

Bank SinoPac

**Financial Statements for the
Six Months Ended June 30, 2010 and 2009 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Bank SinoPac

We have audited the accompanying balance sheets of Bank SinoPac as of June 30, 2010 and 2009, and the related statements of income, changes in stockholders' equity and cash flows for the six months then ended. These financial statements are the responsibility of the Bank SinoPac's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bank SinoPac as of June 30, 2010 and 2009, and the results of its operations and its cash flows for the six months then ended, in conformity with Criteria Governing the Preparation of Financial Reports by Public Banks, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

We have also audited the consolidated financial statements of Bank SinoPac and subsidiaries as of and for the six months ended June 30, 2010 and 2009, on which we have issued an unqualified opinion thereon, respectively.

July 26, 2010

Notice to Readers

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

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

BANK SINOPAC

BALANCE SHEETS JUNE 30, 2010 AND 2009

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

ASSETS	2010	2009	% Increase (Decrease)	LIABILITIES AND STOCKHOLDERS' EQUITY	2010	2009	% Increase (Decrease)
	Amount	Amount			Amount	Amount	
CASH AND CASH EQUIVALENTS (Note 3)	\$ 9,768,898	\$ 10,188,782	(4)	CALL LOANS AND DUE TO BANKS (Note 17)	\$ 51,331,555	\$ 35,424,146	45
DUE FROM THE CENTRAL BANK AND OTHER BANKS (Notes 4 and 28)	73,764,918	86,076,258	(14)	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2 and 5)	10,669,364	10,861,192	(2)
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2, 5 and 28)	18,943,852	19,326,627	(2)	SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE (Notes 2, 6 and 28)	7,118,233	1,251,677	469
ACCOUNTS, INTEREST AND OTHER RECEIVABLES, NET (Notes 2, 7, 8, 27 and 28)	47,685,696	41,362,998	15	ACCOUNTS, INTEREST AND OTHER PAYABLES (Notes 2, 18 and 28)	19,254,313	25,633,966	(25)
DISCOUNTS AND LOANS, NET (Notes 2, 9 and 28)	692,225,184	597,826,725	16	DEPOSITS AND REMITTANCES (Notes 19 and 28)	868,620,467	793,413,146	9
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET (Notes 2, 6, 10 and 29)	37,301,038	41,808,920	(11)	BANK DEBENTURES (Notes 2 and 20)	25,679,753	32,723,589	(22)
HELD-TO-MATURITY INVESTMENTS, NET (Notes 2, 11, 28 and 29)	141,501,775	137,735,960	3	BONDS PAYABLE (Notes 2 and 20)	-	4,638,168	(100)
EQUITY INVESTMENTS - EQUITY METHOD (Notes 2 and 12)	7,342,520	10,891,204	(33)	OTHER FINANCIAL LIABILITIES (Notes 2 and 21)	2,942,250	1,538,134	91
OTHER FINANCIAL ASSETS, NET				OTHER LIABILITIES (Notes 2, 22 and 27)	3,042,267	3,579,700	(15)
Unquoted equity instruments (Notes 2 and 13)	1,922,882	488,507	294	Total liabilities	988,658,202	909,063,718	9
Non-active market debt instruments (Notes 2 and 13)	92,173	104,253	(12)	STOCKHOLDERS' EQUITY			
Others (Notes 13 and 29)	5,507,359	1,811,183	204	Capital stock, NT\$10 par value, authorized 8,000,000 thousand shares; issued and outstanding 4,821,847 thousand shares in 2010 and 4,481,847 thousand shares in 2009	48,218,469	44,818,469	8
Other financial assets, net	7,522,414	2,403,943	213	Capital surplus			
PROPERTIES (Notes 2 and 14)				Additional paid-in capital from share issuance in excess of par	795,561	115,561	588
Cost and revaluation increment				Capital surplus from business combination	8,076,524	8,076,524	-
Land	4,779,926	4,800,684	-	Others	1,733	1,733	-
Buildings	4,736,553	4,711,577	1	Total capital surplus	8,873,818	8,193,818	8
Computer and machinery equipment	4,741,402	4,862,095	(2)	Retained earnings			
Transportation equipment	1,342	6,598	(80)	Legal reserve	3,361,034	2,746,023	22
Total cost	14,259,223	14,380,954	(1)	Special reserve	282,977	282,977	-
Less: Accumulated depreciation	5,692,444	5,506,573	3	Unappropriated earnings (accumulated deficit)	1,490,550	(896,381)	266
Prepayments for equipment and construction in progress	8,566,779	8,874,381	(3)	Total retained earnings	5,134,561	2,132,619	141
Net properties	287,717	118,310	143	Other adjustment			
Net properties	8,854,496	8,992,691	(2)	Cumulative translation adjustments	(57,394)	29,697	(293)
INTANGIBLE ASSETS (Notes 2 and 15)	985,492	1,022,114	(4)	Unrealized earnings (losses) on financial instruments	157,780	(227,323)	169
OTHER ASSETS (Notes 2, 16 and 27)	5,353,148	6,762,609	(21)	Net loss not recognized as pension cost	(766,159)	(642,321)	19
				Unrealized revaluation increment on land	1,030,154	1,030,154	-
				Total other adjustment	364,381	190,207	92
				Total stockholders' equity	62,591,229	55,335,113	13
TOTAL	\$ 1,051,249,431	\$ 964,398,831	9	TOTAL	\$ 1,051,249,431	\$ 964,398,831	9

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

BANK SINOPAC

STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2010 AND 2009

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

	<u>2010</u>	<u>2009</u>	<u>% Increase</u>
	<u>Amount</u>	<u>Amount</u>	<u>(Decrease)</u>
INTEREST REVENUE (Notes 2 and 28)	\$ 8,659,306	\$ 10,022,981	(14)
INTEREST EXPENSE (Note 28)	<u>2,798,458</u>	<u>5,152,270</u>	(46)
NET INTEREST	<u>5,860,848</u>	<u>4,870,711</u>	20
NET REVENUES OTHER THAN INTEREST			
Commission and fee revenues, net (Notes 2, 24 and 28)	1,783,447	1,227,292	45
Gains from (losses on) financial assets and liabilities at fair value through profit or loss (Notes 2 and 5)	119,070	(251,909)	147
Realized (losses on) gains from available-for-sale financial assets (Notes 2 and 23)	(28,672)	28,799	(200)
Losses on equity investments - equity method, net (Notes 2 and 12)	(542,490)	(412,761)	31
Foreign exchange gain, net (Note 2)	153,841	711,471	(78)
(Impairment losses) reversal gains on assets (Note 2)	(20,972)	5,531	(479)
Gains from unquoted equity instruments	10,983	10,425	5
Recovery of bad debts (Note 2)	500,340	291,732	72
Rental revenues (Note 28)	70,450	69,012	2
Contingency losses (Note 2)	-	(758,868)	100
Other net (losses) revenues (Note 28)	<u>(70,649)</u>	<u>13,994</u>	(605)
Total net revenues	<u>7,836,196</u>	<u>5,805,429</u>	35
PROVISION FOR BAD DEBTS (Notes 2, 7 and 9)	<u>1,072,315</u>	<u>1,683,883</u>	(36)
OPERATING EXPENSES (Notes 2, 25 and 28)			
Personnel expenses	2,813,514	2,648,839	6
Depreciation and amortization	248,595	282,786	(12)
Others	<u>1,467,634</u>	<u>1,546,018</u>	(5)
Total operating expenses	<u>4,529,743</u>	<u>4,477,643</u>	1
INCOME (LOSS) BEFORE INCOME TAX	2,234,138	(356,097)	727
INCOME TAX EXPENSE (Notes 2 and 27)	<u>(743,588)</u>	<u>(505,163)</u>	47
NET INCOME (LOSS)	<u>\$ 1,490,550</u>	<u>\$ (861,260)</u>	273

(Continued)

BANK SINOPAC

STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2010 AND 2009

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

	2010		2009	
	Pretax	After Tax	Pretax	After Tax
EARNINGS PER SHARE (Note 23)				
Basic earnings per share	\$ 0.46	\$ 0.31	\$ (0.08)	\$ (0.19)

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 six months ended June 30, 2009 were retroactively restated, assuming the book values of the assets and liabilities of SinoPac Card Services Co., Ltd. were included. Thus, for the six months ended June 30, 2009, the net income of Bank SinoPac included the net income of SinoPac Card Services Co., Ltd. of \$35,121.

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

(Concluded)

BANK SINOPAC

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY SIX MONTHS ENDED JUNE 30, 2010 AND 2009 (In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Issued and Outstanding Capital Stock (Note 23)		Capital Surplus (Notes 2 and 23)				Retained Earnings (Note 23)				Other Adjustment				Total Stockholders' Equity
	Common Stock		Share Issuance in Excess of Par	Capital Surplus from Business Combination	Others	Total	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficit)	Total	Cumulative Translation Adjustments (Note 2)	Unrealized Gains (Losses) on Financial Instruments (Notes 2 and 23)	Net Loss Not Recognized as Pension Cost (Note 2)	Unrealized Revaluation Increment on Land	
	Shares in Thousands	Amount													
BALANCE, JANUARY 1, 2010	4,821,847	\$ 48,218,469	\$ 795,561	\$ 8,076,524	\$ 1,733	\$ 8,873,818	\$ 2,746,023	\$ 282,977	\$ 2,050,036	\$ 5,079,036	\$ (66,530)	\$ (9,073)	\$ (766,159)	\$ 1,030,154	\$ 62,359,715
Appropriation of 2009 earnings															
Legal reserve	-	-	-	-	-	-	615,011	-	(615,011)	-	-	-	-	-	-
Cash dividends - \$0.16235 per share	-	-	-	-	-	-	-	-	(782,833)	(782,833)	-	-	-	-	(782,833)
Bonus to stockholder - \$0.13525 per share	-	-	-	-	-	-	-	-	(652,192)	(652,192)	-	-	-	-	(652,192)
Net income for the six months ended June 30, 2010	-	-	-	-	-	-	-	-	1,490,550	1,490,550	-	-	-	-	1,490,550
Unrealized gains or losses on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	208,340	-	-	208,340
Unrealized gains or losses on cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	(41,487)	-	-	(41,487)
Change in cumulative translation adjustments	-	-	-	-	-	-	-	-	-	-	9,136	-	-	-	9,136
BALANCE, JUNE 30, 2010	4,821,847	\$ 48,218,469	\$ 795,561	\$ 8,076,524	\$ 1,733	\$ 8,873,818	\$ 3,361,034	\$ 282,977	\$ 1,490,550	\$ 5,134,561	\$ (57,394)	\$ 157,780	\$ (766,159)	\$ 1,030,154	\$ 62,591,229
BALANCE, JANUARY 1, 2009	4,481,847	\$ 44,818,469	\$ 115,561	\$ 8,076,524	\$ 178	\$ 8,192,263	\$ 6,435,486	\$ 282,977	\$ (3,689,463)	\$ 3,029,000	\$ 27,956	\$ (19,860)	\$ (642,321)	\$ 1,030,154	\$ 56,435,661
Retroactive adjustments arising from a merger (Note)	339,815	3,398,150	-	-	1,575	1,575	-	-	(399,657)	(399,657)	-	-	-	-	3,000,068
Legal reserve to offset deficit	-	-	-	-	-	-	(3,689,463)	-	3,689,463	-	-	-	-	-	-
Net loss for the six months ended June 30, 2009	-	-	-	-	-	-	-	-	(861,260)	(861,260)	-	-	-	-	(861,260)
Unrealized gains or losses on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	(222,067)	-	-	(222,067)
Unrealized gains or losses on cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	14,604	-	-	14,604
Change in cumulative translation adjustments	-	-	-	-	-	-	-	-	-	-	1,741	-	-	-	1,741
Effects of cash merger with SinoPac Card Services Co., Ltd. (Note)	(339,815)	(3,398,150)	-	-	(20)	(20)	-	-	364,536	364,536	-	-	-	-	(3,033,634)
BALANCE, JUNE 30, 2009	4,481,847	\$ 44,818,469	\$ 115,561	\$ 8,076,524	\$ 1,733	\$ 8,193,818	\$ 2,746,023	\$ 282,977	\$ (896,381)	\$ 2,132,619	\$ 29,697	\$ (227,323)	\$ (642,321)	\$ 1,030,154	\$ 55,335,113

