

# **Bank SinoPac**

**Financial Statements for the  
Years Ended December 31, 2009 and 2008 and  
Independent Auditors' Report**

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Stockholders  
Bank SinoPac

We have audited the accompanying balance sheets of Bank SinoPac as of December 31, 2009 and 2008, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Bank SinoPac's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bank SinoPac as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended, in conformity with Criteria Governing the Preparation of Financial Reports by Public Banks, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

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 year ended December 31, 2008 were retroactively restated assuming both entities had been merged within this period.

We have also audited the consolidated financial statements of Bank SinoPac and subsidiaries as of and for the years ended December 31, 2009 and 2008, on which we have issued an unqualified and a modified unqualified opinion thereon, respectively.

March 16, 2010

Notice to Readers

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

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

# BANK SINOPAC

**BALANCE SHEETS**  
**DECEMBER 31, 2009 AND 2008**  
(In Thousands of New Taiwan Dollars, Except Par Value)

| ASSETS  | 2009                  | 2008                          | % Increase<br>(Decrease) | LIABILITIES AND STOCKHOLDERS' EQUITY  | 2009                  | 2008                          | % Increase<br>(Decrease) |
|---|-----------------------|-------------------------------|--------------------------|---|-----------------------|-------------------------------|--------------------------|
|   | Amount                | (Restated, Note 35)<br>Amount |                          |   | Amount                | (Restated, Note 35)<br>Amount |                          |
| CASH AND CASH EQUIVALENTS (Note 4)  | \$ 17,657,455         | \$ 14,959,968                 | 18                       | CALL LOANS AND DUE TO BANKS (Note 19)   | \$ 42,369,760         | \$ 39,155,198                 | 8                        |
| DUE FROM THE CENTRAL BANK AND OTHER BANKS (Notes 5, 32 and 33)                      | 72,664,003            | 90,569,206                    | (20)                     | SHORT-TERM BORROWINGS   | -                     | 3,300,000                     | (100)                    |
| FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2, 6, 7, 8, 32 and 33) | 16,814,781            | 32,983,398                    | (49)                     | COMMERCIAL PAPER PAYABLE, NET (Note 20)   | -                     | 3,545,034                     | (100)                    |
| SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 2 and 8)                     | -                     | 2,598,782                     | (100)                    | FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2 and 6)  | 8,636,286             | 16,918,491                    | (49)                     |
| ACCOUNTS, INTEREST AND OTHER RECEIVABLES, NET (Notes 2, 9, 10, 31 and 32)           | 52,276,212            | 48,500,640                    | 8                        | SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE (Notes 2, 8 and 32)  | 1,598,045             | 4,426,100                     | (64)                     |
| DISCOUNTS AND LOANS, NET (Notes 2, 11 and 32)                                       | 652,501,596           | 629,440,360                   | 4                        | ACCOUNTS, INTEREST AND OTHER PAYABLES (Notes 2, 21 and 32)  | 23,193,456            | 29,631,892                    | (22)                     |
| AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET (Notes 2, 8, 12 and 33)                    | 31,435,940            | 23,628,091                    | 33                       | DEPOSITS AND REMITTANCES (Notes 22 and 32)  | 826,352,256           | 793,819,206                   | 4                        |
| HELD-TO-MATURITY INVESTMENTS, NET (Notes 2, 13, 32 and 33)                          | 123,833,228           | 115,762,458                   | 7                        | BANK DEBENTURES (Notes 2, 23 and 32)  | 27,129,563            | 28,763,023                    | (6)                      |
| EQUITY INVESTMENTS - EQUITY METHOD (Notes 2 and 14)                                 | 8,699,303             | 9,631,678                     | (10)                     | BONDS PAYABLE (Notes 2 and 23)  | -                     | 6,450,359                     | (100)                    |
| OTHER FINANCIAL ASSETS, NET   |                       |                               |                          | LONG-TERM LIABILITIES   | -                     | 1,750,000                     | (100)                    |
| Unquoted equity instruments (Notes 2 and 15)  | 488,507               | 488,507                       | -                        | OTHER FINANCIAL LIABILITIES (Notes 2, 24 and 34)  | 2,965,155             | 866,981                       | 242                      |
| Non-active market debt instruments (Notes 2 and 15)                                 | 100,486               | 432,841                       | (77)                     | OTHER LIABILITIES (Notes 2, 25, 30 and 31)  | 3,334,965             | 3,703,218                     | (10)                     |
| Others (Notes 15 and 33)  | 5,476,395             | 2,232,460                     | 145                      | Total liabilities   | 935,579,486           | 932,329,502                   | -                        |
| Other financial assets, net   | 6,065,388             | 3,153,808                     | 92                       |   |                       |                               |                          |
| PROPERTIES (Notes 2 and 16)   |                       |                               |                          | STOCKHOLDERS' EQUITY  |                       |                               |                          |
| Cost and revaluation increment  |                       |                               |                          | Capital stock, NTS\$10 par value, authorized 8,000,000 thousands shares; issued and outstanding 4,821,847 thousand shares in 2009 and 4,481,847 thousand shares in 2008 | 48,218,469            | 44,818,469                    | 8                        |
| Land  | 4,756,148             | 4,877,531                     | (2)                      | Capital surplus   |                       |                               |                          |
| Buildings   | 4,675,858             | 4,612,894                     | 1                        | Additional paid-in capital from share issuance in excess of par   | 795,561               | 115,561                       | 588                      |
| Computer and machinery equipment  | 4,774,810             | 4,846,445                     | (1)                      | Capital surplus from business combination   | 8,076,524             | 8,076,524                     | -                        |
| Transportation equipment  | 1,337                 | 10,459                        | (87)                     | Others  | 1,733                 | 1,733                         | -                        |
| Total cost  | 14,208,153            | 14,347,329                    | (1)                      | Total capital surplus   | 8,873,818             | 8,193,818                     | 8                        |
| Less: Accumulated depreciation  | 5,585,034             | 5,355,036                     | 4                        | Retained earnings   |                       |                               |                          |
| Prepayments for equipment and construction in progress                              | 266,448               | 209,369                       | 27                       | Legal reserve   | 2,746,023             | 6,435,486                     | (57)                     |
| Net properties  | 8,889,567             | 9,201,662                     | (3)                      | Special reserve   | 282,977               | 282,977                       | -                        |
| INTANGIBLE ASSETS (Notes 2 and 17)  | 994,857               | 1,040,112                     | (4)                      | Unappropriated (accumulated deficit)  | 2,050,036             | (3,689,463)                   | 156                      |
| OTHER ASSETS (Notes 2, 18 and 31)   | 6,106,871             | 7,296,555                     | (16)                     | Total retained earnings   | 5,079,036             | 3,029,000                     | 68                       |
|   |                       |                               |                          | Other adjustment  |                       |                               |                          |
|   |                       |                               |                          | Cumulative translation adjustments  | (66,530)              | 27,956                        | (338)                    |
|   |                       |                               |                          | Unrealized losses on financial instruments  | (9,073)               | (19,860)                      | (54)                     |
|   |                       |                               |                          | Net loss not recognized as pension cost   | (766,159)             | (642,321)                     | 19                       |
|   |                       |                               |                          | Unrealized revaluation increment on land  | 1,030,154             | 1,030,154                     | -                        |
|   |                       |                               |                          | Total other adjustment  | 188,392               | 395,929                       | (52)                     |
|   |                       |                               |                          | Total stockholders' equity  | 62,359,715            | 56,437,216                    | 10                       |
| <b>TOTAL</b>  | <b>\$ 997,939,201</b> | <b>\$ 988,766,718</b>         | <b>1</b>                 | <b>TOTAL</b>  | <b>\$ 997,939,201</b> | <b>\$ 988,766,718</b>         | <b>1</b>                 |

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 year ended December 31, 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 audit report dated March 16, 2010)

# BANK SINOPAC

## STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2009 AND 2008

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

|  | <u>2009</u>         | <u>2008 (Restated,<br/>Note 35)</u> | <u>% Increase<br/>(Decrease)</u> |
|--|---------------------|-------------------------------------|----------------------------------|
|  | <u>Amount</u>       | <u>Amount</u>                       |                                  |
| INTEREST REVENUE (Notes 2 and 32)  | \$ 18,307,402       | \$ 34,027,750                       | (46)                             |
| INTEREST EXPENSE (Note 32)   | <u>8,461,210</u>    | <u>19,779,105</u>                   | (57)                             |
| NET INTEREST   | <u>9,846,192</u>    | <u>14,248,645</u>                   | (31)                             |
| NET REVENUES OTHER THAN INTEREST   |                     |                                     |                                  |
| Commission and fee revenues, net (Notes 2, 27 and 32)  | 3,086,236           | 3,368,444                           | (8)                              |
| Gains from (losses on) financial assets and liabilities at fair value through profit or loss (Notes 2 and 6) | 802,050             | (4,347,534)                         | 118                              |
| Realized gains from (losses on) available-for-sale financial assets (Notes 2 and 26)                         | (44,360)            | 298,264                             | (115)                            |
| (Losses on) income from equity investments - equity method, net (Notes 2 and 14)                             | (936,764)           | 152,363                             | (715)                            |
| Foreign exchange gain, net (Note 2)  | 698,594             | 1,463,594                           | (52)                             |
| Impairment losses on assets (Note 2)   | (393,722)           | (3,194,061)                         | (88)                             |
| Gains from unquoted equity instruments   | 34,518              | 36,811                              | (6)                              |
| Recovery of bad debts (Note 2)   | 557,074             | 473,139                             | 18                               |
| Rental revenues (Note 32)  | 137,129             | 119,722                             | 15                               |
| Contingency losses (Notes 2 and 34)  | (2,189,651)         | -                                   | -                                |
| Gains from convertible bond repurchased (Note 2)   | 12,534              | 113,061                             | (89)                             |
| VISA distributed the benefit from profit sharing   | -                   | 271,943                             | (100)                            |
| Gains from disposal of properties and idle assets, net (Notes 2 and 28)                                      | 3,248,629           | 222                                 | 1,463,246                        |
| Other net (losses) revenues  | <u>(19,915)</u>     | <u>76,225</u>                       | (126)                            |
| Total net revenues   | <u>14,838,544</u>   | <u>13,080,838</u>                   | 13                               |
| PROVISION FOR BAD DEBTS (Notes 2, 9 and 11)  | <u>3,178,441</u>    | <u>5,714,039</u>                    | (44)                             |
| OPERATING EXPENSES (Notes 2, 29 and 32)  |                     |                                     |                                  |
| Personnel expenses   | 5,636,322           | 6,721,775                           | (16)                             |
| Depreciation and amortization  | 547,210             | 597,327                             | (8)                              |
| Others   | <u>3,188,665</u>    | <u>4,127,817</u>                    | (23)                             |
| Total operating expenses   | <u>9,372,197</u>    | <u>11,446,919</u>                   | (18)                             |
| INCOME (LOSS) BEFORE INCOME TAX  | 2,287,906           | (4,080,120)                         | 156                              |
| INCOME TAX (EXPENSE) BENEFIT (Notes 2 and 31)  | <u>(202,749)</u>    | <u>895,948</u>                      | (123)                            |
| NET INCOME (LOSS)  | <u>\$ 2,085,157</u> | <u>\$ (3,184,172)</u>               | 165                              |

(Continued)

# BANK SINOPAC

## STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2009 AND 2008 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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|                              | 2009    |           | 2008<br>(Restated, Note 35) |           |
|------------------------------|---------|-----------|-----------------------------|-----------|
|                              | Pretax  | After Tax | Pretax                      | After Tax |
| EARNINGS PER SHARE (Note 26) |         |           |                             |           |
| Basic earnings per share     | \$ 0.51 | \$ 0.47   | \$ (0.89)                   | \$ (0.69) |

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 year ended December 31, 2008 were retroactively restated, assuming the book values of the assets and liabilities of SinoPac Card Services Co., Ltd. were included. Thus, for the years ended December 31, 2009 and 2008, the net income of Bank SinoPac included the net income of SinoPac Card Services Co., Ltd. of \$35,121 and net loss \$427,049, respectively.

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

(With Deloitte & Touche audit report dated March 16, 2010)

(Concluded)

# BANK SINOPAC

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**YEARS ENDED DECEMBER 31, 2009 AND 2008**  
**(YEAR ENDED DECEMBER 31, 2008 - RESTATED; PLEASE REFER TO NOTE 35)**  
**(In Thousands of New Taiwan Dollars, Except Dividends Per Share)**

|   | Issued and Outstanding<br>Capital Stock |                      | Capital Surplus (Notes 2 and 26)         |  |                 |                     | Retained Earnings (Note 26) |                   |  |                     | Other Adjustment                                     |   |   |   | Total<br>Stockholders'<br>Equity |
|---|---|----------------------|--|--|-----------------|---------------------|-----------------------------|-------------------|--|---------------------|--|---|---|---|----------------------------------|
|   |   |                      | Share<br>Issuance<br>in Excess<br>of Par | Capital<br>Surplus from<br>Business<br>Combination | Others          | Total               | Legal Reserve               | Special Reserve   | Unappropriated<br>Earnings<br>(Accumulated<br>Deficit) | Total               | Cumulative<br>Translation<br>Adjustments<br>(Note 2) | Unrealized<br>Gains (Losses)<br>on Financial<br>Instruments<br>(Notes 2 and 26) | Net Loss Not<br>Recognized as<br>Pension Cost<br>(Note 2) | Unrealized<br>Revaluation<br>Increment on<br>Land |                                  |
|   | Shares in<br>Thousands                  | Amount<br>(Note 26)  |  |  |                 |                     |                             |                   |  |                     |  |   |   |   |                                  |
| BALANCE, JANUARY 1, 2008  | 4,585,197                               | \$ 45,851,972        | \$ 118,226                               | \$ 8,076,524                                       | \$ 178          | \$ 8,194,928        | \$ 6,927,060                | \$ 282,977        | \$ (491,574)   | \$ 6,718,463        | \$ (23,642)  | \$ (535,996)  | \$ (648,249)  | \$ 1,030,154                                      | \$ 60,587,630                    |
| Retroactive adjustments arising from a merger<br>(Note)                   | 339,815                                 | 3,398,150            | -  | -  | 1,575           | 1,575               | -                           | -                 | (434,778)  | (434,778)           | -  | (69,621)  | -   | -   | 2,895,326                        |
| Legal reserve to offset deficit   | -                                       | -                    | -  | -  | -               | -                   | (491,574)                   | -                 | 491,574  | -                   | -  | -   | -   | -   | -                                |
| Net loss for the year ended December 31, 2008                             | -                                       | -                    | -  | -  | -               | -                   | -                           | -                 | (3,184,172)  | (3,184,172)         | -  | -   | -   | -   | (3,184,172)                      |
| Cancellation of treasury stocks   | (103,350)                               | (1,033,503)          | (2,665)                                  | -  | -               | (2,665)             | -                           | -                 | (932,340)  | (932,340)           | -  | 1,151,097   | -   | -   | (817,411)                        |
| Unrealized gains or losses on available-for-sale<br>financial assets      | -                                       | -                    | -  | -  | -               | -                   | -                           | -                 | -  | -                   | -  | (634,961)   | -   | -   | (634,961)                        |
| Net loss not recognized as pension cost                                   | -                                       | -                    | -  | -  | -               | -                   | -                           | -                 | -  | -                   | -  | -   | 5,928   | -   | 5,928                            |
| Change in translation adjustment on equity<br>investments - equity method | -                                       | -                    | -  | -  | -               | -                   | -                           | -                 | -  | -                   | 51,598   | -   | -   | -   | 51,598                           |
| Effects of cash merger with SinoPac Card<br>Services Co., Ltd. (Note)     | (339,815)                               | (3,398,150)          | -  | -  | (20)            | (20)                | -                           | -                 | 861,827  | 861,827             | -  | 69,621  | -   | -   | (2,466,722)                      |
| <b>BALANCE, DECEMBER 31, 2008</b>   | <b>4,481,847</b>                        | <b>\$ 44,818,469</b> | <b>\$ 115,561</b>                        | <b>\$ 8,076,524</b>                                | <b>\$ 1,733</b> | <b>\$ 8,193,818</b> | <b>\$ 6,435,486</b>         | <b>\$ 282,977</b> | <b>\$ (3,689,463)</b>                                  | <b>\$ 3,029,000</b> | <b>\$ 27,956</b>                                     | <b>\$ (19,860)</b>  | <b>\$ (642,321)</b>                                       | <b>\$ 1,030,154</b>                               | <b>\$ 56,437,216</b>             |
| BALANCE, JANUARY 1, 2009  | 4,481,847                               | \$ 44,818,469        | \$ 115,561                               | \$ 8,076,524                                       | \$ 178          | \$ 8,192,263        | \$ 6,435,486                | \$ 282,977        | \$ (3,689,463)   | \$ 3,029,000        | \$ 27,956  | \$ (19,860)   | \$ (642,321)  | \$ 1,030,154                                      | \$ 56,435,661                    |
| Retroactive adjustments arising from a merger<br>(Note)                   | 339,815                                 | 3,398,150            | -  | -  | 1,575           | 1,575               | -                           | -                 | (399,657)  | (399,657)           | -  | -   | -   | -   | 3,000,068                        |
| Private placement of common stocks  | 340,000                                 | 3,400,000            | 680,000                                  | -  | -               | 680,000             | -                           | -                 | -  | -                   | -  | -   | -   | -   | 4,080,000                        |
| Legal reserve to offset deficit   | -                                       | -                    | -  | -  | -               | -                   | (3,689,463)                 | -                 | 3,689,463  | -                   | -  | -   | -   | -   | -                                |
| Net income for the year ended December 31,<br>2009                        | -                                       | -                    | -  | -  | -               | -                   | -                           | -                 | 2,085,157  | 2,085,157           | -  | -   | -   | -   | 2,085,157                        |
| Unrealized gains or losses on available-for-sale<br>financial assets      | -                                       | -                    | -  | -  | -               | -                   | -                           | -                 | -  | -                   | -  | (11,343)  | -   | -   | (11,343)                         |
| Unrealized gains or losses on cash flow hedge                             | -                                       | -                    | -  | -  | -               | -                   | -                           | -                 | -  | -                   | -  | 22,130  | -   | -   | 22,130                           |
| Net loss not recognized as pension cost                                   | -                                       | -                    | -  | -  | -               | -                   | -                           | -                 | -  | -                   | -  | -   | (123,838)   | -   | (123,838)                        |
| Change in translation adjustment on equity<br>investments - equity method | -                                       | -                    | -  | -  | -               | -                   | -                           | -                 | -  | -                   | (94,486)   | -   | -   | -   | (94,486)                         |
| Effects of cash merger with SinoPac Card<br>Services Co., Ltd. (Note)     | (339,815)                               | (3,398,150)          | -  | -  | (20)            | (20)                | -                           | -                 | 364,536  | 364,536             | -  | -   | -   | -   | (3,033,634)                      |
| <b>BALANCE, DECEMBER 31, 2009</b>   | <b>4,821,847</b>                        | <b>\$ 48,218,469</b> | <b>\$ 795,561</b>                        | <b>\$ 8,076,524</b>                                | <b>\$ 1,733</b> | <b>\$ 8,873,818</b> | <b>\$ 2,746,023</b>         | <b>\$ 282,977</b> | <b>\$ 2,050,036</b>                                    | <b>\$ 5,079,036</b> | <b>\$ (66,530)</b>                                   | <b>\$ (9,073)</b>   | <b>\$ (766,159)</b>                                       | <b>\$ 1,030,154</b>                               | <b>\$ 62,359,715</b>             |

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 year ended December 31, 2008 were retroactively restated, assuming the book values of the assets and liabilities of SinoPac Card Services Co., Ltd. had been included in these financial statements.

