

Bank SinoPac and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2010 and 2009 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Bank SinoPac

We have audited the accompanying consolidated balance sheets of Bank SinoPac and its subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Bank'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, Rules Governing Auditing and Certification of Financial Statements by Certified Public Accounts 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bank SinoPac and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended, in conformity with Criteria Governing the Preparation of Financial Reports by Public Banks, the guidelines issued by the authority and accounting principles generally accepted in the Republic of China.

March 11, 2011

Notice to Readers

The accompanying consolidated 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 consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors' report and the accompanying consolidated 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 consolidated financial statements shall prevail.

BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2010 AND 2009

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

ASSETS	2010	2009	%	LIABILITIES AND STOCKHOLDERS' EQUITY	2010	2009	%
	Amount	Amount			Amount	Amount	
CASH AND CASH EQUIVALENTS (Note 3)	\$ 11,425,452	\$ 17,902,816	(36)	CALL LOANS AND DUE TO BANKS (Note 16)	\$ 64,798,201	\$ 44,804,007	45
DUE FROM THE CENTRAL BANK AND OTHER BANKS (Note 4)	84,493,342	81,685,850	3	SHORT-TERM BORROWINGS (Note 17)	927,034	647,005	43
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2, 5 and 30)	27,283,956	18,328,462	49	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2 and 5)	9,507,112	8,637,007	10
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 2, 6 and 30)	1,152,479	-	-	SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE (Notes 2, 6 and 30)	3,067,453	1,598,045	92
ACCOUNTS, INTEREST AND OTHER RECEIVABLES, NET (Notes 2, 7, 8, 29 and 30)	41,872,770	51,349,306	(18)	ACCOUNTS, INTEREST AND OTHER PAYABLES (Notes 2, 18 and 30)	14,670,729	23,369,546	(37)
DISCOUNTS AND LOANS, NET (Notes 2, 9, 30 and 31)	716,169,447	693,778,593	3	DEPOSITS AND REMITTANCES (Notes 19 and 30)	949,729,257	873,895,611	9
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 2, 6, 10 and 31)	38,193,924	38,665,334	(1)	BANK DEBENTURES (Notes 2 and 20)	30,121,486	27,129,563	11
HELD-TO-MATURITY INVESTMENTS (Notes 2, 11 and 31)	200,564,991	125,824,927	59	OTHER FINANCIAL LIABILITIES (Notes 2 and 22)	3,936,790	9,851,997	(60)
OTHER FINANCIAL ASSETS, NET (Notes 2 and 12)				OTHER LIABILITIES (Notes 2, 23, 28 and 29)	<u>3,174,194</u>	<u>3,412,993</u>	(7)
Unquoted equity instruments	1,665,439	1,678,209	(1)	Total liabilities	<u>1,079,932,256</u>	<u>993,345,774</u>	9
Non-active market debt instruments	82,066	100,486	(18)	STOCKHOLDERS' EQUITY			
Others	<u>3,898,781</u>	<u>6,682,875</u>	(42)	Capital stock, \$10 par value, authorized 8,000,000 thousand shares; issued and outstanding 4,955,047 thousand shares in 2010 and 4,821,847 thousand shares in 2009	<u>49,550,469</u>	<u>48,218,469</u>	3
Other financial assets, net	<u>5,646,286</u>	<u>8,461,570</u>	(33)	Capital surplus			
PROPERTIES (Notes 2 and 13)				Additional paid-in capital from share issuance in excess of par	1,128,561	795,561	42
Cost and revaluation increment				Capital surplus from business combination	8,076,524	8,076,524	-
Land	4,772,041	4,812,002	(1)	Others	<u>1,733</u>	<u>1,733</u>	-
Buildings	4,788,130	4,770,984	-	Total capital surplus	<u>9,206,818</u>	<u>8,873,818</u>	4
Computer and machinery equipment	5,035,945	5,357,131	(6)	Retained earnings			
Transportation equipment	<u>5,880</u>	<u>4,003</u>	47	Legal reserve	3,361,034	2,746,023	22
Total cost	14,601,996	14,944,120	(2)	Special reserve	282,977	282,977	-
Less: Accumulated depreciation	<u>6,027,396</u>	<u>6,064,773</u>	(1)	Unappropriated earnings	<u>3,501,375</u>	<u>2,050,036</u>	71
Prepayments for equipment and construction in progress	<u>374,331</u>	<u>269,143</u>	39	Total retained earnings	<u>7,145,386</u>	<u>5,079,036</u>	41
Net properties	<u>8,948,931</u>	<u>9,148,490</u>	(2)	Other adjustment			
INTANGIBLE ASSETS (Notes 2 and 14)	<u>1,471,806</u>	<u>1,562,369</u>	(6)	Cumulative translation adjustments	(220,752)	(66,530)	232
OTHER ASSETS (Notes 2, 15, 29 and 30)	<u>8,664,344</u>	<u>8,997,772</u>	(4)	Unrealized gains (losses) on financial instruments	215,383	(31,203)	790
				Unrealized gains (losses) on cash flow hedge	(26,185)	22,130	(218)
				Net loss not recognized as pension cost	(945,801)	(766,159)	23
				Unrealized revaluation increment on land	<u>1,030,154</u>	<u>1,030,154</u>	-
				Total other adjustment	<u>52,799</u>	<u>188,392</u>	(72)
				Total stockholders' equity	<u>65,955,472</u>	<u>62,359,715</u>	6
TOTAL	<u>\$ 1,145,887,728</u>	<u>\$ 1,055,705,489</u>	9	TOTAL	<u>\$ 1,145,887,728</u>	<u>\$ 1,055,705,489</u>	9

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

BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2010 AND 2009

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

	<u>2010</u>	<u>2009</u>	
	Amount	Amount	%
INTEREST REVENUE (Note 30)	\$ 20,372,704	\$ 21,410,883	(5)
INTEREST EXPENSE (Note 30)	<u>6,972,084</u>	<u>9,851,654</u>	(29)
NET INTEREST (Note 2)	<u>13,400,620</u>	<u>11,559,229</u>	16
NET REVENUES OTHER THAN INTEREST (Note 2)			
Commission and fee revenues, net (Notes 25 and 30)	4,585,218	3,968,778	16
Gains on financial assets and liabilities at fair value through profit or loss (Note 5)	430,340	823,716	(48)
Realized gains from (losses on) available-for-sale financial assets (Note 24)	93,587	(47,806)	296
Foreign exchange gain, net	646,877	713,307	(9)
Impairment losses on assets	(457,306)	(393,722)	16
Gains from unquoted equity instruments	59,331	21,664	174
Recovery of bad debts	718,647	567,045	27
Rental revenues (Note 30)	137,956	455,218	(70)
Contingency losses	-	(2,189,651)	100
(Losses on) gains from the disposal of properties and idle assets, net (Notes 15 and 26)	(924)	3,257,501	(100)
Other net losses (Note 30)	<u>(126,715)</u>	<u>(228,130)</u>	(44)
Total net revenues	<u>19,487,631</u>	<u>18,507,149</u>	5
PROVISION FOR BAD DEBTS (Notes 2, 7 and 9)	<u>4,965,905</u>	<u>6,175,842</u>	(20)
OPERATING EXPENSES (Notes 2, 27, 28 and 30)			
Personnel expenses	6,747,490	6,514,423	4
Depreciation and amortization	543,236	812,786	(33)
Others	<u>3,744,026</u>	<u>3,700,810</u>	1
Total operating expenses	<u>11,034,752</u>	<u>11,028,019</u>	-
INCOME BEFORE INCOME TAX	3,486,974	1,303,288	168
INCOME TAX BENEFIT (Notes 2 and 29)	<u>14,401</u>	<u>781,391</u>	(98)
CONSOLIDATED INCOME	<u>\$ 3,501,375</u>	<u>\$ 2,084,679</u>	68
ATTRIBUTABLE TO			
Stockholders of the parent company	\$ 3,501,375	\$ 2,085,157	68
Minority interest	<u>-</u>	<u>(478)</u>	100
	<u>\$ 3,501,375</u>	<u>\$ 2,084,679</u>	68

(Continued)

BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2010 AND 2009

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

	2010		2009	
	Pretax	After Tax	Pretax	After Tax
EARNINGS PER SHARE (Note 24)				
Basic earnings per share	<u>\$ 0.72</u>	<u>\$ 0.72</u>	<u>\$ 0.29</u>	<u>\$ 0.47</u>

Note: Based on Statement of Financial Accounting Standards (SFAS) Interpretation No. (91) 243 and 244 and No. (95) 081 issued by the Accounting Research and Development Foundation of the Republic of China, the merger of Bank SinoPac and SinoPac Card Services Co., Ltd. was treated as a reorganization and was recorded at the book 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, 2009 were retroactively restated, assuming the book values of the assets and liabilities of SinoPac Card Services Co., Ltd. were included. Thus, for the year ended December 31, 2009, the net income of Bank SinoPac included the net income of SinoPac Card Services Co., Ltd. of \$35,121.

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

(Concluded)

BANK SINOPAC AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)**

	Issued and Outstanding Capital Stock (Note 24)		Capital Surplus (Notes 2 and 24)			Retained Earnings (Note 24)				Other Adjustment					Total Stockholders' Equity		
						Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficit)	Pension Cost (Note 2)	Cumulative Recognized as Adjustments (Note 2)	Unrealized Gains or Losses on Financial Instrument (Notes 2 and 24)	Unrealized Gains (Losses) On Cash Flow Hedge (Notes 2 and 24)	Net Loss Not Recognized as Pension Cost (Note 2)	Unrealized Revaluation Increment on Land (Note 13)		Minority Interest	
	Shares in Thousands	Amount	Share Issuance in Excess of Par	Capital Surplus from Business Combination	Others												Total
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	\$ 1,008,931	\$ 57,444,592
Retroactive adjustments arising from a merger (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, 2009	-	-	-	-	-	-	-	-	2,085,157	2,085,157	-	-	-	-	-	(478)	2,084,679
Unrealized gains or losses on available-for-sale 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 cumulative translation adjustments	-	-	-	-	-	-	-	-	-	-	(94,486)	-	-	-	-	-	(94,486)
Effects of cash merger with SinoPac Card Services Co., Ltd. (Note)	(339,815)	(3,398,150)	-	-	(20)	(20)	-	-	364,536	364,536	-	-	-	-	-	-	(3,033,634)
Change in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,008,453)	(1,008,453)
BALANCE, DECEMBER 31, 2009	4,821,847	48,218,469	795,561	8,076,524	1,733	8,873,818	2,746,023	282,977	2,050,036	5,079,036	(66,530)	(31,203)	22,130	(766,159)	1,030,154	-	62,359,715
Appropriation of 2009 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	615,011	-	(615,011)	-	-	-	-	-	-	-	-
Cash dividends - \$0.16235 per share	-	-	-	-	-	-	-	-	(782,833)	(782,833)	-	-	-	-	-	-	(782,833)
Bonus to stockholder - \$0.13525 per share	-	-	-	-	-	-	-	-	(652,192)	(652,192)	-	-	-	-	-	-	(652,192)
Private placement of common stocks	133,200	1,332,000	333,000	-	-	333,000	-	-	-	-	-	-	-	-	-	-	1,665,000
Net income for the year ended December 31, 2010	-	-	-	-	-	-	-	-	3,501,375	3,501,375	-	-	-	-	-	-	3,501,375
Unrealized gains or losses on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	246,586	-	-	-	-	246,586
Unrealized gains or losses on cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	(48,315)	-	-	-	(48,315)
Net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	-	-	-	-	(179,642)	-	-	(179,642)
Change in cumulative translation adjustments	-	-	-	-	-	-	-	-	-	-	(154,222)	-	-	-	-	-	(154,222)
BALANCE, DECEMBER 31, 2010	<u>4,955,047</u>	<u>\$ 49,550,469</u>	<u>\$ 1,128,561</u>	<u>\$ 8,076,524</u>	<u>\$ 1,733</u>	<u>\$ 9,206,818</u>	<u>\$ 3,361,034</u>	<u>\$ 282,977</u>	<u>\$ 3,501,375</u>	<u>\$ 7,145,386</u>	<u>\$ (220,752)</u>	<u>\$ 215,383</u>	<u>\$ (26,185)</u>	<u>\$ (945,801)</u>	<u>\$ 1,030,154</u>	<u>\$ -</u>	<u>\$ 65,955,472</u>

Note: Based on Statement of Financial Accounting Standards (SFAS) Interpretation No. (91) 243 and 244 and No. (95) 081 issued by the Accounting Research and Development Foundation of the Republic of China, the merger of Bank SinoPac and SinoPac Card Services Co., Ltd. was treated as a reorganization and was recorded at the book values of both entities' assets and liabilities.

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

BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated income	\$ 3,501,375	\$ 2,084,679
Adjustments to reconcile consolidated income to net cash (used in) provided by operating activities		
Depreciation and amortization	569,698	846,449
Amortization of premium or discount of financial assets	84,133	87,872
Amortization of premium or discount of bank debentures	1,452	(3,024)
Provision for credit and trading losses	4,973,388	6,191,342
Contingency losses	-	2,189,651
Impairment losses on assets	457,306	393,722
Unrealized losses on (gains from) financial assets designated at fair value through profit or loss	1,146	(549,152)
Realized (gains from) losses on available-for-sale financial assets	(88,628)	47,806
Losses on (gains from) sale and retirement of properties, idle and leased assets	8,695	(3,231,219)
Losses on disposal of collaterals assumed, net	30,105	183,310
Deferred income tax	(789,506)	(2,052,731)
Accrued pension cost	116,123	56,062
Gains from convertible bond repurchased	-	(12,534)
(Increase) decrease in held-for-trading financial assets	(10,209,372)	15,243,013
Increase (decrease) in held-for-trading financial liabilities	870,105	(8,284,896)
Securitization of accounts receivable	-	789,940
Decrease in accounts, interest and other receivables	7,440,832	1,591,957
Decrease in accounts, interest and other payables	<u>(10,990,405)</u>	<u>(6,825,008)</u>
Net cash (used in) provided by operating activities	<u>(4,023,553)</u>	<u>8,747,239</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in due from the Central Bank and other banks	(2,807,492)	18,656,663
(Increase) decrease in securities purchased under agreements to resell	(1,152,479)	2,598,782
Acquisition of financial assets designated at fair value through profit or loss	-	(2,412)
Proceeds from sale of financial assets designated at fair value through profit or loss	1,127,389	1,474,361
Increase in discounts and loans	(26,701,740)	(21,447,565)
Acquisition of available-for-sale financial assets	(396,449,834)	(170,355,903)
Proceeds from sale of available-for-sale financial assets	397,126,052	163,356,036
Acquisition of held-to-maturity investments	(768,521,592)	(615,618,334)
Proceeds from matured held-to-maturity investments	693,743,975	606,782,853
Decrease in long-term leased and installment receivable	-	1,218,380
Increase in unquoted equity instruments	(81,848)	(81,449)
Decrease in unquoted equity instruments	51,398	59,478
Proceeds from sale of non-active market debt instruments	16,536	334,845
Acquisition of properties	(366,218)	(431,377)
Proceeds from sale of properties	2,594,304	1,292,092

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BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

	2010	2009
Acquisition of leased assets	\$ -	\$ (230,966)
Proceeds from sales of leased assets	-	3,566,806
Proceeds from sale of collaterals assumed	143,749	361,879
Increase in other financial assets	(210,183)	(4,241,926)
Decrease (increase) in other assets	<u>507,811</u>	<u>(121,852)</u>
Net cash used in investing activities	<u>(100,980,172)</u>	<u>(12,829,609)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in call loans and due to banks	19,994,194	2,976,727
Increase (decrease) in short-term borrowings	280,029	(4,211,982)
Decrease in commercial paper payable	-	(4,613,554)
Increase (decrease) in securities sold under agreements to repurchase	1,469,408	(2,828,055)
Increase in deposits and remittances	75,833,646	26,505,239
Decrease in long-term borrowings	-	(4,487,315)
Bank debentures issued	6,000,000	10,000,000
Repayment of bank debentures on maturity	(2,900,000)	(11,400,000)
Decrease in bonds payable	-	(6,437,825)
Decrease in other financial liabilities	(3,757,257)	(2,084,271)
Decrease in other liabilities	(133,557)	(44,939)
Proceeds from the private placement of common stocks	1,665,000	4,080,000
Decrease in minority interest	<u>-</u>	<u>(1,008,453)</u>
Net cash provided by financing activities	<u>98,451,463</u>	<u>6,445,572</u>
EFFECTS OF CHANGES IN EXCHANGE RATE	<u>74,898</u>	<u>(40,042)</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(6,477,364)	2,323,160
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>17,902,816</u>	<u>15,579,656</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 11,425,452</u>	<u>\$ 17,902,816</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 7,040,158</u>	<u>\$ 11,806,319</u>
Income tax paid	<u>\$ 263,089</u>	<u>\$ 483,887</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Receivables from the disposal of real estate	<u>\$ -</u>	<u>\$ 2,593,554</u>
Dividends payable	<u>\$ 1,435,025</u>	<u>\$ -</u>

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

(Concluded)

BANK SINOPAC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

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

1. ORGANIZATION AND OPERATIONS

Organization

August 8, 1991	Bank SinoPac (the "Bank") obtained government approval to incorporate.
January 28, 1992	The Bank started operations.
May 9, 2002	The Bank swap shares with SinoPac Securities Corporation and SinoPac Securities Co., Ltd. (the "SPS") to established SinoPac Financial Holdings Company Limited (the "SPH"), a financial holding company, resulting in the Bank become an unlisted wholly owned subsidiary of SPH.
December 26, 2005	SPH finished the merger with International Bank of Taipei Co., Ltd. (IBT), through a 100% share swap.
May 8, 2006	The boards of directors of IBT resolved to transfer credit card business and related assets and liabilities to SinoPac Card Services Co., Ltd. ("SinoPac Card"). 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.
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.
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.

The organization and operation information of the consolidated entities please refer to Table 6.

As of December 31, 2010 and 2009, the Bank and its subsidiaries had a total of 4,997 and 4,965 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

All significant inter-company transactions and balances have been eliminated for consolidation purpose.