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

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

BANK SINOPAC

STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 1,490,550	\$ (861,260)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation and amortization	263,023	295,463
Amortization of premium or discount of financial assets	41,191	(70,386)
Amortization of premium or discount of bank debentures	725	(2,474)
Provision for credit and trading losses	1,069,353	1,687,804
Contingency losses	-	758,868
Impairment losses (reversal gains) on assets	20,972	(5,531)
Unrealized losses on (gains from) financial assets designated at fair value through profit or loss	12,329	(289,616)
Realized losses on (gains from) available-for-sale financial assets	28,672	(28,799)
Losses on equity investments - equity method	542,490	412,761
Cash dividends received from investments under equity method	824,607	-
Losses on sale and retirement of properties and idle assets	2,783	5,952
(Gains) losses on disposal of collaterals assumed, net	(1,593)	1,146
Accrued pension cost	(42,519)	(15,636)
Foreign exchange losses on bonds payable	-	4,043
Gains from convertible bond repurchased	-	(12,534)
Deferred income tax	(129,804)	10,935
(Increase) decrease in held-for-trading financial assets	(2,454,790)	13,093,605
Increase (decrease) in held-for-trading financial liabilities	2,033,078	(6,057,299)
Securitization of accounts receivable	-	789,940
Decrease in accounts, interest and other receivables	5,344,107	3,210,987
Decrease in accounts, interest and other payables	<u>(6,140,709)</u>	<u>(1,907,353)</u>
Net cash provided by operating activities	<u>2,904,465</u>	<u>11,020,616</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in due from the Central Bank and other banks	(1,100,915)	4,492,948
Decrease in securities purchased under agreements to resell	-	2,598,782
Proceeds from sale of financial assets designated at fair value through profit or loss	318,775	850,424
Proceeds from sale of non-active market debt instruments	7,569	329,134
(Increase) decrease in discounts and loans	(40,349,525)	30,978,686
Acquisition of properties	(132,086)	(124,036)
Proceeds from sale of properties	-	1,862
Acquisition of available-for-sale financial assets	(164,049,690)	(95,772,111)
Proceeds from sale of available-for-sale financial assets	158,299,166	77,445,991
Acquisition of held-to-maturity investments	(142,031,145)	(493,831,353)
Proceeds from matured held-to-maturity investments	124,380,831	471,860,010
Acquisition of unquoted equity instruments	(1,434,375)	-
Increase in equity investments - equity method	-	(1,645,750)
Proceeds from sale of collaterals assumed	53,015	65,731

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BANK SINOPAC

STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

	2010	2009
(Increase) decrease in other financial assets	\$ (489,710)	\$ 284,078
Decrease in other assets	<u>416,219</u>	<u>288,126</u>
Net cash used in investing activities	<u>(66,111,871)</u>	<u>(2,177,478)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in call loans and due to banks	8,961,795	(3,731,052)
Increase (decrease) in securities sold under agreements to repurchase	5,520,188	(3,174,423)
Increase (decrease) in deposits and remittances	42,268,211	(406,061)
Decrease in short-term borrowings	-	(3,300,000)
Decrease in commercial paper payable	-	(3,545,035)
Decrease in long-term borrowings	-	(1,750,000)
Bank debentures issued	-	10,000,000
Decrease in bonds payable	-	(1,803,700)
Repayment of bank debentures on maturity	(1,400,000)	(5,900,000)
Decrease in other financial liabilities	(31,230)	(99,269)
Increase in other liabilities	<u>13,422</u>	<u>101,707</u>
Net cash provided by (used in) financing activities	<u>55,332,386</u>	<u>(13,607,833)</u>
EFFECTS OF CHANGES IN EXCHANGE RATE	<u>(13,537)</u>	<u>(6,491)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(7,888,557)	(4,771,186)
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>\$ 9,768,898</u>	<u>\$ 10,188,782</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	<u>\$ 3,007,837</u>	<u>\$ 8,631,168</u>
Income tax paid	<u>\$ 46,145</u>	<u>\$ 128,575</u>
NONCASH FINANCING ACTIVITIES		
Dividends payable	<u>\$ 1,435,025</u>	<u>\$ -</u>

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

(Concluded)

BANK SINOPAC

NOTES TO FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2010 AND 2009

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

1. ORGANIZATION AND OPERATIONS

Organization

August 8, 1991	Bank SinoPac (the “Bank”) obtained government approval to incorporate.
January 28, 1992	The Bank started operations.
May 9, 2002	The Bank swap shares with SinoPac Securities Corporation and SinoPac Securities Co., Ltd. (the ”SPS”) to established SinoPac Financial Holdings Company Limited (the “SPH”), a financial holding company, resulting in the Bank become an unlisted wholly owned subsidiary of SPH.
December 26, 2005	SPH finished the merger with International Bank of Taipei Co., Ltd. (IBT), through a 100% share swap.
May 8, 2006	The boards of directors of IBT resolved to transfer credit card business and related assets and liabilities to SinoPac Card Services Co., Ltd. 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 with SinoPac Card Services Co., Ltd. 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 June 30, 2010 and 2009, the Bank had a total of 4,648 and 4,616 employees, respectively.

As of June 30, 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 33 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.

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.

Contingencies

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

Foreign-currency Translations

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

Non-derivative foreign currencies are translated into New Taiwan dollars using the rate of the trading date. Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, are recognized in the income statement. Unrealized exchange differences on non-monetary financial assets (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 six months ended June 30, 2009 have been reclassified to conform to the financial statement presentation as of and for the six months ended June 30, 2010.

3. CASH AND CASH EQUIVALENTS

	<u>June 30</u>	
	<u>2010</u>	<u>2009</u>
Cash on hand	\$ 6,012,653	\$ 5,496,389
Due from other banks	2,361,571	3,451,016
Notes and checks in clearing	<u>1,394,674</u>	<u>1,241,377</u>
	<u>\$ 9,768,898</u>	<u>\$ 10,188,782</u>

4. DUE FROM THE CENTRAL BANK AND OTHER BANKS

	<u>June 30</u>	
	<u>2010</u>	<u>2009</u>
Call loans to banks	\$ 35,217,149	\$ 57,453,430
Due from Central Banks - checking accounts	17,584,986	9,776,710
Deposit reserve - demand accounts	20,862,721	18,744,382
Deposit reserve - foreign currencies	<u>100,062</u>	<u>101,736</u>
	<u>\$ 73,764,918</u>	<u>\$ 86,076,258</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 5-1.

	<u>June 30</u>	
	<u>2010</u>	<u>2009</u>
Held for trading financial assets	\$ 17,844,898	\$ 17,535,603
Financial assets designated at fair value through profit or losses	<u>1,098,954</u>	<u>1,791,024</u>
	<u>\$ 18,943,852</u>	<u>\$ 19,326,627</u>
Held for trading financial liabilities	<u>\$ 10,669,364</u>	<u>\$ 10,861,192</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 5-2. 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 six months ended June 30, 2010 and 2009 were as follows:

	Six Months Ended June 30	
	2010	2009
Held for trading financial assets and liabilities		
Realized gains (losses)	\$ 101,432	\$ (830,015)
Valuation gains	<u>29,260</u>	<u>327,197</u>
	<u>130,692</u>	<u>(502,818)</u>
Financial assets and liabilities designated at fair value through profit or loss		
Realized gains (losses)	707	(38,707)
Valuation (losses) gains	<u>(12,329)</u>	<u>289,616</u>
	<u>(11,622)</u>	<u>250,909</u>
	<u>\$ 119,070</u>	<u>\$ (251,909)</u>

6. SOLD UNDER AGREEMENTS TO REPURCHASE

As of June 30, 2010 and 2009, securities were sold under agreements to repurchase at \$7,118,861 and \$1,251,781 between July and September 2010 and between July and September 2009, respectively.

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

Financial Assets	June 30	
	2010	2009
Available-for-sale	\$ 7,118,233	\$ 1,251,677

7. ACCOUNTS, INTEREST AND OTHER RECEIVABLES, NET

	June 30	
	2010	2009
Accounts receivable - factoring	\$ 25,413,931	\$ 25,418,769
Credit card receivable	16,451,287	10,891,471
Acceptances	2,333,740	1,244,006
Accounts receivable and notes receivable	1,281,327	512,636
Interest receivable and revenue receivable	1,232,488	1,249,115
Receivables from related parties (Note 28)	1,208,965	1,369,721
Proceeds receivable from the sale of accounts receivable (Note 8)	-	1,281,307
Others	<u>169,081</u>	<u>541,026</u>
	48,090,819	42,508,051
Less: Allowance for credit losses	<u>405,123</u>	<u>1,145,053</u>
	<u>\$ 47,685,696</u>	<u>\$ 41,362,998</u>

For the details of and changes in allowance for credit losses of accounts receivables, please refer to Table 6-1.

The credit card receivables as of June 30, 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 \$2,285,040 and \$2,465,115, 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 June 30, 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 June 30, 2009, the proceeds receivable on the sale of credit card receivables amounted to \$1,281,307. 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 \$41,253 and \$945, respectively, for the six months ended June 30, 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 six months ended June 30, 2009, the service fee amounted to \$571, recorded as other net revenues.

The cash flows on the revolving sales of accounts receivable for the six months ended June 30, 2009, were as follows:

	Six Months Ended June 30, 2009
Accumulated revolving accounts receivable sold - carrying value	\$ 16,591,542
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	(1,281,307)
Loss on the sale of account receivable	<u>(42,198)</u>
Proceeds from the sale of accounts receivable	<u>\$ 16,548,896</u>
Servicing fees	<u>\$ 571</u>

9. DISCOUNTS AND LOANS, NET

	June 30	
	2010	2009
Negotiations	\$ 1,959,429	\$ 1,122,203
Overdrafts	9,056	13,995
Secured overdrafts	763,703	780,044
Accounts receivable - financing	2,972,004	2,180,318
Short-term loans	94,455,726	88,063,880
Short-term secured loans	56,591,058	42,944,312
Medium-term loans	91,033,374	69,470,472
Medium-term secured loans	72,770,064	50,599,617
Long-term loans	10,520,335	13,853,004
Long-term secured loans	361,953,574	327,489,975
Nonperforming loans transferred from loans	<u>3,728,403</u>	<u>6,616,010</u>
	696,756,726	603,133,830
Allowance for credit losses	(4,543,659)	(5,323,219)
Hedged item valuation adjustments	<u>12,117</u>	<u>16,114</u>
	<u>\$ 692,225,184</u>	<u>\$ 597,826,725</u>

As of June 30, 2010 and 2009, the balances of nonaccrual interest loans were \$7,350,322 and \$11,165,283, respectively. The unrecognized interest revenues on nonaccrual interest loans amounted to \$49,599 and \$136,830 for the six months ended June 30, 2010 and 2009, respectively.

For the six months ended June 30, 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 six months ended June 30, 2010 and 2009, please refer to Table 6-1.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Related information regarding available-for-sale financial assets please refer to Table 5-3.

11. HELD-TO-MATURITY INVESTMENTS

Related information regarding held-to-maturity financial assets please refer to Table 5-4.

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

	Balance of Equity Investments		Income (Loss) from Equity Investments	
	June 30		Six Months Ended June 30	
	2010	2009	2010	2009
SinoPac Bancorp	\$ 5,725,718	\$ 7,453,123	\$ (847,604)	\$ (711,752)
SinoPac Capital Limited (H.K.)	1,261,885	1,273,975	11,939	43,245
SinoPac Life Insurance Agent Co., Ltd.	333,190	676,238	277,592	185,411
SinoPac Property Insurance Agent Co., Ltd.	21,727	51,665	15,583	17,447
SinoPac Leasing Corporation	<u>-</u>	<u>1,436,203</u>	<u>-</u>	<u>52,888</u>
	<u>\$ 7,342,520</u>	<u>\$ 10,891,204</u>	<u>\$ (542,490)</u>	<u>\$ (412,761)</u>

For the six months ended June 30, 2010 and 2009, income from equity investments under the equity method were recognized on the basis of investees' audited financial statements for the same period.

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.

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 5-5.

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. However, the board of directors further decided to modify to increase cash investment of preferred stocks of SinoPac Bancorp on June 24, 2010, with US\$25 per share, limited to US\$200,000 thousand in total.

