27,157,089	142,807,640	693,514,558
Interest-rate-sensitive gap	151,376,844	(185,194,884)	107,891,282	(76,892,647)	(2,819,405)
Net worth					63,221,530
Ratio of interest-rate sensitive assets to liabilities					99.59%
Ratio of interest-rate sensitive gap to net worth					(4.46%)

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 15th of next month.

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

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

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

Interest Rate Sensitivity (USD)
December 31, 2008

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

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-rate sensitive assets	\$ 4,684,633	\$ 393,819	\$ 156,469	\$ 323,286	\$ 5,558,207
Interest-rate sensitive liabilities	2,539,396	1,829,780	185,757	130	4,555,063
Interest-rate-sensitive gap	2,145,237	(1,435,961)	(29,288)	323,156	1,003,144
Net worth					32,755
Ratio of interest-rate sensitive assets to liabilities					122.02%
Ratio of interest-rate sensitive gap to net worth					3,062.57%

Interest Rate Sensitivity (USD)
December 31, 2007

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

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-rate sensitive assets	\$ 4,342,066	\$ 779,704	\$ 161,168	\$ 636,319	\$ 5,919,257
Interest-rate sensitive liabilities	3,153,394	1,754,209	301,421	290,203	5,499,227
Interest-rate-sensitive gap	1,188,672	(974,505)	(140,253)	346,116	420,030
Net worth					30,737
Ratio of interest-rate sensitive assets to liabilities					107.64%
Ratio of interest-rate sensitive gap to net worth					1,366.53%

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 15th of next month.

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

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

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

f. Concentration of credit extensions

December 31, 2008

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	Group Name (Note 2)	Total Credit Consists of Loans (Note 3)	Percentage of Net Worth (%) (Note 4)
1	Formosa Plastics Group	\$12,998,763	21.45%
2	Dell Inc.	7,365,359	12.16%
3	CHI MEI Optoelectronics	6,893,467	11.38%
4	Foxconn	6,397,455	10.56%
5	Hung Tai Construction	5,287,000	8.73%
6	China Metal Products Group	5,170,765	8.53%
7	Far East Group	5,060,666	8.35%
8	AUO Optronics Group	4,992,871	8.24%
9	China Airlines	4,777,000	7.88%
10	Evergreen Group	2,775,358	4.58%

December 31, 2007

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	Group Name (Note 2)	Total Credit Consists of Loans (Note 3)	Percentage of Net Worth (%) (Note 4)
1	Formosa Plastics Group	\$8,258,983	13.26%
2	BenQ Group	6,133,087	9.84%
3	HON HAI Precision Group	5,595,853	8.98%
4	Hung Tai Construction	5,150,000	8.27%
5	China Airlines	4,828,000	7.75%
6	Dell Inc.	4,653,179	7.47%
7	Chinatrust Group	4,587,980	7.36%
8	China Metal Products Group	4,470,158	7.18%
9	Far East Group	4,351,192	6.98%
10	CHI MEI Optoelectronics	3,266,575	5.24%

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.

33. INFORMATION REGARDING THE TRUST BUSINESS UNDER THE TRUST LAW

- a. Balance sheets, income statement and trust properties of trust accounts

These statements were managed by the Bank's Trust Department. However, these items were not included in the Bank's financial statements.

**Balance Sheets of Trust Accounts
December 31, 2008**

(In Thousands of New Taiwan Dollars)

	Other Trust Business	Financial Assets and Real Estate Trust Plan	Total
<u>Trust assets</u>			
Bank deposits	\$ 5,198,541	\$ 2,794,810	\$ 7,993,351
Bonds	24,475,469	7,236,141	31,711,610
Stocks	9,949,997	-	9,949,997
Funds	87,778,997	-	87,778,997
Receivables	1,126	33,917	35,043
Prepayments	38	12,621	12,659
Real estate			
Land	6,716,554	3,538,574	10,255,128
Buildings	1,028,610	1,364,856	2,393,466
Construction in process	3,604,344	-	3,604,344
Securities under custody	165,067,797	-	165,067,797
Other assets	<u>-</u>	<u>76,358</u>	<u>76,358</u>
Total trust assets	<u>\$ 303,821,473</u>	<u>\$ 15,057,277</u>	<u>\$ 318,878,750</u>
<u>Trust liabilities</u>			
Payables	\$ 147	\$ 4,734	\$ 4,881
Advance receipts	-	14,504	14,504
Other liabilities	-	20,171	20,171
Payable on securities under custody	165,067,797	-	165,067,797
Trust capital	136,813,277	13,986,667	150,799,944
Reserves and cumulative earnings			
Reserves	-	71,184	71,184
Net income	1,167,524	185,592	1,353,116
Cumulative earnings	1,765,466	310,995	2,076,461
Deferred amount	(992,738)	-	(992,738)
Unrealized revaluation increment on land	<u>-</u>	<u>463,430</u>	<u>463,430</u>
Total trust liabilities	<u>\$ 303,821,473</u>	<u>\$ 15,057,277</u>	<u>\$ 318,878,750</u>

Trust Income Statement
For the Year Ended December 31, 2008

(In Thousands of New Taiwan Dollars)

