

Bank SinoPac

**Financial Statements for the
Three Months Ended March 31, 2011 and 2010 and
Independent Accountants' Review Report**

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Stockholders
Bank SinoPac

We have reviewed the accompanying balance sheets of Bank SinoPac as of March 31, 2011 and 2010, and the related statements of income, and cash flows for the three months then ended. These financial statements are the responsibility of the Bank SinoPac's management. Our responsibility is to issue a report on these financial statements based on our reviews.

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

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

As stated in Note 3 to the accompanying financial statement, Bank SinoPac adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement" effective on January 1, 2011.

April 25, 2011

Notice to Readers

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

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

BANK SINOPAC

BALANCE SHEETS

MARCH 31, 2011 AND 2010

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

(Reviewed, Not Audited)

ASSETS	2011 Amount	2010 Amount	% Increase (Decrease)	LIABILITIES AND STOCKHOLDERS' EQUITY	2011 Amount	2010 Amount	% Increase (Decrease)
CASH AND CASH EQUIVALENTS (Notes 4 and 28)	\$ 12,109,963	\$ 11,101,958	9	CALL LOANS AND DUE TO BANKS (Note 17)	\$ 59,699,283	\$ 50,328,190	19
DUE FROM THE CENTRAL BANK AND OTHER BANKS (Notes 5 and 28)	62,190,498	76,217,584	(18)	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2 and 6)	9,481,374	8,895,431	7
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2, 6, 7 and 28)	79,057,242	16,740,300	372	SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE (Notes 2, 7 and 28)	2,941,988	3,867,659	(24)
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 2, 7 and 28)	1,542,613	-	-	ACCOUNTS, INTEREST AND OTHER PAYABLES (Notes 2, 18 and 28)	14,201,389	20,379,513	(30)
ACCOUNTS, INTEREST AND OTHER RECEIVABLES, NET (Notes 2, 3, 8, 27 and 28)	40,317,529	47,796,223	(16)	DEPOSITS AND REMITTANCES (Notes 19 and 28)	909,075,500	817,513,512	11
DISCOUNTS AND LOANS, NET (Notes 2, 3, 9, 28 and 29)	708,317,284	673,917,115	5	BANK DEBENTURES (Notes 2 and 20)	31,109,780	27,097,862	15
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET (Notes 2, 7, 10 and 29)	31,569,766	26,353,398	20	OTHER FINANCIAL LIABILITIES (Notes 2 and 21)	19,728,933	22,674,902	(13)
HELD-TO-MATURITY INVESTMENTS, NET (Notes 2, 11 and 29)	151,734,216	133,669,154	14	OTHER LIABILITIES (Notes 2, 22, 27 and 28)	<u>3,330,578</u>	<u>3,354,625</u>	(1)
EQUITY INVESTMENTS - EQUITY METHOD (Notes 2 and 12)	6,443,184	8,453,310	(24)	Total liabilities	<u>1,049,568,825</u>	<u>954,111,694</u>	10
OTHER FINANCIAL ASSETS, NET				STOCKHOLDERS' EQUITY (Notes 2 and 23)			
Unquoted equity instruments (Notes 2 and 13)	5,952,432	1,922,882	210	Capital stock, NT\$10 par value, authorized 8,000,000 thousand shares; issued and outstanding 4,955,047 thousand shares in 2011 and 4,821,847 thousand shares in 2010	<u>49,550,469</u>	<u>48,218,469</u>	3
Non-active market debt instruments (Notes 2 and 13)	82,051	98,975	(17)	Capital surplus			
Others (Notes 2, 3 and 13)	<u>2,903,657</u>	<u>5,324,134</u>	(45)	Additional paid-in capital from share issuance in excess of par	1,128,561	795,561	42
Other financial assets, net	<u>8,938,140</u>	<u>7,345,991</u>	22	Capital surplus from business combination	8,076,524	8,076,524	-
PROPERTIES (Notes 2 and 14)				Others	<u>1,733</u>	<u>1,733</u>	-
Cost and revaluation increment				Total capital surplus	<u>9,206,818</u>	<u>8,873,818</u>	4
Land	4,700,112	4,751,821	(1)	Retained earnings			
Buildings	4,710,876	4,667,924	1	Legal reserve	3,361,034	2,746,023	22
Computer and machinery equipment	4,568,673	4,847,886	(6)	Special reserve	367,188	282,977	30
Transportation equipment	<u>1,234</u>	<u>1,328</u>	(7)	Unappropriated earnings	<u>4,790,997</u>	<u>2,929,979</u>	64
Total cost	13,980,895	14,268,959	(2)	Total retained earnings	<u>8,519,219</u>	<u>5,958,979</u>	43
Less: Accumulated depreciation	<u>5,705,957</u>	<u>5,680,331</u>	-	Other adjustment			
	8,274,938	8,588,628	(4)	Cumulative translation adjustments	(207,663)	(82,315)	152
Prepayments for equipment and construction in progress	<u>403,491</u>	<u>244,787</u>	65	Unrealized gains on available-for-sale financial assets	172,714	131,046	32
Net properties	<u>8,678,429</u>	<u>8,833,415</u>	(2)	Unrealized gains (losses) on cash flow hedge	(30,039)	10,973	(374)
INTANGIBLE ASSETS (Notes 2 and 15)	<u>964,904</u>	<u>989,819</u>	(3)	Net loss not recognized as pension cost	(945,801)	(766,159)	23
OTHER ASSETS (Notes 2, 16 and 27)	<u>5,000,928</u>	<u>6,068,392</u>	(18)	Unrealized revaluation increment on land	<u>1,030,154</u>	<u>1,030,154</u>	-
TOTAL	<u>\$ 1,116,864,696</u>	<u>\$ 1,017,486,659</u>	10	Total other adjustment	<u>19,365</u>	<u>323,699</u>	(94)
				Total stockholders' equity	<u>67,295,871</u>	<u>63,374,965</u>	6
				TOTAL	<u>\$ 1,116,864,696</u>	<u>\$ 1,017,486,659</u>	10

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

(With Deloitte & Touche review report dated April 25, 2011)

BANK SINOPAC

STATEMENTS OF INCOME

THREE MONTHS ENDED MARCH 31, 2011 AND 2010

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

(Reviewed, Not Audited)

	<u>2011</u>	<u>2010</u>	<u>% Increase</u>
	Amount	Amount	(Decrease)
INTEREST REVENUE (Notes 2 and 28)	\$ 5,083,900	\$ 4,255,365	19
INTEREST EXPENSE (Notes 2 and 28)	<u>1,974,126</u>	<u>1,329,950</u>	48
NET INTEREST	<u>3,109,774</u>	<u>2,925,415</u>	6
NET REVENUES OTHER THAN INTEREST (Note 2)			
Commission and fee revenues, net (Notes 24 and 28)	767,377	880,919	(13)
Gains from (losses on) financial assets and liabilities at fair value through profit or loss (Note 6)	(47,587)	221,225	(122)
Realized gains from (losses on) available-for-sale financial assets (Note 23)	9,866	(32,007)	131
Losses on equity investments - equity method, net (Note 12)	(70,512)	(207,008)	(66)
Foreign exchange gain, net	229,962	40,554	467
Impairment losses on assets	-	(20,108)	100
Recovery of bad debts	177,165	143,447	24
Rental revenues (Note 28)	28,788	35,429	(19)
Gains from disposal of properties and idle assets, net	85,110	-	-
Other net losses (Note 28)	<u>(31,881)</u>	<u>(76,517)</u>	(58)
Total net revenues	<u>4,258,062</u>	<u>3,911,349</u>	9
PROVISION FOR BAD DEBTS (Notes 2, 3, 8 and 9)	<u>235,527</u>	<u>546,531</u>	(57)
OPERATING EXPENSES (Notes 2, 25, 26 and 28)			
Personnel expenses	1,518,336	1,439,119	6
Depreciation and amortization	111,228	124,752	(11)
Others	<u>833,304</u>	<u>711,946</u>	17
Total operating expenses	<u>2,462,868</u>	<u>2,275,817</u>	8
INCOME BEFORE INCOME TAX	1,559,667	1,089,001	43
INCOME TAX EXPENSE (Notes 2 and 27)	<u>270,045</u>	<u>209,058</u>	29
NET INCOME	<u>\$ 1,289,622</u>	<u>\$ 879,943</u>	47
	<u>2011</u>	<u>2010</u>	
	Pretax	After Tax	Pretax
	After Tax	Pretax	After Tax
EARNINGS PER SHARE (Note 23)			
Basic earnings per share	<u>\$ 0.31</u>	<u>\$ 0.26</u>	<u>\$ 0.23</u>
	<u>\$ 0.18</u>		

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

(With Deloitte & Touche review report dated April 25, 2011)

BANK SINOPAC

STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2011 AND 2010 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,289,622	\$ 879,943
Adjustments to reconcile net income to net cash (used in) provided by operating activities		
Depreciation and amortization	117,447	120,275
Amortization of premium or discount of financial assets	14,892	23,048
Amortization of premium or discount of bank debentures	504	359
Provision for credit and trading losses	235,527	543,126
Impairment losses on assets	-	20,108
Unrealized gains from financial assets designated at fair value through profit or loss	(13,377)	(36,955)
Realized (gains from) losses on available-for-sale financial assets	(9,866)	32,007
Losses on equity investments - equity method	70,512	207,008
(Gains from) losses on sale and retirement of properties and idle assets	(84,555)	733
Gains from disposal of collaterals assumed, net	(1,962)	(1,377)
Accrued pension cost	(52,097)	(48,772)
Deferred income tax	240,565	(55,917)
(Increase) decrease in held-for-trading financial assets	(53,015,090)	104,094
(Decrease) increase in held-for-trading financial liabilities	(25,738)	259,145
Decrease in accounts, interest and other receivables	821,930	584,841
Increase (decrease) in accounts, interest and other payables	<u>851,268</u>	<u>(1,563,382)</u>
Net cash (used in) provided by operating activities	<u>(49,560,418)</u>	<u>1,068,284</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in due from the Central Bank and other banks	13,097,030	(3,553,581)
Increase in securities purchased under agreements to resell	(390,134)	-
Proceeds from sale of financial assets designated at fair value through profit or loss	339,096	7,342
Proceeds from sale of non-active market debt instruments	8,112	878
Increase in discounts and loans	(18,152,440)	(21,584,977)
Acquisition of properties	(84,798)	(66,184)
Proceeds from sale of properties	102,024	2,593,554
Acquisition of available-for-sale financial assets	(102,620,955)	(64,651,424)
Proceeds from sale of available-for-sale financial assets	104,099,784	69,828,457
Acquisition of held-to-maturity investments	(253,700,690)	(10,257,898)
Proceeds from matured held-to-maturity investments	301,066,979	431,594
Acquisition of unquoted equity instruments	(885,300)	(1,434,375)
Proceeds from sale of collaterals assumed	20,466	31,702
Increase in other financial assets	(123,671)	(222,409)
Increase in other assets	<u>(368,814)</u>	<u>(49,461)</u>
Net cash provided by (used in) investing activities	<u>42,406,689</u>	<u>(28,926,782)</u>

(Continued)

BANK SINOPAC

STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2011 AND 2010 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2011	2010
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in call loans and due to banks	\$ (4,888,494)	\$ 7,958,430
(Decrease) increase in securities sold under agreements to repurchase	(125,465)	2,269,614
Increase in deposits and remittances	8,360,107	1,347,627
Bank debentures issued	1,000,000	-
Increase in other financial liabilities	3,752,657	9,538,493
Increase in other liabilities	<u>454,567</u>	<u>181,383</u>
Net cash provided by financing activities	<u>8,553,372</u>	<u>21,295,547</u>
EFFECTS OF CHANGES IN EXCHANGE RATE	<u>(9,264)</u>	<u>7,454</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,390,379	(6,555,497)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>10,719,584</u>	<u>17,657,455</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 12,109,963</u>	<u>\$ 11,101,958</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	<u>\$ 1,868,842</u>	<u>\$ 1,408,894</u>
Income tax paid	<u>\$ 13,261</u>	<u>\$ 11,806</u>

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

(With Deloitte & Touche review report dated April 25, 2011)

(Concluded)

BANK SINOPAC

NOTES TO FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2011 AND 2010

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

(Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

Organization

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

Operations

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

As of March 31, 2011 and 2010, the Bank had a total of 4,747 and 4,577 employees, respectively.