14. PROPERTIES

	June 30	
	2010	2009
Cost and revaluation increment	\$ 14,259,223	\$ 14,380,954
Accumulated depreciation		
Buildings	1,925,090	1,789,707
Computer and machinery equipment	3,766,436	3,711,045
Transportation equipment	<u>918</u>	<u>5,821</u>
	<u>5,692,444</u>	<u>5,506,573</u>
Advances on acquisitions of equipment and construction in progress	<u>287,717</u>	<u>118,310</u>
Net properties	<u>\$ 8,854,496</u>	<u>\$ 8,992,691</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>June 30</u>	
	<u>2010</u>	<u>2009</u>
Goodwill - credit card department	\$ 876,717	\$ 876,717
Computer software	<u>108,775</u>	<u>145,397</u>
	<u>\$ 985,492</u>	<u>\$ 1,022,114</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 June 30, 2010.

16. OTHER ASSETS

	<u>June 30</u>	
	<u>2010</u>	<u>2009</u>
Deferred income tax assets (Note 27)	\$ 2,583,071	\$ 3,055,004
Rental properties, net	1,234,392	1,332,793
Collaterals assumed, net of accumulated impairment \$72,819 and \$35,874, respectively	545,741	667,060
Idle assets, net	419,085	551,954
Deferred pension cost	303,360	355,875
Prepayment	172,687	239,433
Temporary payment	46,628	61,602
Land value increment tax	34,792	478,205
Others	<u>13,392</u>	<u>20,683</u>
	<u>\$ 5,353,148</u>	<u>\$ 6,762,609</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

	<u>June 30</u>	
	<u>2010</u>	<u>2009</u>
Call loans	\$ 30,954,049	\$ 14,311,150
Redeposit from the directorate general of postal remittance	20,317,965	21,064,745
Due to the Central Bank	22,379	35,506
Due to banks	<u>37,162</u>	<u>12,745</u>
	<u>\$ 51,331,555</u>	<u>\$ 35,424,146</u>

18. ACCOUNTS, INTEREST AND OTHER PAYABLES

	<u>June 30</u>	
	<u>2010</u>	<u>2009</u>
Accounts payable - factoring	\$ 10,761,744	\$ 19,080,365
Acceptance payable	2,333,740	1,244,006
Dividends payable	1,435,025	-
Notes and checks in clearing	1,394,674	1,241,377
Interest payable	1,122,039	1,971,982
Accrued expenses	961,245	775,039
Accounts payable	392,940	566,187
Tax payable	139,768	117,573
Receipts under custody payable	108,860	53,963
Others	<u>604,278</u>	<u>583,474</u>
	<u>\$ 19,254,313</u>	<u>\$ 25,633,966</u>

19. DEPOSITS AND REMITTANCES

	<u>June 30</u>	
	<u>2010</u>	<u>2009</u>
Checking	\$ 12,738,530	\$ 11,214,754
Demand	147,672,206	133,773,277
Savings - demand	211,288,716	183,885,473
Time	274,379,798	266,024,893
Negotiable certificates of deposit	40,869,700	6,444,800
Savings - time	181,308,623	191,588,540
Inward remittances	246,431	382,430
Outward remittances	<u>116,463</u>	<u>98,979</u>
	<u>\$ 868,620,467</u>	<u>\$ 793,413,146</u>

20. 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 5-6.

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 were redeemed amounting to US\$141,330 thousand as of December 22, 2009.

21. OTHER FINANCIAL LIABILITIES

	<u>June 30</u>	
	<u>2010</u>	<u>2009</u>
Accrued contingency losses (Note 30)	\$ 2,187,937	\$ 758,868
Appropriated loan fund from the government	467,208	479,132
Guarantee deposits received	251,667	264,453
Hedging derivative financial liabilities	<u>35,438</u>	<u>35,681</u>
	<u>\$ 2,942,250</u>	<u>\$ 1,538,134</u>

22. OTHER LIABILITIES

	<u>June 30</u>	
	<u>2010</u>	<u>2009</u>
Accrued pension cost	\$ 1,443,051	\$ 1,393,744
Temporary receipt	464,953	527,885
Reserve for land value increment tax	430,599	458,362
Advance receipt	267,052	279,359
Deferred income tax liabilities (Note 27)	240,104	745,514
Others	<u>196,508</u>	<u>174,836</u>
	<u>\$ 3,042,267</u>	<u>\$ 3,579,700</u>

23. STOCKHOLDERS' EQUITY

a. Capital stocks

To handle the Group's capital more efficiently, increase the Bank's Tier-1 capital and make a reservation for broadening the business scale, the board of directors 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.

The Bank did not accrue the bonus to employees and the remuneration to directors, because the Bank did not meet the requirement under the Bank's Articles of Incorporation for the six months ended June 30, 2010 and 2009. The bonus to employees and the remuneration to directors and supervisors recognized 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 June 25, 2010, the board of directors which execute the rights and functions of the stockholders' meeting resolved the appropriation of earnings for 2009 as follows:

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

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

As of July 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 six months ended June 30, 2010 and 2009, respectively, were summarized as follows:

	Available- for-sale Financial Assets	Equity Investments - Equity Method	Unrealized Gain or Loss of Cash Flow Hedge	Total
<u>Six months ended June 30, 2010</u>				
Balance, beginning of period	\$ (77,898)	\$ 46,695	\$ 22,130	\$ (9,073)
Recognized in stockholders' equity	159,942	62,708	(41,487)	181,163
Transferred to profit or loss	<u>28,672</u>	<u>(42,982)</u>	<u>-</u>	<u>(14,310)</u>
Balance, end of period	<u>\$ 110,716</u>	<u>\$ 66,421</u>	<u>\$ (19,357)</u>	<u>\$ 157,780</u>
<u>Six months ended June 30, 2009</u>				
Balance, beginning of period	\$ (39,222)	\$ 19,362	\$ -	\$ (19,860)
Recognized in stockholders' equity	(216,880)	4,541	14,604	(197,735)
Transferred to profit or loss	<u>(28,799)</u>	<u>19,071</u>	<u>-</u>	<u>(9,728)</u>
Balance, end of period	<u>\$ (284,901)</u>	<u>\$ 42,974</u>	<u>\$ 14,604</u>	<u>\$ (227,323)</u>

e. Earnings per share

There would be no dilutive effect on potential common stock for the six months ended June 30, 2010, because the convertible bonds issued by the bank were redeemed as of December 22, 2009. There would be an anti-dilutive effect on potential common stock because of net loss so as not to compute the diluted EPS for the six months ended June 30, 2009. The numerators and denominators used in computing earnings per shares (EPS) were summarized as follows:

	Numerator (Amounts)		Denominator (Shares in Thousands)	EPS (NT\$)	
	Pretax	After Tax		Pretax	After Tax
<u>Six months ended June 30, 2010</u>					
Basic EPS	<u>\$ 2,234,138</u>	<u>\$ 1,490,550</u>	<u>4,821,847</u>	<u>\$ 0.46</u>	<u>\$ 0.31</u>
<u>Six months ended June 30, 2009</u>					
Basic EPS	<u>\$ (356,097)</u>	<u>\$ (861,260)</u>	<u>4,481,847</u>	<u>\$ (0.08)</u>	<u>\$ (0.19)</u>

24. COMMISSIONS AND FEE REVENUES, NET

	Six Months Ended June 30	
	2010	2009
Commissions and fees revenues	\$ 2,075,598	\$ 1,499,035
Commissions and fees expenses	<u>(292,151)</u>	<u>(271,743)</u>
	<u>\$ 1,783,447</u>	<u>\$ 1,227,292</u>

25. OPERATING EXPENSES

	<u>Six Months Ended June 30</u>	
	<u>2010</u>	<u>2009</u>
Personnel expenses		
Salaries and wages	\$ 2,225,624	\$ 2,098,407
Pension	245,209	251,538
Labor insurance and national health insurance	152,795	150,332
Others	<u>189,886</u>	<u>148,562</u>
	2,813,514	2,648,839
Depreciation	218,995	245,347
Amortization	29,600	37,439
Others	<u>1,467,634</u>	<u>1,546,018</u>
	<u>\$ 4,529,743</u>	<u>\$ 4,477,643</u>

26. 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 six months ended June 30, 2010 and 2009, the pension expense amounted to \$70,373 and \$72,981, respectively, which were contributed to personal pension accounts. For the six months ended June 30, 2010 and 2009, the pension expense amounted to \$174,836 and \$178,557, respectively, which were contributed to personal pension accounts.

27. 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:

	Six Months Ended June 30	
	2010	2009
Current income tax payable (deductible loss carry forward)	\$ 366,275	\$ (349,315)
Separate taxes	31,533	107,383
Investment credit	-	(2,351)
Deferred income taxes	(129,804)	10,935
Effect of tax law changes on deferred income tax	472,733	719,397
Adjustment for prior years tax	(3,966)	3,169
Overseas income taxes over limitation	<u>6,817</u>	<u>15,945</u>
Income tax expense	<u>\$ 743,588</u>	<u>\$ 505,163</u>

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

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

	Six Months Ended June 30	
	2010	2009
Tax on pretax income (loss) at 17% statutory rate in 2010 and 25% statutory rate in 2009	\$ 379,804	\$ (89,024)
Add (deduct) tax effects of:		
Tax-exempt income	20,107	13,249
Permanent difference	(44,716)	(260,321)
Temporary difference	158,393	(13,219)
Loss carryforward	<u>(147,313)</u>	<u>-</u>
Current income tax payable (deductible loss carry forward)	<u>\$ 366,275</u>	<u>\$ (349,315)</u>

c. During the six months ended June 30, 2010 and 2009, the Legislative Yuan passed the following amendments to tax laws:

- 1) In January 2009, the Legislative Yuan passed the amendment of Article 39 of the Income Tax Law, which extends the operating loss carryforward period from 5 years to 10 years.
- 2) In March 2009, the Legislative Yuan passed the amendment of Article 24 of the Income Tax Law, which requires (a) the profit-seeking enterprise that invests in short-term notes for which the issuance dates are on and after January 1, 2010 to include the interest income arising, which was taxed separately prior to January 1, 2010, in its taxable income; and (b) the profit-seeking enterprise that invests in beneficiary securities or asset-based securities issued under the Financial Asset Securitization Act or Real Estate Securitization Act to include from January 1, 2010 the interest income arising, which was taxed separately prior to January 1, 2010, in its taxable income.

- 3) In May 2009, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduced a profit-seeking enterprise's income tax rate from 25% to 20%, effective January 1, 2010.
- 4) Under Article 10 of the Statute for Industrial Innovation (SII) passed by the Legislative Yuan in April 2010, a profit-seeking enterprise may deduct up to 15% of its research and development expenditures from its income tax payable for the fiscal year in which these expenditures are incurred, but this deduction should not exceed 30% of the income tax payable for that fiscal year. This incentive took effect from January 1, 2010 and is effective till December 31, 2019.
- 5) In May 2010, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduces a profit-seeking enterprise's income tax rate from 20% to 17%, effective January 1, 2010.
- d. Deferred income tax assets (liabilities) consisted of the tax effects of the following:

	June 30	
	2010	2009
Loss carry forward	\$ 2,315,574	\$ 2,768,675
Deferred pension cost	226,810	270,316
Unrealized loss or gain on foreign exchange and revaluation of financial instrument, net	(16,075)	(3,713)
Staff training income tax credit	25,457	22,279
Allowance for credit loss over limit	1,927	-
Others	55,878	23,947
Valuation allowance	<u>(26,500)</u>	<u>(26,500)</u>
Deferred income tax assets, net	<u>\$ 2,583,071</u>	<u>\$ 3,055,004</u>

	June 30	
	2010	2009
Investment income under the equity method	\$ (193,549)	\$ (698,959)
Others	<u>(46,555)</u>	<u>(46,555)</u>
Deferred income tax liabilities, net	<u>\$ (240,104)</u>	<u>\$ (745,514)</u>

The unused loss carry forwards as of June 30, 2010 were as follows:

Deficit Year	The Last Year of Claiming Deductible Loss	Amount
2006	2016	\$ 1,428,247
2007	2017	4,504,160
2008	2018	6,166,540
2009	2019	<u>1,522,078</u>
		<u>\$ 13,621,025</u>

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

	June 30	
	2010	2009
Receivables from related parties	<u>\$ 1,145,620</u>	<u>\$ 1,360,146</u>

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

	June 30	
	2010	2009
Balances of imputed tax credit account	<u>\$ 3,154,069</u>	<u>\$ 2,630,325</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.

- g. As of June 30, 2010, the unappropriated earnings generated before January 1, 1998 was \$8,758, which was recorded as capital surplus owing to merger of IBT.