	Other Trust Service	Financial Assets and Real Estate Trust Plan	Total
Trust income			
Interest income	\$ 208,632	\$ 254,835	\$ 463,467
Rental income	-	201,488	201,488
Cash dividends	475,876	-	475,876
Gains from beneficiary certificates	8,873	-	8,873
Realized investment income	715,762	-	715,762
Others	73	4,439	4,512
Total trust income	<u>1,409,216</u>	<u>460,762</u>	<u>1,869,978</u>
Trust expense			
Trust administrative expenses	8,503	4,541	13,044
Maintenance expenses	-	425	425
Tax expenses	21,443	13,288	34,731
Interest expenses	-	252,899	252,899
Commissions and fees expenses	301	-	301
OTC expenses	-	1,000	1,000
Marketing expenses	1,728	-	1,728
Professional advisory charges	-	1,320	1,320
Building advisory charges	-	642	642
Realized investment loss	207,649	-	207,649
Unrealized investment loss	1,438	-	1,438
Others	630	1,055	1,685
Total trust expenses	<u>241,692</u>	<u>275,170</u>	<u>516,862</u>
Income before income tax	1,167,524	185,592	1,353,116
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>
Net income	<u>\$ 1,167,524</u>	<u>\$ 185,592</u>	<u>\$ 1,353,116</u>

Trust Properties of Trust Accounts
December 31, 2008

(In Thousands of New Taiwan Dollars)

Investment Portfolio	Book Value	Note
Bonds	\$ 24,475,469	
Stocks	9,949,997	
Funds	87,778,997	
Asset pool of financial asset securitization	7,236,141	
Asset pool of real estate securitization	4,903,430	
Real estate		
Land	6,716,554	
Buildings	1,028,610	
Construction in process	3,604,344	
Securities under custody	<u>165,067,797</u>	
Total	<u>\$ 310,761,339</u>	

**Balance Sheets of Trust Accounts
December 31, 2007**

(In Thousands of New Taiwan Dollars)

	Other Trust Business	Financial Assets and Real Estate Trust Plan	Total
<u>Trust assets</u>			
Bank deposits	\$ 3,230,548	\$ 346,058	\$ 3,576,606
Bonds	45,055,367	9,531,741	54,587,108
Stocks	3,087,593	-	3,087,593
Funds	104,933,765	-	104,933,765
Receivables	17,547	10,830	28,377
Prepayments	53	9,616	9,669
Real estate			
Land	6,493,499	3,538,574	10,032,073
Buildings	25,909	1,364,856	1,390,765
Construction in process	2,834,525	-	2,834,525
Other assets	<u>-</u>	<u>85,520</u>	<u>85,520</u>
Total trust assets	<u>\$ 165,678,806</u>	<u>\$ 14,887,195</u>	<u>\$ 180,566,001</u>
<u>Trust liabilities</u>			
Payables	\$ 703	\$ 4,558	\$ 5,261
Advance receipts	-	15,366	15,366
Other liabilities	-	26,776	26,776
Trust capital	163,912,637	13,994,886	177,907,523
Reserves and cumulative earnings			
Reserves	-	71,184	71,184
Net income	545,084	78,578	623,662
Cumulative earnings	1,511,836	232,417	1,744,253
Deferred amount	(291,454)	-	(291,454)
Unrealized revaluation increment on land	<u>-</u>	<u>463,430</u>	<u>463,430</u>
Total trust liabilities	<u>\$ 165,678,806</u>	<u>\$ 14,887,195</u>	<u>\$ 180,566,001</u>

Trust Income Statement
For the Year Ended December 31, 2007

(In Thousands of New Taiwan Dollars)

	Other Trust Service	Financial Assets and Real Estate Trust Plan	Total
Trust income			
Interest income	\$ 136,076	\$ 139,971	\$ 276,047
Rental income	-	208,945	208,945
Cash dividends	160,848	-	160,848
Gains from beneficiary certificates	5,763	-	5,763
Realized investment income	284,703	-	284,703
Unrealized investment income	10,397	-	10,397
Others	<u>6</u>	<u>-</u>	<u>6</u>
Total trust income	<u>597,793</u>	<u>348,916</u>	<u>946,709</u>
Trust expense			
Trust administrative expenses	14,015	4,589	18,604
Maintenance expenses	-	1,528	1,528
Tax expenses	13,935	13,335	27,270
Interest expenses	-	246,525	246,525
Commissions and fees expenses	684	-	684
OTC expenses	-	1,000	1,000
Marketing expenses	1,306	-	1,306
Professional advisory charges	-	1,242	1,242
Building advisory charges	-	1,028	1,028
Realized investment loss	22,384	-	22,384
Others	<u>385</u>	<u>1,091</u>	<u>1,476</u>
Total trust expenses	<u>52,709</u>	<u>270,338</u>	<u>323,047</u>
Income before income tax	545,084	78,578	623,662
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>
Net income	<u>\$ 545,084</u>	<u>\$ 78,578</u>	<u>\$ 623,662</u>

Trust Properties of Trust Accounts
December 31, 2007

(In Thousands of New Taiwan Dollars)

Investment Portfolio	Book Value	Note
Bonds	\$ 45,055,367	
Stocks	3,087,593	
Funds	104,933,765	
Asset pool of financial asset securitization	9,531,741	
Asset pool of real estate securitization	4,903,430	
Real estate		
Land	6,493,499	
Buildings	25,909	
Construction in process	<u>2,834,525</u>	
 Total	 <u>\$ 176,865,829</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 years ended December 31, 2008 and 2007, the Bank charged SinoPac Securities for \$4,624 and \$6,241, respectively, as marketing and opening accounts and paid SinoPac Securities \$126 and \$168, respectively, as commission of promoting real estate loan financing under cross selling business.

