

# **Bank SinoPac**

**Financial Statements for the  
Three Months Ended March 31, 2010 and 2009 and  
Independent Accountants' Review Report**

## **INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

The Board of Directors and Stockholders  
Bank SinoPac

We have reviewed the accompanying balance sheets of Bank SinoPac as of March 31, 2010 and 2009, and the related statements of income, and cash flows for the three months then ended. These financial statements are the responsibility of the Bank SinoPac's management. Our responsibility is to issue a report on these financial statements based on our reviews.

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

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

As stated in Notes 1 and 32 to the accompanying financial statements, Bank SinoPac had a cash merger with SinoPac Card Services Co., Ltd., a wholly owned subsidiary of SinoPac Financial Holding Company Limited, with Bank SinoPac as the surviving company. Based on Statement of Financial Accounting Standards (SFAS) Interpretation No. (91) 243 and 244 and No. (95) 081 issued by the Accounting Research and Development Foundation of the Republic of China, the transaction was treated as a reorganization and was recorded at the book values of both entities' assets and liabilities. In addition, based on SFAS Interpretation No. (95) 141, the financial statements of Bank SinoPac as of and for the three months ended March 31, 2009 were retroactively restated assuming both entities had been merged within this period.

April 23, 2010

### Notice to Readers

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

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

## BANK SINOPAC

### BALANCE SHEETS

MARCH 31, 2010 AND 2009

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

(Reviewed, Not Audited)

ASSETS	2010	2009	% Increase (Decrease)	LIABILITIES AND STOCKHOLDERS' EQUITY	2010	2009	% Increase (Decrease)
	Amount	(Restated, Note 32) Amount			Amount	(Restated, Note 32) Amount	
CASH AND CASH EQUIVALENTS (Note 3)	\$ 11,101,958	\$ 9,600,908	16	CALL LOANS AND DUE TO BANKS (Note 17)	\$ 50,328,190	\$ 29,792,161	69
DUE FROM THE CENTRAL BANK AND OTHER BANKS (Notes 4 and 29)	76,217,584	92,277,391	(17)	SHORT-TERM BORROWINGS	-	2,250,000	(100)
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2, 5, 6 and 29)	16,740,300	25,543,351	(34)	COMMERCIAL PAPER PAYABLE, NET (Note 18)	-	3,249,658	(100)
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 2 and 6)	-	595,737	(100)	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2 and 5)	8,895,431	14,169,074	(37)
ACCOUNTS, INTEREST AND OTHER RECEIVABLES, NET (Notes 2, 7, 8, 28 and 29)	47,796,223	39,629,424	21	SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE (Notes 2, 6 and 29)	3,867,659	3,124,205	24
DISCOUNTS AND LOANS, NET (Notes 2, 9 and 29)	673,917,115	607,172,095	11	ACCOUNTS, INTEREST AND OTHER PAYABLES (Notes 2, 19 and 29)	20,379,513	24,306,109	(16)
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET (Notes 2, 6, 10 and 30)	26,353,398	47,428,687	(44)	DEPOSITS AND REMITTANCES (Notes 20 and 29)	837,271,417	791,058,202	6
HELD-TO-MATURITY INVESTMENTS, NET (Notes 2, 11 and 30)	133,669,154	110,342,082	21	BANK DEBENTURES (Notes 2 and 21)	27,097,862	28,077,618	(3)
EQUITY INVESTMENTS - EQUITY METHOD (Notes 2 and 12)	8,453,310	9,869,860	(14)	BONDS PAYABLE (Notes 2 and 21)	-	6,293,490	(100)
OTHER FINANCIAL ASSETS, NET				OTHER FINANCIAL LIABILITIES (Notes 2, 22 and 31)	2,916,997	878,398	232
Unquoted equity instruments (Notes 2 and 13)	1,922,882	488,507	294	OTHER LIABILITIES (Notes 2, 23, 27 and 28)	<u>3,354,625</u>	<u>3,407,588</u>	(2)
Non-active market debt instruments (Notes 2 and 13)	98,975	259,785	(62)	Total liabilities	<u>954,111,694</u>	<u>906,606,503</u>	5
Others (Notes 13 and 30)	<u>5,324,134</u>	<u>2,679,688</u>	99	STOCKHOLDERS' EQUITY (Notes 2 and 24)			
Other financial assets, net	<u>7,345,991</u>	<u>3,427,980</u>	114	Capital stock, NT\$10 par value, authorized 8,000,000 thousands shares; issued and outstanding 4,821,847 thousand shares in 2010 and 4,481,847 thousand shares in 2009	<u>48,218,469</u>	<u>44,818,469</u>	8
PROPERTIES (Notes 2 and 14)				Capital surplus			
Cost and revaluation increment				Additional paid-in capital from share issuance in excess of par	795,561	115,561	588
Land	4,751,821	4,733,024	-	Capital surplus from business combination	8,076,524	8,076,524	-
Buildings	4,667,924	4,579,038	2	Others	<u>1,733</u>	<u>1,733</u>	-
Computer and machinery equipment	4,847,886	4,885,569	(1)	Total capital surplus	<u>8,873,818</u>	<u>8,193,818</u>	8
Transportation equipment	<u>1,328</u>	<u>6,640</u>	(80)	Retained earnings			
Total cost	14,268,959	14,204,271	-	Legal reserve	2,746,023	6,435,486	(57)
Less: Accumulated depreciation	<u>5,680,331</u>	<u>5,398,838</u>	5	Special reserve	282,977	282,977	-
Prepayments for equipment and construction in progress	8,588,628	8,805,433	(2)	Unappropriated earnings (accumulated deficit)	<u>2,929,979</u>	<u>(3,304,256)</u>	189
Net properties	<u>8,833,415</u>	<u>8,932,926</u>	(1)	Total retained earnings	<u>5,958,979</u>	<u>3,414,207</u>	75
INTANGIBLE ASSETS (Notes 2 and 15)	<u>989,819</u>	<u>1,033,672</u>	(4)	Other adjustment			
OTHER ASSETS (Notes 2, 16 and 28)	<u>6,068,392</u>	<u>7,581,396</u>	(20)	Cumulative translation adjustments	(82,315)	130,570	(163)
				Unrealized earnings (losses) on financial instruments	142,019	(115,891)	223
				Net loss not recognized as pension cost	(766,159)	(642,321)	19
				Unrealized revaluation increment on land	<u>1,030,154</u>	<u>1,030,154</u>	-
				Total other adjustment	<u>323,699</u>	<u>402,512</u>	(20)
				Total stockholders' equity	<u>63,374,965</u>	<u>56,829,006</u>	12
TOTAL	<u>\$ 1,017,486,659</u>	<u>\$ 963,435,509</u>	6	TOTAL	<u>\$ 1,017,486,659</u>	<u>\$ 963,435,509</u>	6

Note: Based on Statement of Financial Accounting Standards(SFAS) Interpretation No. (91) 243 and 244 and No. (95) 081 issued by the Accounting Research and Development Foundation of the Republic of China, the merger of Bank SinoPac and SinoPac Card Services Co., Ltd. was treated as a reorganization and was recorded at the book value of both entities' assets and liabilities. Also in accordance with SFAS Interpretation No. (95) 141, the financial statements of Bank SinoPac as of and for the three months ended March 31, 2009 were retroactively restated assuming the assets and liabilities of SinoPac Card Services Co., Ltd. have been included at book value.

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

(With Deloitte & Touche review report dated April 23, 2010)

# BANK SINOPAC

## STATEMENTS OF INCOME

THREE MONTHS ENDED MARCH 31, 2010 AND 2009

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

(Reviewed, Not Audited)

	<u>2010</u> Amount	<u>2009 (Restated, Note 32)</u> Amount	% Increase (Decrease)
INTEREST REVENUE (Notes 2 and 29)	\$ 4,255,365	\$ 5,603,953	(24)
INTEREST EXPENSE (Note 29)	<u>1,359,577</u>	<u>2,981,320</u>	(54)
NET INTEREST	<u>2,895,788</u>	<u>2,622,633</u>	10
NET REVENUES OTHER THAN INTEREST			
Commission and fee revenues, net (Notes 2, 25 and 29)	880,919	503,199	75
Gains from (losses on) financial assets and liabilities at fair value through profit or loss (Notes 2 and 5)	221,225	(369,698)	160
Realized (losses on) gains from available-for-sale financial assets (Notes 2 and 24)	(32,007)	115,225	(128)
Losses on equity investments - equity method, net (Notes 2 and 12)	(207,008)	(76,333)	171
Foreign exchange gain, net (Note 2)	40,554	517,139	(92)
Impairment losses on assets (Note 2)	(20,108)	-	-
Recovery of bad debts (Note 2)	143,447	195,360	(27)
Rental revenues (Note 29)	35,429	34,079	4
Other net losses	<u>(46,890)</u>	<u>(10,301)</u>	355
Total net revenues	<u>3,911,349</u>	<u>3,531,303</u>	11
PROVISION FOR BAD DEBTS (Notes 2, 7 and 9)	<u>546,531</u>	<u>841,409</u>	(35)
OPERATING EXPENSES (Notes 2, 26 and 29)			
Personnel expenses	1,439,119	1,404,588	2
Depreciation and amortization	124,752	142,308	(12)
Others	<u>711,946</u>	<u>773,554</u>	(8)
Total operating expenses	<u>2,275,817</u>	<u>2,320,450</u>	(2)
INCOME BEFORE INCOME TAX	1,089,001	369,444	195
INCOME TAX (EXPENSE) BENEFIT (Notes 2 and 28)	<u>(209,058)</u>	<u>74,106</u>	(382)
NET INCOME	<u>\$ 879,943</u>	<u>\$ 443,550</u>	98

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# BANK SINOPAC

## STATEMENTS OF INCOME

THREE MONTHS ENDED MARCH 31, 2010 AND 2009

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

(Reviewed, Not Audited)

	2010		2009 (Restated, Note 32)	
	Pretax	After Tax	Pretax	After Tax
EARNINGS PER SHARE (Note 24)				
Basic earnings per share	\$ 0.23	\$ 0.18	\$ 0.08	\$ 0.10
Diluted earnings per share	\$ -	\$ -	\$ 0.08	\$ 0.09

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 three months ended March 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 three months ended March 31, 2009, the net income of Bank SinoPac included the net income of SinoPac Card Services Co., Ltd. of \$58,343.

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

(With Deloitte & Touche review report dated April 23, 2010)

(Concluded)

# BANK SINOPAC

## STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2010	2009 (Restated, Note 32)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 879,943	\$ 443,550
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	120,275	150,384
Amortization of premium or discount of financial assets	23,048	14,893
Amortization of discount of bank debentures	359	209
Provision for credit and trading losses	543,126	854,180
Impairment losses on assets	20,108	-
Unrealized gains from financial assets designated at fair value through profit or loss	(36,955)	(106,154)
Realized losses on (gains from) available-for-sale financial assets	32,007	(115,225)
Losses on equity investments - equity method	207,008	76,333
Losses on sale and retirement of properties and idle assets	733	1,543
(Gains from) losses on disposal of collaterals assumed, net	(1,377)	1,001
Accrued pension cost	(48,772)	(44,831)
Foreign exchange losses on bonds payable	-	159,365
Gains from convertible bond repurchased	-	(12,534)
Deferred income tax	(55,917)	38,270
Decrease in held-for-trading financial assets	104,094	6,690,719
Increase (decrease) in held-for-trading financial liabilities	259,145	(2,749,417)
Securitization of accounts receivable	-	789,940
Decrease in accounts, interest and other receivables	4,570,046	7,320,476
Decrease in accounts, interest and other payables	<u>(2,955,033)</u>	<u>(4,807,754)</u>
Net cash provided by operating activities	<u>3,661,838</u>	<u>8,704,948</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in due from the Central Bank and other banks	(3,553,581)	(1,708,185)
Decrease in securities purchased under agreements to resell	-	2,003,045
Proceeds from sale of financial assets designated at fair value through profit or loss	7,342	855,482
Proceeds from sale of non-active market debt instruments	878	168,925
(Increase) decrease in discounts and loans	(21,584,977)	21,636,132
Acquisition of properties	(66,184)	(74,215)
Proceeds from sale of properties	-	318
Acquisition of available-for-sale financial assets	(64,651,424)	(53,465,894)
Proceeds from sale of available-for-sale financial assets	69,828,457	30,305,062
Acquisition of held-to-maturity investments	(10,257,898)	(78,525,905)
Proceeds from matured held-to-maturity investments	431,594	83,284,387
Acquisition of unquoted equity instruments	(1,434,375)	-
Proceeds from sale of collaterals assumed	31,702	22,206
Increase in other financial assets	(222,409)	(447,456)
Increase in other assets	<u>(49,461)</u>	<u>(404,734)</u>
Net cash (used in) provided by investing activities	<u>(31,520,336)</u>	<u>3,649,168</u>

(Continued)

# BANK SINOPAC

## STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2010	2009 (Restated, Note 32)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in call loans and due to banks	\$ 7,958,430	\$ (9,363,037)
Increase (decrease) in securities sold under agreements to repurchase	2,269,614	(1,301,895)
Increase (decrease) in deposits and remittances	10,919,161	(2,761,004)
Decrease in short-term borrowings	-	(1,050,000)
Decrease in commercial paper payable	-	(295,376)
Decrease in long-term borrowings	-	(1,750,000)
Repayment of bank debentures on maturity	-	(700,000)
Decrease in bonds payable	-	(303,700)
(Decrease) increase in other financial liabilities	(33,041)	3,624
Increase (decrease) in other liabilities	<u>181,383</u>	<u>(192,825)</u>
Net cash provided by (used in) financing activities	<u>21,295,547</u>	<u>(17,714,213)</u>
EFFECTS OF CHANGES IN EXCHANGE RATE	7,454	1,037
DECREASE IN CASH AND CASH EQUIVALENTS	(6,555,497)	(5,359,060)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>17,657,455</u>	<u>14,959,968</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 11,101,958</u>	<u>\$ 9,600,908</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ 1,438,521</u>	<u>\$ 3,698,678</u>
Income tax paid	<u>\$ 11,806</u>	<u>\$ 78,373</u>

Note: Based on Statement of Financial Accounting Standards (SFAS) Interpretation No. (91) 243 and 244 and No. (95) 081 issued by the Accounting Research and Development Foundation of the Republic of China, the merger of Bank SinoPac and SinoPac Card Services Co., Ltd. was treated as a reorganization and was recorded at the book values of both entities' assets and liabilities. In addition, based on SFAS Interpretation No. (95) 141, the financial statements of Bank SinoPac as of and for the three months ended March 31, 2009 were retroactively restated, assuming the book values of the assets and liabilities of SinoPac Card Services Co., Ltd. were included in these financial statements.

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

(With Deloitte & Touche review report dated April 23, 2010)

(Concluded)

# BANK SINOPAC

## NOTES TO FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2010 AND 2009

(THREE MONTHS ENDED MARCH 31, 2009 - RESTATED; PLEASE REFER TO Note 32)

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

(Reviewed, Not Audited)

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### 1. ORGANIZATION AND OPERATIONS

#### Organization

August 8, 1991	Bank SinoPac (the “Bank”) obtained government approval to incorporate.
January 28, 1992	The Bank started operations.
May 9, 2002	The Bank swap shares with SinoPac Securities Corporation and SinoPac Securities Co., Ltd. (the “SPS”) to established SinoPac Financial Holdings Company Limited (the “SPH”), a financial holding company, resulting in the Bank become an unlisted wholly owned subsidiary of SPH.
December 26, 2005	SPH finished the merger with International Bank of Taipei Co., Ltd. (IBT), through a 100% share swap.
May 8, 2006	The boards of directors of IBT resolved to transfer credit card business and related assets and liabilities to SinoPac Card Services Co., Ltd. The transaction has been approved by the authorities on June 22, 2006 and the assets have been transferred at the book value of \$5,171,080 on August 4, 2006.
July 21, 2006	The boards of directors of the Bank resolved a merger with IBT. The Bank was the surviving entity and IBT was the company ceasing to exist.
November 13, 2006	The preliminary effective date of the share swap and merger. The Bank acquired the assets and liabilities of IBT through a share swap at ratio of 1.175 shares of the Bank to swap for 1 share of IBT.
December 26, 2008	The board of directors executed the rights and functions of the stockholders’ meeting and resolved a cash merger with SinoPac Card Services Co., Ltd. (“SinoPac Card”), with March 30, 2009 as the preliminary effective date of the merger and the Bank will be the surviving entity.
March 31, 2009	The board of directors resolved to change the effective date of the merger to June 1, 2009.
June 1, 2009	The Bank’s cash merger with SinoPac Card took effect, with this merger amounting to \$3,873,675. Under this merger, the Bank was the surviving entity.

