

Bank SinoPac

**Financial Statements for the
Nine Months Ended September 30, 2009 and 2008 and
Independent Accountants' Review Report**

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Stockholders
Bank SinoPac

We have reviewed the accompanying balance sheets of Bank SinoPac as of September 30, 2009 and 2008, and the related statements of income, and cash flows for the nine months then ended. These financial statements are the responsibility of the Bank SinoPac's management. Our responsibility is to issue a report on these financial statements based on our reviews.

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

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

As stated in Notes 1 and 35 to the accompanying financial statements, Bank SinoPac had a cash merger with SinoPac Card Services Co., Ltd., a wholly owned subsidiary of SinoPac Financial Holding Company Limited, with Bank SinoPac as the surviving company. Based on Statement of Financial Accounting Standards (SFAS) Interpretation No. (91) 243 and 244 and No. (95) 081 issued by the Accounting Research and Development Foundation of the Republic of China, the transaction was treated as a reorganization and was recorded at the book values of both entities' assets and liabilities. In addition, based on SFAS Interpretation No. (95) 141, the financial statements of Bank SinoPac as of and for the nine months ended September 30, 2008 were retroactively restated assuming both entities had been merged within this period.

October 27, 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 review such financial statements are those generally accepted and applied in the Republic of China.

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

BANK SINOPAC

BALANCE SHEETS
 SEPTEMBER 30, 2009 AND 2008
 (In Thousands of New Taiwan Dollars, Except Par Value)
 (Reviewed, Not Audited)

ASSETS	2009	2008	% Increase (Decrease)	LIABILITIES AND STOCKHOLDERS' EQUITY	2009	2008	% Increase (Decrease)
	Amount	(Restated, Note 35) Amount			Amount	(Restated, Note 35) Amount	
CASH AND CASH EQUIVALENTS (Note 4)	\$ 11,968,324	\$ 18,161,085	(34)	CALL LOANS AND DUE TO BANKS (Note 19)	\$ 43,887,453	\$ 51,131,661	(14)
DUE FROM THE CENTRAL BANK AND OTHER BANKS (Notes 5, 32 and 33)	78,216,810	75,878,409	3	SHORT-TERM BORROWINGS	-	116,000	(100)
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2, 6, 7, 32, 33 and 42)	16,869,338	37,660,276	(55)	COMMERCIAL PAPER PAYABLE, NET (Note 20)	-	3,746,370	(100)
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 2 and 8)	-	4,132,132	(100)	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2, 6 and 42)	10,662,642	10,707,426	-
ACCOUNTS, INTEREST AND OTHER RECEIVABLES, NET (Notes 2, 9, 10, 31 and 32)	41,070,977	48,517,808	(15)	SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE (Notes 2, 8 and 32)	1,235,680	3,332,114	(63)
DISCOUNTS AND LOANS, NET (Notes 2, 11, 32 and 42)	603,300,626	633,023,657	(5)	ACCOUNTS, INTEREST AND OTHER PAYABLES (Notes 2, 21 and 32)	24,107,192	32,131,844	(25)
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 2, 8, 12 and 33)	24,068,666	46,893,487	(49)	DEPOSITS AND REMITTANCES (Notes 22 and 32)	778,174,618	786,235,180	(1)
HELD-TO-MATURITY INVESTMENTS (Notes 2, 13, 32, 33 and 42)	149,966,519	99,143,231	51	BANK DEBENTURES (Notes 2, 23, 32 and 42)	32,159,959	36,240,341	(11)
EQUITY INVESTMENTS - EQUITY METHOD (Notes 2 and 14)	10,637,636	9,652,244	10	BONDS PAYABLE (Notes 2 and 23)	4,550,826	7,154,880	(36)
OTHER FINANCIAL ASSETS, NET				OTHER FINANCIAL LIABILITIES (Notes 2, 24 and 34)	1,536,537	845,776	82
Unquoted equity instruments (Notes 2, 15 and 42)	488,507	715,707	(32)	LONG-TERM BORROWINGS	-	800,000	(100)
Non-active market debt instruments (Notes 2, 15 and 42)	101,770	659,952	(85)	OTHER LIABILITIES (Notes 2, 25, 30 and 31)	3,476,177	3,388,852	3
Others (Notes 15, 33 and 42)	2,594,290	2,012,070	29	Total liabilities	899,791,084	935,830,444	(4)
Other financial assets, net	3,184,567	3,387,729	(6)	STOCKHOLDERS' EQUITY (Notes 2 and 26)			
PROPERTIES (Notes 2 and 16)				Capital stock, NTS10 par value, authorized 8,000,000 thousand shares; issued and outstanding 4,481,847 thousand shares in 2009 and 4,585,197 thousand shares in 2008	44,818,469	45,851,972	(2)
Cost and revaluation increment				Capital surplus			
Land	4,800,684	4,877,531	(2)	Additional paid-in capital from share issuance in excess of par	115,561	118,226	(2)
Buildings	4,720,324	4,523,023	4	Capital surplus from business combination	8,076,524	8,076,524	-
Computer and machinery equipment	4,897,580	4,888,253	-	Others	1,733	1,733	-
Transportation equipment	1,345	16,926	(92)	Total capital surplus	8,193,818	8,196,483	-
Total cost	14,419,933	14,305,733	1	Retained earnings			
Less: Accumulated depreciation	5,609,930	5,359,367	5	Legal reserve	2,746,023	6,435,486	(57)
Prepayments for equipment and construction in progress	8,810,003	8,946,366	(2)	Special reserve	282,977	282,977	-
Net properties	8,987,284	9,177,127	(2)	Accumulated deficit	(147,810)	(1,987,443)	(93)
INTANGIBLE ASSETS (Notes 2 and 17)	1,007,226	1,033,676	(3)	Total retained earnings	2,881,190	4,731,020	(39)
OTHER ASSETS (Notes 2, 18 and 31)	6,668,459	7,250,238	(8)	Cumulative translation adjustments	(34,864)	(36,178)	(4)
TOTAL	\$ 955,946,432	\$ 993,911,099	(4)	Unrealized losses on financial instruments	(91,098)	(1,044,547)	(91)
				Net loss not recognized as pension cost	(642,321)	(648,249)	(1)
				Unrealized revaluation increment on land	1,030,154	1,030,154	-
				Total stockholders' equity	56,155,348	58,080,655	(3)
				TOTAL	\$ 955,946,432	\$ 993,911,099	(4)

Note: Based on Statement of Financial Accounting Standards(SFAS) Interpretation No. (91) 243 and 244 and No. (95) 081 issued by the Accounting Research and Development Foundation of the Republic of China, the merger of Bank SinoPac and SinoPac Card Services Co., Ltd. was treated as a reorganization and was recorded at the book value of both entities' assets and liabilities. Also in accordance with SFAS Interpretation No. (95) 141, the financial statements of Bank SinoPac as of and for the nine months ended September 30, 2008 were retroactively restated assuming the assets and liabilities of SinoPac Card Services Co., Ltd. have been included at book value.

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

(With Deloitte & Touche review report dated October 27, 2009)

BANK SINOPAC

STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008

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

(Reviewed, Not Audited)

	<u>2009</u>	<u>2008 (Restated, Note 35)</u>	<u>% Increase (Decrease)</u>
	Amount	Amount	
INTEREST REVENUE (Notes 2 and 32)	\$ 14,120,429	\$ 25,867,689	(45)
INTEREST EXPENSE (Note 32)	<u>6,943,432</u>	<u>15,239,406</u>	(54)
NET INTEREST	<u>7,176,997</u>	<u>10,628,283</u>	(32)
NET REVENUES OTHER THAN INTEREST			
Commission and fee revenues, net (Notes 2, 27 and 32)	2,093,322	2,772,479	(24)
Gains from (losses on) financial assets and liabilities at fair value through profit or loss (Notes 2 and 6)	485,592	(3,756,960)	113
Realized gains from (losses on) available-for-sale financial assets (Notes 2 and 26)	(44,392)	766	(5,895)
(Losses on) income from equity investments - equity method, net (Notes 2 and 14)	(523,636)	393,684	(233)
Foreign exchange gain, net (Note 2)	612,728	1,062,019	(42)
Reversal gains from (impairment losses on) assets (Note 2)	13,584	(2,092,852)	101
Gains from unquoted equity instruments	31,518	36,811	(14)
Recovery of bad debts	395,077	414,376	(5)
Rental revenues	103,156	89,201	16
Contingency losses (Notes 2 and 34)	(758,868)	-	-
Other net revenues (Note 28)	<u>3,653</u>	<u>354,950</u>	(99)
Total net revenues	<u>9,588,731</u>	<u>9,902,757</u>	(3)
PROVISION FOR BAD DEBTS (Notes 2, 9 and 11)	<u>2,505,939</u>	<u>4,059,465</u>	(38)
OPERATING EXPENSES (Notes 2 and 29)			
Personnel expenses	3,917,850	5,212,002	(25)
Depreciation and amortization	418,190	451,169	(7)
Others	<u>2,297,351</u>	<u>3,030,062</u>	(24)
Total operating expenses	<u>6,633,391</u>	<u>8,693,233</u>	(24)
INCOME (LOSS) BEFORE INCOME TAX	449,401	(2,849,941)	116
INCOME TAX (EXPENSE) BENEFIT (Notes 2 and 31)	<u>(562,090)</u>	<u>908,819</u>	(162)
NET LOSS	<u>\$ (112,689)</u>	<u>\$ (1,941,122)</u>	(94)

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BANK SINOPAC

STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008

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

(Reviewed, Not Audited)

	2009		2008 (Restated, Note 35)	
	Pretax	After Tax	Pretax	After Tax
EARNINGS PER SHARE (Note 26)				
Basic earnings per share	\$ 0.10	\$ (0.03)	\$ (0.62)	\$ (0.42)

Note: Based on Statement of Financial Accounting Standards (SFAS) Interpretation No. (91) 243 and 244 and No. (95) 081 issued by the Accounting Research and Development Foundation of the Republic of China, the merger of Bank SinoPac and SinoPac Card Services Co., Ltd. was treated as a reorganization and was recorded at the book value of both entities' assets and liabilities. In addition, based on Interpretation No. (95) 141, the financial statements of Bank SinoPac as of and for the nine months ended September 30, 2008 were retroactively restated, assuming the book values of the assets and liabilities of SinoPac Card Services Co., Ltd. were included. Thus, for the nine months ended September 30, 2009 and 2008, the net income of Bank SinoPac included the net income of SinoPac Card Services Co., Ltd. of \$35,121 and \$46,321, respectively.

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

(With Deloitte & Touche review report dated October 27, 2009)

(Concluded)

BANK SINOPAC

STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2009	2008 (Restated, Note 35)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (112,689)	\$ (1,941,122)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	435,229	471,248
Amortization of premium or discount of financial assets	(80,068)	(14,665)
Amortization of premium or discount of bank debentures	(3,375)	254
Provision for credit and trading losses	2,521,322	4,063,029
Contingency losses	758,868	-
(Reversal gains from) impairment losses on assets	(13,584)	2,092,852
Unrealized (gains from) losses on financial assets and liabilities at fair value through profit or loss	(1,146,077)	683,710
Losses on disposal of available-for-sale financial assets	44,392	16,503
Losses on (income from) equity investments - equity method	523,636	(393,684)
Losses on sale and retirement of properties and idle assets	933	4,875
Gains on disposal of collaterals assumed, net	(2,459)	(9,901)
Accrued pension cost	(6,244)	42,091
Foreign exchange gains on bonds payable	(83,299)	(55,088)
Gains from convertible bond repurchased	(12,534)	-
Deferred income tax	(62,672)	60,797
Decrease (increase) in held-for-trading financial assets	15,905,657	(9,032,452)
(Decrease) increase in held-for-trading financial liabilities	(6,255,849)	549,916
Securitization of accounts receivable	789,940	10,300,513
Decrease (increase) in accounts, interest and other receivables	6,075,278	(13,310,279)
(Decrease) increase in accounts, interest and other payables	(5,484,303)	6,151,097
Cash dividends received from equity investments - equity method	-	282,774
	<u>13,792,102</u>	<u>(37,532)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in due from the Central Bank and other banks	12,352,396	71,990,199
Decrease (increase) in securities purchased under agreements to resell	2,598,782	(107,955)
Acquisition of financial assets designated at fair value through profit or loss	-	(152,025)
Proceeds from sale of financial assets designated at fair value through profit or loss	1,327,421	441,609
Proceeds from sale of non-active market debt instruments	331,617	1,010,710
Decrease (increase) in discounts and loans	24,759,815	(33,602,171)
Acquisition of properties	(242,598)	(416,614)
Proceeds from sale of properties	14,775	2,015
Acquisition of available-for-sale financial assets	(121,785,496)	(261,764,017)
Proceeds from sale of available-for-sale financial assets	121,281,762	324,991,427
Acquisition of held-to-maturity investments	(506,612,554)	(97,396,951)
Proceeds from matured held-to-maturity investments	472,397,964	649,717

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BANK SINOPAC

STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2009	2008 (Restated, Note 35)
Capital returned on capital reduction of equity investments with unquoted shares	\$ -	\$ 6,000
Acquisition of equity investments - equity method	(1,645,750)	-
Cash returned on the liquidation of equity investments - equity method	-	2,139
Proceeds of sale of collaterals assumed	99,344	218,262
(Increase) decrease in other financial assets	(1,139,141)	309,873
Decrease (increase) in other assets	<u>435,913</u>	<u>(1,375,536)</u>
Net cash provided by investing activities	<u>4,174,250</u>	<u>4,806,682</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in call loans and due to banks	4,732,255	6,228,083
Decrease in securities sold under agreements to repurchase	(3,190,420)	(3,105,558)
Decrease in deposits and remittances	(15,644,589)	(7,212,867)
Decrease in short-term borrowings	(3,300,000)	(629,000)
Decrease in commercial paper payable	(3,545,035)	(700,153)
(Decrease) increase in long-term borrowings	(1,750,000)	500,000
Decrease in bond payable	(1,803,700)	-
Bank debentures issued	10,000,000	9,994,685
Repayment of bank debentures on maturity	(6,400,000)	(5,100,000)
Decrease in other financial liabilities	(100,583)	(27,027)
Increase (decrease) in other liabilities	<u>54,211</u>	<u>(151,570)</u>
Net cash used in financing activities	<u>(20,947,861)</u>	<u>(203,407)</u>
EFFECTS OF CHANGES IN EXCHANGE RATE	<u>(10,135)</u>	<u>7,513</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,991,644)	4,573,256
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>14,959,968</u>	<u>13,587,829</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 11,968,324</u>	<u>\$ 18,161,085</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	<u>\$ 10,631,844</u>	<u>\$ 13,895,879</u>
Income tax paid	<u>\$ 191,842</u>	<u>\$ 599,353</u>

Note: Based on Statement of Financial Accounting Standards (SFAS) Interpretation No. (91) 243 and 244 and No. (95) 081 issued by the Accounting Research and Development Foundation of the Republic of China, the merger of Bank SinoPac and SinoPac Card Services Co., Ltd. was treated as a reorganization and was recorded at the book values of both entities' assets and liabilities. In addition, based on SFAS Interpretation No. (95) 141, the financial statements of Bank SinoPac as of and for the nine months ended September 30, 2008 were retroactively restated, assuming the book values of the assets and liabilities of SinoPac Card Services Co., Ltd. were included in these financial statements.