35. SEGMENT AND GEOGRAPHIC INFORMATION

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

The geographic information about the Bank for the years ended December 31, 2008 and 2007 are as follows:

	Domestic	United States	Hong Kong and Macau	Adjustments and Eliminations	Total
<u>2008</u>					
Revenues from third parties	<u>\$ 45,106,902</u>	<u>\$ 690,799</u>	<u>\$ 2,964,642</u>	<u>\$ (298,247)</u>	<u>\$ 48,464,096</u>
Segment income	<u>\$ 417,944</u>	<u>\$ 105,645</u>	<u>\$ (4,708,869)</u>	<u>\$ -</u>	<u>\$ (4,185,280)</u>
Income from equity investments - equity method					<u>152,363</u>
Income before income tax					<u>\$ (4,032,917)</u>
Identifiable assets	<u>\$ 881,228,674</u>	<u>\$ 13,502,681</u>	<u>\$ 70,152,838</u>	<u>\$ -</u>	<u>\$ 964,884,193</u>
Equity investments - equity method					<u>9,631,678</u>
Total assets					<u>\$ 974,515,871</u>

(Continued)

<u>2007</u>	Domestic	United States	Hong Kong and Macau	Adjustments and Eliminations	Total
Revenues from third parties	<u>\$ 35,804,654</u>	<u>\$ 720,270</u>	<u>\$ 5,668,494</u>	<u>\$ (213,710)</u>	<u>\$ 41,979,708</u>
Segment income	<u>\$ 1,317,661</u>	<u>\$ 117,146</u>	<u>\$ (3,870,412)</u>	<u>\$ -</u>	<u>\$ (2,435,605)</u>
Income from equity investments - equity method					<u>1,051,208</u>
Income before income tax					<u>\$ (1,384,397)</u>
Identifiable assets	<u>\$ 870,011,845</u>	<u>\$ 13,365,955</u>	<u>\$ 84,779,650</u>	<u>\$ -</u>	<u>\$ 968,157,450</u>
Equity investments - equity method					<u>9,636,453</u>
Total assets					<u>\$ 977,793,903</u> (Concluded)

36. ADDITIONAL DISCLOSURES

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

- 1) Financing provided: Table 1;
- 2) Endorsement/guarantee provided: Table 2;
- 3) Marketable securities held: Table 3;
- 4) Marketable securities acquired and disposed of, at costs or prices of at least NT\$300 million or 10% of the issued capital: None;
- 5) Acquired and disposed of investee investment at cost or prices of at least NT\$300 million or 10% of the issued capital: None;
- 6) Acquisition of individual real estate at costs of at least NT\$300 million or 10% of the issued capital: None;
- 7) Disposal of individual real estate at prices of at least NT\$300 million or 10% of the issued capital: None;
- 8) Financial asset securitization: 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: Table 6;
- 13) Other significant transactions which may affect the decisions of users of financial reports: Table 7 and 8;

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

Financial Instruments	December 31, 2008		
	Contract (Notional) Amount	Credit Risk	Fair Value
For the purpose of accommodating customers’ needs or managing FENB’s exposures:			
Non-deliverable forward contracts			
- Long position	\$ 65,720	\$ 3,943	\$ (65,720)
- Short position	71,799	4,308	(65,697)

Financial Instruments	December 31, 2007		
	Contract (Notional) Amount	Credit Risk	Fair Value
For the purpose of accommodating customers’ needs or managing FENB’s exposures:			
Forward contract contracts - short position	\$ 24,432	\$ 1,222	\$ (24,249)
Non-deliverable forward contracts			
- Long position	190,284	13,495	(194,356)
- Short position	189,792	13,463	(193,701)

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

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

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

BANK SINOPAC AND INVESTEEES

**FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars)**

No.	Financing Name	Counter-party	Financial Statement Account	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Interest Rate (%)	Financing Type	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limits
											Item	Value		
1	SinoPac Leasing Corporation	Wal-Tech International Corporation	Other receivable - related parties	\$ 173,000	\$ 86,800	3.15%-3.488%	Short-term financial	\$ -	Operating use	\$ -	-	\$ -	\$ 89,800 (Note 1)	\$1,010,170 (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 audited net asset value NT\$2,525,426 (in thousand) of SinoPac Leasing Corporation as of December 31, 2008. The maximum amount approved by the board of directors is NT\$89,800 (in thousand) for Wal-Tech International Corporation in May 2008.

Note 2: According to the Operational Procedures for Making Loans to Others, the financing company's financing amount limits are 40% of the audited net asset value NT\$2,525,426 (in thousand) of SinoPac Leasing Corporation as of December 31, 2008.