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

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

28. 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
Far East Capita, LLC (FEC, LLC)	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 (was liquidated in November 2009)
Intellisys Corporation	Subsidiary of SinoPac Venture Capital
SinoPac Strategic Allocation 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 Capital (Asia) Ltd.	Affiliate of SinoPac Securities
SinoPac Securities (Asia) Ltd.	Affiliate of SinoPac Securities
Taiwan Genome Sciences, Inc.	Affiliate of the Bank's director
Development Center for Biotechnology	Affiliate of the Bank's director
SinoPac Futures Corporation (SinoPac Futures)	Subsidiary of SinoPac Securities
Rung-Tzung Investment Corp. (Rung-Tzung Investment)	Affiliate of the second-degree of kinship of the director of SinoPac Securities
Chen, Yu Chien	The director of SPPIA
Chen Hsu, Yu Rong	The second-degree of kinship of the director of SPPIA
Lin, Hsiao Fen	The director of SinoPac Capital Management Corp.
Lin Xu, Li Hong	The spouse of SinoPac Securities' director
Guo, Kai Wei	Manager of the Bank
Lyu, Shu Fang	Manager of the Bank

(Continued)

Name	Relationship with the Bank
Huang, Yuan Chuan	Manager of the Bank
Kao, Kuo Hsing	Manager of the Bank
Sha, Nai Chun	Manager of the Bank
Lyu, Zhou Er	Manager of the Bank
Hung, Siou Huei	Manager of the Bank
Lien, His Chuan	Manager of the Bank
Hung, Wen Jing	Manager of the Bank
Guo, Ling Shan	Manager of the Bank
Yang, Jhih Fa	Manager of the Bank
Zhong, Dau Cheng	Manager of the Bank
Ci, Siou Jyuan	Manager of the Bank
Jhuo, Shu Lin	Manager of the Bank
Chen, Jhih Wen	Manager of the Bank
Ji, Ying Huei	Manager of the Bank
Huang, Ming Hua	Manager of the Bank
Jiang, Shang De	Manager of the Bank
Lee, Liang	Manager of the Bank
Lee, Qing Fong	Manager of the Bank
Shiung, Jr Gang	Manager of the Bank
Chang, Ping Chou	Manager of the Bank
Guo, Fong Yuan	Manager of the Bank
Lin, Jian Ying	Manager of the Bank
Huang, Shiou Jyuan	Manager of the Bank
Guo, Ling Ling	Manager of the Bank
Lyu, Zhong Xiong	Manager of the Bank
Huang, Lien Cheng	Manager of the Bank
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	
	June 30		June 30	
	2010	2009	2010	2009
1) Due from banks				
Due from banks - FENB	\$ 23,985	\$ 14,344	1.02%	0.42%
2) Financial assets at fair value through profit or loss				
Beneficiary certificates - SinoPac Strategy Allocation Balance Fund	-	36,130	-	0.19%

3) Derivative financial instruments

	June 30, 2010				
	Contract (Notional) Amount	Contract Period	Fair Value	Balance Sheet	
				Account	Balance
Currency swap contracts					
SinoPac Capital (H.K.)	\$ 937,299	2010.6.21-2010.7.21	\$ 177	Financial assets at fair value through profit or loss	\$ 177
FENB	505,260	2010.6.7-2010.7.23	(1)	Financial liabilities at fair value through profit or loss	(1)
Interest rate swap contracts					
SinoPac Securities	33,185,000	2007.1.3-2015.7.1	(68,618)	Financial liabilities at fair value through profit or loss	(68,618)
Non-delivery forward contract - short position					
FENB	82,475	2009.9.8-2010.12.2	(725)	Financial liabilities at fair value through profit or loss	(725)
	June 30, 2009				
	Contract (Notional) Amount	Contract Period	Fair Value	Account	Balance
Currency swap contracts					
SinoPac Capital (H.K.)	\$ 953,036	2009.6.29-2009.7.29	\$ 22	Financial assets at fair value through profit or loss	\$ 22
Grand Capital	79,032	2009.3.26-2009.8.24	11	Financial assets at fair value through profit or loss	11
Interest rate swap contracts					
SinoPac Securities	14,620,000	2007.1.3-2014.3.24	(42,142)	Financial liabilities at fair value through profit or loss	(42,142)
Forward contracts					
Grand Capital	65,636	2009.5.14-2009.8.18	9	Financial assets at fair value through profit or loss	9
Non-delivery forward contract - short position					
FENB	17,887	2009.6.26-2010.6.25	19	Financial assets at fair value through profit or loss	19

4) Accounts, interest, other receivables and payables

As of June 30, 2010 and 2009, other receivables from related parties amounted to \$63,345 and \$9,575, respectively, which consist of the Bank's dividends receivable from SPPIA amounted to \$57,163. As of June 30, 2010 and 2009, other payables to related parties amounted to \$22,300 and \$21,580, respectively.

The Bank's dividends payable to SPH amounted to \$1,435,025 as of June 30, 2010.

As of June 30, 2010 and 2009, the Bank's estimated receivables resulting from the adoption of the linked-tax system amounted to \$1,145,620 and \$1,360,146, respectively.

5) Loans

		June 30, 2010					
		June 30, 2010 Balance	Highest Balance	% of Total	Interest/ Fee Rates	Interest Revenue	
Loans		<u>\$ 5,480,948</u>	<u>\$ 6,101,521</u>	<u>0.79</u>	0.7-6.5	<u>\$ 83,587</u>	
		June 30, 2010					
Category	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collaterals	Is the Transaction at Arm's Length Commercial Term
Employees consuming loan	24	\$ 9,460	\$ 8,486	V	-	Note	Yes
Households mortgages	207	1,366,331	1,202,460	V	-	Real estate	Yes
Others:	SPL	2,535,000	2,139,000	V	-	Real estate	Yes
	SinoPac Capital (Asia) Ltd.	758,533	758,533	V	-	Estate	Yes
	Grand Capital	516,448	512,252	V	-	Estate	Yes
	BoardTek Electronics	410,354	357,954	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
	FEC, LLC	43,535	42,835	V	-	Real estate	Yes
	Taiwan Genome Sciences, Inc.	7,500	7,500	V	-	Real estate	Yes
	Chen Hsu, Yu Rong	6,370	4,931	V	-	Real estate	Yes
	Jhuo, Shu Lin	1,976	1,526	V	-	Certificate of deposit	Yes
	Lin Xu, Li Hong	320	-	V	-	Certificate of deposit	Yes
	Chang, Ping Chou	125	-	V	-	Certificate of deposit	Yes
	Lin, Jian Ying	47	-	V	-	Certificate of deposit	Yes
	Zhong, Dau Cheng	22	-	V	-	Certificate of deposit	Yes
	Huang, Shiou Jyuan	17	-	V	-	Certificate of deposit	Yes
	Liang, Ya Zi	7	-	V	-	Certificate of deposit	Yes
	Guo, Kai Wei	5	-	V	-	Certificate of deposit	Yes
	Other	<u>4,725,730</u>	<u>4,270,002</u>				
		<u>\$ 6,101,521</u>	<u>\$ 5,480,948</u>				
		June 30, 2009					
		June 30,2009 Balance	Highest Balance	% of Total	Interest/ Fee Rates	Interest Revenue	
Loans		<u>\$ 2,419,887</u>	<u>\$ 3,224,864</u>	<u>0.40</u>	0.7-6.58	<u>\$ 20,618</u>	

June 30, 2009

Category	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collaterals	Is the Transaction at Arm's Length Commercial Term
Employees consuming loan	29	\$ 12,300	\$ 9,705	V	-	None	Yes
Households mortgages	223	1,378,029	1,166,505	V	-	Real estate	Yes
Others:	SPL	413,000	413,000	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
	BoardTek Electronics	430,687	377,354	V	-	Real estate	Yes
	SinoPac Securities	500,000	-	V	-	Real estate	Yes
	Development Center for Biotechnology	30,000	-	V	-	Real estate	Yes
	Taiwan Genome Sciences, Inc.	2,000	2,000	V	-	Real estate	Yes
	Chen Hsu, Yu Rong	6,029	5,847	V	-	Certificate of deposit	Yes
	Guo, Kai Wei	3,354	5	V	-	Certificate of deposit	Yes
	Guo, Fong Yuan	2,100	-	V	-	Certificate of deposit	Yes
	Chen, Jih Wen	835	-	V	-	Certificate of deposit	Yes
	Jhuo, Shu Lin	496	-	V	-	Certificate of deposit	Yes
	Shiung, Jr Gang	319	-	V	-	Certificate of deposit	Yes
	Lin Xu, Li Hong	118	-	V	-	Certificate of deposit	Yes
	Zhong, Dau Cheng	54	-	V	-	Certificate of deposit	Yes
	Ji, Ying Huei	47	-	V	-	Certificate of deposit	Yes
	Lin, Hsiao Fen	25	-	V	-	Certificate of deposit	Yes
	Other	<u>1,834,535</u>	<u>1,243,677</u>				
		<u>\$ 3,224,864</u>	<u>\$ 2,419,887</u>				

6) Guarantees

June 30, 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	160	-	1.25%-2.75%	None	Note
Hong, Wen Jing	400	160	-	1.25%-2.75%	None	Note
Li, Qing Hsan	190	-	-	1.25%-2.75%	None	Note
Lien, His Chuan	150	105	-	1.25%-2.75%	None	Note
Lyu, Zhong Xiong	145	145	-	1.25%-2.75%	None	Note
Kao, Kuo Hsing	140	140	-	1.25%-2.75%	None	Note
Sha, Nai Chun	140	140	-	1.25%-2.75%	None	Note
Chiang, Yen Jung	120	-	-	1.25%-2.75%	None	Note
Zhung, Ji Cheng	75	45	-	1.25%-2.75%	None	Note
Jung, Ching Lin	75	75	-	1.25%-2.75%	None	Note
Lin, Shin Shin	70	30	-	1.25%-2.75%	None	Note
Chang, Yu His	65	65	-	1.25%-2.75%	None	Note
Chuang, Ming En	65	35	-	1.25%-2.75%	None	Note
Lyu, Zhou Er	60	60	-	1.25%-2.75%	None	Note
Ji, Ying Huei	60	30	-	1.25%-2.75%	None	Note
Huang, Wei Ming	60	30	-	1.25%-2.75%	None	Note
Huang, Yung Kuang	60	30	-	1.25%-2.75%	None	Note
Ci, Siou Jyuan	60	30	-	1.25%-2.75%	None	Note
Huang, Yuan Chuan	60	30	-	1.25%-2.75%	None	Note
Lyu, Shu Fang	55	25	-	1.25%-2.75%	None	Note
Chen, Yu Chien	45	15	-	1.25%-2.75%	None	Note
Liao, Chih Meng	40	10	-	1.25%-2.75%	None	Note

(Continued)

Related Party	The Highest Balance in Current Period	Ending Balance	Provision	Rates	Type of Collaterals	Note
Huang, Lien Cheng	\$ 30	\$ -	\$ -	1.25%-2.75%	None	Note
Huang, Ming Hua	20	20	-	1.25%-2.75%	None	Note
Guo, Ling Ling	20	-	-	1.25%-2.75%	None	Note
Li, Chih Neng	10	5	-	1.25%-2.75%	None	Note
Hung, Jeng An	10	-	-	1.25%-2.75%	None	Note
Lee, Qing Fong	5	5	-	1.25%-2.75%	None	Note

(Concluded)

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

June 30, 2009

Related Party	The Highest Balance in Current Period	Ending Balance	Provision	Rates	Type of Collaterals	Note
SPL	\$ 330,000	\$ 125,000	\$ -	0.30%	Real estate	
SinoPac Securities	2,000	2,000	-	0.30%	Certificate of deposit	
Hong, Wen Jing	400	250	-	1.75%-3.25%	None	Note
Huang, Lien Cheng	290	140	-	1.75%-3.25%	None	Note
Luo, Guang Tsai	260	260	-	1.75%-3.25%	None	Note
Yang, Jih Fa	180	120	-	1.75%-3.25%	None	Note
Lin, Shin Shin	160	160	-	1.75%-3.25%	None	Note
Lu, Zhong Xiong	150	150	-	1.75%-3.25%	None	Note
Ci, Siou Jyuan	130	130	-	1.75%-3.25%	None	Note
Hung, Jeng An	120	120	-	1.75%-3.25%	None	Note
Huang, Yuan Chuan	105	90	-	1.75%-3.25%	None	Note
Zhung, Ji Cheng	100	100	-	1.75%-3.25%	None	Note
Li, Chih Neng	100	90	-	1.75%-3.25%	None	Note
Lyu, Shu Fang	100	85	-	1.75%-3.25%	None	Note
Guo, Ling Shan	90	60	-	1.75%-3.25%	None	Note
Jung, Ching Lin	85	85	-	1.75%-3.25%	None	Note
Hong, Siou Huei	80	50	-	1.75%-3.25%	None	Note
Liao, Chih Meng	60	60	-	1.75%-3.25%	None	Note
Jiang, Shang De	60	60	-	1.75%-3.25%	None	Note
Chen, Yu Chien	60	30	-	1.75%-3.25%	None	Note
Lee, Liang	10	10	-	1.75%-3.25%	None	Note

Note: The listed nineteen guarantees are employees consuming loans.