#### Operations

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

As of March 31, 2010 and 2009, the Bank had a total of 4,577 and 4,814 employees, respectively.

As of March 31, 2010, the Bank's operating units included Banking, Trust, and International Division of the Head Office, OBU, 128 domestic branches, 3 overseas branches, 1 overseas sub-branches and 1 overseas representative office.

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

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Bank's financial statements were prepared in conformity with Criteria Governing the Preparation of Financial Reports by Public Banks, Business Accounting Law, Guidelines Governing Business Accounting and accounting principles generally accepted in the Republic of China (ROC). In determining the fair value of certain financial instruments, allowance for credit losses, depreciation and amortization, assets impairment, pension, income tax, contingency losses, provision for losses on guarantees, bonus to employees and remuneration to directors and supervisors, the Bank needs to make estimates based on judgment and available information. The estimates were usually made under uncertain conditions; actual results could differ from those estimates. Since the operating cycle in the banking industry cannot be reasonably identified, the accounts included in the Bank's financial statements were not classified as current or noncurrent. Nevertheless, accounts were properly categorized in accordance with the nature of each account and sequenced by their liquidity. Please refer to Note 34 for the maturity analysis of assets and liabilities. Significant accounting policies of the Bank are summarized below:

### **Basis of Financial Statement Preparation**

The accompanying financial statements include the accounts of the Head Office, OBU, all branches and the representative office. All interoffice transactions and balances have been eliminated.

### **Fair Value Determination**

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

### **Financial Instruments at Fair Value Through Profit or Loss**

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

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

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

### **Repurchase and Reverse Repurchase Transactions**

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

### **Sales of Accounts Receivable**

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

- a. Transferred accounts receivable have been isolated from SinoPac Card. Along with its creditors, SinoPac Card can no longer control the future economic benefits on these receivables.
- b. The transferee has the right to pledge or transfer accounts receivable purchased.
- c. The transferee has no right to return the transferred accounts receivable purchased before their maturity. In addition, SinoPac Card is neither obligated nor entitled to repurchase or redeem these accounts receivable. But if a repurchase transaction is agreed upon, the repurchase price is the fair value of accounts receivable at the time.

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

### **Nonperforming Loans**

Under guidelines issued by the Banking Bureau of Financial Supervisory Commission (the Banking Bureau), the balance of loans and other credits extended by the Bank and the related accrued interest thereon are classified as nonperforming when the loan is overdue and shall be authorized by a resolution passed by the board of directors.

Nonperforming loans reclassified from loans are classified as discounts and loans; otherwise, they are classified as other financial assets.

## **Allowance for Credit Losses and Provision for Losses on Guarantees**

The Bank assesses the collectibility on the balances of discounts and loans, accounts receivables, interest receivables, other receivables, and other financial assets, as well as guarantees and acceptances as of the balance sheet date.

Pursuant to “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans” (the “Regulations”) issued by the Banking Bureau, the Bank evaluates credit losses on the basis of the estimated collectibility. In accordance with the Regulations stated above, the loan assets divided into different classes subject to assets that require special mentioned, assets that are substandard, assets that are doubtful, and assets for which there is loss. The minimum allowance for credit losses and provision for losses on guarantees for the aforementioned classes should be 2%, 10%, 50% and 100% of outstanding credits, respectively.

Write-offs of loans falling under the Banking Bureau guidelines, upon approval by the board of directors, are offset against the recorded allowance for credit losses. Recovery of loans written off on the current year is recorded as reverse of allowance whereas recovery of loans written off on the previous years is recorded as other revenue.

## **Available-for-sale Financial Assets**

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

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

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

## **Held-to-maturity Investments**

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

If a held-to-maturity financial asset is determined to be impaired, the impairment loss is recognized and reported in income statement. Loss reversal is credited to current income and should not be more than the carrying amount had the impairment not been recognized.

## **Equity Investments - Equity Method**

Equity investments are accounted for by the equity method if the Bank has significant influence over the investees. Under this method, investments are stated at cost plus (or minus) a proportionate share in net earnings (losses) or changes in net worth of the investees. Until December 31, 2005, any difference between the acquisition cost and the equity in the investee is amortized over 15 years. Such goodwill is not amortized since January 1, 2006.

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

## **Other Financial Assets**

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

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

## **Properties and Nonoperating Assets**

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

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

Depreciation is calculated on the straight-line basis over estimated useful lives as follows: buildings, 5 to 60 years; computer and machinery equipment, 3 to 15 years; transportation equipment, 5 years. Depreciation of revaluated property is computed on the straight-line basis over their remaining useful lives determined at the time of revaluation. For assets still in use beyond their original estimated useful lives, further depreciation is calculated on the basis of any remaining salvage value and the estimated additional useful lives.

## **Intangible Assets**

The cost of computer software is amortized on the straight-line basis over 5 years. Goodwill resulted from the Bank's cash merger with SinoPac Card Services. Based on a newly released SFAS No. 37, goodwill is no longer amortized and instead is tested for impairment annually.

## **Collaterals Assumed**

Collaterals assumed are recorded at cost (included in other assets) and revalued at the lower of cost or net fair value as of the balance sheet date, and the resulting loss is charged to current loss.

## **Asset Impairment**

SFAS No. 35 requires the impairment review on long-term investments accounted for by the equity method and properties to be made on each balance sheet date. If assets or the relevant cash-generating units (CGUs) are deemed impaired, then the Bank must calculate their recoverable amounts. An impairment loss should be recognized whenever the recoverable amount of the assets or the CGU is below the carrying amount, and this impairment loss either is charged to accumulated impairment or reduces the carrying amount of the assets or CGUs directly. After the recognition of an impairment loss, the depreciation (amortization) should be adjusted in future periods by the revised asset/CGUs carrying amount (net of accumulated impairment), less its salvage value, on a systematic basis over its remaining service life. If asset impairment loss (excluding goodwill) is reversed, the increase in the carrying amount resulting from reversal is credited to current income. However, loss reversal should not be more than the carrying amount (net of depreciation) had the impairment not been recognized. An impairment loss on a revalued asset is recognized directly against capital surplus from revaluation for the asset to the same asset. A reversal of an impairment loss on a revalued asset is credited directly to capital surplus from revaluation under the heading capital surplus from revaluation. However, to the extent that an impairment loss on the same revalued asset was previously recognized as profit or loss, a reversal of that impairment loss is also recognized as profit or loss.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstance indicate goodwill impairment. Impairment is recorded if the book value exceeds value in use. The increase in the recoverable amount of goodwill in the period following the recognition of an impairment loss is likely to be an increase in internally generated goodwill rather than the reversal of the impairment loss recognized for the acquired goodwill. Thus, a reversal of an impairment loss on goodwill is prohibited.

## **Bonds Payable**

The convertible bonds issued before December 31, 2005 were recognized as liabilities by its issued price. Under the book value method applied for the conversion of convertible bonds, the carrying amount, interest premium and the related issuance costs were converted into capital stocks in the amount of face value, while the remaining amount was recorded into capital surplus on the conversion date.

Upon repurchase of the convertible bonds, the face amount plus the premium and bond issuance expense accrued to the date of repurchase are removed from the accounts, and any resulting gain or loss is credited or charged to current income.

## **Recognition of Interest Revenue and Service Fees**

Interest revenue on loans is recorded by the accrual method. No interest revenue is recognized in the accompanying financial statements on loans and other credits extended by the Bank that are classified as nonperforming loans. The interest revenue on those loans/credits is recognized upon collection.

Under the Ministry of Finance (MOF) regulations, the interest revenue on credits in which agreements have been reached to extend their maturities is recognized upon collection.

Service fees are recorded as revenue upon receipt or substantial completion of activities involved in the earnings process.

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

## **Pension**

Pension expense under defined benefit pension plan is determined on the basis of actuarial calculations. Pension under defined contribution pension plan is expensed during the period when the employees rendered their services.

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

## **Income Tax**

Inter-period income tax allocation is applied, in which tax effects of deductible temporary differences unused loss carry forward and unused investment tax credits are recognized as deferred income tax assets, and those of taxable temporary differences are recognized as deferred income tax liabilities. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized.

Tax credits for personnel training expenditures and acquisition of equity investments are recognized as reduction of current income tax.

Interest income from short-term bills and asset backed securities have been taxed separately and recorded as tax expenses. The adjustment of prior year's income tax was included in the current income tax.

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

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

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

In January 2009, the Legislative Yuan of the Republic of China passed the amendment of Article 39 of the Income Tax Law, which extends the operating losses carry forward period from five years to ten years. In May 2009, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduces a profit-seeking enterprise's income tax rate from 25% to 20%, effective 2010. The Bank recalculated its deferred tax assets and liabilities in accordance with the amended Article and recorded the resulting difference as a deferred income tax benefit or expense.

## **Contingencies**

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

## **Foreign-currency Translations**

Foreign currency transactions are recorded at the rate of exchange on the date of the transaction. Monetary income and expense denominated in foreign currencies are translated into New Taiwan dollars using the average exchange rates for the year. As of the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated into New Taiwan dollars using the closing exchange rate. Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, as well as unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities, are recognized in the income statement.

Non-derivative foreign currencies are translated into New Taiwan dollars using the rate of the trading date. Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, are recognized in the income statement. Unrealized exchange differences on non-monetary financial assets (e.g. investments in equity instruments) are a component of the change in their entire fair value. For non-monetary financial investments, which are classified as available-for-sale, unrealized exchange differences are recorded directly in equity. For non-monetary financial assets classified as held for trading, unrealized exchange differences are recognized in the income statement. For non-monetary financial assets classified as unquoted equity investments are measured at the rate of trading date.

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

## **Hedge Accounting**

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

A fair value hedge that meets the entire hedge accounting criteria is accounted for as follows:

- a. The gain or loss from re-measuring the hedging instrument at fair value (for a derivative hedging instrument) or the foreign currency component of its carrying amount (for a non-derivative hedging instrument) is recognized immediately in profit or loss, and
- b. The carrying amount of the hedged item is adjusted through profit or loss for the corresponding gain or loss attributable to the hedged risk.

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

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

## Reclassifications

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

### 3. CASH AND CASH EQUIVALENTS

	<b>March 31</b>	
	<b>2010</b>	<b>2009</b>
Cash on hand	\$ 5,719,923	\$ 5,918,971
Due from other banks	4,137,361	2,549,117
Notes and checks in clearing	<u>1,244,674</u>	<u>1,132,820</u>
	<u>\$ 11,101,958</u>	<u>\$ 9,600,908</u>

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

	<b>March 31</b>	
	<b>2010</b>	<b>2009</b>
Call loans to banks	\$ 42,160,939	\$ 71,307,423
Due from Central Banks - checking accounts	13,922,854	3,171,273
Deposit reserve - demand accounts	20,035,152	17,693,553
Deposit reserve - foreign currencies	<u>98,639</u>	<u>105,142</u>
	<u>\$ 76,217,584</u>	<u>\$ 92,277,391</u>

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

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

Related information regarding financial instruments at fair value through profit or loss please refer to Table 4-1.

	<b>March 31</b>	
	<b>2010</b>	<b>2009</b>
Held for trading financial assets	\$ 15,286,014	\$ 23,938,487
Financial assets designated at fair value through profit or losses	<u>1,454,286</u>	<u>1,604,864</u>
	<u>\$ 16,740,300</u>	<u>\$ 25,543,351</u>
Held for trading financial liabilities	<u>\$ 8,895,431</u>	<u>\$ 14,169,074</u>

The Bank engages in derivative transactions mainly for accommodating customers' needs and managing its exposure positions. The contract amounts (notional amounts) of the outstanding derivative transactions please refer to Table 4-2. The Bank's strategy is to hedge most of the market risk exposures using hedging instruments with market value changes that have a highly negative correlation with the changes in the market of the exposures being hedged.

Gains or losses of financial instruments at fair value through profit or loss for the three months ended March 31, 2010 and 2009 were as follows:

	<b>Three Months Ended March 31</b>	
	<b>2010</b>	<b>2009</b>
Held for trading financial assets and liabilities		
Valuation (losses) gains	\$ 122,599	\$ (141,541)
Realized (losses) gains	<u>61,419</u>	<u>(295,604)</u>
	<u>184,018</u>	<u>(437,145)</u>
Financial assets and liabilities designated at fair value through profit or loss		
Valuation gains	36,955	106,154
Realized (losses) gains	<u>252</u>	<u>(38,707)</u>
	<u>37,207</u>	<u>67,447</u>
	<u>\$ 221,225</u>	<u>\$ (369,698)</u>

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

As of March 31, 2009, securities were purchased under agreements to resell at \$595,722 in April 2009.

As of March 31, 2010 and 2009, securities were sold under agreements to repurchase at \$3,868,106 and \$3,124,334 between April and June 2010 and between April and May 2009, respectively.

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

	<b>March 31</b>	
<b>Financial Assets</b>	<b>2010</b>	<b>2009</b>
Held for trading	\$ -	\$ 2,063,706
Available-for-sale	3,867,659	1,060,499

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

	<u>March 31</u>	
	<u>2010</u>	<u>2009</u>
Accounts receivable - factoring	\$ 26,414,795	\$ 21,349,138
Credit card receivable	16,650,672	11,704,309
Acceptances	1,708,289	809,405
Receivables from related parties (Note 29)	1,298,360	1,511,116
Interest receivable and revenue receivable	1,123,759	1,712,401
Accounts receivable and notes receivable	850,835	953,155
Proceeds receivable from the sale of accounts receivable (Note 8)	-	1,522,472
Others	<u>159,700</u>	<u>568,509</u>
	48,206,410	40,130,505
Less: Allowance for credit losses	<u>410,187</u>	<u>501,081</u>
	<u>\$ 47,796,223</u>	<u>\$ 39,629,424</u>

For the details of and changes in allowance for credit losses of accounts receivables, please refer to Table 5-1.

The credit card receivables as of March 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 \$2,357,085 and \$2,489,158, 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. In February, 2006, SinoPac Card signed an agreement with ABN AMRO Bank for the extension of the final transfer date to December 9, 2008. In December 2008, SinoPac Card and ABN AMRO both agreed to postpone again the final transfer date to June 20, 2009 and then signed a fourth amendment to the transfer contract in February 2009. On June 1, 2009, Bank SinoPac merged with SinoPac Card. With this merger, the Bank assumed the role of transferring to ABN AMRO receivables totaling \$1,000,000 in six monthly installments from July to December in 2009.

SinoPac Card committed to have all sold credit card receivables conform to agreed terms (eligible terms) and to have these receivables meet certain requirements (such as restrictions on the ratios for allowance for bad debts and overdue loans). In the second half of 2008, SinoPac Card provided an additional deposit of \$82,000 since changes in the discount rate in calculating the sales of account receivables reached a certain agreed level. As of March 31, 2009, SinoPac Card had deposited \$268,210, recorded as guarantee deposits and as liquidity reserve for the monthly sale of credit card receivables.

As of March 31, 2009, the proceeds receivable on the sale of credit card receivables amounted to \$1,522,472. 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 \$19,658 and \$473, respectively, for the three months ended March 31, 2009, recorded as other net revenues.

SinoPac Card also entered into a service agreement with ABN AMRO for account management and collection services. Thus, SinoPac Card collects payments on the sold credit card receivables on behalf of ABN AMRO and then transfers the collections to ABN AMRO. SinoPac Card charges monthly a service fee for account management and collection services. Since the service revenue and the service cost were expected to be equal, neither related service assets nor liabilities were recognized by SinoPac Card. For the three months ended March 31, 2009, the service fee amounted to \$286, recorded as other net revenues.