BANK SINOPAC AND INVESTEES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars)

No.	Endorsement/Guarantee Provider	Counter-party		Limits on Individual Endorsement/Guarantee Amounts	Maximum Balance for the Period	Ending Balance	Endorsement/Guarantee Amount Collateralized by Properties	Ratio of Accumulated Amount of Endorsement/Guarantee to Net Asset Value of the Latest Financial Statement (Note 4)	Maximum Endorsement/Guarantee Amounts Allowable
		Name	Nature of Relationship						
1	SinoPac Leasing Corporation	Grand Capital International Limited	Subsidiary	(Note 3)	\$7,179,910	\$6,470,134	\$ -	256.20%	\$12,627,130 (Note 5)

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

Note 2: The audited net asset value of SinoPac Leasing Corporation as of December 31, 2008 is NT\$2,525,426 (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 December 31, 2008, the limit was NT\$5,050,852 (in thousand) (Note 6). But no limit applied on subsidiaries which was owned over 50% by the Corporation.

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

Note 5: The maximum amount of endorsement or guarantee amounts is up to 500% of the net asset value of the Corporation. As of December 31, 2008, the limit was NT\$12,627,130 (in thousands) (Note 6). But no limit applied on subsidiaries which was owned over 50% by 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 audited financial statements as of December 31, 2008.

BANK SINOPAC AND INVESTEEES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars)

Name of Holding Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	December 31, 2008				Note
				Shares/Units/ Face Amount (In Thousand)	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
SinoPac Bancorp	<u>Stock</u> Far East National Bank	Subsidiary	Equity investments - equity method	180	\$ 6,688,936	100.00%	\$ 6,688,936	Note 4
Far East Capital Corporation	<u>Stock (common stock)</u> PCRS Capital Partners, LLC	-	Unquoted equity investments	-	1,130	4.00%	1,130	Note 5
	Vivaro Warrents	-	Unquoted equity investments	112	37	-	37	Note 5
	Metropolis Digital	-	Unquoted equity investments	1,257	-	8.00%	-	Note 5
	TVIA, Inc.	-	Unquoted equity investments	-	0.01	0.20%	0.01	Note 5
	<u>Stock (preferred stock)</u> AgraQuest, Inc.	-	Unquoted equity investments	100	886	0.80%	886	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	33	1.50%	33	Note 5
	SinoPac Leasing Corporation	<u>Stock</u> Grand Capital International Limited	Subsidiary	Equity investments - equity method	29,900	898,583	100.00%	898,583
SinoPac Capital Limited (H.K.)	<u>Stock</u> SinoPac Capital (B.V.I.) Ltd.	Subsidiary	Equity investments - equity method	4,450	35,174	100.00%	62,202	Note 4
	SinoPac Insurance Brokers Ltd.	Subsidiary	Equity investments - equity method	100	1,272	100.00%	135,582	Note 4
	Bio-Dynamic	-	Trading financial assets - current	4,255	3,969	0.75%	3,969	Note 2
	<u>Fund</u> China Enterprise Capital	-	Unquoted equity investments	0.02	32,875	-	32,875	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	37,082	60.00%	9,007	Note 4
	Pinnacle Investment Management Ltd.	Subsidiary	Equity investments - equity method	200	6,572	100.00%	11,678	Note 4
	RSP Information Service Company Limited	Subsidiary	Equity investments - equity method	1,000	4,213	100.00%	4,314	Note 4
SinoPac Property Insurance Agent Co., Ltd.	<u>Bond</u> Government bond 88-3	-	Guarantee deposits	600	642	-	803	Pledge
SinoPac Life Insurance Agent Co., Ltd.	<u>Bond</u> Government bond 88-3	-	Guarantee deposits	600	642	-	803	Pledge

(Continued)

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 December 31, 2008.

Note 3: Net asset values were based on the investees' unaudited or unaudited financial statements for latest period.

Note 4: Net asset values were based on the investees' audited or audited 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 December 31, 2008.

(Concluded)

BANK SINOPAC AND INVESTEEES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL

DECEMBER 31, 2008

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Bank SinoPac	SinoPac Card Services Co., Ltd.	Subsidiary of SinoPac Financial Holdings Company Limited	\$ 2,487,610	-	\$ -	-	\$ -	\$ -
Bank SinoPac	SinoPac Financial Holdings Company Limited	The parent company of the Bank	1,316,455	-	-	-	-	-

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

BANK SINOPAC AND INVESTEES

**TRADING INFORMATION - SELLING NONPERFORMING LOANS
FOR THE YEAR ENDED DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars)**