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

(With Deloitte & Touche audit report dated March 16, 2010)

# BANK SINOPAC

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2009 AND 2008 (In Thousands of New Taiwan Dollars)

|  | 2009             | 2008 (Restated,<br>Note 35) |
|--|------------------|-----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                  |                             |
| Net income (loss)  | \$ 2,085,157     | \$ (3,184,172)              |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities            |                  |                             |
| Depreciation and amortization  | 573,731          | 586,561                     |
| Amortization of premium or discount of financial assets  | 104,584          | (16,249)                    |
| Amortization of premium or discount of bank debentures   | (3,024)          | 476                         |
| Provision for credit and trading losses  | 3,193,941        | 5,773,570                   |
| Contingency losses   | 2,189,651        | -                           |
| Impairment losses on assets  | 393,722          | 3,194,061                   |
| Unrealized (gains from) losses on financial assets designated at fair value through profit or loss | (544,842)        | 500,789                     |
| Losses on (gains from) disposal of available-for-sale financial assets                             | 44,360           | (298,264)                   |
| Losses on (income from) equity investments - equity method   | 936,764          | (152,363)                   |
| (Gains from) losses on sale and retirement of properties and idle assets                           | (3,227,798)      | 12,549                      |
| Gains on disposal of collaterals assumed, net  | (2,016)          | (6,933)                     |
| Accrued pension cost   | (67,777)         | 270,327                     |
| Foreign exchange losses on bonds payable   | -                | 73,903                      |
| Gains from convertible bond repurchased  | (12,534)         | (113,061)                   |
| Deferred income tax  | (174,665)        | 313,607                     |
| Decrease (increase) in held-for-trading financial assets   | 15,239,098       | (4,299,829)                 |
| (Decrease) increase in held-for-trading financial liabilities                                      | (8,282,205)      | 6,760,981                   |
| Securitization of accounts receivable  | 789,940          | 13,554,006                  |
| Increase in accounts, interest and other receivables   | (3,656,687)      | (17,792,501)                |
| (Decrease) increase in accounts, interest and other payables                                       | (6,654,978)      | 5,098,755                   |
| Cash dividends received from equity investments - equity method                                    | -                | 282,774                     |
| Net cash provided by operating activities  | <u>2,924,422</u> | <u>10,558,987</u>           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                  |                             |
| Decrease in due from the Central Bank and other banks  | 17,905,203       | 57,299,402                  |
| Decrease in securities purchased under agreements to resell  | 2,598,782        | 1,425,395                   |
| 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             | 1,474,361        | 572,742                     |
| Acquisition of non-active market debt instruments  | -                | (164,300)                   |
| Proceeds from sale of non-active market debt instruments   | 334,845          | 1,062,799                   |
| Increase in discounts and loans  | (25,056,812)     | (31,349,963)                |
| Acquisition of properties  | (350,913)        | (584,705)                   |
| Proceeds from sale of properties   | 1,284,492        | 2,508                       |
| Acquisition of available-for-sale financial assets   | (164,267,476)    | (292,545,903)               |
| Proceeds from sale of available-for-sale financial assets  | 156,558,519      | 377,596,256                 |

(Continued)

# BANK SINOPAC

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2009 AND 2008 (In Thousands of New Taiwan Dollars)

|  | 2009                 | 2008 (Restated,<br>Note 35) |
|--|----------------------|-----------------------------|
| Acquisition of held-to-maturity investments                                      | \$(615,244,629)      | \$(114,738,856)             |
| Proceeds from matured held-to-maturity investments                               | 606,477,230          | 1,381,981                   |
| Capital returned on capital reduction of equity investments with unquoted shares | -                    | 6,000                       |
| Proceeds from sale of unquoted equity instruments                                | -                    | 227,200                     |
| Increase in equity investments - equity method                                   | (1,645,750)          | -                           |
| Proceeds from sale of equity investments - equity method                         | 1,472,952            | -                           |
| Cash returned on the liquidation of equity investments - equity method           | -                    | 2,139                       |
| Proceeds from sale of collaterals assumed  | 100,627              | 222,275                     |
| Increase in other financial assets   | (2,734,603)          | (42,710)                    |
| Decrease (increase) in other assets  | <u>416,059</u>       | <u>(1,648,960)</u>          |
| Net cash used in investing activities  | <u>(20,677,113)</u>  | <u>(1,428,725)</u>          |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                      |                      |                             |
| Increase (decrease) in call loans and due to banks                               | 3,214,562            | (5,748,380)                 |
| Decrease in securities sold under agreements to repurchase                       | (2,828,055)          | (2,011,572)                 |
| Increase in deposits and remittances   | 32,533,050           | 371,159                     |
| (Decrease) increase in short-term borrowings                                     | (3,300,000)          | 2,555,000                   |
| Decrease in commercial paper payable   | (3,545,034)          | (901,489)                   |
| (Decrease) increase in long-term borrowings                                      | (1,750,000)          | 1,450,000                   |
| Decrease in bonds payable  | (6,437,825)          | (720,451)                   |
| Bank debentures issued   | 10,000,000           | 9,994,685                   |
| Repayment of bank debentures on maturity   | (11,400,000)         | (12,500,000)                |
| Decrease in other financial liabilities  | (94,463)             | (11,791)                    |
| Increase (decrease) in other liabilities   | 18,314               | (257,950)                   |
| Proceeds from the private placement of common stocks                             | <u>4,080,000</u>     | <u>-</u>                    |
| Net cash provided by (used in) financing activities                              | <u>20,490,549</u>    | <u>(7,780,789)</u>          |
| EFFECTS OF CHANGES IN EXCHANGE RATE  | <u>(40,371)</u>      | <u>22,666</u>               |
| INCREASE IN CASH AND CASH EQUIVALENTS  | 2,697,487            | 1,372,139                   |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR                                     | <u>14,959,968</u>    | <u>13,587,829</u>           |
| CASH AND CASH EQUIVALENTS, END OF YEAR   | <u>\$ 17,657,455</u> | <u>\$ 14,959,968</u>        |
| <b>SUPPLEMENTAL CASH FLOW INFORMATION</b>  |                      |                             |
| Interest paid  | <u>\$ 12,593,684</u> | <u>\$ 35,602,940</u>        |
| Income tax paid  | <u>\$ 239,887</u>    | <u>\$ 681,829</u>           |
| <b>OPERATING AND INVESTING ACTIVITIES NOT AFFECTING CASH FLOWS</b>               |                      |                             |
| Receivables from the disposal of real estate                                     | <u>\$ 2,593,554</u>  | <u>\$ -</u>                 |

(Continued)

# **BANK SINOPAC**

## **STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2009 AND 2008 (In Thousands of New Taiwan Dollars)**

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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 year ended December 31, 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 audit report dated March 16, 2010)

(Concluded)

# BANK SINOPAC

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

(YEAR ENDED DECEMBER 31, 2008 - RESTATED; PLEASE REFER TO NOTE 35)

(In Thousands of New Taiwan Dollars, Unless Otherwise Stated)

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### 1. ORGANIZATION AND OPERATIONS

#### Organization

|                   |   |
|-------------------|---|
| August 8, 1991    | Bank SinoPac (the "Bank") obtained government approval to incorporate.  |
| January 28, 1992  | The Bank started operations.  |
| May 9, 2002       | The Bank swap shares with SinoPac Securities Corporation and SinoPac Securities Co., Ltd. (the "SPS") to established SinoPac Financial Holdings Company Limited (the "SPH"), a financial holding company, resulting in the Bank become an unlisted wholly owned subsidiary of SPH.                            |
| December 26, 2005 | SPH finished the merger with International Bank of Taipei Co., Ltd. (IBT), through a 100% share swap.   |
| May 8, 2006       | The boards of directors of IBT resolved to transfer credit card business and related assets and liabilities to SinoPac Card Services Co., Ltd. The transaction has been approved by the authorities on June 22, 2006 and the assets have been transferred at the book value of \$5,171,080 on August 4, 2006. |
| July 21, 2006     | The boards of directors of the Bank resolved a merger with IBT. The Bank was the surviving entity and IBT was the company ceasing to exist.   |
| November 13, 2006 | The preliminary effective date of the share swap and merger. The Bank acquired the assets and liabilities of IBT through a share swap at ratio of 1.175 shares of the Bank to swap for 1 share of IBT.  |
| 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 December 31, 2009 and 2008, the Bank had a total of 4,634 and 4,953 employees, respectively.

As of December 31, 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, 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 December 31, 2005, any difference between the acquisition cost and the equity in the investee is amortized over 15 years. Such goodwill is not amortized since January 1, 2006. Stock dividends only result in an increase in number of shares and are not recognized as investment income.

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

### **Other Financial Assets**

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

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

### **Properties and 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 carry forward period from five years to ten years. 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>December 31</u>   |                      |
|------------------------------|----------------------|----------------------|
|                              | <b>2009</b>          | <b>2008</b>          |
| Cash on hand                 | \$ 5,397,299         | \$ 5,943,250         |
| Due from other banks         | 10,455,397           | 5,706,726            |
| Notes and checks in clearing | <u>1,804,759</u>     | <u>3,309,992</u>     |
|                              | <u>\$ 17,657,455</u> | <u>\$ 14,959,968</u> |

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

|  | <u>December 31</u>   |                      |
|--|----------------------|----------------------|
|  | <b>2009</b>          | <b>2008</b>          |
| Call loans to banks                        | \$ 44,947,484        | \$ 69,934,071        |
| Due from Central Banks - checking accounts | 8,713,379            | 2,929,597            |
| Deposit reserve - demand accounts          | 18,903,847           | 17,603,672           |
| Deposit reserve - foreign currencies       | <u>99,293</u>        | <u>101,866</u>       |
|  | <u>\$ 72,664,003</u> | <u>\$ 90,569,206</u> |

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

## 6. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Related information regarding financial instruments at fair value through profit or loss please refer to Table 7-1.

|  | <u>December 31</u>   |                      |
|--|----------------------|----------------------|
|  | 2009                 | 2008                 |
| Held for trading financial assets                                  | \$ 15,390,108        | \$ 30,629,206        |
| Financial assets designated at fair value through profit or losses | <u>1,424,673</u>     | <u>2,354,192</u>     |
|  | <u>\$ 16,814,781</u> | <u>\$ 32,983,398</u> |
| Held for trading financial liabilities                             | <u>\$ 8,636,286</u>  | <u>\$ 16,918,491</u> |

The Bank engages in derivative transactions mainly for accommodating customers' needs and managing its exposure positions. The contract amounts (notional amounts) of the outstanding derivative transactions please refer to Table 7-2. The Bank's strategy is to hedge most of the market risk exposures using hedging instruments with market value changes that have a highly negative correlation with the changes in the market of the exposures being hedged.

Gains or losses of financial instruments at fair value through profit or loss for the years ended December 31, 2009 and 2008 were as follows:

|  | <u>Years Ended December 31</u> |                       |
|--|--------------------------------|-----------------------|
|  | 2009                           | 2008                  |
| Held for trading financial assets and liabilities                                |                                |                       |
| Realized losses  | \$ (431,340)                   | \$ (2,888,043)        |
| Valuation (losses) gains   | <u>726,720</u>                 | <u>(941,220)</u>      |
|  | <u>295,380</u>                 | <u>(3,829,263)</u>    |
| Financial assets and liabilities designated at fair value through profit or loss |                                |                       |
| Realized losses  | (20,822)                       | (17,482)              |
| Valuation (losses) gains   | <u>527,492</u>                 | <u>(500,789)</u>      |
|  | <u>506,670</u>                 | <u>(518,271)</u>      |
|  | <u>\$ 802,050</u>              | <u>\$ (4,347,534)</u> |

The losses on held for trading financial assets and liabilities include losses on the fair value adjustments of structured investment vehicles \$0 and \$2,693,264, collateralized debt obligation \$167,519 and \$209,648, mortgage backed securities \$1,752 and \$3,739 for the years ended December 31, 2009 and 2008, respectively.

## 7. FINANCIAL ASSETS SECURITIZATION

Related information regarding financial assets securitization please refer to Table 7-3.

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

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

As of December 31, 2009 and 2008, securities were sold under agreements to repurchase at \$1,598,153 and \$4,430,174 between January and March 2009 and 2008, respectively.

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

| <b>Financial Assets</b> | <b>December 31</b> |              |
|-------------------------|--------------------|--------------|
|                         | <b>2009</b>        | <b>2008</b>  |
| Held for trading        | \$ -               | \$ 4,203,791 |
| Available-for-sale      | 1,598,045          | 222,309      |

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

|  | <b>December 31</b>   |                      |
|--|----------------------|----------------------|
|  | <b>2009</b>          | <b>2008</b>          |
| Accounts receivable - factoring  | \$ 26,209,192        | \$ 25,168,377        |
| Credit card receivable (Table 7-3)   | 17,568,380           | 9,891,428            |
| Receivables from related parties (Notes 28 and 32)   | 4,094,067            | 1,458,863            |
| Accounts receivable and notes receivable   | 1,728,004            | 3,492,040            |
| Acceptances  | 1,567,199            | 1,385,778            |
| Interest receivable and revenue receivable   | 1,166,652            | 2,118,752            |
| Receivable amount of the proceeds from sale of accounts receivable<br>(Note 10)                | 8                    | 1,280,859            |
| Receivable amount of prepaid principal collections of securitized<br>receivables under custody | -                    | 3,417,600            |
| Others   | <u>347,608</u>       | <u>806,152</u>       |
|  | 52,681,110           | 49,019,849           |
| Less: Allowance for credit losses  | <u>404,898</u>       | <u>519,209</u>       |
|  | <u>\$ 52,276,212</u> | <u>\$ 48,500,640</u> |

For the details of and changes in allowance for credit losses of accounts receivables, please refer to Table 8-1.

The credit card receivables as of December 31, 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 \$2,430,239 and \$2,172,911, 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 December 31, 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 December 31, 2009 and 2008, the proceeds receivable on the sale of credit card receivables amounted to \$8 and \$1,280,859, 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 \$63,568 and \$1,733, respectively, for the year ended December 31, 2009, and \$166,439 and \$4,651, respectively, for the year ended December 31, 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 years ended December 31, 2009 and 2008, the service fee amounted to \$1,048 and \$1,143, recorded as other net revenues.

The cash flows on the revolving sales of accounts receivable for the years ended December 31, 2009 and 2008, were as follows:

|   | <b>Years Ended December 31</b> |                      |
|---|--------------------------------|----------------------|
|   | <b>2009</b>                    | <b>2008</b>          |
| Accumulated revolving accounts receivable sold - carrying value                                 | \$ 20,624,762                  | \$ 33,208,814        |
| Add: Receivable amount of the proceeds on sale of credit card receivable at beginning of period | 1,280,859                      | 1,274,497            |
| Deduct: Proceeds receivable from the sale of accounts receivable at end of period               | (8)                            | (1,280,859)          |
| Loss on the sale of credit card receivable  | <u>(65,301)</u>                | <u>(171,090)</u>     |
| Proceeds from the sale of credit card receivable  | <u>\$ 21,840,312</u>           | <u>\$ 33,031,362</u> |

## 11. DISCOUNTS AND LOANS, NET

|  | <b>December 31</b>    |                       |
|--|-----------------------|-----------------------|
|  | <b>2009</b>           | <b>2008</b>           |
| Negotiations                               | \$ 1,039,145          | \$ 1,246,141          |
| Overdrafts                                 | 10,198                | 23,041                |
| Secured overdrafts                         | 777,744               | 853,387               |
| Accounts receivable - financing            | 3,084,689             | 2,167,621             |
| Short-term loans                           | 82,839,625            | 121,913,506           |
| Short-term secured loans                   | 49,369,486            | 41,000,638            |
| Medium-term loans                          | 88,314,337            | 73,580,928            |
| Medium-term secured loans                  | 62,912,893            | 49,529,808            |
| Long-term loans                            | 13,352,701            | 13,257,261            |
| Long-term secured loans                    | 350,493,309           | 324,631,698           |
| Nonperforming loans transferred from loans | <u>5,354,083</u>      | <u>7,697,760</u>      |
|  | 657,548,210           | 635,901,789           |
| Allowance for credit losses                | (5,059,877)           | (6,463,059)           |
| Hedged item valuation adjustments          | <u>13,263</u>         | <u>1,630</u>          |
|  | <u>\$ 652,501,596</u> | <u>\$ 629,440,360</u> |

As of December 31, 2009 and 2008, the balances of nonaccrual interest loans were \$10,476,679 and \$11,498,094, respectively. The unrecognized interest revenues on nonaccrual interest loans amounted to \$215,297 and \$338,079 for the years ended December 31, 2009 and 2008, respectively.

For the years ended December 31, 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 years ended December 31, 2009 and 2008, please refer to Table 8-1.

## 12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Related information regarding available-for-sale financial assets please refer to Table 7-4.

The losses on available for sale financial assets include losses on collateralized debt obligation \$430,680 and \$744,552 for the years ended December 31, 2009 and 2008, respectively.

## 13. HELD-TO-MATURITY INVESTMENTS

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

For the year ended December 31, 2008, the Bank recognized impairment loss on structured investment vehicles and floating rate notes amounted to \$241,487 and \$49,398, respectively.

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

|  | <u>Balance of Equity Investments</u> |                     | <u>Income (Loss) from Equity Investments</u> |                   |
|--|--------------------------------------|---------------------|--|-------------------|
|  | <u>December 31</u>                   |                     | <u>For the Years Ended</u>                   |                   |
|  | <u>2009</u>                          | <u>2008</u>         | <u>2009</u>                                  | <u>2008</u>       |
| SinoPac Bancorp                            | \$ 6,510,787                         | \$ 6,488,373        | \$ (1,494,265)                               | \$ (424,345)      |
| SinoPac Capital Limited (H.K.)             | 1,245,004                            | 1,233,060           | 30,866                                       | 79,822            |
| SinoPac Life Insurance Agent Co., Ltd.     | 880,205                              | 490,827             | 389,378                                      | 432,569           |
| SinoPac Property Insurance Agent Co., Ltd. | 63,307                               | 34,218              | 29,089                                       | 27,878            |
| SinoPac Leasing Corporation                | -                                    | 1,385,200           | 108,168                                      | 36,526            |
| SinoPac Financial Consulting Co., Ltd.     | -                                    | -                   | -  | (87)              |
|  | <u>\$ 8,699,303</u>                  | <u>\$ 9,631,678</u> | <u>\$ (936,764)</u>                          | <u>\$ 152,363</u> |

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 parent company of SPH acquired the capital stock of SinoPac Leasing Corporation from the Bank and SinoPac Venture Capital Co., Ltd. at book value on December 1, 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 \$417,989 for the year ended December 31, 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 7-6.

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. Related information please refer to Note 32.

For the year ended December 31, 2008, the Bank recognized impairment loss on non-active market debt instruments including structured investment vehicles and floating rate notes amounting to \$2,128,821 and \$22,890, respectively.

## 16. PROPERTIES

|  | <u>December 31</u>  |                     |
|--|---------------------|---------------------|
|  | <u>2009</u>         | <u>2008</u>         |
| Cost and revaluation increment                                     | \$ 14,208,153       | \$ 14,347,329       |
| Accumulated depreciation   |                     |                     |
| Buildings  | 1,843,176           | 1,724,407           |
| Computer and machinery equipment                                   | 3,741,075           | 3,621,188           |
| Transportation equipment   | <u>783</u>          | <u>9,441</u>        |
|  | <u>5,585,034</u>    | <u>5,355,036</u>    |
| Advances on acquisitions of equipment and construction in progress | <u>266,448</u>      | <u>209,369</u>      |
| Net properties   | <u>\$ 8,889,567</u> | <u>\$ 9,201,662</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 on November 13, 2006.

## 17. INTANGIBLE ASSETS

|                                   | <u>December 31</u> |                     |
|-----------------------------------|--------------------|---------------------|
|                                   | <u>2009</u>        | <u>2008</u>         |
| Goodwill - credit card department | \$ 876,717         | \$ 876,717          |
| Computer software                 | <u>118,140</u>     | <u>163,395</u>      |
|                                   | <u>\$ 994,857</u>  | <u>\$ 1,040,112</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. 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 December 31, 2009.

## 18. OTHER ASSETS

|  | <u>December 31</u>  |                     |
|--|---------------------|---------------------|
|  | <u>2009</u>         | <u>2008</u>         |
| Deferred income tax assets   | \$ 3,184,397        | \$ 3,651,443        |
| Rental properties, net   | 1,326,482           | 1,369,942           |
| Collaterals assumed, net of accumulated impairment \$35,884 and \$42,251, respectively | 634,098             | 717,454             |
| Idle assets, net   | 404,485             | 459,879             |
| Deferred pension cost  | 303,360             | 355,875             |
| Prepayment   | 172,263             | 154,350             |
| Land value increment tax   | 34,792              | 478,205             |
| Others   | <u>46,994</u>       | <u>109,407</u>      |
|  | <u>\$ 6,106,871</u> | <u>\$ 7,296,555</u> |

The board of directors of the Bank resolved to sell the land, recorded as idle assets amounting to \$171,367, to SPL at the price of \$3,241,943 on December 31, 2009. The gain from disposal of the land was \$2,693,234. Related information please refer to Note 28 and Table 3.