7) Held-to-maturity investments

	June 30	
	2010	2009
Certificate of deposit - FENB	\$ -	\$ 32,818

8) Securities sold under agreements to repurchase

	Face Amount		Cost	
	June 30		June 30	
	2010	2009	2010	2009
Others	\$ 212,000	\$ 574,500	\$ 205,678	\$ 591,755

9) Deposits

	Ending Balance	% of Total	Interest Rate	Interest Expense	% of Total
<u>Six months ended June 30, 2010</u>					
SinoPac Securities	\$ 3,069,362	0.35%	0-0.9	\$ 4,728	0.17%
SPH	2,721,334	0.31%	0-0.18	133	-
SinoPac Venture Capital	1,129,700	0.13%	0.02-0.11	531	0.02%
SinoPac Futures	1,086,602	0.13%	0.11-0.54	2,216	0.08%
SinoPac Securities (Asia) Ltd.	774,484	0.09%	0-1.5	1,199	0.04%
Others	6,301,182	0.73%	0-13	25,236	0.90%
<u>Six months ended June 30, 2009</u>					
SinoPac Securities	3,614,306	0.46%	0-2.57	26,633	0.52%
SinoPac Futures	3,033,984	0.38%	0.1-2.00	18,929	0.37%
SPH	1,725,773	0.22%	0-0.1	187	-
SinoPac Securities (Asia) Ltd.	1,563,220	0.20%	0.0005-1.95	4,782	0.09%
SinoPac Venture Capital	1,152,976	0.15%	0.03-0.15	1,637	0.03%
Others	6,176,167	0.78%	0-13	36,516	0.71%

10) Revenues and expenses

	Amount		% of Total	
	Six Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
Service fees	\$ 13,148	\$ 14,895	0.63%	0.99%
Service expenses	1,361	1,991	0.47%	0.73%
Project popularizing expense	206	259	0.01%	0.02%
Promotion fee	12,247	13,689	0.83%	0.89%
Other revenues	3,707	3,824	5.25%	27.33%

11) Lease

a) The Bank as a lessee

Lessor	Rental Expenses		Lease Term	Payment Frequency
	Six Months Ended June 30			
	2010	2009		
SPL	\$ 56,820	\$ 56,857	February 2020	Rentals paid monthly

b) The Bank as a lessor

Lessee	Rental Income		Lease Term	Payment Frequency
	Six Months Ended June 30			
	2010	2009		
SinoPac Securities	\$ 9,794	\$ 7,914	November 2014	Rentals received monthly
SinoPac Securities	6,936	5,731	September 2017	Rentals received monthly
Investment Trust SinoPac Call Center	3,239	3,119	March 2013	Rentals received monthly
SPL	2,946	2,956	July 2011	Rentals received monthly
Intellisys Corporation	1,668	1,758	December 2013	Rentals received monthly
SPLIA	990	1,058	March 2012	Rentals received monthly
SPPIA	135	167	March 2012	Rentals received monthly
Wal Tech International	-	30	October 2009	Rentals received monthly
SinoPac Venture Capital	-	5	June 2009	Rentals received monthly

12) Professional advisory charges

The Bank and former SinoPac Card Services Co., Ltd. had entered into several professional advisory contracts with its investees. The professional advisory charges paid for the six months ended June 30, 2010 and 2009 amounted to \$83,128 and \$100,208, 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.

29. RESTRICTED ASSETS

Pledged or restricted assets of the Bank as of June 30, 2010 and 2009 are summarized as follows:

Restricted Assets	Object	Fair Value		Purposes
		June 30		
		2010	2009	
Available-for-sale financial assets	Government bonds	\$ 505,960	\$ 551,877	Pledged to court as collaterals for filing provisional seizure, GTSM as bond payment settlement reserves for electronic bond trading system
Held-to-maturity investments	Government bonds	207,167	214,082	Hong Kong branch's clearing system of real - time gross settlement
Other financial assets	Guarantee deposits, negotiable certificate of deposits and cash	880,954	1,230,505	Pledged to court as collaterals for filing provisional seizure or restricted

30. SIGNIFICANT CONTINGENCIES AND COMMITMENTS

In addition to those disclosed in Note 33, 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
July 1 to December 31, 2010	\$ 151,148
2011	253,334
2012	196,207
2013	128,321
2014	84,150

Rentals for the years beyond 2015 amount to \$219,763, the present value of which is about \$203,984 as discounted at the Bank's one-year time deposit rate of 1.025% on June 30, 2010.

b. Equipment purchase contract

The Bank had entered into contracts to buy computer equipment and office equipment for \$595,911, of which \$260,207 had already been paid as of June 30, 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 thousand was estimated and recorded for the six months ended June 30, 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.

31. 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 six months ended June 30, 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:

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

The above assets were to be used for operating purposes. The Bank had no plan to dispose of any significant assets. The Bank's net income for the six months ended June 30, 2009 included SinoPac Card's net income of \$35,121 for the five months ended May 31, 2009.

32. 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.

	Six Months Ended June 30			
	2010		2009	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Due from the Central Bank and other banks	\$ 22,398,572	0.42	\$ 21,157,644	0.48
Call loans to banks	42,347,876	0.50	67,003,036	0.86
Financial assets at fair value through profit or loss	6,319,450	1.76	14,052,608	2.58
Securities purchased under agreements to resell	149,924	0.10	667,350	0.70
Available-for-sale financial assets	29,815,832	1.57	43,136,735	1.38
Discounts and loans	679,973,206	1.90	612,573,485	2.12
Accounts receivable - factoring	8,564,406	1.17	5,130,537	3.00
Credit card receivable	11,232,900	14.37	7,223,392	13.81
Held-to-maturity investments	128,371,212	0.68	114,150,872	0.96
Other financial assets	252,184	0.55	367,805	2.27
<u>Interest-bearing liabilities</u>				
Due to the Central Bank and other banks	20,748,188	1.03	21,123,454	1.23
Call loans	23,260,275	0.34	13,959,578	0.97
Securities sold under agreements to repurchase	5,209,244	0.21	4,675,498	0.19
Demand	147,725,790	0.11	120,561,944	0.11
Savings - demand	212,578,958	0.35	173,592,776	0.45
Time	256,051,655	0.58	274,330,651	1.23
Savings - time	179,411,977	1.01	199,630,338	1.70
Negotiable certificates of deposit	26,752,659	0.37	7,669,310	0.97
Bank debentures	26,781,714	2.06	29,052,807	2.44
Other liabilities - appropriated loan fund	477,279	0.93	486,486	1.02
Bonds payable	-	-	4,831,647	-

33. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

	June 30			
	2010		2009	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<u>Financial assets</u>				
Other short-term financial assets	\$ 130,073,892	\$ 130,073,892	\$ 135,997,246	\$ 135,997,246
Financial assets at fair value through profit or loss	18,943,852	18,943,852	19,326,627	19,326,627
Discounts and loans	692,225,184	692,225,184	597,826,725	597,826,725
Available-for-sale financial assets	37,301,038	37,301,038	41,808,920	41,808,920
Held-to-maturity investments	141,501,775	141,517,480	137,735,960	137,763,224
Equity investments-equity method	7,342,520	7,342,520	10,891,204	10,891,204
Unquoted equity instruments	1,922,882	-	488,507	-
Non-active market debt instruments	92,173	84,228	104,253	80,663
Other financial assets	5,507,359	5,507,359	1,811,183	1,811,183
<u>Financial liabilities</u>				
Other short-term financial liabilities	77,564,333	77,564,333	62,192,216	62,192,216
Financial liabilities at fair value through profit or loss	10,669,364	10,669,364	10,861,192	10,861,192
Deposits and remittances	868,620,467	868,620,467	793,413,146	793,413,146
Bank debentures	25,679,753	25,679,753	32,723,589	32,723,589
Bonds payable	-	-	4,638,168	4,541,049
Other financial liabilities	2,942,250	2,942,250	1,538,134	1,538,134

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, receivables, call loans and due to banks, securities sold under agreements to repurchase and payables approximate their fair values because of the short maturities of these instruments.
- 2) For financial instruments at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, 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, guarantee deposits received and purchase of instruments issued by PEM Group are estimated at their carrying amounts since such deposits do not have specific due dates.
- c. Interest revenue of financial assets and liabilities other than those at fair value through profit or loss amounted to \$8,131,395 and \$8,763,351, for the six months ended June 30, 2010 and 2009, respectively. Interest expense of financial assets and liabilities other than those at fair value through profit or loss amounted to \$2,291,625 and \$4,128,464, for the six months ended June 30, 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	
	June 30		June 30	
	2010	2009	2010	2009
<u>Financial assets</u>				
Financial assets at fair value through profit or loss	\$ 15,705,308	\$ 14,070,778	\$ 3,238,544	\$ 5,255,849
Available-for-sale financial assets	35,307,030	41,635,490	1,994,008	173,430
Held-to-maturity investments	141,517,480	137,763,224	-	-
Other financial assets - non-active market debt instruments	-	-	84,228	80,663
<u>Financial liabilities</u>				
Financial liabilities at fair value through profit or loss	10,473,361	10,572,874	196,003	288,318

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, and BPV, 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, and Bloomberg, 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 June 30, 2010 and 2009, ratios of secured loans to total loans were 70.45% and 70.18% respectively. Ratio of secured financial guarantees and standby letters of credits were from 23.03% to 24.31%. 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	June 30	
	2010	2009
	Maximum Credit Exposure	Maximum Credit Exposure
Off-balance-sheet credit risk		
Credit card commitments for credit card	\$ 172,359,409	\$ 193,063,430
Financial guarantees and standby letter of credit	21,313,885	18,704,117
Undrawn loan commitments	20,279,506	22,507,055

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	June 30	
	2010	2009
	Maximum Credit Exposure	Maximum Credit Exposure
Consumer	\$ 390,160,830	\$ 362,011,435
Private sector	277,554,039	232,584,836
Government	<u>29,288,585</u>	<u>8,686,322</u>
	<u>\$ 697,003,454</u>	<u>\$ 603,282,593</u>

	June 30	
	2010	2009
	Maximum Credit Exposure	Maximum Credit Exposure
Credit Risk Profile by Industry Sector		
Electricity industry	\$ 53,253,500	\$ 51,861,241
Material and supplies	50,040,644	41,683,370
Wholesale trade and retail business	<u>47,700,095</u>	<u>31,661,816</u>
	<u>\$ 150,994,239</u>	<u>\$ 125,206,427</u>

	June 30	
	2010	2009
	Maximum Credit Exposure	Maximum Credit Exposure
Credit Risk Profile by Region		
Domestic area	\$ 638,250,191	\$ 555,399,956
Asia	30,843,049	25,267,563
North America	<u>19,750,392</u>	<u>13,465,718</u>
	<u>\$ 688,843,632</u>	<u>\$ 594,133,237</u>

3) Liquidity risk

As of June 30, 2010 and 2009, the liquidity reserve ratio was 21.43% and 27.24% 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:

	June 30, 2010						
	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due Between One Year and Seven Years	Due After Seven Years	Total
Assets							
Cash and cash equivalents	\$ 9,768,898	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,768,898
Due from the Central Bank and other banks	59,919,937	10,035,986	3,808,995	-	-	-	73,764,918
Financial assets at fair value through profit or loss	15,094,787	363,593	3,263,534	221,053	885	-	18,943,852
Receivables	18,500,299	16,949,498	2,167,233	1,347,470	9,126,319	-	48,090,819
Discounts and loans	57,711,018	51,704,636	41,972,560	32,270,225	152,607,645	360,490,642	696,756,726
Available-for-sale financial assets	11,360,633	620,523	98,038	2,483,239	22,643,946	94,659	37,301,038
Held-to-maturity investments	71,000,000	45,730,568	11,661,390	12,188,003	840,515	81,299	141,501,775
Non-active market debt instruments	-	-	-	-	89,475	2,698	92,173
Hedged derivative financial assets	8,747	26,309	-	17,458	134,531	-	187,045
	<u>243,364,319</u>	<u>125,431,113</u>	<u>62,971,750</u>	<u>48,527,448</u>	<u>185,443,316</u>	<u>360,669,298</u>	<u>1,026,407,244</u>
Liabilities							
Call loans and due to banks	25,846,717	9,208,584	10,807,366	5,468,888	-	-	51,331,555
Financial liabilities at fair value through profit or loss	7,108,585	278,131	283,058	2,998,350	1,240	-	10,669,364
Securities sold under agreements to repurchase	7,034,498	83,735	-	-	-	-	7,118,233
Payables	7,513,227	7,678,164	2,514,747	1,191,894	356,281	-	19,254,313
Deposits and remittances	120,169,315	161,046,473	159,542,555	127,483,050	300,379,074	-	868,620,467
Bank debentures	687,045	1,000,000	-	4,000,000	19,992,708	-	25,679,753
Hedged derivative financial liabilities	-	-	-	-	35,438	-	35,438
	<u>168,359,387</u>	<u>179,295,087</u>	<u>173,147,726</u>	<u>141,142,182</u>	<u>320,764,741</u>	<u>-</u>	<u>982,709,123</u>
Net liquidity gap	<u>\$ 75,004,932</u>	<u>\$ (53,863,974)</u>	<u>\$ (110,175,976)</u>	<u>\$ (92,614,734)</u>	<u>\$ (135,521,425)</u>	<u>\$ 360,669,298</u>	<u>\$ 43,698,121</u>
	June 30, 2009						
	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due Between One Year and Seven Years	Due After Seven Years	Total
Assets							
Cash and cash equivalents	\$ 10,188,782	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,188,782
Due from the Central Bank and other banks	83,046,879	239,849	1,969,080	820,450	-	-	86,076,258
Financial assets at fair value through profit or loss	15,787,802	314,271	2,882,766	224,538	117,250	-	19,326,627
Receivables	17,297,549	11,052,015	2,328,099	3,745,649	8,084,739	-	42,508,051
Discounts and loans	67,184,635	49,526,508	26,676,505	18,291,385	106,724,173	334,730,624	603,133,830
Available-for-sale financial assets	9,006,292	4,549,999	226,966	103,801	26,149,052	1,772,810	41,808,920
Held-to-maturity investments	127,997,659	6,065,634	1,971,044	108,233	1,365,989	227,401	137,735,960
Non-active market debt instruments	-	-	-	-	98,454	5,799	104,253
Hedged derivative financial assets	102,537	-	12,866	35,383	218,092	-	368,878
	<u>330,612,135</u>	<u>71,748,276</u>	<u>36,067,326</u>	<u>23,329,439</u>	<u>142,757,749</u>	<u>336,736,634</u>	<u>941,251,559</u>
Liabilities							
Call loans and due to banks	10,176,574	8,788,053	10,263,811	6,195,708	-	-	35,424,146
Financial liabilities at fair value through profit or loss	7,733,899	222,757	90,967	2,813,331	238	-	10,861,192
Securities sold under agreements to repurchase	1,167,359	84,318	-	-	-	-	1,251,677
Payables	12,471,957	9,747,457	1,789,000	1,252,250	373,302	-	25,633,966
Deposits and remittances	120,406,616	111,098,192	165,369,839	126,562,960	269,975,539	-	793,413,146
Bank debentures	331,057	500,000	900,000	10,138,168	20,854,364	-	32,723,589
Bonds payable	-	-	-	-	4,638,168	-	4,638,168
Hedged derivative financial liabilities	30,296	-	5,385	-	-	-	35,681
	<u>152,317,758</u>	<u>130,440,777</u>	<u>178,419,002</u>	<u>146,962,417</u>	<u>295,841,611</u>	<u>-</u>	<u>903,981,565</u>
Net liquidity gap	<u>\$ 178,294,377</u>	<u>\$ (58,692,501)</u>	<u>\$ (142,351,676)</u>	<u>\$ (123,632,978)</u>	<u>\$ (153,083,862)</u>	<u>\$ 336,736,634</u>	<u>\$ 37,269,994</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	June 30			
		2010		2009	
		Notion Amount	Fair Value	Notion Amount	Fair Value
Bank debentures	Interest rate swap	\$ 2,400,000	\$ 125,139	\$ 4,100,000	\$ 182,518
	Cross currency swap	2,500,000	61,906	3,800,000	148,538
Fixed rate loans	Interest rate swap	163,912	(12,117)	358,945	(16,114)

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	June 30			
		2010		2009	
		Notion Amount	Fair Value	Notion Amount	Fair Value
Bank debentures	Interest rate swap	\$ 3,600,000	\$ (23,321)	\$ 3,600,000	\$ 18,255

34. 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.

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

a. Statement of capital adequacy

Analysis Items		June 30, 2010		June 30, 2009		December 31, 2009 (Note 4)		
		Standalone	Consolidation	Standalone	Consolidation	Standalone	Consolidation	
Eligible capital	Tier 1 capital	\$ 55,744,769	\$ 59,294,225	\$ 48,016,693	\$ 52,651,387	\$ 55,794,185	\$ 59,325,063	
	Tier 2 capital	13,099,995	17,985,798	18,376,342	24,743,350	16,638,503	22,803,690	
	Tier 3 capital	-	-	-	-	-	-	
	Eligible capital	68,844,764	77,280,023	66,393,035	77,394,737	72,432,688	82,128,753	
Risk-weighted assets	Credit risk	Standardized approach	598,671,136	643,226,705	517,963,661	575,815,677	558,613,312	605,872,010
		Internal rating - based approach	N/A	N/A	N/A	N/A	N/A	N/A
		Securitization	325,234	979,825	529,307	1,512,902	369,894	1,239,957
	Operational risk	Basic indicator approach	24,656,312	30,157,400	28,963,913	33,814,338	24,656,313	30,157,400
		Standardized approach/alternative standardized approach	N/A	N/A	N/A	N/A	N/A	N/A
		Advanced measurement approach	N/A	N/A	N/A	N/A	N/A	N/A
	Market risk	Standardized approach	22,986,586	23,361,011	21,963,851	23,528,439	17,685,367	19,226,967
		Internal models approach	N/A	N/A	N/A	N/A	N/A	N/A
	Total risk-weighted assets		646,639,268	697,724,941	569,420,732	634,671,356	601,324,886	656,496,334
	Capital adequacy rate		10.65%	11.08%	11.66%	12.19%	12.05%	12.51%
Tier 1 risk - based capital ratio		8.62%	8.50%	8.43%	8.29%	9.28%	9.04%	
Tier 2 risk - based capital ratio		2.03%	2.58%	3.23%	3.90%	2.77%	3.47%	
Tier 3 risk - based capital ratio		-	-	-	-	-	-	
Ratios of common stockholders' equity to total assets		4.59%	4.39%	4.64%	4.35%	4.83%	4.56%	
Leverage ratio		5.56%	5.59%	4.91%	5.05%	5.69%	5.65%	

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

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

Note 3: The formula:

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

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

b. Asset quality

The overdue loans and receivables information please refer to Table 6-2.

c. Maturity analysis of assets and liabilities

**Maturity Analysis of Assets and Liabilities
June 30, 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	\$ 975,014,893	\$ 232,288,361	\$ 116,407,041	\$ 53,704,358	\$ 45,361,011	\$ 527,254,122
Main capital outflow on maturity	992,194,199	158,692,600	162,069,141	160,694,731	145,131,347	365,606,380
Gap	(17,179,306)	73,595,761	(45,662,100)	(106,990,373)	(99,770,336)	161,647,742

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
June 30, 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	\$ 9,487,986	\$ 3,756,989	\$ 1,815,666	\$ 1,578,133	\$ 590,434	\$ 1,746,764
Main capital outflow on maturity	9,521,637	4,192,939	2,094,235	941,469	463,993	1,829,001
Gap	(33,651)	(435,950)	(278,569)	636,664	126,441	(82,237)

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
June 30, 2009**

(In Thousands of New Taiwan Dollars)

	Total	The Amount of Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Main capital inflow on maturity	\$ 873,716,328	\$ 265,975,537	\$ 72,688,110	\$ 37,450,150	\$ 34,416,844	\$ 463,185,687
Main capital outflow on maturity	882,850,731	150,451,079	115,569,111	145,127,260	137,496,812	334,206,469
Gap	(9,134,403)	115,524,458	(42,881,001)	(107,677,110)	(103,079,968)	128,979,218

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
June 30, 2009**

(In Thousands of U.S. Dollars)

	Total	The Amount of Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Main capital inflow on maturity	\$ 6,739,448	\$ 3,362,984	\$ 1,632,209	\$ 572,155	\$ 459,958	\$ 712,142
Main capital outflow on maturity	6,873,464	2,996,754	1,793,498	871,384	454,762	757,066
Gap	(134,016)	366,230	(161,289)	(299,229)	5,196	(44,924)

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

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

d. Profitability

(%)

Items		Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Return on total assets	Before income tax	0.22	(0.04)
	After income tax	0.15	(0.09)
Return on net worth	Before income tax	3.58	(0.64)
	After income tax	2.39	(1.54)
Profit margin		19.02	(14.84)

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 six months ended June 30, 2010 and 2009.

e. Interest rate sensitivity information

**Interest Rate Sensitivity
June 30, 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	\$ 594,869,513	\$ 43,780,853	\$ 51,086,293	\$ 109,371,272	\$ 799,107,931
Interest-rate sensitive liabilities	338,357,193	370,268,601	45,555,003	16,117,505	770,298,302
Interest-rate sensitive gap	256,512,320	(326,487,748)	5,531,290	93,253,767	28,809,629
Net worth					63,345,813
Ratio of interest-rate sensitive assets to liabilities					103.74%
Ratio of interest-rate sensitive gap to net worth					45.48%

Interest Rate Sensitivity
June 30, 2009

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-rate sensitive assets	\$ 604,328,250	\$ 21,790,701	\$ 27,867,777	\$ 58,812,566	\$ 712,799,294
Interest-rate sensitive liabilities	241,851,938	359,245,936	72,462,665	20,194,355	693,754,894
Interest-rate sensitive gap	362,476,312	(337,455,235)	(44,594,888)	38,618,211	19,044,400
Net worth					56,769,729
Ratio of interest-rate sensitive assets to liabilities					102.75%
Ratio of interest-rate sensitive gap to net worth					33.55%

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
June 30, 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	\$ 3,844,500	\$ 442,240	\$ 90,899	\$ 279,024	\$ 4,656,663
Interest-rate sensitive liabilities	2,269,433	2,170,236	213,768	13	4,653,450
Interest-rate sensitive gap	1,575,067	(1,727,996)	(122,869)	279,011	3,213
Net worth					49,933
Ratio of interest-rate sensitive assets to liabilities					100.07%
Ratio of interest-rate sensitive gap to net worth					6.43%

Interest Rate Sensitivity
June 30, 2009

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

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-rate sensitive assets	\$ 4,043,919	\$ 246,430	\$ 50,629	\$ 529,873	\$ 4,870,851
Interest-rate sensitive liabilities	2,061,717	2,185,496	184,773	130	4,432,116
Interest-rate sensitive gap	1,982,202	(1,939,066)	(134,144)	529,743	438,735
Net worth					76,923
Ratio of interest-rate sensitive assets to liabilities					109.90%
Ratio of interest-rate sensitive gap to net worth					570.36%

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

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

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

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

f. Concentration of credit extensions

June 30, 2010

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	Industry Category (Note 2)	Total Credit Consists of Loans (Note 3)	Percentage of Net Worth (%) (Note 4)
1	A Group (Plastics)	\$12,542,376	20.11%
2	B Group (Computer and peripheral equipment)	9,270,452	14.87%
3	C Group (Other electronic)	8,994,028	14.42%
4	D Group (Optoelectronic)	6,705,364	10.75%
5	E Group (Trading and consumers' goods industry)	5,800,000	9.30%
6	F Group (Building material and construction)	5,540,396	8.88%
7	G Group (Cotton and Textile)	5,516,697	8.85%
8	H Company (Non-profit organization)	4,712,500	7.56%
9	I Group (Finance and lease)	3,409,785	5.47%
10	J Company (Metal product)	2,321,563	3.72%

June 30, 2009

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	Industry Category (Note 2)	Total Credit Consists of Loans (Note 3)	Percentage of Net Worth (%) (Note 4)
1	A Group (Plastics)	\$12,195,568	21.61%
2	B Group (Optoelectronic)	6,493,826	11.51%
3	C Group (Other electronic)	6,323,414	11.20%
4	D Group (Building material and construction)	5,260,000	9.32%
5	E Group (Non-profit organization)	4,755,500	8.43%
6	F Group (Building material and construction)	4,360,407	7.73%
7	G Group (Cotton and Textile)	4,043,099	7.16%
8	H Group (Computer, electronic and optic)	3,922,476	6.95%
9	I Company (Optoelectronic)	3,877,753	6.87%
10	J Group (Telecommunication)	3,289,163	5.83%

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.