The Bank and its subsidiaries' consolidated financial statements were prepared in conformity with the Criteria Governing the Preparation of Financial Reports by Public Banks, the guidelines issued by the authority and accounting principles generally accepted in the R.O.C. In determining fair value of certain financial instruments, the allowance for credit losses, depreciation for fixed assets and assets held for leasing, pension, income tax, amortization of deferred charges, losses upon suspended lawsuit, provision for losses on guarantees, bonus to employees and remuneration to directors and supervisors, the Bank and its subsidiaries need to make estimates based on judgment at available information. Actual results could differ from those estimates based on judgment at available information. Since the operating cycle could not be reasonably identified in the banking industry, accounts included in the Bank and its subsidiaries'

consolidated financial statements were not classified as current or non-current. Nevertheless, accounts were properly categorized according to the nature of each account, and sequenced by their liquidity. Please refer to Note 40 for maturity analysis of assets and liabilities. Significant accounting policies of the Bank and its subsidiaries are summarized below:

Fair Value Determination

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

Financial Instruments at Fair Value Through Profit or Loss

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

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

Any financial asset and any financial liability may be designated as financial instruments at fair value through profit or loss to eliminate measurement anomalies for items that provide a natural offset of each other. Applying the fair value option eliminates accounting measurement mismatch for items that naturally offset each other or eliminates the burden of separating embedded derivatives that are not considered to be closely related to the host contract pertaining to a hybrid instrument. If the Bank does not adopt hedge accounting and the hedged items are not designated as financial assets or liabilities at fair value through profit or loss, accounting measurement mismatches on these items will occur as a result of differences in measurement attributes. Thus, the Bank designated debt instruments and bank debentures issued as financial assets and liabilities at financial assets or liabilities at fair value through profit or loss. Moreover, the Bank designated hybrid instruments as financial assets and liabilities at financial assets or liabilities at fair value through profit or loss because embedded derivatives are not separated from the host contract in a hybrid instrument. Besides, the set of financial assets, financial liabilities or the combination of both managed by the Bank’s risk management policies and investment strategies will be designated as financial instruments at fair value through profit or loss.

Repurchase and Reverse Repurchase Transactions

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

Sales of Accounts Receivable

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.

Account Receivable Factoring

Factoring receivables are account receivables purchased by the Bank and its subsidiaries. Service fees are recorded as revenue upon receipt and interest income are recognized during the factoring 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

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

Pursuant to “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” (the “Regulations”) issued by the Banking Bureau, the Bank and its subsidiaries evaluate 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.

For FENB, the allowance for loan losses is maintained at a level considered adequate to provide for losses that are inherent in the loan portfolio at the balance sheet date. The adequacy of the allowance is determined by management based upon a periodic review of the loan portfolio, consideration of historical loan loss experience, current economic conditions, changes in the composition of the loan portfolio, analysis of collateral values and other pertinent factors. Although management believes the level of the allowance is adequate to absorb losses inherent in the loan portfolio, additional declines in the local economy or rising interest rates may result in increasing losses that cannot reasonably be predicted at this time.

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 which writes off on the current year is recorded as reverse of allowance whereas recovery of loans written off on the previous years is recorded as other revenue.

Available-for-sale Financial Assets

Available-for-sale financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. Unrealized gains or losses on available-for-sale financial assets are reported in equity attribute to the Bank's shareholders. On disposal of an available-for-sale financial asset, the accumulated, unrealized gain or loss in equity attributable to the Bank's shareholders is transferred to net profit and loss for the period. The Bank and its subsidiaries use trade date accounting when recording related transactions, except for bonds, for which settlement date accounting is used.

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

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

Held-to-maturity Investments

Held-to-maturity investments are carried at amortized cost using the effective interest method, otherwise the straight line method can be used if there is no significant difference. At initial recognition, the costs of the financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition. The net profit and loss of the held-to-maturity investments for the period is reported in income statement when the financial assets are derecognized, impaired or amortized. The Bank and its subsidiaries use 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.

Other Financial Assets

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

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

Properties and Non-operating Assets

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

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

Depreciation is calculated on the straight-line basis, over estimated useful lives as follows: buildings, 5 to 60 years; computer and machinery equipment, 3 to 15 years; transportation equipment, 5 years;

Depreciation of revaluated property is computed on the straight-line basis over their remaining useful lives determined at the time of revaluation, subsidiary's leasehold improvement, 3 years. If the leasing period is shorter, depreciation is calculated over the leasing period. 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

a. Goodwill

Effective January 1, 2006, pursuant to the revised Statement of Financial Accounting Standard ("SFAS"), goodwill is not amortized and instead is tested for impairment annually or whenever there are indications that the investments are impaired.

Effective January 1, 2006, the accounting treatment for the unamortized investment premium arising on acquisitions before January 1, 2006 is the same as that for goodwill and the premium is no longer being amortized.

b. Computer software

The cost of the Bank and its subsidiaries' computer software is amortized on the straight-line basis over 3 to 5 years.

c. Core deposit intangible

Core deposit intangible is amortized on the straight-line basis over 15 years.

Collaterals Assumed

Collaterals assumed are recorded at cost (included in other assets) and revalued at the lower of cost or net fair value on the balance sheet dates, and 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, except for FENB and SinoPac Capital Limited and its subsidiaries contributes amounts equal to a certain percentage of total monthly salaries and wages to a pension fund.

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.

Income tax (10%) on inappropriate earnings is recorded as income tax in the year when the stockholders resolve the appropriation of the earnings.

SPH adopted the linked-tax system for income tax filings with its qualified subsidiaries, including the Bank. The different amounts between tax expense and deferred tax liabilities and assets based on consolidation and SPH with its qualified subsidiaries are adjusted on SPH, related amounts are recognized as accounts receivable or accounts payable.

Contingencies

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

Foreign-currency Translations

The translation of the foreign operation institute's financial statement are as follows: The assets or liabilities accounts are translated at the spot rate on the balance sheet date; the stockholders' equity accounts except the beginning balance of retained earnings are translated at the historical rate. The beginning balance of the retained earnings is translated equally as the ending balance of the aforementioned year. Dividends are translated at the spot rate on the declaration date; the revenue on expense accounts are translated at the weighted average rate. Exchange differences arising from the translation of the financial statements of foreign operations are recognized as a separate component of shareholders' equity. Such exchange differences are recognized in profit or loss in the year in which the foreign operations are disposed of.

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 (investments in equity instruments) are a component of the change in their entire fair value. For non-monetary financial investments, which are classified as available-for-sale, unrealized exchange differences are recorded directly in equity. For non-monetary financial assets classified as held for trading, unrealized exchange differences are recognized in the income statement. For non-monetary financial assets classified as unquoted equity investments are measured at the rate of trading date.

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

Hedge Accounting

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

A fair value hedge that meets all the 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.

Reclassifications

Certain accounts as of and for the year ended December 31, 2009 have been reclassified to conform to the financial statement presentation as of and for the year ended December 31, 2010.

3. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2010	2009
Cash on hand	\$ 5,969,107	\$ 5,507,167
Due from other banks	3,799,484	10,590,890
Notes and checks in clearing	<u>1,656,861</u>	<u>1,804,759</u>
	<u>\$ 11,425,452</u>	<u>\$ 17,902,816</u>

4. DUE FROM THE CENTRAL BANK AND OTHER BANKS

	<u>December 31</u>	
	2010	2009
Call loans to bank	\$ 38,061,140	\$ 45,148,854
Due from Central Banks - checking account	14,808,266	8,713,379
Deposit reserve - demand account	22,599,236	18,903,847
Deposit reserve - foreign currency	102,032	99,293
Balance at US Federal Reserve Bank	<u>8,922,668</u>	<u>8,820,477</u>
	<u>\$ 84,493,342</u>	<u>\$ 81,685,850</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. These reserves may be withdrawn momentarily but born no interest.

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Related information regarding financial instruments at fair value through profit or loss for the years ended December 31, 2010 and 2009 please refer to Table 8-1.

	<u>December 31</u>	
	2010	2009
Held for trading financial assets	\$ 25,600,217	\$ 15,390,845
Financial assets designated at fair value through profit or loss	<u>1,683,739</u>	<u>2,937,617</u>
	<u>\$ 27,283,956</u>	<u>\$ 18,328,462</u>
Held for trading financial liabilities	<u>\$ 9,507,112</u>	<u>\$ 8,637,007</u>

The Bank and its subsidiaries 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 8-2. The Bank and its subsidiaries' 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, 2010 and 2009, were as follows:

	<u>December 31</u>	
	2010	2009
Held for trading financial assets and liabilities		
Realized gains (losses)	\$ 230,796	\$ (414,189)
Valuation gains	<u>188,833</u>	<u>730,317</u>
	<u>419,629</u>	<u>316,128</u>
Financial assets and liabilities designated at fair value through profit or loss		
Realized gains (losses)	11,857	(41,564)
Valuation (losses) gains	<u>(1,146)</u>	<u>549,152</u>
	<u>10,711</u>	<u>507,588</u>
	<u>\$ 430,340</u>	<u>\$ 823,716</u>

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

As of December 31, 2010, securities were purchased under agreements to resell at \$1,153,100 in January 2011.

As of December 31, 2010 and 2009, securities were sold under agreements to repurchase at \$3,067,827 and \$1,598,153 between January and March 2011 and between January and March 2010, respectively.

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

Financial Assets	<u>December 31</u>	
	2010	2009
Available-for-sale	\$ 3,067,453	\$ 1,598,045

7. ACCOUNTS, INTEREST AND OTHER RECEIVABLES, NET

	December 31	
	2010	2009
Accounts receivable - factoring	\$ 18,457,780	\$ 26,203,014
Credit card receivable	16,338,069	17,568,380
Acceptances	2,443,659	1,599,802
Accounts receivable - forfeiting	2,131,517	264,074
Receivables from related parties (Notes 26 and 30)	1,424,067	4,092,092
Interest receivable and revenue receivable	1,343,045	1,377,048
Accounts receivable and notes receivable	108,728	75,892
Others	<u>263,628</u>	<u>573,902</u>
	42,510,493	51,754,204
Less - allowance for credit losses	<u>637,723</u>	<u>404,898</u>
	<u>\$ 41,872,770</u>	<u>\$ 51,349,306</u>

For the details of and changes in allowance for credit losses of accounts receivables, please refer to Table 9-1.

The credit card receivables as of December 31, 2010 and 2009 referred to SinoPac Card Services' credit cardholders who completed consultation with the Bank on debt repayment, with credit card receivables amounted to \$2,127,049 and \$2,430,239, respectively.

8. 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).

As of December 31, 2009, the proceeds receivable on the sale of credit card receivables amounted to \$8. 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.

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 year ended December 31, 2009, the service fee amounted to \$1,048, recorded as other net revenues.

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

	Year Ended December 31, 2009
Accumulated revolving accounts receivable sold - carrying value	\$ 20,624,762
Add: Proceeds receivable from the sale of accounts receivable at beginning of year	1,280,859
Deduct: Proceeds receivable from the sale of accounts receivable at end of year	(8)
Loss on the sale of credit card receivable	<u>(65,301)</u>
Proceeds from the sale of credit card receivable	<u>\$ 21,840,312</u>

9. DISCOUNTS AND LOANS, NET

	December 31	
	2010	2009
Import and export negotiations	\$ 1,567,377	\$ 1,039,145
Overdrafts	9,518	13,803
Secured overdrafts	740,873	777,744
Accounts receivable - financing	2,497,175	3,084,689
Short-term loans	95,217,366	84,685,263
Short-term secured loans	60,927,376	62,259,505
Medium-term loans	101,461,387	88,796,680
Medium-term secured loans	88,344,455	85,583,157
Long-term loans	14,782,603	13,668,783
Long-term secured loans	353,356,942	354,841,050
Nonperforming loans transferred from loans	<u>4,911,622</u>	<u>6,131,909</u>
	723,816,694	700,881,728
Allowance for credit losses	(7,624,323)	(7,069,678)
Unearned commissions and fees	(31,666)	(46,720)
Adjustment of hedge valuation	<u>8,742</u>	<u>13,263</u>
	<u>\$ 716,169,447</u>	<u>\$ 693,778,593</u>

Unearned commissions and fees are service charge for irrevocable loan commitments and handling fee of FENB which is considered as unearned revenue and were amortised as adjustments to interest revenue within the loan period.

As of December 31, 2010 and 2009, the balances of nonaccrual interest loans were \$5,029,917 and \$11,254,504, respectively. The unrecognized interest revenues on nonaccrual interest loans amounted to \$256,296 and \$331,580, for the years ended December 31, 2010 and 2009, respectively.

For the years ended December 31, 2010 and 2009, the Bank and its subsidiaries 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, 2010 and 2009, respectively, please refer to Table 9-1.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Related information regarding available-for-sale financial assets please refer to Table 8-3.

11. HELD-TO-MATURITY INVESTMENTS

Related information regarding held-to-maturity financial assets please refer to Table 8-4.

12. 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 8-5.

13. PROPERTIES

	<u>December 31</u>	
	2010	2009
Cost	<u>\$ 14,601,996</u>	<u>\$ 14,944,120</u>
Accumulated depreciation		
Buildings	1,996,771	1,875,074
Computer and machinery equipment	4,027,978	4,187,390
Transportation equipment	<u>2,647</u>	<u>2,309</u>
	<u>6,027,396</u>	<u>6,064,773</u>
Advances on acquisitions of equipment and construction in progress	<u>374,331</u>	<u>269,143</u>
Net properties	<u>\$ 8,948,931</u>	<u>\$ 9,148,490</u>

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

Under the Financial Institutions Merger Act and interpretation (94) 349 issued by the ARDF of ROC, the Bank did not book the land value increment tax reserve amounting to \$555,910 since the land was not revalued when both banks merged in November 13, 2006.

14. INTANGIBLE ASSETS

	<u>December 31</u>	
	2010	2009
Goodwill	\$ 1,346,746	\$ 1,393,149
Computer software	103,086	130,219
Core deposit intangible	<u>21,974</u>	<u>39,001</u>
	<u>\$ 1,471,806</u>	<u>\$ 1,562,369</u>

Goodwill include (1) the excess of purchase price over the fair market value of SinoPac Card Service \$876,717 when the Company acquired SinoPac Card Services, and (2) on August 15, 1997, Bank SinoPac acquired FENB through SinoPac Bancorp and the acquisition was accounted for using the purchase method of accounting. The assets and liabilities of FENB were revalued to reflect the estimated fair market value as of the date of acquisition. The excess of purchase price over the fair market value of the net tangible assets acquired US\$16,123 was recorded as goodwill. Since January 1, 2006, the Company applied SFAS No. 35, which requires the impairment review on goodwill annually or more frequently if events or changes in circumstance indicate goodwill impairment.

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 years and uses its parent company's weighted average funding cost as the discount rate to calculate the value in use.

After assessment, there was no objective evidence that goodwill was impaired as of December 31, 2010 and 2009.

15. OTHER ASSETS

	<u>December 31</u>	
	2010	2009
Deferred income tax assets (Note 29)	\$ 4,240,579	\$ 4,546,915
Leased assets, net	1,311,083	1,326,482
Collateral assumed, net of accumulated impairment \$184,739 and \$114,640	1,082,595	1,548,805
Prepayment	833,077	780,029
Idle assets, net	442,559	404,485
Deferred pension cost	271,385	303,360
Temporary payment	45,231	30,039
Land value increment tax	34,792	34,792
Others	<u>403,043</u>	<u>22,865</u>
	<u>\$ 8,664,344</u>	<u>\$ 8,997,772</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 in December 2009. The gain from disposal of the land was \$2,693,234. The related-party transaction was resolved by the board of directors on December 9, 2009. The register of transfer was complete on December 25, 2009. The uncollected amount of the transaction was received on January 28, 2010.

In accordance with Financial Supervisory Commission (FSC) guideline No. 09900146911, the aforementioned gain from disposal of the land amounting to \$2,693,234 shall not be included in the eligible capital upon calculation of the Bank's capital adequacy ratio.

16. CALL LOANS AND DUE TO BANKS

	<u>December 31</u>	
	2010	2009
Call loans	\$ 45,788,575	\$ 23,637,206
Redeposits from the directorate general of postal remittance	18,877,255	21,044,785
Due to banks	132,371	72,972
Due to the Central Bank	<u>-</u>	<u>49,044</u>
	<u>\$ 64,798,201</u>	<u>\$ 44,804,007</u>

17. SHORT-TERM BORROWINGS

As of December 31, 2010 and 2009, short-term borrowings with maturity dates in April 2011 and between January 2010 and March 2010 with interest rates of 1.3%-1.68906 and 1.27%-1.75438%, respectively.

18. ACCOUNTS, INTEREST AND OTHER PAYABLES

	<u>December 31</u>	
	2010	2009
Accounts payable - factoring	\$ 4,348,201	\$ 14,644,304
Acceptance payable	2,443,659	1,599,802
Notes and checks in clearing	2,011,424	2,875,731
Accrued expense	1,925,476	1,509,813
Dividends payable	1,435,025	-
Interest payable	1,419,905	1,500,428
Accounts payable	252,242	323,802
Tax payable	209,980	324,764
Receipts under custody payable	105,122	82,056
Others	<u>519,695</u>	<u>508,846</u>
	<u>\$ 14,670,729</u>	<u>\$ 23,369,546</u>

19. DEPOSITS AND REMITTANCES

	<u>December 31</u>	
	2010	2009
Checking	\$ 18,621,883	\$ 17,496,907
Demand	167,458,498	158,924,658
Savings - demand	230,455,689	216,668,391
Time	313,399,238	258,691,542
Negotiable certificates of deposit	23,438,700	22,906,400
Savings - time	195,867,743	193,636,362
Inward remittances	408,616	5,483,244
Outward remittances	<u>78,890</u>	<u>88,107</u>
	<u>\$ 949,729,257</u>	<u>\$ 873,895,611</u>

20. 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. The related information please refers to Table 8-6.

21. 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 bonuses; 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 a 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 in 2009, respectively. The bonds were redeemed amounting to US\$141,330 thousand as of December 22, 2009.