## 19. CALL LOANS AND DUE TO BANKS

|   | <u>December 31</u>   |                      |
|---|----------------------|----------------------|
|   | <u>2009</u>          | <u>2008</u>          |
| Call loans  | \$ 21,251,896        | \$ 18,035,607        |
| Redeposit from the directorate general of postal remittance | 21,044,785           | 21,064,745           |
| Due to the Central Bank                                     | 49,044               | 29,265               |
| Due to banks  | <u>24,035</u>        | <u>25,581</u>        |
|   | <u>\$ 42,369,760</u> | <u>\$ 39,155,198</u> |

## 20. COMMERCIAL PAPER PAYABLE

|                               | <u>December 31,</u><br><u>2008</u> |
|-------------------------------|------------------------------------|
| Commercial paper payable      | \$ 3,550,000                       |
| Less: Unamortized discount    | <u>4,966</u>                       |
| Commercial paper payable, net | <u>\$ 3,545,034</u>                |
| Maturity date                 | 2009.03                            |
| Discount rate                 | 1.914%-3.100%                      |

## 21. ACCOUNTS, INTEREST AND OTHER PAYABLES

|  | <u>December 31</u>   |                      |
|--|----------------------|----------------------|
|  | <b>2009</b>          | <b>2008</b>          |
| Accounts payable - factoring                               | \$ 14,688,284        | \$ 12,505,241        |
| Notes and checks in clearing                               | 1,804,759            | 3,309,992            |
| Accounts payable   | 1,715,454            | 3,588,296            |
| Acceptance payable   | 1,567,199            | 1,385,778            |
| Accrued expenses   | 1,374,206            | 1,189,221            |
| Interest payable   | 1,331,418            | 3,145,040            |
| Tax payable  | 165,613              | 193,297              |
| Accounts payable on cash merger with SinoPac Card Services | -                    | 3,768,933            |
| Others   | <u>546,523</u>       | <u>546,094</u>       |
|  | <u>\$ 23,193,456</u> | <u>\$ 29,631,892</u> |

## 22. DEPOSITS AND REMITTANCES

|                                    | <u>December 31</u>    |                       |
|------------------------------------|-----------------------|-----------------------|
|                                    | <b>2009</b>           | <b>2008</b>           |
| Checking                           | \$ 11,677,135         | \$ 11,190,893         |
| Demand                             | 147,488,579           | 108,529,207           |
| Savings - demand                   | 212,763,061           | 161,600,259           |
| Time                               | 245,486,805           | 295,209,223           |
| Negotiable certificates of deposit | 22,906,400            | 10,590,700            |
| Savings - time                     | 180,458,925           | 205,990,817           |
| Inward remittances                 | 5,483,244             | 594,450               |
| Outward remittances                | <u>88,107</u>         | <u>113,657</u>        |
|                                    | <u>\$ 826,352,256</u> | <u>\$ 793,819,206</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 7-7.

### 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. The bonds was redeemed amounting to US\$141,330 thousand as of December 22, 2009.

The Bank (formerly SinoPac Card Services) 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**

|  | <b>December 31</b>  |                   |
|--|---------------------|-------------------|
|  | <b>2009</b>         | <b>2008</b>       |
| Accrued contingency losses (Note 35)       | \$ 2,171,127        | \$ -              |
| Appropriated loan fund from the government | 489,451             | 493,231           |
| Guarantee deposits received                | 277,463             | 256,794           |
| Hedging derivative financial liabilities   | <u>27,114</u>       | <u>116,956</u>    |
|  | <u>\$ 2,965,155</u> | <u>\$ 866,981</u> |

## 25. OTHER LIABILITIES

|                                      | <u>December 31</u>  |                     |
|--------------------------------------|---------------------|---------------------|
|                                      | <u>2009</u>         | <u>2008</u>         |
| Accrued pension cost                 | \$ 1,485,570        | \$ 1,429,508        |
| Deferred income tax liabilities      | 500,892             | 959,021             |
| Reserve for land value increment tax | 430,599             | 458,362             |
| Temporary receipt                    | 419,048             | 388,400             |
| Advance receipt                      | 317,487             | 296,388             |
| Others                               | <u>181,369</u>      | <u>171,539</u>      |
|                                      | <u>\$ 3,334,965</u> | <u>\$ 3,703,218</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 2.254%.

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 amounting to \$4.08 billion on December 31, 2009, with 340,000 thousand shares, par value at \$10, and issue price at \$12.

### 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.

For the year ended December 31, 2009 the bonus to employees and the remuneration to directors and supervisors were \$16,305 and \$10,835, respectively. The Bank did not accrue the bonus to employees and the remuneration to directors and supervisors for the year ended December 31, 2008, because the Bank did not meet the requirement under the Bank's Articles of Incorporation. The bonus to employees and the remuneration to directors and supervisors recognized for the year ended December 31, 2009 was estimated on the basis of the Bank's Articles of Incorporation and past experience. 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.

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 Article 50-2 of the Banking Law, when legal reserve meet the total capital reserve or well financial position and setting aside legal reserve under company law is not limited to the restriction of setting aside 30% of remaining earnings as legal reserve, and the appropriation of the remainder and retained earnings from previous year was limited to 15% of total capital reserve when legal reserve has not meet the total capital reserve. The requirements for financial positions of banks to be established in accordance with this Act shall be as prescribed by the financial Supervisory Commission, Executive Yuan, R.O.C.

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.

As of March 16, 2010, the appropriation of earnings for 2009 has not been resolved by the board of directors. The related information regarding the proposed and resolved appropriation of earnings is available on the Market Observation Post System (M.O.P.S.) website of the Taiwan Stock Exchange.

d. Unrealized gains or losses on financial instruments

The movements of unrealized gains or losses on financial instruments for the years ended December 31, 2009 and 2008, respectively, were summarized as follows:

|                                     | <b>Available-<br/>for-sale<br/>Financial<br/>Assets</b> | <b>Equity<br/>Investments -<br/>Equity<br/>Method</b> | <b>Unrealized<br/>Gain or Loss<br/>of Cash Flow<br/>Hedge</b> | <b>Total</b>       |
|-------------------------------------|---|---|---|--------------------|
| <u>Year ended December 31, 2009</u> |   |   |   |                    |
| Balance, beginning of period        | \$ (39,222)   | \$ 19,362   | \$ -  | \$ (19,860)        |
| Recognized in stockholders' equity  | (83,036)  | 27,333  | 22,130  | (33,573)           |
| Transferred to profit or loss       | <u>44,360</u>   | <u>-</u>  | <u>-</u>  | <u>44,360</u>      |
| Balance, end of period              | <u>\$ (77,898)</u>                                      | <u>\$ 46,695</u>                                      | <u>\$ 22,130</u>  | <u>\$ (9,073)</u>  |
| <u>Year ended December 31, 2008</u> |   |   |   |                    |
| Balance, beginning of period        | \$ (543,159)  | \$ 7,163  | \$ -  | \$ (535,996)       |
| Recognized in stockholders' equity  | 784,932   | 12,199  | -   | 797,131            |
| Transferred to profit or loss       | <u>(280,995)</u>  | <u>-</u>  | <u>-</u>  | <u>(280,995)</u>   |
| Balance, end of period              | <u>\$ (39,222)</u>                                      | <u>\$ 19,362</u>                                      | <u>\$ -</u>   | <u>\$ (19,860)</u> |

e. Earnings per share

The convertible bonds issued by the bank were redeemed as of December 22, 2009. There would be an anti-dilutive effect on potential common stock because of net loss so as not to compute the diluted EPS in 2008. The numerators and denominators used in computing earnings per shares (EPS) were summarized as follows:

|                                     | <b>Numerator (Amounts)</b> |                       | <b>Denominator<br/>(Shares in<br/>Thousands)</b> | <b>EPS (NT\$)</b> |                  |
|-------------------------------------|----------------------------|-----------------------|--|-------------------|------------------|
|                                     | <b>Pretax</b>              | <b>After Tax</b>      |  | <b>Pretax</b>     | <b>After Tax</b> |
| <u>Year ended December 31, 2009</u> |                            |                       |  |                   |                  |
| Basic EPS                           | <u>\$ 2,287,906</u>        | <u>\$ 2,085,157</u>   | <u>4,482,779</u>                                 | <u>\$ 0.51</u>    | <u>\$ 0.47</u>   |
| <u>Year ended December 31, 2008</u> |                            |                       |  |                   |                  |
| Basic EPS                           | <u>\$ (4,080,120)</u>      | <u>\$ (3,184,172)</u> | <u>4,583,503</u>                                 | <u>\$ (0.89)</u>  | <u>\$ (0.69)</u> |

## 27. COMMISSIONS AND FEE REVENUES, NET

|                               | For the Years Ended<br>December 31 |                     |
|-------------------------------|------------------------------------|---------------------|
|                               | 2009                               | 2008                |
| Commissions and fees revenues | \$ 3,663,816                       | \$ 4,008,927        |
| Commissions and fees expenses | <u>(577,580)</u>                   | <u>(640,483)</u>    |
|                               | <u>\$ 3,086,236</u>                | <u>\$ 3,368,444</u> |

## 28. GAINS FROM DISPOSAL OF PROPERTIES AND IDLE ASSETS, NET

The gains from disposal of properties and idle assets consisted of gains amounting to \$2,693,234 from disposal of 137 lots of land located at Xi-Zhou-Liao Subsection, Bao-Chang-Ken Section and Qie-Dong-Jiao Section Xizhi City, Taipei County and gains amounting to \$535,299 from disposal of 7 lots of land located at Hua-Gang Section Shih-Lin District, Taipei City.

The counterparty of 137 lots of land located at Xi-Zhou-Liao Subsection, Bao-Chang-Ken Section and Qie-Dong-Jiao Section Xizhi City, Taipei County was SPL, another subsidiary of SPH. The related-party transaction was resolved by the board of directors on December 9, 2009 and at the price of \$3,241,943. The gain from disposal of the land was \$2,693,234. The transfer process of the land was complete on December 25, 2009. The uncollected amount of the proceeds \$2,593,554, recorded as receivables from related parties as of December 31, 2009, was received on January 28, 2010.

## 29. OPERATING EXPENSES

|   | For the Years Ended<br>December 31 |                      |
|---|------------------------------------|----------------------|
|   | 2009                               | 2008                 |
| Personnel expenses                            |                                    |                      |
| Salaries and wages                            | \$ 4,531,258                       | \$ 5,184,670         |
| Pension                                       | 491,510                            | 841,471              |
| Labor insurance and national health insurance | 286,584                            | 303,443              |
| Others  | <u>326,970</u>                     | <u>392,191</u>       |
|   | 5,636,322                          | 6,721,775            |
| Depreciation                                  | 478,242                            | 516,403              |
| Amortization                                  | 68,968                             | 80,924               |
| Others  | <u>3,188,665</u>                   | <u>4,127,817</u>     |
|   | <u>\$ 9,372,197</u>                | <u>\$ 11,446,919</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 years ended December 31, 2009 and 2008, the pension expense amounted to \$134,160 and \$157,275, respectively, which were contributed to personal pension accounts.

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

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

|  | <b>For the Years Ended December 31</b> |                         |   |
|--|--|-------------------------|---|
|  |  | <b>2008</b>             |   |
|  | <b>2009</b>                            | <b>Bank<br/>SinoPac</b> | <b>Formerly<br/>SinoPac Card<br/>Services Co.,<br/>Ltd.</b> |
| Service cost                           | \$ 138,862                             | \$ 157,039              | \$ 2,794  |
| Interest cost                          | 111,209                                | 152,475                 | 2,070   |
| Expected return on pension fund assets | (51,411)                               | (50,039)                | (661)   |
| Curtailment or settlement losses       | 34,731                                 | 246,583                 | -   |
| Net amortization and deferral          | <u>123,959</u>                         | <u>173,214</u>          | <u>721</u>  |
| Net pension cost                       | <u>\$ 357,350</u>                      | <u>\$ 679,272</u>       | <u>\$ 4,924</u>   |



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

|  | <b>For the Years Ended December 31</b> |                     |
|--|--|---------------------|
|  | <b>2009</b>                            | <b>2008</b>         |
| Current deductible loss carry forward            | \$ (604,164)                           | \$ (1,897,701)      |
| Separate taxes                                   | 195,300                                | 617,653             |
| Investment credit                                | (5,529)                                | (7,303)             |
| Deferred income taxes                            | (174,665)                              | 313,607             |
| Overseas income taxes over limitation            | 63,578                                 | 41,979              |
| Effect of tax law changes on deferred income tax | 718,916                                | -                   |
| Adjustment for prior years' tax                  | <u>9,313</u>                           | <u>35,817</u>       |
| Income tax expense (benefit)                     | <u>\$ 202,749</u>                      | <u>\$ (895,948)</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:

|   | <b>For the Years Ended December 31</b> |                       |
|---|--|-----------------------|
|   | <b>2009</b>                            | <b>2008</b>           |
| Tax on pretax income (loss) at 25% statutory rate | \$ 571,976                             | \$ (1,020,030)        |
| Add (deduct) tax effects of:                      |  |                       |
| Tax-exempt income                                 | (847,447)                              | (77,993)              |
| Permanent difference                              | (476,093)                              | (896,327)             |
| Temporary difference                              | <u>147,400</u>                         | <u>96,649</u>         |
| Deductible loss carry forward                     | <u>\$ (604,164)</u>                    | <u>\$ (1,897,701)</u> |

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

|  | <b>December 31</b>  |                     |
|--|---------------------|---------------------|
|  | <b>2009</b>         | <b>2008</b>         |
| Loss carry forward   | \$ 2,904,930        | \$ 3,079,839        |
| Deferred pension cost  | 274,416             | 345,791             |
| Unrealized loss or gain on foreign exchange and revaluation of financial instrument, net | (21,907)            | 49,354              |
| Staff training income tax credit   | 25,457              | 20,962              |
| Allowance for credit loss over limit   | -                   | 149,063             |
| Others   | 28,001              | 28,599              |
| Valuation allowance  | <u>(26,500)</u>     | <u>(22,165)</u>     |
| Deferred income tax assets, net  | <u>\$ 3,184,397</u> | <u>\$ 3,651,443</u> |
|  | <b>December 31</b>  |                     |
|  | <b>2009</b>         | <b>2008</b>         |
| Investment income under the equity method  | \$ (454,337)        | \$ (912,466)        |
| Others   | <u>(46,555)</u>     | <u>(46,555)</u>     |
| Deferred income tax liabilities, net   | <u>\$ (500,892)</u> | <u>\$ (959,021)</u> |

The unused loss carry forwards as of December 31, 2009 were as follows:

| <b>Deficit Year</b> | <b>The Last Year of Claiming Deductible Loss</b> | <b>Amount</b>        |
|---------------------|--|----------------------|
| 2006                | 2016   | \$ 2,294,795         |
| 2007                | 2017   | 4,504,160            |
| 2008                | 2018   | 6,166,540            |
| 2009                | 2019   | <u>1,559,155</u>     |
|                     |  | <u>\$ 14,524,650</u> |

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

|                                  | <b>December 31</b>  |                     |
|----------------------------------|---------------------|---------------------|
|                                  | <b>2009</b>         | <b>2008</b>         |
| Receivables from related parties | <u>\$ 1,489,569</u> | <u>\$ 1,450,361</u> |

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

|  | <b>December 31</b>  |                     |
|--|---------------------|---------------------|
|  | <b>2009</b>         | <b>2008</b>         |
| Balances of imputed tax credit account | <u>\$ 2,753,047</u> | <u>\$ 2,460,425</u> |

In 2009, the creditable tax ratios were estimated to 33.33% by the bank. In 2008, 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.

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, therefore there would be differences between the imputed tax credit ratio as of 2009 and the tax credit ratio applied to stockholders actually.

- f. As of December 31, 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, had been examined by the tax authorities. On the income tax returns for the aforementioned years, the tax authorities denied the creditability of 10% withholding tax on interest income on bonds pertaining to the period when those bonds were held by other investors. The Bank 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. 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 formerly 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 SPH (SinoPac Leasing Corporation has been transferred at the book value to SPH in December 2009 and become a subsidiary of SPH) |
| SinoPac Life Insurance Agent Co., Ltd. (SPLIA)                                      | Subsidiary of the Bank  |
| SinoPac Property Insurance Agent Co., Ltd. (SPPIA)                                  | Subsidiary of the Bank  |
| SinoPac 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 subsidiary of the Bank   |
| Grand Capital International Limited (Grand Capital)                                 | Subsidiary of SPL   |
| Wal Tech International Corporation (Wal Tech International)                         | Subsidiary of SinoPac Venture Capital   |
| Intellisys Corporation  | Subsidiary of SinoPac Venture Capital   |
| SinoPac Strategic Allocation Balanced Fund  | Managed by SinoPac Securities Investment Trust  |
| SinoPac High ROE & Dividend Balanced 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  |
| Yung Fong Industrial Corporation  | 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  |

(Continued)

| Name  | Relationship with the Bank  |
|---|---|
| Rung-Tzung Investment Corp. (Rung-Tzung Investment) | Affiliate of the second-degree of kinship of the director of SinoPac Securities |
| Liu, Shiou Fong                                     | Manager of SPH (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 Fang                                       | Manager of the Bank   |
| Huang, Yuan Chuan                                   | Manager of the Bank   |
| Guo, Fong Yuan                                      | Manager of the Bank   |
| Hong, Siou Huei                                     | Manager of the Bank   |
| Lien, His Chuan                                     | Manager of the Bank   |
| Hong, Wen Jing                                      | Manager of the Bank   |
| Guo, Ling Shan                                      | Manager of the Bank   |
| Yang, Jih 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, Jih Wen                                       | Manager of the Bank   |
| Ji, Ying Huei                                       | Manager of the Bank   |
| Liao, Jih 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   |
| Lyu, 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   |
| Chang, Ping Chou                                    | Manager of the Bank   |
| Ho, Hsi Chien                                       | Manager of the Bank   |
| Hsu, Pao Chen                                       | Manager of the Bank   |
| Chen, Chao Pang                                     | Manager of the Bank   |
| Huang, Chiung Yau                                   | Manager of the Bank   |
| Wu, Jih Ciang                                       | Manager of the Bank   |
| Chiang, Yen Jung                                    | Manager of the Bank   |
| Huang, Wei Ming                                     | Manager of the Bank   |
| Huang, Yung Kuang                                   | Manager of the Bank   |

(Continued)

| Name             | Relationship with the Bank   |
|------------------|--|
| Kao, Kuo Hsing   | 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 (separation 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>December 31</u>    |             | <u>December 31</u> |             |
|   | <b>2009</b>           | <b>2008</b> | <b>2009</b>        | <b>2008</b> |
| 1) Due from banks   |                       |             |                    |             |
| Due from banks - FENB   | \$ 42,533             | \$ 17,677   | 0.41%              | 0.31%       |
| 2) Financial assets at fair value through profit or loss              |                       |             |                    |             |
| Beneficiary certificates - SinoPac Strategic Allocation Balanced Fund | 36,143                | -           | 0.21%              | -           |
| Beneficiary certificates - SinoPac High ROE & Dividend Balanced Fund  | -                     | 37,075      | -                  | 0.11%       |

### 3) Derivative financial instruments

| <b>December 31, 2009</b>                               |   |                        |                   |  |                |
|--|---|------------------------|-------------------|--|----------------|
|  | <b>Contract<br/>(Notional)<br/>Amount</b> | <b>Contract Period</b> | <b>Fair Value</b> | <b>Balance Sheet</b>                                       |                |
|  |   |                        |                   | <b>Account</b>   | <b>Balance</b> |
| Currency swap contracts<br>SinoPac Capital (H.K.)      | \$ 929,267                                | 2009.12.29-2010.1.19   | \$ 40             | Financial assets at fair value through profit or loss      | \$ 40          |
| Interest rate swap contracts<br>SinoPac Securities     | 18,280,000                                | 2006.12.29-2014.12.22  | (46,585)          | Financial liabilities at fair value through profit or loss | (46,585)       |
| Non-delivery forward contract - short position<br>FENB | 87,204                                    | 2009.6.26-2010.9.3     | (195)             | Financial liabilities at fair value through profit or loss | (195)          |
| <b>December 31, 2008</b>                               |   |                        |                   |  |                |
|  | <b>Contract<br/>(Notional)<br/>Amount</b> | <b>Contract Period</b> | <b>Fair Value</b> | <b>Balance Sheet</b>                                       |                |
|  |   |                        |                   | <b>Account</b>   | <b>Balance</b> |
| Currency swap contracts<br>SinoPac Capital (H.K.)      | \$ 988,300                                | 2008.12.15-2009.1.15   | \$ 130            | Financial assets at fair value through profit or loss      | \$ 130         |
| Grand Capital  | 740,523                                   | 2008.10.17-2009.3.26   | 51                | Financial assets at fair value through profit or loss      | 51             |
| Interest rate swap contracts<br>SinoPac Securities     | 13,920,000                                | 2006.12.29-2013.9.17   | (49,687)          | Financial liabilities at fair value through profit or loss | (49,687)       |
| SPL  | 100,000                                   | 2007.7.24-2009.7.27    | 742               | Financial assets at fair value through profit or loss      | 742            |
| Forward contract<br>Grand Capital                      | 203,004                                   | 2008.3.14-2009.4.6     | (5)               | Financial liabilities at fair value through profit or loss | (5)            |
| Non-delivery forward contract - short position<br>FENB | 71,799                                    | 2008.5.26-2009.6.1     | (4,513)           | Financial liabilities at fair value through profit or loss | (4,513)        |
| Non-delivery forward contract - long position<br>FENB  | 65,720                                    | 2008.12.5-2009.5.29    | (1,543)           | Financial liabilities at fair value through profit or loss | (1,543)        |

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

As of December 31, 2009 and 2008, other receivables from related parties amounted to \$10,944 and \$8,502, respectively. As of December 31, 2009 and 2008, other payables to related parties amounted to \$17,570 and \$39,599, respectively. As of December 31, 2008, the Bank's payable to SinoPac Financial Holdings resulting from pro-forma information amounted to \$3,768,933.