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

(With Deloitte & Touche review report dated October 27, 2009)

(Concluded)

BANK SINOPAC

NOTES TO FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008

(NINE MONTHS ENDED SEPTEMBER 30, 2008 - RESTATED; PLEASE REFER TO NOTE 35)

(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 executed the rights and functions of the stockholders' meeting and resolved a cash merger with SinoPac Card Services Co., Ltd. ("SinoPac Card"), with March 30, 2009 as the preliminary effective date of the merger and the Bank will be the surviving entity.
March 31, 2009	The board of directors resolved to change the effective date of the merger to June 1, 2009.
June 1, 2009	The Bank's cash merger with SinoPac Card took effect, with this merger amounting to \$3,873,675. Under this merger, the Bank was the surviving entity.

Operations

The Bank engages in commercial banking and trust as well as carries out foreign exchange operations through its International Division and Offshore Banking Unit (OBU) as allowed under the Banking Law.

As of September 30, 2009 and 2008, the Bank had a total of 4,651 and 5,094 employees, respectively.

As of September 30, 2009, the Bank's operating units included Banking, Trust, and International Division of the Head Office, OBU, 128 domestic branches, 3 overseas branches, 1 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, 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 and amortization, assets impairment, pension, income tax, contingency losses, 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 in the banking industry cannot be reasonably identified, the accounts included in the Bank's financial statements were not classified as current or noncurrent. Nevertheless, accounts were properly categorized in accordance with the nature of each account and sequenced by their liquidity. Please refer to Note 37 for the 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 (GTSM) stocks - closing prices as of the balance sheet date; (b) beneficiary certificates (open-end funds) - 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 bank debentures issued overseas and 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.

Financial Asset Securitization

Under the Regulations for Financial Asset Securitization, SinoPac Card Services ("SinoPac Card") entrusted its credit card receivables and related rights to a trustee under a master trust structure. The trustee issued various series of beneficiary certificates during the revolving-period securitization, and the raised funds were transferred to SinoPac Card. Under the securitization structure, SinoPac Card surrendered its rights to and control over these securitized credit card receivables, including the principal, related interests and other rights, and derecognized these receivables from its accounts. The gain or loss from securitization was recognized, except for the retained interests in the form of subordinated certificates necessary for credit enhancement, which were classified as financial assets designated as at fair value through profit or loss. During the revolving-period securitization, SinoPac Card transfers new credit card receivables to the trustee at an amount equivalent to the principal payments collected periodically. To maintain the balance of credit card receivables in the trust asset pool at the agreed balance to protect investors' interests, SinoPac Card transferred additional credit card receivables to the trustee. Since SinoPac Card retains its rights to and control over those transferred credit card receivables, they are classified as credit card receivables. Revenue received from the trustee is recognized as investment income.

SinoPac Card adopted Statement of Financial Accounting Standards (SFAS) No. 34 - "Financial Instruments: Recognition and Measurement. Under SFAS No. 34, subordinated certificates have been classified as financial assets designated as at fair value through profit or loss because fair value is used as the basis for managing and evaluating the performance of these certificates in accordance with a documented risk management strategy, and information on these certificates is provided internally to SinoPac Card's key management on this fair-value basis.

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.

Sales of Accounts Receivable

SinoPac Card Services ("SinoPac Card") transferred its credit card receivables under the following criteria, surrendered controls over the transferred assets and recorded the transfer as sales of accounts receivable.

- a. Transferred accounts receivable have been isolated from SinoPac Card. Along with its creditors, SinoPac Card can no longer control the future economic benefits on these receivables.
- b. The transferee has the right to pledge or transfer accounts receivable purchased.

- c. The transferee has no right to return the transferred accounts receivable purchased before their maturity. In addition, SinoPac Card is neither obligated nor entitled to repurchase or redeem these accounts receivable. But if a repurchase transaction is agreed upon, the repurchase price is the fair value of accounts receivable at the time.

SinoPac Card Services derecognizes the credit card receivables sold at carrying value from its balance sheet on the transfer date. The difference between the proceeds net of the estimated bad-debt provision and the carrying value is recorded as income (loss) for the current period.

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

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/Nonaccrual 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 attributed to the acquisition. Unrealized gains or losses on available-for-sale financial assets are reported in equity attributed to the Bank’s stockholders. On disposal of an available-for-sale financial asset, the accumulated, unrealized gain or loss in equity attributable to the Bank’s stockholders 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 stockholders. 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 September 30, 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 Nonoperating Assets

Properties and nonoperating 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 nonoperating 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.

Interest income on revolving credit card receivables and cash advance is recognized on an accrual basis. Service fee income is recognized when service is rendered. Annual fee income is the member fee received from card members and is recognized when card members fail to meet the criteria for annual fee exemption; provision for allowance is estimated using past experience and is recognized as a deduction from annual fee income within the year the annual fee income is recognized.

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.

In January 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.

In May 2009, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduces a profit-seeking enterprise's income tax rate from 25% to 20%, effective 2010. The Bank recalculated its deferred tax assets and liabilities in accordance with the amended Article and recorded the resulting difference as a deferred income tax benefit or expense.

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 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.

For equity-method investees with foreign-currency 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 for the period. Translation differences net of income tax are 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 or cash flow of the derivative must be highly correlated with changes in the fair value or cash flow 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.

A cash flow hedge that meets the entire hedge accounting criteria is accounted for as follows:

- a. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in stockholders' equity. The amount recognized in stockholders' equity is recognized in profit or loss in the same year or years during which the hedged forecast transaction or an asset or liability arising from the hedged forecast transaction affects profit or loss.
- b. If all or a portion of a loss recognized in stockholders' equity is not expected to be recovered in the future, the amount that is not expected to be recovered is reclassified into profit or loss.

3. ACCOUNTING CHANGE

The Accounting Research and Development Foundation issued Interpretation 2007-052, which 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. This accounting change had no significant influence on the Bank's financial statements.

4. CASH AND CASH EQUIVALENTS

	<u>September 30</u>	
	2009	2008
Cash on hand	\$ 5,317,393	\$ 5,504,440
Due from other banks	5,031,336	6,820,396
Notes and checks in clearing	<u>1,619,595</u>	<u>5,836,249</u>
	<u>\$ 11,968,324</u>	<u>\$ 18,161,085</u>

5. DUE FROM THE CENTRAL BANK AND OTHER BANKS

	<u>September 30</u>	
	2009	2008
Call loans to banks	\$ 51,390,716	\$ 46,898,063
Due from Central Banks - checking accounts	7,341,646	7,363,034
Deposit reserve - demand accounts	19,384,628	21,517,709
Deposit reserve - foreign currencies	<u>99,820</u>	<u>99,603</u>
	<u>\$ 78,216,810</u>	<u>\$ 75,878,409</u>

Under a directive issued by the Central Bank of the ROC, NTD-denominated deposit reserves are determined monthly at prescribed rates on average balances of customers' NTD-denominated deposits. Deposit reserve - demand account can not be withdrawn momentarily, except for adjusting the deposit reserve account monthly. In addition, the foreign-currency deposit reserves are determined at prescribed rates on balances of additional foreign-currency deposits. The foreign-currency deposit reserves may be withdrawn momentarily and are no interest earning.

6. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	<u>September 30</u>	
	<u>2009</u>	<u>2008</u>
Held for trading financial assets	\$ 15,435,362	\$ 34,772,487
Financial assets designated at fair value through profit or losses	<u>1,433,976</u>	<u>2,887,789</u>
	<u>\$ 16,869,338</u>	<u>\$ 37,660,276</u>
Held for trading financial liabilities	<u>\$ 10,662,642</u>	<u>\$ 10,707,426</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 6-2. 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 nine months ended September 30, 2009 and 2008 were as follows:

	<u>Nine Months Ended September 30</u>	
	<u>2009</u>	<u>2008</u>
Held for trading financial assets and liabilities		
Realized losses	\$ (639,128)	\$ (3,070,694)
Valuation gains (losses)	<u>711,812</u>	<u>(589,342)</u>
	<u>72,684</u>	<u>(3,660,036)</u>
Financial assets and liabilities designated at fair value through profit or loss		
Realized losses	(21,357)	(2,556)
Valuation gains (losses)	<u>434,265</u>	<u>(94,368)</u>
	<u>412,908</u>	<u>(96,924)</u>
	<u>\$ 485,592</u>	<u>\$ (3,756,960)</u>

The gains (losses) on held for trading financial assets and liabilities include gains (losses) on the fair value adjustments of structured investment vehicles \$0 and \$2,628,187, collateralized debt obligation \$67,478 and \$(110,319), mortgage backed securities \$1,393 and \$(827) for the nine months ended September 30, 2009 and 2008, respectively.

7. FINANCIAL ASSETS SECURITIZATION

Related information regarding financial assets securitization please refer to Table 6-3.

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

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

As of September 30, 2009 and 2008, securities were sold under agreements to repurchase at \$1,235,779 and \$3,336,820 between October and December 2009 and between October and December 2008, respectively.

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

Financial Assets	<u>September 30</u>	
	2009	2008
Held for trading	\$ -	\$ 2,707,817
Available-for-sale	1,235,680	624,297

9. ACCOUNTS, INTEREST AND OTHER RECEIVABLES, NET

	<u>September 30</u>	
	2009	2008
Accounts receivable - factoring	\$ 20,898,018	\$ 25,164,510
Credit card receivable (Table 6-3)	13,691,118	10,437,385
Accounts receivable and notes receivable	2,256,574	3,690,891
Receivables from related parties (Note 32)	1,406,406	1,507,357
Acceptances	1,310,260	2,360,173
Interest receivable and revenue receivable	1,025,371	3,002,764
Proceeds receivable from the sale of accounts receivable (Note 10)	646,115	1,274,706
Income tax refund receivable	7,437	279,873
Others	<u>330,140</u>	<u>1,270,428</u>
	41,571,439	48,988,087
Less: Allowance for credit losses	<u>500,462</u>	<u>470,279</u>
	<u>\$ 41,070,977</u>	<u>\$ 48,517,808</u>

For the details of and changes in allowance for credit losses of accounts receivables, please refer to Table 7-1.

The credit card receivables as of September 30, 2009 and 2008 referred to SinoPac Card Services' credit cardholders who completed consultation with the Bank on debt repayment, with credit card receivables amounted to \$2,470,280 and \$2,192,504, respectively.

10. SALES OF ACCOUNTS RECEIVABLE

In April 2003, SinoPac Card Services (“SinoPac Card”) entered into a receivables purchase agreement with ABN AMRO Bank, Taipei Branch (ABN AMRO) under which SinoPac Card would transfer credit card receivables on a continuous basis within three years. On February 9, 2006, SinoPac Card signed an agreement with ABN AMRO Bank for the extension of the final transfer date to December 9, 2008. In December 2008, SinoPac Card and ABN AMRO both agreed to postpone again the final transfer date to June 20, 2009 and then signed a fourth amendment to the transfer contract in February 2009. On June 1, 2009, Bank SinoPac merged with SinoPac Card. With this merger, the Bank assumed the role of transferring to ABN AMRO receivables totaling \$1,000,000 in six monthly installments from July to December in 2009.

SinoPac Card committed to have all sold credit card receivables conform to agreed terms (eligible terms) and to have these receivables meet certain requirements (such as restrictions on the ratios for allowance for bad debts and overdue loans). In the second half of 2008, SinoPac Card provided an additional deposit of \$82,000 since changes in the discount rate in calculating the sales of account receivables reached a certain agreed level. As of September 30, 2009 and 2008, SinoPac Card had deposited \$268,210, recorded as guarantee deposits and as liquidity reserve for the monthly sale of credit card receivables.

As of September 30, 2009 and 2008, the proceeds receivable on the sale of credit card receivables amounted to \$646,115 and \$1,274,706, respectively. The loss on the sale of credit card receivables consisted of (a) the difference between the amount of proceeds calculated using the discount method and the carrying value and (b) the amortization of the arrangement fees for sales of accounts receivable, which amounted to \$57,662 and \$1,418, respectively, for the nine months ended September 30, 2009, and \$121,044 and \$3,611, respectively, for the nine months ended September 30, 2008, recorded as other net revenues.

SinoPac Card also entered into a service agreement with ABN AMRO for account management and collection services. Thus, SinoPac Card collects payments on the sold credit card receivables on behalf of ABN AMRO and then transfers the collections to ABN AMRO. SinoPac Card charges monthly a service fee for account management and collection services. Since the service revenue and the service cost were expected to be equal, neither related service assets nor liabilities were recognized by SinoPac Card. For the nine months ended September 30, 2009 and 2008, the service fee amounted to \$857, recorded as other net revenues.

The cash flows on the revolving sales of accounts receivable for the nine months ended September 30, 2009 and 2008, were as follows:

	<u>Nine Months Ended September 30</u>	
	2009	2008
Accumulated revolving accounts receivable sold - carrying value	\$ 20,757,461	\$ 24,681,615
Add: Proceeds receivable from the sale of accounts receivable at beginning of period	1,280,859	1,274,497
Deduct: Proceeds receivable from the sale of accounts receivable at end of period	(646,115)	1,274,706)
Loss on the sale of accounts receivable	<u>(59,080)</u>	<u>(124,655)</u>
Proceeds from the sale of accounts receivable	<u>\$ 21,333,125</u>	<u>\$ 24,556,751</u>
Servicing fees	<u>\$ 857</u>	<u>\$ 857</u>

11. DISCOUNTS AND LOANS, NET

	<u>September 30</u>	
	<u>2009</u>	<u>2008</u>
Negotiations	\$ 1,327,426	\$ 1,811,524
Overdrafts	11,886	26,904
Secured overdrafts	789,382	890,159
Accounts receivable - financing	2,868,106	2,493,795
Short-term loans	76,768,498	128,048,524
Short-term secured loans	44,632,442	41,433,572
Medium-term loans	73,425,959	69,803,315
Medium-term secured loans	52,605,339	47,564,270
Long-term loans	13,640,219	13,661,380
Long-term secured loans	336,285,692	324,659,874
Nonperforming loans transferred from loans	<u>6,329,394</u>	<u>8,571,544</u>
	608,684,343	638,964,861
Allowance for credit losses	(5,399,234)	(5,953,433)
Hedged item valuation adjustments	<u>15,517</u>	<u>12,229</u>
	<u>\$ 603,300,626</u>	<u>\$ 633,023,657</u>

As of September 30, 2009 and 2008, the balances of nonaccrual interest loans were \$11,633,411 and \$9,942,203, respectively. The unrecognized interest revenues on nonaccrual interest loans amounted to \$188,198 and \$301,998 for the nine months ended September 30, 2009 and 2008, respectively.

For the nine months ended September 30, 2009 and 2008, 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 nine months ended September 30, 2009 and 2008, please refer to Table 7-1.

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Related information regarding available-for-sale financial assets please refer to Table 6-4.

As of September 30, 2008, the Bank held 120,031 thousand shares of SPH, with carrying amount of \$1,968,508 and market value of \$1,045,470 based on the closing prices as of September 30, 2008. A difference of \$923,038 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.

13. HELD-TO-MATURITY INVESTMENTS

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

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

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

	Balance of Equity Investments		Income (Loss) from Equity Investments	
	September 30		For the Nine Months Ended September 30	
	2009	2008	2009	2008
SinoPac Bancorp	\$ 7,094,729	\$ 6,606,717	\$ (954,599)	\$ (130,418)
SinoPac Leasing Corporation	1,451,598	1,426,409	86,176	94,609
SinoPac Capital Limited (H.K.)	1,255,024	1,205,515	33,546	80,575
SinoPac Life Insurance Agent Co., Ltd.	777,141	384,769	286,314	326,511
SinoPac Property Insurance Agent Co., Ltd.	59,144	28,834	24,927	22,494
SinoPac Financial Consulting Co., Ltd.	-	-	-	(87)
	\$ 10,637,636	\$ 9,652,244	\$ (523,636)	\$ 393,684

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. In order to strengthen the capital structure and improve competitive advantage, the board of directors resolved to increase cash investment of US\$50,000 thousand to SinPac Bancorp as of June 25, 2009. The board of directors further resolved to acquire the preferred stocks of SinoPac Bancorp on September 25, 2009, with US\$25 per share, US\$45,000 thousand in total. To restructure the Group's organization and investment in investees, the stockholders' meeting resolved on March 28, 2008 to liquidate SinoPac Financial Consulting Co., Ltd.; this liquidation was completed on March 13, 2009.