As of March 31, 2011, 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, the guidelines issued by the authority, 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 32 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.

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 collectability 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.

The Bank adopted the third-time revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." One of the main revisions is that the impairment of loans and receivables originated by the Bank should be covered by SFAS No. 34. Loans and receivables are assessed for impairment at the end of each reporting period and considered impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the discounts and loans, accounts receivables, interest receivables, other receivables, and other financial assets, the estimated future cash flows of the asset have been affected. Objective evidence of impairment could include:

- Significant financial difficulty of the debtor;
- The discounts and loans, accounts receivables, interest receivables, other receivables, and other financial assets becoming overdue; or
- Probability that the debtor will enter into bankruptcy or financial re-organization.

Discounts and loans, accounts receivables, interest receivables, other receivables, and other financial assets that are individually assessed not to be impaired are further assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of discounts and loans, accounts receivables, interest receivables, other receivables, and other financial assets could include the Bank's past experience of collecting payments and an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with defaults on loans and receivables.

The amount of the impairment loss recognized is the difference between the asset carrying amount and the present value of estimated future cash flows, after taking into account the related collateral and guarantees, discounted at the original effective interest rates. The carrying amount of the discounts and loans, accounts receivables, interest receivables, other receivables, and other financial assets is reduced through the use of an allowance account.

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 collectability. In accordance with the Regulations stated above, the credit assets divided into different classes subject to normal assets, assets that require special mentioned, assets that are substandard, assets that are doubtful, and assets for which there is loss.

In accordance with the Regulations stated above, the minimum allowance for credit losses and provision for losses on guarantees for the assets that require special mentioned, assets that are substandard, assets that are doubtful, and assets for which there is loss should be 2%, 10%, 50% and 100% of outstanding credits before January 1, 2011, respectively.

However, effective January 1, 2011, the minimum provisions for possible losses should be the sum of 0.5% of the outstanding balance of normal on and off balance sheet credit assets (excluding assets that represent claims against an ROC government agency) and the foregoing provisions for unsound credit assets. The minimum loan loss provision and reserves against liability on guarantees of normal credit assets shall be allocated sufficiently within three years of the execution of the amendment.

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 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. Cash dividends received are accounted for as a reduction of the carrying values of the investments. Until March 31, 2005, any difference between the acquisition cost and the equity in the investee is amortized over 15 years. Pursuant to a newly released SFAS, such goodwill is not amortized since January 1, 2006.

Non-active Market Debt Instruments

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.

Unquoted Equity Instruments

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. 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 realizable value as of the balance sheet date, and the resulting loss is charged to current loss.

Impairment of Assets

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.

Recognition of Interest Revenue and Service Fees

As of January 1, 2011, transaction costs and all other premium or discounts associated with the loans and receivables are adjusted to the carrying amount of the loans and receivables. The calculation of effective interest rate includes transaction costs and all other premium or discounts paid or received by the Bank that are an integral part of the effective interest rate.

Interest revenue on loans is recorded by the accrual basis and is amortized using the effective interest method effective on January 1, 2011. Interest shall not be accrued to non-performing loans that are transferred to non-performing loans. The interest revenue on those loans/credits is recognized upon collection.

Under the Ministry of Finance (MOF) regulations, the interest revenue of constructed loans 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 three months ended March 31, 2010 have been reclassified to conform to the financial statement presentation as of and for the three months ended March 31, 2011.

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

- a. On January 1, 2011, the Bank adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." The main revisions includes (1) finance lease receivables are now covered by SFAS No. 34; (2) the scope of the applicability of SFAS No. 34 to insurance contracts is amended; (3) loans and receivables originated by the Bank are now covered by SFAS No. 34; (4) additional guidelines on impairment testing of financial assets carried at amortized cost when a debtor has financial difficulties and the terms of obligations have been modified; and (5) accounting treatment by a debtor for modifications in the terms of obligations.
- b. On January 1, 2011, the Bank adopted the newly issued SFAS No. 41 - "Operating Segments." The requirements of the statement are based on the information about the components of the Bank that management uses to make decisions about operating matters. SFAS No. 41 requires the identification of operating segments on the basis of internal reports that are regularly reviewed by the Bank's chief operating decision maker in order to allocate resources to the segments and assess their performance. This statement supersedes SFAS No. 20, "Segment Reporting." For this accounting change, the Bank restated the segment information as of and for the three months ended March 31, 2010 to conform to the disclosures as of and for the three months ended March 31, 2011.

4. CASH AND CASH EQUIVALENTS

	<u>March 31</u>	
	<u>2011</u>	<u>2010</u>
Cash on hand	\$ 6,170,038	\$ 5,719,923
Due from other banks	4,473,802	4,137,361
Notes and checks in clearing	<u>1,466,123</u>	<u>1,244,674</u>
	<u>\$ 12,109,963</u>	<u>\$ 11,101,958</u>

5. DUE FROM THE CENTRAL BANK AND OTHER BANKS

	<u>March 31</u>	
	<u>2011</u>	<u>2010</u>
Call loans to banks	\$ 21,881,517	\$ 42,160,939
Due from Central Banks - checking accounts	16,777,186	13,922,854
Deposit reserve - demand accounts	23,428,832	20,035,152
Deposit reserve - foreign currencies	<u>102,963</u>	<u>98,639</u>
	<u>\$ 62,190,498</u>	<u>\$ 76,217,584</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 cannot be withdrawn momentarily, except for adjusting the deposit reserve account monthly. In addition, the foreign-currency deposit reserves are determined at prescribed rates on balances of additional foreign-currency deposits. The foreign-currency deposit reserves may be withdrawn momentarily and are no interest earning.

6. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Related information regarding financial instruments at fair value through profit or loss please refer to Table 5-1.

	<u>March 31</u>	
	<u>2011</u>	<u>2010</u>
Held for trading financial assets	\$ 78,528,157	\$ 15,286,014
Financial assets designated at fair value through profit or losses	<u>529,085</u>	<u>1,454,286</u>
	<u>\$ 79,057,242</u>	<u>\$ 16,740,300</u>
Held for trading financial liabilities	<u>\$ 9,481,374</u>	<u>\$ 8,895,431</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 three months ended March 31, 2011 and 2010 were as follows:

	Three Months Ended March 31	
	2011	2010
Held for trading financial assets and liabilities		
Realized gains	\$ 22,253	\$ 61,419
Valuation (losses) gains	<u>(83,758)</u>	<u>122,599</u>
	<u>(61,505)</u>	<u>184,018</u>
Financial assets and liabilities designated at fair value through profit or loss		
Valuation gains	13,377	36,955
Realized gains	<u>541</u>	<u>252</u>
	<u>13,918</u>	<u>37,207</u>
	<u>\$ (47,587)</u>	<u>\$ 221,225</u>

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

As of March 31, 2011, securities were purchased under agreements to resell at \$1,543,381 in April 2011.

As of March 31, 2011 and 2010, securities were sold under agreements to repurchase at \$2,942,605 and \$3,868,106 between April and June 2011 and between April and June 2010, respectively.

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

Financial Assets	March 31	
	2011	2010
Held for trading financial assets	\$ 58,836	\$ -
Available-for-sale	2,883,152	3,867,659

8. ACCOUNTS, INTEREST AND OTHER RECEIVABLES, NET

	March 31	
	2011	2010
Accounts receivable - factoring	\$ 17,625,334	\$ 26,409,075
Credit card receivable	15,571,019	16,650,672
Accounts receivable - forfeiting	2,694,555	722,406
Acceptances	1,864,885	1,708,289
Receivables from related parties (Note 28)	1,415,162	1,300,365
Interest receivable and revenue receivable	1,391,238	1,123,759
Accounts receivable and notes receivable	172,319	128,429
Others	<u>242,019</u>	<u>163,415</u>
	40,976,531	48,206,410
Less: Allowance for credit losses	<u>659,002</u>	<u>410,187</u>
	<u>\$ 40,317,529</u>	<u>\$ 47,796,223</u>

For the details of and changes in allowance for credit losses of accounts receivables, please refer to Table 6-1. The statement of the allowance for possible losses on receivables assessed for impairment, please refer to Table 6-3.

The credit card receivables as of March 31, 2011 and 2010 referred to SinoPac Card Services' credit cardholders who completed consultation with the Bank on debt repayment, with credit card receivables amounted to \$2,043,951 and \$2,357,085, respectively.

9. DISCOUNTS AND LOANS, NET

	March 31	
	2011	2010
Negotiations	\$ 1,686,467	\$ 1,335,064
Overdrafts	7,294	9,137
Secured overdrafts	692,226	764,970
Accounts receivable - financing	2,598,644	2,736,504
Short-term loans	109,048,926	85,318,947
Short-term secured loans	56,057,630	50,795,292
Medium-term loans	103,169,878	90,841,742
Medium-term secured loans	76,939,381	71,511,554
Long-term loans	13,745,006	13,831,359
Long-term secured loans	346,986,257	356,518,989
Nonperforming loans transferred from loans	<u>2,803,680</u>	<u>5,268,215</u>
	713,735,389	678,931,773
Allowance for credit losses	(5,238,588)	(5,026,654)
Discount on discounts and loans	(186,925)	-
Adjustment of hedge valuation	<u>7,408</u>	<u>11,996</u>
	<u>\$ 708,317,284</u>	<u>\$ 673,917,115</u>

As of March 31, 2011 and 2010, the balances of nonaccrual interest loans were \$2,923,052 and \$6,462,923, respectively. The unrecognized interest revenues on nonaccrual interest loans amounted to \$23,398 and \$71,919 for the three months ended March 31, 2011 and 2010, respectively.

For the three months ended March 31, 2011 and 2010, the Bank had not written off credits for which legal proceedings had not been initiated.

The details of and changes in allowance for credit losses of discounts and loans for the three months ended March 31, 2011 and 2010, please refer to Table 6-1. The statement of the allowance for possible losses on discounts and loans assessed for impairment as of March 31, 2011 and 2010, please refer to Table 6-3.

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

	<u>Balance of Equity Investments</u>		<u>Income (Loss) from Equity Investments</u>	
	<u>March 31</u>		<u>Three Months Ended March 31</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
SinoPac Bancorp	\$ 4,518,410	\$ 6,121,544	\$ (227,771)	\$ (360,012)
SinoPac Capital Limited (H.K.)	1,173,039	1,247,721	15,359	12,471
SinoPac Life Insurance Agent Co., Ltd.	713,923	1,014,706	137,153	134,501
SinoPac Property Insurance Agent Co., Ltd.	<u>37,812</u>	<u>69,339</u>	<u>4,747</u>	<u>6,032</u>
	<u>\$ 6,443,184</u>	<u>\$ 8,453,310</u>	<u>\$ (70,512)</u>	<u>\$ (207,008)</u>

The bank recognized investment income under equity method for the three months ended March 31, 2011 and 2010, respectively, based on the investees' reviewed financial statement.

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 resolved to further increase cash investment of preferred stocks of SinoPac Bancorp by the maximum amount of US\$200,000 thousand at \$25 per share on April 23, 2010 and June 24, 2010, respectively. In addition, the Bank further acquired the preferred stocks of SinoPac Bancorp on July 27, 2010, September 23, 2010, December 10, 2010 and March 30, 2011 amounting to US\$30,000 thousand, \$40,000 thousand, \$30,000 thousand and \$30,000 thousand, respectively.

The Bank was delegated by professional investors to sell investment products of PEM GROUP amounting to US\$146,000 thousand in private placement, which was allowed under Hong Kong's regulations. The Court appointed permanent receiver for all assets that belong to, are being managed by, or in the possession of or control of PEM GROUP and any of their subsidiaries and affiliates. If the products aforementioned fail to repay at maturity due to deceptive underlying assets, the Bank will buy back those products at the price of initial payment deducted the distribution and redemption. As far, the Bank investigate internally and externally, delegate the lawyer and inform the related investors simultaneously to solve the problem. In accordance with aforementioned principle, the board of directors have resolved on December 24, 2010 to comply with the Courts' appointment of the PEM GROUP receiver to take the insurance policies at the price of approximately US\$40.4 million, and impairment losses amounting to US\$11,152 thousand has been charged. As of March 31, 2011, US\$78,936 thousand of the accumulated impairment losses has been set aside. The receiver has transferred portion of insurance policies to the Trustee established jointly by the banks intended to hold insurance policies as of March 7, 2011. And the Bank has submitted the result to the authorities.