As of December 31, 2009 and 2008, the Bank's estimated receivables resulting from the adoption of the linked-tax system amounted to \$1,489,569 and \$1,316,182, respectively. As of December 31, 2008, formerly SinoPac Card Services estimated receivables resulting from the adoption of the linked - tax system amounted to \$134,179.

## 5) Loans

| <b>December 31, 2009</b> |  |                            |                       |                                |                             |
|--------------------------|--|----------------------------|-----------------------|--------------------------------|-----------------------------|
|                          | <b>December 31,<br/>2009<br/>Balance</b> | <b>Highest<br/>Balance</b> | <b>% of<br/>Total</b> | <b>Interest/<br/>Fee Rates</b> | <b>Interest<br/>Revenue</b> |
| Loans                    | <u>\$ 3,992,062</u>                      | <u>\$ 5,494,602</u>        | <u>0.61</u>           | 0.70-6.49                      | <u>\$ 43,121</u>            |

| <b>December 31, 2009</b>       |   |                            |                           |               |                |                            |   |  |
|--------------------------------|---|----------------------------|---------------------------|---------------|----------------|----------------------------|---|--|
| <b>Category</b>                | <b>Account Volume<br/>or Name of<br/>Related Party</b>                | <b>Highest<br/>Balance</b> | <b>Ending<br/>Balance</b> | <b>Normal</b> | <b>Overdue</b> | <b>Type of Collaterals</b> | <b>Is the<br/>Transaction<br/>at Arm's<br/>Length<br/>Commercial<br/>Term</b> |  |
| Employees<br>consuming<br>loan | 36  | \$ 17,123                  | \$ 10,130                 | V             | -              | None                       | Yes   |  |
| Households<br>mortgages        | 228   | 1,507,299                  | 1,194,884                 | V             | -              | Real estate                | Yes   |  |
| Others:                        | SPL   | 1,820,000                  | 1,820,000                 | V             | -              | Real estate                | Yes   |  |
|                                | BoardTek<br>Electronics   | 926,000                    | 410,354                   | V             | -              | Real estate                | Yes   |  |
|                                | SinoPac Securities  | 500,000                    | -                         | V             | -              | Real estate                | Yes   |  |
|                                | Rung-Tzung<br>Investment  | 246,671                    | 246,671                   | V             | -              | Real estate                | Yes   |  |
|                                | Yung An Leasing   | 226,800                    | 198,800                   | V             | -              | Real estate                | Yes   |  |
|                                | Yung Fong<br>Industrial<br>Development<br>Center for<br>Biotechnology | 200,000                    | 100,000                   | V             | -              | Real estate                | Yes   |  |
|                                | Taiwan Genome<br>Sciences, Inc.                                       | 30,000                     | -                         | V             | -              | Real estate                | Yes   |  |
|                                | Chen Hsu, Yu Rong   | 4,000                      | 4,000                     | V             | -              | Real estate                | Yes   |  |
|                                | Guo, Kai Wei  | 6,734                      | 5,338                     | V             | -              | Real estate                | Yes   |  |
|                                | Jhuo, Shu Lin   | 3,354                      | 5                         | V             | -              | Certificate of deposit     | Yes   |  |
|                                | Guo, Fong Yuan  | 2,857                      | 1,880                     | V             | -              | Certificate of deposit     | Yes   |  |
|                                | Chen, Jhih Wen  | 2,100                      | -                         | V             | -              | Certificate of deposit     | Yes   |  |
|                                | Shiung, Jr Gang   | 835                        | -                         | V             | -              | Certificate of deposit     | Yes   |  |
|                                | Lin Xu, Li Hong   | 319                        | -                         | V             | -              | Certificate of deposit     | Yes   |  |
|                                | Ji, Ying Huei   | 199                        | -                         | V             | -              | Certificate of deposit     | Yes   |  |
|                                | Liang, Ya Zi  | 99                         | -                         | V             | -              | Certificate of deposit     | Yes   |  |
|                                | Zhong, Dau Cheng  | 74                         | -                         | V             | -              | Certificate of deposit     | Yes   |  |
|                                | Chen, Jian Zhou   | 54                         | -                         | V             | -              | Certificate of deposit     | Yes   |  |
|                                | Lin, Hsiao Fen  | 36                         | -                         | V             | -              | Certificate of deposit     | Yes   |  |
|                                | Chang, Tian Jun   | 25                         | -                         | V             | -              | Certificate of deposit     | Yes   |  |
|                                | Others subtotal   | 23                         | -                         | V             | -              | Certificate of deposit     | Yes   |  |
|                                |   | <u>3,970,180</u>           | <u>2,787,048</u>          |               |                |                            |   |  |
|                                |   | <u>\$ 5,494,602</u>        | <u>\$ 3,992,062</u>       |               |                |                            |   |  |

| <b>December 31, 2008</b> |  |                            |                       |                                |                             |
|--------------------------|--|----------------------------|-----------------------|--------------------------------|-----------------------------|
|                          | <b>December 31,<br/>2008<br/>Balance</b> | <b>Highest<br/>Balance</b> | <b>% of<br/>Total</b> | <b>Interest/<br/>Fee Rates</b> | <b>Interest<br/>Revenue</b> |
| Loans                    | <u>\$ 2,236,946</u>                      | <u>\$ 3,077,243</u>        | <u>0.36</u>           | 1.57-8.3                       | <u>\$ 67,234</u>            |

December 31, 2008

| Category                       | Account Volume<br>or Name of<br>Related Party | Highest<br>Balance  | Ending<br>Balance   | Normal | Overdue | Type of Collaterals    | Is the<br>Transaction<br>at Arm's<br>Length<br>Commercial<br>Term |
|--------------------------------|---|---------------------|---------------------|--------|---------|------------------------|---|
| Employees<br>consuming<br>loan | 32  | \$ 13,197           | \$ 7,420            | V      | -       | None                   | Yes   |
| Households<br>mortgages        | 227   | 1,595,708           | 1,037,657           | V      | -       | Real estate            | Yes   |
| Others:                        | SPL   | 579,000             | 410,000             | V      | -       | Real estate            | Yes   |
|                                | BoardTek                                      | 407,250             | 342,354             | V      | -       | Real estate            | Yes   |
|                                | Electronics                                   |                     |                     |        |         |                        |   |
|                                | Rung-Tzung<br>Investment                      | 246,671             | 246,671             | V      | -       | Real estate            | Yes   |
|                                | Yung An Leasing                               | 198,800             | 180,800             | V      | -       | Real estate            | Yes   |
|                                | Liu, Shiou Fong                               | 1,785               | 48                  | V      | -       | Real estate            | Yes   |
|                                | Chen Hsu, Yu Rong                             | 7,000               | 5,522               | V      | -       | Real estate            | Yes   |
|                                | Zhong, Dau Cheng                              | 27                  | -                   | V      | -       | Certificate of deposit | Yes   |
|                                | Jhuo, Shu Lin                                 | 500                 | -                   | V      | -       | Certificate of deposit | Yes   |
|                                | Chen, Jhin Wen                                | 1,230               | 800                 | V      | -       | Certificate of deposit | Yes   |
|                                | Ji, Ying Huei                                 | 182                 | -                   | V      | -       | Certificate of deposit | Yes   |
|                                | Liao, Chih Meng                               | 2,794               | -                   | V      | -       | Certificate of deposit | Yes   |
|                                | Bai, Su Ching                                 | 41                  | -                   | V      | -       | Certificate of deposit | Yes   |
|                                | Lin, Cheng Che                                | 351                 | -                   | V      | -       | Certificate of deposit | Yes   |
|                                | Chu, Wen Chi                                  | 5,674               | 5,674               | V      | -       | Certificate of deposit | Yes   |
|                                | Chien, Wei Liang                              | 950                 | -                   | V      | -       | Certificate of deposit | Yes   |
|                                | Guo, Ling Ling                                | 310                 | -                   | V      | -       | Certificate of deposit | Yes   |
|                                | Yu, Chun Nan                                  | 44                  | -                   | V      | -       | Certificate of deposit | Yes   |
|                                | Gau, Shu Huei                                 | 949                 | -                   | V      | -       | Certificate of deposit | Yes   |
|                                | Lin, Chi Tian                                 | 6,884               | -                   | V      | -       | Certificate of deposit | Yes   |
|                                | Lin, Hsiao Fen                                | 34                  | -                   | V      | -       | Certificate of deposit | Yes   |
|                                | Chang, Ping Chou                              | 440                 | -                   | V      | -       | Certificate of deposit | Yes   |
|                                | Ho, Hsi Chien                                 | 600                 | -                   | V      | -       | Certificate of deposit | Yes   |
|                                | Hsu, Pao Chen                                 | 6                   | -                   | V      | -       | Certificate of deposit | Yes   |
|                                | Chen, Chao Pang                               | 807                 | -                   | V      | -       | Certificate of deposit | Yes   |
|                                | Huang, Chiung Yau                             | 416                 | -                   | V      | -       | Certificate of deposit | Yes   |
|                                | Wu, Jhih Ciang                                | 2,805               | -                   | V      | -       | Certificate of deposit | Yes   |
|                                | Guo, Kai Wei                                  | 2,788               | -                   | V      | -       | Certificate of deposit | Yes   |
|                                | Others subtotal                               | <u>1,468,338</u>    | <u>1,191,869</u>    |        |         |                        |   |
|                                |   | <u>\$ 3,077,243</u> | <u>\$ 2,236,946</u> |        |         |                        |   |

## 6) Guarantees

December 31, 2009

| Related Party      | The Highest<br>Balance in<br>Current<br>Period | Ending<br>Balance | Provision | Rates       | Type of Collaterals                 | Note |
|--------------------|--|-------------------|-----------|-------------|-------------------------------------|------|
| SPL                | \$ 380,000                                     | \$ -              | \$ -      | 0.3%        | Real estate, certificate of deposit |      |
| SinoPac Securities | 2,000  | 2,000             | -         | 0.3%        | Certificate of deposit              |      |
| Luo, Guang Tsai    | 555  | 420               | -         | 1.25%-2.75% | None                                | Note |
| Hong, Wen Jing     | 400  | 400               | -         | 1.25%-2.75% | None                                | Note |
| Huang, Lien Cheng  | 290  | 30                | -         | 1.25%-2.75% | None                                | Note |
| Yang, Jhih Fa      | 180  | -                 | -         | 1.25%-2.75% | None                                | Note |
| Lin, Shin Shin     | 160  | 70                | -         | 1.25%-2.75% | None                                | Note |
| Lu, Zhong Xiong    | 150  | 60                | -         | 1.25%-2.75% | None                                | Note |
| Ci, Siou Jyuan     | 130  | 60                | -         | 1.25%-2.75% | None                                | Note |
| Chiang, Yen Jung   | 120  | 120               | -         | 1.25%-2.75% | None                                | Note |
| Hung, Jeng An      | 120  | 10                | -         | 1.25%-2.75% | None                                | Note |
| Huang, Yuan Chuan  | 105  | 60                | -         | 1.25%-2.75% | None                                | Note |
| Zhung, Ji Cheng    | 100  | 50                | -         | 1.25%-2.75% | None                                | Note |
| Li, Chih Neng      | 100  | 10                | -         | 1.25%-2.75% | None                                | Note |

(Continued)

| Related Party     | The Highest Balance in Current Period | Ending Balance | Provision | Rates       | Type of Collaterals | Note |
|-------------------|---------------------------------------|----------------|-----------|-------------|---------------------|------|
| Lyu, Shu Fen      | \$ 100                                | \$ 55          | \$ -      | 1.25%-2.75% | None                | Note |
| Guo, Ling Shan    | 90                                    | -              | -         | 1.25%-2.75% | None                | Note |
| Jung, Ching Lin   | 85                                    | 55             | -         | 1.25%-2.75% | None                | Note |
| Chuang, Ming En   | 80                                    | 65             | -         | 1.25%-2.75% | None                | Note |
| Hong, Siou Huei   | 80                                    | -              | -         | 1.25%-2.75% | None                | Note |
| Ji, Ying Huei     | 75                                    | 60             | -         | 1.25%-2.75% | None                | Note |
| Huang, Wei Ming   | 60                                    | 60             | -         | 1.25%-2.75% | None                | Note |
| Huang, Yung Kuang | 60                                    | 60             | -         | 1.25%-2.75% | None                | Note |
| Liao, Chih Meng   | 60                                    | -              | -         | 1.25%-2.75% | None                | Note |
| Jiang, Shang De   | 60                                    | -              | -         | 1.25%-2.75% | None                | Note |
| Lyu, Zhou Er      | 60                                    | -              | -         | 1.25%-2.75% | None                | Note |
| Chen, Yu Chien    | 60                                    | 45             | -         | 1.25%-2.75% | None                | Note |
| Yang, Qing Long   | 30                                    | -              | -         | 1.25%-2.75% | None                | Note |
| Guo, Ling Ling    | 20                                    | 20             | -         | 1.25%-2.75% | None                | Note |
| Wu, Zong Xian     | 20                                    | -              | -         | 1.25%-2.75% | None                | Note |
| Lin, Xiu Yuan     | 20                                    | -              | -         | 1.25%-2.75% | None                | Note |
| Lee, Liang        | 10                                    | -              | -         | 1.25%-2.75% | None                | Note |

(Concluded)

Note: The listed twenty-nine guarantees are employees consuming loans.

December 31, 2008

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

Note: The listed seventeen guarantees are employees consuming loans.

7) To comply with the reorganization of SPH, the equity investment under equity method on SPL held by the Bank had transferred to SPH at book value amounting to \$1,472,952 in 2009.

8) Held-to-maturity investments

|   | <u>December 31</u> |           |
|---|--------------------|-----------|
|   | 2009               | 2008      |
| Subordinated debenture beneficiary certificates - credit card receivables | \$ -               | \$ 80,000 |

9) Unquoted equity instruments

To comply with reorganization of SPH, a part of unquoted equity instruments held by the Bank had transferred to SinoPac Venture Capital at book value in 2008.

| <b>Investee Company</b>                     | <b>Shares<br/>(In Thousands)</b> | <b>Book Value</b> |
|---|----------------------------------|-------------------|
| 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             |

10) Securities sold under agreements to repurchase

|        | <b>Face Amount</b> |             | <b>Cost</b>        |             |
|--------|--------------------|-------------|--------------------|-------------|
|        | <b>December 31</b> |             | <b>December 31</b> |             |
|        | <b>2009</b>        | <b>2008</b> | <b>2009</b>        | <b>2008</b> |
| Others | \$ 371,000         | \$ 487,800  | \$ 370,159         | \$ 532,823  |

11) Deposits

|                                     | <b>Ending<br/>Balance</b> | <b>% of<br/>Total</b> | <b>Interest Rate</b> | <b>Interest<br/>Expense</b> | <b>% of<br/>Total</b> |
|-------------------------------------|---------------------------|-----------------------|----------------------|-----------------------------|-----------------------|
| <u>Year ended December 31, 2009</u> |                           |                       |                      |                             |                       |
| SinoPac Securities                  | \$ 3,829,879              | 0.46%                 | 0-0.09               | \$ 36,153                   | 0.43%                 |
| SinoPac Futures                     | 1,732,696                 | 0.21%                 | 0.1-0.54             | 29,997                      | 0.35%                 |
| SinoPac Securities (Asia) Ltd.      | 1,143,603                 | 0.14%                 | 0-1.95               | 6,716                       | 0.08%                 |
| SinoPac Venture Capital             | 1,076,197                 | 0.13%                 | 0.1-0.2              | 2,183                       | 0.03%                 |
| SPLIA                               | 1,035,253                 | 0.13%                 | 0.1-0.25             | 2,808                       | 0.03%                 |
| Others                              | 5,285,345                 | 0.64%                 | 0-13                 | 67,252                      | 0.79%                 |
| <u>Year ended December 31, 2008</u> |                           |                       |                      |                             |                       |
| SinoPac Securities                  | 6,922,118                 | 0.87%                 | 0-2.57               | 36,765                      | 0.19%                 |
| SinoPac Futures                     | 3,898,961                 | 0.49%                 | 0.1-2                | 28,974                      | 0.15%                 |
| SinoPac Securities (Asia) Ltd.      | 1,500,903                 | 0.19%                 | 0-6.5                | 23,378                      | 0.12%                 |
| SinoPac Venture Capital             | 1,299,923                 | 0.16%                 | 0.05-1.95            | 13,614                      | 0.07%                 |
| SPLIA                               | 611,420                   | 0.08%                 | 0.1-1.9              | 8,308                       | 0.04%                 |
| Others                              | 6,221,430                 | 0.78%                 | 0-13                 | 126,495                     | 0.64%                 |

12) Bank debentures

|                                     | <b>Ending<br/>Balance</b> | <b>% of<br/>Total</b> | <b>Interest<br/>Expense</b> | <b>% of<br/>Total</b> |
|-------------------------------------|---------------------------|-----------------------|-----------------------------|-----------------------|
| <u>Year ended December 31, 2008</u> |                           |                       |                             |                       |
| SinoPac Futures                     | \$ -                      | -                     | \$ 309                      | -                     |

13) Revenues and expenses

|                              | <u>Amount</u>      |             | <u>% of Total</u>  |             |
|------------------------------|--------------------|-------------|--------------------|-------------|
|                              | <u>Years Ended</u> |             | <u>Years Ended</u> |             |
|                              | <u>December 31</u> |             | <u>December 31</u> |             |
|                              | <b>2009</b>        | <b>2008</b> | <b>2009</b>        | <b>2008</b> |
| Service fees                 | \$ 34,504          | \$ 38,114   | 0.94%              | 0.95%       |
| Service expenses             | 3,878              | 4,443       | 0.67%              | 0.69%       |
| Project popularizing expense | 426                | 546         | 0.01%              | 0.01%       |
| Promotion fee                | 13,689             | 43,272      | 0.43%              | 1.05%       |
| Other revenues               | 7,433              | 7,693       | (37.32%)           | 10.09%      |

14) 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:

| <b>Lessor</b> | <u>Rental Expenses</u>         |             | <b>Lease Term</b> | <b>Payment Frequency</b> |
|---------------|--------------------------------|-------------|-------------------|--------------------------|
|               | <u>Years Ended December 31</u> |             |                   |                          |
|               | <b>2009</b>                    | <b>2008</b> |                   |                          |
| SPL           | \$ 113,915                     | \$ 110,328  | February 2020     | Rentals paid monthly     |

b) The Bank as a lessor

| <b>Lessee</b>           | <u>Rental Income</u>           |             | <b>Lease Term</b> | <b>Payment Frequency</b> |
|-------------------------|--------------------------------|-------------|-------------------|--------------------------|
|                         | <u>Years Ended December 31</u> |             |                   |                          |
|                         | <b>2009</b>                    | <b>2008</b> |                   |                          |
| SinoPac Securities      | \$ 16,987                      | \$ 14,667   | November 2011     | Rentals received monthly |
| SinoPac Securities      | 12,667                         | -           | September 2017    | Rentals received monthly |
| Investment Trust        |                                |             |                   | monthly                  |
| SinoPac Call Center     | 6,237                          | 5,247       | March 2013        | Rentals received monthly |
| SPL                     | 5,902                          | 5,952       | July 2011         | Rentals received monthly |
| Intellisys Corporation  | 3,573                          | -           | December 2013     | Rentals received monthly |
| SPLIA                   | 2,048                          | 2,250       | January 2012      | Rentals received monthly |
| SPPIA                   | 302                            | 396         | January 2012      | Rentals received monthly |
| Wal Tech                | 50                             | 60          | June 2011         | Rentals received monthly |
| International           |                                |             |                   | monthly                  |
| SinoPac Venture Capital | 5                              | 10          | June 2010         | Rentals received monthly |

### 15) 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 years ended December 31, 2009 and 2008 amounted to \$200,848 and \$187,414, respectively.