22. OTHER FINANCIAL LIABILITIES

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
FHLB term advance	\$ 3,206,720	\$ 6,886,450
Appropriated loan fund	427,859	489,451
Guarantee deposit received	261,920	277,855
Hedging derivative financial liabilities	40,291	27,114
Contingent losses (Note 32)	<u>-</u>	<u>2,171,127</u>
	<u>\$ 3,936,790</u>	<u>\$ 9,851,997</u>

23. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
Accrued pension cost (Note 28)	\$ 1,601,693	\$ 1,485,570
Temporary receipt	543,007	454,191
Reserve of land value increment tax	430,599	430,599
Advanced receipt	255,452	318,687
Deferred income tax liabilities (Note 29)	99,455	500,892
Others	<u>243,988</u>	<u>223,054</u>
	<u>\$ 3,174,194</u>	<u>\$ 3,412,993</u>

24. STOCKHOLDERS' EQUITY

a. Capital stocks

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.

To handle the Group's capital more efficiently, the board of directors of the Bank resolved to raise capital in private placement on August 20, 2010, amounting to \$1.67 billion, with 133,200 thousand shares, par value at \$10, and issue price at \$12.5.

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 years ended December 31, 2010 and 2009 the bonus to employees were \$17,435 and \$16,305, respectively. For the years ended December 31, 2010 and 2009, the remuneration to directors and supervisors were \$13,948 and \$10,835, respectively. The bonus to employees and the remuneration to directors and supervisors recognized for the year ended December 31, 2010 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.

On June 25, 2010, the board of directors which execute the rights and functions of the stockholders' meeting resolved the appropriation of earnings for 2009 as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 615,011	
Cash dividends	782,833	\$0.16235
Bonus to stockholders	<u>652,192</u>	0.13525
	<u>\$ 2,050,036</u>	

The bonus to employees of \$16,305 and the remuneration to directors and supervisors of \$10,835 for 2009 were resolved by the board of directors which execute the rights and functions of the stockholders' meeting.

In accordance with FSC guideline No. 0900146911, cash dividends and bonus to stockholders for 2009 amounting to \$1,435,025 shall not be remitted to the parent company until the land transferred to SPL from the Bank is disposed and the gain is realized, please refer to Note 15. 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.

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.

d. Unrealized gains or losses on financial instruments

The movements of unrealized gains or losses on available-for-sale financial assets for the years ended December 31, 2010 and 2009, respectively, were summarized as follow:

	Years Ended December 31	
	2010	2009
Balance, beginning of year	\$ (31,203)	\$ (19,860)
Recognized in stockholders' equity	335,214	(59,149)
Transferred to profit or loss	<u>(88,628)</u>	<u>47,806</u>
Balance, end of year	<u>\$ 215,383</u>	<u>\$ (31,203)</u>

The movements of unrealized gains or losses of cash flows hedge for the years ended December 31, 2010 and 2009, respectively, were summarized as follows:

	Years Ended December 31	
	2010	2009
Balance, beginning of year	\$ 22,130	\$ -
Recognized in stockholders' equity	(48,315)	22,130
Transferred to profit or loss	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ (26,185)</u>	<u>\$ 22,130</u>

e. Earnings per share

The convertible bonds issued by the Bank were redeemed as of December 22, 2009. There would not be an anti-dilutive effect on potential common stock because of net loss so as not to compute the diluted EPS in 2010. The numerators and denominators used in computing earnings per shares (EPS) were summarized as follows:

	Numerator (Amounts)		Denominator (Shares in Thousands)	EPS (NT\$)	
	Pretax	After Tax		Pretax	After Tax
<u>For the year ended December 31, 2010</u>					
Basic EPS					
Net income attributable to parent company's common stockholders	<u>\$ 3,486,974</u>	<u>\$ 3,501,375</u>	<u>4,866,369</u>	<u>\$ 0.72</u>	<u>\$ 0.72</u>
<u>For the year ended December 31, 2009</u>					
Basic EPS					
Net income attributable to parent company's common stockholders	<u>\$ 1,303,766</u>	<u>\$ 2,085,157</u>	<u>4,482,779</u>	<u>\$ 0.29</u>	<u>\$ 0.47</u>

25. COMMISSIONS AND FEE REVENUES, NET

	Years Ended December 31	
	2010	2009
Commissions and fees revenues	\$ 5,250,593	\$ 4,601,748
Commissions and fees expenses	<u>(665,375)</u>	<u>(632,970)</u>
	<u>\$ 4,585,218</u>	<u>\$ 3,968,778</u>

26. GAINS ON THE 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.

27. OPERATING EXPENSES

	Years Ended December 31	
	2010	2009
Personnel expenses		
Salaries and wages	\$ 5,461,767	\$ 5,315,673
Pension	505,644	512,881
Labor insurance and national health insurance	342,404	330,162
Others	<u>437,675</u>	<u>355,707</u>
	6,747,490	6,514,423
Depreciation	466,729	703,440
Amortization	76,507	109,346
Others	<u>3,744,026</u>	<u>3,700,810</u>
	<u>\$ 11,034,752</u>	<u>\$ 11,028,019</u>

28. 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 which is equal to or more than year shall be counted as one year of service, and any fraction of a year which is less than year shall be counted as half a year of service.

The Bank applied defined contribution plan regulated by Labor Pension Act after July 1, 2005. Under this Act, the Bank contributed 6% of the employee salaries to the Labor Insurance Administration (according to this Act, the contribution rate by the employer to the Labor Pension Fund per month shall not be less than 6% of the employee's monthly wages).

FENB has a 401(k) plan in which all employees of FENB may elect to enroll at the beginning of each month provided that they have been employed for at least three months prior to the enrollment date. Employees may contribute up to 100% of their annual salary with FENB matching up to 3% of the employee's annual salary.

For the years ended December 31, 2010 and 2009, the pension expense amounted to \$155,972 and \$155,381, respectively, which were contributed to personal pension accounts.

Information related to defined benefit pension plan of the Bank and its subsidiaries are disclosed as follows:

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

	Years Ended December 31	
	2010	2009
Service cost	\$ 144,544	\$ 138,862
Interest cost	115,669	111,209
Expected return on pension fund assets	(43,142)	(51,411)
Curtailment or settlement losses	-	34,731
Net amortization and deferral	<u>132,601</u>	<u>123,959</u>
Net pension cost	<u>\$ 349,672</u>	<u>\$ 357,350</u>

b. The reconciliations of the funded status of the plan and accrued pension cost as of December 31, 2010 and 2009 were as follows:

	Years Ended December 31	
	2010	2009
Benefit obligation		
Vested benefit obligation	\$ 1,496,412	\$ 1,366,370
Nonvested benefit obligation	<u>2,434,938</u>	<u>2,162,081</u>
Accumulated benefit obligation	3,931,350	3,528,451
Additional benefit based on future salaries	<u>2,080,752</u>	<u>1,665,073</u>
Projected benefit obligation	6,012,102	5,193,524
Fair value of plan assets	<u>(2,329,657)</u>	<u>(2,042,881)</u>
Funded status	3,682,445	3,150,643
Unrecognized net transition obligation	-	(4,838)
Unamortized prior service cost	(271,385)	(298,522)
Unamortized pension loss	(3,026,553)	(2,431,232)
Additional accrued pension liability	<u>1,217,186</u>	<u>1,069,519</u>
Accrued pension cost	<u>\$ 1,601,693</u>	<u>\$ 1,485,570</u>
	December 31	
	2010	2009
c. Vested benefit	<u>\$ 2,311,809</u>	<u>\$ 2,059,510</u>

	December 31	
	2010	2009
d. Actuarial assumptions		
1) Discount rate used in determining present value	2.25%	2.25%
2) Future salary increase rate	3.00%	2.75%
3) Expected rate of return on plan assets	2.00%	2.00%

29. INCOME TAX

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

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

	Years Ended December 31	
	2010	2009
Current income tax payable	\$ 231,869	\$ 211,164
Separation taxes	31,534	195,323
Deferred income taxes	(789,506)	(2,052,731)
Overseas income taxes over limitation	9,763	63,578
Adjustment for prior years' tax	4,409	35,062
Tax on unappropriated earnings (10%)	-	46,330
Effect of tax law changes on deferred income tax	472,811	720,575
Others	<u>24,719</u>	<u>(692)</u>
Income tax benefit	<u>\$ (14,401)</u>	<u>\$ (781,391)</u>

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

b. Reconciliation of tax on pretax loss at statutory rate and current income tax payable:

	Years Ended December 31	
	2010	2009
Tax on pretax loss at statutory rate	\$ (112,413)	\$ (396,091)
Add (deduct) tax effects of:		
Tax-exempt income	(32,199)	(847,447)
Permanent difference	(214,561)	(507,239)
Temporary difference	1,155,604	845,872
Loss carryforward	(522,639)	1,170,982
Investment credit	(25,457)	-
Others	<u>(16,466)</u>	<u>(54,913)</u>
Current income tax payable	<u>\$ 231,869</u>	<u>\$ 211,164</u>

- c. During the years ended December 31, 2010 and 2009, the Legislative Yuan passed the following amendments to tax laws:
- 1) In January 2009, the Legislative Yuan passed the amendment of Article 39 of the Income Tax Law, which extends the operating loss carryforward period from 5 years to 10 years.
 - 2) In March 2009, the Legislative Yuan passed the amendment of Article 24 of the Income Tax Law, which requires (a) the profit-seeking enterprise that invests in short-term notes for which the issuance dates are on and after January 1, 2010 to include the interest income arising, which was taxed separately prior to January 1, 2010, in its taxable income; and (b) the profit-seeking enterprise that invests in beneficiary securities or asset-based securities issued under the Financial Asset Securitization Act or Real Estate Securitization Act to include from January 1, 2010 the interest income arising, which was taxed separately prior to January 1, 2010, in its taxable income.
 - 3) In May 2009, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduced a profit-seeking enterprise's income tax rate from 25% to 20%, effective January 1, 2010.
 - 4) Under Article 10 of the Statute for Industrial Innovation (SII) passed by the Legislative Yuan in April 2010, a profit-seeking enterprise may deduct up to 15% of its research and development expenditures from its income tax payable for the fiscal year in which these expenditures are incurred, but this deduction should not exceed 30% of the income tax payable for that fiscal year. This incentive took effect from January 1, 2010 and is effective till December 31, 2019. The assessment calculated by the Bank on December 31, 2010 has no income tax credits.
 - 5) In May 2010, 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 20% to 17%, effective January 1, 2010.
- d. Deferred income tax assets (liabilities) consisted of the tax effects of the following:

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
<u>Deferred income tax assets</u>		
Loss carryforward	\$ 1,876,136	\$ 2,904,930
Deferred pension cost	228,674	274,416
Deferred service charges	(92,638)	(110,339)
Deferred provisions	1,170,936	903,705
Unrealized loss or gain on foreign exchange and revaluation of financial instrument, net	237,609	(20,870)
Personnel training expenditures	-	25,457
Loss carryforward - overseas subsidiary	690,772	151,239
Others	155,590	444,877
Valuation allowance	<u>(26,500)</u>	<u>(26,500)</u>
Deferred income tax assets	<u>\$ 4,240,579</u>	<u>\$ 4,546,915</u>
<u>Deferred income tax liabilities</u>		
Investment income under the equity method	\$ (52,900)	\$ (454,337)
Others	<u>(46,555)</u>	<u>(46,555)</u>
Deferred income tax liabilities	<u>\$ (99,455)</u>	<u>\$ (500,892)</u>

The unused loss carryforward as of December 31, 2010 were as follows:

Deficit Year	The Last Year of Claiming Deductible Loss	Amount
2007	2017	\$ 3,347,476
2008	2018	6,166,540
2009	2019	<u>1,522,078</u>
		<u>\$ 11,036,094</u>

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

	December 31	
	2010	2009
Receivables from related parties	<u>\$ 1,420,328</u>	<u>\$ 1,489,569</u>

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

	December 31	
	2010	2009
<u>Balance of ICA</u>		
The Bank	\$ 2,494,373	\$ 2,753,047
SinoPac Life Insurance Agent	82,351	246,391
SinoPac Property Insurance Agent	3,674	14,175
	Projected Creditable Tax Ratio for Earnings in 2010	Actual Creditable Tax Ratio for Earnings in 2009
The Bank	20.48%	33.33%
SinoPac Life Insurance Agent	20.48%	41.15%
SinoPac Property Insurance Agent	20.48%	40.01%

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 2010 and the tax credit ratio applied to stockholders actually.

- g. As of December 31, 2010, 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.

- h. 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.
- i. 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.
- j. For formerly SinoPac Card Services Co., Ltd., income tax returns through 2005 had been examined by the tax authorities.
- k. The situation of examined income tax returns for subsidiaries:

	Examined Year
SinoPac Life Insurance Agent	2008
SinoPac Property Insurance Agent	2008

30. RELATED-PARTY TRANSACTIONS

In addition to the disclosure in other footnotes, relationship with the Bank and its subsidiaries and significant transactions, as well as the subsidiaries' related-party transactions are summarized as follows:

a. Related parties

<u>Name</u>	<u>Relationship with the Bank</u>
SinoPac Financial Holdings Company Limited (SPH)	Parent company of the Bank
SinoPac Securities Corporation (SinoPac Securities)	Subsidiary of SPH
SinoPac Call Center Co., Ltd. (SinoPac Call Center)	Subsidiary of SPH
SinoPac Venture Capital Co., Ltd. (SinoPac Venture Capital)	Subsidiary of SPH
SinoPac Leasing Corporation (SPL)	Subsidiary of SPH (has been transferred to SPH at the book value in December 2009)
SinoPac Securities Investment Trust Co., Ltd. (SinoPac Securities Investment Trust)	Subsidiary of SPH
Grand Capital International Limited (Grand Capital)	Subsidiary of SPL
Wal Tech International Corporation (Wal Tech International)	Subsidiary of SinoPac Venture Capital (was liquidated in November 2009)
Intellisys Corporation	Subsidiary of SinoPac Venture Capital
SinoPac Strategic Allocation Balanced Fund	Managed by SinoPac Securities Investment Trust Co., Ltd.
BoardTek Electronics Corp. (BoardTek Electronics)	Affiliate of the Bank's director

(Continued)

Name	Relationship with the Bank
Yung An Leasing Corporation (Yung An Leasing)	Affiliate of the Bank's director
Yuen Foong Industrial Co., Ltd. (Yuen Foong Industrial)	Affiliate of the Bank's director
SinoPac Capital (Asia) Ltd.	Affiliate of SinoPac Securities
SinoPac Securities (Asia) Ltd.	Affiliate of SinoPac Securities
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
Prime View International Co., Ltd. (Prime View International)	Affiliate of the Bank's director
Rung-Tzung Investment Corp. (Rung-Tzung Investment)	Affiliate of the second-degree of kinship of the director of SinoPac Securities
Ho, Shou Chuan	President of SPH
Chang, Xing Ru	The spouse of the president of SPH
Chang, Wan Ru	The second-degree of kinship of the president of SPH
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
Guo, Kai Wei	Manager of the Bank
Lyu, Shu Fang	Manager of the Bank
Huang, Yuan Chuan	Manager of the Bank
Kao, Kuo Hsing	Manager of the Bank
Sha, Nai Chun	Manager of the Bank
Lyu, Zhou Er	Manager of the Bank
Hung, Siou Huei	Manager of the Bank
Lien, His Chuan	Manager of the Bank
Hung, Wen Jing	Manager of the Bank
Guo, Ling Shan	Manager of the Bank
Yang, Jhih 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, Jhih Wen	Manager of the Bank
Ji, Ying Huei	Manager of the Bank
Huang, Ming Hua	Manager of the Bank
Jiang, Shang De	Manager of the Bank
Lee, Liang	Manager of the Bank
Lee, Qing Fong	Manager of the Bank
Shiung, Jr Gang	Manager of the Bank
Chang, Ping Chou	Manager of the Bank
Guo, Fong Yuan	Manager of the Bank
Lin, Jian Ying	Manager of the Bank
Huang, Shiou Jyuan	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
Lee, Chih Neng	Manager of the Bank
Zhung, Ji Cheng	Manager of the Bank

(Continued)

Name	Relationship with the Bank
Luo, Guang Tsai	Manager of the Bank
Jiang, Yen Jung	Manager of the Bank
Huang, Wei Ming	Manager of the Bank
Huang, Yung Kuang	Manager of the Bank
Lin, Shin Shin	Manager of the Bank
Hung, Jeng An	Manager of the Bank
Zhung, Ching Lin	Manager of the Bank
Liao, Chih Meng	Manager of the Bank
Liang, Ya Zi	Manager of the Bank
Lee, Qing Hsan	Manager of the Bank
Chang, Yu His	Manager of the Bank
Chuang, Ming En	Manager of the Bank
Wu, Zong Xian	Manager of the Bank
Lin, Xiu Yuan	Manager of the Bank
Chang, Tian Jun	Manager of the Bank
Chen, Jian Zhou	Manager of the Bank
Yang, Qing Long	Manager of the Bank
Lai, Li Ru	Manager of the Bank
Deng, Ai Hua	Manager of the Bank
Chang, Zhen Ming	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

1) Financial assets at fair value through profit or loss

	Ending Balance		% of Total	
	December 31		December 31	
	2010	2009	2010	2009
Beneficiary certificates - SinoPac Strategic Allocation Balanced Fund	\$ -	\$ 36,143	-	0.20%

2) Derivative financial instruments

	December 31, 2010				
	Contract (Notional) Amount	Contract Period	Fair Value	Balance Sheet	
				Account	Balance
Currency swap contract Grand capital	\$ 317,497	2010.11.04- 2011.1.11	\$ 50	Financial assets at fair value through profit or loss	\$ 50
Interest rate swap contracts SinoPac Securities	36,365,000	2006.12.29- 2015.12.28	(63,083)	Financial liabilities at fair value through profit or loss	(63,083)
Forward contracts Grand Capital	106,405	2007.11.26- 2011.2.25	10	Financial assets at fair value through profit or loss	10

	December 31, 2009				
	Contract (Notional) Amount	Contract Period	Fair Value	Balance Sheet	
				Account	Balance
Interest rate swap contracts					
SinoPac Securities	\$ 18,280,000	2006.12.29 - 2014.12.22	\$ (46,585)	Financial liabilities at fair value through profit or loss	\$ (46,585)

3) Accounts, interest, other receivables and payables

As of December 31, 2010 and 2009, the other receivables from related parties amounted to \$3,739 and \$8,969, respectively. As of December 31, 2010 and 2009, other payables to relative parties amounted to \$17,089 and \$22,924, respectively. The Bank's dividends payable to SPH amounted to \$1,435,025 as of December 31, 2010.