14. PROPERTIES

	<u>March 31</u>	
	<u>2011</u>	<u>2010</u>
Cost and revaluation increment	\$ 13,980,895	\$ 14,268,959
Accumulated depreciation		
Buildings	2,000,391	1,874,738
Computer and machinery equipment	3,704,539	3,804,750
Transportation equipment	<u>1,027</u>	<u>843</u>
	<u>5,705,957</u>	<u>5,680,331</u>
Advances on acquisitions of equipment and construction in progress	<u>403,491</u>	<u>244,787</u>
Net properties	<u>\$ 8,678,429</u>	<u>\$ 8,833,415</u>

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

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

15. INTANGIBLE ASSETS

	<u>March 31</u>	
	<u>2011</u>	<u>2010</u>
Goodwill - credit card department	\$ 876,717	\$ 876,717
Computer software	<u>88,187</u>	<u>113,102</u>
	<u>\$ 964,904</u>	<u>\$ 989,819</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 years and uses its parent company's weighted average funding cost as the discount rate to calculate the value in use.

After assessing the value in use of the department based on the foregoing key assumptions, the Bank found no objective evidence that goodwill had been impaired as of March 31, 2011.

16. OTHER ASSETS

	March 31	
	2011	2010
Deferred income tax assets (Note 27)	\$ 1,841,950	\$ 3,139,441
Rental properties, net	1,252,735	1,331,407
Collaterals assumed, net of accumulated impairment \$72,819 and \$71,955, respectively	519,434	567,702
Idle assets, net	472,057	403,674
Prepayment	448,464	215,214
Deferred pension cost	271,384	303,360
Temporary payment	155,261	57,636
Land value increment tax	34,792	34,792
Others	<u>4,851</u>	<u>15,166</u>
	<u>\$ 5,000,928</u>	<u>\$ 6,068,392</u>

17. CALL LOANS AND DUE TO BANKS

	March 31	
	2011	2010
Call loans	\$ 40,874,781	\$ 29,614,016
Redeposit from the directorate general of postal remittance	18,804,335	20,683,745
Due to banks	20,167	15,258
Due to the Central Bank	<u>-</u>	<u>15,171</u>
	<u>\$ 59,699,283</u>	<u>\$ 50,328,190</u>

18. ACCOUNTS, INTEREST AND OTHER PAYABLES

	March 31	
	2011	2010
Accounts payable - factoring	\$ 6,040,959	\$ 13,951,805
Acceptance payable	1,864,885	1,708,289
Notes and checks in clearing	1,466,123	1,244,674
Dividends payable	1,435,025	-
Interest payable	1,402,553	1,252,474
Accrued expenses	864,717	715,307
Receipts under custody payable	156,068	84,356
Tax payable	137,620	159,690
Accounts payable	124,169	524,924
Others	<u>709,270</u>	<u>737,994</u>
	<u>\$ 14,201,389</u>	<u>\$ 20,379,513</u>

19. DEPOSITS AND REMITTANCES

	March 31	
	2011	2010
Checking	\$ 11,918,103	\$ 11,816,373
Demand	164,229,401	146,923,751
Savings - demand	225,242,754	212,293,039
Time	286,610,870	236,625,830
Negotiable certificates of deposit	24,758,400	27,287,200
Savings - time	195,754,641	179,956,291
Inward remittances	458,387	2,506,903
Outward remittances	<u>102,944</u>	<u>104,125</u>
	<u>\$ 909,075,500</u>	<u>\$ 817,513,512</u>

20. BANK DEBENTURES AND BONDS PAYABLE

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.

21. OTHER FINANCIAL LIABILITIES

	March 31	
	2011	2010
Principal of structured products	\$ 18,997,461	\$ 19,757,905
Appropriated loan fund from the government	423,418	476,008
Guarantee deposits received	264,455	272,168
Hedging derivative financial liabilities	43,599	11,996
Contingent losses (Note 13)	<u>-</u>	<u>2,156,825</u>
	<u>\$ 19,728,933</u>	<u>\$ 22,674,902</u>

22. OTHER LIABILITIES

	March 31	
	2011	2010
Accrued pension cost	\$ 1,549,596	\$ 1,436,798
Temporary receipt	1,105,287	591,789
Reserve for land value increment tax	430,599	430,599
Advance receipt	126,977	284,148
Deferred income tax liabilities (Note 27)	63,269	391,346
Others	<u>54,850</u>	<u>219,945</u>
	<u>\$ 3,330,578</u>	<u>\$ 3,354,625</u>

23. STOCKHOLDERS' EQUITY

a. Capital stocks

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

To handle the Group's capital more efficiently, increase the Bank's Tier-1 capital and broaden the business scale, the board of directors resolved to raise capital in private placement amounting to \$3.78 billion on March 25, 2011, with 302,400 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. Special reserve

Under Financial Supervisory Commission (FSC) guidelines No. 10010000440, the trading loss reserve amounting to \$84,211 has been reclassified to special reserve. The special reserve may be used to offset a deficit and may be appropriated when legal reserve reaches 50% of the Bank's paid-in capital.

d. 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 accrued bonus to employees of \$20,597 and \$447, respectively for the three months ended March 31, 2011 and 2010. The Bank accrued bonus to remuneration to directors of \$16,478 and \$358, respectively for the three months ended March 31, 2011 and 2010. The bonus to employees and the remuneration to directors and supervisors recognized were 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 inappropriate earnings to a special reserve. Any special reserve appropriated may be reversed to the extent of the decrease in the balance.

Under the Company Law, the appropriation for legal reserve is made until the reserve equals the aggregate par value of the outstanding capital stock of the Bank. This reserve is only used to offset a deficit. When its balance reaches 50% of the aggregate par value of the outstanding capital stock of the Bank, the legal reserve over 50% can be distributed as stock dividends or bonus if the Bank has no earnings, or the Bank can retain the legal reserve up to 50% of the outstanding capital and transfer the remaining legal reserve to common stock if the Bank has no deficit. In addition, the Banking Law provides that, before the balance of the reserve reaches the aggregate par value of the outstanding capital stock, annual cash dividends, remuneration to directors and supervisors, and bonus to employees should not exceed 15% of the aggregate par value of the outstanding capital stock of the Bank.

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

Under the Financial Holding Company Act, the board of directors is empowered to execute the authority of the stockholders' meeting, which is under no jurisdiction in the related regulations in the Company Law.

On March 25, 2011, the board of directors which execute the rights and functions of the stockholders' meeting resolved the appropriation of earnings for 2010 as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 1,050,413	
Cash dividends	1,753,565	\$0.35389
Bonus to stockholders	<u>697,397</u>	0.14074
	<u>\$ 3,501,375</u>	

The bonus to employees of \$17,435 and the remuneration to directors and supervisors of \$13,948 for 2010 were resolved by the board of directors on March 25, 2011.

The appropriation of earnings for 2010 has not been resolved by the board of directors which execute the rights and functions of the stockholders' meeting.

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

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

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

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

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.

e. Unrealized gains or losses on financial instruments

The movements of unrealized gains or losses on available-for-sale financial assets for the three months ended March 31, 2011 and 2010, respectively, were summarized as follows:

	Available-for- sale Financial Assets	Equity Investments - Equity Method	Total
<u>Three months ended March 31, 2011</u>			
Balance, January 1	\$ 170,629	\$ 44,754	\$ 215,383
Recognized in stockholders' equity	(19,357)	(13,393)	(32,750)
Transferred to profit or loss	<u>(9,866)</u>	<u>(53)</u>	<u>(9,919)</u>
Balance, March 31	<u>\$ 141,406</u>	<u>\$ 31,308</u>	<u>\$ 172,714</u>

(Continued)

	Available-for- sale Financial Assets	Equity Investments - Equity Method	Total
<u>Three months ended March 31, 2010</u>			
Balance, January 1	\$ (77,898)	\$ 46,695	\$ (31,203)
Recognized in stockholders' equity	120,734	(4,617)	116,117
Transferred to profit or loss	<u>32,007</u>	<u>14,125</u>	<u>46,132</u>
Balance, March 31	<u>\$ 74,843</u>	<u>\$ 56,203</u>	<u>\$ 131,046</u> (Concluded)

The movements of unrealized gains or losses of cash flows hedge for the three months ended March 31, 2011 and 2010, respectively, were summarized as follows:

	<u>Three Months Ended March 31</u>	
	2011	2010
Balance, January 1	\$ (26,185)	\$ 22,130
Recognized in stockholders' equity	(3,854)	(11,157)
Transferred to profit or loss	<u>-</u>	<u>-</u>
Balance, March 31	<u>\$ (30,039)</u>	<u>\$ 10,973</u>

f. Earnings per share

The numerators and denominators used in computing earnings per shares (EPS) were summarized as follows:

	<u>Numerator (Amounts)</u>		<u>Denominator (Shares in Thousands)</u>	<u>EPS (NT\$)</u>	
	Pretax	After Tax		Pretax	After Tax
<u>Three months ended March 31, 2011</u>					
Basic EPS	<u>\$ 1,559,667</u>	<u>\$ 1,289,622</u>	<u>4,955,047</u>	<u>\$ 0.31</u>	<u>\$ 0.26</u>
<u>Three months ended March 31, 2010</u>					
Basic EPS	<u>\$ 1,089,001</u>	<u>\$ 879,943</u>	<u>4,821,847</u>	<u>\$ 0.23</u>	<u>\$ 0.18</u>

24. COMMISSIONS AND FEE REVENUES, NET

	<u>Three Months Ended March 31</u>	
	2011	2010
Commissions and fees revenues	\$ 916,743	\$ 1,024,612
Commissions and fees expenses	<u>(149,366)</u>	<u>(143,693)</u>
	<u>\$ 767,377</u>	<u>\$ 880,919</u>

25. OPERATING EXPENSES

	<u>Three Months Ended March 31</u>	
	<u>2011</u>	<u>2010</u>
Personnel expenses		
Salaries and wages	\$ 1,233,019	\$ 1,121,796
Pension	132,237	121,692
Labor insurance and national health insurance	82,754	71,231
Others	<u>70,326</u>	<u>124,400</u>
	1,518,336	1,439,119
Depreciation	99,371	109,856
Amortization	11,857	14,896
Others	<u>833,304</u>	<u>711,946</u>
	<u>\$ 2,462,868</u>	<u>\$ 2,275,817</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). Pension expense under the defined contribution pension plan were \$39,247 and \$34,274 for the three months ended March 31, 2011 and 2010, respectively. For the three months ended March 31, 2011 and 2010, the pension expense amounted to \$92,990 and \$87,418, 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 were as follows:

	Three Months Ended March 31	
	2011	2010
Current income tax payable	\$ 24,924	\$ 211,912
Separate taxes	-	25,766
Deferred income taxes	240,565	(55,917)
Overseas income taxes over limitation	<u>4,556</u>	<u>27,297</u>
Income tax expense	<u>\$ 270,045</u>	<u>\$ 209,058</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 at statutory rate and current income tax payable (deductible loss carryforwards):

	Three Months Ended March 31	
	2011	2010
Tax on pretax income at 17% statutory rate in 2011 and 20% statutory rate in 2010	\$ 265,143	\$ 217,800
Add (deduct) tax effects of:		
Tax-exempt income	(944)	6,024
Permanent difference	1,366	(27,792)
Temporary difference	65,359	102,535
Loss carryforwards	<u>(306,000)</u>	<u>(86,655)</u>
Current income tax payable	<u>\$ 24,924</u>	<u>\$ 211,912</u>

c. During the year 2010, the Legislative Yuan passed the following amendments to tax laws:

- 1) Under Article 10 of the Statute for Industrial Innovation (SII) passed by the Legislative Yuan in April 2010, a profit-seeking enterprise may deduct up to 15% of its research and development expenditures from its income tax payable for the fiscal year in which these expenditures are incurred, but this deduction should not exceed 30% of the income tax payable for that fiscal year. This incentive took effect from January 1, 2010 and is effective till December 31, 2019. The assessment calculated by the Bank on March 31, 2011 has no income tax credits.
- 2) In May 2010, 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 20% to 17%, effective January 1, 2010.