The cash flows on the revolving sales of accounts receivable for the three months ended March 31, 2009, were as follows:

	<b>Three Months Ended March 31, 2009</b>
Accumulated revolving accounts receivable sold - carrying value	\$ 8,948,072
Add: Proceeds receivable from the sale of accounts receivable at beginning of period	1,280,859
Deduct: Proceeds receivable from the sale of accounts receivable at end of period	(1,522,472)
Loss on the sale of account receivable	<u>(20,131)</u>
Proceeds from the sale of accounts receivable	<u>\$ 8,686,328</u>

## 9. DISCOUNTS AND LOANS, NET

	<b>March 31</b>	
	<b>2010</b>	<b>2009</b>
Negotiations	\$ 1,335,064	\$ 1,009,164
Overdrafts	9,137	12,617
Secured overdrafts	764,970	806,036
Accounts receivable - financing	2,736,504	1,759,497
Short-term loans	85,318,947	102,312,011
Short-term secured loans	50,795,292	39,069,311
Medium-term loans	90,841,742	74,272,631
Medium-term secured loans	71,511,554	48,802,572
Long-term loans	13,831,359	13,648,905
Long-term secured loans	356,518,989	324,537,038
Nonperforming loans transferred from loans	<u>5,268,215</u>	<u>7,252,944</u>
	678,931,773	613,482,726
Allowance for credit losses	(5,026,654)	(6,320,537)
Hedged item valuation adjustments	<u>11,996</u>	<u>9,906</u>
	<u>\$ 673,917,115</u>	<u>\$ 607,172,095</u>

As of March 31, 2010 and 2009, the balances of nonaccrual interest loans were \$10,249,503 and \$11,041,607, respectively. The unrecognized interest revenues on nonaccrual interest loans amounted to \$65,235 and \$82,532 for the three months ended March 31, 2010 and 2009, respectively.

For the three months ended March 31, 2010 and 2009, the Bank had not written off credits for which legal proceedings had not been initiated.

The details of and changes in allowance for credit losses of discounts and loans for the three months ended March 31, 2010 and 2009, please refer to Table 5-1.

## 10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Related information regarding available-for-sale financial assets please refer to Table 4-3.

## 11. HELD-TO-MATURITY INVESTMENTS

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

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

	<u>Balance of Equity Investments</u>		<u>Income (Loss) from Equity Investments</u>	
	<u>March 31</u>		<u>Three Months Ended March 31</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
SinoPac Bancorp	\$ 6,121,544	\$ 6,486,626	\$ (360,012)	\$ (247,677)
SinoPac Capital Limited (H.K.)	1,247,721	1,309,402	12,471	36,571
SinoPac Life Insurance Agent Co., Ltd.	1,014,706	590,547	134,501	99,720
SinoPac Property Insurance Agent Co., Ltd.	69,339	43,689	6,032	9,471
SinoPac Leasing Corporation	<u>-</u>	<u>1,439,596</u>	<u>-</u>	<u>25,582</u>
	<u>\$ 8,453,310</u>	<u>\$ 9,869,860</u>	<u>\$ (207,008)</u>	<u>\$ (76,333)</u>

In order to strengthen the capital structure and improve competitive advantage, the board of directors resolved to increase cash investment of US\$50,000 thousand to SinPac Bancorp as of June 25, 2009.

To improve the Group's execution and subsidiary's management efficiency, the parent company of SPH acquired the capital stock of SinoPac Leasing Corporation from the Bank and SinoPac Venture Capital Co., Ltd. at book value on December 1, 2009. Thus, SinoPac Leasing Corporation will be directly controlled by SPH. The acquisition makes the Group to plan and manage as a whole more easily and activate asset.

The net loss of SinoPac Bancorp amounting to \$247,677 for the three months ended March 31, 2009 was translated into NTD at the average exchange rate for the respective periods. The difference between the translated net gain of SinoPac Bancorp and the one recognized by the Bank was generated from some different accounting treatments between ROC GAAP and US GAAP.

## 13. 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 4-5.

In order to strengthen the capital structure and improve competitive advantage, 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 further decided to increase cash investment of preferred stocks of SinoPac Bancorp on April 23, 2010, with US\$125 per share, limited to US\$200,000 thousand in total.

#### 14. PROPERTIES

	<u>March 31</u>	
	<u>2010</u>	<u>2009</u>
Cost and revaluation increment	\$ 14,268,959	\$ 14,204,271
Accumulated depreciation		
Buildings	1,874,738	1,713,477
Computer and machinery equipment	3,804,750	3,679,592
Transportation equipment	<u>843</u>	<u>5,769</u>
	<u>5,680,331</u>	<u>5,398,838</u>
Advances on acquisitions of equipment and construction in progress	<u>244,787</u>	<u>127,493</u>
Net properties	<u>\$ 8,833,415</u>	<u>\$ 8,932,926</u>

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

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

#### 15. INTANGIBLE ASSETS

	<u>March 31</u>	
	<u>2010</u>	<u>2009</u>
Goodwill - credit card department	\$ 876,717	\$ 876,717
Computer software	<u>113,102</u>	<u>156,955</u>
	<u>\$ 989,819</u>	<u>\$1,033,672</u>

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

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

After assessing the value in use of the department based on the foregoing key assumptions, the Bank found no objective evidence that goodwill had been impaired as of March 31, 2010.

## 16. OTHER ASSETS

	<b>March 31</b>	
	<b>2010</b>	<b>2009</b>
Deferred income tax assets (Note 28)	\$ 3,139,441	\$ 3,662,490
Rental properties, net	1,331,407	1,475,608
Collaterals assumed, net of accumulated impairment \$71,955 and \$42,251, respectively	567,702	699,459
Idle assets, net	403,674	560,693
Deferred pension cost	303,360	355,875
Prepayment	215,214	274,170
Temporary payment	57,636	37,544
Land value increment tax	34,792	478,205
Others	<u>15,166</u>	<u>37,352</u>
	<u>\$ 6,068,392</u>	<u>\$ 7,581,396</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.

## 17. CALL LOANS AND DUE TO BANKS

	<b>March 31</b>	
	<b>2010</b>	<b>2009</b>
Call loans	\$ 29,614,016	\$ 8,674,067
Redeposit from the directorate general of postal remittance	20,683,745	21,064,745
Due to the Central Bank	15,171	34,858
Due to banks	<u>15,258</u>	<u>18,491</u>
	<u>\$ 50,328,190</u>	<u>\$ 29,792,161</u>

## 18. COMMERCIAL PAPER PAYABLE

	<b>March 31, 2009</b>
Commercial paper payable	\$ 3,250,000
Less: Unamortized discount	<u>342</u>
Commercial paper payable, net	<u>\$ 3,249,658</u>
Maturity date	2009.04
Discount rate	1.208%-1.238%

## 19. ACCOUNTS, INTEREST AND OTHER PAYABLES

	<b>March 31</b>	
	<b>2010</b>	<b>2009</b>
Accounts payable - factoring	\$ 13,951,805	\$ 13,483,555
Acceptance payable	1,708,289	809,405
Interest payable	1,252,474	2,411,438
Notes and checks in clearing	1,244,674	1,132,820
Accrued expenses	715,307	671,675
Accounts payable	524,924	1,159,474
Tax payable	159,690	126,606
Accounts payable on cash merger with SinoPac Card Services	-	3,829,424
Others	<u>822,350</u>	<u>681,712</u>
	<u>\$ 20,379,513</u>	<u>\$ 24,306,109</u>

## 20. DEPOSITS AND REMITTANCES

	<b>March 31</b>	
	<b>2010</b>	<b>2009</b>
Checking	\$ 11,816,373	\$ 10,256,574
Demand	146,923,751	123,178,369
Savings - demand	212,293,039	174,153,438
Time	256,383,735	274,984,356
Negotiable certificates of deposit	27,287,200	7,794,200
Savings - time	179,956,291	199,987,276
Inward remittances	2,506,903	620,894
Outward remittances	<u>104,125</u>	<u>83,095</u>
	<u>\$ 837,271,417</u>	<u>\$ 791,058,202</u>

## 21. BANK DEBENTURES AND BONDS PAYABLE

### Bank Debentures

To raise capital for its financial operation and to increase its capital adequacy ratio, the Bank obtained approval to issue subordinate bank debentures. Related information is shown in Table 4-6.

### Bonds Payable

The Bank (formerly IBT) issued US\$180,000 thousand in zero coupon convertible bonds with par of US\$1,000 on December 22, 2004. The terms of the bonds are as follows:

#### a. Redemption method

The Bank will redeem the bonds on the maturity date at a price equal to 99.95% of the outstanding principal amount unless the bonds have been previously redeemed, repurchased and canceled, or converted.

1) Redemption at the Bank's option

- a) During the periods from December 22, 2006 to December 22, 2009, the Bank may redeem all or parts of the bonds if the average closing price over 130% of the conversion price of the shares at least 20 consecutive trading days.
- b) The Bank may redeem all of the bonds at any time if at least 90% of the principal of the bonds has already been redeemed, repurchased and canceled, or converted.
- c) The Bank may redeem all of the bonds at any time if any changes in ROC taxation would require the Bank to gross up the payment of interest or premium.

2) Redemption at the holders' option

- a) Each bondholder has the right to require the Bank to redeem all or parts of the bonds only on December 22, 2006 at 99.98% of the principal unless the bonds had been previously redeemed, repurchased and canceled, or converted.
- b) Each holder has the right to require the Bank to buy all of the holder's bonds at 100% of the principal if the shares cease to be listed or admitted for trading on the TSE for at least five consecutive trading days.
- c) Each holder has the right to require the Bank to buy all or parts of the holder's bonds at 100% of the principal if there is a change of control over the Bank.
- d) On December 26, 2005, the Bank became a wholly-owned subsidiary of SPH. This development constitutes a change of control, on which the bond indenture has certain provisions. Thus, under the indenture, each holder has the right to require IBT to repurchase all or parts of his/her bond holdings. In addition, IBT set December 22, 2006 as the change of control date and the change of put price at 100% of the unpaid principal of the bonds.

b. Maturity date

The maturity period is five years after bond issuance. Since the bonds were issued on December 22, 2004, the maturity date is on December 22, 2009.

c. Pledged: None.

d. Conversion period and object

The bondholders can convert the bonds to IBT's stock between January 21, 2005 and December 12, 2009. They, however, will not be able to effect conversions during the closed period. A closed period is (i) 60 days before any general stockholders' meetings; (ii) 30 days before any special stockholders' meetings; (iii) 5 days before the declaration of dividends or other benefits; (iv) the period from the date following the third trading day before the date of IBT's notification to the Taiwan Stock Exchange of the record date for the determination of stockholders entitled to the receipt of dividends, subscription for new shares due to capital increase, or appropriation of other benefits and bonus; and (v) such other periods during which IBT should suspend the trading of its stocks, as required by ROC laws and regulations.

e. Conversion price

- 1) The conversion price on issuance is NT\$26.26 per share. The conversion price in U.S. dollars is based on the exchange rate of US\$1=NT\$32.49. The conversion price is subject to adjustment based on certain terms of the related indenture. Effective July 8, 2005, the conversion price for distributing cash dividends was adjusted from NT\$26.26 to NT\$25.22.

- 2) If the average closing price of the shares for any 30 consecutive trading days immediately before December 22, 2005, December 22, 2006, December 24, 2007 and December 22, 2008 (the “special reset dates”), converted into U.S. dollars at the prevailing rate on the special reset dates, is less than the conversion price then in effect converted into U.S. dollars at the fixed exchange rate, the conversion price may be decreased up to 80% of original conversion price. Effective December 22, 2005, the conversion price was reset from NT\$25.22 to NT\$22.99. Effective June 30, 2006, the conversion price was reset from NT\$22.99 to NT\$22.25. Effective November 13, 2006, the conversion price was reset at NT\$18.94. When converting to SPH’s shares, the conversion price was \$16.31 which was reset at a share swap ratio 1.3646. Effective June 28, 2007, the conversion price was reset from NT\$18.94 to NT\$18.58 because of the distribution of cash dividend. When converting to SPH’s shares, the conversion price was NT\$16.00 which was reset at a share swap ratio 1.1614, which according to second augment contract of November 13, 2006.

f. Settlement option

Instead of delivering to the holders some or all of the shares required for the valid exercise of a conversion right, IBT may elect to make cash payment for all or parts of a holder’s bonds deposited for conversion.

g. Supplemental agreements

On December 26, 2005, IBT became a wholly-owned subsidiary of SPH and IBT’s common shares were ceased to be traded on the Taiwan Stock Exchange. In the interest of the bondholders, IBT granted to the bondholders outside the United States the additional rights, after converting the bonds into common shares of IBT, and further exchanging IBT’s common shares for SPH’s shares at a certain ratio. If the bondholders do not choose to convert into the SPH’s common shares, their bonds still can be converted into IBT’s common shares.

In 2005, formerly IBT repurchased 2,000 units at discount price 99 and 99.375. And the bondholders sold the aforementioned 2,000 units at exercise price 100 in 2006, hence, as of December 31, 2007, the outstanding bonds’ value was US\$176,000 thousand. The Bank repurchased bonds amounting to US\$25,350 thousand in 2008 and US\$9,320 thousand for the three months ended March 31, 2009, respectively. The bonds was redeemed amounting to US\$141,330 thousand as of December 22, 2009.

The Bank (formerly SinoPac Card Services ) issued 1,500,000 unsecured domestic bond and the significant terms of unsecured domestic bond were as follows:

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

**22. OTHER FINANCIAL LIABILITIES**

	<b>March 31</b>	
	<b>2010</b>	<b>2009</b>
Accrued contingency losses (Note 31)	\$ 2,156,825	\$ -
Appropriated loan fund from the government	476,008	489,005
Guarantee deposits received	272,168	267,508
Hedging derivative financial liabilities	<u>11,996</u>	<u>121,885</u>
	<u>\$ 2,916,997</u>	<u>\$ 878,398</u>

## 23. OTHER LIABILITIES

	<b>March 31</b>	
	<b>2010</b>	<b>2009</b>
Accrued pension cost	\$ 1,436,798	\$ 1,384,677
Temporary receipt	591,789	192,388
Reserve for land value increment tax	430,599	458,362
Deferred income tax liabilities (Note 28)	391,346	888,275
Advance receipt	284,148	288,723
Others	<u>219,945</u>	<u>195,163</u>
	<u>\$ 3,354,625</u>	<u>\$ 3,407,588</u>

## 24. STOCKHOLDERS' EQUITY

### a. Capital stocks

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

To handle the Group's capital more efficiently, increase the Bank's Tier-1 capital and make a reservation for broadening the business scale, the board of directors 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 April 23, 2010, limited to \$3.1 billion, with 248,000 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 three months ended March 31, 2010 the bonus to employees and the remuneration to directors and supervisors were \$447 and \$358, respectively. The Bank did not accrue the bonus to employees and the remuneration to directors and supervisors for the three months ended March 31, 2009, because the Bank did not meet the requirement under the Bank's Articles of Incorporation. The bonus to employees and the remuneration to directors and supervisors recognized for the three months ended March 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.

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 March 26, 2010, the board of directors resolved the appropriation of earnings for 2009 as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 615,011	
Cash dividends	782,833	\$0.16235
Bonus to stockholders	<u>652,192</u>	
	<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 on March 26, 2010.