Transactions between the Bank and the related parties are at arm's length commercial terms except for the preferential interest rates offered to employees for savings and loans up to prescribed limits.

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

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

|                             | <u>Years Ended December 31</u> |                   |
|-----------------------------|--------------------------------|-------------------|
|                             | <u>2009</u>                    | <u>2008</u>       |
| Salary and compensation     | \$ 182,417                     | \$ 160,634        |
| Business-conducting expense | <u>5,882</u>                   | <u>4,943</u>      |
|                             | <u>\$ 188,299</u>              | <u>\$ 165,577</u> |

### 33. RESTRICTED ASSETS

Pledged or restricted assets of the Bank as of December 31, 2009 and 2008 are summarized as follows:

| Restricted Assets                                     | Object  | <u>Fair Value</u>  |             | Purposes  |
|---|---|--------------------|-------------|---|
|   |   | <u>December 31</u> |             |   |
|   |   | <u>2009</u>        | <u>2008</u> |   |
| Financial assets at fair value through profit or loss | Government bonds  | \$ -               | \$ 1,001    | GTSM as bond payment settlement reserves for electronic bond trading system   |
| Available-for-sale financial assets                   | Government bonds  | 462,892            | 530,124     | Pledged to court as collaterals for filing provisional seizure, GTSM as bond payment settlement reserves for electronic bond trading system |
| Held-to-maturity investments                          | Government bonds  | 207,233            | 211,564     | Hong Kong branch's clearing system of real - time gross settlement  |
| Held-to-maturity investments                          | Certificate of deposit  | -                  | 2,000,000   | Intraday overdraft facilities   |
| Held-to-maturity investments                          | Government bonds  | -                  | 200,396     | Pledged to court as collaterals for filing provisional seizure, GTSM as bond payment settlement reserves for electronic bond trading system |
| Other financial assets                                | Guarantee deposits, negotiable certificate of deposits and cash | 1,040,008          | 1,559,875   | Pledged to court as collaterals for filing provisional seizure or restricted  |

### 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:

| <b>Year</b> | <b>Amount</b> |
|-------------|---------------|
| 2010        | \$ 297,933    |
| 2011        | 237,633       |
| 2012        | 185,518       |
| 2013        | 117,527       |
| 2014        | 77,564        |

Rentals for the years beyond 2015 amount to \$204,903, the present value of which is about \$191,491 as discounted at the Bank's one-year time deposit rate of 0.900% on December 31, 2009.

b. Equipment purchase contract

The Bank had entered into contracts to buy computer equipment and office equipment for \$624,292, of which \$251,546 had already been paid as of December 31, 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. The Receiver moves this Court for an order clarifying the order appointing him. However, on August 10, 2009, the Court finds that the Receiver has not presented sufficient evidence to establish that GVEC is a PEM GROUP affiliate. Accordingly, the Receiver's Motions are denied, without prejudice, to the extent they relate to GVEC. The aforementioned investment products amounting to USD 59,773 thousand belongs to GVEC. According to declaration judged by Federal Courts, the Bank excluded GVEC from the portfolio of PEM GROUP. 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 \$67,784 was estimated and recorded for the year ended December 31, 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\$1,000 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 year ended December 31, 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:

| <b>Item</b>   | <b>Amount</b>       |
|---|---------------------|
| 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 year ended December 31, 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.

|  | Years Ended December 31 |                     |                    |                     |
|--|-------------------------|---------------------|--------------------|---------------------|
|  | 2009                    |                     | 2008               |                     |
|  | Average<br>Balance      | Average<br>Rate (%) | Average<br>Balance | Average<br>Rate (%) |
| <u>Interest-earning assets</u>                           |                         |                     |                    |                     |
| Due from the Central Bank and other banks                | \$ 21,414,356           | 0.45                | \$ 38,155,413      | 2.00                |
| Call loans to banks                                      | 61,297,800              | 0.83                | 55,705,046         | 3.07                |
| Financial assets at fair value through profit<br>or loss | 10,763,805              | 2.33                | 17,794,704         | 2.79                |
| Securities purchased under agreements to<br>resell       | 348,754                 | 0.66                | 4,626,625          | 1.79                |
| Available-for-sale financial assets                      | 35,485,010              | 1.34                | 82,870,849         | 2.28                |
| Discounts and loans                                      | 614,325,734             | 1.99                | 623,483,848        | 3.47                |
| Accounts receivable - factoring                          | 5,448,921               | 2.33                | 13,068,600         | 3.90                |
| Credit card receivable                                   | 8,133,516               | 14.00               | 6,708,589          | 13.21               |
| Held-to-maturity investments                             | 127,803,927             | 0.78                | 61,781,414         | 2.20                |
| Other financial assets                                   | 242,060                 | 2.12                | 1,599,649          | 1.59                |
| <u>Interest-bearing liabilities</u>                      |                         |                     |                    |                     |
| Due to the Central Bank and other banks                  | 21,120,532              | 1.21                | 20,746,451         | 2.58                |
| Call loans   | 16,308,259              | 0.58                | 24,784,269         | 3.02                |
| Securities sold under agreements to<br>repurchase        | 3,287,738               | 0.17                | 5,950,548          | 1.77                |
| Demand   | 129,608,640             | 0.12                | 103,364,091        | 0.54                |
| Savings - demand   | 186,606,253             | 0.41                | 160,042,305        | 0.60                |
| Time   | 259,335,393             | 0.96                | 280,321,806        | 2.54                |
| Savings - time   | 193,527,084             | 1.50                | 217,848,225        | 2.51                |
| Negotiable certificates of deposit                       | 8,134,774               | 0.62                | 16,789,683         | 2.13                |
| Bank debentures  | 30,281,084              | 2.27                | 33,125,821         | 2.27                |
| Other liabilities - appropriated loan fund               | 476,742                 | 1.01                | 481,544            | 1.03                |
| Bonds payable  | 4,583,963               | -                   | 5,430,054          | -                   |

### 37. FINANCIAL INSTRUMENTS

#### a. Fair value of financial instruments

|   | December 31        |                         |                    |                         |
|---|--------------------|-------------------------|--------------------|-------------------------|
|   | 2009               |                         | 2008               |                         |
|   | Carrying<br>Amount | Estimated<br>Fair Value | Carrying<br>Amount | Estimated<br>Fair Value |
| <u>Financial assets</u>                                       |                    |                         |                    |                         |
| Other short-term financial assets                             | \$ 141,108,101     | \$ 141,108,101          | \$ 154,907,584     | \$ 154,907,584          |
| Financial assets at fair value through<br>profit or loss      | 16,814,781         | 16,814,781              | 32,983,398         | 32,983,398              |
| Discounts and loans   | 652,501,596        | 652,501,596             | 629,440,360        | 629,440,360             |
| Available-for-sale financial assets                           | 31,435,940         | 31,435,940              | 23,628,091         | 23,628,091              |
| Held-to-maturity investments                                  | 123,833,228        | 123,868,940             | 115,762,458        | 114,650,545             |
| Equity investments-equity method                              | 8,669,303          | 8,669,303               | 9,631,678          | 9,631,678               |
| Unquoted equity instruments                                   | 488,507            | -                       | 488,507            | -                       |
| Non-active market debt instruments                            | 100,486            | 90,445                  | 432,841            | 388,496                 |
| Other financial assets  | 5,476,395          | 5,476,395               | 2,232,460          | 2,232,460               |
| <u>Financial liabilities</u>                                  |                    |                         |                    |                         |
| Other short-term financial liabilities                        | 66,995,648         | 66,995,648              | 79,864,927         | 79,864,927              |
| Financial liabilities at fair value through<br>profit or loss | 8,636,286          | 8,636,286               | 16,918,491         | 16,918,491              |
| Deposits and remittances                                      | 826,352,256        | 826,352,256             | 793,819,206        | 793,819,206             |
| Bank debentures   | 27,129,563         | 27,129,563              | 28,763,023         | 28,763,023              |
| Bonds payable   | -                  | -                       | 6,450,359          | 6,100,794               |
| Other financial liabilities                                   | 2,965,155          | 2,965,155               | 866,981            | 866,981                 |
| Long-term liabilities   | -                  | -                       | 1,750,000          | 1,750,000               |

#### 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 \$16,482,568 and \$29,954,663, for the years ended December 31, 2009 and 2008, respectively. Interest expense of financial assets and liabilities other than those at fair value through profit or loss amounted to \$6,817,791 and \$16,102,194, for the years ended December 31, 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>December 31</u>          |               | <u>December 31</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       | \$ 12,923,286               | \$ 26,123,656 | \$ 3,891,495                         | \$ 6,859,742 |
| Available-for-sale financial assets                         | 31,435,940                  | 23,186,319    | -                                    | 441,772      |
| Held-to-maturity investments                                | 123,868,940                 | 114,570,545   | -                                    | 80,000       |
| Other financial assets - non-active market debt instruments | -                           | -             | 90,445                               | 388,496      |
| <u>Financial liabilities</u>                                |                             |               |                                      |              |
| Financial liabilities at fair value through profit or loss  | 8,370,725                   | 16,308,983    | 265,561                              | 609,508      |

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

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

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

## 2) Credit risk

The Bank is exposed to credit risk in the event of default on contracts by counter-parties. The Bank makes credit commitments and issues financial guarantees and standby letters of credit only after careful evaluation of customers' credit worthiness. On the basis of the result of the credit evaluation, the Bank may require collaterals before drawings are made against the credit facilities. As of December 31, 2009 and 2008, ratios of secured loans to total loans were 70.47% and 65.73%, respectively. Ratio of secured financial guarantees and standby letters of credits were from 25.92% and 27.76%. Collaterals held vary but may include cash, inventories, marketable securities, and other properties. When the customers default, the Bank will, as required by circumstances, foreclose the collaterals or execute other rights arising out of the guarantees given. Since most of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash demands. The maximum potential amount of future payments represents the notional amounts that could be lost under the guarantees if there were a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions or from collaterals held or pledged.

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

| Items   | December 31                   |                               |
|---|-------------------------------|-------------------------------|
|   | 2009                          | 2008                          |
|   | Maximum<br>Credit<br>Exposure | Maximum<br>Credit<br>Exposure |
| Off-balance-sheet credit risk                     |                               |                               |
| Credit card commitments for credit card           | \$ 185,925,284                | \$ 196,439,419                |
| Financial guarantees and standby letter of credit | 18,284,626                    | 19,058,620                    |
| Undrawn loan commitments                          | 31,160,105                    | 21,974,123                    |

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:

|  | <b>December 31</b>                     |  |
|--|--|--|
|  | <b>2009</b>                            | <b>2008</b>                            |
|  | <b>Maximum<br/>Credit<br/>Exposure</b> | <b>Maximum<br/>Credit<br/>Exposure</b> |
| <b>Credit Risk Profile by Counterparty</b> |  |  |
| Consumer                                   | \$ 378,091,902                         | \$ 363,962,580                         |
| Private sector                             | 257,594,355                            | 244,414,732                            |
| Government                                 | <u>23,070,160</u>                      | <u>27,857,660</u>                      |
|  | <u>\$ 658,756,417</u>                  | <u>\$ 636,234,972</u>                  |

|   | <b>December 31</b>                     |  |
|---|--|--|
|   | <b>2009</b>                            | <b>2008</b>                            |
|   | <b>Maximum<br/>Credit<br/>Exposure</b> | <b>Maximum<br/>Credit<br/>Exposure</b> |
| <b>Credit Risk Profile by Industry Sector</b> |  |  |
| Electricity industry                          | \$ 50,836,244                          | \$ 56,222,455                          |
| Material and supplies                         | 44,076,990                             | 42,926,928                             |
| Wholesale trade and retail business           | <u>43,144,193</u>                      | <u>32,975,802</u>                      |
|   | <u>\$ 138,057,427</u>                  | <u>\$ 132,125,185</u>                  |

|                                      | <b>December 31</b>                     |  |
|--------------------------------------|--|--|
|                                      | <b>2009</b>                            | <b>2008</b>                            |
|                                      | <b>Maximum<br/>Credit<br/>Exposure</b> | <b>Maximum<br/>Credit<br/>Exposure</b> |
| <b>Credit Risk Profile by Region</b> |  |  |
| Domestic area                        | \$ 605,236,930                         | \$ 576,950,911                         |
| Asia                                 | 25,893,500                             | 27,935,600                             |
| North America                        | <u>18,567,150</u>                      | <u>17,158,638</u>                      |
|                                      | <u>\$ 649,697,580</u>                  | <u>\$ 622,045,149</u>                  |

### 3) Liquidity risk

As of December 31, 2009 and 2008, the liquidity reserve ratio was 22.95% and 22.75%, respectively. The Bank has sufficient capital and working capital to execute all the obligation of contract and has no liquidity risk.

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

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

| December 31, 2009  |                      |  |  |   |  |                          |                      |
|--|----------------------|--|--|---|--|--------------------------|----------------------|
|  | Due in<br>One Month  | Due Between<br>One Month and<br>Three Months | Due Between<br>Three Months<br>and<br>Six Months | Due Between<br>Six Months<br>and One Year | Due Between<br>One Year and<br>Seven Years | Due After<br>Seven Years | Total                |
| <u>Assets</u>  |                      |  |  |   |  |                          |                      |
| Cash and cash equivalents                                  | \$ 17,657,455        | \$ -   | \$ -   | \$ -                                      | \$ -                                       | \$ -                     | \$ 17,657,455        |
| Due from the Central Bank and other banks                  | 40,872,906           | 3,100,856                                    | 14,109,656                                       | 14,580,585                                | -  | -                        | 72,664,003           |
| Financial assets at fair value through profit or loss      | 13,934,033           | 314,228                                      | 2,015,438  | 465,402                                   | 85,680                                     | -                        | 16,814,781           |
| Receivables  | 22,400,907           | 15,299,257                                   | 2,264,419  | 2,239,923                                 | 10,476,604                                 | -                        | 52,681,110           |
| Discounts and loans  | 63,567,217           | 50,638,727                                   | 25,168,826                                       | 25,350,369                                | 138,362,273                                | 354,460,798              | 657,548,210          |
| Non-active market debt instruments                         | -                    | -  | -  | -   | 96,090                                     | 4,396                    | 100,486              |
| Available-for-sale financial assets                        | 3,466,185            | -  | 345,768  | 637,222                                   | 24,040,518                                 | 2,946,247                | 31,435,940           |
| Held-to-maturity investments                               | 30,645,336           | 59,322,191                                   | 30,600,000                                       | 2,000,000                                 | 1,108,798                                  | 156,903                  | 123,833,228          |
| Hedged derivative financial assets                         | 93,173               | -  | 20,405   | 69,572                                    | 95,943                                     | -                        | 279,093              |
|  | <u>192,637,212</u>   | <u>128,675,259</u>                           | <u>74,524,512</u>                                | <u>45,343,073</u>                         | <u>174,265,906</u>                         | <u>357,568,344</u>       | <u>973,014,306</u>   |
| <u>Liabilities</u>   |                      |  |  |   |  |                          |                      |
| Call loans and due to banks                                | 19,165,992           | 6,262,781                                    | 2,016,770  | 14,924,217                                | -  | -                        | 42,369,760           |
| Securities sold under agreements to repurchase             | 1,495,368            | 102,677                                      | -  | -   | -  | -                        | 1,598,045            |
| Payables   | 12,137,305           | 8,398,484                                    | 1,203,468  | 1,157,037                                 | 297,162                                    | -                        | 23,193,456           |
| Financial liabilities at fair value through profit or loss | 6,245,401            | 259,854                                      | 220,938  | 1,909,910                                 | 183  | -                        | 8,636,286            |
| Deposits and remittances                                   | 123,463,609          | 128,497,727                                  | 132,172,863                                      | 139,508,555                               | 302,709,502                                | -                        | 826,352,256          |
| Bank debentures  | 237,580              | -  | 1,400,000  | 1,500,000                                 | 21,791,983                                 | 2,200,000                | 27,129,563           |
| Bonds payable  | -                    | -  | -  | -   | -  | -                        | -                    |
| Hedged derivative financial liabilities                    | 27,114               | -  | -  | -   | -  | -                        | 27,114               |
|  | <u>162,772,369</u>   | <u>143,521,523</u>                           | <u>137,014,039</u>                               | <u>158,999,719</u>                        | <u>324,798,830</u>                         | <u>2,200,000</u>         | <u>929,306,480</u>   |
| Net liquidity gap  | <u>\$ 29,864,843</u> | <u>\$ (14,846,264)</u>                       | <u>\$ (62,489,527)</u>                           | <u>\$ (113,656,646)</u>                   | <u>\$ (150,532,924)</u>                    | <u>\$ 355,368,344</u>    | <u>\$ 43,707,826</u> |

| December 31, 2008  |                     |  |  |   |  |                          |                    |
|--|---------------------|--|--|---|--|--------------------------|--------------------|
|  | Due in<br>One Month | Due Between<br>One Month and<br>Three Months | Due Between<br>Three Months<br>and<br>Six Months | Due Between<br>Six Months<br>and One Year | Due Between<br>One Year and<br>Seven Years | Due After<br>Seven Years | Total              |
| <u>Assets</u>  |                     |  |  |   |  |                          |                    |
| Cash and cash equivalents                                  | \$ 14,959,968       | \$ -   | \$ -   | \$ -                                      | \$ -                                       | \$ -                     | \$ 14,959,968      |
| Due from the Central Bank and other banks                  | 72,583,964          | 5,580,592                                    | 1,807,300  | 10,597,350                                | -  | -                        | 90,569,206         |
| Financial assets at fair value through profit or loss      | 24,738,726          | 1,183,224                                    | 6,376,675  | 411,256                                   | 273,517                                    | -                        | 32,983,398         |
| Receivables  | 15,670,572          | 16,518,177                                   | 2,783,715  | 4,431,952                                 | 9,615,433                                  | -                        | 49,019,849         |
| Securities purchased under agreements to resell            | 1,974,130           | 624,652                                      | -  | -   | -  | -                        | 2,598,782          |
| Discounts and loans  | 58,874,734          | 62,937,549                                   | 44,348,609                                       | 28,141,981                                | 111,420,631                                | 330,178,285              | 635,901,789        |
| Non-active market debt instruments                         | 13,021              | -  | 145,712  | -   | 262,880                                    | 11,228                   | 432,841            |
| Available-for-sale financial assets                        | 9,111,476           | 504,776                                      | 2,675,201  | 377,628                                   | 10,416,251                                 | 542,759                  | 23,628,091         |
| Held-to-maturity investments                               | 47,450,553          | 35,801,973                                   | 27,664,300                                       | 2,479,784                                 | 1,996,576                                  | 369,272                  | 115,762,458        |
| Hedged derivative financial assets                         | 20,257              | 5,282  | 84,873   | 17,240                                    | 362,862                                    | -                        | 490,514            |
|  | <u>245,397,401</u>  | <u>123,156,225</u>                           | <u>85,886,385</u>                                | <u>46,457,191</u>                         | <u>134,348,150</u>                         | <u>331,101,544</u>       | <u>966,346,896</u> |
| <u>Liabilities</u>   |                     |  |  |   |  |                          |                    |
| Call loans and due to banks                                | 6,384,516           | 15,385,740                                   | 2,016,770  | 15,368,172                                | -  | -                        | 39,155,198         |
| Securities sold under agreements to repurchase             | 3,895,440           | 530,660                                      | -  | -   | -  | -                        | 4,426,100          |
| Payables   | 16,480,734          | 6,758,733                                    | 4,462,697  | 1,509,837                                 | 419,892                                    | -                        | 29,631,893         |
| Financial liabilities at fair value through profit or loss | 10,749,261          | 402,310                                      | 176,050  | 5,589,908                                 | 962  | -                        | 16,918,491         |

(Continued)

|   | December 31, 2008    |  |   |                                     |                                      |                       | Total                |
|---|----------------------|--|---|-------------------------------------|--------------------------------------|-----------------------|----------------------|
|   | 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 |                      |
| Deposits and remittances                | \$ 151,011,210       | \$ 139,633,610                         | \$ 129,924,538                          | \$ 137,489,178                      | \$ 235,760,670                       | \$ -                  | \$ 793,819,206       |
| Bank debentures                         | 468,017              | 700,000                                | 5,700,000                               | 10,450,359                          | 11,444,647                           | -                     | 28,763,023           |
| Bonds payable                           | -                    | -                                      | -                                       | 1,500,000                           | 4,950,359                            | -                     | 6,450,359            |
| Hedged derivative financial liabilities | 21,887               | 2,241                                  | 92,828                                  | -                                   | -                                    | -                     | 116,956              |
|   | <u>189,011,065</u>   | <u>163,413,294</u>                     | <u>142,372,883</u>                      | <u>171,907,454</u>                  | <u>252,576,530</u>                   | <u>-</u>              | <u>919,281,226</u>   |
| Net liquidity gap                       | <u>\$ 56,386,336</u> | <u>\$ (40,257,069)</u>                 | <u>\$ (56,486,498)</u>                  | <u>\$ (125,450,263)</u>             | <u>\$ (118,228,380)</u>              | <u>\$ 331,101,544</u> | <u>\$ 47,065,670</u> |