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

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

BANK SINOPAC AND INVESTEEES

INFORMATION ON INVESTED ENTERPRISES
FOR THE YEAR ENDED DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Investee Company	Location	Main Businesses and Products	Balance as of December 31, 2008			Consolidated Investment				Note
			Percentage of Ownership (%)	Carrying Amount (Note 1)	Investment Gains (Loss) (Note 1)	Shares (Thousand)	Imitated Shares	Total		
								Shares	Percentage of Ownership (%)	
<u>Financial related enterprise</u>										
SinoPac Bancorp	California	Holding company	100.00%	\$ 6,488,373	\$ (424,345)	20	-	20	100.00%	Subsidiary
SinoPac Leasing Corporation	Taipei	Leasing and installment sales	99.7683%	1,385,200	36,526	177,100	-	177,100	100.00%	Subsidiary
SinoPac Capital Limited (H.K.)	Hong Kong	Lending and financing	100.00%	1,233,060	79,822	229,998	-	229,998	100.00%	Subsidiary
SinoPac Life Insurance Agent Co., Ltd.	Taipei	Life insurance agent	100.00%	490,827	432,569	300	-	300	100.00%	Subsidiary
SinoPac Property Insurance Agent Co., Ltd.	Taipei	Property insurance agent	100.00%	34,218	27,878	300	-	300	100.00%	Subsidiary
SinoPac Financial Consulting Co., Ltd.	Taipei	Investment advisory and business management advisory	-	-	(87)	-	-	-	-	Subsidiary
Global Securities Finance Corporation	Taipei	Securities financing	2.63%	173,496	-	19,712	-	19,712	2.63%	
Taipei Foreign Exchange Inc.	Taipei	Foreign exchange market maker	3.43%	6,800	2,165	680	-	680	3.43%	
Taiwan Futures Exchange	Taipei	Futures exchange and settlement	1.07%	21,490	2,364	4,424	-	4,424	1.88%	
Fuh Hwa Securities Investment Trust Co., Ltd.	Taipei	Securities investment trust and consultant	4.63%	15,000	7,020	1,500	-	1,500	4.63%	
Financial Information Service Co., Ltd.	Taipei	Planning and developing the information system of across banking institution and managing the information web system	2.28%	91,000	15,470	9,100	-	9,100	2.28%	
Taiwan Asset Management Corporation	Taipei	Evaluating, auctioning, and managing for financial institutions' loan	0.28%	50,000	3,358	5,000	-	5,000	0.28%	
Mondex Taiwan Inc.	Taipei	Information process services	6.69%	4,935	-	395	-	395	6.69%	
Taiwan Financial Asset Service Co.	Taipei	Auction	5.88%	100,000	-	10,000	-	10,000	5.88%	
Sunny Asset Management Corp.	Taipei	Purchasing for financial institutions' loan assets	1.42%	164	25	85	-	85	1.42%	
Taiwan Depository and Clearing Co.	Taipei	Securities custodian	0.08%	4,639	302	2,232	-	2,232	0.75%	
<u>Nonfinancial related enterprise</u>										
Taiwan Television Enterprise, Ltd.	Taipei	Wireless television company	4.84%	20,983	-	13,573	-	13,573	4.84%	
Cathay Venture Capital Corp.	Taipei	Venture capital investment	-	-	4,680	2,400	-	2,400	5.00%	
China Technology Venture Capital Corp.	Taipei	Venture capital investment	-	-	1,303	1,670	-	1,670	4.99%	
Lian An Services Co., Ltd.	Taipei	ATM repairing, trading, leasing, and installing service and surveillance equipment leasing service	-	-	125	125	-	125	5.00%	

Note 1: Foreign-currency amounts were translated at the exchange rate as of the balance sheet date, except for foreign-currency-denominated income and expenses, which were translated to New Taiwan dollars at the average exchange rate for the year ended December 31, 2008.

TABLE 7-1**BANK SINOPAC****FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS
DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars)**

	December 31	
	2008	2007
<u>Held for trading financial assets</u>		
Interest rate swap	\$ 10,744,011	\$ 2,533,242
Forward contracts	5,168,899	4,067,439
Government bonds	3,694,945	2,045,253
Corporate bonds	2,710,778	3,722,018
Negotiable certificates of deposit	2,412,002	999,055
Bank debentures	2,284,408	3,172,493
Premium paid on option contracts	1,586,733	1,509,758
Convertible bonds	731,360	2,608,358
Beneficiary certificates	705,041	1,310,238
Currency swap contracts	184,413	139,101
Equity-linked swap contracts	163,317	83,256
Listed stock	148,825	409,028
Collateralized debt obligations	58,340	278,174
Cross-currency swap contracts	26,278	59,010
Credit default swap	9,573	81,804
Futures	283	1,793
Structured investment vehicles (Note)	-	3,376,787
Mortgage backed securities	-	12,182
	<u>30,629,206</u>	<u>26,408,989</u>
<u>Financial assets designated at fair value through profit or loss</u>		
Corporate bonds	1,258,919	1,952,813
Credit linked notes	377,890	565,865
Convertible bonds	15,280	15,248
	<u>1,652,089</u>	<u>2,533,926</u>
Total of Financial assets at fair value through profit or loss	<u>\$ 32,281,295</u>	<u>\$ 28,942,915</u>
<u>Held for trading financial liabilities</u>		
Interest rate swap	\$ 10,747,572	\$ 2,536,221
Forward contracts	4,379,300	2,881,029
Premium received from option contract	1,366,361	1,337,685
Currency swap contracts	189,561	200,065
Equity-linked swap contract	163,317	83,255
Credit default swap	70,614	44,829
Futures	1,766	196
Securities purchased under agreement to resell-short sales	-	3,066,156
Cross-currency swap contracts	-	8,074
	<u>\$ 16,918,491</u>	<u>\$ 10,157,510</u>

(Continued)

Note: During the year ended December 31, 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 7-2**BANK SINOPAC**
**THE CONTRACT AMOUNTS OF OUTSTANDING DERIVATIVE TRANSACTIONS
 DECEMBER 31, 2008 AND 2007
 (In Thousands of New Taiwan Dollars)**