The appropriation of earnings for 2009 has not been resolved by the board of directors which execute the rights and functions of the stockholders' meeting. 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 financial instruments for the three months ended March 31, 2010 and 2009, respectively, were summarized as follows:

	<b>Available- for-sale Financial Assets</b>	<b>Equity Investments - Equity Method</b>	<b>Unrealized Gain or Loss of Cash Flow Hedge</b>	<b>Total</b>
<u>Three months ended March 31, 2010</u>				
Balance, beginning of period	\$ (77,898)	\$ 46,695	\$ 22,130	\$ (9,073)
Recognized in stockholders' equity	120,734	9,508	(11,157)	119,085
Transferred to profit or loss	<u>32,007</u>	<u>-</u>	<u>-</u>	<u>32,007</u>
Balance, end of period	<u>\$ 74,843</u>	<u>\$ 56,203</u>	<u>\$ 10,973</u>	<u>\$ 142,019</u>
<u>Three months ended March 31, 2009</u>				
Balance, beginning of period	\$ (39,222)	\$ 19,362	\$ -	\$ (19,860)
Recognized in stockholders' equity	(20,514)	27,921	11,787	19,194
Transferred to profit or loss	<u>(115,225)</u>	<u>-</u>	<u>-</u>	<u>(115,225)</u>
Balance, end of period	<u>\$ (174,961)</u>	<u>\$ 47,283</u>	<u>\$ 11,787</u>	<u>\$ (115,891)</u>

e. Earnings per share

There would be no dilutive effect on potential common stock for the three months ended March 31, 2010, because the convertible bonds issued by the bank were redeemed as of December 22, 2009. The numerators and denominators used in computing earnings per shares (EPS) were summarized as follows:

	<u>Numerator (Amounts)</u>		<u>Denominator (Shares in Thousands)</u>	<u>EPS (NT\$)</u>	
	<u>Pretax</u>	<u>After Tax</u>		<u>Pretax</u>	<u>After Tax</u>
For the three months ended <u>March 31, 2010</u>					
Basic EPS	<u>\$ 1,089,001</u>	<u>\$ 879,943</u>	<u>4,821,847</u>	<u>\$ 0.23</u>	<u>\$ 0.18</u>
For the three months ended <u>March 31, 2009</u>					
Basic EPS	\$ 369,444	\$ 443,550	4,481,847	<u>\$ 0.08</u>	<u>\$ 0.10</u>
Influence on diluted common shares Bonds payable	<u>-</u>	<u>-</u>	<u>303,153</u>		
Diluted EPS	<u>\$ 369,444</u>	<u>\$ 443,550</u>	<u>4,785,000</u>	<u>\$ 0.08</u>	<u>\$ 0.09</u>

**25. COMMISSIONS AND FEE REVENUES, NET**

	<u>Three Months Ended March 31</u>	
	<u>2010</u>	<u>2009</u>
Commissions and fees revenues	\$ 1,024,612	\$ 630,866
Commissions and fees expenses	<u>(143,693)</u>	<u>(127,667)</u>
	<u>\$ 880,919</u>	<u>\$ 503,199</u>

**26. OPERATING EXPENSES**

	<u>Three Months Ended March 31</u>	
	<u>2010</u>	<u>2009</u>
Personnel expenses		
Salaries and wages	\$ 1,121,796	\$ 1,127,196
Pension	121,692	125,214
Labor insurance and national health insurance	71,231	75,689
Others	<u>124,400</u>	<u>76,489</u>
	1,439,119	1,404,588
Depreciation	109,856	123,523
Amortization	14,896	18,785
Others	<u>711,946</u>	<u>773,554</u>
	<u>\$ 2,275,817</u>	<u>\$ 2,320,450</u>

## 27. PENSION

Since July 1, 2005, for those employees who still choose to be subject to the Labor Standard Law, the Bank makes monthly contributions, equal to 4% of employee salaries, to the severance payment fund. If the employees quit willingly, they still can receive the severance payment based on the severance payment criteria. On November 13, 2006, for those employees who joined the Bank owing to the merger and still choose to be subject to the Labor Standard Law, the Bank made monthly contributions, equal to 4% of employee salaries, to the severance payment fund excluding those who are eligible for promoted or enforced retirement project. If the employees quit willingly, they still can receive the severance payment based on the severance payment criteria.

For those employees who choose to be subject to the Labor Pension Act, the Bank ceases to contribute into severance payment fund. The amount of the cumulative contributions generated before applying the Labor Pension Act is summed up in the balance at that month and retained in the severance payment fund. The employees will receive the severance payment based on the severance payment criteria when they quit willingly.

For the Bank's and formerly SinoPac Card Services Co., Ltd.'s employees who choose the pension mechanism regulated by the Labor Standard Law, the retirement payments shall be paid to employees on the basis of the following standards: (i) a lump sum payment of retirement payments equal to two base units shall be paid for each year of service; (ii) provided that each year of service exceeding fifteen years shall be entitled to only one base unit of wage; (iii) and that the maximum payment shall be forty-five base units. Any fraction of a year of over six months is counted as one year of service, and any fraction of a year of up to six months is counted as half a year of service.

The Bank and formerly SinoPac Card Services Co., Ltd. applied defined contribution plan regulated by Labor Pension Act after July 1, 2005. Under this Act, the Bank contributed 6% of the employee salaries to the Labor Insurance Administration (according to this Act, the contribution rate by the employer to the Labor Pension Fund per month shall not be less than 6% of the employee's monthly wages). For the three months ended March 31, 2010 and 2009, the pension expense amounted to \$34,274 and \$35,782, respectively, which were contributed to personal pension accounts. For the three months ended March 31, 2010 and 2009, the pension expense amounted to \$87,418 and \$89,432, respectively, which were contributed to personal pension accounts.

## 28. INCOME TAX

Under a directive issued by the Ministry of Finance, a financial holding company and its domestic subsidiaries which over 90% of shares issued were held by the financial holding company for 12 months within the same tax year may choose to adopt the linked-tax system for income tax filings. Thus, SinoPac Financial Holdings Company Limited adopted the linked-tax system for income tax filings with its qualified subsidiaries in 2003.

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

	<b>Three Months Ended March 31</b>	
	<b>2010</b>	<b>2009</b>
Current income tax payable (deductible loss carry forward)	\$ 211,912	\$(198,288)
Separate taxes	25,766	67,478
Investment credit	-	(903)
Deferred income taxes	(55,917)	38,270
Overseas income taxes over limitation	<u>27,297</u>	<u>19,337</u>
Income tax expense (benefit)	<u>\$ 209,058</u>	<u>\$ (74,106)</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.

Since April 16, 2010, Legislative Yuan passed the "Industrial Innovation Act", and the article 10 provides the company may deduct the income tax payable in the annual income tax payable 30% limit when the company invest in research and development expenditures in the 15% limit. Specified in the implementation of the ten-year period from January 1, 2010 ending December 31, 2019. The assessment calculated by the Bank on March 31, 2010 has no income tax credits.

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

	<b>Three Months Ended March 31</b>	
	<b>2010</b>	<b>2009</b>
Tax on pretax income at 20% statutory rate in 2010 and 25% statutory rate in 2009	\$ 217,800	\$ 92,361
Add (deduct) tax effects of:		
Tax-exempt income	6,024	(6,554)
Permanent difference	(27,792)	(216,627)
Temporary difference	102,535	(52,887)
Loss carryforward	<u>(86,655)</u>	<u>(14,581)</u>
Current income tax payable (deductible loss carry forward)	<u>\$ 211,912</u>	<u>\$ (198,288)</u>

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

	<b>March 31</b>	
	<b>2010</b>	<b>2009</b>
Loss carry forward	\$ 2,818,275	\$ 3,237,383
Deferred pension cost	264,662	334,424
Unrealized loss or gain on foreign exchange and revaluation of financial instrument, net	7,707	(890)
Staff training income tax credit	25,457	21,865
Allowance for credit loss over limit	-	97,733
Others	49,840	(2,622)
Valuation allowance	<u>(26,500)</u>	<u>(25,403)</u>
Deferred income tax assets, net	<u>\$ 3,139,441</u>	<u>\$ 3,662,490</u>

  

	<b>March 31</b>	
	<b>2010</b>	<b>2009</b>
Investment income under the equity method	\$ (344,791)	\$ (841,720)
Others	<u>(46,555)</u>	<u>(46,555)</u>
Deferred income tax liabilities, net	<u>\$ (391,346)</u>	<u>\$ (888,275)</u>

The unused loss carry forwards as of March 31, 2010 were as follows:

<b>Deficit Year</b>	<b>The Last Year of Claiming Deductible Loss</b>	<b>Amount</b>
2006	2016	\$ 1,861,520
2007	2017	4,504,160
2008	2018	6,166,540
2009	2019	<u>1,559,155</u>
		<u>\$ 14,091,375</u>

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

	<b>March 31</b>	
	<b>2010</b>	<b>2009</b>
Receivables from related parties	<u>\$ 1,289,469</u>	<u>\$ 1,502,088</u>

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

	<b>March 31</b>	
	<b>2010</b>	<b>2009</b>
Balances of imputed tax credit account	<u>\$ 2,792,289</u>	<u>\$ 2,541,789</u>

In 2009, the creditable tax ratios were estimated to 33.33% by the bank. In 2008, the Bank had no distributable earnings because of deficits. Thus, tax credits will be used to compute the creditable tax ratios in the following years when there are distributable earnings.

Under the Income Tax Law, when the unappropriated earnings generated on or after January 1, 1998 are distributed, stockholders will get imputation credits based on the imputed tax credit ratio as of the dividend declaration date, therefore there would be differences between the imputed tax credit ratio as of 2009 and the tax credit ratio applied to stockholders actually.

- f. As of March 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.

- g. For the Bank, income tax returns through 2005, except those for 1996, had been examined by the tax authorities. On the income tax returns for the aforementioned years, the tax authorities denied the creditability of 10% withholding tax on interest income on bonds pertaining to the period when those bonds were held by other investors. The Bank reached an agreement with the Taipei National Tax Administration (TNTA) on the above appealing cases, in which TNTA would refund 65% of the withholding tax denied on the interest income on bonds to the Bank. Consequently, the Bank accrued 35% of the withholding tax denied on the interest income on bonds as income tax expenses, which were not refunded by tax authorities.

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

## 29. RELATED-PARTY TRANSACTIONS

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

### a. Related parties

Name	Relationship with the Bank
SinoPac Financial Holdings Company Limited (SPH)	Parent company of the Bank
SinoPac Securities Corporation (SinoPac Securities)	Subsidiary of SPH
SinoPac Call Center Co., Ltd. (SinoPac Call Center)	Subsidiary of SPH
SinoPac Venture Capital Co., Ltd. (SinoPac Venture Capital)	Subsidiary of SPH
SinoPac Leasing Corporation (SPL)	Subsidiary of the SPH (SinoPac Leasing Corporation has been transferred at the book value to SPH in December 2009 and become a subsidiary of SPH)
SinoPac Life Insurance Agent Co., Ltd. (SPLIA)	Subsidiary of the Bank
SinoPac Property Insurance Agent Co., Ltd. (SPPIA)	Subsidiary of the Bank
SinoPac Securities Investment Trust Co., Ltd. (SinoPac Securities Investment Trust)	Subsidiary of SPH
Far East National Bank (FENB)	Overseas affiliate of the Bank
SinoPac Capital Ltd. (Hong Kong)	Overseas subsidiary of the Bank
Grand Capital International Limited (Grand Capital)	Subsidiary of SPL
Wal Tech International Corporation (Wal Tech International)	Subsidiary of SinoPac Venture Capital
Intellisys Corporation	Subsidiary of SinoPac Venture Capital
SinoPac Strategic Allocation Balanced Fund	Managed by SinoPac Securities Investment Trust
SinoPac High ROE & Dividend Balanced Fund	Managed by SinoPac Securities Investment Trust
BoardTek Electronics Corp. (BoardTek Electronics)	Affiliate of the Bank's director
Yung An Leasing Corporation (Yung An Leasing)	Affiliate of the Bank's director
SinoPac Securities (Asia) Ltd.	Affiliate of SinoPac Securities
Taiwan Genome Sciences, Inc.	Affiliate of the Bank's director
SinoPac Futures Corporation (SinoPac Futures)	Subsidiary of SinoPac Securities
Rung-Tzung Investment Corp. (Rung-Tzung Investment)	Affiliate of the second-degree of kinship of the director of SinoPac Securities
Chen, Bo Cang	The director of the Bank (retired in May 2009)
Liu, Shiou Fong	Manager of SPH (retired in May 2009)
Chen, Yu Chien	The director of SPPIA

(Continued)

Name	Relationship with the Bank
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
Guo, Fong Yuan	Manager of the Bank
Hong, Siou Huei	Manager of the Bank
Lien, His Chuan	Manager of the Bank
Hong, Wen Jing	Manager of the Bank
Guo, Ling Shan	Manager of the Bank
Yang, Jih Fa	Manager of the Bank
Zhong, Dau Cheng	Manager of the Bank
Ci, Siou Jyuan	Manager of the Bank
Jhuo, Shu Lin	Manager of the Bank
Chen, Jih Wen	Manager of the Bank
Ji, Ying Huei	Manager of the Bank
Chu, Wen Chi	Manager of the Bank
Guo, Ling Ling	Manager of the Bank
Lyu, Zhong Xiong	Manager of the Bank
Huang, Lien Cheng	Manager of the Bank
Li, Chih Neng	Manager of the Bank
Zhung, Ji Cheng	Manager of the Bank
Luo, Guang Tsai	Manager of the Bank
Chiang, 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
Jung, Ching Lin	Manager of the Bank
Liao, Chih Meng	Manager of the Bank
Liang, Ya Zi	Manager of the Bank
Li, Qing Hsan	Manager of the Bank
Chang, Yu His	Manager of the Bank
Chuang, Ming En	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

	Ending Balance		% of Total	
	March 31		March 31	
	2010	2009	2010	2009
1) Due from banks				
Due from banks - FENB	\$ 27,066	\$ 29,784	0.65%	1.17%

	<u>Ending Balance</u>		<u>% of Total</u>	
	<u>March 31</u>		<u>March 31</u>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
2) Financial assets at fair value through profit or loss				
Beneficiary certificates - SinoPac Strategy Allocation Balance Fund	\$ 36,011	\$ 34,770	0.22%	0.14%
Beneficiary certificates - SinoPac High ROE & Dividend Balanced Fund	-	41,171	-	0.16%

3) Derivative financial instruments

	<u>March 31, 2010</u>				
	<u>Contract (Notional) Amount</u>	<u>Contract Period</u>	<u>Fair Value</u>	<u>Balance Sheet</u>	
				<u>Account</u>	<u>Balance</u>
Currency swap contracts SinoPac Capital (H.K.)	\$ 924,856	2010.3.19-2010.4.19	\$ 70	Financial assets at fair value through profit or loss	\$ 70
Interest rate swap contracts SinoPac Securities	24,455,000	2006.12.29-2015.3.30	(52,014)	Financial liabilities at fair value through profit or loss	(52,014)
Non-delivery forward contract - short position FENB	59,825	2010.6.25-2010.9.3	(89)	Financial liabilities at fair value through profit or loss	(89)
	<u>March 31, 2009</u>				
	<u>Contract (Notional) Amount</u>	<u>Contract Period</u>	<u>Fair Value</u>	<u>Balance Sheet</u>	
				<u>Account</u>	<u>Balance</u>
Currency swap contracts SinoPac Capital (H.K.)	\$ 984,901	2009.3.31-2009.4.30	\$ 57	Financial assets at fair value through profit or loss	\$ 57
Grand Capital	544,510	2009.1.12-2009.7.27	40	Financial assets at fair value through profit or loss	40
Interest rate swap contracts SinoPac Securities	12,520,000	2006.12.29-2014.3.24	(37,629)	Financial liabilities at fair value through profit or loss	(37,629)
Forward contracts Grand Capital	25,202	2008.12.29-2009.5.4	2	Financial assets at fair value through profit or loss	2
Non-delivery forward contract - short position FENB	74,109	2008.5.26-2009.6.1	(3,494)	Financial liabilities at fair value through profit or loss	(3,494)
Non-delivery forward contract - Long position FENB	67,834	2008.12.5-2009.5.29	(2,792)	Financial liabilities at fair value through profit or loss	(2,792)

4) Accounts, interest, other receivables and payables

As of March 31, 2010 and 2009, other receivables from related parties amounted to \$8,891 and \$9,028, respectively. As of March 31, 2010 and 2009, other payables to related parties amounted to \$17,128 and \$12,925, respectively. As of March 31, 2009, the Bank's payable to SinoPac Financial Holdings resulting from pro-forma information amounted to \$3,829,423.

As of March 31, 2010 and 2009, the Bank's estimated receivables resulting from the adoption of the linked-tax system amounted to \$1,289,469 and \$1,367,909, respectively. As of March 31, 2009, formerly SinoPac Card Services estimated receivables resulting from the adoption of the linked - tax system amounted to \$134,179.