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

	March 31	
	2011	2010
Loss carryforwards	\$ 1,570,136	\$ 2,818,275
Deferred pension cost	219,817	264,662
Unrealized loss or gain on foreign exchange and revaluation of financial instrument, net	(11,261)	7,707
Personnel training expenditures	-	25,457
Others	89,758	49,840
Valuation allowance	<u>(26,500)</u>	<u>(26,500)</u>
Deferred income tax assets, net	<u>\$ 1,841,950</u>	<u>\$ 3,139,441</u>

	March 31	
	2011	2010
Investment income under the equity method	\$ (16,714)	\$ (344,791)
Others	<u>(46,555)</u>	<u>(46,555)</u>
Deferred income tax liabilities, net	<u>\$ (63,269)</u>	<u>\$ (391,346)</u>

The unused loss carryforwards as of March 31, 2011 were as follows:

Deficit Year	The Last Year of Claiming Deductible Loss	Amount
2007	2017	\$ 1,547,476
2008	2018	6,166,540
2009	2019	<u>1,522,078</u>
		<u>\$ 9,236,094</u>

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

	March 31	
	2011	2010
Receivables from related parties	<u>\$ 1,408,780</u>	<u>\$ 1,289,469</u>

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

	March 31	
	2011	2010
Balances of imputed tax credit account	<u>\$ 2,515,521</u>	<u>\$ 2,792,289</u>

In 2010, the creditable tax ratios were estimated to 20.48% by the Bank. The actual creditable tax ratio used for distributing earnings generated in 2009 was 33.33%.

When the unappropriated earnings are distributed, stockholders will get imputation credits based on the imputed tax credit ratio as of the dividend declaration date, therefore there would be differences between the imputed tax credit ratio as of 2010 and the tax credit ratio applied to stockholders actually.

- g. As of March 31, 2011, 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 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 Capital, 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
Intellisys Corporation	Subsidiary of SinoPac Venture Capital
SinoPac Strategic Allocation Balanced Fund	Managed by SinoPac Securities Investment Trust

(Continued)

Name	Relationship with the Bank
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
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
Ho, Shou Chuan	President of SPH
Chang, Xing Ru	The spouse of the president of SPH
Chang, Wan Ru	The second-degree of kinship of the president of SPH
Chen, Yu Chien	The director of SPPIA
Chen Hsu, Yu Rong	The second-degree of kinship of the director of SPPIA
Lin Xu, Li Hong	The spouse of SinoPac Securities' director
Guo, Kai Wei	Manager of the Bank
Lyu, Shu Fang	Manager of the Bank
Huang, Yuan Chuan	Manager of the Bank
Kao, Kuo Hsing	Manager of the Bank
Sha, Nai Chun	Manager of the Bank
Lyu, Zhou Er	Manager of the Bank
Lien, His Chuan	Manager of the Bank
Hung, Wen Jing	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
Ji, Ying Huei	Manager of the Bank
Guo, Ling Ling	Manager of the Bank
Lyu, Zhong Xiong	Manager of the Bank
Huang, Lien Cheng	Manager of the Bank
Lee, Chih Neng	Manager of the Bank
Zhung, Ji Cheng	Manager of the Bank
Luo, Guang Tsai	Manager of the Bank
Jiang, Yen Jung	Manager of the Bank
Huang, Wei Ming	Manager of the Bank
Huang, Yung Kuang	Manager of the Bank
Lin, Shin Shin	Manager of the Bank
Hung, Jeng An	Manager of the Bank
Zhung, Ching Lin	Manager of the Bank
Liao, Chih Meng	Manager of the Bank
Liang, Ya Zi	Manager of the Bank
Lee, Qing Hsan	Manager of the Bank
Chang, Yu His	Manager of the Bank
Chuang, Ming En	Manager of the Bank
Yu, Xiu Zhong	Manager of the Bank
Others	The Bank's directors, supervisors, managers and their relatives, department chiefs, the investees accounted for by the equity method and their subsidiaries, and the investees of SPH's other subsidiaries, etc.

(Concluded)

b. Significant transactions between the Bank and the related parties

	Ending Balance		% of Total	
	March 31		March 31	
	2011	2010	2011	2010
1) Due from banks				
Due from banks - FENB	\$ 116,364	\$ 27,066	2.60%	0.65%
2) Financial assets at fair value through profit or loss				
Beneficiary certificates - SinoPac Strategic Allocation Balanced Fund	-	36,011	-	0.22%
3) Derivative financial instruments				

	March 31, 2011				
	Contract (Notional) Amount	Contract Period	Fair Value	Balance Sheet	
				Account	Balance
Currency swap contracts					
SinoPac Capital (H.K.)	\$ 851,835	2011.3.24-2011.4.21	\$ 44	Financial assets at fair value through profit or loss	\$ 44
FENB	283,616	2011.3.2-2011.4.11	(1)	Financial liabilities at fair value through profit or loss	(1)
Grand Capital	87,119	2011.1.7-2011.6.14	13	Financial assets at fair value through profit or loss	13
SPL	500,106	2011.3.10-2011.6.14	116	Financial assets at fair value through profit or loss	116
Interest rate swap contracts					
SinoPac Securities	38,465,000	2007.1.3-2016.1.21	(58,708)	Financial liabilities at fair value through profit or loss	(58,708)
Forward contracts					
Grand Capital	107,376	2011.2.23-2011.5.25	-	Financial assets at fair value through profit or loss	-
	March 31, 2010				
	Contract (Notional) Amount	Contract Period	Fair Value	Balance Sheet	
				Account	Balance
Currency swap contracts					
SinoPac Capital (H.K.)	\$ 924,856	2010.3.19-2010.4.19	\$ 70	Financial assets at fair value through profit or loss	\$ 70
Interest rate swap contracts					
SinoPac Securities	24,455,000	2006.12.29-2015.3.30	(52,014)	Financial liabilities at fair value through profit or loss	(52,014)
Non-delivery forward contract - short position					
FENB	59,825	2010.6.25-2010.9.3	(89)	Financial liabilities at fair value through profit or loss	(89)

4) Accounts, interest, other receivables and payables

As of March 31, 2011 and 2010, other receivables from related parties amounted to \$6,382 and \$10,896, respectively. As of March 31, 2011 and 2010, other payables to related parties amounted to \$15,990 and \$17,128, respectively.

The Bank's dividends payable to SPH amounted to \$1,435,025 as of March 31, 2011.

As of March 31, 2011 and 2010, the Bank's estimated receivables resulting from the adoption of the linked-tax system amounted to \$1,408,780 and \$1,289,469, respectively.

5) Loans

	March 31, 2011				
	March 31, 2011 Balance	Highest Balance	% of Total	Interest/ Fee Rates (%)	Interest Revenue
Loans	<u>\$ 6,332,910</u>	<u>\$ 6,783,139</u>	<u>0.89</u>	1.15-6.64	<u>\$ 42,896</u>

March 31, 2011								
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	35	\$ 13,585	\$ 10,968	V	-	None	Yes	
Households mortgages	234	1,436,502	1,314,721	V	-	Real estate	Yes	
Others:	SPL	2,158,000	1,990,000	V	-	Real estate and movable	Yes	
	Grand Capital	2,335,181	2,272,546	V	-	Movable	Yes	
	BoardTek Electronics	305,554	279,354	V	-	Real estate	Yes	
	RungTzung Investment	200,000	170,000	V	-	Real estate	Yes	
	Yung An Leasing	198,800	198,800	V	-	Real estate	Yes	
	Taiwan Genome Sciences, Inc.	88,000	88,000	V	-	Real estate	Yes	
	FECLLC	38,225	-	V	-	Real estate	Yes	
	Chen Hsu Yu Rong	4,441	4,266	V	-	Real estate	Yes	
	Yu Xiu Zhong	4,255	4,255	V	-	Certificate of deposit	Yes	
	Jhuo Shu Lin	596	-	V	-	Certificate of deposit	Yes	
	Others subtotal	<u>5,333,052</u>	<u>5,007,221</u>					
		<u>\$ 6,783,139</u>	<u>\$ 6,332,910</u>					

	March 31, 2010				
	March 31, 2010 Balance	Highest Balance	% of Total	Interest/ Fee Rates (%)	Interest Revenue
Loans	<u>\$ 4,885,806</u>	<u>\$ 5,008,309</u>	<u>0.72</u>	0.7-6.5	<u>\$ 41,815</u>

March 31, 2010

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

6) Guarantees

March 31, 2011

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	
Chuang, Ming En	150	150	-	1.44%-1.49%	None	Note
Lien, His Chuan	135	90	-	1.44%-1.49%	None	Note
Lyu, Zhou Er	95	70	-	1.44%-1.49%	None	Note
Kao, Kuo Hsing	80	50	-	1.44%-1.49%	None	Note
Hong, Wen Jing	50	20	-	1.44%-1.49%	None	Note
Sha, Nai Chun	45	45	-	1.44%-1.49%	None	Note
Lyu, Zhou Er	30	20	-	1.44%-1.49%	None	Note
Jung, Ching Lin	20	5	-	1.44%-1.49%	None	Note
Luo, Guang Tsai	5	-	-	1.44%-1.49%	None	Note

Note: The listed nine guarantees are employees consuming loans.

March 31, 2010

Related Party	The Highest Balance in Current Period	Ending Balance	Provision	Rates	Type of Collaterals	Note
SinoPac Securities	\$ 2,000	\$ 2,000	\$ -	0.3%	Certificate of deposit	
Luo, Guang Tsai	420	315	-	1.25%-2.75%	None	Note
Hong, Wen Jing	400	265	-	1.25%-2.75%	None	Note
Li, Qing Hsan	190	190	-	1.25%-2.75%	None	Note
Lien, His Chuan	150	150	-	1.25%-2.75%	None	Note
Chiang, Yen Jung	120	90	-	1.25%-2.75%	None	Note
Zhung, Ji Cheng	75	75	-	1.25%-2.75%	None	Note
Lin, Shin Shin	70	45	-	1.25%-2.75%	None	Note
Chuang, Ming En	65	50	-	1.25%-2.75%	None	Note
Ji, Ying Huei	60	45	-	1.25%-2.75%	None	Note
Huang, Wei Ming	60	45	-	1.25%-2.75%	None	Note
Huang, Yung Kuang	60	45	-	1.25%-2.75%	None	Note
Lyu, Zhong Xiong	60	45	-	1.25%-2.75%	None	Note
Ci, Siou Jyuan	60	45	-	1.25%-2.75%	None	Note
Huang, Yuan Chuan	60	45	-	1.25%-2.75%	None	Note
Jung, Ching Lin	55	40	-	1.25%-2.75%	None	Note
Lyu, Shu Fen	55	40	-	1.25%-2.75%	None	Note
Chen, Yu Chien	45	30	-	1.25%-2.75%	None	Note
Liao, Chih Meng	40	40	-	1.25%-2.75%	None	Note
Chang, Yu His	40	40	-	1.25%-2.75%	None	Note
Huang, Lien Cheng	30	-	-	1.25%-2.75%	None	Note
Guo, Ling Ling	20	-	-	1.25%-2.75%	None	Note
Hung, Jeng An	10	-	-	1.25%-2.75%	None	Note
Li, Chih Neng	10	-	-	1.25%-2.75%	None	Note

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

7) Properties transaction

On February, 2011, the Bank sold assets with book value of \$4,686 and \$662 without generating gains or losses to SPLIA and SPPIA. In addition, assets with book value of \$3,682 was purchased from SPLIA.