(Concluded)

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

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

#### e. Fair value hedge

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

| Hedged Items     | Hedging Instruments | December 31   |            |               |            |
|------------------|---------------------|---------------|------------|---------------|------------|
|                  |                     | 2009          |            | 2008          |            |
|                  |                     | Notion Amount | Fair Value | Notion Amount | Fair Value |
| Bank debentures  | Interest rate swap  | \$ 2,800,000  | \$ 154,457 | \$ 7,800,000  | \$ 203,992 |
|                  | Cross currency swap | 3,000,000     | 83,123     | 9,700,000     | 264,025    |
| Fixed rate loans | Interest rate swap  | 342,564       | (13,263)   | 367,203       | (1,630)    |

#### 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 | December 31   |            |               |            |
|-----------------|---------------------|---------------|------------|---------------|------------|
|                 |                     | 2009          |            | 2008          |            |
|                 |                     | Notion Amount | Fair Value | Notion Amount | Fair Value |
| Bank debentures | Interest rate swap  | \$ 3,600,000  | \$ 27,662  | \$ -          | \$ -       |

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  | December 31, 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      | \$ (92,829)                       | 2009-2011                  | 2009-2011                                   |

### 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

|   |                            |   | December 31, 2009 |               |
|---|----------------------------|---|-------------------|---------------|
|   |                            |   | Standalone        | Consolidation |
| Eligible capital                                      | Tier 1 capital             |   | \$ 55,794,185     | \$ 59,325,063 |
|   | Tier 2 capital             |   | 17,335,703        | 23,555,341    |
|   | Tier 3 capital             |   | -                 | -             |
|   | Eligible capital           |   | 73,129,888        | 82,880,404    |
| Risk-weighted assets                                  | Credit risk                | Standardized approach                                   | 558,613,312       | 605,872,010   |
|   |                            | Internal rating - based approach                        | N/A               | N/A           |
|   |                            | Securitization  | 369,894           | 1,239,957     |
|   | Operational risk           | Basic indicator approach                                | 24,656,313        | 30,157,400    |
|   |                            | Standardized approach/alternative standardized approach | N/A               | N/A           |
|   |                            | Advanced measurement approach                           | N/A               | N/A           |
|   | Market risk                | Standardized approach                                   | 17,685,367        | 19,226,967    |
|   |                            | Internal models approach                                | N/A               | N/A           |
|   | Total risk-weighted assets |   | 601,324,886       | 656,496,334   |
|   | Capital adequacy rate      |   |                   | 12.16%        |
| Tier 1 risk - based capital ratio                     |                            |   | 9.28%             | 9.03%         |
| Tier 2 risk - based capital ratio                     |                            |   | 2.88%             | 3.59%         |
| Tier 3 risk - based capital ratio                     |                            |   | -                 | -             |
| Ratios of common stockholders' equity to total assets |                            |   | 4.83%             | 4.56%         |
| Leverage ratio  |                            |   | 5.69%             | 5.65%         |

|   |                            | 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%         |             |
| Leverage ratio  |                            | 5.36%   | 5.38%         |             |

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

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

Note 3: The formula:

- 1) Eligible capital = Tier 1 capital + Tier 2 capital + Tier 3 capital.
- 2) Total risk - weighted assets = Risk-weighted assets for credit risk + (Capital requirements for operational risk + Capital requirement for market risk) x 12.5.
- 3) Ratio of capital adequacy = Eligible capital/Total risk - weighted assets.
- 4) Tier 1 risk - based capital ratio = Tier 1 capital/Total risk - weighted assets.
- 5) Tier 2 risk - based capital ratio = Tier 2 capital/Total risk - weighted assets.
- 6) Tier 3 risk - based capital ratio = Tier 3 capital/Total risk - weighted assets.
- 7) Ratios of common stockholders' equity to total assets = Common stock/Total assets.
- 8) Leverage ratio = Tier 1 capital/adjusted average assets (average assets – goodwill, unamortized losses on sale of non-performing loans and the amount deducted from Tier 1 capital according to "Regulations Governing the Capital Adequacy Ratio of Banks")

b. Asset quality

The overdue loans and receivables information please refer to Table 8-2.

c. Maturity analysis of assets and liabilities

**Maturity Analysis of Assets and Liabilities  
December 31, 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  | \$ 890,866,289 | \$ 165,289,906                             | \$ 110,173,424 | \$ 59,964,935 | \$ 38,997,524 | \$ 516,440,500 |
| Main capital outflow on maturity | 908,876,087    | 142,751,034                                | 126,960,809    | 110,001,336   | 158,145,448   | 371,017,460    |
| Gap                              | (18,009,798)   | 22,538,872                                 | (16,787,385)   | (50,036,401)  | (119,147,924) | 145,423,040    |

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  
December 31, 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  | \$ 7,127,601 | \$ 3,902,095                               | \$ 1,597,492 | \$ 730,718  | \$ 375,895   | \$ 521,401  |
| Main capital outflow on maturity | 7,004,187    | 3,868,034                                  | 1,182,282    | 621,556     | 524,463      | 807,852     |
| Gap                              | 123,414      | 34,061                                     | 415,210      | 109,162     | (148,568)    | (286,451)   |

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  
December 31, 2008**

(In Thousands of New Taiwan Dollars)

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

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

**Maturity Analysis of Assets and Liabilities  
December 31, 2008**

(In Thousands of U.S. Dollars)

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

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

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

d. Profitability

(%)

| Items                  |                   | For the Year Ended December 31, 2009 | For the Year Ended December 31, 2008 |
|------------------------|-------------------|--------------------------------------|--------------------------------------|
| Return on total assets | Before income tax | 0.23                                 | (0.41)                               |
|                        | After income tax  | 0.21                                 | (0.32)                               |
| Return on net worth    | Before income tax | 3.85                                 | (6.97)                               |
|                        | After income tax  | 3.51                                 | (5.44)                               |
| Profit margin          |                   | 14.05                                | (24.34)                              |

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

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

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

Note 4: Income before (after) income tax represents income for the years ended December 31, 2009 and 2008.

e. Interest rate sensitivity information

Interest Rate Sensitivity  
December 31, 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                         | \$ 567,603,008          | \$ 44,857,104             | \$ 36,149,822                   | \$ 99,742,196 | \$ 748,352,130 |
| Interest-rate sensitive liabilities                    | 280,948,398             | 345,126,482               | 72,927,738                      | 16,682,493    | 715,685,111    |
| Interest-rate sensitive gap                            | 286,654,610             | (300,269,378)             | (36,777,916)                    | 83,059,703    | 32,667,019     |
| Net worth  |                         |                           |                                 |               | 64,287,154     |
| Ratio of interest-rate sensitive assets to liabilities |                         |                           |                                 |               | 104.56%        |
| Ratio of interest-rate sensitive gap to net worth      |                         |                           |                                 |               | 50.81%         |

Interest Rate Sensitivity  
December 31, 2008

(In Thousands of New Taiwan Dollars, %)

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

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  
December 31, 2009**

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

| Items  | 1 to 90 Days<br>(Included) | 91 to 180 Days<br>(Included) | 181 Days to One<br>Year (Included) | Over One Year | Total        |
|--|----------------------------|------------------------------|------------------------------------|---------------|--------------|
| Interest-rate sensitive assets                         | \$ 4,234,546               | \$ 340,321                   | \$ 197,830                         | \$ 177,158    | \$ 4,949,855 |
| Interest-rate sensitive liabilities                    | 2,146,259                  | 2,292,333                    | 249,091                            | -             | 4,687,683    |
| Interest-rate sensitive gap                            | 2,088,287                  | (1,952,012)                  | (51,261)                           | 177,158       | 262,172      |
| Net worth  |                            |                              |                                    |               | 67,418       |
| Ratio of interest-rate sensitive assets to liabilities |                            |                              |                                    |               | 105.59%      |
| Ratio of interest-rate sensitive gap to net worth      |                            |                              |                                    |               | 388.88%      |

**Interest Rate Sensitivity  
December 31, 2008**

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

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

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

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

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

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

f. Concentration of credit extensions

**December 31, 2009**

(In Thousands of New Taiwan Dollars, %)

| <b>Rank<br/>(Note 1)</b> | <b>Industry Category (Note 2)</b>               | <b>Total Credit<br/>Consists of<br/>Loans (Note 3)</b> | <b>Percentage of<br/>Net Worth (%)<br/>(Note 4)</b> |
|--------------------------|---|--|---|
| 1                        | A Group (Plastics)                              | \$11,876,873   | 21.04%  |
| 2                        | B Group (Computer and Peripheral Equipment)     | 7,685,937  | 13.62%  |
| 3                        | C Group (Trading and Consumers' Goods Industry) | 5,800,000  | 10.28%  |
| 4                        | D Group (Shipping and Transportation)           | 5,719,674  | 10.13%  |
| 5                        | E Group (Optoelectronic)                        | 5,269,805  | 9.34%   |
| 6                        | F Group (Textiles)                              | 4,903,901  | 8.69%   |
| 7                        | G Group (Non-profit Organization)               | 4,725,000  | 8.37%   |
| 8                        | H Group (Optoelectronic)                        | 4,593,317  | 8.14%   |
| 9                        | I Group (Other Electronic)                      | 4,304,639  | 7.63%   |
| 10                       | J Company (Shipping and Transportation)         | 2,855,806  | 5.06%   |

**December 31, 2008**

(In Thousands of New Taiwan Dollars, %)

| <b>Rank<br/>(Note 1)</b> | <b>Industry Category (Note 2)</b>            | <b>Total Credit<br/>Consists of<br/>Loans (Note 3)</b> | <b>Percentage of<br/>Net Worth (%)<br/>(Note 4)</b> |
|--------------------------|--|--|---|
| 1                        | A Group (Plastics)                           | \$12,998,763   | 21.45%  |
| 2                        | B Group (Computer and Peripheral Equipment)  | 7,365,359  | 12.16%  |
| 3                        | C Group (Optoelectronic)                     | 6,893,467  | 11.38%  |
| 4                        | D Group (Other Electronic)                   | 6,397,455  | 10.56%  |
| 5                        | E Group (Building Material and Construction) | 5,287,000  | 8.73%   |
| 6                        | F Group (Building Material and Construction) | 5,170,765  | 8.53%   |
| 7                        | G Group (Textiles)                           | 5,060,666  | 8.35%   |
| 8                        | H Group (Optoelectronic)                     | 4,992,871  | 8.24%   |
| 9                        | I Group (Non-profit Organization)            | 4,777,000  | 7.88%   |
| 10                       | J Company (Shipping and Transportation)      | 2,899,317  | 4.79%   |

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 Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings Law Article 6.

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, income statement and trust properties of trust accounts

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

**Balance Sheets of Trust Accounts  
December 31, 2009 and 2008**

(In Thousands of New Taiwan Dollars)

|  | December 31             |   |                       |                         |   |                       |
|--|-------------------------|---|-----------------------|-------------------------|---|-----------------------|
|  | 2009                    |   |                       | 2008                    |   |                       |
|  | Other Trust<br>Business | Financial Assets<br>and Real Estate<br>Trust Plan | Total                 | Other Trust<br>Business | Financial Assets<br>and Real Estate<br>Trust Plan | Total                 |
| <u>Trust assets</u>                            |                         |   |                       |                         |   |                       |
| Bank deposits                                  | \$ 6,773,395            | \$ 1,357,224                                      | \$ 8,130,619          | \$ 5,198,541            | \$ 2,794,810                                      | \$ 7,993,351          |
| Bonds  | 15,520,698              | 1,391,834   | 16,912,532            | 24,475,469              | 7,236,141   | 31,711,610            |
| Stocks   | 6,850,987               | -   | 6,850,987             | 9,949,997               | -   | 9,949,997             |
| Funds  | 108,756,986             | -   | 108,756,986           | 87,778,997              | -   | 87,778,997            |
| Receivables                                    | 1,813                   | 12,084  | 13,897                | 1,126                   | 33,917  | 35,043                |
| Prepayments                                    | 10                      | 11,786  | 11,796                | 38                      | 12,621  | 12,659                |
| Real estate                                    |                         |   |                       |                         |   |                       |
| Land   | 6,859,871               | 3,538,574   | 10,398,445            | 6,716,554               | 3,538,574   | 10,255,128            |
| Buildings                                      | 579,659                 | 1,364,856   | 1,944,515             | 1,028,610               | 1,364,856   | 2,393,466             |
| Construction in<br>process                     | 4,990,266               | -   | 4,990,266             | 3,604,344               | -   | 3,604,344             |
| Securities under<br>custody                    | 157,675,193             | -   | 157,675,193           | 165,067,797             | -   | 165,067,797           |
| Other assets                                   | -                       | 74,932  | 74,932                | -                       | 76,358  | 76,358                |
| Total trust assets                             | <u>\$ 308,008,878</u>   | <u>\$ 7,751,290</u>                               | <u>\$ 315,760,168</u> | <u>\$ 303,821,473</u>   | <u>\$ 15,057,277</u>                              | <u>\$ 318,878,750</u> |
| <u>Trust liabilities</u>                       |                         |   |                       |                         |   |                       |
| Payables                                       | \$ -                    | \$ 4,353  | \$ 4,353              | \$ 147                  | \$ 4,734  | \$ 4,881              |
| Advance receipts                               | -                       | 14,754  | 14,754                | -                       | 14,504  | 14,504                |
| Other liabilities                              | -                       | 20,178  | 20,178                | -                       | 20,171  | 20,171                |
| Payable on securities<br>under custody         | 157,675,193             | -   | 157,675,193           | 165,067,797             | -   | 165,067,797           |
| Trust capital                                  | 148,184,932             | 6,553,774   | 154,738,706           | 136,813,277             | 13,986,667  | 150,799,944           |
| Reserves and<br>cumulative<br>earnings         |                         |   |                       |                         |   |                       |
| Reserves                                       | -                       | 71,184  | 71,184                | -                       | 71,184  | 71,184                |
| Net income                                     | 1,056,682               | 127,030   | 1,183,712             | 1,167,524               | 185,592   | 1,353,116             |
| Cumulative<br>earnings                         | 1,940,252               | 496,587   | 2,436,839             | 1,765,466               | 310,995   | 2,076,461             |
| Deferred amount                                | (848,181)               | -   | (848,181)             | (992,738)               | -   | (992,738)             |
| Unrealized<br>revaluation<br>increment on land | -                       | 463,430   | 463,430               | -                       | 463,430   | 463,430               |
| Total trust liabilities                        | <u>\$ 308,008,878</u>   | <u>\$ 7,751,290</u>                               | <u>\$ 315,760,168</u> | <u>\$ 303,821,473</u>   | <u>\$ 15,057,277</u>                              | <u>\$ 318,878,750</u> |

**Trust Income Statement**  
**Years Ended December 31, 2009 and 2008**

(In Thousands of New Taiwan Dollars)

|  | Years Ended December 31 |  |                     |                         |  |                     |
|--|-------------------------|--|---------------------|-------------------------|--|---------------------|
|  | 2009                    |  |                     | 2008                    |  |                     |
|  | Other Trust<br>Business | Financial<br>Assets and<br>Real Estate<br>Trust Plan | Total               | Other Trust<br>Business | Financial<br>Assets and<br>Real Estate<br>Trust Plan | Total               |
| Trust income                           |                         |  |                     |                         |  |                     |
| Interest income                        | \$ 319,294              | \$ 151,737   | \$ 471,031          | \$ 208,632              | \$ 254,835   | \$ 463,467          |
| Rental income                          | -                       | 197,751  | 197,751             | -                       | 201,488  | 201,488             |
| Cash dividends                         | 326,481                 | -  | 326,481             | 475,876                 | -  | 475,876             |
| Gains from beneficiary<br>certificates | 6,875                   | -  | 6,875               | 8,873                   | -  | 8,873               |
| Realized investment income             | 773,476                 | -  | 773,476             | 715,762                 | -  | 715,762             |
| Others                                 | -                       | -  | -                   | 73                      | 4,439  | 4,512               |
| Total trust income                     | <u>1,426,126</u>        | <u>349,488</u>                                       | <u>1,775,614</u>    | <u>1,409,216</u>        | <u>460,762</u>                                       | <u>1,869,978</u>    |
| Trust expense                          |                         |  |                     |                         |  |                     |
| Trust administrative<br>expenses       | 6,995                   | 3,623  | 10,618              | 8,503                   | 4,541  | 13,044              |
| Tax expenses                           | 32,090                  | 12,871   | 44,961              | 21,443                  | 13,288   | 34,731              |
| Interest expenses                      | -                       | 201,622  | 201,622             | -                       | 252,899  | 252,899             |
| OTC expenses                           | -                       | 993  | 993                 | -                       | 1,000  | 1,000               |
| Marketing expenses                     | 1,941                   | -  | 1,941               | 1,728                   | -  | 1,728               |
| Service expenses                       | 233                     | 1,593  | 1,826               | -                       | 1,320  | 1,320               |
| Realized investment loss               | 326,800                 | -  | 326,800             | 207,649                 | -  | 207,649             |
| Unrealized investment loss             | -                       | -  | -                   | 1,438                   | -  | 1,438               |
| Others                                 | 1,385                   | 1,756  | 3,141               | 931                     | 2,122  | 3,053               |
| Total trust expense                    | <u>369,444</u>          | <u>222,458</u>                                       | <u>591,902</u>      | <u>241,692</u>          | <u>275,170</u>                                       | <u>516,862</u>      |
| Income before income tax               | 1,056,682               | 127,030  | 1,183,712           | 1,167,524               | 185,592  | 1,353,116           |
| Income tax expense                     | -                       | -  | -                   | -                       | -  | -                   |
| Net income                             | <u>\$ 1,056,682</u>     | <u>\$ 127,030</u>                                    | <u>\$ 1,183,712</u> | <u>\$ 1,167,524</u>     | <u>\$ 185,592</u>                                    | <u>\$ 1,353,116</u> |

**Trust Properties of Trust Accounts**  
**December 31, 2009 and 2008**

(In Thousands of New Taiwan Dollars)

| Investment Portfolio                         | December 31           |      |                       |      |
|--|-----------------------|------|-----------------------|------|
|  | 2009                  |      | 2008                  |      |
|  | Book Value            | Note | Book Value            | Note |
| Bonds  | \$ 15,520,698         |      | \$ 24,475,469         |      |
| Stocks                                       | 6,850,987             |      | 9,949,997             |      |
| Funds  | 108,756,986           |      | 87,778,997            |      |
| Asset pool of financial asset securitization | 1,391,834             |      | 7,236,141             |      |
| Asset pool of real estate securitization     | 4,903,430             |      | 4,903,430             |      |
| Real estate                                  |                       |      |                       |      |
| Land   | 6,859,871             |      | 6,716,554             |      |
| Buildings                                    | 579,659               |      | 1,028,610             |      |
| Construction in process                      | 4,990,266             |      | 3,604,344             |      |
| Securities under custody                     | <u>157,675,193</u>    |      | <u>165,067,797</u>    |      |
| Total  | <u>\$ 307,528,924</u> |      | <u>\$ 310,761,339</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 years ended December 31, 2009 and 2008, the Bank charged SinoPac Securities for \$4,466 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.

## 42. SEGMENT AND GEOGRAPHIC INFORMATION

The Bank engages only in banking activities as prescribed by the Banking Law and has no single customer that accounts for 10% or more of the Bank's operating revenues. The net revenue of the Bank's overseas department is not over 10% of the Bank's revenue. In addition, their identified assets are not over 10% of the Bank's total assets for the year ended December 31, 2009; as a result; it is not required to disclose financial information by geographic area.

## 43. ADDITIONAL DISCLOSURES

a. and b. Following are the additional disclosures required by the Securities and Futures Bureau for the Bank and investees:

- 1) Financing provided: NA;
  - 2) Endorsement/guarantee provided: NA;
  - 3) Marketable securities held: Table 1;
  - 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 2;
  - 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: Table 3;
  - 8) Financial asset securitization: Note 7 and Table 7-3;
  - 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 4;
  - 11) Sale of nonperforming loans: Table 5;
  - 12) The information of investees: Table 6;
  - 13) Other significant transactions which may affect the decisions of users of financial reports: Table 7 and 8;
  - 14) Derivative financial transactions: Except the disclosure in other footnotes, the derivative financial instruments of the Bank are disclosed in Notes 6 and 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 7-8.
- c. Information related to investment in Mainland China: None.