To improve the Group's execution and subsidiary's management efficiency, the board of directors of SPH resolved to acquire the capital stock of SinoPac Leasing Corporation from the Bank and SinoPac Venture Capital Co., Ltd in September 25, 2009. Thus, SinoPac Leasing Corporation will be directly controlled by SPH. The acquisition makes the Group to plan and manage as a whole more easily and activate asset.

The net loss of SinoPac Bancorp amounting to \$124,096 for the nine months ended September 30, 2008 was translated into NTD at the average exchange rate for the respective periods. The difference between the translated net gain of SinoPac Bancorp and the one recognized by the Bank was generated from some different accounting treatments between ROC GAAP and US GAAP.

15. OTHER FINANCIAL ASSETS, NET

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.

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

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.

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

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

16. PROPERTIES

	September 30	
	2009	2008
Cost and revaluation increment	<u>\$ 14,419,933</u>	<u>\$ 14,305,733</u>
Accumulated depreciation		
Buildings	1,825,599	1,677,988
Computer and machinery equipment	3,783,610	3,665,894
Transportation equipment	721	15,485
	<u>5,609,930</u>	<u>5,359,367</u>
Advances on acquisitions of equipment and construction in progress	<u>177,281</u>	<u>230,761</u>
Net properties	<u>\$ 8,987,284</u>	<u>\$ 9,177,127</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.

17. INTANGIBLE ASSETS

	September 30	
	2009	2008
Goodwill - credit card department	\$ 876,717	\$ 876,717
Computer software	<u>130,509</u>	<u>156,959</u>
	<u>\$ 1,007,226</u>	<u>\$ 1,033,676</u>

Goodwill resulted from the Bank's cash merger with SinoPac Card Services, and this merger was treated as a reorganization of SinoPac Financial Holdings Company Limited, the Bank's parent. On January 1, 2006, the Bank Statement of Financial Accounting Standards No. 35 - "Impairment of Assets," which requires the impairment review on goodwill to be made on each balance sheet date. If goodwill is deemed impaired, the Bank must calculate its recoverable amounts.

In assessing goodwill for impairment, the Bank considers the credit card department as a cash generating unit and estimates the recoverable amount by its value in use. The Bank uses the department's actual profitability and estimated salvage value as a key assumption to predict future cash flows in order to calculate its value in use. Under the going-concern assumption, the Bank predicts the net cash flows provided by its operating activities in the next 5 to 10 years and uses its parent company's weighted average funding cost as the discount rate to calculate the value in use.

After assessing the value in use of the department based on the foregoing key assumptions, the Bank found no objective evidence that goodwill had been impaired as of September 30, 2009.

18. OTHER ASSETS

	<u>September 30</u>	
	<u>2009</u>	<u>2008</u>
Deferred income tax assets	\$ 2,982,967	\$ 3,596,559
Rental properties, net	1,326,589	1,368,350
Collaterals assumed, net of accumulated impairment \$35,874 and \$35,875, respectively	639,281	709,325
Idle assets, net	546,149	460,033
Land value increment tax	478,205	478,205
Deferred pension cost	355,875	122,100
Prepayment	244,766	438,332
Temporary payment	75,691	35,987
Others	<u>18,936</u>	<u>41,347</u>
	<u>\$ 6,668,459</u>	<u>\$ 7,250,238</u>

19. CALL LOANS AND DUE TO BANKS

	<u>September 30</u>	
	<u>2009</u>	<u>2008</u>
Call loans	\$ 22,668,358	\$ 29,882,440
Redeposit from the directorate general of postal remittance	21,064,745	21,066,675
Due to the Central Bank	131,243	105,200
Due to banks	<u>23,107</u>	<u>77,346</u>
	<u>\$ 43,887,453</u>	<u>\$ 51,131,661</u>

20. COMMERCIAL PAPER PAYABLE

	<u>September 30, 2008</u>
Commercial paper payable	\$ 3,750,000
Less: Unamortized discount	<u>3,630</u>
Commercial paper payable, net	<u>\$ 3,746,370</u>
Maturity date	2008.10
Discount rate	2.560%-2.998%

21. ACCOUNTS, INTEREST AND OTHER PAYABLES

	<u>September 30</u>	
	<u>2009</u>	<u>2008</u>
Accounts payable - factoring	\$ 14,390,418	\$ 8,664,057
Accounts payable	2,410,552	4,186,403
Interest payable	1,742,116	3,583,840
Notes and checks in clearing	1,619,595	5,836,249
Acceptance payable	1,310,260	2,360,173
Receipts under custody payable	1,002,036	1,011,834
Accrued expenses	890,965	1,010,187
Tax payable	157,561	373,855
Accounts payable on cash merger with SinoPac Card Services	-	4,294,498
Others	<u>583,689</u>	<u>810,748</u>
	<u>\$ 24,107,192</u>	<u>\$ 32,131,844</u>

22. DEPOSITS AND REMITTANCES

	<u>September 30</u>	
	<u>2009</u>	<u>2008</u>
Checking	\$ 11,699,562	\$ 13,558,079
Demand	134,249,256	102,646,812
Savings - demand	199,460,360	160,196,585
Time	241,656,943	272,303,982
Negotiable certificates of deposit	1,961,000	18,172,900
Savings - time	188,038,631	217,659,808
Inward remittances	1,037,071	811,706
Outward remittances	<u>71,795</u>	<u>885,308</u>
	<u>\$ 778,174,618</u>	<u>\$ 786,235,180</u>

23. BANK DEBENTURES AND BONDS PAYABLE

Bank Debentures

To raise capital for its financial operation and to increase its capital adequacy ratio, the Bank obtained approval to issue subordinate bank debentures. Related information is shown in Table 6-7.

Bonds Payable

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 and US\$9,320 thousand for the three months ended March 31, 2009, respectively. As of September 30, 2009, the outstanding bonds’ value was US\$141,330 thousand.

SinoPac Credit Card issued 1,500,000 unsecured domestic bond and the significant terms of unsecured domestic bond were as follows:

- a. Interest rate: 1.96%, pay annually from the date of issuance.
- b. Duration: Three years (from May 12, 2006 to 2009).
- c. Repayment: The principal amount is to be redeemed at the third anniversary of the issuing date.

24. OTHER FINANCIAL LIABILITIES

	<u>September 30</u>	
	<u>2009</u>	<u>2008</u>
Accrued contingency losses (Note 34)	\$ 744,578	\$ -
Appropriated loan fund from the government	466,900	503,546
Guarantee deposits received	289,660	279,795
Hedging derivative financial liabilities	<u>35,399</u>	<u>62,435</u>
	<u>\$ 1,536,537</u>	<u>\$ 845,776</u>

25. OTHER LIABILITIES

	<u>September 30</u>	
	<u>2009</u>	<u>2008</u>
Accrued pension cost	\$ 1,401,637	\$ 1,201,272
Deferred income tax liabilities	668,630	1,050,269
Temporary receipt	470,440	312,134
Reserve for land value increment tax	458,362	458,362
Advance receipt	263,745	294,713
Others	<u>213,363</u>	<u>72,102</u>
	<u>\$ 3,476,177</u>	<u>\$ 3,388,852</u>

26. 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 2.25%.

To handle the Group's capital more efficiently, increase the Bank's Tier-1 capital and make a reservation for broadening the business scale, the board of directors of the Bank resolved to raise capital in private placement limited to 4.5 billion dollars on September 25, 2009, with shares limited to 375,000 thousand shares, par value at 10 dollars, and issue price at 12 dollars.

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 stockholders' 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 stockholders' 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 did not meet the requirement under the Bank's Articles of Incorporation for the nine months ended September 30, 2009 and 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 stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' 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 stockholders' 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 \$3,689,463 were used to offset a deficit, which appropriations of earnings for 2008 had been resolved in the board of directors which execute the rights and functions of the stockholders' meeting on April 24, 2009.

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.

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 nine months ended September 30, 2009 and 2008, respectively, were summarized as follows:

	Available- for-sale Financial Assets	Equity Investments - Equity Method	Unrealized Gain or Loss of Cash Flow Hedge	Total
Nine months ended <u>September 30, 2009</u>				
Balance, beginning of period	\$ (39,222)	\$ 19,362	\$ -	\$ (19,860)
Recognized in stockholders' equity	(163,597)	40,632	7,335	(115,630)
Transferred to profit or loss	<u>44,392</u>	<u>-</u>	<u>-</u>	<u>44,392</u>
Balance, end of period	<u>\$ (158,427)</u>	<u>\$ 59,994</u>	<u>\$ 7,335</u>	<u>\$ (91,098)</u>
Nine months ended <u>September 30, 2008</u>				
Balance, beginning of period	\$ (543,159)	\$ 7,163	\$ -	\$ (535,996)
Recognized in stockholders' equity	(508,386)	(16,668)	-	(525,054)
Transferred to profit or loss	<u>16,503</u>	<u>-</u>	<u>-</u>	<u>16,503</u>
Balance, end of period	<u>\$ (1,035,042)</u>	<u>\$ (9,505)</u>	<u>\$ -</u>	<u>\$ (1,044,547)</u>

e. Earnings per share

For the nine months ended September 30, 2009 and 2008, there would be an anti-dilutive effect on potential common stock because of net loss so as not to compute the diluted EPS. The numerators and denominators used in computing 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>Tax</u>
Nine months ended <u>September 30, 2009</u>					
Basic EPS	<u>\$ 449,401</u>	<u>\$ (112,689)</u>	<u>4,481,847</u>	<u>\$ 0.10</u>	<u>\$ (0.03)</u>
Nine months ended <u>September 30, 2008</u>					
Basic EPS	<u>\$ (2,849,941)</u>	<u>\$ (1,941,122)</u>	<u>4,585,197</u>	<u>\$ (0.62)</u>	<u>\$ (0.42)</u>

27. COMMISSIONS AND FEE REVENUES, NET

	<u>Nine Months Ended September 30</u>	
	<u>2009</u>	<u>2008</u>
Commissions and fees revenues		
Mutual funds and structured notes	\$ 733,534	\$ 1,174,354
Card service	552,005	649,213
Loan	479,140	522,972
Foreign exchange, import and export business	235,746	293,080
Trust and custody	172,239	217,426
Factoring and financing	133,414	213,102
Remittance expenses	57,898	64,416
Guarantee and acceptance	53,867	47,495
Automatic equipment service fees	47,992	49,851
Others	<u>47,272</u>	<u>42,180</u>
	<u>2,513,107</u>	<u>3,274,089</u>
Commissions and fees expenses		
Card service	171,063	172,952
Automatic equipment service fees	79,027	79,766
Financial transaction	47,576	79,681
Mutual funds and structured notes	47,390	75,810
Loan	21,163	29,017
Trust and custody	15,928	23,485
Remittance expenses	3,608	3,470
Foreign exchange	2,693	3,146
Others	<u>31,337</u>	<u>34,283</u>
	<u>419,785</u>	<u>501,610</u>
	<u>\$ 2,093,322</u>	<u>\$ 2,772,479</u>

28. OTHER NET REVENUES

	Nine Months Ended September 30	
	2009	2008
Other revenue	\$ 68,510	\$ 43,884
Income from equity interest of Master Card B	49,798	-
Commissions and fee revenue-processing account	17,032	20,403
Gains from redemption of convertible bonds	12,534	-
Investment income of subordinated certificates	12,082	166,839
Delayed credits	11,658	33,517
(Losses on) gains from non-active market debt instruments	(25,339)	1,096
Depreciation expense-rental properties and idle assets	(25,396)	(22,114)
Losses on sale of accounts receivable	(59,080)	(124,655)
Other expense	(58,146)	(35,963)
Profit sharing from public offering of VISA	-	271,943
	<u>\$ 3,653</u>	<u>\$ 354,950</u>

29. OPERATING EXPENSES

	Nine Months Ended September 30	
	2009	2008
Personnel expenses		
Salaries and wages	\$ 3,115,330	\$ 3,982,813
Pension	369,262	627,845
Labor insurance and national health insurance	218,210	232,434
Others	<u>215,048</u>	<u>368,910</u>
	3,917,850	5,212,002
Depreciation	364,665	389,044
Amortization	53,525	62,125
Others	<u>2,297,351</u>	<u>3,030,062</u>
	<u>\$ 6,633,391</u>	<u>\$ 8,693,233</u>

30. 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 and formerly SinoPac Card Services Co., Ltd.'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 of over six months is counted as one year of service, and any fraction of a year of up to six months is counted as half a year of service.

The Bank and formerly SinoPac Card Services Co., Ltd. applied defined contribution plan regulated by Labor Pension Act after July 1, 2005. Under this Act, the Bank contributed 6% of the employee salaries to the Labor Insurance Administration (according to this Act, the contribution rate by the employer to the Labor Pension Fund per month shall not be less than 6% of the employee's monthly wages). For the nine months ended September 30, 2009 and 2008, the pension expense amounted to \$102,241 and \$118,138, respectively, which were contributed to personal pension accounts.

Other information on the defined benefit pension plan of the Bank is as follows:

a. Changes in the pension fund

	Nine Months Ended September 30		
	2009	2008	
		SinoPac Bank	Formerly SinoPac Card Services Co., Ltd.
Balance, January 1	\$ 2,045,418	\$ 1,893,619	\$ 26,975
Contributions	325,297 (Note)	504,204	1,649
Benefits paid	(388,552)	(436,276)	-
Interest revenue	<u>14,239</u>	<u>36,175</u>	<u>342</u>
Balance, September 30	<u>\$ 1,996,402</u>	<u>\$ 1,997,722</u>	<u>\$ 28,966</u>

Note: The contributions of September 30, 2009 included formerly SinoPac Card Services Co., Ltd.'s contribution after the merger.

The aforementioned pension funds were contributed by the Bank and formerly SinoPac Card Services Co., Ltd.

b. Components of the accrued pension cost:

	Nine Months Ended September 30		
	2009	2008	
		SinoPac Bank	Formerly SinoPac Card Services Co., Ltd.
Balance, January 1	\$ 1,409,379	\$ 1,140,484	\$ 18,697
Provision	286,281	502,663	7,044
Contributions	(294,023)	(462,416)	(1,649)
Benefits paid	<u>-</u>	<u>-</u>	<u>(3,551)</u>
Balance, September 30	<u>\$ 1,401,637</u>	<u>\$ 1,180,731</u>	<u>\$ 20,541</u>

The Bank recognized pension costs (including those of overseas branches) of \$369,262 and \$627,845 for the nine months ended September 30, 2009 and 2008, respectively.

31. INCOME TAX

Under a directive issued by the Ministry of Finance, 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. Thus, SinoPac Financial Holdings Company Limited adopted the linked-tax system for income tax filings with its qualified subsidiaries in 2003.