8) Securities purchased under agreements to resell

	March 31, 2011		Three Months Ended March 31, 2011
	Face Amount	Cost	Interest Revenue
SinoPac Capital (Asia) Ltd.	\$ 1,120,532	\$ 1,007,270	\$ 1,644

9) Securities sold under agreements to repurchase

	March 31, 2011		Three Months Ended March 31, 2011
	Face Amount	Cost	Interest Expense
Ho, Shou Chuan	\$ 180,000	\$ 179,706	\$ 68

	March 31, 2010		Three Months Ended March 31, 2010
	Face Amount	Cost	Interest Expense
	Ho, Shou Chuan	\$ 180,000	\$ 179,126
Chang, Xing Ru	117,000	115,743	30
Chang, Wan Ru	-	-	4

10) Guarantee deposits received

	Amount		% of Total	
	Three Months Ended March 31		Three Months Ended March 31	
	2011	2010	2011	2010
SPLIA	\$ 560	\$ -	0.21%	-
SPPIA	84	-	0.03%	-

11) Deposits

	Ending Balance	% of Total	Interest Rate (%)	Interest Expense	% of Total
<u>Three months ended March 31, 2011</u>					
SinoPac Securities	\$ 4,954,942	0.55%	0-1.13	\$ 4,900	0.25%
SinoPac Venture Capital	1,147,609	0.13%	0.02-0.13	364	0.02%
SPLIA	819,680	0.09%	0.13-0.4	626	0.03%
SinoPac Securities (Asia) Ltd.	532,552	0.06%	0-1.5	362	0.02%
SPL	527,455	0.06%	0-0.5	42	-
Others	9,205,119	1.01%	0-13	32,032	1.62%
<u>Three months ended March 31, 2010</u>					
SinoPac Securities	3,723,395	0.46%	0-0.9	2,510	0.19%
SinoPac Securities (Asia) Ltd.	1,568,623	0.19%	0.005-1.5	560	0.04%
SinoPac Futures	1,528,343	0.19%	0.1-0.54	1,125	0.08%
SinoPac Venture Capital	1,262,002	0.15%	0.01-0.1	256	0.02%
SPLIA	1,179,046	0.14%	0.1-0.25	636	0.05%
Others	5,850,205	0.72%	0-13	12,530	0.94%

12) Revenues and expenses

	Amount		% of Total	
	Three Months Ended March 31		Three Months Ended March 31	
	2011	2010	2011	2010
Service fees	\$ 11,225	\$ 6,846	1.22%	0.67%
Service expenses	197	831	0.13%	0.58%
Project popularizing expense	115	103	0.01%	0.01%
Promotion fee	398	6,409	0.05%	0.90%
Other revenues	21,923	1,818	(68.77%)	(2.38%)

13) Lease

a) The Bank as a lessee

Lessor	Rental Expenses		Lease Term	Payment Frequency
	Three Months Ended March 31			
	2011	2010		
SPL	\$ 27,727	\$ 28,364	February 2020	Rentals paid monthly

b) The Bank as a lessor

Lessee	Rental Income		Lease Term	Payment Frequency
	Three Months Ended March 31			
	2011	2010		
SinoPac Securities	\$ 4,897	\$ 4,897	November 2014	Rentals received monthly
SinoPac Securities Investment Trust	3,468	3,468	September 2017	Rentals received monthly
SinoPac Call Center	615	1,559	March 2013	Rentals received monthly
SPL	1,473	1,473	July 2011	Rentals received monthly
Intellisys Corporation	834	834	December 2013	Rentals received monthly
SPLIA	725	495	January 2014	Rentals received monthly
SPPIA	107	68	January 2014	Rentals received monthly

14) Professional advisory charges

The Bank had entered into several professional advisory contracts with its investees. The professional advisory charges paid for the three months ended March 31, 2011 and 2010 amounted to \$38,394 and \$47,404, 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 March 31, 2011 and 2010 are summarized as follows:

Restricted Assets	Object	Fair Value		Purposes
		2011	2010	
Discounts and loans	Loans	\$ 1,928,291	\$ 2,199,488	Pledged with the Federal Reserve Bank under the discount window program
Available-for-sale financial assets	Government bonds	521,915	403,878	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	188,845	204,718	Hong Kong branch's clearing system of real - time gross settlement
Held-to-maturity investments	Certificate of deposits	147,090	159,095	Pledged in accordance with requirements of the California Department of Financial Institutions

30. SIGNIFICANT CONTINGENCIES AND COMMITMENTS

In addition to those disclosed in Note 32, financial instruments, significant contingencies and commitments of the Bank are summarized as follows:

a. Lease contract

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

Year	Amount
April 1 to December 31, 2011	\$ 214,014
2012	233,263
2013	165,235
2014	114,648
2015	86,271

Rentals for the years beyond 2016 amount to \$162,786, the present value of which is about \$149,666 as discounted at the Bank's one-year time deposit rate of 1.180% on March 31, 2011.

b. Equipment purchase contract

The Bank had entered into contracts to buy computer equipment and office equipment for \$720,286, of which \$393,838 had already been paid as of March 31, 2011.

- c. 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.
- d. 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.
- e. 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 in accordance with regular transaction. Additionally, the FSC believed the Bank 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. After the initial trial, the Taipei High Administrative Court has ruled against the Bank on October 12, 2010, and the Bank has appealed the ruling with the High Administrative Court.

31. 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.

	Three Months Ended March 31			
	2011		2010	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Due from the Central Bank and other banks	\$ 25,796,616	0.55	\$ 22,160,865	0.42
Call loans to banks	29,588,089	0.72	41,543,839	0.48
Financial assets at fair value through profit or loss	39,313,395	0.97	6,128,993	1.74
Securities purchased under agreements to resell	1,430,897	0.69	134,201	0.02

(Continued)

	Three Months Ended March 31			
	2011		2010	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Available-for-sale financial assets	\$ 36,977,346	1.72	\$ 28,828,691	1.54
Discounts and loans	702,168,531	2.08	668,051,592	1.92
Accounts receivable - factoring	9,820,217	1.21	6,991,289	1.22
Credit card receivable	10,324,622	13.54	11,533,274	14.48
Held-to-maturity investments	186,353,472	0.76	129,166,327	0.68
Other financial assets	239,685	0.49	250,556	0.54
<u>Interest-bearing liabilities</u>				
Due to the Central Bank and other banks	18,817,299	1.21	20,941,414	1.04
Call loans	43,067,880	0.54	21,071,265	0.25
Securities sold under agreements to repurchase	4,032,967	0.44	4,607,865	0.16
Demand	159,168,751	0.12	145,159,057	0.11
Savings - demand	227,004,569	0.39	211,755,427	0.35
Time	292,306,625	0.80	248,942,805	0.58
Savings - time	193,067,794	1.14	179,630,396	1.03
Negotiable certificates of deposit	24,430,980	0.64	24,827,676	0.36
Bank debentures	30,236,111	1.98	26,917,176	2.06
Other liabilities - appropriated loan fund	425,288	0.94	482,537	0.94

(Concluded)

32. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

	March 31			
	2011		2010	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<u>Financial assets</u>				
Other short-term financial assets	\$ 114,751,823	\$ 114,751,823	\$ 133,826,296	\$ 133,826,296
Financial assets at fair value through profit or loss	79,057,242	79,057,242	16,740,300	16,740,300
Discounts and loans	708,317,284	708,317,284	673,917,115	673,917,115
Available-for-sale financial assets	31,569,766	31,569,766	26,353,398	26,353,398
Held-to-maturity investments	151,734,216	151,743,968	133,669,154	133,689,071
Equity investments-equity method	6,443,184	6,443,184	8,453,310	8,453,310
Unquoted equity instruments	5,952,432	-	1,922,882	-
Non-active market debt instruments	82,051	79,310	98,975	94,669
Other financial assets	2,903,657	2,903,657	5,324,134	5,324,134
<u>Financial liabilities</u>				
Other short-term financial liabilities	76,705,040	76,705,040	74,415,672	74,415,672
Financial liabilities at fair value through profit or loss	9,481,374	9,481,374	8,895,431	8,895,431
Deposits and remittances	909,075,500	909,075,500	817,513,512	817,513,512
Bank debentures	31,109,780	31,537,929	27,097,862	27,378,140
Other financial liabilities	19,728,933	19,728,933	22,674,902	22,674,902

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

- 1) The carrying amounts of cash and cash equivalents, due from the Central Bank and other banks, securities purchased under agreements to resell, receivables, call loans and due to banks, securities sold under agreements to repurchase, payables, and remittances 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 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.

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, 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 \$4,653,990 and \$4,013,810, for the three months ended March 31, 2011 and 2010, respectively. Interest expense of financial assets and liabilities other than those at fair value through profit or loss amounted to \$1,539,458 and \$1,096,320, for the three months ended March 31, 2011 and 2010, respectively.

d. Financial risk information

- 1) Market risk

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

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

	Quoted Market Prices		Fair Value Based on Estimates	
	March 31		March 31	
	2011	2010	2011	2010
<u>Financial assets</u>				
Financial assets at fair value through profit or loss	\$ 66,953,840	\$ 13,116,366	\$ 12,103,402	\$ 3,623,934
Available-for-sale financial assets	6,320,958	26,353,398	25,248,808	-
Held-to-maturity investments	150,751,743	133,689,071	992,225	-
Other financial assets - non-active market debt instruments	-	-	79,310	94,669
<u>Financial liabilities</u>				
Financial liabilities at fair value through profit or loss	300,829	8,663,703	9,180,545	231,728
Bank debentures	29,019,329	22,373,174	2,518,600	5,004,966

The fair value hierarchy of the Bank's financial instruments as of March 31, 2011 was as follows :

Item	March 31, 2011			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Held for trading financial assets				
Investment in stocks	\$ 848,857	\$ 848,857	\$ -	\$ -
Investment in bonds	4,808,655	1,916,835	2,658,900	232,920
Others	64,179,686	64,179,686	-	-
Financial assets designated at FVTPL	529,085	-	351,010	178,075
Available-for-sale financial assets				
Investment in stocks	107,567	107,567	-	-
Investment in bonds	26,275,001	6,213,391	20,061,610	-
Others	5,187,198	-	5,187,198	-
Other financial assets				
Non-active market debt instruments	79,310	-	-	79,310
<u>Derivative financial Instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Held for trading financial assets	8,690,959	8,462	8,368,136	314,361
Other financial assets				
Hedging derivative financial assets	119,001	-	119,001	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Held for trading financial liabilities	9,481,374	300,829	8,866,054	314,491
Other financial liabilities				
Hedging derivative financial liabilities	43,599	-	43,599	-

Note 1: The table aims to show the method that the Bank used to measure the fair value of the financial assets and liabilities. The table applies to financial assets and liabilities at fair value through profit and loss, available for sale financial assets, non-active market debt instruments, and hedging derivative financial assets and liabilities.

Note 2: Level 1 inputs are quoted prices in active markets for identical assets or liabilities. According to SFAS No. 34, active markets are markets with all of the following conditions:

- a) Products traded in the market are homogeneous
- b) Active willing trading parties are available
- c) Price information is available to the public

Note 3: Level 2 inputs are those other than quoted prices included within level 1 that are observable for the asset or liability, either directly (e.g. price) or indirectly (e.g. value derived from price), in the active markets.

- a) Quoted price of comparables with an active market. Financial products with similar maturities are characteristics should be priced similarly. Adjustments are made for time lapse, minor characteristic differences and related party transactions.
- b) Publicly quoted price of comparable products in non-active market
- c) Financial model valuation with input based on publicly observable inputs such as interest rate, yield to maturity and variance that reflects public market's view and projection.
- d) Input variables derived from publicly observable date, or variables that can be verified through publicly observable date.

Note 4: Level 3 valuation applies to fair value valuation based on inputs from non-public attainable date such as option pricing model using historical variance as inputs.

Level 3 Fair Value Classification Financial Assets
Three Months Ended March 31, 2011
(In Thousands of New Taiwan Dollars)

Name	Opening Balance	Valuation Gain/Loss Reflected on Income Statement or in Shareholders' Equity	Increase		Decrease		Foreign Exchange Rate Effect	Closing Balance
			Purchase/ Issued	Transfer into Level 3	Disposed/ Sold	Transfer Out of Level 3		
<u>Non-derivative instruments</u>								
Financial assets at fair value through profit or loss Held for trading financial assets	\$ 907	\$ (40,472)	\$ 229,084	\$ 43,392	\$ -	\$ -	\$ 9	\$ 232,920
Financial assets designated at fair value through profit or losses	-	(848)	178,923	-	-	-	-	178,075
Other financial assets Non-active market debt instruments	79,634	-	-	-	753	-	429	79,310
<u>Derivative instruments</u>								
Financial assets at fair value through profit of loss Held for trading financial assets	306,841	7,584	956	-	1,030	-	10	314,361

Level 3 Fair Value Classification Financial Liabilities
Three Months Ended March 31, 2011
(In Thousands of New Taiwan Dollars)

Name	Opening Balance	Valuation Gain/Loss Reflected on Income Statement or in Shareholders' Equity	Increase		Decrease		Foreign Exchange Rate Effect	Closing Balance
			Purchase/ Issued	Transfer into Level 3	Disposed/ Sold	Transfer Out of Level 3		
Non-derivative instruments								
Financial assets at fair value through profit or loss	\$ 298,239	\$ 16,106	\$ 1,071	\$ -	\$ 933	\$ -	\$ 8	\$ 314,491

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 March 31, 2011 and 2010, ratios of secured loans to total loans were 67.21% and 70.64% respectively. Ratio of secured financial guarantees and standby letters of credits were from 23.78% to 25.21%. Collaterals held vary but may include cash, inventories, marketable securities, and other properties. When the customers default, the Bank will, as required by circumstances, foreclose the collaterals or execute other rights arising out of the guarantees given. Since most of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash demands. The maximum potential amount of future payments represents the notional amounts that could be lost under the guarantees if there were a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions or from collaterals held or pledged.