36. 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
June 30, 2010 and 2009**

(In Thousands of New Taiwan Dollars)

	June 30					
	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	\$ 5,896,935	\$ 1,847,832	\$ 7,744,767	\$ 4,337,125	\$ 7,893,126	\$ 12,230,251
Bonds	13,470,305	897,628	14,367,933	20,393,439	2,183,185	22,576,624
Stocks	6,239,701	-	6,239,701	8,884,810	-	8,884,810
Funds	116,532,134	-	116,532,134	95,613,502	-	95,613,502
Receivables	18	1,188	1,206	5,566	20,957	26,523
Prepayments	5	13,602	13,607	6	21,566	21,572
Real estate						
Land	8,052,786	3,538,574	11,591,360	5,460,256	3,538,574	8,998,830
Buildings	744,109	1,364,856	2,108,965	356,419	1,364,856	1,721,275
Construction in process	5,268,203	-	5,268,203	4,334,817	-	4,334,817
Securities under custody	134,620,743	-	134,620,743	152,289,327	-	152,289,327
Other assets	-	76,831	76,831	-	77,035	77,035
Total trust assets	<u>\$ 290,824,939</u>	<u>\$ 7,740,511</u>	<u>\$ 298,565,450</u>	<u>\$ 291,675,267</u>	<u>\$ 15,099,299</u>	<u>\$ 306,774,566</u>
<u>Trust liabilities</u>						
Payables	\$ -	\$ 3,495	\$ 3,495	\$ 25	\$ 3,285	\$ 3,310
Advance receipts	-	16,761	16,761	-	15,973	15,973
Other liabilities	-	20,908	20,908	-	20,171	20,171
Payable on securities under custody	134,620,743	-	134,620,743	152,289,327	-	152,289,327
Trust capital	153,990,758	6,492,400	160,483,158	137,605,354	13,930,022	151,535,376
Reserves and cumulative earnings						
Reserves	-	71,184	71,184	-	71,184	71,184
Net income (loss)	230,456	48,716	279,172	(106,585)	98,647	(7,938)
Cumulative earnings	2,148,753	623,617	2,772,370	1,940,252	496,587	2,436,839
Deferred amount	(165,771)	-	(165,771)	(53,106)	-	(53,106)
Unrealized revaluation increment on land	-	463,430	463,430	-	463,430	463,430
Total trust liabilities	<u>\$ 290,824,939</u>	<u>\$ 7,740,511</u>	<u>\$ 298,565,450</u>	<u>\$ 291,675,267</u>	<u>\$ 15,099,299</u>	<u>\$ 306,774,566</u>

Trust Income Statement
Six months ended June 30, 2010 and 2009

(In Thousands of New Taiwan Dollars)

	Six Months Ended June 30					
	2010			2009		
	Other Trust Business	Financial Assets and Real Estate Trust Plan	Total	Other Trust Business	Financial Assets and Real Estate Trust Plan	Total
Trust income						
Interest income	\$ 122,437	\$ 13,245	\$ 135,682	\$ 166,944	\$ 123,713	\$ 290,657
Rental income	-	104,910	104,910	-	103,543	103,543
Gains from beneficiary certificates	113	-	113	3,725	-	3,725
Realized investment income	<u>172,099</u>	<u>-</u>	<u>172,099</u>	<u>71,131</u>	<u>-</u>	<u>71,131</u>
Total trust income	<u>294,649</u>	<u>118,155</u>	<u>412,804</u>	<u>241,800</u>	<u>227,256</u>	<u>469,056</u>
Trust expense						
Trust administrative expenses	2,183	853	3,036	2,297	2,234	4,531
Tax expenses	11,973	6,942	18,915	17,219	7,533	24,752
Interest expenses	-	59,891	59,891	-	116,628	116,628
OTC expenses	-	956	956	-	993	993
Marketing expenses	-	-	-	1,675	-	1,675
Realized investment loss	49,831	-	49,831	326,507	-	326,507
Unrealized investment loss	-	-	-	116	-	116
Others	<u>206</u>	<u>797</u>	<u>1,003</u>	<u>571</u>	<u>1,221</u>	<u>1,792</u>
Total trust expense	<u>64,193</u>	<u>69,439</u>	<u>133,632</u>	<u>348,385</u>	<u>128,609</u>	<u>476,994</u>
Income (loss) before income tax	230,456	48,716	279,172	(106,585)	98,647	(7,938)
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income (loss)	<u>\$ 230,456</u>	<u>\$ 48,716</u>	<u>\$ 279,172</u>	<u>\$ (106,585)</u>	<u>\$ 98,647</u>	<u>\$ (7,938)</u>

Trust Properties of Trust Accounts
June 30, 2010 and 2009

(In Thousands of New Taiwan Dollars)

Investment Portfolio	June 30			
	2010		2009	
	Book Value	Note	Book Value	Note
Bonds	\$ 13,470,305		\$ 20,393,439	
Stocks	6,239,701		8,884,810	
Funds	116,532,134		95,613,502	
Asset pool of financial asset securitization	897,628		2,183,185	
Asset pool of real estate securitization	4,903,430		4,903,430	
Real estate				
Land	8,052,786		5,460,256	
Buildings	744,109		356,419	
Construction in process	5,268,203		4,334,817	
Securities under custody	<u>134,620,743</u>		<u>152,289,327</u>	
	<u>\$ 290,729,039</u>		<u>\$ 294,419,185</u>	

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

37. CROSS-SELLING INFORMATION

For the six months ended June 30, 2010 and 2009, the Bank charged SinoPac Securities for \$2,482 and \$970, respectively, as marketing and opening accounts.

38. 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: Table 4;
 - 13) Other significant transactions which may affect the decisions of users of financial reports: Table 5 and 6;
 - 14) Derivative financial transactions: Except the disclosure in other footnotes, the derivative financial instruments of the Bank are disclosed in Notes 5, 33 and Table 5-2, 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 5-7.
- c. Information related to investment in Mainland China: None.

BANK SINOPAC AND INVESTEEES

MARKETABLE SECURITIES HELD

JUNE 30, 2010

(In Thousands of New Taiwan Dollars or Share)

Name of Holding Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	June 30, 2010				Note
				Shares/Units/ Face Amount	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	2,542	\$ 8,354,215	100%	\$ 8,354,215	Note 2
	Far East Capital, LLC	Subsidiary	Equity investments - equity method	-	30,147	100%	30,147	Note 2
SinoPac Capital Limited (H.K.)	<u>Stock</u> SinoPac Capital (B.V.I.) Ltd.	Subsidiary	Equity investments - equity method	4,450	34,397	100%	53,041	Note 2
	SinoPac Insurance Brokers Ltd.	Subsidiary	Equity investments - equity method	100	1,244	100%	138,882	Note 2
	<u>Fund</u> China Enterprise Capital	-	Unquoted equity investments	0.02	32,149	-	32,149	Note 3
SinoPac Capital (B.V.I.) Ltd.	<u>Stock</u> RSP Information Service Company Limited	Subsidiary	Equity investments - equity method	1,000	4,138	100%	4,601	Note 2
SinoPac Property Insurance Agent Co., Ltd.	<u>Bond</u> Government bond 88-3	-	Guarantee deposits	600	636	-	780	Pledge
SinoPac Life Insurance Agent Co., Ltd.	<u>Bond</u> Government bond 88-3	-	Guarantee deposits	600	636	-	780	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 financial statements for the latest period.

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

BANK SINOPAC AND INVESTEES

ACQUIRED AND DISPOSED OF INVESTEE INVESTMENT AT COST OR PRICES OF AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL
(MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF, AT COST OR PRICES OF AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL)
FOR THE SIX MONTHS ENDED JUNE 30, 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	230	US\$ 162,893 thousand	2,312	US\$ 75,000 thousand	-	-	-	-	2,542	US\$ 237,893 thousand

BANK SINOPAC AND INVESTEES

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

JUNE 30, 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	\$ 1,145,824 (Note)	-	\$ -	-	\$ -	\$ -

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

BANK SINOPAC AND INVESTEEES

INFORMATION ON INVESTED ENTERPRISES

SIX MONTHS ENDED JUNE 30, 2010

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

Investee Company	Location	Main Businesses and Products	Balance as of June 30, 2010			Consolidated Investment				Note
			Percentage of Ownership	Carrying Amount	Investment Gains (Loss)	Shares	Imitated Shares	Total		
								Shares	Percentage of Ownership	
<u>Financial related enterprise</u>										
SinoPac Bancorp	California	Holding company	100.00%	\$ 5,725,718	\$ (847,604)	20	-	20	100.00%	Subsidiary
SinoPac Capital Limited (H.K.)	Hong Kong	Lending and financing	100.00%	1,261,885	11,939	229,998	-	229,998	100.00%	Subsidiary
SinoPac Life Insurance Agent Co., Ltd.	Taipei	Life insurance agent	100.00%	333,190	277,592	300	-	300	100.00%	Subsidiary
SinoPac Property Insurance Agent Co., Ltd.	Taipei	Property insurance agent	100.00%	21,727	15,583	300	-	300	100.00%	Subsidiary
SinoPac Bancorp	California	Holding company	100.00%	1,434,375	-	1,800	-	1,800	100.00%	Note 2
Global Securities Finance Corporation	Taipei	Securities financing	2.63%	173,496	-	19,712	-	19,712	2.63%	
Taipei Foreign Exchange Inc.	Taipei	Foreign exchange market maker	3.43%	6,800	2,173	680	-	680	3.43%	
Taiwan Futures Exchange	Taipei	Futures exchange and settlement	1.07%	21,490	-	4,720	-	4,720	1.88%	
Fuh Hwa Securities Investment Trust Co., Ltd.	Taipei	Securities investment trust and consultant	4.63%	15,000	8,700	1,500	-	1,500	4.63%	
Financial Information Service Co., Ltd.	Taipei	Planning and developing the information system of across banking institution and managing the information web system	2.28%	91,000	-	9,100	-	9,100	2.28%	
Taiwan Asset Management Corporation	Taipei	Evaluating, auctioning, and managing for financial institutions' loan	0.28%	50,000	-	5,000	-	5,000	0.28%	
Mondex Taiwan Inc.	Taipei	Information process services	6.69%	4,935	-	395	-	395	6.69%	
Taiwan Financial Asset Service Co.	Taipei	Auction	5.88%	100,000	-	10,000	-	10,000	5.88%	
Sunny Asset Management Corp.	Taipei	Purchasing for financial institutions' loan assets	1.42%	164	110	85	-	85	1.42%	
Taiwan Depository and Clearing Co.	Taipei	Securities custodian	0.08%	4,639	-	2,232	-	2,232	0.75%	
<u>Nonfinancial related enterprise</u>										
Taiwan Television Enterprise, Ltd.	Taipei	Wireless television company	4.84%	20,983	-	13,991	-	13,991	4.99%	

Note 1: Foreign-currency amounts were translated at the exchange rate as of the balance sheet date, except for foreign-currency-denominated income and expenses, which were translated to New Taiwan dollars at the average exchange rate for the six months ended June 30, 2010.

Note 2: Bank SinoPac acquired 1,800 thousand shares of preferred stocks of SinoPac Bancorp, recorded as unquoted equity instruments in January 2010.