- a. The components of income tax expense (benefit) were as follows:

	<u>Nine Months Ended September 30</u>	
	2009	2008
Current deductible loss carryforward	\$ (300,822)	\$ (1,558,917)
Separate taxes	152,378	489,660
Investment credit	(3,386)	(4,988)
Deferred income taxes	(62,672)	60,797
Overseas income taxes payable	43,668	68,812
Effect of tax law changes on deferred income tax	718,916	-
Adjustment for prior years' tax	<u>14,008</u>	<u>35,817</u>
Tax expense (benefit)	<u>\$ 562,090</u>	<u>\$ (908,819)</u>

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

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

	<u>Nine Months Ended September 30</u>	
	2009	2008
Tax on pretax income (loss) at 25% statutory rate	\$ 112,350	\$ (712,485)
Add (deduct) tax effects of:		
Tax-exempt income	(24,702)	32,345
Permanent difference	(406,627)	(805,918)
Temporary difference	<u>18,157</u>	<u>(72,859)</u>
Deductible loss carry forward	<u>\$ (300,822)</u>	<u>\$ (1,558,917)</u>

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

	September 30	
	2009	2008
Loss carryforward	\$ 2,702,240	\$ 3,100,097
Deferred pension cost	271,894	337,896
Unrealized loss or gain on foreign exchange and revaluation of financial instrument, net	(15,913)	22,504
Staff training	23,314	19,707
Allowance for credit loss over limit	-	81,409
Others	27,932	38,929
Valuation allowance	<u>(26,500)</u>	<u>(3,983)</u>
Deferred income tax assets, net	<u>\$ 2,982,967</u>	<u>\$ 3,596,559</u>

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

	September 30	
	2009	2008
Investment income under the equity method	\$ (622,075)	\$ (1,003,714)
Others	<u>(46,555)</u>	<u>(46,555)</u>
Deferred income tax liabilities, net	<u>\$ (668,630)</u>	<u>\$ (1,050,269)</u>

The unused loss carryforwards as of September 30, 2009 were as follows:

Deficit Year	The Last Year of Claiming Deductible Loss	Amount
2006	2016	\$ 458,959
2007	2017	900,832
2008	2018	1,233,308
2009	2019	<u>109,141</u>
		<u>\$ 2,702,240</u>

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

	September 30	
	2009	2008
Receivables from related parties	<u>\$ 1,400,238</u>	<u>\$ 1,500,567</u>

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

	September 30	
	2009	2008
Balances of imputed tax credit account	<u>\$ 2,676,472</u>	<u>\$ 2,116,005</u>

In 2008 and 2007, the Bank had no distributable earnings because of deficits. Thus, tax credits will be used to compute the creditable tax ratios in the following years when there are distributable earnings.

- f. As of September 30, 2009, the unappropriated earnings generated before January 1, 1998 was \$8,758, which was recorded as capital surplus owing to merger of IBT.

Under the Income Tax Law, when the unappropriated earnings generated on or after January 1, 1998 are distributed, stockholders will get imputation credits based on the imputed tax credit ratio as of the dividend declaration date; however, for the unappropriated earnings generated before January 1, 1998, no imputation credit will be allocated to stockholders.

- g. For the Bank, income tax returns through 2005, except those for 1996 and 2004, 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. In January 2004, the Bank reached an agreement with the Taipei National Tax Administration (TNTA) on the above appealing cases, in which TNTA would refund 65% of the withholding tax denied on the interest income on bonds to the Bank. Consequently, the Bank accrued 35% of the withholding tax denied on the interest income on bonds as income tax expenses, which were not refunded by tax authorities.
- h. For IBT, income tax returns through 2006 had been examined by the tax authorities. For some income tax returns, the tax authorities denied the creditability of 10% withholding tax on interest income on bonds, which pertained to the period those bonds were held by other investors. 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. Consequently, IBT accrued 35% of the withholding tax denied on the interest income on bonds as income tax expenses, which were not refunded by tax authorities.
- i. For SinoPac Card Services Co., Ltd., income tax returns through 2005 had been examined by the tax authorities.

32. RELATED-PARTY TRANSACTIONS

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

- a. Related parties

Name	Relationship with the Bank
SinoPac Financial Holdings Company Limited (SPH)	Parent company 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 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
SinoPac Securities Investment Trust Co., Ltd. (SinoPac Securities Investment Trust)	Subsidiary of SPH
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
Ruentex Development Co., Ltd. (Ruentex Development)	Affiliate of the director of SPH

(Continued)

Name	Relationship with the Bank
Wal Tech International Corporation (Wal Tech International)	Subsidiary of SinoPac Venture Capital
Intellisys Corporation	Subsidiary of SinoPac Venture Capital
SinoPac Strategy 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
Taiwan Genome Sciences, Inc.	Affiliate of the Bank's director
Development Center for Biotechnology	Affiliate of the Bank's director
SinoPac Futures Corporation (SinoPac Futures)	Subsidiary of SinoPac Securities
Rung-Tzung Investment Corp. (Rung-Tzung Investment)	Affiliate of the second-degree of kinship of the director of SinoPac Securities
Prime View International Co., Ltd. (Prime View International)	Affiliate of the Bank's director
Liu, Shiou Fong	Manager of SPH (retired in May 2009)
Chen, Yu Chien	The director of SPPIA
Chen Hsu, Yu Rong	The second-degree of kinship of the director of SPPIA
Lin, Hsiao Fen	The director of SinoPac Capital Management Corp.
Lin Xu, Li Hong	The spouse of SinoPac Securities' director
Lyu, Zhou Er	Manager of the Bank
Guo, Kai Wei	Manager of the Bank
Lyu, Shu Fen	Manager of the Bank
Huang, Yuan Chuan	Manager of the Bank
Guo, Fong Yuan	Manager of the Bank
Wu, Yi Cing	Manager of the Bank
Hong, Siou Huei	Manager of the Bank
Hong, Wen Jing	Manager of the Bank
Guo, Ling Shan	Manager of the Bank
Yang, Jhieh Fa	Manager of the Bank
Zhong, Dau Cheng	Manager of the Bank
Ci, Siou Jyuan	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 Ching	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
Chien, Wei Liang	Manager of the Bank
Guo, Ling Ling	Manager of the Bank

(Continued)

Name	Relationship with the Bank
Lu, Zhong Xiong	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
Shiung, Jr Gang	Manager of the Bank
Gau, Shu Huei	Manager of the Bank
Lin, Chi Tian	Manager of the Bank
Lai, Li Ru	Manager of the Bank
Huang, Chiung Yau	Manager of the Bank
Lin, Shin Shin	Manager of the Bank
Hung, Jeng An	Manager of the Bank
Jung, Ching Lin	Manager of the Bank
Liao, Chih Meng	Manager of the Bank
Jiang, Shang De	Manager of the Bank
Lee, Liang	Manager of the Bank
Chang, Jing Ping	Manager of the Bank
Huang, Jing Fang	Manager of the Bank (leaved in June 2009)
Chang, Dung Ying	Manager of the Bank
Liang, Ya Zi	Manager of the Bank
Chen, Jian Zhou	Manager of the Bank
Chang, Tian Jun	Manager of the Bank
Chuang, Ming En	Manager of the Bank
Yang, Qing Long	Manager of the Bank
Wu, Zong Xian	Manager of the Bank
Lin, Xiu Yuan	Manager of the Bank
Others	The Bank's directors, supervisors, managers and their relatives, department chiefs, the investees accounted for by the equity method and their subsidiaries, and the investees of SPH's other subsidiaries, etc. (Concluded)

b. Significant transactions between the Bank and the related parties

	<u>Ending Balance</u>		<u>% of Total</u>	
	<u>September 30</u>		<u>September 30</u>	
	2009	2008	2009	2008
1) Due from banks				
Due from banks - FENB	\$ 24,159	\$ 46,324	0.48%	0.69%
2) Financial assets at fair value through profit or loss				
Beneficiary certificates - SinoPac Strategy Balanced Fund	36,770	-	0.22%	-
Beneficiary certificates - SinoPac Small & Medium Capital Fund	-	70,783	-	0.19%
Beneficiary certificates - SinoPac Fund	-	21,954	-	0.06%

3) Derivative financial instruments

September 30, 2009					
	Contract (Notional) Amount	Contract Period	Fair Value	Balance Sheet	
				Account	Balance
Currency swap contracts SinoPac Capital (H.K.)	\$ 934,988	2009.9.28-2009.10.28	\$ 42	Financial assets at fair value through profit or loss	\$ 42
Grand Capital	67,831	2009.7.23-2009.11.18	(4)	Financial liabilities at fair value through profit or loss	(4)
Interest rate swap contracts SinoPac Securities	15,720,000	2006.12.29-2014.7.29	(47,661)	Financial liabilities at fair value through profit or loss	(47,661)
Non-delivery forward contract - short position FENB	87,666	2009.6.26-2010.9.1	314	Financial assets at fair value through profit or loss	314

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

4) Accounts, interest, other receivables and payables

As of September 30, 2009 and 2008, other receivables from related parties amounted to \$6,168 and \$6,790, respectively. As of September 30, 2009 and 2008, other payables to related parties amounted to \$20,345 and \$26,970, respectively. As of September 30, 2008, the Bank's payable to SinoPac Financial Holdings resulting from pro-forma information amounted to \$4,294,498.

As of September 30, 2009 and 2008, the Bank's estimated receivables resulting from the adoption of the linked-tax system amounted to \$1,400,238 and \$1,348,540, respectively. As of September 30, 2008, SinoPac Card Services estimated receivables resulting from the adoption of the linked - tax system amounted to \$ 152,027.

5) Loans

September 30, 2009							
	September 30, 2009 Balance	Highest Balance	%	Interest/Fee Rates	Interest Revenue		
Loans	<u>\$ 2,448,312</u>	<u>\$ 3,331,003</u>	<u>0.41</u>	0.7-6.5	<u>\$ 28,910</u>		
September 30, 2009							
Category	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collaterals	Is the Transaction at Arm's Length Commercial Term
Employees consuming loan	33	\$ 15,823	\$ 10,635	V	-	None	Yes
Households mortgages	224	1,460,062	1,200,919	V	-	Real estate	Yes
Others:	SinoPac Securities	500,000	-	V	-	Real estate	Yes
	BoardTek Electronics	448,687	436,554	V	-	Real estate	Yes
	SPL	413,000	345,000	V	-	Real estate	Yes
	Rung-Tzung Investment	246,671	246,671	V	-	Real estate	Yes
	Yung An Leasing	198,800	198,800	V	-	Real estate	Yes
	Development Center for Biotechnology	30,000	-	V	-	Real estate	Yes
	Taiwan Genome Sciences, Inc.	3,000	3,000	V	-	Real estate	Yes
	Chen Hsu, Yu Rong	6,734	5,344	V	-	Real estate	Yes
	Guo, Kai Wei	3,354	5	V	-	Certificate of deposit	Yes
	Guo, Fong Yuan	2,100	-	V	-	Certificate of deposit	Yes
	Jhuo, Shu Lin	1,214	1,214	V	-	Certificate of deposit	Yes
	Chen, Jhih Wen	835	-	V	-	Certificate of deposit	Yes
	Shiung, Jr Gang	319	-	V	-	Certificate of deposit	Yes
	Lin Xu, Li Hong	118	-	V	-	Certificate of deposit	Yes
	Ji, Ying Huei	99	99	V	-	Certificate of deposit	Yes
	Liang, Ya Zi	71	71	V	-	Certificate of deposit	Yes
	Zhong, Dau Cheng	54	-	V	-	Certificate of deposit	Yes
	Chen, Jian Zhou	36	-	V	-	Certificate of deposit	Yes
	Lin, Hsiao Fen	25	-	V	-	Certificate of deposit	Yes
	Chang, Tian Jun	1	-	V	-	Certificate of deposit	Yes
		<u>1,855,118</u>	<u>1,236,758</u>				
		<u>\$ 3,331,003</u>	<u>\$ 2,448,312</u>				
September 30, 2008							
	September 30, 2008 Balance	Highest Balance	%	Interest/Fee Rates	Interest Revenue		
Loans	<u>\$ 2,462,875</u>	<u>\$ 3,007,720</u>	<u>0.39</u>	2.5-8.29	<u>\$ 51,891</u>		

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

6) Guarantees

September 30, 2009

Related Party	The Highest Balance in Current Period	Ending Balance	Provision	Rates	Type of Collaterals	Note
SPL	\$ 380,000	\$ 70,000	\$ -	0.3%	Real estate and certificate of deposit	
SinoPac Securities	2,000	2,000	-	0.3%	Certificate of deposit	
Luo, Guang Tsai	555	555	-	1.25%-2.75%	None	Note
Hong, Wen Jing	400	255	-	1.25%-2.75%	None	Note
Huang, Lien Cheng	290	90	-	1.25%-2.75%	None	Note
Yang, Jhih Fa	180	60	-	1.25%-2.75%	None	Note
Lin, Shin Shin	160	145	-	1.25%-2.75%	None	Note
Lu, Zhong Xiong	150	105	-	1.25%-2.75%	None	Note
Ci, Siou Jyuan	130	85	-	1.25%-2.75%	None	Note
Hung, Jeng An	120	100	-	1.25%-2.75%	None	Note
Huang, Yuan Chuan	105	75	-	1.25%-2.75%	None	Note
Zhung, Ji Cheng	100	10	-	1.25%-2.75%	None	Note
Li, Chih Neng	100	40	-	1.25%-2.75%	None	Note
Lyu, Shu Fen	100	70	-	1.25%-2.75%	None	Note
Guo, Ling Shan	90	30	-	1.25%-2.75%	None	Note
Jung, Ching Lin	85	70	-	1.25%-2.75%	None	Note
Chuang, Ming En	80	80	-	1.25%-2.75%	None	Note
Hong, Siou Huei	80	20	-	1.25%-2.75%	None	Note
Ji, Ying Huei	75	75	-	1.25%-2.75%	None	Note

(Continued)

Related Party	The Highest Balance in Current Period	Ending Balance	Provision	Rates	Type of Collaterals	Note
Liao, Chih Meng	\$ 60	\$ 30	\$ -	1.25%-2.75%	None	Note
Jiang, Shang De	60	30	-	1.25%-2.75%	None	Note
Lyu, Zhou Er	60	60	-	1.25%-2.75%	None	Note
Chen, Yu Chien	60	-	-	1.25%-2.75%	None	Note
Yang, Qing Long	30	30	-	1.25%-2.75%	None	Note
Wu, Zong Xian	20	20	-	1.25%-2.75%	None	Note
Lin, Xiu Yuan	20	20	-	1.25%-2.75%	None	Note
Lee, Liang	10	-	-	1.25%-2.75%	None	Note

(Concluded)

Note: The listed 25 guarantees are employees consuming loans.

September 30, 2008

Related Party	The Highest Balance in Current Period	Ending Balance	Provision	Rates	Type of Collaterals	Note
SinoPac Securities	\$ 38,000	\$ 38,000	\$ -	0.3%	Real estate and certificate of deposit	
TaiGen Biotechnology	18,340	-	-	0.45%	Certificate of deposit	
Lien, His Chuan	755	775	-	1.5%-2.5%	None	Note
Hong, Wen Jing	505	505	-	1.5%-2.5%	None	Note
Huang, Lien Cheng	500	500	-	1.5%-2.5%	None	Note
Luo, Guang Tsai	225	225	-	1.5%-2.5%	None	Note
Chen, Yu Chien	225	225	-	1.5%-2.5%	None	Note
Zhong, Dau Cheng	225	225	-	1.5%-2.5%	None	Note
Zhong, Ji Cheng	220	220	-	1.5%-2.5%	None	Note
Kao, Guo Hsing	175	175	-	1.5%-2.5%	None	Note
Li, Chih Neng	155	155	-	1.5%-2.5%	None	Note
Li, Liang	140	140	-	1.5%-2.5%	None	Note
Huang, Chiung Yao	110	110	-	1.5%-2.5%	None	Note
Huang, Yung Guang	110	110	-	1.5%-2.5%	None	Note
Chung, Jing Ping	50	50	-	1.5%-2.5%	None	Note
Chung, Dong Ying	50	50	-	1.5%-2.5%	None	Note
Guo, Ling Ling	40	40	-	1.5%-2.5%	None	Note
Huang, Jing Fang	40	40	-	1.5%-2.5%	None	Note

Note: The listed 16 guarantees are employees consuming loans.