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

Items	March 31	
	2011	2010
	Maximum Credit Exposure	Maximum Credit Exposure
Off-balance-sheet credit risk		
Credit card commitments for credit card	\$ 177,096,928	\$ 172,751,576
Financial guarantees and standby letter of credit	21,336,160	23,500,251
Undrawn loan commitments	14,791,785	20,129,434

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

Credit Risk Profile by Counterparty	March 31	
	2011	2010
Consumer	\$ 373,021,000	\$ 383,528,011
Private sector	300,734,169	272,824,171
Government	<u>40,099,592</u>	<u>23,774,299</u>
	<u>\$ 713,854,761</u>	<u>\$ 680,126,481</u>

Credit Risk Profile by Industry Sector	March 31	
	2011	2010
Electricity industry	\$ 68,950,044	\$ 53,670,777
Wholesale trade and retail business	48,744,206	44,499,511
Material and supplies	<u>45,798,290</u>	<u>47,449,495</u>
	<u>\$ 163,492,540</u>	<u>\$ 145,619,783</u>

Credit Risk Profile by Region	March 31	
	2011	2010
Domestic area	\$ 643,357,726	\$ 623,784,379
Asia	37,114,543	28,292,596
North America	<u>23,885,092</u>	<u>18,517,194</u>
	<u>\$ 704,357,361</u>	<u>\$ 670,594,169</u>

3) Liquidity risk

As of March 31, 2011 and 2010, the liquidity reserve ratio was 31.05% and 21.53%, 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:

	March 31, 2011						Total
	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due Between One Year and Seven Years	Due After Seven Years	
<u>Assets</u>							
Cash and cash equivalents	\$ 12,109,963	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,109,963
Due from the Central Bank and other banks	57,911,599	1,422,831	2,230,215	625,853	-	-	62,190,498
Financial assets at fair value through profit or loss	76,457,527	513,345	1,967,457	116,836	2,077	-	79,057,242
Securities purchased under agreements to resell	1,542,613	-	-	-	-	-	1,542,613
Receivables	19,380,736	10,335,055	1,838,922	1,074,146	8,347,672	-	40,976,531
Discounts and loans	74,572,573	56,243,513	41,948,011	27,649,982	165,216,352	348,104,958	713,735,389
Available-for-sale financial assets	5,660,728	1,169,711	1,168,189	1,789,038	21,487,807	294,293	31,569,766
Held-to-maturity investments	69,886,361	39,526,636	7,900,000	33,883,652	501,452	36,115	151,734,216
Non-active market debt instruments	-	-	-	81,547	-	504	82,051
Hedged derivative financial assets	-	15,358	15,784	-	87,859	-	119,001
	<u>317,522,100</u>	<u>109,226,449</u>	<u>57,068,578</u>	<u>65,221,054</u>	<u>195,643,219</u>	<u>348,435,870</u>	<u>1,093,117,270</u>
<u>Liabilities</u>							
Call loans and due to banks	36,545,484	5,412,094	4,740,881	13,000,824	-	-	59,699,283
Financial liabilities at fair value through profit or loss	6,561,249	598,127	209,886	2,101,669	10,443	-	9,481,374
Securities sold under agreements to repurchase	2,895,532	46,456	-	-	-	-	2,941,988
Payables	6,720,075	3,709,557	900,079	2,528,979	342,699	-	14,201,389
Deposits and remittances (Note)	146,126,029	145,718,161	156,507,751	155,937,846	323,783,174	-	928,072,961
Bank debentures	119,001	3,500,000	500,000	-	26,990,779	-	31,109,780
Hedged derivative financial liabilities	-	-	-	-	43,599	-	43,599
	<u>198,967,370</u>	<u>158,984,395</u>	<u>162,858,597</u>	<u>173,569,318</u>	<u>351,170,694</u>	<u>-</u>	<u>1,045,550,374</u>
Net liquidity gap	<u>\$ 118,554,730</u>	<u>\$ (49,757,946)</u>	<u>(105,790,019)</u>	<u>(108,348,264)</u>	<u>\$ (155,527,475)</u>	<u>\$ 348,435,870</u>	<u>\$ 47,566,896</u>
<u>March 31, 2010</u>							
	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
<u>Assets</u>							
Cash and cash equivalents	\$ 11,101,958	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,101,958
Due from the Central Bank and other banks	70,885,316	2,527,463	1,691,140	1,113,665	-	-	76,217,584
Financial assets at fair value through profit or loss	13,515,521	247,063	2,613,554	278,206	85,956	-	16,740,300
Receivables	18,392,551	15,641,984	2,740,592	1,537,087	9,894,196	-	48,206,410
Discounts and loans	53,489,756	50,707,252	31,924,563	34,018,762	151,441,260	357,350,180	678,931,773
Available-for-sale financial assets	3,528,247	101,370	812,100	1,457,366	20,359,623	94,692	26,353,398
Held-to-maturity investments	44,893,328	37,171,008	49,300,000	1,266,180	942,878	95,760	133,669,154
Non-active market debt instruments	-	-	-	-	95,457	3,518	98,975
Hedged derivative financial assets	-	15,720	36,045	-	167,471	-	219,236
	<u>215,806,677</u>	<u>106,411,860</u>	<u>89,117,994</u>	<u>39,671,266</u>	<u>182,986,841</u>	<u>357,544,150</u>	<u>991,538,788</u>

(Continued)

March 31, 2010

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

(Concluded)

Note: Included the principal of structured products.

4) Foreign exchange rate risk

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

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

	2011			2010		
	U.S. Dollars	Exchange Rate	New Taiwan Dollars	U.S. Dollars	Exchange Rate	New Taiwan Dollars
Financial assets						
Cash and cash equivalents	\$ 87,963	29.418	\$ 2,587,696	\$ 116,432	31.819	\$ 3,704,750
Due from the Central Bank and other banks	248,500	29.418	7,310,373	886,100	31.819	28,194,816
Financial assets at fair value through profit or loss	770,120	29.418	22,655,390	435,326	31.819	13,851,638
Securities purchased under agreements to resell	42,254	29.418	1,243,028	-	31.819	-
Receivables, net	694,730	29.418	20,437,567	979,543	31.819	31,168,079
Discounts and loans, net	3,609,298	29.418	106,178,329	2,677,218	31.819	85,186,400
Available-for-sale financial assets	97,714	29.418	2,874,550	106,125	31.819	3,376,791
Held-to-maturity investments	6,228	29.418	183,215	8,010	31.819	254,870
Equity investments-equity method	162,306	29.418	4,774,718	162,306	31.819	5,164,415
Other financial assets, net						
Unquoted equity instruments	175,000	31.222	5,463,925	45,000	31.875	1,434,375
Non-active market debt instruments	2,772	29.418	81,547	3,000	31.819	95,457
Other financial assets	61,667	29.418	1,814,120	4,976	31.819	158,331
Financial liabilities						
Due to the Central Bank and other banks	1,105,243	29.418	32,514,039	677,308	31.819	21,551,263
Financial liabilities at fair value through profit or loss	382,510	29.418	11,252,679	285,548	31.819	9,085,852
Securities sold under agreements to repurchase	2,000	29.418	58,836	-	31.819	-
Payables	226,241	29.418	6,655,558	458,974	31.819	14,604,094
Deposits and remittances	4,029,036	29.418	118,526,181	3,847,974	31.819	122,438,685

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

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

e. Fair value hedge

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

Hedged Items	Hedging Instruments	March 31			
		2011		2010	
		Notion Amount	Fair Value	Notion Amount	Fair Value
Bank debentures	Interest rate swap	\$ 1,400,000	\$ 87,859	\$ 2,800,000	\$ 137,948
	Cross currency swap	1,000,000	31,142	3,000,000	67,572
Fixed rate loans	Interest rate swap	140,020	(7,407)	164,381	(11,996)

f. Cash flow hedge

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

Hedged Items	Hedging Instruments	March 31			
		2011		2010	
		Notion Amount	Fair Value	Notion Amount	Fair Value
Bank debentures	Interest rate swap	\$ 3,600,000	\$ (36,192)	\$ 3,600,000	\$ 13,716

33. 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 credit risk, interest rate risk, liquidity risk, market 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.

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

a. Asset quality

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

b. Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities
March 31, 2011

(In Thousands of New Taiwan Dollars)

	Total	The Amount of Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Main capital inflow on maturity	\$ 1,063,461,167	\$ 289,208,089	\$ 124,851,523	\$ 59,219,043	\$ 73,945,932	\$ 516,236,580
Main capital outflow on maturity	1,077,416,297	187,399,873	167,740,844	143,765,559	186,816,026	391,693,995
Gap	(13,955,130)	101,808,216	(42,889,321)	(84,546,516)	(112,870,094)	124,542,585

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

Maturity Analysis of Assets and Liabilities
March 31, 2011

(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	\$ 11,416,453	\$ 4,388,017	\$ 2,534,970	\$ 1,398,669	\$ 802,452	\$ 2,292,345
Main capital outflow on maturity	11,297,958	4,533,087	2,652,336	1,175,529	738,044	2,198,962
Gap	118,495	(145,070)	(117,366)	223,140	64,408	93,383

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

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

Maturity Analysis of Assets and Liabilities
March 31, 2010

(In Thousands of New Taiwan Dollars)

	Total	The Amount of Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Main capital inflow on maturity	\$ 922,617,083	\$ 175,845,003	\$ 96,462,655	\$ 84,798,618	\$ 40,447,931	\$ 525,062,876
Main capital outflow on maturity	942,150,342	146,400,560	143,451,128	125,206,702	161,187,660	365,904,292
Gap	(19,533,259)	29,444,443	(46,988,473)	(40,408,084)	(120,739,729)	159,158,584

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

Maturity Analysis of Assets and Liabilities
March 31, 2010

(In Thousands of U.S. Dollars)

	Total	The Amount of Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Main capital inflow on maturity	\$ 7,711,552	\$ 3,687,866	\$ 1,650,436	\$ 800,944	\$ 681,176	\$ 891,130
Main capital outflow on maturity	7,621,106	3,877,272	1,555,191	754,718	560,676	873,249
Gap	90,446	(189,406)	95,245	46,226	120,500	17,881

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

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

c. Profitability

(%)

Items		Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Return on total assets	Before income tax	0.14	0.11
	After income tax	0.12	0.09
Return on net worth	Before income tax	2.34	1.73
	After income tax	1.94	1.40
Profit margin		30.29	22.50

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

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

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

Note 4: Income before (after) income tax represents income for the three months ended March 31, 2011 and 2010.

d. Interest rate sensitivity information

**Interest Rate Sensitivity
March 31, 2011**

(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	\$ 741,216,143	\$ 17,724,205	\$ 58,410,473	\$ 50,472,277	\$ 867,823,098
Interest-rate sensitive liabilities	399,933,723	358,702,364	54,285,325	19,448,724	832,370,136
Interest-rate sensitive gap	341,282,420	(340,978,159)	4,125,148	31,023,553	35,452,962
Net worth					67,700,321
Ratio of interest-rate sensitive assets to liabilities					104.26%
Ratio of interest-rate sensitive gap to net worth					52.37%

**Interest Rate Sensitivity
March 31, 2010**

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-rate sensitive assets	\$ 567,339,992	\$ 68,705,159	\$ 40,387,676	\$ 95,151,573	\$ 771,584,400
Interest-rate sensitive liabilities	300,990,949	348,418,675	69,943,958	15,854,691	735,208,273
Interest-rate sensitive gap	266,349,043	(279,713,516)	(29,556,282)	79,296,882	36,376,127
Net worth					63,754,676
Ratio of interest-rate sensitive assets to liabilities					104.95%
Ratio of interest-rate sensitive gap to net worth					57.06%