5) Loans

		<b>March 31, 2010</b>					
		<b>March 31, 2010 Balance</b>	<b>Highest Balance</b>	<b>% of Total</b>	<b>Interest/ Fee Rates</b>	<b>Interest Revenue</b>	
Loans		<u>\$ 4,885,806</u>	<u>\$ 5,008,309</u>	0.72	0.7-6.5	<u>\$ 41,815</u>	
		<b>March 31, 2010</b>					
Category	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collaterals	Is the Transaction at Arm's Length Commercial Term
Employees consuming loan	25	\$ 9,277	\$ 7,741	V	-	None	Yes
Households mortgages	206	1,249,325	1,155,543	V	-	Real estate	Yes
Others:	SPL	2,372,000	2,372,000	V	-	Real estate	Yes
	Grand Capital	509,104	509,104	V	-	Movable	Yes
	BoardTek Electronics	410,354	384,154	V	-	Real estate	Yes
	Rung-Tzung Investment	246,671	246,671	V	-	Real estate	Yes
	Yung An Leasing	198,800	198,800	V	-	Real estate	Yes
	Taiwan Genome Sciences, Inc.	5,500	5,500	V	-	Real estate	Yes
	Chen Hsu, Yu Rong	5,338	5,091	V	-	Real estate	Yes
	Jhuo, Shu Lin	1,880	1,142	V	-	Certificate of deposit	Yes
	Lin Xu, Li Hong	31	31	V	-	Certificate of deposit	Yes
	Zhong, Dau Cheng	22	22	V	-	Certificate of deposit	Yes
	Guo, Kai Wei	5	5	V	-	Certificate of deposit	Yes
	Liang, Ya Zi	2	2	V	-	Certificate of deposit	Yes
	Other	<u>3,749,707</u>	<u>3,722,522</u>				
		<u>\$ 5,008,309</u>	<u>\$ 4,885,806</u>				
		<b>March 31, 2009</b>					
		<b>March 31, 2009 Balance</b>	<b>Highest Balance</b>	<b>% of Total</b>	<b>Interest/ Fee Rates</b>	<b>Interest Revenue</b>	
Loans		<u>\$ 2,077,290</u>	<u>\$ 2,583,759</u>	<u>0.34</u>	0.8-7.38	<u>\$ 10,295</u>	

March 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	26	\$ 9,779	\$ 8,369	V	-	None	Yes
Households mortgages	216	1,268,149	1,183,420	V	-	Real estate	Yes
Others:	BoardTek Electronics	430,687	417,354	V	-	Real estate	Yes
	SPL	410,000	12,000	V	-	Real estate	Yes
	Rung-Tzung Investment	246,671	\$ 246,671	V	-	Real estate	Yes
	Yung An Leasing	198,800	198,800	V	-	Real estate	Yes
	Chu, Wen Chi	5,674	-	V	-	Certificate of deposit	Yes
	Chen Hsu, Yu Rong	5,522	5,375	V	-	Real estate	Yes
	Guo, Kai Wei	3,354	3,354	V	-	Certificate of deposit	Yes
	Guo, Fong Yuan	2,100	-	V	-	Certificate of deposit	Yes
	Chen, Bo Cang	1,900	1,900	V	-	Certificate of deposit	Yes
	Chen, Jih Wen	835	-	V	-	Certificate of deposit	Yes
	Lin Xu, Li Hong	118	-	V	-	Certificate of deposit	Yes
	Zhong, Dau Cheng	50	-	V	-	Certificate of deposit	Yes
	Liu, Shiou Fong	48	47	V	-	Real estate	Yes
	Ji, Ying Huei	47	-	V	-	Certificate of deposit	Yes
	Lin, Hsiao Fen	25	-	V	-	Certificate of deposit	Yes
	Other	1,305,831	885,501				
		<u>\$ 2,583,759</u>	<u>\$ 2,077,290</u>				

## 6) Guarantees

March 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	315	-	1.25%-2.75%	None	Note
Hong, Wen Jing	400	265	-	1.25%-2.75%	None	Note
Li, Qing Hsan	190	190	-	1.25%-2.75%	None	Note
Lien, His Chuan	150	150	-	1.25%-2.75%	None	Note
Chiang, Yen Jung	120	90	-	1.25%-2.75%	None	Note
Zhung, Ji Cheng	75	75	-	1.25%-2.75%	None	Note
Lin, Shin Shin	70	45	-	1.25%-2.75%	None	Note
Chuang, Ming En	65	50	-	1.25%-2.75%	None	Note
Ji, Ying Huei	60	45	-	1.25%-2.75%	None	Note
Huang, Wei Ming	60	45	-	1.25%-2.75%	None	Note
Huang, Yung Kuang	60	45	-	1.25%-2.75%	None	Note
Lyu, Zhong Xiong	60	45	-	1.25%-2.75%	None	Note
Ci, Siou Jyuan	60	45	-	1.25%-2.75%	None	Note
Huang, Yuan Chuan	60	45	-	1.25%-2.75%	None	Note
Jung, Ching Lin	55	40	-	1.25%-2.75%	None	Note
Lyu, Shu Fen	55	40	-	1.25%-2.75%	None	Note
Chen, Yu Chien	45	30	-	1.25%-2.75%	None	Note
Liao, Chih Meng	40	40	-	1.25%-2.75%	None	Note
Chang, Yu His	40	40	-	1.25%-2.75%	None	Note
Huang, Lien Cheng	30	-	-	1.25%-2.75%	None	Note
Guo, Ling Ling	20	-	-	1.25%-2.75%	None	Note
Hung, Jeng An	10	-	-	1.25%-2.75%	None	Note
Li, Chih Neng	10	-	-	1.25%-2.75%	None	Note

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

March 31, 2009

Related Party	The Highest Balance in Current Period	Ending Balance	Provision	Rates	Type of Collaterals	Note
SPL	\$ 330,000	\$ 330,000	\$ -	0.3%	Real estate	
SinoPac Securities	2,000	2,000	-	0.3%	Certificate of deposit	
Hong, Wen Jing	400	400	-	1.5%-2.75%	None	Note
Huang, Lien Cheng	290	290	-	1.5%-2.75%	None	Note
Yang, Jih Fa	180	180	-	1.5%-2.75%	None	Note
Huang, Yuan Chuan	105	105	-	1.5%-2.75%	None	Note
Li, Chih Neng	100	100	-	1.5%-2.75%	None	Note
Lyu, Shu Fen	100	100	-	1.5%-2.75%	None	Note
Lyu, Zhong Xiong	90	90	-	1.5%-2.75%	None	Note
Guo, Ling Shan	90	90	-	1.5%-2.75%	None	Note
Hong, Siou Huei	80	80	-	1.5%-2.75%	None	Note
Zhung, Ji Cheng	70	70	-	1.5%-2.75%	None	Note
Ci, Siou Jyuan	70	70	-	1.5%-2.75%	None	Note
Luo, Guang Tsai	60	60	-	1.5%-2.75%	None	Note
Chen, Yu Chien	60	60	-	1.5%-2.75%	None	Note

Note: The listed thirteen guarantees are employees consuming loans.

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

8) Securities sold under agreements to repurchase

	Face Amount		Cost	
	March 31		March 31	
	2010	2009	2010	2009
Others	\$ 297,000	\$ 449,000	\$ 294,869	\$ 469,282

9) Deposits

	Ending Balance	% of Total	Interest Rate	Interest Expense	% of Total
<u>For the Three Months ended March 31, 2010</u>					
SinoPac Securities	\$ 3,723,395	0.44%	0-0.9	\$ 2,510	0.18%
SinoPac Securities (Asia) Ltd.	1,568,623	0.19%	0.005-1.5	560	0.04%
SinoPac Futures	1,528,343	0.18%	0.1-0.54	1,125	0.08%
SinoPac Venture Capital	1,262,002	0.15%	0.01-0.1	256	0.02%
SPLIA	1,179,046	0.14%	0.1-0.25	636	0.05%
Others	5,850,205	0.70%	0-13	12,530	0.92%
<u>For the Three Months ended March 31, 2009</u>					
SinoPac Securities	6,747,940	0.85%	0-2.57	15,423	0.53%
SinoPac Futures	3,316,038	0.42%	0.1-2	10,920	0.38%
SinoPac Venture Capital	1,311,752	0.17%	0.03-0.3	1,133	0.04%
SinoPac Securities (Asia) Ltd.	1,132,422	0.14%	0.0005-1.95	3,215	0.11%
SPLIA	728,594	0.09%	0.1-0.5	1,286	0.04%
Others	6,257,434	0.79%	0-4.89	22,309	0.75%

10) Revenues and expenses

	<b>Amount</b>		<b>% of Total</b>	
	<b>For the Three Months Ended March 31</b>		<b>For the Three Months Ended March 31</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Service fees	\$ 6,846	\$ 4,430	0.67%	0.70%
Service expenses	831	299	0.58%	0.23%
Project popularizing expense	103	110	0.01%	0.01%
Promotion fee	6,409	8,199	0.90%	1.06%
Other revenues	1,818	1,919	(3.88%)	(18.63%)

11) Lease

a) The Bank as a lessee

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

<b>Lessor</b>	<b>Rental Expenses</b>		<b>Lease Term</b>	<b>Payment Frequency</b>
	<b>For the Three Months Ended March 31</b>			
	<b>2010</b>	<b>2009</b>		
SPL	\$ 28,364	\$ 28,367	February 2020	Rentals paid monthly

b) The Bank as a lessor

<b>Lessee</b>	<b>Rental Income</b>		<b>Lease Term</b>	<b>Payment Frequency</b>
	<b>For the Three Months Ended March 31</b>			
	<b>2010</b>	<b>2009</b>		
SinoPac Securities	\$ 4,897	\$ 3,667	November 2014	Rentals received monthly
SinoPac Securities Investment Trust	3,468	2,214	September 2017	Rentals received monthly
SinoPac Call Center	1,559	1,559	March 2013	Rentals received monthly
SPL	1,473	1,483	July 2011	Rentals received monthly
Intellisys Corporation	834	703	December 2013	Rentals received monthly
SPLIA	495	563	March 2012	Rentals received monthly
SPPIA	68	99	March 2012	Rentals received monthly
Wal Tech International	-	15	October 2009	Rentals received monthly
SinoPac Venture Capital	-	2	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 three months ended March 31, 2010 and 2009 amounted to \$47,404 and \$49,651, 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.

## 30. RESTRICTED ASSETS

Pledged or restricted assets of the Bank as of March 31, 2010 and 2009 are summarized as follows:

Restricted Assets	Object	Fair Value		Purposes
		2010	2009	
Available-for-sale financial assets	Government bonds	\$ 403,878	\$ 589,194	Pledged to court as collaterals for filing provisional seizure, GTSM as bond payment settlement reserves for electronic bond trading system
Held-to-maturity investments	Government bonds	204,718	222,090	Hong Kong branch's clearing system of real - time gross settlement
Held-to-maturity investments	Certificate of deposit	-	2,000,000	Intraday overdraft facilities
Other financial assets	Guarantee deposits, negotiable certificate of deposits and cash	886,549	1,977,162	Pledged to court as collaterals for filing provisional seizure or restricted

## 31. SIGNIFICANT CONTINGENCIES AND COMMITMENTS

In addition to those disclosed in Note 34, financial instruments, significant contingencies and commitments of the Bank are summarized as follows:

### a. Lease contract

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

Year	Amount
April 1 to December 31, 2010	\$ 248,376
2011	251,351
2012	192,926
2013	119,989
2014	79,911

Rentals for the years beyond 2015 amount to \$218,084, the present value of which is about \$204,230 as discounted at the Bank's one-year time deposit rate of 0.9% on March 31, 2010.

b. Equipment purchase contract

The Bank had entered into contracts to buy computer equipment and office equipment for \$600,299, of which \$245,053 had already been paid as of March 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 contingent loss amounting to US\$67,784 was estimated and recorded for the three months ended March 31, 2010.
- d. The Securities and Futures Investors Protection Center (SFIPC) was filing a lawsuit against the Bank and SPL's subsidiary, Grand Capital, in the ground that Procomp Informatics Ltd. provided deposit US\$10,000 thousand with the Bank's Shisung Branch (formally Sungshan Branch) and limited the usage as a condition for short-term loan to Addie International Limited granted by SPL and for helping Yeh, Sue-Fei and Procomp Informatics Ltd. processing irregular trading and appropriating the aforementioned limited deposit for fictitious sales. Finally the Bank directly took compensation from Procomp Informatics Ltd.'s account, causing Procomp's damage. And the Bank was suspected of misleading investors by providing unreal confirmations for conceal with the limited deposit of the Procomp and window-dressing its financial statements. The SFIPC filed additional lawsuit against the Bank, SPL and all other parties related to Procomp Informatics Ltd. for involving liability \$41.7 hundred millions to pay compensation. The Shihlin District Court rejected the SFIPC's lawsuit against the Bank on March 11, 2008. SFIPC has filed an appeal. The Bank has entered a plea on such charges and the case is under trying in the Taiwan High Court.
- e. The SFIPC is believed by investors to be filing a lawsuit against the Bank in the ground that National Aerospace Fasteners Corporation provided an accounts receivable - factoring with the Bank's Tunpei Branch and recorded the substantially loan transaction as an accounts receivable financing activity to window-dress its financial position which the investors made their investing decision based on. The SFIPC files lawsuit against the Bank and all other parties for compensation \$5.7 hundred millions. The Bank has entered a plea on such charges and the case is under trying in the Taipei District Court.
- f. The FSC imposed a disciplinary, FSC (6) 09480115211, at December 23, 2005 for restraining the Bank from developing new clients of accounts receivable factoring activities (except for authorized limit of original clients) in the period of January to June 2006, due to believing the Bank accommodated client to increase bank deposit falsely for window dressing the clients' financial reports, and not sufficiently disclosed the restricted deposit for CPA confirmation.

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

### 32. RESTATEMENT OF FINANCIAL STATEMENTS

The Bank had a cash merger with SinoPac Card Services (“SinoPac Card”) on June 1, 2009. Based on Statement of Financial Accounting Standards (SFAS) Interpretation Nos. (91) 243 and 244 and (95) 081 issued by the Accounting research and Development Foundation of the ROC, this merger was treated as a reorganization and was recorded at the book values of both entities’ assets and liabilities because the Bank and SinoPac Card Services were both 100% subsidiaries of SinoPac Financial Holdings Company Limited. In addition, based on SFAS Interpretation No. (95) 141, the Bank’s financial statements as of and for the three months ended March 31, 2009 were retroactively restated assuming SinoPac Card’s assets and liabilities had been included in these financial statements at book value. The Bank acquired from SinoPac Card the following net assets, amounting to \$2,998,513 thousand:

Item	Amount
Cash and cash equivalents	\$ 936,109
Financial assets at fair value through profit or loss	169,527
Accounts, interest and other receivables, net	11,884,889
Other financial assets	457,738
Properties, net	60,577
Intangible assets	7,180
Other assets	84,302
Short-term borrowings	(2,700,000)
Commercial paper payable	(3,550,000)
Accounts, interest and other payables	(3,462,284)
Long-term debts	(800,000)
Other financial liabilities	(500)
Other liabilities	(89,025)
	<u>2,998,513</u>
Goodwill	876,717
Capital surplus	(1,555)
	<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 three months ended March 31, 2009 included SinoPac Card’s net income for the same period.

### 33. AVERAGE AMOUNT AND AVERAGE INTEREST RATE OF INTEREST-EARNING ASSETS AND INTEREST-BEARING LIABILITIES

Average balances were calculated by the daily average balances of interest-earning assets and interest-bearing liabilities.