As of December 31, 2010 and 2009, the Bank's estimated receivables resulting from the adoption of the linked-tax system amounted to \$1,420,328 and \$1,489,569, respectively.

4) Loans

	Year Ended December 31, 2010				
	December 31, 2010 Balance	Highest Balance	% of Total	Interest/ Fee Rates	Interest Revenue
Loans	<u>\$ 5,293,477</u>	<u>\$ 7,871,802</u>	0.74	0.7-6.58	<u>\$ 151,121</u>

Category	Account Volume or Name of Related Party	December 31, 2010		Normal	Overdue	Type of Collaterals	Is the Transaction at Arm's Length Commercial Term
		Highest Balance	Ending Balance				
Employees consuming loan	34	\$ 15,829	\$ 12,626	V	-	None	Yes
Households mortgages	226	1,571,988	1,250,512	V	-	Real estate	Yes
Others:	SPL	3,005,000	2,158,000	V	-	Real estate and estate	Yes
	Grand Capital	1,289,460	1,163,544	V	-	Estate	Yes
	SinoPac Capital (Asia) Ltd.	985,531	-	V	-	Estate	Yes
	BoardTek Electronics	410,354	305,554	V	-	Real estate	Yes
	Rung-Tzung Investment	246,672	200,000	V	-	Real estate	Yes
	Yung An Leasing	198,800	198,800	V	-	Real estate	Yes
	SinoPac Securities	125,000	-	V	-	Marketable securities and claim	Yes
	Taiwan Genome Sciences, Inc.	9,500	-	V	-	Real estate	Yes
	Chen Hsu, Yu Rong	6,370	4,441	V	-	Real estate	Yes
	Jhuo, Shu Lin	4,214	-	V	-	Certificate of deposit	Yes
	Lai, Li Ru	982	-	V	-	Certificate of deposit	Yes
	Chang, Zhen Ming	865	-	V	-	Certificate of deposit	Yes
	Liang, Ya Zi	397	-	V	-	Certificate of deposit	Yes
	Lin Xu, Li Hong	320	-	V	-	Certificate of deposit	Yes
	Huang, Wei Ming	299	-	V	-	Certificate of deposit	Yes
	Chang, Ping Chou	125	-	V	-	Certificate of deposit	Yes

(Continued)

December 31, 2010

Category	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collaterals	Is the Transaction at Arm's Length Commercial Term
	Lin, Jian Ying	\$ 47	\$ -	V	-	Certificate of deposit	Yes
	Zhong, Dau Cheng	22	-	V	-	Certificate of deposit	Yes
	Huang, Shiou Jyuan	17	-	V	-	Certificate of deposit	Yes
	Guo, Kai Wei	5	-	V	-	Certificate of deposit	Yes
	Deng, Ai Hua	5	-	V	-	Certificate of deposit	Yes
	Others subtotal	<u>6,283,985</u>	<u>4,030,339</u>				
		<u>\$ 7,871,802</u>	<u>\$ 5,293,477</u>				

(Concluded)

Year Ended December 31, 2009

December 31, 2009	Highest Balance	% of Total	Interest/ Fee Rates	Interest Revenue
Loans	<u>\$ 3,992,062</u>	<u>0.58</u>	0.70-6.49	<u>\$ 43,121</u>

December 31, 2009

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

5) Guarantees

December 31, 2010

Related Party	The Highest Balance in Current Period	Ending Balance	Provision	Rates	Type of Collaterals	Note
SinoPac Securities	\$ 2,000	\$ 2,000	\$ -	0.3%	Certificate of deposit	
Luo, Guang Tsai	420	5	-	1.50%-1.71%	None	Note
Hong, Wen Jing	400	50	-	1.50%-1.71%	None	Note
Li, Qing Hsan	190	-	-	1.50%-1.71%	None	Note
Lien, His Chuan	180	135	-	1.50%-1.71%	None	Note
Kao, Kuo Hsing	140	80	-	1.50%-1.71%	None	Note
Sha, Nai Chun	140	30	-	1.50%-1.71%	None	Note
Lyu, Zhong Xiong	140	95	-	1.50%-1.71%	None	Note
Chuang, Ming En	135	135	-	1.50%-1.71%	None	Note
Chiang, Yen Jung	120	-	-	1.50%-1.71%	None	Note
Zhung, Ji Cheng	75	-	-	1.50%-1.71%	None	Note
Lin, Shin Shin	70	-	-	1.50%-1.71%	None	Note
Lyu, Zhou Er	60	30	-	1.50%-1.71%	None	Note
Ci, Siou Jyuan	60	-	-	1.50%-1.71%	None	Note
Huang, Wei Ming	60	-	-	1.50%-1.71%	None	Note
Huang, Yung Kuang	60	-	-	1.50%-1.71%	None	Note
Ji, Ying Huei	60	-	-	1.50%-1.71%	None	Note
Jung, Ching Lin	55	20	-	1.50%-1.71%	None	Note
Lyu, Shu Fang	55	-	-	1.50%-1.71%	None	Note
Chen, Yu Chien	45	-	-	1.50%-1.71%	None	Note
Huang, Yuan Chuan	45	-	-	1.50%-1.71%	None	Note
Chang, Yu His	40	-	-	1.50%-1.71%	None	Note
Liao, Chih Meng	40	-	-	1.50%-1.71%	None	Note
Huang, Lien Cheng	30	-	-	1.50%-1.71%	None	Note
Huang, Ming Hua	20	-	-	1.50%-1.71%	None	Note
Guo, Ling Ling	20	-	-	1.50%-1.71%	None	Note
Li, Chih Neng	10	-	-	1.50%-1.71%	None	Note
Hung, Jeng An	10	-	-	1.50%-1.71%	None	Note
Lee, Qing Fong	5	-	-	1.50%-1.71%	None	Note

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

December 31, 2009

Related Party	The Highest Balance in Current Period	Ending 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, Jih Fa	180	-	-	1.25%-2.75%	None	Note
Lin, Shin Shin	160	70	-	1.25%-2.75%	None	Note
Lyu, 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
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

(Continued)

Related Party	The Highest Balance in Current Period	Ending Balance	Provision	Rates	Type of Collaterals	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.

6) 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.

7) Securities purchased under agreements to resell

	December 31, 2010		For the Year Ended December 31, 2010
	Face Amount	Cost	Interest Revenue
	SinoPac Capital (Asia) Ltd.	\$ 944,233	\$ 849,555

8) Securities sold under agreements to repurchase

	December 31, 2010		For the Year Ended December 31, 2010
	Face Amount	Cost	Interest Expense
	Ho, Shou Chuan	\$ 180,000	\$ 178,028
Chang, Xing Ru	-	-	79
Chang, Wan Ru	-	-	4

	December 31, 2009		For the Year Ended December 31, 2009
	Face Amount	Cost	Interest Expense
	Ho, Shou Chuan	\$ 179,000	\$ 178,481
Chang, Xing Ru	129,000	127,590	408
Chang, Wan Ru	63,000	64,088	90

9) Deposits

	Ending Balance	% of Total	Interest Rate	Interest Expense	% of Total
<u>Year ended December 31, 2010</u>					
SinoPac Securities	\$ 4,805,791	0.51%	0-1.13	\$ 12,641	0.18%
SinoPac Securities (Asia) Ltd.	1,126,784	0.12%	0-1.5	2,515	0.04%
SinoPac Venture Capital	1,009,820	0.11%	0.02-0.12	1,140	0.02%
SinoPac Futures	985,304	0.10%	0.12-0.82	4,199	0.06%
Prime View International	427,935	0.05%	0.01-0.11	534	0.01%
Others	7,436,381	0.78%	0-13	74,783	1.07%
<u>Year ended December 31, 2009</u>					
SinoPac Securities	3,829,879	0.44%	0-0.09	36,153	0.37%
SinoPac Futures	1,732,696	0.20%	0.1-0.54	29,997	0.30%
SinoPac Securities (Asia) Ltd.	1,143,603	0.13%	0-1.95	6,716	0.07%
SinoPac Venture Capital	1,076,197	0.12%	0.1-0.2	2,183	0.02%
Prime View International	549,529	0.06%	0.01-0.1	1,711	0.02%
Others	4,388,115	0.50%	0-13	63,934	0.65%

10) Revenues and expenses

	Amount		% of Total	
	Years Ended December 31		Years Ended December 31	
	2010	2009	2010	2009
Service fees	\$ 37,861	\$ 34,372	0.72%	0.75%
Service expenses	50,932	39,230	7.65%	6.20%
Project popularizing expense	113	-	-	-
Promotion fee	25,216	13,689	0.67%	0.37%
Other revenues	4,451	408	(3.51%)	(0.18%)

11) Lease

a) The Bank as a lessee

The Bank had leased certain office premises from related parties under several contracts with rentals paid monthly. The related information was summarized as follows:

Lessor	Rental Expenses		Lease Term	Payment Frequency
	Years Ended December 31			
	2010	2009		
SPL	\$ 113,909	\$ 113,915	February 2020	Rentals paid monthly

b) The Bank as s a lessor

Lessee	Rental Income		Lease Term	Payment Frequency
	Years Ended December 31			
	2010	2009		
SinoPac Securities	\$ 19,587	\$ 16,987	November 2014	Rentals received monthly
SinoPac Securities	13,872	12,667	September 2017	Rentals received monthly
Investment Trust				
SinoPac Call Center	6,717	6,237	March 2013	Rentals received monthly
SPL	5,892	5,902	July 2011	Rentals received monthly
Intellisys Corporation	3,336	3,573	December 2013	Rentals received monthly
Wal Tech	-	50	October 2009	Rentals received monthly
International				
SinoPac Venture Capital	-	5	June 2009	Rentals received monthly

12) 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, 2010 and 2009 amounted to \$183,246 and \$200,848, 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.

For transactions between related parties with FENB and its subsidiaries, and SinoPac Capital Limited and its subsidiaries, the terms are similar to those transacted with unrelated parties.

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

	2010	2009
Salary and compensation	\$ 151,460	\$ 183,651
Business-conducting expense	<u>9,288</u>	<u>9,650</u>
	<u>\$ 160,748</u>	<u>\$ 193,301</u>

31. RESTRICTED ASSETS

As of December 31, 2010 and 2009, pledged or restricted assets of the Bank and its subsidiaries are summarized as follow:

Restricted Assets	Object	Fair Value		Purposes
		December 31 2010	2009	
Discounts and loans	Loans	\$ 2,284	\$ -	Pledged with the Federal Reserve Bank under the discount window program
Available for sale financial assets	Government bonds	539,718	462,892	Pledged to bank as collaterals for filing provisional seizure, GTSM's bond payment settlement reserves for electronic bond trading system
Available for sale financial assets	GSE bonds	320,184	32,683	Pledged with the Federal Reserve Bank and Federal Home Loan Bank as loans guarantee
Held-to-maturity investments	GSE bonds and municipal bonds	1,481,619	-	Pledged with the Federal Reserve Bank and Federal Home Loan Bank as loans guarantee
Held-to-maturity investments	Government bonds	187,545	207,233	Hong Kong branch's clearing system of real - time gross settlement
Held-to-maturity investments	Certificate of deposits	145,761	160,150	Pledged in accordance with requirements of the California Department of Financial Institutions

32. SIGNIFICANT CONTINGENCIES AND COMMITMENTS

In addition to those disclosed in Note 35, financial instruments, significant contingencies and commitments of the Bank and its subsidiaries, are summarized as follows:

a. Lease contract

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

Year	Amount
2011	\$ 346,523
2012	265,295
2013	192,816
2014	142,259
2015	127,134

Rentals for the years beyond 2016 amount to \$216,614, the present value of which is about \$201,038 as discounted at the Bank's one-year time deposit rate of 1.130% on December 31, 2010.

b. Equipment purchase contract

The Bank had entered into contracts to buy computer equipment and office equipment for \$696,732 of which \$354,858 had already been paid as of December 31, 2010.

- c. The Bank's Hong Kong branch was delegated by professional investors to sell investment products of PEM GROUP amounting to US\$146,000 thousand in private placement, which was allowed under Hong Kong's regulations. The Court appointed permanent receiver for all assets that belong to, are being managed by, or in the possession of or control of PEM GROUP and any of their subsidiaries and affiliates. If the products aforementioned fail to repay at maturity due to deceptive underlying assets, the Bank will buy back those products at the price of initial payment deducted the distribution and redemption. As far, the Bank investigate internally and externally, delegate the lawyer and inform the related investors simultaneously to solve the problem. In accordance with aforementioned principle, the board of directors have resolved on December 24, 2010 to comply with the Courts' appointment of the PEM GROUP receiver to take the insurance policy at the price of approximately US\$40.4 million, and impairment losses amounting to US\$11,152 thousand has been charged. As of December 31, 2010, US\$78,936 thousand of the accumulated impairment losses has been set aside.
- d. The Securities and Futures Investors Protection Center (SFIPC) was filing a lawsuit against the Bank and SPL's subsidiary, Grand Capital, in the ground that Procomp Informatics Ltd. provided deposit US\$10,000 thousand with the Bank's Shisung Branch (formally Sungshan Branch) and limited the usage as a condition for short-term loan to Addie International Limited granted by SPL and for helping Yeh, Sue-Fei and Procomp Informatics Ltd. processing irregular trading and appropriating the aforementioned limited deposit for fictitious sales. Finally the Bank directly took compensation from Procomp Informatics Ltd.'s account, causing Procomp's damage. And the Bank was suspected of misleading investors by providing unreal confirmations for conceal with the limited deposit of the Procomp and window-dressing its financial statements. The SFIPC filed additional lawsuit against the Bank, SPL and all other parties related to Procomp Informatics Ltd. for involving liability \$41.7 hundred millions to pay compensation. The Shihlin District Court rejected the SFIPC's lawsuit against the Bank on March 11, 2008. SFIPC has filed an appeal. The Bank has entered a plea on such charges and the case is under trying in the Taiwan High Court.
- e. The SFIPC is believed by investors to be filing a lawsuit against the Bank in the ground that National Aerospace Fasteners Corporation provided an accounts receivable - factoring with the Bank's Tunpei Branch and recorded the substantially loan transaction as an accounts receivable financing activity to window-dress its financial position which the investors made their investing decision based on. The SFIPC files lawsuit against the Bank and all other parties for compensation \$5.7 hundred millions. The Bank has entered a plea on such charges and the case is under trying in the Taipei District Court.
- f. The FSC imposed a disciplinary, FSC (6) 09480115211, at December 23, 2005 for restraining the Bank from developing new clients of accounts receivable factoring activities (except for authorized limit of original clients) in the period of January to June 2006, due to believing the Bank accommodated client to increase bank deposit falsely for window dressing the clients' financial reports, and not sufficiently disclosed the restricted deposit for CPA confirmation.

Not willing to accept the aforementioned disciplinary as final, the Bank has been appealed to Executive Yuan, but it was rejected, FSC 0950088724, at July 17, 2006. For aforementioned disciplinary and appeal decision, the Bank filed an administrative lawsuit, but the Taipei High Administrative Court determined the Bank lost on July 5, 2007. On August 27, 2009, the Supreme Administrative Court judged that the aforementioned judge shall be abolished and remanded. After the initial trial, the Taipei High Administrative Court has ruled against the Bank on October 12, 2010, and the Bank has appealed the ruling with the Supreme Administrative Court.

33. 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. The Bank acquired from SinoPac Card the following net assets, amounting to \$2,998,513 thousand:

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

34. 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 of the Bank and its subsidiaries, FENB, were as follow:

	Years Ended December 31			
	2010		2009	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Due from the Central Bank and other banks	\$ 28,844,192	0.46	\$ 30,134,825	0.43
Call loans to banks	40,577,322	0.55	61,297,800	0.83
Financial assets at fair value through profit or loss	11,377,607	1.57	12,119,159	2.62
Securities purchased under agreements to resell	447,723	0.60	658,247	0.53

(Continued)

	Years Ended December 31			
	2010		2009	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Accounts receivable - factoring	\$ 10,108,943	1.24	\$ 5,448,921	2.33
Credit card receivable	10,911,492	14.04	8,133,516	14.00
Discounts and loans	716,062,745	2.11	658,174,347	2.22
Available-for-sale financial assets	38,394,662	2.00	42,257,928	2.01
Held-to-maturity investments	154,954,083	0.72	129,736,760	0.84
Other financial assets	1,345,294	2.47	1,440,512	1.18

Interest-bearing liabilities

Due to the Central Bank and other banks	20,251,695	1.09	21,120,532	1.21
Call loans	28,915,813	0.48	18,224,085	0.68
Demand deposits	160,469,218	0.15	139,491,531	0.18
Savings - demand deposits	220,359,187	0.36	191,225,480	0.43
Time deposits	296,300,310	0.73	290,137,657	1.14
Savings - time deposits	183,026,392	1.03	193,527,084	1.50
Negotiable certificates of deposit	26,874,832	0.42	8,134,774	0.62
Securities sold under agreements to repurchase	5,231,048	0.27	3,287,738	0.17
Bank debentures	25,881,274	2.06	30,281,084	2.27
Other financial liabilities	5,142,709	4.53	7,363,192	4.25
Bonds payable	-	-	4,583,963	-

(Concluded)

35. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

	December 31			
	2010		2009	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<u>Assets</u>				
Other short-term financial assets	\$ 137,520,408	\$ 137,520,408	\$ 149,405,811	\$ 149,405,811
Financial assets at fair value through profit or loss	27,283,956	27,283,956	18,328,462	18,328,462
Discounts and loans	716,169,447	716,169,447	693,778,593	693,778,593
Available-for-sale financial assets	38,193,924	38,193,924	38,665,334	38,665,334
Held-to-maturity investments	200,564,991	200,613,989	125,824,927	125,892,743
Unquoted equity instruments	1,665,439	-	1,678,209	-
Non-active market debt instruments	82,066	79,634	100,486	90,445
Other financial assets	3,898,781	3,898,781	6,682,875	6,682,875
<u>Liabilities</u>				
Other short-term financial liabilities	83,253,437	83,253,437	70,093,839	70,093,839
Financial liabilities at fair value through profit or loss	9,507,112	9,507,112	8,637,007	8,637,007
Deposits and remittances	949,729,257	949,729,257	873,895,611	873,895,611
Bank debentures	30,121,486	30,528,056	27,129,563	27,387,276
Other financial liabilities	3,936,790	3,936,790	9,851,997	9,851,997

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, payables, short-term borrowings, remittances, and securities sold under agreements to repurchase, approximate their fair values because of the short maturities of these instruments. However, due to the statutory right and obligation, tax receivables, tax linked receivables, and tax payable have been excluded.
- 2) For financial investments at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, bank debentures, 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.