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

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

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

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

**Interest Rate Sensitivity
March 31, 2011**

(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	\$ 4,217,224	\$ 307,303	\$ 162,230	\$ 149,186	\$ 4,835,943
Interest-rate sensitive liabilities	2,399,380	2,702,008	184,861	411	5,286,660
Interest-rate sensitive gap	1,817,844	(2,394,705)	(22,631)	148,775	(450,717)
Net worth					97,111
Ratio of interest-rate sensitive assets to liabilities					91.47%
Ratio of interest-rate sensitive gap to net worth					(464.13%)

**Interest Rate Sensitivity
March 31, 2010**

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

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-rate sensitive assets	\$ 3,943,716	\$ 232,373	\$ 214,176	\$ 250,585	\$ 4,640,850
Interest-rate sensitive liabilities	2,196,083	2,494,617	185,224	13	4,875,937
Interest-rate sensitive gap	1,747,633	(2,262,244)	28,952	250,572	(235,087)
Net worth					77,430
Ratio of interest-rate sensitive assets to liabilities					95.18%
Ratio of interest-rate sensitive gap to net worth					(303.61%)

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

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

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

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

e. Concentration of credit extensions

March 31, 2011

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	Industry Category (Note 2)	Total Credit Consists of Loans (Note 3)	Percentage of Net Worth (%) (Note 4)
1	A Group (Optical products manufacturing)	\$18,424,332	29.55%
2	B Group (Plastics)	12,001,279	19.25%
3	C Group (LCD and its components manufacturing)	8,068,401	12.94%
4	D Group (Computer and peripheral equipment)	7,709,314	12.36%
5	E Group (Computer and peripheral equipment)	7,118,928	11.42%
6	F Group (Trading and consumers' goods industry)	5,661,078	9.08%
7	G Group (Finance and lease)	4,705,816	7.55%
8	H Group (Building material and construction)	4,308,396	6.91%
9	I Group (Transport Marine)	2,549,070	4.09%
10	J Company (Metal product)	2,464,350	3.95%

March 31, 2010

(In Thousands of New Taiwan Dollars, %)

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

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.

35. TRUST BUSINESS UNDER THE TRUST LAW

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

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

Balance Sheets of Trust Accounts March 31, 2011 and 2010

(In Thousands of New Taiwan Dollars)

	March 31					
	2011			2010		
	Other Trust Business	Financial Assets and Real Estate Trust Plan	Total	Other Trust Business	Financial Assets and Real Estate Trust Plan	Total
<u>Trust assets</u>						
Bank deposits	\$ 4,117,112	\$ 1,538	\$ 4,118,650	\$ 6,521,250	\$ 1,388,667	\$ 7,909,917
Bonds	10,683,594	-	10,683,594	15,063,054	1,394,731	16,457,785
Stocks	7,228,641	-	7,228,641	6,429,550	-	6,429,550
Funds	119,233,648	-	119,233,648	111,669,416	-	111,669,416
Securities lent	257,506	-	257,506	-	-	-
Receivables	410	-	410	135	8,941	9,076
Prepayments	3	13,962	13,965	2	12,606	12,608

(Continued)

	March 31					
	2011			2010		
	Other Trust Business	Financial Assets and Real Estate Trust Plan	Total	Other Trust Business	Financial Assets and Real Estate Trust Plan	Total
Real estate						
Land	\$ 7,069,731	\$ -	\$ 7,069,731	\$ 7,786,021	\$ 3,538,574	\$ 11,324,595
Buildings	266,752	-	266,752	222,547	1,364,856	1,587,403
Construction in process	3,189,101	-	3,189,101	5,918,489	-	5,918,489
Securities under custody	77,435,701	-	77,435,701	151,043,961	-	151,043,961
Other assets	-	-	-	-	77,515	77,515
Total trust assets	<u>\$ 229,482,199</u>	<u>\$ 15,500</u>	<u>\$ 229,497,699</u>	<u>\$ 304,654,425</u>	<u>\$ 7,785,890</u>	<u>\$ 312,440,315</u>
Trust liabilities						
Payables	\$ 190	\$ 210	\$ 400	\$ -	\$ 16,417	\$ 16,417
Advance receipts	-	-	-	-	17,898	17,898
Other liabilities	-	-	-	-	20,908	20,908
Payable on securities under custody	77,435,701	-	77,435,701	151,043,961	-	151,043,961
Trust capital	149,676,168	24,721	149,700,889	151,469,176	6,540,158	158,009,334
Reserves and cumulative earnings						
Reserves	-	23,500	23,500	-	71,184	71,184
Net income	69,372	(21,677)	47,695	126,703	32,278	158,981
Cumulative earnings	2,333,012	720,559	3,053,571	2,148,753	623,617	2,772,370
Deferred amount	(32,244)	(731,813)	(764,057)	(134,168)	-	(134,168)
Unrealized revaluation increment on land	-	-	-	-	463,430	463,430
Total trust liabilities	<u>\$ 229,482,199</u>	<u>\$ 15,500</u>	<u>\$ 229,497,699</u>	<u>\$ 304,654,425</u>	<u>\$ 7,785,890</u>	<u>\$ 312,440,315</u>

(Concluded)

Trust Income Statement
Three Months Ended March 31, 2011 and 2010

(In Thousands of New Taiwan Dollars)

	Three Months Ended March 31					
	2011			2010		
	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	\$ 75,433	\$ 478	\$ 75,911	\$ 77,893	\$ 8,056	\$ 85,949
Rental income	-	-	-	-	51,751	51,751
Borrowed Securities income	1,760	-	1,760	-	-	-
Gains from beneficiary certificates	53	-	53	70	-	70
Realized investment income	6,421	-	6,421	104,916	-	104,916
Unrealized investment income	8,268	-	8,268	-	-	-
Total trust income	<u>91,935</u>	<u>478</u>	<u>92,413</u>	<u>182,879</u>	<u>59,807</u>	<u>242,686</u>
Trust expense						
Trust administrative expenses	1,252	105	1,357	1,068	424	1,492
Insurance expense	-	-	-	-	469	469
Tax expenses	7,559	-	7,559	7,386	3	7,389
Interest expenses	-	21,840	21,840	-	25,507	25,507
OTC expenses	-	75	75	-	956	956
Service expenses	-	120	120	-	-	-
Realized investment loss	13,669	-	13,669	47,575	-	47,575
Others	83	15	98	147	170	317
Total trust expense	<u>22,563</u>	<u>22,155</u>	<u>44,718</u>	<u>56,176</u>	<u>27,529</u>	<u>83,705</u>
Income before income tax	<u>69,372</u>	<u>(21,677)</u>	<u>47,695</u>	<u>126,703</u>	<u>32,278</u>	<u>158,981</u>
Net income	<u>\$ 69,372</u>	<u>\$ (21,677)</u>	<u>\$ 47,695</u>	<u>\$ 126,703</u>	<u>\$ 32,278</u>	<u>\$ 158,981</u>

Trust Properties of Trust Accounts
March 31, 2011 and 2010

(In Thousands of New Taiwan Dollars)

Investment Portfolio	March 31			
	2011		2010	
	Book Value	Note	Book Value	Note
Bonds	\$ 10,683,594		\$ 15,063,054	
Stocks	7,228,641		6,429,550	
Funds	119,233,648		111,669,416	
Securities lent	257,506		-	
Asset pool of financial asset securitization	-		1,394,731	
Asset pool of real estate securitization	-		4,903,430	
Real estate				
Land	7,069,731		7,786,021	
Buildings	266,752		222,547	
Construction in process	3,189,101		5,918,489	
Securities under custody	<u>77,435,701</u>		<u>151,043,961</u>	
Total	<u>\$ 225,364,674</u>		<u>\$ 304,431,199</u>	

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

36. CROSS-SELLING INFORMATION

For the three months ended March 31, 2011 and 2010, the Bank charged SinoPac Securities for \$719 and \$1,574, respectively, as marketing and opening accounts. The rental fee the Bank has charged SinoPac Securities a total of \$816 for the three months ended March 31, 2011 for rental fee as part of the co-sell agreement.

37. OPERATING SEGMENT INFORMATION

Based on chief of decision making's resource allocation and department performance review, the Bank has divided the business segments based on the services and products provided, excluding subsidiary accounted for under the equity method. The accounting standards and policies aforementioned in Note 2 applies to all of the business segments in accordance to accounting standard No. 41 "Operating Segments", the Bank reports the following.

Domestic Branches: Provides service and products through 128 branches and Banking Division of the Head Office.

Oversea Branches: Provides service and products for oversea customers through overseas branches.

Consumer Banking: Provides credit card and other commercial paper products and services through direct sales personnels.

Financial Trading: Provides investment, due from other banks, and bonds transaction services through financial operation units.

United States Subsidiary: Provides services and products through Bancorp and Far East National Bank.

Other Business Segments: Includes Institutional Trust service, wealth management custodian service, automobile loan, and other services.

For information regarding business segment revenue, operating results and assets, please refer to Table 7.

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: Table 4;
 - 12) The information of investees: Non applicable;
 - 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 6, 32 and Table 5-2, and the derivative financial instrument transactions of the subsidiaries 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

MARCH 31, 2011

(In Thousands of New Taiwan Dollars or Share)

Name of Holding Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	March 31, 2011				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	7,270	\$ 9,898,248	100%	\$ 9,898,248	Note 2
	Far East Capital, LLC	Subsidiary	Equity investments - equity method	-	21,173	100%	21,173	Note 2
SinoPac Capital Limited (H.K.)	<u>Stock</u> SinoPac Capital (B.V.I.) Ltd.	Subsidiary	Equity investments - equity method	4,450	31,365	100%	48,316	Note 2
	SinoPac Insurance Brokers Ltd.	Subsidiary	Equity investments - equity method	100	1,134	100%	137,118	Note 2
	<u>Fund</u> China Enterprise Capital	-	Unquoted equity investments	0.020	29,316	-	29,316	Note 3
SinoPac Capital (B.V.I.) Ltd.	<u>Stock</u> RSP Information Service Company Limited	Subsidiary	Equity investments - equity method	1,000	3,772	100%	4,393	Note 2
SinoPac Property Insurance Agent Co., Ltd.	<u>Bond</u> Government bond 88-3	-	Guarantee deposits	600	633	-	774	Pledge
SinoPac Life Insurance Agent Co., Ltd.	<u>Bond</u> Government bond 88-3	-	Guarantee deposits	600	632	-	774	Pledge

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

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

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

BANK SINOPAC AND INVESTEES

ACQUIRED AND DISPOSED OF INVESTEE INVESTMENT AT COST OR PRICES OF AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL
(MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF, AT COST OR PRICES OF AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL)
THREE MONTHS ENDED MARCH 31, 2011
(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													
SinoPac Bancorp	SinoPac Bancorp	Unquoted equity investments	-	Subsidiary of the Bank	5,800	\$ 4,578,625	1,200	\$ 885,300	-	\$ -	\$ -	\$ -	7,000	\$ 5,463,925
SinoPac Bancorp	Far East National Bank	Investment in subsidiaries	-	Overseas affiliate of the Bank	6,070	US\$ 308,893 thousand	1,200	US\$ 30,000 thousand	-	-	-	-	7,270	US\$ 338,893 thousand

BANK SINOPAC AND INVESTEES

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

MARCH 31, 2011

(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	\$ 1,408,968 (Note)	-	\$ -	-	\$ -	\$ -

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

BANK SINOPAC AND INVESTEES

**TRADING INFORMATION - SELLING NONPERFORMING LOANS
THREE MONTHS ENDED MARCH 31, 2011
(In Thousands of New Taiwan Dollars)**

Date	Counter-parties	Loans	Carrying Amount (Note)	Selling Price	Gain or (Loss) on Disposal	Attachment	Relation
January 26, 2011	Spiegel Development, Inc.	Commercial secured loans	US\$ 4,876 thousand	US\$ 4,050 thousand	US\$ (826 thousand)	-	None
February 22, 2011	West Valley Asset Management, LLC	Commercial secured loans	US\$ 2,028 thousand	US\$ 1,861 thousand	US\$ (167 thousand)	-	None
February 24, 2011	Leslie Becher	Commercial secured loans	US\$ 126 thousand	US\$ 143 thousand	US\$ 17 thousand	-	None
March 23, 2011	S. P. Villas, LLC	Commercial secured loans	US\$ 563 thousand	US\$ 853 thousand	US\$ 290 thousand	-	None
March 25, 2011	Spiegel Development, Inc.	Commercial secured loans	US\$ 690 thousand	US\$ 853 thousand	US\$ 163 thousand	-	None