## BANK SINOPAC AND INVESTEEES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2009

(In Thousands of New Taiwan Dollars or Share)

| Name of Holding Company                    | Type and Name of Marketable Securities              | Relationship | Financial Statement Account        | December 31, 2009                             |                                |                            |  | Note   |
|--|---|--------------|------------------------------------|---|--------------------------------|----------------------------|--|--------|
|  |   |              |                                    | Shares/Units/<br>Face Amount<br>(In Thousand) | Carrying<br>Amount<br>(Note 1) | Percentage of<br>Ownership | Market Value or<br>Net Asset Value<br>(Note 1) |        |
| SinoPac Bancorp                            | <u>Stock</u><br>Far East National Bank              | Subsidiary   | Equity investments - equity method | 230   | \$ 6,712,361                   | 100%                       | \$ 6,712,361                                   | Note 2 |
|  | Far East Capital, LLC                               | Subsidiary   | Equity investments - equity method | -   | 32                             | 100%                       | 32   | Note 2 |
| SinoPac Capital Limited (H.K.)             | <u>Stock</u><br>SinoPac Capital (B.V.I.) Ltd.       | Subsidiary   | Equity investments - equity method | 4,450   | 34,268                         | 100%                       | 49,111   | Note 2 |
|  | SinoPac Insurance Brokers Ltd.                      | Subsidiary   | Equity investments - equity method | 100   | 1,239                          | 100%                       | 125,339  | Note 2 |
|  | <u>Fund</u><br>China Enterprise Capital             | -            | Unquoted equity investments        | 0.02  | 32,028                         | -                          | 32,028   | Note 3 |
| SinoPac Capital (B.V.I.) Ltd.              | <u>Stock</u><br>Pinnacle Investment Management Ltd. | Subsidiary   | Equity investments - equity method | 200   | 6,406                          | 100%                       | 10,443   | Note 2 |
|  | RSP Information Service Company Limited             | Subsidiary   | Equity investments - equity method | 1,000   | 4,106                          | 100%                       | 4,285  | Note 2 |
| SinoPac Property Insurance Agent Co., Ltd. | <u>Bond</u><br>Government bond 88-3                 | -            | Guarantee deposits                 | 600   | 638                            | -                          | 778  | Pledge |
| SinoPac Life Insurance Agent Co., Ltd.     | <u>Bond</u><br>Government bond 88-3                 | -            | Guarantee deposits                 | 600   | 638                            | -                          | 778  | Pledge |

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

Note 2: Net asset values were based on the investees' audited or reviewed financial statements for the latest period.

Note 3: Net asset values were based on the carrying amounts.

## 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)  
YEAR ENDED DECEMBER 31, 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 1) |
| Bank SinoPac    | <u>Stock</u>                           |                                    |  |                                |                   |              |             |                 |          |           |                |                  |                |                 |
| SinoPac Bancorp | SinoPac Bancorp                        | Equity investments - equity method | -  | Subsidiary of the Bank         | 20                | \$ 3,328,915 | -           | \$ 1,645,750    | -        | \$ -      | \$ -           | \$ -             | 20             | \$ 4,974,665    |
| SinoPac Bancorp | Far East National Bank                 | Equity investments - equity method | -  | Overseas affiliate of the Bank | 180               | 3,709,668    | 50          | 1,507,799       | -        | -         | -              | -                | 230            | 5,217,467       |
| Bank SinoPac    | SinoPac Leasing Corporation            | Equity investments - equity method | SinoPac Financial Holdings Company Limited | The parent company of the Bank | 176,690           | 1,385,200    | -           | 87,752 (Note 2) | 176,690  | 1,472,952 | 1,472,952      | -                | -              | -               |

Note 1: Excluding income from equity investments - equity method.

Note 2: Including income from equity investments and cumulative translation adjustments under equity method of SinoPac Leasing Corporation from January 1, 2009 to November 30, 2009.

## BANK SINOPAC AND INVESTEES

## DISPOSAL OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL

YEAR ENDED DECEMBER 31, 2009

(In Thousands of New Taiwan Dollars)

| Company Name | Type of Property   | Transaction Date  | Original Acquisition Date | Carrying Amount | Transaction Amount | Proceeds Collection Status   | Gain(Loss) on Disposal | Counter-party                     | Nature of Relationship | Purpose of Disposal                                    | Price Reference              | Other Terms |
|--------------|--|-------------------|---------------------------|-----------------|--------------------|--|------------------------|-----------------------------------|------------------------|--|------------------------------|-------------|
| Bank SinoPac | 137 lots of land located at Xi-Zhou-Liao Subsection, Bao-Chang-Ken Section and Qie-Dong-Jiao Section Xizhi City, Taipei County         | December 10, 2009 | November 13, 2006         | \$ 171,367      | \$ 3,241,943       | \$648,389 thousand has been received on December 31, 2009, and \$2,593,554 thousand has been received in subsequent period | \$ 2,693,234           | SinoPac Leasing Corporation       | Subsidiary of the SPH  | For enhancement of asset utilization and better profit | Real estate appraisal report | None        |
|              | 7 lots of land located at No. 159-5, 370, 370-1, 371-2, 373, 374, 375-1, Subsection 1, Hua-Gang Section Shih-Lin District, Taipei City | November 6, 2009  | November 13, 2006         | 36,572          | 628,880            | The proceeds has been collected completely on December 31, 2009  | 535,299                | Tonlin Department Store Co., Ltd. | Unrelated parties      | For enhancement of real estate utilization             | Real estate appraisal report | None        |

**BANK SINOPAC AND INVESTEEES**

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

**DECEMBER 31, 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 | \$ 1,489,793 (Note) | -             | \$ -    | -            | \$ -                                  | \$ -                    |
|              | SinoPac Leasing Corporation                | Subsidiary of the SPH          | 2,593,554           | -             | -       | -            | 2,593,554                             | -                       |

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

**BANK SINOPAC AND INVESTEES**

**TRADING INFORMATION - SELLING NONPERFORMING LOANS  
YEAR ENDED DECEMBER 31, 2009  
(In Thousands of New Taiwan Dollars)**

| <b>Date</b>       | <b>Counter-parties</b>   | <b>Loans</b>   | <b>Carrying Amount<br/>(Note)</b> | <b>Selling Price</b> | <b>Gain or Loss on<br/>Disposal</b> | <b>Attachment</b>   | <b>Relation</b> |
|-------------------|--------------------------|--|-----------------------------------|----------------------|-------------------------------------|---|-----------------|
| December 17, 2009 | GE Asset Management Inc. | Loans to enterprises and<br>personal without guarantee | -                                 | \$33,339             | \$31,805                            | The condition for<br>repurchase: The<br>nonexistence of the<br>debt claims from<br>initial; violations of<br>specific clauses | None            |

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

## BANK SINOPAC AND INVESTEEES

INFORMATION ON INVESTED ENTERPRISES  
YEAR ENDED DECEMBER 31, 2009

(In Thousands of New Taiwan Dollars or Share, Unless Otherwise Stated)

| Investee Company                              | Location   | Main Businesses and Products   | Balance as of December 31, 2009 |                 |                         | Consolidated Investment |                 |         |                         | Note       |
|---|------------|--|---------------------------------|-----------------|-------------------------|-------------------------|-----------------|---------|-------------------------|------------|
|   |            |  | Percentage of Ownership         | Carrying Amount | Investment Gains (Loss) | Shares                  | Imitated Shares | Total   |                         |            |
|   |            |  |                                 |                 |                         |                         |                 | Shares  | Percentage of Ownership |            |
| <u>Financial related enterprise</u>           |            |  |                                 |                 |                         |                         |                 |         |                         |            |
| SinoPac Bancorp                               | California | Holding company  | 100.00%                         | \$ 6,510,787    | \$ (1,494,265)          | 20                      | -               | 20      | 100.00%                 | Subsidiary |
| SinoPac Leasing Corporation                   | Taipei     | Leasing and installment sales  | -                               | -               | 108,168                 | 177,100                 | -               | 177,100 | 100.00%                 | Note 2     |
| SinoPac Capital Limited (H.K.)                | Hong Kong  | Lending and financing  | 100.00%                         | 1,245,004       | 30,866                  | 229,998                 | -               | 229,998 | 100.00%                 | Subsidiary |
| SinoPac Life Insurance Agent Co., Ltd.        | Taipei     | Life insurance agent   | 100.00%                         | 880,205         | 389,378                 | 300                     | -               | 300     | 100.00%                 | Subsidiary |
| SinoPac Property Insurance Agent Co., Ltd.    | Taipei     | Property insurance agent   | 100.00%                         | 63,307          | 29,089                  | 300                     | -               | 300     | 100.00%                 | Subsidiary |
| Global Securities Finance Corporation         | Taipei     | Securities financing   | 2.63%                           | 173,496         | -                       | 19,712                  | -               | 19,712  | 2.63%                   |            |
| Taipei Foreign Exchange Inc.                  | Taipei     | Foreign exchange market maker  | 3.43%                           | 6,800           | 2,176                   | 680                     | -               | 680     | 3.43%                   |            |
| Taiwan Futures Exchange                       | Taipei     | Futures exchange and settlement  | 1.07%                           | 21,490          | 2,523                   | 4,424                   | -               | 4,424   | 1.88%                   |            |
| Fuh Hwa Securities Investment Trust Co., Ltd. | Taipei     | Securities investment trust and consultant   | 4.63%                           | 15,000          | 4,200                   | 1,500                   | -               | 1,500   | 4.63%                   |            |
| Financial Information Service Co., Ltd.       | Taipei     | Planning and developing the information system of across banking institution and managing the information web system | 2.28%                           | 91,000          | 18,200                  | 9,100                   | -               | 9,100   | 2.28%                   |            |
| Taiwan Asset Management Corporation           | Taipei     | Evaluating, auctioning, and managing for financial institutions' loan  | 0.28%                           | 50,000          | 3,959                   | 5,000                   | -               | 5,000   | 0.28%                   |            |
| Mondex Taiwan Inc.                            | Taipei     | Information process services   | 6.69%                           | 4,935           | -                       | 395                     | -               | 395     | 6.69%                   |            |
| Taiwan Financial Asset Service Co.            | Taipei     | Auction  | 5.88%                           | 100,000         | 3,000                   | 10,000                  | -               | 10,000  | 5.88%                   |            |
| Sunny Asset Management Corp.                  | Taipei     | Purchasing for financial institutions' loan assets   | 1.42%                           | 164             | 89                      | 85                      | -               | 85      | 1.42%                   |            |
| Taiwan Depository and Clearing Co.            | Taipei     | Securities custodian   | 0.08%                           | 4,639           | 371                     | 2,232                   | -               | 2,232   | 0.75%                   |            |
| <u>Nonfinancial related enterprise</u>        |            |  |                                 |                 |                         |                         |                 |         |                         |            |
| Taiwan Television Enterprise, Ltd.            | Taipei     | Wireless television company  | 4.84%                           | 20,983          | -                       | 13,573                  | -               | 13,573  | 4.84%                   |            |

Note 1: Foreign-currency amounts were translated at the exchange rate as of the balance sheet date, except for foreign-currency-denominated income and expenses, which were translated to New Taiwan dollars at the average exchange rate for the year ended December 31, 2009.

Note 2: SinoPac Leasing Corporation have been transferred at the book value to SPH on December 1, 2009 and become a subsidiary of SPH.

**TABLE 7-1****BANK SINOPAC****FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS****DECEMBER 31, 2009 AND 2008****(In Thousands of New Taiwan Dollars)**

|  | <b>December 31</b>   |                      |
|--|----------------------|----------------------|
|  | <b>2009</b>          | <b>2008</b>          |
| <u>Held-for-trading financial assets</u>   |                      |                      |
| Corporate bonds  | \$ 2,049,940         | \$ 2,710,778         |
| Government bonds   | 1,859,821            | 3,694,945            |
| Beneficiary certificates   | 815,993              | 705,041              |
| Bank debentures  | 729,917              | 2,284,408            |
| Listed stock   | 516,513              | 148,825              |
| Convertible bonds  | 199,432              | 731,360              |
| Depository receipt   | 11,575               | -                    |
| Collateralized debt obligations  | 1,341                | 58,340               |
| Negotiable certificates of deposit   | -                    | 2,412,002            |
| Derivative financial assets  |                      |                      |
| Interest rate swaps  | 7,010,501            | 10,744,011           |
| Forward contracts  | 1,198,543            | 5,168,899            |
| Premium paid on option contracts   | 934,114              | 1,586,733            |
| Currency swap contracts  | 41,237               | 184,413              |
| Equity-linked swap contracts   | 10,523               | 163,317              |
| Others   | <u>10,658</u>        | <u>36,134</u>        |
|  | <u>15,390,108</u>    | <u>30,629,206</u>    |
| <u>Financial assets designated at fair value through profit or loss</u>                            |                      |                      |
| Hybrid product   |                      |                      |
| Corporate bonds  | 782,805              | 1,258,919            |
| Credit linked notes  | 314,855              | 377,890              |
| Convertible bonds  | -                    | 15,280               |
| A group of financial instruments is managed and its performance is evaluated on a fair value basis |                      |                      |
| B equity interest in Master Card Inc.  | 120,674              | 26,208               |
| C equity interest in VISA Inc.   | 206,339              | 125,969              |
| Subordinated certificates  | <u>-</u>             | <u>549,926</u>       |
|  | <u>1,424,673</u>     | <u>2,354,192</u>     |
| Total of financial assets at fair value through profit or loss                                     | <u>\$ 16,814,781</u> | <u>\$ 32,983,398</u> |

(Continued)

|   | <b>December 31</b>  |                      |
|---|---------------------|----------------------|
|   | <b>2009</b>         | <b>2008</b>          |
| <u>Held-for-trading financial liabilities</u> |                     |                      |
| Derivative financial liabilities              |                     |                      |
| Interest rate swaps                           | \$ 6,928,398        | \$ 10,747,572        |
| Forward contracts                             | 825,272             | 4,379,300            |
| Premiums received on option contracts         | 748,202             | 1,366,361            |
| Credit default swaps                          | 54,326              | 70,614               |
| Currency swap contracts                       | 35,306              | 189,561              |
| Cross-currency swap contracts                 | 33,426              | -                    |
| Equity-linked swap contracts                  | 10,523              | 163,317              |
| Others  | <u>833</u>          | <u>1,766</u>         |
|   | <u>\$ 8,636,286</u> | <u>\$ 16,918,491</u> |

(Concluded)

**TABLE 7-2****BANK SINOPAC****CONTRACT AMOUNTS OF OUTSTANDING DERIVATIVE TRANSACTIONS****DECEMBER 31, 2009 AND 2008****(In Thousands of New Taiwan Dollars)**

|                                      | <b>December 31</b> |                |
|--------------------------------------|--------------------|----------------|
|                                      | <b>2009</b>        | <b>2008</b>    |
| Interest rate swap contracts         | \$ 793,837,522     | \$ 692,451,516 |
| Currency swap contracts              | 222,799,338        | 281,555,700    |
| Options                              |                    |                |
| Long position                        | 56,391,497         | 37,274,343     |
| Short position                       | 60,817,041         | 39,739,800     |
| Forward contracts                    |                    |                |
| Long position                        | 17,347,809         | 6,214,631      |
| Short position                       | 6,266,038          | 5,129,097      |
| Non-deliverable forward contracts    |                    |                |
| Long position                        | 79,330,431         | 89,698,424     |
| Short position                       | 78,354,140         | 85,935,801     |
| Cross-currency swap contracts        | 4,647,420          | 2,368,150      |
| Assets swap contracts                | 1,857,740          | 2,896,978      |
| Credit default swap contracts        | 1,100,000          | 1,100,000      |
| Equity-linked swap contracts         | 567,892            | 1,169,159      |
| Commodity-linked swap contracts      | 40,191             | -              |
| Futures                              |                    |                |
| Interest rate futures long position  | -                  | 188,243        |
| Interest rate futures short position | -                  | 341,744        |
| Equity futures short position        | -                  | 4,346          |
| Credit linked swap contracts         | 2,500,000          | 4,300,000      |

**BANK SINOPAC**

**FINANCIAL ASSET SECURITIZATION**

**DECEMBER 31, 2009 AND 2008**

**(In Thousands of New Taiwan Dollars)**

1. Characteristics of and gain (loss) recognized from securitization, and key assumptions used in measuring retained interests

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:

| <b>Class of Beneficiary Certificates</b> | <b>Priority of Payment</b> | <b>Issuance Amount</b> | <b>Certificate Rate</b> | <b>Expected Maturity Date</b> |
|--|----------------------------|------------------------|-------------------------|-------------------------------|
| 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. As of December 31, 2008, the collected principal amounts allocated in the principal collection account under the securitization during the controlled accumulation period were \$3,417,600.

The key assumptions used in measuring retained interests as of December 31, 2008 were as follows:

|   | <b>December 31, 2008</b>  |
|---|---|
| Expected principal payment rate (monthly rate)        | 26.27%  |
| Expected weighted-average life (in years)             | 0.32 years  |
| Expected credit loss rate (annual rate)               | 5.09%   |
| Discounted rate for residual cash flows (annual rate) | Short-term bills<br>secondary market<br>rate or IRS rate<br>(Continued) |

2. Sensitivity analysis

As of December 31, 2008, key economic assumptions and the sensitivity of the current fair value of residual cash flows adverse changes in these assumptions were as follows:

|  | <b>December 31,<br/>2008</b> |
|--|------------------------------|
| Carrying amount of retained interests          | \$ 549,926                   |
| Expected weighted-average life (in years)      | 0.32 years                   |
| Expected principal payment rate (monthly rate) | 26.27%                       |
| Impact on fair value of 10% adverse change     | (408)                        |
| Impact on fair value of 20% adverse change     | (815)                        |
| Expected credit loss rate (annual rate)        | 5.09%                        |
| Impact on fair value of 10% adverse change     | (3,120)                      |
| Impact on fair value of 20% adverse change     | (6,240)                      |

3. Cash flows

For the years ended December 31, 2009 and 2008, the cash flows received from and paid to securitization trusts were as follows:

|  | <b>Years Ended December 31</b> |               |
|--|--------------------------------|---------------|
|  | <b>2009</b>                    | <b>2008</b>   |
| Proceeds from reinvestment in securitization of credit card receivables              | \$ 789,940                     | \$ 13,554,006 |
| Servicing revenues received  | 160                            | 1,905         |
| Other cash flows received on retained interests                                      | 10,050                         | 234,256       |
| 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:

|   | <b>December 31, 2009</b>                          |  | <b>Year Ended<br/>December 31, 2009</b> |
|---|---|--|---|
|   | <b>Balance of<br/>Credit Card<br/>Receivables</b> | <b>Balance of<br/>Credit Card<br/>Past Due 60<br/>Days or More</b> |   |
| Credit card receivables managed                         | \$ 17,568,380                                     | \$ 275,078   | \$ 865,605                              |
| Credit card receivables sold                            | -   | -  | -                                       |
| Credit card receivables securitized - principal         | -   | -  | (16,779)                                |
| Credit card receivables securitized - financial revenue | -   | -  | (3,086)                                 |
| Credit card receivables                                 | <u>\$ 17,568,380</u>                              | <u>\$ 275,078</u>  | <u>\$ 845,740</u> (Note 2)              |

(Continued)

|  | <u>December 31, 2008</u>                                      |  | <u>Year Ended</u><br><u>December 31, 2008</u>         |
|--|---|--|---|
|  | <u>Balance of</u><br><u>Credit Card</u><br><u>Receivables</u> | <u>Balance of</u><br><u>Credit Card</u><br><u>Receivables</u><br><u>Past Due 60</u><br><u>Days or More</u> | <u>Net Credit</u><br><u>Losses</u><br><u>(Note 1)</u> |
| Credit card receivables managed                            | \$ 21,519,968   | \$ 487,645   | \$ 1,608,355  |
| Credit card receivables sold                               | (7,273,000)   | (185,583)  | -   |
| Credit card receivables securitized -<br>principal         | (4,272,000)   | (81,425)   | (230,141)   |
| Credit card receivables securitized -<br>financial revenue | <u>(83,540)</u>   | <u>(10,978)</u>  | <u>(32,869)</u>                                       |
| Credit card receivables                                    | <u>\$ 9,891,428</u>   | <u>\$ 209,659</u>  | <u>\$ 1,345,345</u> (Note 2)                          |

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

Note 2: For the years ended December 31, 2009 and 2008, credit card receivables with net credit losses due to fraud amounted to \$6,867 and \$13,682, respectively.

As of December 31, 2008, SinoPac Card Services had transferred to the Bank additional credit card receivables with a carrying amount of \$361,516.