7) Held-to-maturity investments

	September 30	
	2009	2008
Certificate of deposit - FENB	\$ 966,000	\$ -
Subordinated debenture beneficiary certificates - credit card receivables	\$ -	\$ 80,000

8) Securities sold under agreements to repurchase

	Face Amount		Cost	
	September 30		September 30	
	2009	2008	2009	2008
Others	\$ 408,000	\$ 296,000	\$ 439,878	\$ 326,156

9) Deposits

	Ending Balance	% of Total	Interest Rate	Interest Expense	% of Total
Nine months ended <u>September 30, 2009</u>					
SinoPac Securities	\$ 3,685,373	0.47%	0-2.57	\$ 31,768	0.46%
SinoPac Futures	2,922,143	0.38%	0.1-2	26,946	0.39%
Prime View International	4,902,286	0.63%	0.01-0.13	873	0.01%
SinoPac Securities (Asia) Ltd.	1,237,231	0.16%	0.05-1.95	6,159	0.09%
SinoPac Venture Capital	1,012,763	0.13%	0.01	1,914	0.03%
Others	7,236,845	0.93%	0-13	50,953	0.73%
Nine months ended <u>September 30, 2008</u>					
SinoPac Futures	1,773,691	0.23%	0.1-2.665	16,243	0.11%
SinoPac Securities	1,630,547	0.21%	0-2.54	19,024	0.12%
SinoPac Securities (Asia) Ltd.	1,374,368	0.17%	0.0005-6.5	16,654	0.11%
SPLIA	494,095	0.06%	0.1-1.9	5,979	0.04%
SinoPac Venture Capital	1,253,929	0.16%	0.1-2.05	7,121	0.05%
Others	5,722,381	0.73%	0-13	97,638	0.64%

10) Bank debentures

	Ending Balance	% of Total	Interest Expense	% of Total
<u>Nine months ended September 30, 2008</u>				
SinoPac Futures	\$ -	-	\$ 309	-

11) Revenues and expenses

	Amount		% of Total	
	Nine Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
Service fees	\$ 26,349	\$ 31,845	1.05%	0.97%
Service expenses	2,702	4,128	0.64%	0.82%
Project popularizing expense	364	427	0.02%	0.01%
Promotion fee	13,689	32,319	0.60%	1.07%
Other revenues	5,672	4,949	1.55%	1.39%

12) Lease

a) The Bank as a lessee

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

Lessor	Rental Expenses		Lease Term	Payment Frequency
	Nine Months Ended September 30			
	2009	2008		
SPL	\$ 85,384	\$ 82,694	February 2020	Rentals paid monthly
Ruentex Development	2,580	2,700	September 2010	Rentals paid monthly

b) The Bank as a lessor

Lessee	Rental Income		Lease Term	Payment Frequency
	Nine Months Ended			
	2009	2008		
SinoPac Securities	\$ 12,450	\$ 11,000	November 2011	Rentals received monthly
SinoPac Securities	9,199	-	September 2017	Rentals received monthly
Investment Trust				
SinoPac Call Center	4,678	3,688	March 2013	Rentals received monthly
SPL	4,429	4,464	July 2011	Rentals received monthly
Intellisys Corporation	2,739	-	December 2013	Rentals received monthly
SPLIA	1,553	1,688	January 2012	Rentals received monthly
SPPIA	234	297	January 2012	Rentals received monthly
Wal Tech International	45	45	June 2011	Rentals received monthly
SinoPac Venture Capital	5	7	June 2010	Rentals received monthly

13) Professional advisory charges

The Bank and former SinoPac Card Services Co., Ltd. had entered into several professional advisory contracts with its investees. The professional advisory charges paid for the nine months ended September 30, 2009 and 2008 amounted to \$151,333 and \$141,262, 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.

33. RESTRICTED ASSETS

Pledged or restricted assets of the Bank as of September 30, 2009 and 2008 are summarized as follows:

Restricted Assets	Object	Fair Value		Purposes
		2009	2008	
Financial assets at fair value through profit or loss	Government bonds	\$ -	\$ 1,000	GTSM as bond payment settlement reserves for electronic bond trading system
Available-for-sale financial assets	Government bonds	460,134	541,234	Pledged to court 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	-	5,000,757	Intraday overdraft facilities
Held-to-maturity investments	Government bonds	209,247	206,000	Hong Kong branch's clearing system of real - time gross settlement
Other financial assets	Guarantee deposits, negotiable certificate of deposits and cash	1,208,672	948,271	Pledged to court as collaterals for filing provisional seizure or restricted
Held-to-maturity investments	Certificate of deposit	-	2,000,000	Intraday overdraft facilities

34. SIGNIFICANT CONTINGENCIES AND COMMITMENTS

In addition to those disclosed in Note 37, financial instruments, significant contingencies and commitments of the Bank are summarized as follows:

a. Lease contract

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

Year	Amount
October 1 to December 31, 2009	\$ 84,866
2010	318,226
2011	248,973
2012	193,139
2013	98,009

Rentals for the years beyond 2014 amount to \$261,974, the present value of which is about \$245,612 as discounted at the Bank's one-year time deposit rate of 0.82% on September 30, 2009.

b. Equipment purchase contract

The Bank had entered into contracts to buy computer equipment and office equipment for \$576,531, of which \$182,095 had already been paid as of September 30, 2009.

- c. The Bank's Hong Kong branch was delegated by professional investors to sell investment products of PEM GROUP amounting to US\$146,000 thousand in private placement, which was allowed under Hong Kong's regulations. The Court appointed permanent receiver for all assets that belong to, are being managed by, or in the possession of or control of PEM GROUP and any of their subsidiaries and affiliates. If the products aforementioned fail to repay at maturity due to deceptive underlying assets, the Bank will buy back those products at the price of initial payment deducted the distribution and redemption. As far, the Bank investigate internally and externally, delegate the lawyer and inform the related investors simultaneously to solve the problem. In accordance with aforementioned principle, the contingent loss amounting to US\$23,124 was estimated and recorded for the nine months ended September 30, 2009.
- 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 thousand 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. On August 27, 2009, the Superme Administrative Court judged that the aforementioned judge shall be abolished and remanded.

35. RESTATEMENT OF FINANCIAL STATEMENTS

The Bank had a cash merger with SinoPac Card Services (“SinoPac Card”) on June 1, 2009. Based on Statement of Financial Accounting Standards (SFAS) Interpretation Nos. (91) 243 and 244 and (95) 081 issued by the Accounting research and Development Foundation of the ROC, this merger was treated as a reorganization and was recorded at the book values of both entities’ assets and liabilities because the Bank and SinoPac Card Services were both 100% subsidiaries of SinoPac Financial Holdings Company Limited. In addition, based on SFAS Interpretation No. (95) 141, the Bank’s financial statements as of and for the nine months ended September 30, 2008 were retroactively restated assuming SinoPac Card’s assets and liabilities had been included in these financial statements at book value. The Bank acquired from SinoPac Card the following net assets, amounting to \$2,998,513 thousand:

Item	Amount
Cash and cash equivalents	\$ 936,109
Financial assets at fair value through profit or loss	169,527
Accounts, interest and other receivables, net	11,884,889
Other financial assets	457,738
Properties, net	60,577
Intangible assets	7,180
Other assets	84,302
Short-term borrowings	(2,700,000)
Commercial paper payable	(3,550,000)
Accounts, interest and other payables	(3,462,284)
Long-term debts	(800,000)
Other financial liabilities	(500)
Other liabilities	(89,025)
	<u>2,998,513</u>
Goodwill	876,717
Capital surplus	<u>(1,555)</u>
	<u>\$ 3,873,675</u>

The above assets were to be used for operating purposes. The Bank had no plan to dispose of any significant assets. The Bank’s net income for the nine months ended September 30, 2008 included SinoPac Card’s net income for the same period.

36. 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.

	Nine Months Ended September 30			
	2009		2008	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Due from the Central Bank and other banks	\$ 21,200,392	0.47	\$ 43,446,681	2.12
Call loans to banks	65,340,121	0.85	57,823,310	3.24
Financial assets at fair value through profit or loss	12,495,265	2.32	17,969,907	2.66
Securities purchased under agreements to resell	459,592	0.67	5,177,373	1.82
Available-for-sale financial assets	37,391,369	1.32	99,381,333	2.28
Discounts and loans	609,227,651	2.03	618,367,334	3.49
Accounts receivable - factoring	5,068,169	2.68	12,953,152	3.85
Credit card receivable	7,407,000	14.01	6,890,158	13.38
Held-to-maturity investments	126,304,137	0.82	50,388,317	2.28
Other financial assets	270,421	2.36	1,915,454	1.49
<u>Interest-bearing liabilities</u>				
Due to the Central Bank and other banks	21,124,191	1.22	20,623,643	2.64
Call loans	14,950,567	0.74	26,852,281	3.10
Securities sold under agreements to repurchase	3,416,713	0.18	6,505,952	1.86
Demand	125,041,138	0.10	103,956,394	0.60
Savings - demand	180,207,152	0.43	161,506,993	0.60
Time	268,003,212	1.06	279,819,073	2.60
Savings - time	196,385,584	1.62	221,671,888	2.55
Negotiable certificates of deposit	6,593,385	0.83	18,000,701	2.15
Bank debentures	30,151,918	2.32	33,258,615	2.15
Other liabilities - appropriated loan fund	480,513	1.01	477,015	1.02
Bonds payable	4,758,532	-	5,456,286	-

37. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

	September 30			
	2009		2008	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<u>Financial assets</u>				
Other short-term financial assets	\$ 129,848,436	\$ 129,848,436	\$ 144,908,994	\$ 144,908,994
Financial assets at fair value through profit or loss	16,869,338	16,869,338	37,660,276	37,660,276
Discounts and loans	603,300,626	603,300,626	633,023,657	633,023,657
Available-for-sale financial assets	24,068,666	24,068,666	46,893,487	46,893,487
Held-to-maturity investments	149,966,519	149,993,732	99,143,231	98,109,603
Equity investments-equity method	10,637,636	10,637,636	9,652,244	9,652,244
Unquoted equity instruments	488,507	-	715,707	-
Non-active market debt instruments	101,770	87,685	659,952	622,091
Other financial assets	2,594,290	2,594,290	2,012,070	2,012,070
<u>Financial liabilities</u>				
Other short-term financial liabilities	69,072,764	69,072,764	90,084,134	90,084,134
Financial liabilities at fair value through profit or loss	10,662,642	10,662,642	10,707,426	10,707,426
Deposits and remittances	778,174,618	778,174,618	786,235,180	786,235,180
Bank debentures	32,159,959	32,159,959	36,240,341	36,240,341
Bonds payable	4,550,826	4,530,716	7,154,880	6,696,835
Other financial liabilities	1,536,537	1,536,537	845,776	845,776
Long-term borrowings	-	-	800,000	800,000

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, short-term borrowings, commercial paper payable, 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, bank 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.
 - 6) Fair value of long-term borrowings is estimated at its carrying amount since it is floating interest-bearing.
- c. Interest revenue of financial assets and liabilities other than those at fair value through profit or loss amounted to \$12,558,368 and \$22,770,487, for the nine months ended September 30, 2009 and 2008, respectively. Interest expense of financial assets and liabilities other than those at fair value through profit or loss amounted to \$5,585,075 and \$12,426,278, for the nine months ended September 30, 2009 and 2008, respectively.
- d. Financial risk information

1) Market risk

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

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

	<u>Quoted Market Prices</u>		<u>Fair Value Based on Estimates</u>	
	<u>September 30</u>		<u>September 30</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<u>Financial assets</u>				
Financial assets at fair value through profit or loss	\$ 12,722,733	\$ 29,606,279	\$ 4,146,605	\$ 8,053,997
Available-for-sale financial assets	24,005,724	45,799,962	62,942	1,093,525
Held-to-maturity investments	149,993,732	98,029,603	-	80,000
Other financial assets - non-active market debt instruments	-	-	87,685	622,091
<u>Financial liabilities</u>				
Financial liabilities at fair value through profit or loss	10,449,398	9,860,216	213,244	847,210

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

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

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

2) Credit risk

The Bank is exposed to credit risk in the event of default on contracts by counter-parties. The Bank makes credit commitments and issues financial guarantees and standby letters of credit only after careful evaluation of customers' credit worthiness. On the basis of the result of the credit evaluation, the Bank may require collaterals before drawings are made against the credit facilities. As of September 30, 2009 and 2008, ratios of secured loans to total loans were 71.46% and 65.18%, respectively. Ratio of secured financial guarantees and standby letters of credits were from 21.36% and 24.75%. 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	September 30	
	2009	2008
	Maximum Credit Exposure	Maximum Credit Exposure
Off-balance-sheet credit risk		
Credit card commitments for credit card	\$ 136,447,630	\$ 161,908,172
Financial guarantees and standby letter of credit	18,502,828	23,791,017
Undrawn loan commitments	22,228,791	22,342,643

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:

	<u>September 30</u>	
	<u>2009</u>	<u>2008</u>
	Maximum Credit Exposure	Maximum Credit Exposure
Credit Risk Profile by Counterparty		
Consumer	\$ 368,993,919	\$ 366,832,843
Private sector	231,937,724	241,415,727
Government	<u>8,870,160</u>	<u>31,046,160</u>
	<u>\$ 609,801,803</u>	<u>\$ 639,294,730</u>

	<u>September 30</u>	
	<u>2009</u>	<u>2008</u>
	Maximum Credit Exposure	Maximum Credit Exposure
Credit Risk Profile by Industry Sector		
Electricity industry	\$ 47,887,440	\$ 50,005,876
Material and supplies	42,271,359	43,898,440
Wholesale trade and retail business	<u>34,647,060</u>	<u>36,788,248</u>
	<u>\$ 124,805,859</u>	<u>\$ 130,692,564</u>

	<u>September 30</u>	
	<u>2009</u>	<u>2008</u>
	Maximum Credit Exposure	Maximum Credit Exposure
Credit Risk Profile by Region		
Domestic area	\$ 559,774,033	\$ 580,549,280
Asia	22,798,212	27,132,018
North America	<u>15,763,188</u>	<u>17,584,653</u>
	<u>\$ 598,335,433</u>	<u>\$ 625,265,951</u>

3) Liquidity risk

As of September 30, 2009 and 2008, the liquidity reserve ratio was 27.10% and 23.01%, 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:

	September 30, 2009						
	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due Between One Year and Seven Years	Due After Seven Years	Total
Assets							
Cash and cash equivalents	\$ 11,968,324	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,968,324
Due from the Central Bank and other banks	61,401,551	12,919,059	3,896,200	-	-	-	78,216,810
Financial assets at fair value through profit or loss	13,490,339	403,297	2,381,844	468,000	125,858	-	16,869,338
Receivables	19,901,282	8,096,463	2,484,866	2,984,718	8,104,110	-	41,571,439
Discounts and loans	55,838,052	48,952,603	27,511,605	23,738,138	110,879,719	341,764,226	608,684,343
Available-for-sale financial assets	3,782,091	76,411	-	569,864	18,357,967	1,282,333	24,068,666
Held-to-maturity investments	39,966,000	67,934,037	38,555,388	2,000,000	1,315,634	195,460	149,966,519
Non-active market debt instruments	-	-	-	-	96,600	5,170	101,770
Hedged derivative financial assets	107,672	-	31,628	63,697	94,381	-	297,378
	<u>206,455,311</u>	<u>138,381,870</u>	<u>74,861,531</u>	<u>29,824,417</u>	<u>138,974,269</u>	<u>343,247,189</u>	<u>931,744,587</u>
Liabilities							
Call loans and due to banks	18,074,529	14,848,525	4,260,358	6,704,041	-	-	43,887,453
Financial liabilities at fair value through profit or loss	7,590,183	402,357	230,844	2,432,108	7,150	-	10,662,642
Securities sold under agreements to repurchase	1,064,859	170,821	-	-	-	-	1,235,680
Payables	13,729,357	6,466,090	1,836,596	1,738,290	336,859	-	24,107,192
Deposits and remittances	117,239,436	125,620,140	138,766,760	114,700,444	281,847,838	-	778,174,618
Bank debentures	1,068,328	8,750,826	-	2,900,000	17,240,805	2,200,000	32,159,959
Bonds payable	-	-	-	-	4,550,826	-	4,550,826
Hedged derivative financial liabilities	35,399	-	-	-	-	-	35,399
	<u>158,802,091</u>	<u>156,258,759</u>	<u>145,094,558</u>	<u>128,474,883</u>	<u>303,983,478</u>	<u>2,200,000</u>	<u>894,813,769</u>
Net liquidity gap	<u>\$ 47,653,220</u>	<u>\$ (17,876,889)</u>	<u>\$ (70,233,027)</u>	<u>\$ (98,650,466)</u>	<u>\$ (165,009,209)</u>	<u>\$ 341,047,189</u>	<u>\$ 36,930,818</u>

	September 30, 2008						
	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due Between One Year and Seven Years	Due After Seven Years	Total
Assets							
Cash and cash equivalents	\$ 18,161,085	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,161,085
Due from the Central Bank and other banks	69,902,229	4,369,680	1,606,500	-	-	-	75,878,409
Financial assets at fair value through profit or loss	31,219,993	204,111	5,122,457	818,841	294,874	-	37,660,276
Securities purchased under agreements to resell	3,659,510	472,622	-	-	-	-	4,132,132
Receivables	16,091,490	12,872,123	4,841,408	3,820,777	11,362,289	-	48,988,087
Discounts and loans	75,083,945	56,997,118	32,226,731	33,325,408	110,223,107	331,108,552	638,964,861
Available-for-sale financial assets	13,111,558	24,383,072	371,771	2,820,772	4,277,013	1,929,301	46,893,487
Held-to-maturity investments	59,150,554	20,359,621	17,500,000	510,685	1,259,909	362,462	99,143,231
Non-active market debt instruments	25,463	-	-	122,676	490,707	21,106	659,952
Hedged derivative financial assets	8,812	44,913	5,240	119,005	394,403	-	572,373
	<u>286,414,639</u>	<u>119,703,260</u>	<u>61,674,107</u>	<u>41,538,164</u>	<u>128,302,302</u>	<u>333,421,421</u>	<u>971,053,893</u>
Liabilities							
Call loans and due to banks	25,215,957	13,758,655	5,453,008	6,704,041	-	-	51,131,661
Financial liabilities at fair value through profit or loss	5,369,822	139,749	503,470	4,693,459	926	-	10,707,426
Securities sold under agreements to repurchase	2,752,622	579,492	-	-	-	-	3,332,114
Payables	18,111,756	5,819,524	3,382,757	1,674,643	3,143,164	-	32,131,844
Deposits and remittances	165,200,897	128,185,743	136,039,148	124,462,153	232,347,239	-	786,235,180
Bank debentures	545,402	7,400,000	700,000	5,700,000	21,894,939	-	36,240,341
Bonds payable	-	-	-	1,500,000	5,654,880	-	7,154,880
Hedged derivative financial liabilities	-	-	23,265	23,235	15,935	-	62,435
	<u>217,196,456</u>	<u>155,883,163</u>	<u>146,101,648</u>	<u>144,757,531</u>	<u>263,057,083</u>	<u>-</u>	<u>926,995,881</u>
Net liquidity gap	<u>\$ 69,218,183</u>	<u>\$ (36,179,903)</u>	<u>\$ (84,427,541)</u>	<u>\$ (103,219,367)</u>	<u>\$ (134,754,781)</u>	<u>\$ 333,421,421</u>	<u>\$ 44,058,012</u>

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

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

e. Fair value hedge

The Bank enters into interest rate swap contracts and cross-currency swap contracts to hedge against the risk of the interest rate fluctuation of the bank debentures and a part of fixed rate loans.

Hedged Items	Hedging Instruments	September 30			
		2009		2008	
		Notion Amount	Fair Value	Notion Amount	Fair Value
Bank debentures	Interest rate swap	\$ 4,100,000	\$ 172,910	\$11,100,000	\$ 209,643
	Cross currency swap	3,800,000	95,417	12,700,000	335,759
Fixed rate loans	Interest rate swap	348,322	(15,517)	362,789	(12,229)

f. Cash flow hedge

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

Hedged Items	Hedging Instruments	September 30			
		2009		2009	
		Notion Amount	Fair Value	Notion Amount	Fair Value
Bank debentures	Interest rate swap	\$ 3,600,000	\$ 9,169	\$ -	\$ -

Floating rate liabilities assumed by SinoPac Card Services may be subject to future cash flow fluctuation due to the market interest rates' volatility resulting in cash flow risk; therefore, SinoPac Card Services entered into interest rate swap contracts to hedge against the related risks.

The cash flow hedge and designated hedging derivatives are as follows:

Hedged Items	Hedge Instruments	September 30, 2008			
		Nominal Amount	Fair Value of Hedging Instruments	Period of Expect Cash Flow	Expected Recognition Period of Gain or Loss
Floating rate debentures	Interest rate swap	\$ 4,200,000	\$ (23,235)	2008-2011	2008-2011

38. 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.

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

a. Statement of capital adequacy

Capital Adequacy

			June 30, 2009	
			Standalone	Consolidation
Eligible capital	Tier 1 capital		\$ 48,016,693	\$ 52,651,387
	Tier 2 capital		18,376,342	24,743,350
	Tier 3 capital		-	-
	Eligible capital		66,393,035	77,394,737
Risk-weighted assets	Credit risk	Standardized approach	517,963,661	575,815,677
		Internal rating - based approach	N/A	N/A
		Securitization	529,307	1,512,902
	Operational risk	Basic indicator approach	28,963,913	33,814,338
		Standardized approach/Alternative standardized approach	N/A	N/A
		Advanced measurement approach	N/A	N/A
	Market risk	Standardized approach	21,963,851	23,528,439
		Internal models approach	N/A	N/A
	Total risk-weighted assets		569,420,732	634,671,356
	Capital adequacy rate			11.66%
Tier 1 risk - based capital ratio			8.43%	8.29%
Tier 2 risk - based capital ratio			3.23%	3.90%
Tier 3 risk - based capital ratio			-	-
Ratios of common stockholders' equity to total assets			4.64%	4.35%

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

		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%	10.99%	
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%	

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

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

Note 3: The formula:

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

b. Asset quality

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

c. Maturity analysis of assets and liabilities

**Maturity Analysis of Assets and Liabilities
September 30, 2009**

(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	\$ 852,338,994	\$ 156,285,598	\$ 115,953,736	\$ 70,753,604	\$ 36,792,191	\$ 472,553,865
Main capital outflow on maturity	861,335,336	150,351,212	139,141,299	108,356,314	121,415,465	342,071,046
Gap	(8,996,342)	5,934,386	(23,187,563)	(37,602,710)	(84,623,274)	130,482,819

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
September 30, 2009**

(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	\$ 6,272,080	\$ 3,259,581	\$ 1,523,306	\$ 673,295	\$ 355,303	\$ 460,595
Main capital outflow on maturity	6,319,729	3,088,633	1,369,086	615,395	460,273	786,342
Gap	(47,649)	170,948	154,220	57,900	(104,970)	(325,747)

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
September 30, 2008**

(In Thousands of New Taiwan Dollars)

	Total	The Amount of Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Main capital inflow on maturity	\$ 922,480,337	\$ 223,084,691	\$ 119,054,262	\$ 61,977,621	\$ 71,713,738	\$ 446,650,025
Main capital outflow on maturity	931,817,320	176,172,883	152,234,297	136,889,791	162,352,697	304,167,652
Gap	(9,336,983)	46,911,808	(33,180,035)	(74,912,170)	(90,638,959)	142,482,373

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

**Maturity Analysis of Assets and Liabilities
September 30, 2008**

(In Thousands of U.S. Dollars)

	Total	The Amount of Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Main capital inflow on maturity	\$ 8,699,470	\$ 3,424,269	\$ 2,303,773	\$ 1,253,489	\$ 1,095,311	\$ 622,628
Main capital outflow on maturity	8,738,796	3,792,469	1,884,803	885,072	1,300,732	875,720
Gap	(39,326)	(368,200)	418,970	368,417	(205,421)	(253,092)

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

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

d. Profitability

(%)

Items		For the Nine Months Ended September 30, 2009	For the Nine Months Ended September 30, 2008
Return on total assets	Before income tax	0.05	(0.29)
	After income tax	(0.01)	(0.20)
Return on net worth	Before income tax	0.80	(4.80)
	After income tax	(0.20)	(3.27)
Profit margin		(1.18)	(19.60)

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

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

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

Note 4: Income before (after) income tax represents income for the nine months ended September 30, 2009 and 2008.

e. Interest rate sensitivity information

Interest Rate Sensitivity
September 30, 2009

(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	\$ 562,510,521	\$ 56,546,076	\$ 34,617,287	\$ 66,056,390	\$ 719,730,274
Interest-rate sensitive liabilities	291,336,366	330,755,731	42,818,245	19,437,663	684,348,005
Interest-rate sensitive gap	271,174,155	(274,209,655)	(8,200,958)	46,618,727	35,382,269
Net worth					56,794,890
Ratio of interest-rate sensitive assets to liabilities					105.17%
Ratio of interest-rate sensitive gap to net worth					62.30%

Interest Rate Sensitivity
September 30, 2008

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-rate sensitive assets	\$ 643,482,906	\$ 21,188,964	\$ 42,218,155	\$ 21,918,804	\$ 728,808,829
Interest-rate sensitive liabilities	358,542,077	275,977,316	59,085,318	10,228,817	703,833,528
Interest-rate sensitive gap	284,940,829	(254,788,352)	(16,867,163)	11,689,987	24,975,301
Net worth					61,434,525
Ratio of interest-rate sensitive assets to liabilities					103.55%
Ratio of interest-rate sensitive gap to net worth					40.65%

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
September 30, 2009**

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

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-rate sensitive assets	\$ 3,891,938	\$ 274,447	\$ 66,017	\$ 223,434	\$ 4,455,836
Interest-rate sensitive liabilities	1,903,116	2,298,994	241,267	2,130	4,445,507
Interest-rate sensitive gap	1,988,822	(2,024,547)	(175,250)	221,304	10,329
Net worth					62,673
Ratio of interest-rate sensitive assets to liabilities					100.23%
Ratio of interest-rate sensitive gap to net worth					16.48%

**Interest Rate Sensitivity
September 30, 2008**

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

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-rate sensitive assets	\$ 5,217,359	\$ 259,486	\$ 90,102	\$ 482,718	\$ 6,049,665
Interest-rate sensitive liabilities	3,300,575	1,718,877	122,084	167	5,141,703
Interest-rate sensitive gap	1,916,784	(1,459,391)	(31,982)	482,551	907,962
Net worth					35,980
Ratio of interest-rate sensitive assets to liabilities					117.66%
Ratio of interest-rate sensitive gap to net worth					2,523.52%

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

September 30, 2009

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	Group Name (Note 2)	Total Credit Consists of Loans (Note 3)	Percentage of Net Worth (%) (Note 4)
1	Formosa Plastics Group	\$13,004,977	23.04%
2	Evergreen Group	5,621,677	9.96%
3	CHI MEI Optoelectronics	5,160,144	9.14%
4	China Airlines	4,725,000	8.37%
5	Hung Tai Construction	4,435,000	7.86%
6	Far East Group	4,223,385	7.48%
7	AU Optronics Group	3,496,164	6.19%
8	Kinpo Group	3,495,200	6.19%
9	HON HAI Precision Group	3,134,669	5.55%
10	Dell Inc.	2,724,400	4.83%

September 30, 2008

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	Group Name (Note 2)	Total Credit Consists of Loans (Note 3)	Percentage of Net Worth (%) (Note 4)
1	Formosa Plastics Group	\$13,584,478	22.42%
2	Dell Inc.	7,823,436	12.91%
3	CHI MEI Optoelectronics	6,243,213	10.30%
4	HON HAI Precision Group	5,425,566	8.95%
5	China Metal Products Group	5,121,284	8.45%
6	Hung Tai Construction	5,020,000	8.29%
7	China Airlines	4,777,000	7.88%
8	Qisda Corporation/AU Optronics Group	4,406,767	7.27%
9	Far East Group	3,997,429	6.60%
10	Chinatrust Group	3,619,894	5.97%

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.

40. TRUST BUSINESS UNDER THE TRUST LAW

a. Balance sheets 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 September 30, 2009 and 2008

(In Thousands of New Taiwan Dollars)

	September 30					
	2009			2008		
	Other Trust Business	Financial Assets and Real Estate Trust Plan	Total	Other Trust Business	Financial Assets and Real Estate Trust Plan	Total
Trust assets						
Bank deposits	\$ 4,805,409	\$ 1,086,281	\$ 5,891,690	\$ 4,189,915	\$ 1,110,265	\$ 5,300,180
Bonds	18,426,642	1,687,825	20,114,467	29,609,455	8,911,144	38,520,599
Stocks	7,743,152	-	7,743,152	10,532,053	-	10,532,053
Funds	103,377,623	-	103,377,623	97,038,720	-	97,038,720
Receivables	3,713	5,648	9,361	582	29,505	30,087
Prepayments	8	24,196	24,204	30	9,612	9,642
Real estate						
Land	6,051,361	3,538,574	9,589,935	6,470,093	3,538,574	10,008,667
Buildings	330,091	1,364,856	1,694,947	371,370	1,364,856	1,736,226
Construction in process	4,911,362	-	4,911,362	3,951,312	-	3,951,312
Securities under custody	149,069,354	-	149,069,354	181,498,991	-	181,498,991
Other assets	-	76,851	76,851	-	78,488	78,488
Total trust assets	<u>\$ 294,718,715</u>	<u>\$ 7,784,231</u>	<u>\$ 302,502,946</u>	<u>\$ 333,662,521</u>	<u>\$ 15,042,444</u>	<u>\$ 348,704,965</u>
Trust liabilities						
Payables	\$ -	\$ 16,278	\$ 16,278	\$ 324	\$ 17,380	\$ 17,704
Advance receipts	-	15,876	15,876	-	16,091	16,091
Other liabilities	-	20,178	20,178	-	19,871	19,871
Payable on securities under custody	149,069,354	-	149,069,354	181,498,991	-	181,498,991
Trust capital	143,538,700	6,601,419	150,140,119	150,138,952	13,999,786	164,138,738
Reserves and cumulative earnings						
Reserves	-	71,184	71,184	-	71,184	71,184
Net income	584,831	99,279	684,110	1,208,013	143,707	1,351,720
Cumulative earnings	1,940,252	496,587	2,436,839	1,765,466	310,995	2,076,461
Deferred amount	(414,422)	-	(414,422)	(949,225)	-	(949,225)
Unrealized revaluation increment on land	-	463,430	463,430	-	463,430	463,430
Total trust liabilities	<u>\$ 294,718,715</u>	<u>\$ 7,784,231</u>	<u>\$ 302,502,946</u>	<u>\$ 333,662,521</u>	<u>\$ 15,042,444</u>	<u>\$ 348,704,965</u>

Trust Properties of Trust Accounts September 30, 2009 and 2008

(In Thousands of New Taiwan Dollars)

Investment Portfolio	September 30			
	2009		2008	
	Book Value	Note	Book Value	Note
Bonds	\$ 18,426,642		\$ 29,609,455	
Stocks	7,743,152		10,532,053	
Funds	103,377,623		97,038,720	
Asset pool of financial asset securitization	1,687,825		8,911,144	
Asset pool of real estate securitization	4,903,430		4,903,430	
Real estate				
Land	6,051,361		6,470,093	
Buildings	330,091		371,370	
Construction in process	4,911,362		3,951,312	
Securities under custody	<u>149,069,354</u>		<u>181,498,991</u>	
Total	<u>\$ 296,500,840</u>		<u>\$ 343,286,568</u>	

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

41. CROSS-SELLING INFORMATION

For the nine months ended September 30, 2009 and 2008, the Bank charged SinoPac Securities for \$2,642 and \$4,624, respectively, as marketing and opening accounts and paid SinoPac Securities \$0 and \$126, respectively, as commission of promoting real estate loan financing under cross selling business.