	December 31	
	2008	2007
Currency swap contracts	\$ 281,555,700	\$ 284,810,239
Interest rate swap contracts	692,451,516	529,167,353
Options		
Long position	37,274,343	72,742,156
Short position	39,739,800	67,812,800
Forward contracts		
Long position	6,214,631	6,878,997
Short position	5,129,097	1,750,505
Non-deliverable forward contracts		
Long position	89,698,424	88,028,756
Short position	85,935,801	91,580,901
Cross-currency swap contracts	2,368,150	13,986,654
Assets swap contracts	2,896,978	3,183,579
Credit default swap contracts	1,100,000	1,586,645
Equity-linked swap contracts	1,169,159	2,252,305
Futures		
Interest rate futures long position	188,243	478,031
Interest rate futures short position	341,744	478,031
TAIEX Futures short position	4,346	-
Credit linked swap contracts	4,300,000	5,400,000

TABLE 7-3**BANK SINOPAC****AVAILABLE-FOR-SALE FINANCIAL ASSETS
DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars)**

	December 31	
	2008	2007
Commercial papers	\$ 8,852,448	\$ -
Corporate bonds	6,483,939	1,382,346
Government bonds	3,969,372	3,450,796
Treasury bills	1,961,873	-
Collateralized debt obligations	1,186,283	-
Bank debentures	1,111,125	2,001,525
Negotiable certificates of deposit	731,761	102,082,213
Listed stock	<u>75,801</u>	<u>1,589,121</u>
	24,372,602	110,506,001
Less - accumulated impairment	<u>744,511</u>	<u>-</u>
	<u>\$ 23,628,091</u>	<u>\$ 110,506,001</u>

TABLE 7-4**BANK SINOPAC****HELD-TO-MATURITY INVESTMENTS****DECEMBER 31, 2008 AND 2007****(In Thousands of New Taiwan Dollars)**

	December 31	
	2008	2007
Negotiable certificates of deposit	\$ 112,464,300	\$ 162,215
Government bonds	1,058,710	429,261
Corporate bonds	839,994	-
Bank debentures	680,229	706,210
GSE debentures	437,006	568,078
Floating rate notes	251,509	488,895
SinoPac Card Services Co., Ltd. subordinated beneficiary certificates	80,000	80,000
Structured investment vehicles (Note)	<u>-</u>	<u>486,645</u>
	115,811,748	2,921,304
Less - accumulated impairment	<u>49,290</u>	<u>243,225</u>
	<u>\$ 115,762,458</u>	<u>\$ 2,678,079</u>

Note: During the year ended December 31, 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 7-5**BANK SINOPAC****OTHER FINANCIAL ASSETS
DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars)**

	December 31	
	2008	2007
Unquoted equity instruments		
Unlisted equity investments	\$ 488,507	\$ 721,707
Non-active market debt instruments		
Structured investment vehicles (Note)	328,600	4,509,577
Collateralized debt obligations	244,292	311,614
Bank debentures	164,300	486,645
Floating rate notes	52,083	51,422
Mortgage backed securities	11,228	119,868
	<u>800,503</u>	<u>5,479,126</u>
Less - accumulated impairment	<u>367,662</u>	<u>1,999,676</u>
	<u>432,841</u>	<u>3,479,450</u>
Others		
Guarantee deposits	1,114,019	964,189
Hedged derivative financial instruments	490,514	471,317
Short-term advancement	100,563	161,406
Excess margin	56,119	331,018
Nonperforming receivables transferred from other than loans, net	25,335	8,742
Bills purchased	54	847
	<u>1,786,604</u>	<u>1,937,519</u>
	<u>\$ 2,707,952</u>	<u>\$ 6,138,676</u>

Note: During the year ended December 31, 2008, structured investment vehicles amounted to \$3,670,120, 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 7-6**BANK SINOPAC****BANK DEBENTURES
DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars)**

	December 31		Maturity Date	Terms
	2008	2007		
Fifth dominant bank debentures issued in 2003	\$ 1,027,797	\$ 1,012,448	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	703,042	702,072	2003.08.20-2009.02.20 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Fourteenth dominant bank debentures issued in 2003	2,226,576	2,230,662	2003.12.02-2009.06.02 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Second subordinated bank debentures issued in 2003	3,600,000	3,600,000	2004.03.18-2009.12.18 Principal is repayable on maturity date.	Fixed interest rate of 2.3%. Interest is paid semiannually.
First dominant bank debentures issued in 2004	512,257	524,395	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	304,983	304,890	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	509,735	486,766	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	203,231	202,417	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	305,285	304,401	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	507,946	510,331	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	202,294	201,821	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	529,506	541,528	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	306,123	305,143	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	509,261	517,874	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	207,926	201,186	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	532,250	518,303	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	306,496	306,128	2004.06.30-2009.06.30 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.

(Continued)

	<u>December 31</u>		<u>Maturity Date</u>	<u>Terms</u>
	2008	2007		
Fourteenth dominant bank debentures issued in 2004	\$ 533,778	\$ 527,500	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	552,461	546,927	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)	423,008	429,326	2004.09.14-2010.06.14 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Second subordinated bank debentures issued in 2004	500,000	500,000	2004.09.14-2010.06.14 Principal is repayable on maturity date.	Index rate plus 0.50%. Interest 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	1,563,321	-	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)	4,497,841	-	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)	499,760	-	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	3,598,146	-	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.
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	-	500,051	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	-	1,505,988	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	-	410,026	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	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.
Seventh dominant bank debentures issued in 2003	-	811,000	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	-	503,985	2003.09.16-2008.09.16 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.