TABLE 5-1**BANK SINOPAC****FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS****JUNE 30, 2010 AND 2009****(In Thousands of New Taiwan Dollars)**

	June 30	
	2010	2009
<u>Held-for-trading financial assets</u>		
Bank debentures	\$ 2,600,563	\$ 1,984,666
Corporate bonds	1,477,124	1,781,925
Government bonds	1,046,595	396,129
Listed stocks	736,971	18,920
Beneficiary certificates	633,652	1,539,946
Convertible bonds	325,931	461,932
Depository receipt	13,685	-
Collateralized debt obligations	1,025	100,881
Derivative financial assets		
Interest rate swaps	7,728,844	8,154,337
Forward contracts	1,839,383	2,494,604
Premium paid on option contracts	1,338,296	491,990
Currency swap contracts	65,657	60,244
Others	<u>37,172</u>	<u>50,029</u>
	<u>17,844,898</u>	<u>17,535,603</u>
<u>Financial assets designated at fair value through profit or loss</u>		
Hybrid product		
Convertible bonds	520,529	613,539
Corporate bonds	314,176	592,954
Credit linked notes	-	352,875
A group of financial instruments is managed and its performance is evaluated on a fair value basis		
C equity interest in VISA Inc.	168,562	151,066
B equity interest in Master Card Inc.	<u>95,687</u>	<u>80,590</u>
	<u>1,098,954</u>	<u>1,791,024</u>
Total of financial assets at fair value through profit or loss	<u>\$ 18,943,852</u>	<u>\$ 19,326,627</u>
<u>Held-for-trading financial liabilities</u>		
Derivative financial liabilities		
Interest rate swaps	\$ 7,703,817	\$ 8,165,532
Forward contracts	1,776,415	1,973,512
Premiums received on option contracts	1,040,513	537,683
Currency swap contracts	67,672	84,655
Credit default swaps	49,557	73,920
Others	<u>31,390</u>	<u>25,890</u>
	<u>\$ 10,669,364</u>	<u>\$ 10,861,192</u>

TABLE 5-2**BANK SINOPAC****CONTRACT AMOUNTS OF OUTSTANDING DERIVATIVE TRANSACTIONS****JUNE 30, 2010 AND 2009****(In Thousands of New Taiwan Dollars)**

	June 30	
	2010	2009
Interest rate swap contracts	\$ 847,641,642	\$ 756,424,731
Currency swap contracts	288,729,865	230,025,913
Options		
Long position	66,702,111	30,200,370
Short position	68,342,589	38,553,740
Forward contracts		
Long position	23,271,415	15,389,442
Short position	12,643,831	1,207,255
Non-deliverable forward contracts		
Long position	124,532,535	81,797,167
Short position	122,629,324	80,443,909
Cross-currency swap contracts	3,398,814	1,108,050
Assets swap contracts	1,581,622	2,565,095
Credit default swap contracts	1,100,000	1,100,000
Equity-linked swap contracts	33,366	719,371
Commodity-linked swap contracts	464,375	-
Futures		
Interest rate futures long position	617,018	92,606
Interest rate futures short position	903,784	-
Credit linked swap contracts	2,500,000	3,300,000

TABLE 5-3**BANK SINOPAC****AVAILABLE-FOR-SALE FINANCIAL ASSETS****JUNE 30, 2010 AND 2009****(In Thousands of New Taiwan Dollars)**

	June 30	
	2010	2009
Government bonds	\$ 12,449,386	\$ 25,204,198
Commercial paper	10,637,509	13,579,302
Corporate bonds	6,414,472	103,424
Bank debentures	6,286,364	1,181,797
Government sector bonds	1,377,742	954,356
Listed stocks	135,565	-
Collateralized debt obligations	-	916,989
Negotiable certificates of deposit	-	599,775
Acceptance payable	-	12,638
	<u>37,301,038</u>	<u>42,552,479</u>
Less: Accumulated impairment	-	743,559
	<u>\$ 37,301,038</u>	<u>\$ 41,808,920</u>

TABLE 5-4**BANK SINOPAC****HELD-TO-MATURITY INVESTMENTS****JUNE 30, 2010 AND 2009****(In Thousands of New Taiwan Dollars)**

	June 30	
	2010	2009
Negotiable certificates of deposit	\$ 140,076,390	\$ 135,496,908
Corporate bonds	840,515	840,173
Government bonds	337,735	353,499
Bank debentures	110,604	583,449
Floating rate notes	82,910	250,585
Collateralized debt obligations	<u>53,621</u>	<u>260,573</u>
	141,501,775	137,785,187
Less: Accumulated impairment	<u>-</u>	<u>49,227</u>
	<u>\$ 141,501,775</u>	<u>\$ 137,735,960</u>

TABLE 5-5**BANK SINOPAC****OTHER FINANCIAL ASSETS****JUNE 30, 2010 AND 2009****(In Thousands of New Taiwan Dollars)**

	June 30	
	2010	2009
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	89,475	98,454
Mortgage backed securities	2,698	5,799
Structured investment vehicles	<u>-</u>	<u>328,180</u>
	92,173	432,433
Less: Accumulated impairment	<u>-</u>	<u>328,180</u>
	<u>92,173</u>	<u>104,253</u>
Others		
Issued commodities purchased from PEM Group	4,284,699	-
Guarantee deposits	880,954	1,230,505
Hedging derivative financial instruments	187,045	368,878
Guarantee of futures and options	144,456	129,375
Short-term advancement	5,843	80,592
Bills purchased	2,887	188
Nonperforming receivables transferred from other than loans, net	<u>1,475</u>	<u>1,645</u>
	<u>5,507,359</u>	<u>1,811,183</u>
	<u>\$ 7,522,414</u>	<u>\$ 2,403,943</u>

TABLE 5-6

BANK SINOPAC

BANK DEBENTURES
JUNE 30, 2010 AND 2009

(In Thousands of New Taiwan Dollars)

	June 30		Maturity Date	Terms
	2010	2009		
<u>Dominant bank debentures</u>				
Fifth dominant bank debentures issued in 2003	\$ 1,026,309	\$ 1,029,620	2003.08.11-2010.08.11 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
First dominant bank debentures issued in 2004	-	502,078	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	-	305,402	2004.04.28-2009.10.28 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Eighth dominant bank debentures issued in 2004	517,458	523,916	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	-	516,786	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	508,746	528,038	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	521,007	559,638	2004.07.13-2011.07.13 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Dominant bank debentures	<u>2,573,520</u>	<u>3,965,478</u>		
<u>Subdominant bank debentures</u>				
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.
First subordinated bank debentures issued in 2004 (C)	-	418,597	2004.09.14-2010.06.14 Principal is repayable on maturity date.	Floating rate. Interest is paid quarterly.
Second subordinated bank debentures issued in 2004	-	500,000	2004.09.14-2010.06.14 Principal is repayable on maturity date.	Index rate plus 0.50%. Interest rate is reset semiannually since the issuance date. Interest is paid semiannually.
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	1,513,008	1,546,315	2008.03.17-2013.09.17 Principal is repayable on maturity date.	Fixed interest rate of 3.05%, interest is paid annually.

(Continued)

	June 30		Maturity Date	Terms
	2010	2009		
Second subordinated bank debentures issued in 2008 (A)	\$ 4,498,324	\$ 4,498,001	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)	499,814	499,778	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	3,598,649	3,598,309	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	5,597,501	5,597,111	2009.04.29-2016.04.29 Principal is repayable on maturity date.	Fixed interest rate of 2.8%, interest is paid annually.
Second subordinated bank debentures issued in 2009 (A)	2,199,008	2,200,000	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)	2,199,929	2,200,000	2009.06.23-2017.06.23 Principal is repayable on maturity date.	Fixed interest rate of 2.9%, interest is paid annually.
Subdominant bank debentures	<u>23,106,233</u>	<u>28,758,111</u>		
	<u>\$ 25,679,953</u>	<u>\$ 32,723,589</u>		

(Concluded)

BANK SINOPAC

DERIVATIVE FINANCIAL INSTRUMENT TRANSACTIONS

JUNE 30, 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 June 30, 2010 and 2009, the contract amounts (or notional amounts), credit risks and fair values of outstanding contracts were as follows:

Financial Instruments	June 30, 2010		
	Contract (Notional) Amount	Credit Risk	Fair Value
For the purpose of accommodating customers' needs or managing FENB's exposures:			
Forward contracts			
Long position	\$ 141,225	\$ 6,745	\$ (4,300)
Short position	140,486	6,710	(3,560)
Non-deliverable forward contracts			
Long position	82,475	4,087	(496)
Short position	82,475	4,087	(545)
	June 30, 2009		
Financial Instruments	Contract (Notional) Amount	Credit Risk	Fair Value
For the purpose of accommodating customers' needs or managing FENB's exposures:			
Forward contracts			
Long position	\$ 164,570	\$ 12,343	\$ 5,076
Non-deliverable forward contracts			
Long position	17,887	1,789	60
Short position	17,887	1,789	8

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

(Continued)

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.

(Concluded)

BANK SINOPAC

STATEMENT OF CHANGES IN ALLOWANCE FOR CREDIT LOSS
SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

	Six Months Ended June 30, 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	327,912	288,186	616,098	70,415	378,653	149	7,000	-	1,072,315
Write-off	(1,163,773)	-	(1,163,773)	(213,496)	(939,516)	-	(15,924)	-	(2,332,709)
Recovery of written-off credits	22,763	-	22,763	143,608	-	-	342	-	166,713
Reclassifications	291,194	(291,194)	-	-	-	-	-	-	-
Result from change of effects of exchange rate changes	8,694	-	8,694	(302)	(18,656)	-	(299)	-	(10,563)
Others	-	-	-	-	(1,034)	-	-	-	(1,034)
Balance, June 30	<u>\$ 1,773,272</u>	<u>\$ 2,770,387</u>	<u>\$ 4,543,659</u>	<u>\$ 405,123</u>	<u>\$ 245,253</u>	<u>\$ 180</u>	<u>\$ 54,160</u>	<u>\$ 723</u>	<u>\$ 5,249,098</u>
	Six Months Ended June 30, 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	1,026,594	288,579	1,315,173	366,883	1,827	-	-	-	1,683,883
Write-off	(1,797,228)	-	(1,797,228)	(509,265)	(174,726)	-	-	-	(2,481,219)
Recovery of written-off credits	7,954	-	7,954	124,097	-	-	-	-	132,051
Reclassifications	(758,770)	100,901	(657,869)	644,133	13,736	-	-	-	-
Result from change of effects of exchange rate changes	(7,870)	-	(7,870)	(4)	(198)	-	-	-	(8,072)
Others	-	-	-	-	(1,369)	-	-	-	(1,369)
Balance, June 30	<u>\$ 1,870,465</u>	<u>\$ 3,452,754</u>	<u>\$ 5,323,219</u>	<u>\$ 1,145,053</u>	<u>\$ 147,118</u>	<u>\$ 32</u>	<u>\$ -</u>	<u>\$ 140</u>	<u>\$ 6,615,562</u>

BANK SINOPAC

**OVERDUE LOANS AND RECEIVABLES
JUNE 30, 2010 AND 2009
(In Thousands of New Taiwan Dollars, %)**

Items		June 30, 2010					June 30, 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	\$ 1,494,772	\$ 133,179,533	1.12%	\$ 785,318	52.54%	\$ 1,925,907	\$ 90,042,602	2.14%	\$ 681,713	35.40%
	Unsecured	1,671,087	188,135,071	0.89%	1,678,039	100.42%	2,516,984	159,972,016	1.57%	1,971,519	78.33%
Consumer loan	Mortgage (Note 4)	1,071,721	361,963,401	0.30%	924,221	86.24%	2,810,589	338,665,203	0.83%	1,158,093	41.20%
	Cash card	240	62,729	0.38%	2,791	1,162.92%	6,825	89,744	7.6%	12,790	187.40%
	Micro credit (Note 5)	155,387	8,341,063	1.86%	1,104,749	710.97%	597,890	9,945,860	6.01%	1,448,137	242.21%
	Other (Note 6)										
	Secured	11,558	5,074,929	0.23%	48,541	419.98%	22,594	4,418,405	0.51%	50,967	225.58%
	Unsecured										
Total		4,404,765	696,756,726	0.63%	4,543,659	103.15%	7,880,789	603,133,830	1.31%	5,323,219	67.55%
		Overdue Receivables	Account Receivables	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio	Overdue Receivables	Account Receivables	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card		121,223	16,451,287	0.74%	383,134	316.06%	154,190	10,891,471	1.42%	432,748	280.66%
Account receivable - factoring with no recourse (Note 7)		120,511	14,686,454	0.82%	119,036	98.78%	1,182,100	6,352,362	18.61%	653,437	55.28%
Excluded NPL as a result of debt consultation and loan agreements (Note 8)		\$ 22,790					\$ 59,779				
Excluded overdue receivables as a result of debt consultation and loan agreements (Note 8)		946,487					1,251,713				
Excluded NPL as a result of consumer debt clearance (Note 9)		14,680					7,966				
Excluded overdue receivables as a result of consumer debt clearance (Note 9)		811,575					570,061				

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).