In February 2003, the Bank had contracts with SPLIA and SPPIA, respectively, for cross selling business. The contracts refer to the rules of promoting cross selling business and how to allocate the related expenses to sites, personnel, and equipments and how to calculate the related compensation. For the nine months ended September 30, 2008, the Bank charged SPPIA for \$4,506, as incentive rewards under cross selling business.

42. ADDITIONAL DISCLOSURES

a. and b. Following are the additional disclosures required by the Securities Futures Bureau 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: Table 4;
- 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: Note 7 and Table 6-3;
- 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 5;
- 11) Sale of nonperforming loans: None;
- 12) The information of investees: Non applicable;
- 13) Other significant transactions which may affect the decisions of users of financial reports: Tables 6 and 7;
- 14) Derivative financial transactions: Except the disclosure in other footnotes, the derivative financial instruments of the Bank are disclosed in Notes 6 and 37, 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 disclosed in Table 6-8.

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

BANK SINOPAC AND INVESTEES

FINANCING PROVIDED
NINE MONTHS ENDED SEPTEMBER 30, 2009
(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	\$ 86,800	\$ -	2.1%-3.488%	Short-term financial	\$ -	Operating use	\$ -	-	\$ -	\$ 89,800 (Note 1)	\$ 1,044,337 (Note 2)
2	SinoPac Leasing Corporation	CNC Line Co., Ltd.	Notes receivable	100,000	100,000	2.720%	Short-term financial	-	Operating use	1,000	-	-	757,000 (Note 1)	1,044,337 (Note 2)

Note 1: According to the Operational Procedures for Making Loans to Others, the financing limit for the borrowing company is 30% of the reviewed net asset value NT\$2,610,842 (in thousand) of SinoPac Leasing Corporation as of September 30, 2009. The maximum amounts approved by the board of directors are NT\$89,800 (in thousand) for Wal-Tech International Corporation in May 2008 and NT\$757,000 (in thousand) for CNC Line Co., Ltd. in July 2009.

Note 2: According to the Operational Procedures for Making Loans to Others, the financing company's financing amount limits are 40% of the reviewed net asset value NT\$2,610,842 (in thousand) of SinoPac Leasing Corporation as of September 30, 2009.

BANK SINOPAC AND INVESTEES

ENDORSEMENT/GUARANTEE PROVIDED
NINE MONTHS ENDED SEPTEMBER 30, 2009
(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	\$5,221,684 (Note 3)	\$6,340,180	\$5,680,080	\$ -	217.56%	\$13,054,210 (Note 5)

Note 1: Foreign-currency amounts were translated to New Taiwan dollars at the closing exchange rate as of September 30, 2009.

Note 2: The reviewed net asset value of SinoPac Leasing Corporation as of September 30, 2009 is NT\$2,610,842 (in thousand).

Note 3: The limit on individual endorsement or guarantee amounts is up to 200% of the net asset value of SinoPac Leasing Corporation. As of September 30, 2009, the limit was NT\$5,221,684 (in thousand) (Note 6). But no limit applied on subsidiaries which was owned over 50% by SinoPac Leasing Corporation.

Note 4: The net asset value of SinoPac Leasing Corporation was based on its reviewed financial statements as of September 30, 2009.

Note 5: The maximum amount of endorsement or guarantee amounts is up to 500% of the net asset value of SinoPac Leasing Corporation. As of September 30, 2009, the limit was NT\$13,054,210 (in thousands) (Note 6). But no limit applied on subsidiaries which was owned over 50% by SinoPac Leasing Corporation.

Note 6: According to the operational procedures for endorsement and guarantee to others, the net asset value of SinoPac Leasing Corporation was based on its reviewed financial statements as of September 30, 2009.

BANK SINOPAC AND INVESTEES

MARKETABLE SECURITIES HELD

SEPTEMBER 30, 2009

(In Thousands of New Taiwan Dollars or Share)

Name of Holding Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	September 30, 2009				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	230	\$ 7,295,663	100%	\$ 7,295,663	Note 4
SinoPac Leasing Corporation	<u>Stock</u> Grand Capital International Limited	Subsidiary	Equity investments - equity method	29,900	932,433	100%	932,433	Note 4
SinoPac Capital Limited (H.K.)	<u>Stock</u> SinoPac Capital (B.V.I.) Ltd. SinoPac Insurance Brokers Ltd.	Subsidiary	Equity investments - equity method	4,450	34,467	100%	49,446	Note 4
		Subsidiary	Equity investments - equity method	100	1,246	100%	125,332	Note 4
SinoPac Capital (B.V.I.) Ltd.	<u>Fund</u> China Enterprise Capital	-	Available-for-sale financial assets	0.020	32,215	-	32,215	Note 5
		Subsidiary	Equity investments - equity method	200	6,440	100%	10,701	Note 4
SinoPac Property Insurance Agent Co., Ltd.	<u>Stock</u> Pinnacle Investment Management Ltd. RSP Information Service Company Limited	Subsidiary	Equity investments - equity method	1,000	4,128	100%	4,515	Note 4
		Subsidiary	Equity investments - equity method					Note 4
SinoPac Life Insurance Agent Co., Ltd.	<u>Bond</u> Government bond 88-3	-	Guarantee deposits	600	639	-	793	Pledge
SinoPac Life Insurance Agent Co., Ltd.	<u>Bond</u> Government bond 88-3	-	Guarantee deposits	600	639	-	793	Pledge

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

Note 2: Market prices of listed and GreTai Securities Market stocks were determined at closing prices on September 30, 2009.

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

Note 4: Net asset values were based on the investees' audited or reviewed financial statements for the latest period.

Note 5: Net asset values were based on the carrying amounts.

Note 6: Market prices were based on closing prices or net value of funds on September 30, 2009.

BANK SINOPAC AND INVESTEEES

ACQUIRED AND DISPOSED OF INVESTEE INVESTMENT AT COST OR PRICES OF AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL
(MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF, AT COST OR PRICES OF AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL)
NINE MONTHS ENDED SEPTEMBER 30, 2009
(In Thousands of New Taiwan Dollars, Unless Otherwise Stated)

Company Name	Type and Name of Marketable Securities	Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Units	Amount	Units	Amount	Units	Amount	Carrying Value	Gain on Disposal	Units	Amount (Note)
Bank SinoPac	<u>Stock</u> SinoPac Bancorp	Equity investments - equity method	-	Subsidiary of the Bank	20	\$ 3,328,915	-	\$ 1,645,750	-	\$ -	\$ -	\$ -	20	\$ 4,974,665

Note: Excluding income from equity investments - equity method.

BANK SINOPAC AND INVESTEES

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

SEPTEMBER 30, 2009

(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 Financial Holdings Company Limited	The parent company of the Bank	\$ 1,400,492	-	\$ -	-	\$ -	\$ -

Note: Mostly receivables resulted from the use of the linked-tax system and receivables from related parties.

TABLE 6-1**BANK SINOPAC**
FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS
SEPTEMBER 30, 2009 AND 2008
(In Thousands of New Taiwan Dollars)

	September 30	
	2009	2008
<u>Held-for-trading financial assets</u>		
Corporate bonds	\$ 2,092,207	\$ 2,847,605
Bank debentures	770,321	3,216,239
Beneficiary certificates	569,450	561,863
Listed stock	449,627	139,966
Convertible bonds	229,089	1,986,083
Government bonds	199,659	11,694,588
Collateralized debt obligations	133,631	158,169
Depository receipts	13,230	-
Negotiable certificates of deposit	-	3,005,223
Mortgage backed securities	-	1,372
Derivative financial assets		
Interest rate swaps	7,885,529	3,172,178
Forward contracts	2,059,102	5,486,651
Premium paid on option contracts	941,355	1,295,224
Currency swap contracts	72,607	1,022,976
Equity-linked swap contracts	14,082	102,473
Credit default swaps	4,496	62,030
Cross-currency swap contracts	896	18,893
Futures	81	954
	<u>15,435,362</u>	<u>34,772,487</u>
<u>Financial assets designated at fair value through profit or loss</u>		
Hybrid product		
Corporate bonds	765,889	1,586,468
Credit-linked notes	407,137	547,770
Convertible bonds	-	14,940
A group of financial instruments is managed and its performance is evaluated on a fair value basis		
C equity interest in VISA Inc.	163,731	144,165
B equity interest in Mastercard Inc.	97,219	31,793
Subordinated certificates	-	562,653
	<u>1,433,976</u>	<u>2,887,789</u>
Total of financial assets at fair value through profit or loss	<u>\$ 16,869,338</u>	<u>\$ 37,660,276</u>

(Continued)

	September 30	
	2009	2008
<u>Held-for-trading financial liabilities</u>		
Derivative financial liabilities		
Interest rate swaps	\$ 7,849,819	\$ 3,223,955
Forward contracts	1,838,162	5,135,409
Premiums received on option contracts	825,562	1,064,205
Currency swap contracts	68,254	1,068,077
Credit default swaps	65,138	64,842
Equity-linked swap contracts	14,081	102,473
Cross-currency swap contracts	1,591	24,116
Futures	<u>35</u>	<u>24,349</u>
	<u>\$ 10,662,642</u>	<u>\$ 10,707,426</u>

(Concluded)

TABLE 6-2**BANK SINOPAC**
CONTRACT AMOUNTS OF OUTSTANDING DERIVATIVE TRANSACTIONS
SEPTEMBER 30, 2009 AND 2008
(In Thousands of New Taiwan Dollars)

	September 30	
	2009	2008
Interest rate swap contracts	\$ 775,970,439	\$ 731,616,074
Currency swap contracts	192,078,267	361,301,732
Options		
Long position	57,422,345	48,400,446
Short position	64,389,480	51,103,804
Forward contracts		
Long position	19,610,084	7,476,788
Short position	7,462,002	2,684,662
Non-deliverable forward contracts		
Long position	87,471,300	106,092,351
Short position	86,538,257	103,202,322
Cross-currency swap contracts	950,700	9,048,800
Assets swap contracts	2,028,600	2,832,290
Credit default swap contracts	1,100,000	1,260,650
Equity-linked swap contracts	601,174	1,219,334
Futures		
Interest rate futures long position	71,816	1,927,800
Interest rate futures short position	103,040	1,124,550
Credit-linked swap contracts	2,500,000	4,600,000

BANK SINOPAC

**FINANCIAL ASSET SECURITIZATION
SEPTEMBER 30, 2009 AND 2008
(In Thousands of New Taiwan Dollars)**

1. Characteristics of and gain (loss) recognized from securitization

Under the Regulations for Financial Asset Securitization, SinoPac Card Services entrusted its credit card receivables at book value and related rights to the trustee, Land Bank of Taiwan Co., Ltd. (“Land Bank”). The trustee issued series 2005-1 beneficiary certificates for private placement and issued series 2005-2 beneficiary certificates for public placement during the securitization revolving period. The terms of the beneficiary certificates were as follows:

Class of Beneficiary Certificates	Priority of Payment	Issuance Amount	Certificate Rate	Expected Maturity Date
Series 2005-1 Class A certificates	First priority	\$ 3,680,000	2.50%	February 20, 2009
Series 2005-1 Class B certificates	Second priority	80,000	3.00%	February 20, 2009
Series 2005-1 Class C certificates	Third priority/Residual	<u>512,000</u>	None	February 20, 2009
		<u>\$ 4,272,000</u>		

For credit enhancement, SinoPac Card Services (“SinoPac Card”) retained the subordinated series 2005-1 Class C certificates with an aggregate face amount of \$512,000. If the credit card debtors default, neither the investor nor Land Bank of Taiwan has a right of recourse to SinoPac Card’s other assets. The repayment of the principal of subordinated certificates is subordinate to that of the investors’ beneficiary certificates, and the repayment value is affected by the credit risk, principal payment rate, and change in interest rate of the securitized credit card receivables.

Under the securitization plan on the issued series 2005-1 and 2005-2 beneficiary certificates, the trustee bought new credit card receivables from SinoPac Card at amounts equivalent to the daily collected principal amounts during the revolving period. After the revolving period, a controlled accumulation period followed. At the end of the accumulation period, the trustee allocated to the certificate holders at an agreed-upon sequence the principal collected. Then, on their maturity, beneficiary certificates issued by the trust were repaid on February 20, 2009. As a result, the Bank terminated the contract with the trustee in accordance with the trust agreement and took back all the rights to and benefits on the remaining accounts receivable (including accounts receivable on financial revenues).

The key assumptions used in measuring retained interests as of September 30, 2008 were as follows:

	September 30, 2008
Expected principal payment rate (monthly rate)	26.28%
Expected weighted-average life (in years)	0.32 years
Expected credit loss rate (annual rate)	5.45%
Discounted rate for residual cash flows (annual rate)	Short-term bills secondary market rate or IRS rate

(Continued)

2. Sensitivity analysis

As of September 30, 2008, key economic assumptions and the sensitivity of the current fair value of residual cash flows with immediate 10% and 20% adverse changes in these assumptions were as follows:

	September 30, 2008
Carrying amount of retained interests	\$ 562,653
Expected weighted-average life (in years)	0.32 years
Expected principal payment rate (monthly rate)	26.28%
Impact on fair value of 10% adverse change	\$ (2,102)
Impact on fair value of 20% adverse change	\$ (4,078)
Expected credit loss rate (annual rate)	5.45%
Impact on fair value of 10% adverse change	\$ (5,812)
Impact on fair value of 20% adverse change	\$ (11,519)

3. Cash flows

For the nine months ended September 30, 2009 and 2008, the cash flows received from and paid to securitization trusts were as follows:

	Nine Months Ended September 30	
	2009	2008
Proceeds from reinvestment in securitization of credit card receivables	\$ 789,940	\$ 10,300,513
Servicing revenues received	160	1,619
Other cash flows received on retained interests	10,050	156,405
Service transfer reserve (classified as other financial assets - guarantee deposits)	-	3,685

4. Delinquencies, net credit losses and other unsecuritized financial assets were as follows:

	September 30, 2009		Nine Months Ended September 30, 2009
	Balance of Credit Card Receivables	Balance of Credit Card Past Due 60 Days or More	Net Credit Losses (Note 1)
Credit card receivables managed	\$ 17,327,861	\$ 310,855	\$ 718,400
Credit card receivables sold	(3,636,743)	(75,926)	-
Credit card receivables securitized - principal	-	-	(16,779)
Credit card receivables securitized - financial revenue	-	-	(3,086)
Credit card receivables	<u>\$ 13,691,118</u>	<u>\$ 234,929</u>	<u>\$ 698,535</u> (Note 2)

(Continued)

	<u>September 30, 2008</u>		<u>Nine Months Ended September 30, 2008</u>
	<u>Balance of Credit Card Receivables</u>	<u>Balance of Credit Card Receivables Past Due 60 Days or More</u>	<u>Net Credit Losses (Note 1)</u>
Credit card receivables managed	\$ 22,062,036	\$ 543,046	\$ 1,274,473
Credit card receivables sold	(7,273,000)	(177,187)	-
Credit card receivables securitized - principal	(4,272,000)	(84,709)	(182,793)
Credit card receivables securitized - financial revenue	<u>(79,651)</u>	<u>(9,624)</u>	<u>(25,322)</u>
Credit card receivables	<u>\$ 10,437,385</u>	<u>\$ 271,526</u>	<u>\$ 1,066,358</u> (Note 2)

Note 1: Net credit losses refer to receivables written off.