Derivative financial instruments, forward contracts' and interest rate swap contracts' fair values are based on estimates using present value techniques. Options' fair value are based on estimates using Black & Scholes model.

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

Fair value of structured instruments are 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 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 and its subsidiaries does not have significant influence over the investees, that 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 and purchase of instruments issued by PEM Group are estimated at their carrying amounts since such deposits do not have specific due dates.
- c. Interest revenue of financial assets and liabilities other than those at fair value through profit or loss amounted to \$19,167,348 and \$19,588,948, respectively, for the years ended December 31, 2010 and 2009. Interest expense of financial assets and liabilities other than those at fair value through profit or loss amounted to \$5,798,544 and \$8,208,233, respectively, for the years ended December 31, 2010 and 2009.

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:

	Quoted Market Prices		Fair Value Based on Estimates	
	December 31		December 31	
	2010	2009	2010	2009
<u>Financial assets</u>				
Financial assets at fair value through profit or loss	\$ 24,874,565	\$ 14,434,521	\$ 2,409,391	\$ 3,893,941
Available-for-sale financial assets	36,195,135	38,665,334	1,998,789	-
Held-to-maturity investments	200,613,989	125,892,743	-	-
Other financial assets- non-active market debt instruments	-	-	79,634	90,445
<u>Financial liabilities</u>				
Financial liabilities at fair value through profit or loss	9,212,138	8,371,446	294,974	265,561
Bank debentures	28,000,445	22,350,290	2,527,611	5,036,986

The Bank sets up independent risk management team to control the market risk, and to carrying 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, 2010 and 2009, ratios of secured loans to total loans were 68.70% and 70.47%, respectively. Ratio of secured financial guarantees and standby letters of credits were from 25.22% to 25.61%. 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 and its subsidiaries, FENB, equaled the book value except which analyzed as follows:

Items	Maximum Credit Exposure	
	December 31	
	2010	2009
Off-balance-sheet credit risk		
Credit card commitments	\$ 175,223,135	\$ 185,977,260
Financial guarantees and standby letter of credit	20,046,031	19,280,129
Undrawn loan commitments	22,967,707	42,387,578

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

Credit Risk Profile by Counterparty	December 31	
	2010	2009
Consumer	\$ 378,249,510	\$ 378,091,902
Private sector	277,306,412	257,594,355
Government	<u>40,236,956</u>	<u>23,070,160</u>
	<u>\$ 695,792,878</u>	<u>\$ 658,756,417</u>

Credit Risk Profile by Industry Sector	December 31	
	2010	2009
Electricity industry	\$ 63,307,145	\$ 50,836,244
Wholesale trade and retail business	44,865,134	43,144,193
Material and supplies	<u>42,569,608</u>	<u>44,076,990</u>
	<u>\$ 150,741,887</u>	<u>\$ 138,057,427</u>

Credit Risk Profile by Region	December 31	
	2010	2009
Domestic area	\$ 633,894,811	\$ 605,236,930
Asia	31,597,590	25,893,500
North America	<u>21,412,377</u>	<u>18,567,150</u>
	<u>\$ 686,904,778</u>	<u>\$ 649,697,580</u>

3) Liquidity risk

As of December 31, 2010 and 2009, the liquidity reserve ratio was 31.51% and 22.95%, 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 and FENB 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 and FENB applied appropriate way to group assets and liabilities. The maturity analysis of assets and liabilities was as follows:

	December 31, 2010						
	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due Between One Year and Seven Years	Due After Seven Years	Total
Assets							
Cash and cash equivalents	\$ 10,980,286	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,980,286
Due from the Central Bank and other banks	76,520,386	2,819,995	5,152,961	-	-	-	84,493,342
Financial assets at fair value through profit or loss	23,358,361	387,393	2,443,315	178,267	535	914,428	27,282,299
Securities purchased under agreements to resell	1,152,479	-	-	-	-	-	1,152,479
Receivables	19,867,234	10,755,308	2,016,643	1,126,902	8,737,983	-	42,504,070
Discounts and loans	60,471,012	58,790,732	37,472,226	35,156,047	175,890,096	354,594,499	722,374,612
Available-for-sale financial assets	6,900,594	2,426,749	1,219,070	3,415,657	23,792,966	438,888	38,193,924
Held-to-maturity investments	116,705,568	41,943,817	11,554,547	28,414,205	1,707,935	238,919	200,564,991
Non-active market debt instruments	-	-	80,809	-	-	1,257	82,066
Hedged derivative financial assets	-	-	16,284	15,418	96,349	-	128,051
	<u>315,955,920</u>	<u>117,123,994</u>	<u>59,955,855</u>	<u>68,306,496</u>	<u>210,225,864</u>	<u>356,187,991</u>	<u>1,127,756,120</u>
Liabilities							
Call loans and due to banks	37,091,361	12,572,343	1,650,990	13,483,507	-	-	64,798,201
Financial liabilities at fair value through profit or loss	6,662,958	385,427	151,948	2,305,533	1,246	-	9,507,112
Securities sold under agreements to repurchase	3,016,860	50,593	-	-	-	-	3,067,453
Payables	7,804,139	3,350,737	1,143,846	2,014,902	244,119	-	14,557,743
Deposits and remittances	155,039,720	152,128,130	165,289,126	154,325,446	323,867,124	-	950,649,546
Bank debentures	128,051	-	3,500,000	500,000	25,993,435	-	30,121,486
Hedged derivative financial liabilities	-	-	-	-	40,291	-	40,291
	<u>209,743,089</u>	<u>168,487,230</u>	<u>171,735,910</u>	<u>172,629,388</u>	<u>350,146,215</u>	<u>-</u>	<u>1,072,741,832</u>
Net liquidity gap	<u>\$ 106,212,831</u>	<u>\$ (51,363,236)</u>	<u>\$ (111,780,055)</u>	<u>\$ (104,322,892)</u>	<u>\$ (139,920,351)</u>	<u>\$ 356,187,991</u>	<u>\$ 55,014,288</u>
December 31, 2009							
	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due Between One Year and Seven Years	Due After Seven Years	Total
Assets							
Cash and cash equivalents	\$ 17,894,256	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,894,256
Due from the Central Bank and other banks	49,894,753	3,100,856	14,109,656	14,580,585	-	-	81,685,850
Financial assets at fair value through profit or loss	13,934,810	314,228	2,015,438	465,402	561,873	1,034,304	18,326,055
Receivables	22,298,912	14,836,721	2,264,129	1,830,308	10,476,604	-	51,706,674
Discounts and loans	71,218,697	53,570,132	28,990,783	30,238,247	157,464,034	357,793,471	699,275,364
Available-for-sale financial assets	3,989,828	323,493	1,288,971	961,132	28,509,856	3,592,054	38,665,334
Held-to-maturity investments	30,645,336	59,338,024	30,642,447	2,065,250	2,450,394	683,476	125,824,927
Non-active market debt instruments	-	-	-	-	96,090	4,396	100,486
Hedged derivative financial assets	93,173	-	20,405	69,572	95,943	-	279,093
	<u>209,969,765</u>	<u>131,483,454</u>	<u>79,331,829</u>	<u>50,210,496</u>	<u>199,654,794</u>	<u>363,107,701</u>	<u>1,033,758,039</u>
Liabilities							
Call loans and due to banks	21,600,239	6,262,781	2,016,770	14,924,217	-	-	44,804,007
Financial liabilities at fair value through profit or loss	6,246,272	259,854	220,938	1,909,910	183	-	8,637,157
Securities sold under agreements to repurchase	1,495,368	102,677	-	-	-	-	1,598,045
Payables	12,946,299	7,984,492	1,203,211	747,522	297,183	-	23,178,707
Deposits and remittances	147,655,654	132,357,142	139,186,592	152,088,338	303,971,309	17,374	875,276,409
Bank debentures	237,580	-	1,400,000	1,500,000	21,791,983	2,200,000	27,129,563
Hedged derivative financial liabilities	27,114	-	-	-	-	-	27,114
	<u>190,208,526</u>	<u>146,966,946</u>	<u>144,027,511</u>	<u>171,169,987</u>	<u>326,060,658</u>	<u>2,217,374</u>	<u>980,651,002</u>
Net liquidity gap	<u>\$ 19,761,239</u>	<u>\$ (15,483,492)</u>	<u>\$ (64,695,682)</u>	<u>\$ (120,959,491)</u>	<u>\$ (126,405,864)</u>	<u>\$ 360,890,327</u>	<u>\$ 53,107,037</u>

4) Foreign Exchange Rate Risk

The Bank and its subsidiaries engages in foreign exchange business mainly for accommodating customers' needs and managing its exposure positions. Significant foreign currency assets and liabilities related to foreign exchange are disclosed as follows:

(In Thousands of U.S. Dollars and New Taiwan Dollars)

	December 31, 2010			December 31, 2009		
	U.S. Dollars	Exchange Rate	New Taiwan Dollars	U.S. Dollars	Exchange Rate	New Taiwan Dollars
Assets						
Cash and cash equivalents	\$ 84,023	29.152	\$ 2,449,438	\$ 308,313	32.030	\$ 9,875,265
Due from the Central Bank and other banks	1,148,287	29.152	33,474,863	1,457,269	32.030	46,676,326
Financial assets at fair value through profit or loss	665,176	29.152	19,391,211	552,964	32.030	17,711,437
Securities purchased under agreements to resell	37,886	29.152	1,104,453	-	-	-

(Continued)

	December 31, 2010			December 31, 2009		
	U.S. Dollars	Exchange Rate	New Taiwan Dollars	U.S. Dollars	Exchange Rate	New Taiwan Dollars
Receivables, net	\$ 724,800	29.152	\$ 21,129,370	\$ 945,658	32.030	\$ 30,289,426
Discounts and loans, net	4,236,810	29.152	123,511,485	3,758,016	32.030	120,369,252
Available-for-sale financial assets	274,775	29.152	8,010,241	306,479	32.030	9,816,522
Held-to-maturity investments	57,153	29.152	1,666,124	76,618	32.030	2,454,075
Other financial assets, net						
Unquoted equity instruments	39,374	29.152	1,147,831	36,143	32.030	1,157,660
Non-active market debt instruments	2,772	29.152	80,809	3,000	32.030	96,090
Other financial assets	98,323	29.152	2,866,312	56,063	32.030	1,795,698
Intangible assets	17,100	29.152	498,499	17,614	32.030	564,176
Other assets	114,709	29.152	3,343,997	91,593	32.030	2,933,724
<u>Liabilities</u>						
Due to the Central Bank and other banks	1,206,078	29.152	35,159,586	462,089	32.030	14,800,711
Financial liabilities at fair value through profit or loss	477,386	29.152	13,916,757	669,144	32.030	21,432,682
Payables	200,452	29.152	5,843,577	524,519	32.030	16,800,344
Deposits and remittances	5,378,159	29.152	156,784,091	5,544,857	32.030	177,601,770
Other financial liabilities	111,443	29.152	3,248,786	284,433	32.030	9,110,389

(Concluded)

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

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

e. Fair value hedge

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

Hedged Items	Hedging Instruments	December 31			
		2010		2009	
		Notion Amount	Fair Value	Notion Amount	Fair Value
Bank debentures	Interest rate swap	\$ 1,400,000	\$ 96,349	\$ 2,800,000	\$ 154,457
	Cross currency swap	1,000,000	31,702	3,000,000	83,123
Fixed rate loans	Interest rate swap	141,919	(8,742)	342,564	(13,263)

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			
		2010		2009	
		Notion Amount	Fair Value	Notion Amount	Fair Value
Bank debentures	Interest rate swap	\$ 3,600,000	\$ (31,549)	\$ 3,600,000	\$ 27,662

36. MARKET RISK CONTROL AND HEDGE STRATEGY

The Bank and its subsidiaries document the risk management policies, including overall operating strategies and risks control philosophy. The Bank and its subsidiaries' 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 credit risk, interest rate risk, liquidity risk, market risk, derivative instruments transactions and managements. The board of directors review the policies regularly, and review the operation to make sure the Bank and its subsidiaries' policies are executed properly.

37. INFORMATION ON CONCENTRATION OF RISK - BANK SINOPAC AND FAR EAST NATIONAL BANK

The Bank and FENB have no concentrated credit risk in any industry, individual counter-party or group who engaged in similar business activities. Industries with 5% or more of the outstanding loans as of December 31, 2010 and 2009 were as follows:

	December 31			
	2010		2009	
	Amount	%	Amount	%
Natural person	\$ 379,940,230	52.49	\$ 379,893,195	54.20
Manufacturing	164,761,001	22.76	145,896,647	20.82
Construction and real estate	62,558,093	8.64	68,385,503	9.76
Wholesale trade	55,595,377	7.68	49,718,060	7.09
Publicly-owned enterprise	40,825,148	5.64	24,647,023	3.52

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

a. The Bank and its subsidiaries' capital adequacy

Capital Adequacy

			December 31, 2010 (Note 5)	
			Standalone	Consolidation
Eligible capital	Tier 1 capital		\$ 55,343,189	\$ 60,084,898
	Tier 2 capital		18,770,866	24,584,690
	Tier 3 capital		-	-
	Eligible capital		74,114,055	84,669,588
Risk-weighted assets	Credit risk	Standardized approach	573,241,752	605,474,979
		Internal rating - based approach	N/A	N/A
		Securitization	286,211	812,726
	Operational risk	Basic indicator approach	26,013,713	31,791,225
		Standardized approach/alternative standardized approach	N/A	N/A
		Advanced measurement approach	N/A	N/A
	Market risk	Standardized approach	23,193,160	23,483,560
		Internal models approach	N/A	N/A
	Total risk-weighted assets		622,734,836	661,562,490
	Capital adequacy rate			11.90%
Tier 1 risk - based capital ratio			8.89%	9.08%
Tier 2 risk - based capital ratio			3.01%	3.72%
Tier 3 risk - based capital ratio			-	-
Ratios of common stockholders' equity to total assets			4.48%	4.32%
Leverage ratio			5.30%	5.47%

		December 31, 2009 (Note 4)		
		Standalone	Consolidation	
Eligible capital	Tier 1 capital	\$ 55,794,185	\$ 59,325,063	
	Tier 2 capital	16,638,503	22,803,690	
	Tier 3 capital	-	-	
	Eligible capital	72,432,688	82,128,753	
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		12.05%	12.51%	
Tier 1 risk - based capital ratio		9.28%	9.04%	
Tier 2 risk - based capital ratio		2.77%	3.47%	
Tier 3 risk - based capital ratio		-	-	
Ratios of common stockholders' equity to total assets		4.84%	4.57%	
Leverage ratio		5.69%	5.65%	

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”)

Note 4: Recalculation under the Banking Bureau letter dated June 2, 2010 (Ref. No. 09910002650).

Note 5: Similar to Note 16, in accordance with Financial Supervisory Commission's statement #09900146911, gains from the sale of idle assets are not to be included in the Bank's capital adequacy ratio calculation.

b. Asset quality

The overdue loans and receivables information please refer to Table 9-2.

c. Maturity analysis of assets and liabilities

**Maturity Analysis of Assets and Liabilities (In New Taiwan Dollars)
December 31, 2010**

(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	\$ 1,030,091,195	\$ 283,229,450	\$ 107,231,626	\$ 50,842,700	\$ 62,875,354	\$ 525,912,065
Main capital outflow on maturity	1,046,936,915	179,917,469	151,193,270	147,666,839	177,040,261	391,119,076
Gap	(16,845,720)	103,311,981	(43,961,644)	(96,824,139)	(114,164,907)	134,792,989

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

**Maturity Analysis of Assets and Liabilities (In U.S. Dollars)
December 31, 2010**

(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	\$ 10,228,006	\$ 4,074,129	\$ 1,785,942	\$ 1,255,606	\$ 695,044	\$ 2,417,285
Main capital outflow on maturity	10,157,520	4,823,018	1,617,138	814,395	469,240	2,433,729
Gap	70,486	(748,889)	168,804	441,211	225,804	(16,444)

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

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

**Maturity Analysis of Assets and Liabilities (In New Taiwan Dollars)
December 31, 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 (In U.S. Dollars)
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.

d. Profitability

(%)

Items		Year Ended December 31, 2010	Year Ended December 31, 2009
Return on total assets	Before income tax	0.41	0.23
	After income tax	0.33	0.21
Return on net worth	Before income tax	6.80	3.85
	After income tax	5.46	3.51
Profit margin		21.13	14.05

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, 2010 and 2009.

e. Interest rate sensitivity information

Interest Rate Sensitivity (New Taiwan Dollars)
December 31, 2010

(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	\$ 718,744,753	\$ 23,992,534	\$ 53,180,435	\$ 58,321,712	\$ 854,239,434
Interest-rate sensitive liabilities	380,102,084	372,965,474	48,432,914	18,834,629	820,335,101
Interest-rate sensitive gap	338,642,669	(348,972,940)	4,747,521	39,487,083	33,904,333
Net worth					67,173,893
Ratio of interest-rate sensitive assets to liabilities					104.13%
Ratio of interest-rate sensitive gap to net worth					50.47%

Interest Rate Sensitivity (New Taiwan Dollars)
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%

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

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

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

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

Interest Rate Sensitivity (USD)
December 31, 2010

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

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-rate sensitive assets	\$ 4,695,772	\$ 184,876	\$ 173,594	\$ 185,571	\$ 5,239,813
Interest-rate sensitive liabilities	2,567,962	2,657,158	185,024	411	5,410,555
Interest-rate sensitive gap	2,127,810	(2,472,282)	(11,430)	185,160	(170,742)
Net worth					58,114
Ratio of interest-rate sensitive assets to liabilities					96.84%
Ratio of interest-rate sensitive gap to net worth					(293.81%)

Interest Rate Sensitivity (USD)
December 31, 2009

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

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-rate sensitive assets	\$ 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%

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

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

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

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

f. Concentration of credit extensions

December 31, 2010

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	Industry Category (Note 2)	Total Credit Consists of Loans (Note 3)	Percentage of Net Worth (%) (Note 4)
1	A Group (Optical Products Manufacturing)	\$12,243,659	19.63%
2	B Group (Plastics)	12,003,656	19.25%
3	C Group (Computer and Peripheral Equipment)	8,397,467	13.47%
4	D Group (LCD and its Components Manufacturing)	7,471,722	11.98%
5	E Group (Computer and Peripheral Equipment)	6,482,937	10.40%
6	F Group (Trading and Consumers' Goods Industry)	5,765,269	9.25%
7	G Group (Building Material and Construction)	5,524,505	8.86%
8	H Group (Computer and Peripheral Equipment)	4,789,832	7.68%
9	I Group (Finance and Lease)	3,653,192	5.86%
10	J Group (Optoelectronic)	3,229,970	5.18%

December 31, 2009

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	Industry Category (Note 2)	Total Credit Consists of Loans (Note 3)	Percentage of Net Worth (%) (Note 4)
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%

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.