	For the Three Months Ended March 31			
	2010		2009	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Due from the Central Bank and other banks	\$ 22,160,865	0.42	\$ 21,340,845	0.52
Call loans to banks	41,543,839	0.48	62,060,009	1.00
Financial assets at fair value through profit or loss	6,451,217	1.65	20,799,068	2.05

(Continued)

	<b>For the Three Months Ended March 31</b>			
	<b>2010</b>		<b>2009</b>	
	<b>Average Balance</b>	<b>Average Rate (%)</b>	<b>Average Balance</b>	<b>Average Rate (%)</b>
Securities purchased under agreements to resell	\$ 134,201	0.02	\$ 1,075,372	0.87
Available-for-sale financial assets	28,828,691	1.54	37,578,747	1.53
Discounts and loans	668,051,592	1.92	621,426,623	2.35
Accounts receivable - factoring	6,991,289	1.22	6,263,630	3.12
Credit card receivable	11,533,274	14.48	7,428,028	16.03
Held-to-maturity investments	129,166,327	0.68	107,980,632	1.26
Other financial assets	198,527	0.68	404,970	3.03
<u>Interest-bearing liabilities</u>				
Due to the Central Bank and other banks	20,941,414	1.04	21,115,430	1.28
Call loans	21,071,265	0.25	15,743,500	1.27
Securities sold under agreements to repurchase	4,607,865	0.16	6,989,720	0.22
Demand	145,159,057	0.11	114,020,312	0.12
Savings - demand	211,755,427	0.35	165,565,630	0.48
Time	248,942,805	0.58	278,771,010	1.51
Savings - time	179,630,396	1.03	203,434,481	1.81
Negotiable certificates of deposit	24,827,676	0.36	8,291,867	1.23
Bank debentures	26,917,176	2.06	28,078,207	2.55
Other liabilities - appropriated loan fund	482,537	0.94	489,624	1.05
Bonds payable	-	-	5,015,904	-

(Concluded)

### 34. FINANCIAL INSTRUMENTS

#### a. Fair value of financial instruments

	<b>March 31</b>			
	<b>2010</b>		<b>2009</b>	
	<b>Carrying Amount</b>	<b>Estimated Fair Value</b>	<b>Carrying Amount</b>	<b>Estimated Fair Value</b>
<u>Financial assets</u>				
Other short-term financial assets	\$ 133,826,296	\$ 133,826,296	\$ 140,330,723	\$ 140,330,723
Financial assets at fair value through profit or loss	16,740,300	16,740,300	25,543,351	25,543,351
Discounts and loans	673,917,115	673,917,115	607,172,095	607,172,095
Available-for-sale financial assets	26,353,398	26,353,398	47,428,687	47,428,687
Held-to-maturity investments	133,669,154	133,689,071	110,342,082	110,204,266
Equity investments-equity method	8,453,310	8,453,310	9,869,860	9,869,860
Unquoted equity instruments	1,922,882	-	488,507	-
Non-active market debt instruments	98,975	94,669	259,785	229,132
Other financial assets	5,324,134	5,324,134	2,679,688	2,679,688

(Continued)

	<b>March 31</b>			
	<b>2010</b>		<b>2009</b>	
	<b>Carrying Amount</b>	<b>Estimated Fair Value</b>	<b>Carrying Amount</b>	<b>Estimated Fair Value</b>
<u>Financial liabilities</u>				
Other short-term financial liabilities	\$ 74,415,672	\$ 74,415,672	\$ 62,595,527	\$ 62,595,527
Financial liabilities at fair value through profit or loss	8,895,431	8,895,431	14,169,074	14,169,074
Deposits and remittances	837,271,417	837,271,417	791,058,202	791,058,202
Bank debentures	27,097,862	27,097,862	28,077,618	28,077,618
Bonds payable	-	-	6,293,490	6,134,379
Other financial liabilities	2,916,997	2,916,997	878,398	878,398
				(Concluded)

b. Methods and assumptions applied in estimating the fair values disclosures for financial instruments are as follows:

- 1) The carrying amounts of cash and cash equivalents, due from the Central Bank and other banks, securities purchased under agreements to resell, receivables, call loans and due to banks, short-term borrowings, commercial paper payable, securities sold under agreements to repurchase and payables approximate their fair values because of the short maturities of these instruments.
- 2) For financial instruments at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, bank debentures, bonds payable and hedged derivative financial instruments, fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Bank's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using available indirect data and appropriate valuation methodologies.

Forward contracts' and interest rate swap contracts' fair values are based on estimates using present value techniques. Options' fair value is based on estimates using Black & Scholes model.

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

Fair value of structured instruments is provided by the counter parties. All outstanding contracts are based on match basis and market risks will be offset.

Fair value of interest rate swap contracts and cross currency swap contracts are estimated based on the market quotation provided by Reuters.

- 3) Discounts and loans, deposits, remittances and other financial liabilities are interest-earning assets and interest-bearing liabilities. Thus, their carrying amounts represent fair values. Fair value of nonperforming loans is based on the carrying amount, which is net of allowance for credit losses.
- 4) When unquoted equity instruments which the Bank does not have significant influence over the investees do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost. There are no quoted market prices for equity investments - equity method, thus their carrying amounts represent fair values. And non-active market debt instruments used estimated value as its fair value.
- 5) Fair values of refundable guarantee deposits and guarantee deposits received are estimated at their carrying amounts since such deposits do not have specific due dates.

- 6) Fair value of long-term borrowings is estimated at its carrying amount since it is floating interest-bearing.
- c. Interest revenue of financial assets and liabilities other than those at fair value through profit or loss amounted to \$4,013,810 and \$4,870,732, for the three months ended March 31, 2010 and 2009, respectively. Interest expense of financial assets and liabilities other than those at fair value through profit or loss amounted to \$1,125,947 and \$2,374,263, for the three months ended March 31, 2010 and 2009, respectively.
- d. Financial risk information
- 1) Market risk

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

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

	Quoted Market Prices		Fair Value Based on Estimates	
	March 31		March 31	
	2010	2009	2010	2009
<u>Financial assets</u>				
Financial assets at fair value through profit or loss	\$ 13,116,366	\$ 19,657,808	\$ 3,623,934	\$ 5,885,543
Available-for-sale financial assets	26,353,398	47,137,162	-	291,525
Held-to-maturity investments	133,689,071	110,204,266	-	-
Other financial assets - non-active market debt instruments	-	-	94,669	229,132
<u>Financial liabilities</u>				
Financial liabilities at fair value through profit or loss	8,663,703	13,719,667	231,728	449,407

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

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

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

## 2) Credit risk

The Bank is exposed to credit risk in the event of default on contracts by counter-parties. The Bank makes credit commitments and issues financial guarantees and standby letters of credit only after careful evaluation of customers' credit worthiness. On the basis of the result of the credit evaluation, the Bank may require collaterals before drawings are made against the credit facilities. As of March 31, 2010 and 2009, ratios of secured loans to total loans were 70.64% and 67.67%, respectively. Ratio of secured financial guarantees and standby letters of credits were from 21.80% and 25.75%. Collaterals held vary but may include cash, inventories, marketable securities, and other properties. When the customers default, the Bank will, as required by circumstances, foreclose the collaterals or execute other rights arising out of the guarantees given. Since most of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash demands. The maximum potential amount of future payments represents the notional amounts that could be lost under the guarantees if there were a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions or from collaterals held or pledged.

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

Items	March 31	
	2010	2009
	Maximum Credit Exposure	Maximum Credit Exposure
Off-balance-sheet credit risk		
Credit card commitments for credit card	\$ 172,751,576	\$ 194,359,760
Financial guarantees and standby letter of credit	23,500,251	19,125,140
Undrawn loan commitments	20,129,434	22,061,826

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	March 31	
	2010	2009
	Maximum Credit Exposure	Maximum Credit Exposure
Consumer	\$ 383,528,011	\$ 351,524,730
Private sector	272,824,171	237,106,759
Government	<u>23,774,299</u>	<u>25,020,160</u>
	<u>\$ 680,126,481</u>	<u>\$ 613,651,649</u>

<b>Credit Risk Profile by Industry Sector</b>	<b>March 31</b>	
	<b>2010</b>	<b>2009</b>
	<b>Maximum Credit Exposure</b>	<b>Maximum Credit Exposure</b>
Electricity industry	\$ 53,670,777	\$ 49,623,410
Material and supplies	47,449,495	39,398,135
Wholesale trade and retail business	<u>44,499,511</u>	<u>30,894,354</u>
	<u>\$ 145,619,783</u>	<u>\$ 119,915,899</u>

<b>Credit Risk Profile by Region</b>	<b>March 31</b>	
	<b>2010</b>	<b>2009</b>
	<b>Maximum Credit Exposure</b>	<b>Maximum Credit Exposure</b>
Domestic area	\$ 623,784,379	\$ 557,330,742
Asia	28,292,596	29,015,010
North America	<u>18,517,194</u>	<u>14,799,039</u>
	<u>\$ 670,594,169</u>	<u>\$ 601,144,791</u>

### 3) Liquidity risk

As of March 31, 2010 and 2009, the liquidity reserve ratio was 21.53% and 23.95%, 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 is to match in the contractual maturity profile and interest rate of its assets and liabilities. As a result of the uncertainty, the maturities and interest rates of assets and liabilities usually didn't fully match. The gap may result in potential gain or loss.

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

	<b>March 31, 2010</b>						<b>Total</b>
	<b>Due in One Month</b>	<b>Due Between One Month and Three Months</b>	<b>Due Between Three Months and Six Months</b>	<b>Due Between Six Months and One Year</b>	<b>Due Between One Year and Seven Years</b>	<b>Due After Seven Years</b>	
<b>Assets</b>							
Cash and cash equivalents	\$ 11,101,958	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,101,958
Due from the Central Bank and other banks	70,885,316	2,527,463	1,691,140	1,113,665	-	-	76,217,584
Financial assets at fair value through profit or loss	13,515,521	247,063	2,613,554	278,206	85,956	-	16,740,300
Receivables	18,392,551	15,641,984	2,740,592	1,537,087	9,894,196	-	48,206,410
Discounts and loans	53,489,756	50,707,252	31,924,563	34,018,762	151,441,260	357,350,180	678,931,773
Available-for-sale financial assets	3,528,247	101,370	812,100	1,457,366	20,359,623	94,692	26,353,398
Held-to-maturity investments	44,893,328	37,171,008	49,300,000	1,266,180	942,878	95,760	133,669,154
Non-active market debt instruments	-	-	-	-	95,457	3,518	98,975
Hedged derivative financial assets	-	15,720	36,045	-	167,471	-	219,236
	<u>215,806,677</u>	<u>106,411,860</u>	<u>89,117,994</u>	<u>39,671,266</u>	<u>182,986,841</u>	<u>357,544,150</u>	<u>991,538,788</u>

(Continued)

	March 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
<b>Liabilities</b>							
Call loans and due to banks	\$ 27,513,071	\$ 3,670,859	\$ 5,164,556	\$ 13,979,704	\$ -	\$ -	\$ 50,328,190
Financial liabilities at fair value through profit or loss	6,085,092	170,312	252,540	2,386,927	560	-	8,895,431
Securities sold under agreements to repurchase	3,498,369	369,290	-	-	-	-	3,867,659
Payables	9,322,749	8,018,032	1,811,843	914,269	312,620	-	20,379,513
Deposits and remittances	114,396,905	140,229,308	148,841,779	135,953,561	297,849,864	-	837,271,417
Bank debentures	205,520	1,400,000	1,500,000	-	21,792,342	2,200,000	27,097,862
Hedged derivative financial liabilities	-	-	-	-	11,996	-	11,996
	<u>161,021,706</u>	<u>153,857,801</u>	<u>157,570,718</u>	<u>153,234,461</u>	<u>319,967,382</u>	<u>2,200,000</u>	<u>947,852,068</u>
Net liquidity gap	<u>\$ 54,784,971</u>	<u>\$ (47,445,941)</u>	<u>\$ (68,452,724)</u>	<u>\$ (113,563,195)</u>	<u>\$ (136,980,541)</u>	<u>\$ 355,344,150</u>	<u>\$ 43,686,720</u>

(Concluded)

	March 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
<b>Assets</b>							
Cash and cash equivalents	\$ 9,600,908	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,600,908
Due from the Central Bank and other banks	88,037,766	3,086,447	1,153,178	-	-	-	92,277,391
Financial assets at fair value through profit or loss	19,865,778	400,570	4,782,475	205,251	289,277	-	25,543,351
Securities purchased under agreements to resell	595,737	-	-	-	-	-	595,737
Receivables	12,552,655	12,962,629	2,336,393	4,584,664	7,694,164	-	40,130,505
Discounts and loans	65,466,974	54,051,604	30,953,997	22,908,871	107,795,853	332,305,427	613,482,726
Available-for-sale financial assets	11,999,214	2,013,609	150,229	232,503	25,251,699	7,781,433	47,428,687
Held-to-maturity investments	89,852,882	14,578,474	3,048,500	332,276	2,184,303	345,647	110,342,082
Non-active market debt instruments	13,439	137,992	-	-	101,751	6,603	259,785
Hedged derivative financial assets	-	127,083	5,974	19,103	367,973	-	520,133
	<u>297,985,353</u>	<u>87,358,408</u>	<u>42,430,746</u>	<u>28,282,668</u>	<u>143,685,020</u>	<u>340,439,110</u>	<u>940,181,305</u>
<b>Liabilities</b>							
Call loans and due to banks	8,401,600	2,167,533	4,862,324	14,360,704	-	-	29,792,161
Financial liabilities at fair value through profit or loss	9,070,049	236,527	281,034	4,579,534	1,930	-	14,169,074
Securities sold under agreements to repurchase	3,056,316	67,889	-	-	-	-	3,124,205
Payables	10,722,809	9,660,399	1,012,560	2,577,987	332,354	-	24,306,109
Deposits and remittances	139,118,969	137,276,489	121,746,726	139,383,213	253,532,805	-	791,058,202
Bank debentures	982,402	4,700,000	500,000	9,793,490	12,101,726	-	28,077,618
Bonds payable	-	1,500,000	-	-	4,793,490	-	6,293,490
Hedged derivative financial liabilities	-	89,965	-	31,920	-	-	121,885
	<u>171,352,145</u>	<u>155,698,802</u>	<u>128,402,644</u>	<u>170,726,848</u>	<u>270,762,305</u>	<u>-</u>	<u>896,942,744</u>
Net liquidity gap	<u>\$ 126,633,208</u>	<u>\$ (68,340,394)</u>	<u>\$ (85,971,898)</u>	<u>\$ (142,444,180)</u>	<u>\$ (127,077,285)</u>	<u>\$ 340,439,110</u>	<u>\$ 43,238,561</u>

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

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

e. Fair value hedge

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

Hedged Items	Hedging Instruments	March 31			
		2010		2009	
		Notion Amount	Fair Value	Notion Amount	Fair Value
Bank debentures	Interest rate swap	\$ 2,800,000	\$ 137,948	\$ 7,100,000	\$ 208,005
	Cross currency swap	3,000,000	67,572	9,000,000	274,398
Fixed rate loans	Interest rate swap	164,381	(11,996)	374,984	(9,906)

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	March 31			
		2010		2009	
		Notion Amount	Fair Value	Notion Amount	Fair Value
Bank debentures	Interest rate swap	\$ 3,600,000	\$ 13,716	\$ 3,600,000	\$ 15,716

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

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

Hedged Items	Hedge Instruments	March 31, 2009			
		Nominal Amount	Fair Value of Hedging Instruments	Period of Expect Cash Flow	Expected Recognition Period of Gain or Loss
Floating rate debentures	Interest rate swap	\$ 4,200,000	\$ (89,965)	2009-2011	2009-2011

### 35. MARKET RISK CONTROL AND HEDGE STRATEGY

The Bank documents the risk management policies, including overall operating strategies and risks control philosophy. The Bank's overall risk management policies are to minimize the possibility of potential unfavorable factors. The board of directors approves the documentation of overall risk management policies and specific risk management policies; including exchange rate risk, interest rate risk, credit risk, derivative instruments transactions and managements. The board of directors reviews the policies regularly, and reviews the operation to make sure the Bank's policies are executed properly.