(Continued)

	December 31		Maturity Date	Terms
	2008	2007		
Ninth dominant bank debentures issued in 2003	\$ -	\$ 302,418	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	-	1,010,216	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	-	1,008,167	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	-	505,616	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	-	501,888	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.
	<u>\$ 28,763,023</u>	<u>\$ 31,133,473</u>		

(Concluded)

TABLE 7-7**BANK SINOPAC****THE GAINS (LOSSES) ON DERIVATIVE FINANCIAL INSTRUMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars)**

	Account	For the Years Ended December 31	
		2008	2007
For hedging purposes:			
Cross-currency swap contracts			
- Realized	Interest revenue	\$ 255,434	\$ 109,881
	Interest expense	(469,186)	(759,101)
	Foreign exchange (loss) gain	(214,349)	9,604
Interest rate swap contracts			
- Realized	Interest revenue	209,618	30,461
	Interest expense	(273,847)	(168,813)
	Foreign exchange gain (loss)	<u>2,471</u>	<u>(32,033)</u>
		<u>(489,859)</u>	<u>(810,001)</u>
For the purposes of accommodating customers' needs or managing the Bank's exposures:			
Forward contracts			
- Realized	Interest revenue	156,161	277,379
	Interest expense	(74,146)	(85,755)
	Foreign exchange gain	243,415	289,097
- Unrealized	Loss on derivative financial instruments transactions	(4,003)	(2,255)
	Foreign exchange loss	(105,689)	(127,432)
Currency swap contracts			
- Realized	Interest revenue	3,432,162	3,564,003
	Interest expense	(2,565,229)	(2,760,389)
	Loss on derivative financial instruments transactions	(120,695)	(447,635)
- Unrealized	Income from derivative financial instruments transactions	56,134	19,228
- Realized	Foreign exchange gain	552,705	1,565,501
Interest rate swap contracts			
- Realized	Interest revenue	15,688,186	7,003,702
	Interest expense	(15,781,876)	(6,981,664)
	Loss on derivative financial instruments transactions	(104,959)	(107,559)
- Unrealized	Income from (loss on) derivative financial instruments transactions	24,789	(164,965)
Foreign-currency options contracts			
- Realized	Loss on derivative financial instruments transactions	(347,578)	(760,650)
	Foreign exchange gain	2,039,813	2,254,624
- Unrealized	Income from (loss on) derivative financial instruments transactions	96,884	(177,237)

(Continued)

	Account	For the Years Ended	
		December 31	
		2008	2007
Interest rate futures contracts			
- Realized	(Loss on) income from derivative financial instruments transactions	\$ (31,307)	\$ 83,381
	Foreign exchange (loss) gain	(1,399)	1,584
- Unrealized	(Loss on) income from derivative financial instruments transactions	(2,066)	3,364
Equity futures contracts			
- Realized	Loss on derivative financial instruments transactions	(329)	-
- Unrealized	Loss on derivative financial instruments transactions	(194)	-
Cross-currency swap contracts			
- Realized	Interest revenue	179,067	256,558
	Interest expense	(168,450)	(181,477)
	Income from derivative financial instruments transactions	124,249	454,538
- Unrealized	Loss on derivative financial instruments transactions	(24,807)	(39,014)
Credit default swap contracts			
- Realized	Loss on derivative financial instruments transactions	(78,491)	(32,031)
- Unrealized	(Loss on) income from derivative financial instruments transactions	(97,890)	72,637
Miscellaneous swap contracts - exchange rate			
- Realized	Income from (loss on) derivative financial instruments transactions	2,653	(254)
Miscellaneous swap contracts - stock index			
- Realized	Income from derivative financial instruments transactions	5,087	57,352
Commodity linked interest rate swap contracts			
- Realized	Loss on derivative financial instruments transactions	-	(1,278)
		<u>3,092,197</u>	<u>4,033,353</u>
		<u>\$ 2,602,338</u>	<u>\$ 3,223,352</u>

(Concluded)

TABLE 7-8**BANK SINOPAC**
**STATEMENTS OF IMPAIRMENT LOSS ON ASSETS
 FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
 (In Thousands of New Taiwan Dollars)**

		For the Year Ended December 31, 2008	
Financial Instruments	Purpose	Impairment Losses	Losses on Financial Assets and Liabilities at Fair Value Through Profit or Loss
Structured investment vehicles/ collateralized debt obligations/ mortgage backed securities	Trading/available-for-sale/ held-to-maturity/non-active market debt instruments	\$ (3,114,860)	\$ (2,906,651)
Floating rate notes	Held-to-maturity/non-active market debt instruments	(72,288)	-
Other securities	Trading/designated at fair value through profit or loss	-	(799,680)
Derivative financial instruments	Trading/designated at fair value through profit or loss	-	(502,523)
Financial assets		<u>(3,187,148)</u>	<u>\$ (4,208,854)</u>
Collateral assumed		<u>(6,913)</u>	
Other assets		<u>(6,913)</u>	
		<u>\$ (3,194,061)</u>	
		For the Year Ended December 31, 2007	
Financial Instruments	Purpose	Impairment Losses	Losses on Financial Assets and Liabilities at Fair Value Through Profit or Loss
Structured investment vehicles/ collateralized debt obligations/ mortgage backed securities	Trading/ held-to-maturity /non-active market debt instruments	\$ (2,368,218)	\$ (3,344,053)
Floating rate notes	Non-active market debt instruments	(15,734)	-
Other securities	Trading/designated at fair value through profit or loss	-	716,687
Derivative financial instruments	Trading/designated at fair value through profit or loss	-	(1,042,378)
Financial assets		<u>(2,383,952)</u>	<u>\$ (3,669,744)</u>
Other assets		<u>-</u>	
		<u>\$ (2,383,952)</u>	