39. INFORMATION REGARDING THE TRUST BUSINESS UNDER THE TRUST LAW

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

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

**Balance Sheets of Trust Accounts
December 31, 2010 and 2009**

(In Thousands of New Taiwan Dollars)

	December 31					
	2010			2009		
	Other Trust Business	Financial Assets and Real Estate Trust Plan	Total	Other Trust Business	Financial Assets and Real Estate Trust Plan	Total
<u>Trust assets</u>						
Bank deposits	\$ 4,311,477	\$ 1,436,727	\$ 5,748,204	\$ 6,773,395	\$ 1,357,224	\$ 8,130,619
Bonds	11,940,798	-	11,940,798	15,520,698	1,391,834	16,912,532
Stocks	7,250,904	-	7,250,904	6,850,987	-	6,850,987
Funds	117,110,208	-	117,110,208	108,756,986	-	108,756,986
Securities lent	230,811	-	230,811	-	-	-
Receivables	2,035	49	2,084	1,813	12,084	13,897
Prepayments	10	13,919	13,929	10	11,786	11,796
Real estate						
Land	7,599,707	3,538,574	11,138,281	6,859,871	3,538,574	10,398,445
Buildings	3,102,906	1,364,856	4,467,762	579,659	1,364,856	1,944,515
Construction in process	2,935,274	-	2,935,274	4,990,266	-	4,990,266
Securities under custody	79,354,632	-	79,354,632	157,675,193	-	157,675,193
Other assets	-	27,311	27,311	-	74,932	74,932
Total trust assets	<u>\$ 233,838,762</u>	<u>\$ 6,381,436</u>	<u>\$ 240,220,198</u>	<u>\$ 308,008,878</u>	<u>\$ 7,751,290</u>	<u>\$ 315,760,168</u>
<u>Trust liabilities</u>						
Payables	\$ 344	\$ 1,597	\$ 1,941	\$ -	\$ 4,353	\$ 4,353
Advance receipts	-	5,760	5,760	-	14,754	14,754
Other liabilities	-	1,667,749	1,667,749	-	20,178	20,178
Payable on securities under custody	79,354,632	-	79,354,632	157,675,193	-	157,675,193
Trust capital	152,150,774	3,489,469	155,640,243	148,184,932	6,553,774	154,738,706
Reserves and cumulative earnings						
Reserves	-	32,872	32,872	-	71,184	71,184
Net income	853,180	96,942	950,122	1,056,682	127,030	1,183,712
Cumulative earnings	2,148,753	623,617	2,772,370	1,940,252	496,587	2,436,839
Deferred amount	(668,921)	-	(668,921)	(848,181)	-	(848,181)
Unrealized revaluation increment on land	-	463,430	463,430	-	463,430	463,430
Total trust liabilities	<u>\$ 233,838,762</u>	<u>\$ 6,381,436</u>	<u>\$ 240,220,198</u>	<u>\$ 308,008,878</u>	<u>\$ 7,751,290</u>	<u>\$ 315,760,168</u>

Trust Income Statement
Years Ended December 31, 2010 and 2009

(In Thousands of New Taiwan Dollars)

	Years Ended December 31					
	2010			2009		
	Other Trust Business	Financial Assets and Real Estate Trust Plan	Total	Other Trust Business	Financial Assets and Real Estate Trust Plan	Total
Trust income						
Interest income	\$ 234,737	\$ 17,778	\$ 252,515	\$ 319,294	\$ 151,737	\$ 471,031
Rental income	-	201,184	201,184	-	197,751	197,751
Borrowed Securities income	2,292	-	2,292	-	-	-
Cash dividends	408,040	-	408,040	326,481	-	326,481
Gains from beneficiary certificates	217	-	217	6,875	-	6,875
Realized investment income	283,298	-	283,298	773,476	-	773,476
Unrealized investment income	14,771	-	14,771	-	-	-
Total trust income	<u>943,355</u>	<u>218,962</u>	<u>1,162,317</u>	<u>1,426,126</u>	<u>349,488</u>	<u>1,775,614</u>
Trust expense						
Trust administrative expenses	6,680	1,556	8,236	6,995	3,623	10,618
Tax expenses	23,431	12,497	35,928	32,090	12,871	44,961
Interest expenses	-	103,866	103,866	-	201,622	201,622
OTC expenses	-	956	956	-	993	993
Marketing expenses	-	-	-	1,941	-	1,941
Service expenses	-	1,249	1,249	233	1,593	1,826
Realized investment loss	59,714	-	59,714	326,800	-	326,800
Others	350	1,896	2,246	1,385	1,756	3,141
Total trust expense	<u>90,175</u>	<u>122,020</u>	<u>212,195</u>	<u>369,444</u>	<u>222,458</u>	<u>591,902</u>
Income before income tax	<u>853,180</u>	<u>96,942</u>	<u>950,122</u>	<u>1,056,682</u>	<u>127,030</u>	<u>1,183,712</u>
Net income	<u>\$ 853,180</u>	<u>\$ 96,942</u>	<u>\$ 950,122</u>	<u>\$ 1,056,682</u>	<u>\$ 127,030</u>	<u>\$ 1,183,712</u>

Trust Properties of Trust Accounts
December 31, 2010 and 2009

(In Thousands of New Taiwan Dollars)

Investment Portfolio	December 31			
	2010		2009	
	Book Value	Note	Book Value	Note
Bonds	\$ 11,940,798		\$ 15,520,698	
Stocks	7,250,904		6,850,987	
Funds	117,110,208		108,756,986	
Securities lent	230,811		-	
Asset pool of financial asset securitization	-		1,391,834	
Asset pool of real estate securitization	4,903,430		4,903,430	
Real estate				
Land	7,599,707		6,859,871	
Buildings	3,102,906		579,659	
Construction in process	2,935,274		4,990,266	
Securities under custody	<u>79,354,632</u>		<u>157,675,193</u>	
	<u>\$ 234,428,670</u>		<u>\$ 307,528,924</u>	

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

40. CROSS SELLING INFORMATION

For the years ended December 31, 2010 and 2009, the Bank charged SinoPac Securities for \$3,907 and \$4,466, respectively, as marketing and opening accounts and paid SinoPac Securities \$2,419 and \$0, respectively, as commission of promoting real estate loan financing under cross selling business.

41. SEGMENT AND GEOGRAPHIC INFORMATION

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

The geographic information about the Bank for the years ended December 31, 2010 and 2009 are as follows:

	Domestic	United States	Hong Kong and Macau	Adjustments and Eliminations	Total
<u>2010</u>					
Revenues from third parties	<u>\$ 17,136,145</u>	<u>\$ 2,396,509</u>	<u>\$ 847,016</u>	<u>\$ (6,966)</u>	<u>\$ 20,372,704</u>
Segment income	<u>\$ 5,844,850</u>	<u>\$ (2,379,029)</u>	<u>\$ 21,153</u>	<u>\$ -</u>	<u>\$ 3,486,974</u>
Income from equity investments - equity method					<u>-</u>
Income before income tax					<u>\$ 3,486,974</u>
Identifiable assets	<u>\$ 1,023,402,963</u>	<u>\$ 58,813,917</u>	<u>\$ 68,899,582</u>	<u>\$ (5,228,734)</u>	<u>\$ 1,145,887,728</u>
Equity investments - equity method					<u>-</u>
Total assets					<u>\$ 1,145,887,728</u>
<u>2009</u>					
Revenues from third parties	<u>\$ 17,143,565</u>	<u>\$ 3,217,033</u>	<u>\$ 1,060,487</u>	<u>\$ (10,202)</u>	<u>\$ 21,410,883</u>
Segment income	<u>\$ 5,877,825</u>	<u>\$ (2,627,884)</u>	<u>\$ (1,926,833)</u>	<u>\$ (19,820)</u>	<u>\$ 1,303,288</u>
Income from equity investments - equity method					<u>-</u>
Income before income tax					<u>\$ 1,303,288</u>
Identifiable assets	<u>\$ 902,375,376</u>	<u>\$ 78,866,922</u>	<u>\$ 75,971,707</u>	<u>\$ (1,508,516)</u>	<u>\$ 1,055,705,489</u>
Equity investments - equity method					<u>-</u>
Total assets					<u>\$ 1,055,705,489</u>

42. ADDITIONAL DISCLOSURES

a. and b. Following are the additional disclosures required by the SFB 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: None;

- 8) Financial asset securitization: None;
 - 9) Allowance for service fees to related-parties amounting to at least NT\$5 million: None;
 - 10) Receivables from related parties amounting to at least NT\$300 million or 10% of the issued capital: Table 3;
 - 11) Sale of nonperforming loans: Table 4;
 - 12) The information of investees: Table 5;
 - 13) Other significant transactions which may affect the decisions of users of financial reports: Tables 6 to 9;
 - 14) Derivative financial transactions: Except the disclosure in other footnotes, the derivative financial instruments of the Bank are disclosed in Notes 5, 35 and Table 8-2, and the derivative financial instrument transactions of the subsidiaries of the Bank are disclosed in Table 8-7.
- c. Information related to investment in Mainland China: None.

BANK SINOPAC AND INVESTEEES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars)

Name of Holding Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	December 31, 2010				Note
				Shares/Units/ Face Amount (In Thousand)	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
SinoPac Bancorp	<u>Stock</u> Far East National Bank	Subsidiary	Equity investments - equity method	6,070	\$ 9,175,146	100%	\$ 9,175,146	Note 2
	Far East Capital, LLC	Subsidiary	Equity investments - equity method	-	20,921	100%	20,921	Note 2
SinoPac Capital Limited (H.K.)	<u>Stock</u> SinoPac Capital (B.V.I.) Ltd.	Subsidiary	Equity investments - equity method	4,450	31,122	100%	47,910	Note 2
	SinoPac Insurance Brokers Ltd.	Subsidiary	Equity investments - equity method	100	1,125	100%	129,447	Note 2
	<u>Fund</u> China Enterprise Capital	-	Unquoted equity investments	0.020	29,088	-	29,088	Note 3
SinoPac Capital (B.V.I.) Ltd.	<u>Stock</u> RSP Information Service Company Limited	Subsidiary	Equity investments - equity method	1,000	3,737	100%	4,258	Note 2
SinoPac Property Insurance Agent Co., Ltd.	<u>Bond</u> Government bond 88-3	-	Guarantee deposits	600	634	-	775	Pledge
SinoPac Life Insurance Agent Co., Ltd.	<u>Bond</u> Government bond 88-3	-	Guarantee deposits	600	633	-	775	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 INVESTEES

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, 2010

(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
Bank SinoPac	<u>Stock</u>	Unquoted equity investments	-	Subsidiary of the Bank	-	\$ -	5,800	\$ 4,578,625	-	\$ -	\$ -	\$ -	5,800	\$ 4,578,625
SinoPac Bancorp	SinoPac Bancorp	Equity investments - equity method	-	Overseas affiliate of the Bank	230	US\$ 162,893 thousand	5,840	US\$ 146,000 thousand	-	-	-	-	6,070	US\$ 308,893 thousand

BANK SINOPAC AND INVESTEES

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

DECEMBER 31, 2010

(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	\$ 1,420,539 (Note)	-	\$ -	-	\$ -	\$ -

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

BANK SINOPAC AND INVESTEES

TRADING INFORMATION - SELLING NONPERFORMING LOANS

DECEMBER 31, 2010

(In Thousands of New Taiwan Dollars)

Date	Counter-parties	Loans	Carrying Amount (Note)	Selling Price	Gain or Loss on Disposal	Attachment	Relation
March 25, 2010	Symphony Asset Pool IV LLC/Pacifica Enterprises, Inc.	Commercial secured loans	US\$ 3,216 thousand	US\$ 3,412 thousand	US\$ 196 thousand	-	None
June 30, 2010	Executive Capital Investment Group LLC	Commercial secured loans	US\$ 2,942 thousand	US\$ 2,950 thousand	US\$ 8 thousand	-	None
July 23, 2010	Prime A investments LLC	Commercial secured loans	US\$ 986 thousand	US\$ 986 thousand	-	-	None
July 23, 2010	8060 Las Vegas LLC	Commercial secured loans	US\$ 1,997 thousand	US\$ 2,200 thousand	US\$ 203 thousand	-	None
September 1, 2010	PSIP Magellan Riverside LLC	Commercial secured loans	US\$ 7,933 thousand	US\$ 8,249 thousand	US\$ 316 thousand	-	None
September 30, 2010	Symphony Asset Pool IV LLC/Pacifica Enterprises, Inc.	Commercial secured loans	US\$ 1,600 thousand	US\$ 1,503 thousand	US\$ (97 thousand)	-	None
September 30, 2010	Symphony Asset Pool IV LLC/Pacifica Enterprises, Inc.	Commercial secured loans	US\$ 1,381 thousand	US\$ 1,297 thousand	US\$ (84 thousand)	-	None
October 8, 2010	Hacienda At 12625 Hig Bluff Drive LLC	Commercial secured loans	-	US\$ 50 thousand	US\$ 50 thousand	-	None
November 22, 2010	PAS Holdings LLC	Commercial secured loans	US\$ 297 thousand	US\$ 281 thousand	US\$ (16 thousand)	-	None
November 24, 2010	Urban Villages San Marcos LLC	Commercial secured loans	US\$ 3,957 thousand	US\$ 3,300 thousand	US\$ (657 thousand)	-	None
November 24, 2010	Miracle Day Investment LLC	Commercial secured loans	US\$ 1,250 thousand	US\$ 1,293 thousand	US\$ 43 thousand	-	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, 2010

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

Investee Company	Location	Main Businesses and Products	Balance as of December 31, 2010			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%	\$ 4,718,986	\$ (1,310,251)	20	-	20	100.00%	Subsidiary
SinoPac Capital Limited (H.K.)	Hong Kong	Lending and financing	100.00%	1,148,690	19,436	229,998	-	229,998	100.00%	Subsidiary
SinoPac Life Insurance Agent Co., Ltd.	Taipei	Life insurance agent	100.00%	576,769	521,171	300	-	300	100.00%	Subsidiary
SinoPac Property Insurance Agent Co., Ltd.	Taipei	Property insurance agent	100.00%	33,065	26,921	300	-	300	100.00%	Subsidiary
SinoPac Bancorp	California	Holding company	100.00%	4,578,625	-	5,800	-	5,800	100.00%	Note 2
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	2,173	680	-	680	3.43%	
Taiwan Futures Exchange	Taipei	Futures exchange and settlement	1.07%	21,490	2,691	5,036	-	5,036	1.88%	
Fuh Hwa Securities Investment Trust Co., Ltd.	Taipei	Securities investment trust and consultant	4.63%	15,000	8,700	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	27,300	9,100	-	9,100	2.28%	
Taiwan Asset Management Corporation	Taipei	Evaluating, auctioning, and managing for financial institutions' loan	0.28%	50,000	3,392	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	1,000	10,000	-	10,000	5.88%	
Sunny Asset Management Corp.	Taipei	Purchasing for financial institutions' loan assets	1.42%	164	110	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	-	13,959	-	13,959	4.98%	

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, 2010.