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

a. Asset quality

The overdue loans and receivables information please refer to Table 5-2.

b. Maturity analysis of assets and liabilities

**Maturity Analysis of Assets and Liabilities  
March 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	\$ 922,617,083	\$ 175,845,003	\$ 96,462,655	\$ 84,798,618	\$ 40,447,931	\$ 525,062,876
Main capital outflow on maturity	942,150,342	146,400,560	143,451,128	125,206,702	161,187,660	365,904,292
Gap	(19,533,259)	29,444,443	(46,988,473)	(40,408,084)	(120,739,729)	159,158,584

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  
March 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	\$ 7,711,552	\$ 3,687,866	\$ 1,650,436	\$ 800,944	\$ 681,176	\$ 891,130
Main capital outflow on maturity	7,621,106	3,877,272	1,555,191	754,718	560,676	873,249
Gap	90,446	(189,406)	95,245	46,226	120,500	17,881

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  
March 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	\$ 854,623,829	\$ 226,694,116	\$ 87,106,385	\$ 43,926,029	\$ 34,165,060	\$ 462,732,239
Main capital outflow on maturity	859,536,885	140,523,121	151,199,457	101,434,226	156,542,682	309,837,399
Gap	(4,913,056)	86,170,995	(64,093,072)	(57,508,197)	(122,377,622)	152,894,840

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  
March 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	\$ 7,133,037	\$ 3,375,609	\$ 2,038,314	\$ 716,592	\$ 337,519	\$ 665,003
Main capital outflow on maturity	7,273,819	3,464,499	1,711,990	932,418	433,860	731,052
Gap	(140,782)	(88,890)	326,324	(215,826)	(96,341)	(66,049)

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.

c. Profitability

(%)

Items		For the Three Months Ended March 31, 2010	For the Three Months Ended March 31, 2009
Return on total assets	Before income tax	0.11	0.04
	After income tax	0.09	0.05
Return on net worth	Before income tax	1.73	0.65
	After income tax	1.40	0.78
Profit margin		22.50	12.56

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 three months ended March 31, 2010 and 2009.

d. Interest rate sensitivity information

**Interest Rate Sensitivity  
March 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	\$ 567,339,992	\$ 68,705,159	\$ 40,387,676	\$ 95,151,573	\$ 771,584,400
Interest-rate sensitive liabilities	300,990,949	348,418,675	69,943,958	15,854,691	735,208,273
Interest-rate sensitive gap	266,349,043	(279,713,516)	(29,556,282)	79,296,882	36,376,127
Net worth					63,754,676
Ratio of interest-rate sensitive assets to liabilities					104.95%
Ratio of interest-rate sensitive gap to net worth					57.06%

**Interest Rate Sensitivity  
March 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	\$ 581,251,512	\$ 23,220,426	\$ 34,993,444	\$ 60,075,747	\$ 699,541,129
Interest-rate sensitive liabilities	260,587,240	296,494,902	107,989,253	10,761,918	675,833,313
Interest-rate sensitive gap	320,664,272	(273,274,476)	(72,995,809)	49,313,829	23,707,816
Net worth					56,764,161
Ratio of interest-rate sensitive assets to liabilities					103.51%
Ratio of interest-rate sensitive gap to net worth					41.77%

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  
March 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	\$ 3,943,716	\$ 232,373	\$ 214,176	\$ 250,585	\$ 4,640,850
Interest-rate sensitive liabilities	2,196,083	2,494,617	185,224	13	4,875,937
Interest-rate sensitive gap	1,747,633	(2,262,244)	28,952	250,572	(235,087)
Net worth					77,430
Ratio of interest-rate sensitive assets to liabilities					95.18%
Ratio of interest-rate sensitive gap to net worth					(303.61%)

**Interest Rate Sensitivity  
March 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	\$ 4,301,808	\$ 207,454	\$ 71,615	\$ 423,068	\$ 5,003,945
Interest-rate sensitive liabilities	2,075,326	2,023,963	217,631	130	4,317,050
Interest-rate sensitive gap	2,226,482	(1,816,509)	(146,016)	422,938	686,895
Net worth					40,129
Ratio of interest-rate sensitive assets to liabilities					115.91%
Ratio of interest-rate sensitive gap to net worth					1,711.72%

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

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

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

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

e. Concentration of credit extensions

**March 31, 2010**

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

<b>Rank (Note 1)</b>	<b>Industry Category (Note 2)</b>	<b>Total Credit Consists of Loans (Note 3)</b>	<b>Percentage of Net Worth (%) (Note 4)</b>
1	A Group (Plastics)	\$11,752,003	20.82%
2	B Group (Other electronic)	10,137,596	17.96%
3	C Group (Computer and peripheral equipment)	8,949,911	15.86%
4	D Group (Optoelectronic)	6,140,094	10.88%
5	E Group (Trading and consumers' goods industry)	5,800,000	10.28%
6	F Group (Non-profit organization)	4,712,500	8.35%
7	G Group (Steel refine)	3,031,081	5.37%
8	H Company (Shipping and transportation)	2,888,893	5.12%
9	I Group (Finance and lease)	2,883,104	5.11%
10	J Company (Metal product)	2,406,418	4.26%

**March 31, 2009**

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

<b>Rank (Note 1)</b>	<b>Industry Category (Note 2)</b>	<b>Total Credit Consists of Loans (Note 3)</b>	<b>Percentage of Net Worth (%) (Note 4)</b>
1	A Group (Plastics)	10,100,629	17.90%
2	B Group (Optoelectronic)	6,603,836	11.70%
3	C Group (Building material and construction)	5,238,548	9.28%
4	D Group (Non-profit organization)	4,755,500	8.43%
5	E Group (Computer and peripheral equipment)	4,578,795	8.11%
6	F Group (Optoelectronic)	4,319,130	7.65%
7	G Group (Cotton and Textile)	4,299,031	7.62%
8	H Group (Computer, electronic and optic)	3,594,513	6.37%
9	I Company (Shipping and transportation)	2,899,317	5.14%
10	J Group (Synthetic fiber)	1,870,908	3.32%

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.

### 37. 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  
March 31, 2010 and 2009**

(In Thousands of New Taiwan Dollars)

	March 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	\$ 6,521,250	\$ 1,388,667	\$ 7,909,917	\$ 5,809,062	\$ 7,014,682	\$ 12,823,744
Bonds	15,063,054	1,394,731	16,457,785	20,798,321	3,076,526	23,874,847
Stocks	6,429,550	-	6,429,550	9,539,628	-	9,539,628
Funds	111,669,416	-	111,669,416	91,636,061	-	91,636,061
Receivables	135	8,941	9,076	1,837	18,714	20,551
Prepayments	2	12,606	12,608	4	18,373	18,377
Real estate						
Land	7,786,021	3,538,574	11,324,595	6,329,315	3,538,574	9,867,889
Buildings	222,547	1,364,856	1,587,403	361,712	1,364,856	1,726,568
Construction in process	5,918,489	-	5,918,489	3,685,201	-	3,685,201
Securities under custody	151,043,961	-	151,043,961	168,763,371	-	168,763,371
Other assets	-	77,515	77,515	-	76,446	76,446
Total trust assets	<u>\$ 304,654,425</u>	<u>\$ 7,785,890</u>	<u>\$ 312,440,315</u>	<u>\$ 306,924,512</u>	<u>\$ 15,108,171</u>	<u>\$ 322,032,683</u>
<u>Trust liabilities</u>						
Payables	\$ -	\$ 16,417	\$ 16,417	\$ 133	\$ 17,654	\$ 17,787
Advance receipts	-	17,898	17,898	-	16,337	16,337
Other liabilities	-	20,908	20,908	-	20,171	20,171
Payable on securities under custody	151,043,961	-	151,043,961	168,763,371	-	168,763,371
Trust capital	151,469,176	6,540,158	158,009,334	136,447,080	13,948,904	150,395,984
Reserves and cumulative earnings						
Reserves	-	71,184	71,184	-	71,184	71,184
Net income	126,703	32,278	158,981	(190,290)	73,904	(116,386)
Cumulative earnings	2,148,753	623,617	2,772,370	1,940,252	496,587	2,436,839
Deferred amount	(134,168)	-	(134,168)	(36,034)	-	(36,034)
Unrealized revaluation increment on land	-	463,430	463,430	-	463,430	463,430
Total trust liabilities	<u>\$ 304,654,425</u>	<u>\$ 7,785,890</u>	<u>\$ 312,440,315</u>	<u>\$ 306,924,512</u>	<u>\$ 15,108,171</u>	<u>\$ 322,032,683</u>

**Trust Income Statement  
March 31, 2010 and 2009**

(In Thousands of New Taiwan Dollars)

	Three Months Ended March 31					
	2009			2008		
	Other Trust Business	Financial Assets and Real Estate Trust Plan	Total	Other Trust Business	Financial Assets and Real Estate Trust Plan	Total
Trust income						
Interest income	\$ 77,893	\$ 8,056	\$ 85,949	\$ 111,645	\$ 82,713	\$ 194,358
Rental income	-	51,751	51,751	-	51,166	51,166
Gains from beneficiary certificates	70	-	70	1,788	-	1,788
Realized investment income	104,916	-	104,916	8,796	-	8,796
Unrealized investment income	-	-	-	1,327	-	1,327
Total trust income	<u>182,879</u>	<u>59,807</u>	<u>242,686</u>	<u>123,556</u>	<u>133,879</u>	<u>257,435</u>
Trust expense						
Trust administrative expenses	1,068	424	1,429	1,454	1,111	2,565
Insurance expenses	-	469	469	-	596	596
Tax expenses	7,386	3	7,389	11,359	-	11,359
Interest expenses	-	25,507	25,507	-	56,973	56,973
OTC expenses	-	956	956	-	993	993
Realized investment loss	47,575	-	47,575	300,651	-	300,651
Others	147	170	317	382	302	684
Total trust expense	<u>56,176</u>	<u>27,529</u>	<u>83,705</u>	<u>313,846</u>	<u>59,975</u>	<u>373,821</u>
Income before income tax	126,703	32,278	158,981	(190,290)	73,904	(116,386)
Income tax expense	-	-	-	-	-	-
Net income	<u>\$ 126,703</u>	<u>\$ 32,278</u>	<u>\$ 158,981</u>	<u>\$ (190,290)</u>	<u>\$ 73,904</u>	<u>\$ (116,386)</u>

**Trust Properties of Trust Accounts  
March 31, 2010 and 2009**

(In Thousands of New Taiwan Dollars)

Investment Portfolio	March 31			
	2010		2009	
	Book Value	Note	Book Value	Note
Bonds	\$ 15,063,054		\$ 20,798,321	
Stocks	6,429,550		9,539,628	
Funds	111,669,416		91,636,061	
Asset pool of financial asset securitization	1,394,731		3,076,526	
Asset pool of real estate securitization	4,903,430		4,903,430	
Real estate				
Land	7,786,021		6,329,315	
Buildings	222,547		361,712	
Construction in process	5,918,489		3,685,201	
Securities under custody	<u>151,043,961</u>		<u>168,763,371</u>	
Total	<u>\$ 304,431,199</u>		<u>\$ 309,093,565</u>	

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

**38. CROSS-SELLING INFORMATION**

For the three months ended March 31, 2010, the Bank charged SinoPac Securities for \$1,574.

### 39. ADDITIONAL DISCLOSURES

- a. and b. Following are the additional disclosures required by the Securities and Futures Bureau for the Bank and investees:
- 1) Financing provided: NA;
  - 2) Endorsement/guarantee provided: NA;
  - 3) Marketable securities held: Table 1;
  - 4) Marketable securities acquired and disposed of, at costs or prices of at least NT\$300 million or 10% of the issued capital: None;
  - 5) Acquired and disposed of investee investment at cost or prices of at least NT\$300 million or 10% of the issued capital: Table 2;
  - 6) Acquisition of individual real estate at costs of at least NT\$300 million or 10% of the issued capital: None;
  - 7) Disposal of individual real estate at prices of at least NT\$300 million or 10% of the issued capital: 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: None;
  - 12) The information of investees: Non applicable;
  - 13) Other significant transactions which may affect the decisions of users of financial reports: Table 4 and 5;
  - 14) Derivative financial transactions: Except the disclosure in other footnotes, the derivative financial instruments of the Bank are disclosed in Notes 5 and 34, and the derivative financial instrument transactions of Far East National Bank (“FENB”, a wholly owned subsidiary of SinoPac Bancorp, which is a wholly owned subsidiary of the Bank) are disclosed in Table 4-7.
- c. Information related to investment in Mainland China: None.

## BANK SINOPAC AND INVESTEEES

## MARKETABLE SECURITIES HELD

MARCH 31, 2010

(In Thousands of New Taiwan Dollars or Share)

Name of Holding Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	March 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	230	\$ 8,025,337	100%	\$ 8,025,337	Note 2
	Far East Capital, LLC	Subsidiary	Equity investments - equity method	-	30,835	100%	30,835	Note 2
SinoPac Capital Limited (H.K.)	<u>Stock</u> SinoPac Capital (B.V.I.) Ltd.	Subsidiary	Equity investments - equity method	4,450	33,999	100%	48,741	Note 2
	SinoPac Insurance Brokers Ltd.	Subsidiary	Equity investments - equity method	100	1,230	100%	131,952	Note 2
	<u>Fund</u> China Enterprise Capital	-	Unquoted equity investments	0.02	31,777	-	31,777	Note 3
SinoPac Capital (B.V.I.) Ltd.	<u>Stock</u> Pinnacle Investment Management Ltd.	Subsidiary	Equity investments - equity method	200	6,364	100%	10,119	Note 2
	RSP Information Service Company Limited	Subsidiary	Equity investments - equity method	1,000	4,079	100%	4,394	Note 2
SinoPac Property Insurance Agent Co., Ltd.	<u>Bond</u> Government bond 88-3	-	Guarantee deposits	600	637	-	779	Pledge
SinoPac Life Insurance Agent Co., Ltd.	<u>Bond</u> Government bond 88-3	-	Guarantee deposits	600	637	-	779	Pledge

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

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

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

## BANK SINOPAC AND INVESTEEES

ACQUIRED AND DISPOSED OF INVESTEE INVESTMENT AT COST OR PRICES OF AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL  
(MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF, AT COST OR PRICES OF AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL)  
FOR THE THREE MONTHS ENDED MARCH 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	Stock	Unquoted of equity investments	-	Subsidiary of the Bank	-	\$ -	1,800	\$ 1,434,375	-	\$ -	\$ -	\$ -	1,800	\$ 1,434,375
SinoPac Bancorp	SinoPac Bancorp Far East National Bank	Investment in subsidiaries	-	Overseas affiliate of the Bank	-	-	1,840	US\$ 46,000	-	-	-	-	1,840	US\$ 46,000

**BANK SINOPAC AND INVESTEES**

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

**MARCH 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	\$ 1,289,639 (Note)	-	\$ -	-	\$ -	\$ -

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

**TABLE 4-1****BANK SINOPAC****FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS****MARCH 31, 2010 AND 2009****(In Thousands of New Taiwan Dollars)**

	<b>March 31</b>	
	<b>2010</b>	<b>2009</b>
<u>Held-for-trading financial assets</u>		
Bank debentures	\$ 2,744,639	\$ 1,935,126
Corporate bonds	1,470,258	2,606,778
Beneficiary certificates	699,044	758,400
Listed stock	620,246	237,633
Convertible bonds	358,022	661,949
Government bonds	102,747	3,700,197
Collateralized debt obligations	1,332	32,400
Derivative financial assets		
Interest rate swaps	7,199,920	9,292,759
Forward contracts	1,280,768	3,589,187
Premium paid on option contracts	742,823	884,999
Currency swap contracts	41,300	84,697
Equity-linked swap contracts	2,491	132,326
Others	22,424	22,036
	<u>15,286,014</u>	<u>23,938,487</u>
<u>Financial assets designated at fair value through profit or loss</u>		
Hybrid product		
Corporate bonds	808,764	1,089,044
Credit linked notes	316,599	346,293
A group of financial instruments is managed and its performance is evaluated on a fair value basis		
B equity interest in Master Card Inc.	117,291	31,697
C equity interest in VISA Inc.	211,632	137,830
	<u>1,454,286</u>	<u>1,604,864</u>
Total of financial assets at fair value through profit or loss	<u>\$ 16,740,300</u>	<u>\$ 25,543,351</u>
<u>Held-for-trading financial liabilities</u>		
Derivative financial liabilities		
Interest rate swaps	\$ 7,151,424	\$ 9,289,586
Forward contracts	1,096,973	3,321,963
Premiums received on option contracts	517,886	713,940
Credit default swaps	57,337	92,124
Currency swap contracts	30,649	66,905
Cross-currency swap contracts	25,107	-
Equity-linked swap contracts	2,491	132,326
Securities purchased under agreement to resell-short sales	-	546,128
Others	13,564	6,102
	<u>\$ 8,895,431</u>	<u>\$ 14,169,074</u>