5. Securitization income (loss) on credit card receivables for the years ended December 31, 2009 and 2008 was as follows:

|   | <u>Years Ended December 31</u> |                   |
|---|--------------------------------|-------------------|
|   | <u>2009</u>                    | <u>2008</u>       |
| Securitization gains recognized during the revolving period | \$ 7,891                       | \$ 138,917        |
| Valuation losses on subordinated certificates               | (46,598)                       | (156,399)         |
| Investment income on subordinated certificates              | <u>12,082</u>                  | <u>249,725</u>    |
|   | <u>\$ (26,625)</u>             | <u>\$ 232,243</u> |

(Concluded)

**TABLE 7-4****BANK SINOPAC****AVAILABLE-FOR-SALE FINANCIAL ASSETS****DECEMBER 31, 2009 AND 2008****(In Thousands of New Taiwan Dollars)**

|                                    | <b>December 31</b>   |                      |
|------------------------------------|----------------------|----------------------|
|                                    | <b>2009</b>          | <b>2008</b>          |
| Government bonds                   | \$ 18,445,807        | \$ 3,969,372         |
| Corporate bonds                    | 6,068,499            | 6,483,939            |
| Commercial paper                   | 3,539,893            | 8,852,448            |
| Bank debentures                    | 2,023,712            | 1,111,125            |
| Government sector bonds            | 1,358,029            | -                    |
| Collateralized debt obligations    | 1,156,319            | 1,186,283            |
| Treasury bills                     | -                    | 1,961,873            |
| Negotiable certificates of deposit | -                    | 731,761              |
| Listed stocks                      | -                    | 75,801               |
|                                    | <u>32,592,259</u>    | <u>24,372,602</u>    |
| Less: Accumulated impairment       | <u>1,156,319</u>     | <u>744,511</u>       |
|                                    | <u>\$ 31,435,940</u> | <u>\$ 23,628,091</u> |

**TABLE 7-5****BANK SINOPAC****HELD-TO-MATURITY INVESTMENTS****DECEMBER 31, 2009 AND 2008****(In Thousands of New Taiwan Dollars)**

|   | <b>December 31</b>    |                       |
|---|-----------------------|-----------------------|
|   | <b>2009</b>           | <b>2008</b>           |
| Negotiable certificates of deposit                                    | \$ 122,210,150        | \$ 112,464,300        |
| Corporate bonds   | 840,339               | 839,994               |
| Government bonds  | 315,299               | 1,058,710             |
| Floating rate notes   | 243,937               | 251,509               |
| Collateralized debt obligations                                       | 156,903               | 437,006               |
| Bank debentures   | 82,615                | 680,229               |
| SinoPac Card Services Co., Ltd. subordinated beneficiary certificates | -                     | 80,000                |
|   | <u>123,849,243</u>    | <u>115,811,748</u>    |
| Less: Accumulated impairment  | <u>16,015</u>         | <u>49,290</u>         |
|   | <u>\$ 123,833,228</u> | <u>\$ 115,762,458</u> |

**TABLE 7-6****BANK SINOPAC****OTHER FINANCIAL ASSETS****DECEMBER 31, 2009 AND 2008****(In Thousands of New Taiwan Dollars)**

|  | <b>December 31</b>  |                     |
|--|---------------------|---------------------|
|  | <b>2009</b>         | <b>2008</b>         |
| Unquoted equity instruments                                      |                     |                     |
| Unlisted equity investments                                      | \$ 488,507          | \$ 488,507          |
| Non-active market debt instruments                               |                     |                     |
| Structured investment vehicles                                   | 320,300             | 328,600             |
| Collateralized debt obligations                                  | 96,090              | 244,292             |
| Mortgage backed securities                                       | 4,396               | 11,228              |
| Bank debentures  | -                   | 164,300             |
| Floating rate notes  | -                   | 52,083              |
|  | <u>420,786</u>      | <u>800,503</u>      |
| Less: Accumulated impairment                                     | <u>320,300</u>      | <u>367,662</u>      |
|  | <u>100,486</u>      | <u>432,841</u>      |
| Others   |                     |                     |
| Issued commodities purchased from PEM Group                      | 3,646,894           | -                   |
| Guarantee deposits   | 1,040,008           | 1,559,875           |
| Nonperforming receivables transferred from other than loans, net | 382,401             | 25,335              |
| Hedging derivative financial instruments                         | 279,093             | 490,514             |
| Excess margin  | 103,837             | 56,119              |
| Short-term advancement   | 24,162              | 100,563             |
| Bills purchased  | -                   | 54                  |
|  | <u>5,476,395</u>    | <u>2,232,460</u>    |
|  | <u>\$ 6,065,388</u> | <u>\$ 3,153,808</u> |

**TABLE 7-7****BANK SINOPAC****BANK DEBENTURES  
DECEMBER 31, 2009 AND 2008  
(In Thousands of New Taiwan Dollars)**

|  | December 31  |              | Maturity Date   | Terms   |
|--|--------------|--------------|---|---|
|  | 2009         | 2008         |   |   |
| <u>Dominant bank debentures</u>                    |              |              |   |   |
| Fifth dominant bank debentures issued in 2003      | \$ 1,029,721 | \$ 1,027,797 | 2003.08.11-2010.08.11<br>Principal is repayable on maturity date. | Floating rate. Interest is paid semiannually.   |
| Eighth dominant bank debentures issued in 2004     | 517,445      | 529,506      | 2004.05.21-2011.05.21<br>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    | 511,133      | 532,250      | 2004.06.15-2010.06.15<br>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 | 514,342      | 533,778      | 2004.07.09-2010.07.09<br>Principal is repayable on maturity date. | Floating rate. Interest is paid semiannually.   |
| Fifteenth dominant bank debentures issued in 2004  | 525,509      | 552,461      | 2004.07.13-2011.07.13<br>Principal is repayable on maturity date. | Floating rate. Interest is paid semiannually.   |
| Sixth dominant bank debentures issued in 2003      | -            | 703,042      | 2003.08.20-2009.02.20<br>Principal is repayable on maturity date. | Floating rate. Interest is paid semiannually.   |
| Fourteenth dominant bank debentures issued in 2003 | -            | 2,226,576    | 2003.12.02-2009.06.02<br>Principal is repayable on maturity date. | Floating rate. Interest is paid semiannually.   |
| First dominant bank debentures issued in 2004      | -            | 512,257      | 2004.04.26-2009.10.26<br>Principal is repayable on maturity date. | Floating rate. Interest is paid semiannually with simple interest based on actual days. |
| Second dominant bank debentures issued in 2004     | -            | 304,983      | 2004.04.28-2009.10.28<br>Principal is repayable on maturity date. | Floating rate. Interest is paid semiannually.   |
| Third dominant bank debentures issued in 2004      | -            | 509,735      | 2004.04.29-2009.04.29<br>Principal is repayable on maturity date. | Floating rate. Interest is paid semiannually with simple interest based on actual days. |
| Fourth dominant bank debentures issued in 2004     | -            | 203,231      | 2004.05.14-2009.05.14<br>Principal is repayable on maturity date. | Floating rate. Interest is paid semiannually.   |
| Fifth dominant bank debentures issued in 2004      | -            | 305,285      | 2004.05.17-2009.05.17<br>Principal is repayable on maturity date. | Floating rate. Interest is paid semiannually.   |
| Sixth dominant bank debentures issued in 2004      | -            | 507,946      | 2004.05.17-2009.05.17<br>Principal is repayable on maturity date. | Floating rate. Interest is paid semiannually.   |
| Seventh dominant bank debentures issued in 2004    | -            | 202,294      | 2004.05.21-2009.05.21<br>Principal is repayable on maturity date. | Floating rate. Interest is paid semiannually.   |
| Ninth dominant bank debentures issued in 2004      | -            | 306,123      | 2004.06.03-2009.06.03<br>Principal is repayable on maturity date. | Floating rate. Interest is paid semiannually.   |
| Tenth dominant bank debentures issued in 2004      | -            | 509,261      | 2004.06.07-2009.06.07<br>Principal is repayable on maturity date. | Floating rate. Interest is paid semiannually with simple interest based on actual days. |

(Continued)

|  | <b>December 31</b>   |                      | <b>Maturity Date</b>  | <b>Terms</b>   |
|--|----------------------|----------------------|---|--|
|  | <b>2009</b>          | <b>2008</b>          |   |  |
| Eleventh dominant bank debentures issued in 2004       | \$ -                 | \$ 207,926           | 2004.06.15-2009.06.15<br>Principal is repayable on maturity date. | Floating rate. Interest is paid semiannually with simple interest based on actual days.                            |
| Thirteenth dominant bank debentures issued in 2004     | -                    | 306,496              | 2004.06.30-2009.06.30<br>Principal is repayable on maturity date. | Floating rate. Interest is paid semiannually.  |
| Dominant bank debentures                               | <u>3,098,150</u>     | <u>9,980,947</u>     |   |  |
| <b><u>Subdominant bank debentures</u></b>              |                      |                      |   |  |
| First subordinated bank debentures issued in 2004 (C)  | 409,272              | 423,008              | 2004.09.14-2010.06.14<br>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<br>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<br>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      | 1,529,564            | 1,563,321            | 2008.03.17-2013.09.17<br>Principal is repayable on maturity date. | Fixed interest rate of 3.05%, interest is paid annually.   |
| Second subordinated bank debentures issued in 2008 (A) | 4,498,159            | 4,497,841            | 2008.03.25-2015.03.25<br>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) | 499,796              | 499,760              | 2008.03.25-2015.03.25<br>Principal is repayable on maturity date. | Fixed interest rate of 3.2%, interest is paid annually.  |
| Third subordinated bank debentures issued in 2008      | 3,598,480            | 3,598,146            | 2008.09.09-2014.03.09<br>Principal is repayable on maturity date. | Index rate plus 0.95%. Interest rate is reset quarterly since the issuance date and paid annually.                 |
| First subordinated bank debentures issued in 2009      | 5,597,302            | -                    | 2009.04.29-2016.04.29<br>Principal is repayable on maturity date. | Fixed interest rate of 2.8%, interest is paid annually.  |
| Second subordinated bank debentures issued in 2009 (A) | 2,198,915            | -                    | 2009.06.23-2015.06.23<br>Principal is repayable on maturity date. | Fixed interest rate of 2.7%, interest is paid annually.  |
| Second subordinated bank debentures issued in 2009 (B) | 2,199,925            | -                    | 2009.06.23-2017.06.23<br>Principal is repayable on maturity date. | Fixed interest rate of 2.9%, interest is paid annually.  |
| Second subordinated bank debentures issued in 2003     | -                    | 3,600,000            | 2004.03.18-2009.12.18<br>Principal is repayable on maturity date. | Fixed interest rate of 2.3%. Interest is paid semiannually.  |
| First subordinated bank debentures issued in 2004 (A)  | -                    | 500,000              | 2004.09.14-2009.09.14<br>Principal is repayable on maturity date. | Floating rate. Interest is paid semiannually.  |
| First subordinated bank debentures issued in 2004 (B)  | -                    | 600,000              | 2004.09.14-2009.12.14<br>Principal is repayable on maturity date. | Floating rate. Interest is paid quarterly.   |
| Subdominant bank debentures                            | <u>24,031,413</u>    | <u>18,782,076</u>    |   |  |
|  | <u>\$ 27,129,563</u> | <u>\$ 28,763,023</u> |   |  |

(Concluded)

**BANK SINOPAC**

**DERIVATIVE FINANCIAL INSTRUMENT TRANSACTIONS**

**DECEMBER 31, 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 December 31, 2009 and 2008, the contract amounts (or notional amounts), credit risks and fair values of outstanding contracts were as follows:

| <b>Financial Instruments</b>  | <b>December 31, 2009</b>          |                    |                   |
|---|-----------------------------------|--------------------|-------------------|
|   | <b>Contract (Notional) Amount</b> | <b>Credit Risk</b> | <b>Fair Value</b> |
| For the purpose of accommodating customers' needs or managing FENB's exposures: |                                   |                    |                   |
| Non-deliverable forward contracts   |                                   |                    |                   |
| Long position   | \$ 87,204                         | \$ 6,403           | \$ 289            |
| Short position  | 87,204                            | 6,403              | 77                |
|   |                                   |                    |                   |
|   | <b>December 31, 2008</b>          |                    |                   |
| <b>Financial Instruments</b>  | <b>Contract (Notional) Amount</b> | <b>Credit Risk</b> | <b>Fair Value</b> |
| For the purpose of accommodating customers' needs or managing FENB's exposures: |                                   |                    |                   |
| Non-deliverable forward contracts   |                                   |                    |                   |
| Long position   | \$ 65,720                         | \$ 3,943           | \$ -              |
| Short position  | 71,799                            | 4,308              | (6,102)           |

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.

## BANK SINOPAC

STATEMENT OF CHANGES IN ALLOWANCE FOR CREDIT LOSS  
YEARS ENDED DECEMBER 31, 2009 AND 2008  
(In Thousands of New Taiwan Dollars)

|  | Year Ended December 31, 2009 |                     |                     |                       |  |  |                           |               |                     |
|--|------------------------------|---------------------|---------------------|-----------------------|--|--|---------------------------|---------------|---------------------|
|  | Discounts and Loans          |                     |                     | Account<br>Receivable | Non-performing<br>Receivables<br>Transferred<br>from Other<br>Than Loans | Provisions for<br>Acceptance and<br>Guarantees | Other<br>Financial Assets | Other Assets  | Total               |
|  | Specific<br>Reserve          | General<br>Reserve  | Subtotal            |                       |  |  |                           |               |                     |
| Balance, January 1                                     | \$ 3,399,785                 | \$ 3,063,274        | \$ 6,463,059        | \$ 519,209            | \$ 307,848   | \$ 32  | \$ -                      | \$ 140        | \$ 7,290,288        |
| Provision  | 1,344,325                    | 640,432             | 1,984,757           | 1,166,210             | 19,665   | -  | 7,226                     | 583           | 3,178,441           |
| Write-off  | (3,365,972)                  | -                   | (3,365,972)         | (846,895)             | (185,524)  | -  | -                         | -             | (4,398,391)         |
| Recovery of written-off credits                        | 65,323                       | -                   | 65,323              | 266,314               | -  | -  | -                         | -             | 331,637             |
| Reclassifications                                      | 875,440                      | (930,311)           | (54,871)            | (699,923)             | 698,979  | -  | 55,815                    | -             | -                   |
| Result from change of effects of exchange rate changes | (32,419)                     | -                   | (32,419)            | (17)                  | (13,793)   | (1)  | -                         | -             | (46,230)            |
| Others   | -                            | -                   | -                   | -                     | (1,369)  | -  | -                         | -             | (1,369)             |
| Balance, December 31                                   | <u>\$ 2,286,482</u>          | <u>\$ 2,773,395</u> | <u>\$ 5,059,877</u> | <u>\$ 404,898</u>     | <u>\$ 825,806</u>  | <u>\$ 31</u>                                   | <u>\$ 63,041</u>          | <u>\$ 723</u> | <u>\$ 6,354,376</u> |
|  | Year Ended December 31, 2008 |                     |                     |                       |  |  |                           |               |                     |
|  | Discounts and Loans          |                     |                     | Account<br>Receivable | Non-performing<br>Receivables<br>Transferred<br>from Other<br>Than Loans | Provisions for<br>Acceptance and<br>Guarantees | Other<br>Financial Assets | Other Assets  | Total               |
|  | Specific<br>Reserve          | General<br>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  | 2,520,408                    | 1,813,688           | 4,334,096           | 1,380,146             | 209  | (412)  | -                         | -             | 5,714,039           |
| Write-off  | (3,753,737)                  | -                   | (3,753,737)         | (1,347,516)           | (133,888)  | -  | -                         | -             | (5,235,141)         |
| Recovery of written-off credits                        | 56,723                       | -                   | 56,723              | 233,066               | -  | -  | -                         | -             | 289,789             |
| Reclassifications                                      | 877,883                      | (1,056,775)         | (178,892)           | 66,783                | 128,633  | (16,524)                                       | -                         | -             | -                   |
| Result from change of effects of exchange rate changes | 8,718                        | -                   | 8,718               | (5,188)               | 6,608  | 7  | -                         | -             | 10,145              |
| Others   | -                            | -                   | -                   | -                     | (12,880)   | -  | -                         | -             | (12,880)            |
| Balance, December 31                                   | <u>\$ 3,399,785</u>          | <u>\$ 3,063,274</u> | <u>\$ 6,463,059</u> | <u>\$ 519,209</u>     | <u>\$ 307,848</u>  | <u>\$ 32</u>                                   | <u>\$ -</u>               | <u>\$ 140</u> | <u>\$ 7,290,288</u> |

## BANK SINOPAC

OVERDUE LOANS AND RECEIVABLES  
DECEMBER 31, 2009 AND 2008

(In Thousands of New Taiwan Dollars, %)

| Items  |                       | December 31, 2009                  |                            |                          |                                    |                         | December 31, 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               | \$ 1,665,589                       | \$ 115,235,483             | 1.45%                    | \$ 784,019                         | 47.07%                  | \$ 2,056,743               | \$ 85,240,234              | 2.41%                    | \$ 853,173                         | 41.48%                |
|  | Unsecured             | 2,004,965                          | 175,557,116                | 1.14%                    | 2,025,158                          | 101.01%                 | 2,641,449                  | 195,371,996                | 1.35%                    | 2,493,722                          | 94.41%                |
| Consumer loan  | Mortgage (Note 4)     | 1,805,163                          | 352,751,601                | 0.51%                    | 952,570                            | 52.77%                  | 3,149,504                  | 337,887,576                | 0.93%                    | 1,346,893                          | 42.77%                |
|  | Cash card             | 1,454                              | 72,405                     | 2.01%                    | 4,820                              | 331.50%                 | 10,469                     | 112,052                    | 9.34%                    | 23,280                             | 222.37%               |
|  | Micro credit (Note 5) | 371,078                            | 8,950,068                  | 4.15%                    | 1,244,185                          | 335.29%                 | 725,171                    | 11,524,753                 | 6.29%                    | 1,687,302                          | 232.68%               |
|  | Other (Note 6)        |                                    |                            |                          |                                    |                         |                            |                            |                          |                                    |                       |
|  | Secured               | 19,144                             | 4,981,537                  | 0.38%                    | 49,125                             | 256.61%                 | 28,602                     | 5,765,178                  | 0.50%                    | 58,689                             | 205.19%               |
|  | Unsecured             |                                    |                            |                          |                                    |                         |                            |                            |                          |                                    |                       |
| Total  |                       | 5,867,393                          | 657,548,210                | 0.89%                    | 5,059,877                          | 86.24%                  | 8,611,938                  | 635,901,789                | 1.35%                    | 6,463,059                          | 75.05%                |
|  |                       | <b>Overdue Receivables</b>         | <b>Account Receivables</b> | <b>Delinquency Ratio</b> | <b>Allowance for Credit Losses</b> | <b>Coverage Ratio</b>   | <b>Overdue Receivables</b> | <b>Account Receivables</b> | <b>Delinquency Ratio</b> | <b>Allowance for Credit Losses</b> | <b>Coverage Ratio</b> |
| Credit card  |                       | 182,664                            | 17,568,380                 | 1.04%                    | 383,360                            | 209.87%                 | 152,233                    | 9,891,428                  | 1.54%                    | 451,034                            | 296.28%               |
| Account receivable - factoring with no recourse (Note 7)                                   |                       | 1,072,768                          | 11,558,710                 | 9.28%                    | 693,408                            | 64.64%                  | 10,412                     | 12,696,086                 | 0.08%                    | 10,412                             | 100.00%               |
| Excluded NPL as a result of debt consultation and loan agreements (Note 8)                 |                       | 43,542                             |                            |                          |                                    |                         | 67,588                     |                            |                          |                                    |                       |
| Excluded overdue receivables as a result of debt consultation and loan agreements (Note 8) |                       | 1,089,945                          |                            |                          |                                    |                         | 1,449,069                  |                            |                          |                                    |                       |
| Excluded NPL as a result of consumer debt clearance (Note 9)                               |                       | 13,672                             |                            |                          |                                    |                         | -                          |                            |                          |                                    |                       |
| Excluded overdue receivables as a result of consumer debt clearance (Note 9)               |                       | 737,150                            |                            |                          |                                    |                         | 78,226                     |                            |                          |                                    |                       |

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 receivables/Account receivables.

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) and is excluded from credit card and cash card loans.

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: The disclosure of excluded NPLs and excluded overdue receivables resulting from debt consultation and loan agreements is based on the Banking Bureau letter dated April 25, 2006 (Ref. No. 09510001270).

Note 9: The disclosure of excluded NPLs and excluded overdue receivables resulting from consumer debt clearance is based on the Banking Bureau letter dated September 15, 2008 (Ref. No. 09700318940).