Note 2: During 2010, SinoPac Bancorp has issued 5,800 thousand additional preferred shares for cash to the Bank, the Bank has classified the investment as unquoted equity instruments

BANK SINOPAC AND INVESTEEES

CONSOLIDATED ENTITIES
DECEMBER 31, 2010

Investor Company	Subsidiaries	Main Businesses	Percentage of Ownership				Note
			No.	December 31, 2010	No.	December 31, 2009	
Bank SinoPac	Bank SinoPac	Commercial bank	1	100%	1	100%	As of December 31, 2010, Bank SinoPac's operating units included Banking, Trust, International Division of the Head Office, an OBU, 128 domestic branches, 3 overseas branches, 1 overseas sub-branches and 1 overseas representative office.
	SinoPac Bancorp	Stock holding	2	100%	2	100%	SinoPac Bancorp established in June 1997. In order to strengthen the capital structure and improve competitive advantage, the board of director resolved to increase cash investment of US\$50,000 thousand of SinoPac Bancorp as of June 25, 2009. The board of directors resolved to acquire the preferred stocks of SinoPac Bancorp on January 8, 2010, with US\$25 per share, US\$45,000 thousand in total. The board of directors resolved to further increase cash investment of preferred stocks of SinoPac Bancorp by the maximum amount of US\$200,000 thousand at \$25 per share on April 23, 2010 and June 24, 2010, respectively. In addition, the bank further acquired the preferred stocks of SinoPac Bancorp on July 27, 2010, September 23, 2010 and December 10, 2010 amounting to US\$30,000 thousand, \$40,000 thousand and \$30,000 thousand, respectively.
	SinoPac Capital Limited (H.K.)	Lending and financing	3	100%	3	100%	SinoPac Capital Limited (H.K.) was established in Hong Kong in January 1999.
	SinoPac Life Insurance Agent Co., Ltd.	Life insurance agent	4	100%	4	100%	SinoPac Life Insurance Agent and IBT Life Insurance Agent were established on July 25, 2000 and March 21, 2001 respectively. They were mainly engaged in life insurance agency business. On August 28, 2006, the boards of directors of SinoPac Life Insurance Agent and IBT Life Insurance Agent resolved to merge these two companies, with IBT Life Insurance Agent as the surviving entity. The effective merger date is November 13, 2006.
	SinoPac Property Insurance Agent Co., Ltd.	Property insurance agent	5	100%	5	100%	SinoPac Property Insurance Agent Co., Ltd. ("SinoPac Property Insurance Agent") and IBT Property Insurance Agent Co., Ltd. ("IBT Property Insurance Agent") were incorporated on July 24, 2000 and May 28, 2001, respectively in the R.O.C. Both companies mainly engaged in property insurance agency business. On August 28, 2006, the boards of directors of SinoPac Property Insurance Agent and IBT Property Insurance Agent resolved to merge these two companies, with IBT Property Insurance Agent as the surviving entity. The effective merger date is November 13, 2006.
SinoPac Bancorp	Far East National Bank	Commercial bank	6	100%	6	100%	Far East National Bank was incorporated in December 1974. Bank SinoPac acquired Far East National Bank (FENB), through SinoPac Bancorp, by purchasing 100% of its shares on August 15, 1997. FENB is a commercial bank was established in Los Angeles which mainly engaged in the business of deposit taking and lending. As of December 31, 2010, FENB had 11 branches in Los Angeles and San Francisco areas, Ho Chi Minh City branch and Beijing representative office.
	Far East Capital, LLC	Real Estate Holding Company	7	100%	7	100%	Far East Capital, LLC was established in September 1988, and was originally named Far East Capital Corporation. On October 15, 2009, Far East Capital Corporation was transferred from the subsidiary of FENB to the subsidiary of SinoPac Bancorp and was renamed Far East Capital, LLC.
SinoPac Capital Limited (H.K.)	SinoPac Capital (B.V.I.) Ltd.	Financial advisory	8	100%	8	100%	SinoPac Capital (B.V.I.) Ltd. was incorporated in British Virgin Island, October 1999.
	SinoPac Insurance Brokers Ltd.	Insurance brokerage	9	100%	9	100%	SinoPac Insurance Brokers Ltd. was incorporated in Hong Kong in May 2004.
SinoPac Capital (B.V.I.) Ltd.	Pinnacle Investment Management Ltd.	Investing management, trust and consulting	-	100%	10	100%	Pinnacle Investment Management Ltd. was established in March 2001, and was liquidated on August 4, 2010 to restructure the organization.
	RSP Information Service Company Limited	General trading and internet service	10	100%	11	100%	RSP Information Service Company Limited was established in February 2003.

BANK SINOPAC AND INVESTEEES

RELATED PARTIES TRANSACTIONS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

2010

No. (Note 1)	Transaction Company	Counter-party	Nature of Relationship (Note 2)	Description of Transactions			
				Financial Statement Account	Transaction Amount	Transaction Item	Percentage of Consolidated Revenue/Assets (Note 3)
0	Bank SinoPac	SinoPac Bancorp and subsidiaries	1	Cash and cash equivalents	\$ 32,592	Note 4	-
		SinoPac Bancorp and subsidiaries	1	Accounts, interest and other receivables, net	2,990	Note 4	-
		SinoPac Bancorp and subsidiaries	1	Discounts and loans, net	38,128	Note 4	-
		SinoPac Bancorp and subsidiaries	1	Deposits and remittances	6,733	Note 4	-
		SinoPac Bancorp and subsidiaries	1	Interest revenue	946	Note 4	-
		SinoPac Bancorp and subsidiaries	1	Other net revenues	3,724	Note 4	0.02%
		SinoPac Bancorp and subsidiaries	1	Interest expense	1,007	Note 4	0.01%
		SinoPac Bancorp and subsidiaries	1	Others operating expenses	535	Note 4	-
		SinoPac Capital Limited (H.K.) and subsidiaries	1	Financial instruments at fair value through profit or loss	633	Note 4	-
		SinoPac Capital Limited (H.K.) and subsidiaries	1	Accounts, interest and other receivables, net	187	Note 4	-
		SinoPac Capital Limited (H.K.) and subsidiaries	1	Accounts, interest and other payables	221	Note 4	-
		SinoPac Capital Limited (H.K.) and subsidiaries	1	Deposits and remittances	213,053	Note 4	0.02%
		SinoPac Capital Limited (H.K.) and subsidiaries	1	Interest revenue	2,996	Note 4	0.02%
		SinoPac Capital Limited (H.K.) and subsidiaries	1	Commissions and fee revenues	17	Note 4	-
		SinoPac Capital Limited (H.K.) and subsidiaries	1	Other net revenues	2,931	Note 4	0.02%
		SinoPac Capital Limited (H.K.) and subsidiaries	1	Interest expense	533	Note 4	-
		SinoPac Capital Limited (H.K.) and subsidiaries	1	Others operating expenses	854	Note 4	-
		SinoPac Life Insurance Agent	1	Accounts, interest and other receivables, net	99	Note 4	-
		SinoPac Life Insurance Agent	1	Accounts, interest and other payables	44	Note 4	-
		SinoPac Life Insurance Agent	1	Deposits and remittances	667,187	Note 4	0.06%
SinoPac Life Insurance Agent	1	Commissions and fee revenues	16	Note 4	-		
SinoPac Life Insurance Agent	1	Rental revenues	1,980	Note 4	0.01%		
SinoPac Life Insurance Agent	1	Interest expense	1,987	Note 4	0.01%		
SinoPac Property Insurance Agent	1	Accounts, interest and other receivables, net	16	Note 4	-		
SinoPac Property Insurance Agent	1	Accounts, interest and other payables	20	Note 4	-		

(Continued)

No. (Note 1)	Transaction Company	Counter-party	Nature of Relationship (Note 2)	Description of Transactions			Percentage of Consolidated Revenue/Assets (Note 3)
				Financial Statement Account	Transaction Amount	Transaction Item	
		SinoPac Property Insurance Agent	1	Deposits and remittances	\$ 40,049	Note 4	-
		SinoPac Property Insurance Agent	1	Rental revenues	270	Note 4	-
		SinoPac Property Insurance Agent	1	Interest expense	500	Note 4	-
1	SinoPac Bancorp and subsidiaries	Bank SinoPac	2	Cash and cash equivalents	6,733	Note 4	-
		Bank SinoPac	2	Accounts, interest and other payables	875	Note 4	-
		Bank SinoPac	2	Deposits and remittances	34,707	Note 4	-
		Bank SinoPac	2	Long-term borrowings	38,128	Note 4	-
		Bank SinoPac	2	Interest revenue	3	Note 4	-
		Bank SinoPac	2	Commissions and fee revenues	535	Note 4	-
		Bank SinoPac	2	Gains from financial assets and liabilities at fair value through profit or loss	1,004	Note 4	0.01%
		Bank SinoPac	2	Interest expense	946	Note 4	-
		Bank SinoPac	2	Others operating expenses	3,724	Note 4	0.02%
		SinoPac Capital Limited (H.K.) and subsidiaries	3	Accounts, interest and other payables	375	Note 4	-
		SinoPac Capital Limited (H.K.) and subsidiaries	3	Others operating expenses	407	Note 4	-
2	SinoPac Capital Limited (H.K.) and subsidiaries	Bank SinoPac	2	Cash and cash equivalents	213,053	Note 4	0.02%
		Bank SinoPac	2	Financial instruments at fair value through profit or loss	633	Note 4	-
		Bank SinoPac	2	Accounts, interest and other receivables, net	221	Note 4	-
		Bank SinoPac	2	Accounts, interest and other payables	187	Note 4	-
		Bank SinoPac	2	Interest revenue	533	Note 4	-
		Bank SinoPac	2	Commissions and fee revenues	854	Note 4	-
		Bank SinoPac	2	Interest expense	2,996	Note 4	0.02%
		Bank SinoPac	2	Commissions and fee expense	14	Note 4	-
		Bank SinoPac	2	Others operating expenses	2,934	Note 4	0.02%
		SinoPac Bancorp and subsidiaries	3	Accounts, interest and other receivables, net	375	Note 4	-
		SinoPac Bancorp and subsidiaries	3	Commissions and fee revenues	407	Note 4	-
3	SinoPac Life Insurance Agent	Bank SinoPac	2	Cash and cash equivalents	667,187	Note 4	0.06%
		Bank SinoPac	2	Accounts, interest and other receivables, net	44	Note 4	-
		Bank SinoPac	2	Accounts, interest and other payables	99	Note 4	-
		Bank SinoPac	2	Interest revenue	1,987	Note 4	0.01%
		Bank SinoPac	2	Commissions and fee expense	16	Note 4	-
		Bank SinoPac	2	Others operating expenses	1,980	Note 4	0.01%
4	SinoPac Property Insurance Agent	Bank SinoPac	2	Cash and cash equivalents	40,049	Note 4	-
		Bank SinoPac	2	Accounts, interest and other receivables, net	20	Note 4	-
		Bank SinoPac	2	Accounts, interest and other payables	16	Note 4	-
		Bank SinoPac	2	Interest revenue	500	Note 4	-
		Bank SinoPac	2	Others operating expenses	270	Note 4	-

(Continued)

No. (Note 1)	Transaction Company	Counter-party	Nature of Relationship (Note 2)	Description of Transactions			
				Financial Statement Account	Transaction Amount	Transaction Item	Percentage of Consolidated Revenue/Assets (Note 3)
0	Bank SinoPac	SinoPac Bancorp and subsidiaries	1	Cash and cash equivalents	\$ 42,528	Note 4	-
		SinoPac Bancorp and subsidiaries	1	Due from the Central Bank and other banks	80,075	Note 4	0.01%
		SinoPac Bancorp and subsidiaries	1	Accounts, interest and other receivables, net	1,922	Note 4	-
		SinoPac Bancorp and subsidiaries	1	Accounts, interest and other payables	124	Note 4	-
		SinoPac Bancorp and subsidiaries	1	Deposits and remittances	2,155	Note 4	-
		SinoPac Bancorp and subsidiaries	1	Interest revenue	439	Note 4	-
		SinoPac Bancorp and subsidiaries	1	Other net revenues	3,956	Note 4	0.02%
		SinoPac Bancorp and subsidiaries	1	Other operating expenses	126	Note 4	-
		SinoPac Leasing Corporation and subsidiaries	1	Interest revenues	2,128	Note 4	0.01%
		SinoPac Leasing Corporation and subsidiaries	1	Commissions and fee revenues	543	Note 4	-
		SinoPac Leasing Corporation and subsidiaries	1	Gains from financial instruments at fair value through profit or loss	1,102	Note 4	0.01%
		SinoPac Leasing Corporation and subsidiaries	1	Rental revenue	5,411	Note 4	0.03%
		SinoPac Leasing Corporation and subsidiaries	1	Interest expense	130	Note 4	-
		SinoPac Leasing Corporation and subsidiaries	1	Other operating expenses	4,845	Note 4	0.03%
		SinoPac Leasing Corporation and subsidiaries	1	Other operating expenses	99,519	Note 4	0.54%
		SinoPac Leasing Corporation and subsidiaries	1	Interest expense	37	Note 4	-
		SinoPac Capital (H.K.) Limited and subsidiaries	1	Financial instruments at fair value through profit or loss	149	Note 4	-
		SinoPac Capital (H.K.) Limited and subsidiaries	1	Financial instruments at fair value through profit or loss	40	Note 4	-
		SinoPac Capital (H.K.) Limited and subsidiaries	1	Accounts, interest and other payables	461	Note 4	-
		SinoPac Capital (H.K.) Limited and subsidiaries	1	Deposits and remittances	103,451	Note 4	0.01%
		SinoPac Capital (H.K.) Limited and subsidiaries	1	Interest revenue	2,899	Note 4	0.02%
		SinoPac Capital (H.K.) Limited and subsidiaries	1	Other net revenues	2,558	Note 4	0.01%
		SinoPac Capital (H.K.) Limited and subsidiaries	1	Interest expense	486	Note 4	-
		SinoPac Capital (H.K.) Limited and subsidiaries	1	Deposits and remittances	38,599	Note 4	-
		SinoPac Capital (H.K.) Limited and subsidiaries	1	Interest expense	25	Note 4	-
		SinoPac Capital (H.K.) Limited and subsidiaries	1	Deposits and remittances	11,830	Note 4	-
		SinoPac Capital (H.K.) Limited and subsidiaries	1	Interest expense	2	Note 4	-
		SinoPac Capital (H.K.) Limited and subsidiaries	1	Deposits and remittances	4,839	Note 4	-
		SinoPac Capital (H.K.) Limited and subsidiaries	1	Interest expense	2	Note 4	-

(Continued)

No. (Note 1)	Transaction Company	Counter-party	Nature of Relationship (Note 2)	Description of Transactions			Percentage of Consolidated Revenue/Assets (Note 3)
				Financial Statement Account	Transaction Amount	Transaction Item	
		SinoPac Capital (H.K.) Limited and subsidiaries	1	Other operating expenses	\$ 853	Note 4	-
		SinoPac Capital (H.K.) Limited and subsidiaries	1	Accounts, interest and other payables	70	Note 4	-
		SinoPac Capital (H.K.) Limited and subsidiaries	1	Deposits and remittances	110,264	Note 4	0.01%
		SinoPac Capital (H.K.) Limited and subsidiaries	1	Other net revenues	511	Note 4	-
		SinoPac Capital (H.K.) Limited and subsidiaries	1	Interest expense	176	Note 4	-
		SinoPac Life Insurance Agent	1	Accounts, interest and other receivables, net	47	Note 4	-
		SinoPac Life Insurance Agent	1	Accounts, interest and other payables	102	Note 4	-
		SinoPac Life Insurance Agent	1	Deposits and remittances	1,035,253	Note 4	0.10%
		SinoPac Life Insurance Agent	1	Commissions and fee revenues	60	Note 4	-
		SinoPac Life Insurance Agent	1	Commissions and fee revenues	72	Note 4	-
		SinoPac Life Insurance Agent	1	Rental revenue	2,048	Note 4	0.01%
		SinoPac Life Insurance Agent	1	Interest expense	2,807	Note 4	0.02%
		SinoPac Property Insurance Agent	1	Accounts, interest and other receivables, net	7	Note 4	-
		SinoPac Property Insurance Agent	1	Accounts, interest and other payables	38	Note 4	-
		SinoPac Property Insurance Agent	1	Deposits and remittances	76,564	Note 4	0.01%
		SinoPac Property Insurance Agent	1	Rental revenue	302	Note 4	-
		SinoPac Property Insurance Agent	1	Interest expense	917	Note 4	-
1	SinoPac Bancorp and subsidiaries	Bank SinoPac	2	Cash and cash equivalents	2,155	Note 4	-
		Bank SinoPac	2	Accounts, interest and other receivables, net	124	Note 4	-
		Bank SinoPac	2	Call loans and due to banks	108,566	Note 4	0.01%
		Bank SinoPac	2	Accounts, interest and other payables	1,922	Note 4	-
		Bank SinoPac	2	Deposits and remittances	14,037	Note 4	-
		Bank SinoPac	2	Commissions and fee revenues	126	Note 4	-
		Bank SinoPac	2	Interest expense	439	Note 4	-
		Bank SinoPac	2	Other operating expenses	3,956	Note 4	0.02%
		SinoPac Capital (H.K.) Limited and subsidiaries	3	Other operating expenses	426	Note 4	-
2	SinoPac Leasing Corporation and subsidiaries	Bank SinoPac	2	Interest revenue	167	Note 4	-
		Bank SinoPac	2	Rental revenue	102,575	Note 4	0.55%
		Bank SinoPac	2	Interest expense	3,230	Note 4	0.02%
		Bank SinoPac	2	Other net revenues	543	Note 4	-
		Bank SinoPac	2	Other operating expenses	5,411	Note 4	0.03%
		Bank SinoPac	2	Rental revenue	1,789	Note 4	0.01%
		SinoPac Capital (H.K.) Limited and subsidiaries	3	Interest revenue	155	Note 4	-
		SinoPac Life Insurance Agent	3	Rental revenue	372	Note 4	-
		SinoPac Property Insurance Agent	3	Rental revenue	345	Note 4	-

(Continued)

No. (Note 1)	Transaction Company	Counter-party	Nature of Relationship (Note 2)	Description of Transactions			Percentage of Consolidated Revenue/Assets (Note 3)
				Financial Statement Account	Transaction Amount	Transaction Item	
3	SinoPac Capital (H.K.) Limited and subsidiaries	Bank SinoPac	2	Interest revenue	\$ 2	Note 4	-
		Bank SinoPac	2	Cash and cash equivalents	268,983	Note 4	0.03%
		Bank SinoPac	2	Accounts, interest and other receivables, net	531	Note 4	-
		Bank SinoPac	2	Financial instruments at fair value through profit or loss	149	Note 4	-
		Bank SinoPac	2	Financial instruments at fair value through profit or loss	40	Note 4	-
		Bank SinoPac	2	Interest revenue	689	Note 4	-
		Bank SinoPac	2	Commissions and fee revenues	853	Note 4	-
		Bank SinoPac	2	Interest expense	2,899	Note 4	0.02%
		Bank SinoPac	2	Other operating expenses	3,069	Note 4	0.02%
		SinoPac Bancorp and subsidiaries	3	Commissions and fee revenues	426	Note 4	-
		SinoPac Leasing Corporation and subsidiaries	3	Interest expense	155	Note 4	-
		4	SinoPac Life Insurance Agent	Bank SinoPac	2	Cash and cash equivalents	1,035,253
Bank SinoPac	2			Accounts, interest and other receivables, net	102	Note 4	-
Bank SinoPac	2			Accounts, interest and other payables	47	Note 4	-
Bank SinoPac	2			Interest revenue	2,807	Note 4	0.02%
Bank SinoPac	2			Commissions and fee expenses	60	Note 4	-
Bank SinoPac	2			Other operating expenses	2,048	Note 4	0.01%
Bank SinoPac	2			Commissions and fee expenses	72	Note 4	-
SinoPac Leasing Corporation and subsidiaries	3			Other operating expenses	372	Note 4	-
5	SinoPac Property Insurance Agent			Bank SinoPac	2	Cash and cash equivalents	76,564
		Bank SinoPac	2	Accounts, interest and other receivables, net	38	Note 4	-
		Bank SinoPac	2	Accounts, interest and other payables	7	Note 4	-
		Bank SinoPac	2	Interest revenue	917	Note 4	-
		Bank SinoPac	2	Other operating expenses	302	Note 4	-
		SinoPac Leasing Corporation and subsidiaries	3	Other operating expenses	345	Note 4	-

Note 1: Transactions between parent company and subsidiaries should be distinguished as follows:

- a. Parent company: 0.
- b. Subsidiaries are numbered in sequence from 1.