(Continued)

Note: The impairment losses of SIV, CDO and MBS amounted to \$6,020,388, including the losses of the impairment and financial asset at fair value through profit or loss amounted to \$3,114,860 and \$2,906,651 respectively; additionally, one of non-active market debt instruments was liquidated in 2007, and recognized the gain on liquidation \$1,123 in 2008. The impairment losses of these financial instruments totally amounted to \$6,020,388 pre-tax and \$4,709,487 after-tax.

(Concluded)

TABLE 8-1

BANK SINOPAC

STATEMENT OF CHANGES IN ALLOWANCE FOR CREDIT LOSS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31, 2008							
	Discounts and Loans			Account Receivable	Non-performing Receivables 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	2,520,408	1,813,688	4,334,096	107	209	(412)	-	4,334,000
Write-off	(3,753,737)	-	(3,753,737)	(2,173)	(133,886)	-	-	(3,889,796)
Recovery of written-off credits	56,723	-	56,723	-	-	-	-	56,723
Reclassifications	877,883	(1,056,775)	(178,892)	66,783	128,633	(16,524)	-	-
Result from change of foreign exchange rate	8,718	-	8,718	(5,188)	6,608	7	-	10,145
Others	-	-	-	-	(12,880)	-	-	(12,880)
Balance, December 31	<u>\$ 3,399,785</u>	<u>\$ 3,063,274</u>	<u>\$ 6,463,059</u>	<u>\$ 68,175</u>	<u>\$ 307,848</u>	<u>\$ 32</u>	<u>\$ 140</u>	<u>\$ 6,839,254</u>
	For the Year Ended December 31, 2007							
	Discounts and Loans			Account Receivable	Non-performing Receivables 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	3,960,959	2,454,534	6,415,493	92,163	-	16,344	-	6,524,000
Write-off	(6,236,809)	-	(6,236,809)	(98,573)	-	-	-	(6,335,382)
Recovery of written-off credits	126,696	-	126,696	(333,569)	-	-	-	(206,873)
Reclassifications	1,921,109	(1,936,791)	(15,682)	(198,624)	227,634	(6,328)	(7,000)	-
Result from change of foreign exchange rate	1,089	-	1,089	3,100	-	-	-	4,189
Balance, December 31	<u>\$ 3,689,790</u>	<u>\$ 2,306,361</u>	<u>\$ 5,996,151</u>	<u>\$ 8,646</u>	<u>\$ 319,164</u>	<u>\$ 16,961</u>	<u>\$ 140</u>	<u>\$ 6,341,062</u>

BANK SINOPAC

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

Items		December 31, 2008					December 31, 2007				
		Non-performing Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)	Non-performing Loan (NPL)	Total Loans	NPL Ratio	Loan Loss Reserves (LLR)	Coverage Ratio
Corporate loan	Secured	\$ 2,056,743	\$ 85,240,234	2.41%	\$ 853,173	41.48%	\$ 2,307,892	\$ 75,708,162	3.05%	\$ 900,670	39.03%
	Unsecured	2,641,449	195,371,996	1.35%	2,493,722	94.41%	2,853,610	174,487,508	1.64%	2,337,421	81.91%
Consumer loan	Mortgage (Note 4)	3,149,504	337,887,576	0.93%	1,346,893	42.77%	5,196,629	335,321,505	1.55%	1,485,729	28.59%
	Cash card	10,469	112,052	9.34%	23,280	222.37%	15,890	210,609	7.54%	24,620	154.94%
	Micro credit (Note 5)	725,171	11,524,753	6.29%	1,687,302	232.68%	1,325,651	15,541,913	8.53%	1,190,700	89.82%
	Other (Note 6)										
	Secured	28,602	5,765,178	0.50%	58,689	205.19%	52,090	6,979,143	0.75%	57,011	109.45%
	Non-secured										
Total		8,611,938	635,901,789	1.35%	6,463,059	75.05%	11,751,762	608,248,840	1.93%	5,996,151	51.02%
		Overdue Receivable	Account Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio	Overdue Receivable	Account Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card		-	-	-	-	-	-	-	-	-	-
Account receivable - factoring with no recourse (Note 7)		10,412	12,696,086	0.08%	10,412	100.00%	20,528	15,568,898	0.13%	11,786	57.41%

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.

Note 8: Under the Banking Bureau letter dated April 25, 2006 (Ref. No. 09510001270), the disclosure of excluded NPLs resulting from debt consultation and loan agreement amounts to \$67,588 and \$117,027, respectively as of December 31, 2008 and 2007, and the disclosure of excluded overdue receivables resulting from debt consultation and loan agreement amounts to \$0 as of December 31, 2008 and 2007.