Note 2: For the nine months ended September 30, 2009 and 2008, credit card receivables with net credit losses due to fraud amounted to \$5,584 and \$10,301, respectively.

As of September 30, 2008, SinoPac Card Services had transferred to the Bank additional credit card receivables with a carrying amount of \$520,262.

5. Securitization income (loss) on credit card receivables for the nine months ended September 30, 2009 and 2008 was as follows:

	<u>Nine Months Ended September 30</u>	
	<u>2009</u>	<u>2008</u>
Securitization gains recognized during the revolving period	\$ 7,891	\$ 105,399
Valuation losses on subordinated certificates	(46,598)	(107,955)
Investment income on subordinated certificates	<u>12,082</u>	<u>166,839</u>
	<u>\$ (26,625)</u>	<u>\$ 164,283</u>

(Concluded)

TABLE 6-4**BANK SINOPAC****AVAILABLE-FOR-SALE FINANCIAL ASSETS
SEPTEMBER 30, 2009 AND 2008
(In Thousands of New Taiwan Dollars)**

	September 30	
	2009	2008
Government bonds	\$ 14,808,051	\$ 4,406,646
Commercial paper	4,255,360	4,991,391
Corporate bonds	2,411,723	595,178
Government sector bonds	1,364,748	-
Bank debentures	1,165,842	1,362,781
Collateralized debt obligations	792,499	1,093,525
Negotiable certificates of deposit	-	31,341,186
Treasury bills	-	1,957,848
Listed stocks	-	<u>1,144,932</u>
	<u>24,798,223</u>	<u>46,893,487</u>
Less: Accumulated impairment	<u>729,557</u>	<u>-</u>
	<u>\$ 24,068,666</u>	<u>\$ 46,893,487</u>

TABLE 6-5**BANK SINOPAC****HELD-TO-MATURITY INVESTMENTS
SEPTEMBER 30, 2009 AND 2008
(In Thousands of New Taiwan Dollars)**

	September 30	
	2009	2008
Negotiable certificates of deposit	\$ 148,177,000	\$ 96,560,650
Corporate bonds	840,263	-
Government bonds	382,283	1,158,036
Floating rate notes	245,571	246,052
Collateralized debt obligations	195,460	429,336
Bank debentures	166,192	669,157
SinoPac Card Services Co., Ltd. subordinated beneficiary certificates	-	80,000
	<u>150,006,769</u>	<u>99,143,231</u>
Less: Accumulated impairment	<u>40,250</u>	<u>-</u>
	<u>\$ 149,966,519</u>	<u>\$ 99,143,231</u>

TABLE 6-6**BANK SINOPAC****OTHER FINANCIAL ASSETS
SEPTEMBER 30, 2009 AND 2008
(In Thousands of New Taiwan Dollars)**

	September 30	
	2009	2008
Unquoted equity instruments		
Unlisted equity investments	\$ 488,507	\$ 715,707
Non-active market debt instruments		
Structured investment vehicles	322,000	321,300
Collateralized debt obligations	96,600	219,066
Mortgage backed securities	5,170	21,106
Bank debentures	-	160,650
Floating rate notes	-	50,926
	<u>423,770</u>	<u>773,048</u>
Less: Accumulated impairment	<u>322,000</u>	<u>113,096</u>
	<u>101,770</u>	<u>659,952</u>
Others		
Guarantee deposits	1,208,672	948,271
Nonperforming receivables transferred from other than loans, net	330,119	83,921
Hedging derivative financial instruments	297,378	572,373
Excess margin	99,367	292,257
Short-term advancement	73,448	113,751
Bills purchased	1,433	1,497
Others	583,873	-
	<u>2,594,290</u>	<u>2,012,070</u>
	<u>\$ 3,184,567</u>	<u>\$ 3,387,729</u>

TABLE 6-7**BANK SINOPAC****BANK DEBENTURES
SEPTEMBER 30, 2009 AND 2008
(In Thousands of New Taiwan Dollars)**

	September 30		Maturity Date	Terms
	2009	2008		
<u>Dominant bank debentures</u>				
Fifth dominant bank debentures issued in 2003	\$ 1,030,232	\$ 1,008,841	2003.08.11-2010.08.11 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
First dominant bank debentures issued in 2004	502,086	514,904	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	306,010	307,410	2004.04.28-2009.10.28 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Eighth dominant bank debentures issued in 2004	526,194	541,210	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.
Twelfth dominant bank debentures issued in 2004	514,987	534,523	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.
Fourteenth dominant bank debentures issued in 2004	511,038	529,700	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	522,427	549,223	2004.07.13-2011.07.13 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Third dominant bank debentures issued in 2003	-	1,509,864	2003.05.09-2008.11.09 Principal is repayable on maturity date.	4.15% minus 6-month LIBOR except for the first year fixed at 2.50%. Interest is paid semiannually.
Fourth dominant bank debentures issued in 2003	-	404,813	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.
Sixth dominant bank debentures issued in 2003	-	703,017	2003.08.20-2009.02.20 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Tenth dominant bank debentures issued in 2003	-	1,010,690	2003.11.05-2008.11.05 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Eleventh dominant bank debentures issued in 2003	-	1,009,108	2003.11.14-2008.11.14 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Twelfth dominant bank debentures issued in 2003	-	505,789	2003.11.21-2008.11.21 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Thirteenth dominant bank debentures issued in 2003	-	504,647	2003.11.28-2008.11.28 Principal is repayable on maturity date.	Floating rate except for the first year fixed at 4%. Interest is paid semiannually.
Fourteenth dominant bank debentures issued in 2003	-	2,241,095	2003.12.02-2009.06.02 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Third dominant bank debentures issued in 2004	-	510,929	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.

(Continued)

	September 30		Maturity Date	Terms
	2009	2008		
Fourth dominant bank debentures issued in 2004	\$ -	\$ 201,771	2004.05.14-2009.05.14 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Fifth dominant bank debentures issued in 2004	-	310,006	2004.05.17-2009.05.17 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Sixth dominant bank debentures issued in 2004	-	514,717	2004.05.17-2009.05.17 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Seventh dominant bank debentures issued in 2004	-	201,813	2004.05.21-2009.05.21 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Ninth dominant bank debentures issued in 2004	-	303,313	2004.06.03-2009.06.03 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Tenth dominant bank debentures issued in 2004	-	517,300	2004.06.07-2009.06.07 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually with simple interest based on actual days.
Eleventh dominant bank debentures issued in 2004	-	207,885	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.
Thirteenth dominant bank debentures issued in 2004	-	310,176	2004.06.30-2009.06.30 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Dominant bank debentures	<u>3,912,974</u>	<u>14,952,744</u>		
Subdominant bank debentures				
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 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 quarterly.
First subordinated bank debentures issued in 2004 (C)	416,641	425,139	2004.09.14-2010.06.14 Principal is repayable on maturity date.	Floating rate. Interest is paid quarterly.
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	1,538,083	1,566,741	2008.03.17-2013.09.17 Principal is repayable on maturity date.	Fixed interest rate of 3.05%, interest is paid annually.
Second subordinated bank debentures issued in 2008 (A)	4,498,080	4,497,765	2008.03.25-2015.03.25 Principal is repayable on maturity date.	Index rate plus 1%. Interest rate is reset quarterly since the issuance date and paid annually.
Second subordinated bank debentures issued in 2008 (B)	499,787	499,752	2008.03.25-2015.03.25 Principal is repayable on maturity date.	Fixed interest rate of 3.2%, interest is paid annually.
Third subordinated bank debentures issued in 2008	3,598,396	3,598,200	2008.09.09-2014.03.09 Principal is repayable on maturity date.	Index rate plus 0.95%. Interest rate is reset quarterly since the issuance date and paid annually.

(Continued)

	September 30			
	2009	2008		
First subordinated bank debentures issued in 2009	\$ 5,597,207	\$ -	2009.04.29-2016.04.29 Principal is repayable on maturity date.	Fixed interest rate of 2.8%, interest is paid annually.
Second subordinated bank debentures issued in 2009 (A)	2,198,869	-	2009.06.23-2015.06.23 Principal is repayable on maturity date.	Fixed interest rate of 2.7%, interest is paid annually.
Second subordinated bank debentures issued in 2009 (B)	2,199,922	-	2009.06.23-2017.06.23 Principal is repayable on maturity date.	Fixed interest rate of 2.9%, interest is paid annually.
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.
First subordinated bank debentures issued in 2004 (A)	-	500,000	2004.09.14-2009.09.14 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Subdominant bank debentures	<u>28,246,985</u>	<u>21,287,597</u>		
	<u>\$ 32,159,959</u>	<u>\$ 36,240,341</u>		

(Concluded)

BANK SINOPAC

DERIVATIVE FINANCIAL INSTRUMENT TRANSACTIONS

SEPTEMBER 30, 2009 AND 2008

(In Thousands of New Taiwan Dollars)

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

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

As of September 30, 2009 and 2008, the contract amounts (or notional amounts), credit risks and fair values of outstanding contracts were as follows:

Financial Instruments	September 30, 2009		
	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	\$ 87,666	\$ 7,682	\$ 629
Short position	87,666	7,682	415
Financial Instruments	September 30, 2008		
	Contract (Notional) Amount	Credit Risk	Fair Value
For the purpose of accommodating customers' needs or managing FENB's exposures:			
Forward contract contracts - short position	\$ 5,152	\$ 155	\$ (182)
Non-deliverable forward contracts			
Long position	64,260	6,426	(4,259)
Short position	64,260	6,426	(4,463)

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.

TABLE 7-1

BANK SINOPAC

STATEMENT OF CHANGES IN ALLOWANCE FOR CREDIT LOSS
NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008
(In Thousands of New Taiwan Dollars)

Nine Months Ended September 30, 2009								
	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	\$ 3,399,785	\$ 3,063,274	\$ 6,463,059	\$ 519,209	\$ 307,848	\$ 32	\$ 140	\$ 7,290,288
Provision	1,487,345	524,582	2,011,927	488,939	5,073	-	-	2,505,939
Write-off	(2,406,241)	-	(2,406,241)	(698,534)	(174,813)	-	-	(3,279,588)
Recovery of written-off credits	20,110	-	20,110	190,861	-	-	-	210,971
Reclassifications	72,409	(731,923)	(659,514)	-	659,514	-	-	-
Result from change of effects of exchange rate changes	(30,107)	-	(30,107)	(13)	(8,912)	(1)	-	(39,033)
Others	-	-	-	-	(1,369)	-	-	(1,369)
Balance, September 30	<u>\$ 2,543,301</u>	<u>\$ 2,855,933</u>	<u>\$ 5,399,234</u>	<u>\$ 500,462</u>	<u>\$ 787,341</u>	<u>\$ 31</u>	<u>\$ 140</u>	<u>\$ 6,687,208</u>
Nine Months Ended September 30, 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	\$ 191,918	\$ 319,166	\$ 16,961	\$ 140	\$ 6,524,336
Provision	1,649,298	1,301,850	2,951,148	1,108,465	209	(357)	-	4,059,465
Write-off	(2,912,346)	-	(2,912,346)	(1,068,421)	(133,888)	-	-	(4,114,655)
Recovery of written-off credits	38,425	-	38,425	176,543	-	-	-	214,968
Reclassifications	726,825	(846,778)	(119,953)	66,783	69,695	(16,525)	-	-
Result from change of effects of exchange rate changes	8	-	8	(5,009)	3,646	(3)	-	(1,358)
Others	-	-	-	-	(12,880)	-	-	(12,880)
Balance, September 30	<u>\$ 3,192,000</u>	<u>\$ 2,761,433</u>	<u>\$ 5,953,433</u>	<u>\$ 470,279</u>	<u>\$ 245,948</u>	<u>\$ 76</u>	<u>\$ 140</u>	<u>\$ 6,669,876</u>

BANK SINOPAC

OVERDUE LOANS AND RECEIVABLES
SEPTEMBER 30, 2009 AND 2008
(In Thousands of New Taiwan Dollars, %)

Items		September 30, 2009					September 30, 2008				
		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	\$ 1,795,530	\$ 93,799,489	1.91%	\$ 721,597	40.19%	\$ 2,007,940	\$ 84,649,474	2.37%	\$ 871,649	43.41%
	Unsecured	2,436,120	154,420,971	1.58%	2,205,776	90.54%	2,559,830	197,674,214	1.29%	2,054,758	80.27%
Consumer loan	Mortgage (Note 4)	2,270,681	346,421,299	0.66%	1,061,611	46.75%	3,730,338	338,529,705	1.10%	1,425,136	38.20%
	Cash card	4,990	81,112	6.15%	8,994	180.24%	14,920	130,698	11.42%	32,578	218.35%
	Micro credit (Note 5)	471,654	9,565,716	4.93%	1,351,336	286.51%	937,959	12,496,422	7.51%	1,505,201	160.48%
	Other (Note 6)										
	Secured	18,231	4,395,756	0.41%	49,920	273.82%	38,825	5,484,348	0.71%	64,111	165.13%
	Non-secured										
Total		6,997,206	608,684,343	1.15%	5,399,234	77.16%	9,289,812	638,964,861	1.45%	5,953,433	64.09%
		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		165,867	13,691,118	1.21%	432,301	260.63%	196,045	10,437,385	1.88%	401,924	205.02%
Account receivable - factoring with no recourse (Note 7)		976,016	6,521,523	14.97%	648,955	66.49%	10,106	16,555,653	0.06%	10,106	100.00%

Note 1: For Loan business: Overdue loans represent the amounts of reported overdue loans pursuant to "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" issued by the MOF.
For Credit card business: Overdue receivables are regulated by the Banking Bureau dated July 6, 2005 (Ref. No. 0944000378).

Note 2: For Loan business: NPL ratio = NPL/Total loans.
For Credit card business: Delinquency ratio = Overdue receivable/Account receivable.

Note 3: For loan business: Coverage ratio = LLR/NPL
For credit card business: Coverage ratio = Allowance for credit losses/Overdue receivables.

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

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

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

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

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 \$53,274 and \$81,559, respectively as of September 30, 2009 and 2008, and the disclosure of excluded overdue receivables resulting from debt consultation and loan agreement amounts to \$1,163,549 and \$1,581,395, respectively as of September 30, 2009 and 2008.

Note 9: Under the Banking Bureau letter dated September 15, 2008 (Ref. No. 09700318940), the disclosure of excluded NPLs resulting from debt liquidation and loan agreement amounts to \$14,800 and \$0, respectively as of September 30, 2009 and 2008, and the disclosure of excluded overdue receivables resulting from debt liquidation and loan agreement amounts to \$663,360 and \$0, respectively as of September 30, 2009 and 2008.