Note 2: Types of transactions with related parties were classified as follows:

1. Parent company to subsidiaries.
2. Subsidiaries to parent company.
3. Subsidiaries to subsidiaries.

Note 3: In the computation of percentage of consolidated revenue/assets, if the amount is the ending balance of assets or liabilities, the accounts percentage will be calculated by dividing the consolidated assets or liabilities; if the amount is the amount of income or expense, the accounts percentage will be cumulated by dividing the consolidated revenues in the same period.

Note 4: For the transactions between the Company and related parties, the terms are similar to those transacted with unrelated parties.

(Concluded)

TABLE 8-1**BANK SINOPAC AND SUBSIDIARIES****FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS****DECEMBER 31, 2010 AND 2009****(In Thousands of New Taiwan Dollars)**

	December 31	
	2010	2009
<u>Held for trading financial assets</u>		
Negotiable certificates of deposit	\$ 10,000,751	\$ -
Bank debentures	2,378,935	729,917
Listed stock	1,243,551	516,513
Corporate bonds	1,133,565	1,763,398
Beneficiary certificates	663,309	815,993
Government bonds	211,182	1,859,821
Convertible bonds	185,861	485,974
Depository receipt	9,625	11,575
Collateralized debt obligations	907	1,341
Derivative financial assets		
Interest rate swap	6,386,205	7,010,501
Forward contracts	1,700,947	1,198,833
Premium paid on option contracts	1,489,671	934,114
Others	<u>195,708</u>	<u>62,865</u>
	<u>25,600,217</u>	<u>15,390,845</u>
<u>Financial assets designated at fair value through profit or loss</u>		
Hybrid product		
Convertible bonds	659,177	478,353
Corporate bonds	143,209	304,452
Credit linked notes	-	314,855
Others	1,025	2,447
A group of financial instruments is managed and its performance is evaluated on a fair value basis		
Auction-rate securities	617,994	787,994
GSE debentures	209,916	722,503
C equity interest in VISA Inc.	52,418	206,339
B equity interest in Master Card Inc.	<u>-</u>	<u>120,674</u>
	<u>1,683,739</u>	<u>2,937,617</u>
Total of financial assets at fair value through profit or loss	<u>\$ 27,283,956</u>	<u>\$ 18,328,462</u>

(Continued)

	December 31	
	2010	2009
<u>Held for trading financial liabilities</u>		
Derivative financial liabilities		
Interest rate swap contracts	\$ 6,313,255	\$ 6,928,398
Forward contracts	1,775,889	825,349
Premium received from option contracts	1,227,884	748,202
Cross-currency swap contracts	58,434	33,426
Others	<u>131,650</u>	<u>101,632</u>
	<u>\$ 9,507,112</u>	<u>\$ 8,637,007</u>

(Concluded)

TABLE 8-2**BANK SINOPAC AND SUBSIDIARIES****THE CONTRACT AMOUNTS OF OUTSTANDING DERIVATIVE TRANSACTIONS****DECEMBER 31, 2010 AND 2009****(In Thousands of New Taiwan Dollars)**

	December 31	
	2010	2009
Interest rate swap contracts	\$ 927,655,559	\$ 793,837,522
Currency swap contracts	259,067,608	221,870,071
Options		
Long position	166,846,144	56,391,497
Short position	168,807,115	60,817,041
Forward contracts		
Long position	9,674,977	17,347,809
Short position	5,989,399	6,266,038
Non-deliverable forward contracts		
Long position	84,219,334	79,330,431
Short position	83,325,708	78,354,140
Cross-currency swap contracts	3,625,728	4,647,420
Assets swap contracts	1,136,928	1,857,740
Credit default swap contracts	1,100,000	1,100,000
Equity-linked swap contracts	35,944	567,892
Commodity-linked swap contracts	117,561	40,191
Credit linked swap contracts	2,100,000	2,500,000

TABLE 8-3**BANK SINOPAC AND SUBSIDIARIES****AVAILABLE-FOR-SALE FINANCIAL ASSETS****DECEMBER 31, 2010 AND 2009****(In Thousands of New Taiwan Dollars)**

	December 31	
	2010	2009
Government bonds	\$ 14,228,089	\$ 18,445,807
Bank debentures	6,350,107	2,023,712
Corporate bonds	6,313,989	6,068,499
GSE debentures	5,018,094	6,916,249
Commercial papers	4,794,788	3,539,893
Government institutional bonds	591,497	1,358,029
Negotiable certificate of deposit	590,455	-
Listed stock	214,118	-
Collateralized debt obligations	92,787	313,145
Collateralized mortgage obligations	-	1,156,319
	<u>38,193,924</u>	<u>39,821,653</u>
Less: Accumulated impairment	-	1,156,319
	<u>\$ 38,193,924</u>	<u>\$ 38,665,334</u>

TABLE 8-4**BANK SINOPAC AND SUBSIDIARIES****HELD-TO-MATURITY FINANCIAL ASSETS****DECEMBER 31, 2010 AND 2009****(In Thousands of New Taiwan Dollars)**

	December 31	
	2010	2009
Negotiable certificate of deposit	\$ 197,760,761	\$ 122,210,150
Corporate bonds	840,691	840,339
GSE debentures	839,296	1,192,978
Municipal bonds	642,323	798,721
Government bonds	293,112	315,299
Bank debentures	100,029	82,615
Floating rate notes	75,028	243,937
Collateralized debt obligations	<u>13,751</u>	<u>156,903</u>
	200,564,991	125,840,942
Less: Accumulated impairment	<u>-</u>	<u>16,015</u>
	<u>\$ 200,564,991</u>	<u>\$ 125,824,927</u>

TABLE 8-5**BANK SINOPAC AND SUBSIDIARIES****OTHER FINANCIAL ASSETS****DECEMBER 31, 2010 AND 2009****(In Thousands of New Taiwan Dollars)**

	December 31	
	2010	2009
Unquote equity instruments		
Unlisted equity investments	\$ 1,123,945	\$ 1,096,241
Beneficiary certificates	<u>541,494</u>	<u>581,968</u>
	<u>1,665,439</u>	<u>1,678,209</u>
Non-active market debt instruments		
Collateralized debt obligations	80,809	96,090
Mortgage backed securities	1,257	4,396
Structured investment vehicles	<u>-</u>	<u>320,300</u>
	82,066	420,786
Less - accumulated impairment	<u>-</u>	<u>320,300</u>
	<u>82,066</u>	<u>100,486</u>
Others		
Issued commodities purchased from PEM Group	3,881,214	3,646,894
Cash surrender-officer life insurance	1,129,944	1,195,457
Guarantee deposits	930,087	1,078,725
Guarantee of futures and options	158,284	103,837
Hedged derivative financial instruments	128,051	279,093
Nonperforming receivables transferred from other than loans	118,295	1,208,207
Short-term advancement	21,305	59,509
Others	<u>47</u>	<u>-</u>
	6,367,227	7,571,722
Less: Accumulated impairment	2,301,151	-
Allowance for credit losses	<u>167,295</u>	<u>888,847</u>
	<u>3,898,781</u>	<u>6,682,875</u>
	<u>\$ 5,646,286</u>	<u>\$ 8,461,570</u>

BANK SINOPAC AND SUBSIDIARIES

BANK DEBENTURES
DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

	December 31		Maturity Date	Terms
	2010	2009		
<u>Dominant bank debentures</u>				
Eighth dominant bank debentures issued in 2004	\$ 516,284	\$ 517,445	2004.05.21-2011.05.21 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually with simple interest based on actual days.
Fifteenth dominant bank debentures issued in 2004	515,418	525,509	2004.07.13-2011.07.13 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Fifth dominant bank debentures issued in 2003	-	1,029,721	2003.08.11-2010.08.11 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Twelfth dominant bank debentures issued in 2004	-	511,133	2004.06.15-2010.06.15 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually with simple interest based on actual days.
Fourteenth dominant bank debentures issued in 2004	-	514,342	2004.07.09-2010.07.09 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Dominant bank debentures	<u>1,031,702</u>	<u>3,098,150</u>		
<u>Subdominant bank debentures</u>				
First subordinated bank debentures issued in 2005	3,000,000	3,000,000	2005.12.13-2011.06.13 Principal is repayable on maturity date.	Index rate plus 0.35%. Interest rate is reset semiannually since the issuance date. Interest is paid semiannually.
First subordinated bank debentures issued in 2008	1,495,909	1,529,564	2008.03.17-2013.09.17 Principal is repayable on maturity date.	Fixed interest rate of 3.05%, interest is paid annually.
Second subordinated bank debentures issued in 2008 (A)	4,498,486	4,498,159	2008.03.25-2015.03.25 Principal is repayable on maturity date.	Index rate plus 1%. Interest rate is reset quarterly since the issuance date and paid annually.
Second subordinated bank debentures issued in 2008 (B)	499,832	499,796	2008.03.25-2015.03.25 Principal is repayable on maturity date.	Fixed interest rate of 3.2%, interest is paid annually.
Third subordinated bank debentures issued in 2008	3,598,824	3,598,480	2008.09.09-2014.03.09 Principal is repayable on maturity date.	Index rate plus 0.95%. Interest rate is reset quarterly since the issuance date and paid annually.
First subordinated bank debentures issued in 2009	5,597,698	5,597,302	2009.04.29-2016.04.29 Principal is repayable on maturity date.	Fixed interest rate of 2.8%, interest is paid annually.
Second subordinated bank debentures issued in 2009 (A)	2,199,101	2,198,915	2009.06.23-2015.06.23 Principal is repayable on maturity date.	Fixed interest rate of 2.7%, interest is paid annually.
Second subordinated bank debentures issued in 2009 (B)	2,199,934	2,199,925	2009.06.23-2017.06.23 Principal is repayable on maturity date.	Fixed interest rate of 2.9%, interest is paid annually.
First subordinated bank debentures issued in 2010 (A)	3,100,000	-	2010.12.08-2017.12.08 Principal is repayable on maturity date.	Fixed interest rate of 1.8%, interest is paid annually
First subordinated bank debentures issued in 2010 (B)	2,900,000	-	2010.12.08-2017.12.08 Principal is repayable on maturity date.	Index rate plus 0.35%. Interest rate is reset quarterly since the issuance date and paid annually.
First subordinated bank debentures issued in 2004 (C)	-	409,272	2004.09.14-2010.06.14 Principal is repayable on maturity date.	Floating rate. Interest is paid quarterly.
Second subordinated bank debentures issued in 2004	-	500,000	2004.09.14-2010.06.14 Principal is repayable on maturity date.	Index rate plus 0.50%. Interest rate is reset semiannually since the issuance date. Interest is paid semiannually.
Subdominant bank debentures	<u>29,089,784</u>	<u>24,031,413</u>		
	<u>\$ 30,121,486</u>	<u>\$ 27,129,563</u>		

BANK SINOPAC AND SUBSIDIARIES

THE DERIVATIVE FINANCIAL INSTRUMENT TRANSACTIONS

DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars)

FENB

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

As of December 31, 2010 and 2009, the contract amounts (or notional amounts), credit risks and fair values of outstanding contracts were as follows:

Financial Instruments	December 31, 2010	
	Contract (Notional) Amount	Fair Value
For the purpose of accommodating customers' needs or managing FENB's exposures:		
Currency swap contracts	\$ 262,982	\$ 12
Forward contracts		
Long position	174,632	295
Short position	1,808	(9)
Financial Instruments	December 31, 2009	
	Contract (Notional) Amount	Fair Value
For the purpose of accommodating customers' needs or managing FENB's exposures:		
Non-deliverable forward contracts		
Long position	\$ 87,204	\$ 189
Short position	87,204	(23)

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.

(Continued)

SinoPac (Hong Kong) Financial

As of December 31, 2010 and 2009, the outstanding amount of derivative financial instruments contracts were as follows:

	December 31			
	2010		2009	
Financial Instruments	Contract (Notional) Amount	Fair Value	Contract (Notional) Amount	Fair Value
Currency swap contracts	\$ 850,951	\$ (29)	\$ 929,267	\$ (40)
				(Concluded)

BANK SINOPAC AND SUBSIDIARIES

STATEMENT OF CHANGES IN ALLOWANCE FOR CREDIT LOSSES

YEARS ENDED DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars)

	Year Ended December 31, 2010							
	Discounts and Loans			Account Receivable	Provisions for Acceptance and Guarantees	Other Financial Assets	Other Assets	Total
	Specific Reserve	General Reserve	Subtotal					
Balance, January 1	\$ 2,286,482	\$ 4,783,196	\$ 7,069,678	\$ 404,898	\$ 41,716	\$ 888,847	\$ 723	\$ 8,405,862
Provision	1,062,716	3,243,136	4,305,852	298,805	31,633	329,615	-	4,965,905
Write-off	(1,678,283)	(1,767,067)	(3,445,350)	(352,147)	-	(1,063,771)	-	(4,861,268)
Recovery of written-off credits	44,106	142,787	186,893	286,258	-	1,375	-	474,526
Reclassifications	110,649	(110,094)	555	-	-	(555)	-	-
Result from change of foreign exchange rate	(127,591)	(365,714)	(493,305)	(91)	(6,229)	16,362	-	(483,263)
Others	-	-	-	-	-	(4,578)	-	(4,578)
Balance, December 31	<u>\$ 1,698,079</u>	<u>\$ 5,926,244</u>	<u>\$7,624,323</u>	<u>\$ 637,723</u>	<u>\$ 67,120</u>	<u>\$ 167,295</u>	<u>\$ 723</u>	<u>\$ 8,497,184</u>
	Year End December 31 2009							
	Discounts and Loans			Account Receivable	Provisions for Acceptance and Guarantees	Other Financial Assets	Other Assets	Total
	Specific Reserve	General Reserve	Subtotal					
Balance, January 1	\$ 3,399,785	\$ 4,042,740	\$ 7,442,525	\$ 592,732	\$ 28,010	\$ 370,536	\$ 140	\$ 8,433,943
Provision	1,344,325	3,545,254	4,889,579	1,139,717	14,870	131,093	583	6,175,842
Write-off	(3,365,972)	(1,818,192)	(5,184,164)	(846,895)	-	(278,261)	-	(6,309,320)
Recovery of written-off credits	65,323	68,078	133,401	266,314	-	-	-	399,715
Reclassifications	875,440	(930,311)	(54,871)	(709,272)	-	754,794	-	(9,349)
Result from change of foreign exchange rate	(32,419)	(113,869)	(146,288)	(374)	(1,164)	(14,056)	-	(161,882)
Others	-	-	-	-	-	(1,369)	-	(1,369)
Effects of the sale of SPL	-	(10,504)	(10,504)	(37,324)	-	(73,890)	-	(121,718)
Balance, December 31	<u>\$ 2,286,482</u>	<u>\$ 4,783,196</u>	<u>\$ 7,069,678</u>	<u>\$ 404,898</u>	<u>\$ 41,716</u>	<u>\$ 888,847</u>	<u>\$ 723</u>	<u>\$ 8,405,862</u>

BANK SINOPAC AND SUBSIDIARIES

OVERDUE LOANS AND RECEIVABLE
DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, %)

Items		December 31, 2010					December 31, 2009				
		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	\$ 1,076,035	\$ 131,448,092	0.82%	\$ 600,615	55.82%	\$ 1,665,589	\$ 115,235,483	1.45%	\$ 784,019	47.07%
	Unsecured	1,643,974	202,185,933	0.81%	2,480,146	150.86%	2,004,965	175,557,116	1.14%	2,025,158	101.01%
Consumer loan	Mortgage (Note 4)	770,544	351,853,530	0.22%	1,014,029	131.60%	1,805,163	352,751,601	0.51%	952,570	52.77%
	Cash card	383	55,302	0.69%	1,875	489.56%	1,454	72,405	2.01%	4,820	331.50%
	Micro credit (Note 5)	102,271	6,006,876	1.70%	1,098,140	1,073.76%	371,078	8,950,068	4.15%	1,244,185	335.29%
	Other (Note 6)	3,050	4,124,851	0.07%	47,435	1,555.25%	19,144	4,981,537	0.38%	49,125	256.61%
Secured											
	Unsecured										
Total		3,596,257	695,674,584	0.52%	5,242,240	145.77%	5,867,393	657,548,210	0.89%	5,059,877	86.24%
		Overdue Receivables	Account Receivables	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio	Overdue Receivables	Account Receivables	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card		106,080	16,338,069	0.65%	623,272	587.55%	182,664	17,568,380	1.04%	383,360	209.87%
Account receivable - factoring with no recourse (Note 7)		10,188	18,457,780	0.06%	10,188	100.00%	1,072,768	11,558,710	9.28%	693,408	64.64%
Excluded NPL as a result of debt consultation and loan agreements (Note 8)		\$ 18,739					\$ 43,542				
Excluded overdue receivables as a result of debt consultation and loan agreements (Note 8)		814,563					1,089,945				
Excluded NPL as a result of consumer debt clearance (Note 9)		12,166					13,672				
Excluded overdue receivables as a result of consumer debt clearance (Note 9)		826,740					737,150				

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 secured 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 refers 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).