**TABLE 4-2****BANK SINOPAC****CONTRACT AMOUNTS OF OUTSTANDING DERIVATIVE TRANSACTIONS****MARCH 31, 2010 AND 2009****(In Thousands of New Taiwan Dollars)**

	<b>March 31</b>	
	<b>2010</b>	<b>2009</b>
Interest rate swap contracts	\$ 827,837,684	\$ 707,533,487
Currency swap contracts	229,150,865	244,998,503
Options		
Long position	64,469,899	33,025,605
Short position	69,222,402	36,053,270
Forward contracts		
Long position	20,522,922	7,083,084
Short position	7,375,940	3,515,627
Non-deliverable forward contracts		
Long position	103,066,483	80,017,484
Short position	104,409,663	77,578,693
Cross-currency swap contracts	4,796,930	1,426,950
Assets swap contracts	1,559,131	2,650,994
Credit default swap contracts	1,100,000	1,100,000
Equity-linked swap contracts	138,976	1,134,863
Commodity-linked swap contracts	474,434	-
Futures		
Interest rate futures long position	122,762	445,864
Interest rate futures short position	236,407	837,750
Credit linked swap contracts	2,500,000	4,100,000

**TABLE 4-3****BANK SINOPAC****AVAILABLE-FOR-SALE FINANCIAL ASSETS****MARCH 31, 2010 AND 2009****(In Thousands of New Taiwan Dollars)**

	<b>March 31</b>	
	<b>2010</b>	<b>2009</b>
Government bonds	\$ 13,232,390	\$ 32,070,125
Corporate bonds	5,504,591	-
Commercial paper	3,442,883	10,298,193
Bank debentures	2,809,213	978,722
Government sector bonds	1,353,581	915,910
Listed stocks	10,740	70,566
Treasury bills	-	1,958,028
Collateralized debt obligations	-	1,059,984
Negotiable certificates of deposit	-	845,618
	<u>26,353,398</u>	<u>48,197,146</u>
Less: Accumulated impairment	<u>-</u>	<u>768,459</u>
	<u>\$ 26,353,398</u>	<u>\$ 47,428,687</u>

**TABLE 4-4****BANK SINOPAC****HELD-TO-MATURITY INVESTMENTS****MARCH 31, 2010 AND 2009****(In Thousands of New Taiwan Dollars)**

	<b>March 31</b>	
	<b>2010</b>	<b>2009</b>
Negotiable certificates of deposit	\$ 132,259,095	\$ 107,923,833
Corporate bonds	840,427	840,084
Government bonds	309,959	380,975
Collateralized debt obligations	95,760	395,264
Bank debentures	81,968	593,514
Floating rate notes	<u>81,945</u>	<u>259,288</u>
	133,669,154	110,392,958
Less: Accumulated impairment	<u>-</u>	<u>50,876</u>
	<u>\$ 133,669,154</u>	<u>\$ 110,342,082</u>

**TABLE 4-5****BANK SINOPAC****OTHER FINANCIAL ASSETS****MARCH 31, 2010 AND 2009****(In Thousands of New Taiwan Dollars)**

	<b>March 31</b>	
	<b>2010</b>	<b>2009</b>
Unquoted equity instruments		
Oversea unlisted equity investments - preferred stock	\$ 1,434,375	\$ -
Unlisted equity investments - common stock	<u>488,507</u>	<u>488,507</u>
	<u>1,922,882</u>	<u>488,507</u>
Non-active market debt instruments		
Collateralized debt obligations	95,457	239,743
Mortgage backed securities	3,518	6,603
Structured investment vehicles	-	339,170
Floating rate notes	<u>-</u>	<u>53,758</u>
	98,975	639,274
Less: Accumulated impairment	<u>-</u>	<u>379,489</u>
	<u>98,975</u>	<u>259,785</u>
Others		
Issued commodities purchased from PEM Group	3,981,057	-
Guarantee deposits	886,549	1,977,162
Hedging derivative financial instruments	219,236	520,133
Excess margin	160,757	91,539
Nonperforming receivables transferred from other than loans, net	55,123	-
Short-term advancement	21,221	90,186
Bills purchased	<u>191</u>	<u>668</u>
	<u>5,324,134</u>	<u>2,679,688</u>
	<u>\$ 7,345,991</u>	<u>\$ 3,427,980</u>

**TABLE 4-6****BANK SINOPAC****BANK DEBENTURES  
MARCH 31, 2010 AND 2009****(In Thousands of New Taiwan Dollars)**

	<b>March 31</b>		<b>Maturity Date</b>	<b>Terms</b>
	<b>2010</b>	<b>2009</b>		
<u>Dominant bank debentures</u>				
Fifth dominant bank debentures issued in 2003	\$ 1,026,299	\$ 1,025,328	2003.08.11-2010.08.11 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Eighth dominant bank debentures issued in 2004	516,978	529,849	2004.05.21-2011.05.21 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually with simple interest based on actual days.
Twelfth dominant bank debentures issued in 2004	511,135	534,270	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	509,746	526,807	2004.07.09-2010.07.09 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Fifteenth dominant bank debentures issued in 2004	515,019	552,928	2004.07.13-2011.07.13 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Fourteenth dominant bank debentures issued in 2003	-	2,225,507	2003.12.02-2009.06.02 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
First dominant bank debentures issued in 2004	-	511,428	2004.04.26-2009.10.26 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually with simple interest based on actual days.
Second dominant bank debentures issued in 2004	-	306,255	2004.04.28-2009.10.28 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Third dominant bank debentures issued in 2004	-	527,654	2004.04.29-2009.04.29 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually with simple interest based on actual days.
Thirteenth dominant bank debentures issued in 2004	-	305,974	2004.06.30-2009.06.30 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Fourth dominant bank debentures issued in 2004	-	201,429	2004.05.14-2009.05.14 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Fifth dominant bank debentures issued in 2004	-	304,771	2004.05.17-2009.05.17 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Sixth dominant bank debentures issued in 2004	-	507,268	2004.05.17-2009.05.17 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Seventh dominant bank debentures issued in 2004	-	201,429	2004.05.21-2009.05.21 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Ninth dominant bank debentures issued in 2004	-	302,644	2004.06.03-2009.06.03 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Tenth dominant bank debentures issued in 2004	-	527,820	2004.06.07-2009.06.07 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually with simple interest based on actual days.
Eleventh dominant bank debentures issued in 2004	-	207,967	2004.06.15-2009.06.15 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually with simple interest based on actual days.
Dominant bank debentures	<u>3,079,177</u>	<u>9,299,328</u>		

(Continued)

	<b>March 31</b>		<b>Maturity Date</b>	<b>Terms</b>
	<b>2010</b>	<b>2009</b>		
<u>Subdominant bank debentures</u>				
First subordinated bank debentures issued in 2004 (C)	\$ 404,585	\$ 427,665	2004.09.14-2010.06.14 Principal is repayable on maturity date.	Floating rate. Interest is paid quarterly.
Second subordinated bank debentures issued in 2004	500,000	500,000	2004.09.14-2010.06.14 Principal is repayable on maturity date.	Index rate plus 0.50%. Interest rate is reset semiannually since the issuance date. Interest is paid semiannually.
First subordinated bank debentures issued in 2005	3,000,000	3,000,000	2005.12.13-2011.06.13 Principal is repayable on maturity date.	Index rate plus 0.35%. Interest rate is reset semiannually since the issuance date. Interest is paid semiannually.
First subordinated bank debentures issued in 2008	1,521,204	1,554,706	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)	4,498,242	4,497,922	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)	499,805	499,769	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	3,598,564	3,598,228	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	5,597,398	-	2009.04.29-2016.04.29 Principal is repayable on maturity date.	Fixed interest rate of 2.8%, interest is paid annually.
Second subordinated bank debentures issued in 2009 (A)	2,198,960	-	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)	2,199,927	-	2009.06.23-2017.06.23 Principal is repayable on maturity date.	Fixed interest rate of 2.9%, interest is paid annually.
Second subordinated bank debentures issued in 2003	-	3,600,000	2004.03.18-2009.12.18 Principal is repayable on maturity date.	Fixed interest rate of 2.3%. Interest is paid semiannually.
First subordinated bank debentures issued in 2004 (A)	-	500,000	2004.09.14-2009.09.14 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
First subordinated bank debentures issued in 2004 (B)	-	600,000	2004.09.14-2009.12.14 Principal is repayable on maturity date.	Floating rate. Interest is paid quarterly.
Subdominant bank debentures	<u>24,018,685</u>	<u>18,778,290</u>		
	<u>\$ 27,097,862</u>	<u>\$ 28,077,618</u>		

(Concluded)

**BANK SINOPAC****DERIVATIVE FINANCIAL INSTRUMENT TRANSACTIONS****MARCH 31, 2010 AND 2009****(In Thousands of New Taiwan Dollars)**

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

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

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

<b>Financial Instruments</b>	<b>March 31, 2010</b>		
	<b>Contract (Notional) Amount</b>	<b>Credit Risk</b>	<b>Fair Value</b>
For the purpose of accommodating customers' needs or managing FENB's exposures:			
Non-deliverable forward contracts			
Long position	\$ 59,825	\$ 3,243	\$ 102
Short position	59,825	3,243	(69)
	<b>March 31, 2009</b>		
<b>Financial Instruments</b>	<b>Contract (Notional) Amount</b>	<b>Credit Risk</b>	<b>Fair Value</b>
For the purpose of accommodating customers' needs or managing FENB's exposures:			
Forward contracts			
Short position	\$ 6,783	\$ 204	\$ (115)
Non-deliverable forward contracts			
Long position	67,834	320	2,750
Short position	74,109	350	(3,550)

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

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

## BANK SINOPAC

STATEMENT OF CHANGES IN ALLOWANCE FOR CREDIT LOSS  
FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009  
(In Thousands of New Taiwan Dollars)

	For the Three Months Ended March 31, 2010								
	Discounts and Loans			Account Receivable	Non-performing Receivables Transferred from Other Than Loans	Provisions for Acceptance and Guarantees	Other Financial Assets	Other Assets	Total
	Specific Reserve	General Reserve	Subtotal						
Balance, January 1	\$ 2,286,482	\$ 2,773,395	\$ 5,059,877	\$ 404,898	\$ 825,806	\$ 31	\$ 63,041	\$ 723	\$ 6,354,376
Provision	42,767	127,458	170,225	51,474	324,341	-	491	-	546,531
Write-off	(202,300)	-	(202,300)	(117,695)	-	-	(2,004)	-	(321,999)
Recovery of written-off credits	885	-	885	71,951	-	-	69	-	72,905
Reclassifications	473,157	(473,157)	-	-	-	-	-	-	-
Result from change of effects of exchange rate changes	(2,033)	-	(2,033)	(441)	(9,528)	-	(7)	-	(12,009)
Others	-	-	-	-	(1,034)	-	-	-	(1,034)
Balance, March 31	<u>\$ 2,598,958</u>	<u>\$ 2,427,696</u>	<u>\$ 5,026,654</u>	<u>\$ 410,187</u>	<u>\$ 1,139,585</u>	<u>\$ 31</u>	<u>\$ 61,590</u>	<u>\$ 723</u>	<u>\$ 6,638,770</u>
	For the Three Months Ended March 31, 2009								
	Discounts and Loans			Account Receivable	Non-performing Receivables Transferred from Other Than Loans	Provisions for Acceptance and Guarantees	Other Financial Assets	Other Assets	Total
	Specific Reserve	General Reserve	Subtotal						
Balance, January 1	\$ 3,399,785	\$ 3,063,274	\$ 6,463,059	\$ 519,209	\$ 307,848	\$ 32	\$ -	\$ 140	\$ 7,290,288
Provision	549,986	107,014	657,000	184,409	-	-	-	-	841,409
Write-off	(785,187)	-	(785,187)	(264,591)	(167,403)	-	-	-	(1,217,181)
Recovery of written-off credits	2,255	-	2,255	62,036	-	-	-	-	64,291
Reclassifications	(174,910)	149,578	(25,332)	-	25,332	-	-	-	-
Result from change of effects of exchange rate changes	8,742	-	8,742	18	4,515	1	-	-	13,276
Others	-	-	-	-	(1,369)	-	-	-	(1,369)
Balance, March 31	<u>\$ 3,000,671</u>	<u>\$ 3,319,866</u>	<u>\$ 6,320,537</u>	<u>\$ 501,081</u>	<u>\$ 168,923</u>	<u>\$ 33</u>	<u>\$ -</u>	<u>\$ 140</u>	<u>\$ 6,990,714</u>

## BANK SINOPAC

## OVERDUE LOANS AND RECEIVABLES

MARCH 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars, %)

Items		March 31, 2010					March 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	1,766,248	126,843,963	1.39%	728,804	41.26%	2,144,160	84,527,305	2.54%	792,825	36.98%
	Unsecured	2,539,902	181,985,167	1.40%	2,158,565	84.99%	2,572,554	177,430,691	1.45%	2,592,413	100.77%
Consumer loan	Mortgage (Note 4)	1,409,960	356,698,091	0.40%	920,843	65.31%	2,984,071	336,014,852	0.89%	1,252,971	41.99%
	Cash card	800	66,951	1.19%	3,440	430.33%	9,503	100,596	9.45%	18,387	193.49%
	Micro credit (Note 5)	248,129	8,395,270	2.96%	1,166,192	469.99%	709,742	10,598,339	6.70%	1,606,301	226.32%
	Other (Note 6)										
	Secured	13,228	4,942,331	0.27%	48,810	368.99%	27,735	4,810,943	0.58%	57,640	207.82%
	Unsecured										
Total		5,978,267	678,931,773	0.88%	5,026,654	84.08%	8,447,765	613,482,726	1.38%	6,320,537	74.82%
		<b>Overdue Receivables</b>	<b>Account Receivables</b>	<b>Delinquency Ratio</b>	<b>Allowance for Credit Losses</b>	<b>Coverage Ratio</b>	<b>Overdue Receivables</b>	<b>Account Receivables</b>	<b>Delinquency Ratio</b>	<b>Allowance for Credit Losses</b>	<b>Coverage Ratio</b>
Credit card		156,229	16,650,672	0.94%	383,147	245.25%	196,680	11,704,309	1.68%	432,888	220.10%
Account receivable - factoring with no recourse (Note 7)		1,068,776	12,488,412	8.56%	1,013,652	94.84%	10,656	7,914,006	0.13%	10,722	100.62%
Excluded NPL as a result of debt consultation and loan agreements(Note 8)		\$ 28,590					\$ 60,968				
Excluded overdue receivables as a result of debt consultation and loan agreements(Note 8)		1,015,730					1,340,588				
Excluded NPL as a result of consumer debt clearance(Note 9)		14,681					6,599				
Excluded overdue receivables as a result of consumer debt clearance(Note 9)		784,672					590,457				

Note 1: For Loan business: Overdue loans represent the amounts of reported overdue loans pursuant to "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" issued by the MOF.

For Credit card business: Overdue receivables are regulated by the Banking Bureau dated July 6, 2005 (Ref. No. 0944000378).

Note 2: For Loan business: NPL ratio = NPL/Total loans.

For Credit card business: Delinquency ratio = Overdue receivables/Account receivables.

Note 3: For loan business: Coverage ratio = LLR/NPL

For credit card business: Coverage ratio = Allowance for credit losses/Overdue receivables.

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

Note 5: Micro credit is regulated by the Banking Bureau dated December 19, 2005 (Ref. No. 09440010950) and is excluded from credit card and cash card loans.

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

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

Note 8: The disclosure of excluded NPLs and excluded overdue receivables resulting from debt consultation and loan agreements is based on the Banking Bureau letter dated April 25, 2006 (Ref. No. 09510001270).

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