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

TABLE 5-1**BANK SINOPAC****FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS****MARCH 31, 2011 AND 2010****(In Thousands of New Taiwan Dollars)**

	March 31	
	2011	2010
<u>Held-for-trading financial assets</u>		
Certificate of deposit	\$ 63,556,921	\$ -
Corporate bonds	2,071,671	1,470,258
Bank debentures	1,896,134	2,744,639
Listed stocks	848,857	620,246
Government bonds	656,652	102,747
Beneficiary certificates	622,765	699,044
Convertible bonds	183,283	358,022
Collateralized debt obligations	915	1,332
Derivative financial assets		
Interest rate swaps	6,001,504	7,199,920
Forward contracts	1,342,319	1,280,768
Premium paid on option contracts	1,173,349	742,823
Cross-currency swap contracts	92,598	8,945
Currency swap contracts	52,333	41,300
Others	28,856	15,970
	<u>78,528,157</u>	<u>15,286,014</u>
<u>Financial assets designated at fair value through profit or loss</u>		
Hybrid product		
Convertible bonds	329,273	505,830
Corporate bonds	143,951	302,934
Credit linked notes	-	316,599
A group of financial instruments is managed and its performance is evaluated on a fair value basis		
C equity interest in VISA Inc.	55,861	211,632
B equity interest in Master Card Inc.	-	117,291
	<u>529,085</u>	<u>1,454,286</u>
Total of financial assets at fair value through profit or loss	<u>\$ 79,057,242</u>	<u>\$ 16,740,300</u>
<u>Held-for-trading financial liabilities</u>		
Derivative financial liabilities		
Interest rate swaps	\$ 5,961,055	\$ 7,151,424
Forward contracts	1,998,995	1,096,973
Premiums received on option contracts	988,520	517,886
Securities purchased under agreement to resell-short sales	299,573	-
Cross-currency swap contract	129,122	25,107
Currency swap contract	36,690	30,649
Others	67,419	73,392
	<u>\$ 9,481,374</u>	<u>\$ 8,895,431</u>

TABLE 5-2**BANK SINOPAC****CONTRACT AMOUNTS OF OUTSTANDING DERIVATIVE TRANSACTIONS****MARCH 31, 2011 AND 2010****(In Thousands of New Taiwan Dollars)**

	March 31	
	2011	2010
Interest rate swap contracts	\$ 1,051,774,484	\$ 827,837,684
Currency swap contracts	327,495,640	229,150,865
Options		
Long position	156,286,479	64,469,899
Short position	156,390,212	69,222,402
Forward contracts		
Long position	10,115,834	20,522,922
Short position	3,923,077	7,375,940
Non-deliverable forward contracts		
Long position	113,930,124	103,066,483
Short position	113,488,135	104,409,663
Cross-currency swap contracts	6,763,977	4,796,930
Assets swap contracts	771,428	1,559,131
Credit default swap contracts	1,100,000	1,100,000
Equity-linked swap contracts	36,779	138,976
Commodity-linked swap contracts	204,715	474,434
Futures		
Interest rate futures long position	259,955	122,762
Interest rate futures short position	635,179	236,407
Credit linked swap contracts	2,100,000	2,500,000

TABLE 5-3**BANK SINOPAC****AVAILABLE-FOR-SALE FINANCIAL ASSETS****MARCH 31, 2011 AND 2010****(In Thousands of New Taiwan Dollars)**

	March 31	
	2011	2010
Government bonds	\$ 12,126,635	\$ 13,232,390
Bank debentures	7,694,870	2,809,213
Corporate bonds	5,857,897	5,504,591
Commercial paper	4,892,374	3,442,883
Government sector bonds	595,599	1,353,581
Treasury bills	294,824	-
Listed stocks	<u>107,567</u>	<u>10,740</u>
	<u>\$ 31,569,766</u>	<u>\$ 26,353,398</u>

TABLE 5-4**BANK SINOPAC****HELD-TO-MATURITY INVESTMENTS****MARCH 31, 2011 AND 2010****(In Thousands of New Taiwan Dollars)**

	March 31	
	2011	2010
Negotiable certificates of deposit	\$ 150,562,090	\$ 132,259,095
Corporate bonds	840,780	840,427
Government bonds	295,231	309,959
Bank debentures	25,226	81,968
Collateralized debt obligations	10,889	95,760
Floating rate notes	-	81,945
	<u>\$ 151,734,216</u>	<u>\$ 133,669,154</u>

TABLE 5-5**BANK SINOPAC****OTHER FINANCIAL ASSETS****MARCH 31, 2011 AND 2010****(In Thousands of New Taiwan Dollars)**

	March 31	
	2011	2010
Unquoted equity instruments		
Oversea unlisted equity investments - preferred stock	\$ 5,463,925	\$ 1,434,375
Unlisted equity investments - common stock	<u>488,507</u>	<u>488,507</u>
	<u>5,952,432</u>	<u>1,922,882</u>
Non-active market debt instruments		
Collateralized debt obligations	81,547	95,457
Mortgage backed securities	<u>504</u>	<u>3,518</u>
	<u>82,051</u>	<u>98,975</u>
Others		
Issued commodities purchased from PEM Group	3,962,138	3,981,057
Guarantee deposits	968,483	914,244
Guarantee of futures and options	161,404	160,757
Nonperforming receivables transferred from other than loans, net	119,372	1,194,708
Hedging derivative financial instruments	119,001	219,236
Short-term advancement	17,989	55,116
Bills purchased	<u>2,315</u>	<u>191</u>
	5,350,702	6,525,309
Less: Accumulated impairment	2,322,148	-
Allowance for credit losses	<u>124,897</u>	<u>1,201,175</u>
	<u>2,903,657</u>	<u>5,324,134</u>
	<u>\$ 8,938,140</u>	<u>\$ 7,345,991</u>

TABLE 5-6

BANK SINOPAC

BANK DEBENTURES
MARCH 31, 2011 AND 2010

(In Thousands of New Taiwan Dollars)

	March 31		Maturity Date	Terms
	2011	2010		
<u>Dominant bank debentures</u>				
Eighth dominant bank debentures issued in 2004	\$ 515,358	\$ 516,978	2004.05.21-2011.05.21 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually with simple interest based on actual days.
Fifteenth dominant bank debentures issued in 2004	515,783	515,019	2004.07.13-2011.07.13 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Fifth dominant bank debentures issued in 2003	-	1,026,299	2003.08.11-2010.08.11 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Twelfth dominant bank debentures issued in 2004	-	511,135	2004.06.15-2010.06.15 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually with simple interest based on actual days.
Fourteenth dominant bank debentures issued in 2004	-	509,746	2004.07.09-2010.07.09 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Dominant bank debentures	<u>1,031,141</u>	<u>3,079,177</u>		
<u>Subdominant bank debentures</u>				
First subordinated bank debentures issued in 2005	3,000,000	3,000,000	2005.12.13-2011.06.13 Principal is repayable on maturity date.	Index rate plus 0.35%. Interest rate is reset semiannually since the issuance date. Interest is paid semiannually.
First subordinated bank debentures issued in 2008	1,487,459	1,521,204	2008.03.17-2013.09.17 Principal is repayable on maturity date.	Fixed interest rate of 3.05%, interest is paid annually.
Second subordinated bank debentures issued in 2008 (A)	4,498,573	4,498,242	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)	499,842	499,805	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	3,598,911	3,598,564	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	5,597,796	5,597,398	2009.04.29-2016.04.29 Principal is repayable on maturity date.	Fixed interest rate of 2.8%, interest is paid annually.
Second subordinated bank debentures issued in 2009 (A)	2,199,148	2,198,960	2009.06.23-2015.06.23 Principal is repayable on maturity date.	Fixed interest rate of 2.7%, interest is paid annually.
Second subordinated bank debentures issued in 2009 (B)	2,199,936	2,199,927	2009.06.23-2017.06.23 Principal is repayable on maturity date.	Fixed interest rate of 2.9%, interest is paid annually.
First subordinated bank debentures issued in 2010 (A)	3,098,436	-	2010.12.08-2017.12.08 Principal is repayable on maturity date.	Fixed interest rate of 1.8%, interest is paid annually
First subordinated bank debentures issued in 2010 (B)	2,898,538	-	2010.12.08-2017.12.08 Principal is repayable on maturity date.	Index rate plus 0.35%. Interest rate is reset quarterly since the issuance date and paid annually.
First subordinated bank debentures issued in 2011	1,000,000	-	2011.03.11-2018.03.11 Principal is repayable on maturity date.	Fixed interest rate of 1.92%, interest is paid annually.
First subordinated bank debentures issued in 2004 (C)	-	404,585	2004.09.14-2010.06.14 Principal is repayable on maturity date.	Floating rate. Interest is paid quarterly.
Second subordinated bank debentures issued in 2004	-	500,000	2004.09.14-2010.06.14 Principal is repayable on maturity date.	Index rate plus 0.50%. Interest rate is reset semiannually since the issuance date. Interest is paid semiannually.
Subdominant bank debentures	<u>30,078,639</u>	<u>24,018,685</u>		
	<u>\$ 31,109,780</u>	<u>\$ 27,097,862</u>		

BANK SINOPAC

DERIVATIVE FINANCIAL INSTRUMENT TRANSACTIONS

MARCH 31, 2011 AND 2010

(In Thousands of New Taiwan Dollars)

FENB

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

As of March 31, 2011 and 2010, the contract amounts (or notional amounts), credit risks and fair values of outstanding contracts were as follows:

	March 31, 2011	
Financial Instruments	Contract (Notional) Amount	Fair Value
For the purpose of accommodating customers' needs or managing FENB's exposures:		
Currency swap contracts	\$ 283,616	\$ 1
	March 31, 2010	
Financial Instruments	Contract (Notional) Amount	Fair Value
For the purpose of accommodating customers' needs or managing FENB's exposures:		
Non-deliverable forward contracts		
Long position	\$ 59,825	\$ 102
Short position	59,825	(69)

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

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

(Continued)

SinoPac (Hong Kong) Financial

As of March 31, 2011 and 2010, the outstanding amount of derivative financial instruments contracts were as follows:

	March 31			
	2011		2010	
Financial Instruments	Contract (Notional) Amount	Fair Value	Contract (Notional) Amount	Fair Value
Currency swap contracts	\$ 851,835	\$ (44)	\$ 924,856	\$ (70)
				(Concluded)

TABLE 6-1**BANK SINOPAC**
STATEMENT OF CHANGES IN ALLOWANCE FOR CREDIT LOSS
THREE MONTHS ENDED MARCH 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

	Three Months Ended March 31, 2011							
	Discounts and Loans			Account Receivable	Provisions for Acceptance and Guarantees	Other Financial Assets	Other Assets	Total
	Specific Reserve	General Reserve	Subtotal					
Balance, January 1	\$ 1,698,079	\$ 3,544,161	\$ 5,242,240	\$ 637,723	\$ 28	\$ 167,295	\$ 723	\$ 6,048,009
Provision	(123,878)	405,454	281,576	(70,696)	-	25,357	(710)	235,527
Write-off	(278,901)	-	(278,901)	(65,757)	-	(2,897)	-	(347,555)
Recovery of written-off credits	341	-	341	74,612	-	-	-	74,953
Reclassifications	-	(22,781)	(22,781)	83,118	-	(60,337)	-	-
Result from change of effects of exchange rate changes	<u>16,113</u>	<u>-</u>	<u>16,113</u>	<u>2</u>	<u>-</u>	<u>(4,521)</u>	<u>-</u>	<u>11,594</u>
Balance, March 31	<u>\$ 1,311,754</u>	<u>\$ 3,926,834</u>	<u>\$ 5,238,588</u>	<u>\$ 659,002</u>	<u>\$ 28</u>	<u>\$ 124,897</u>	<u>\$ 13</u>	<u>\$ 6,022,528</u>
	Three Months Ended March 31, 2010							
	Discounts and Loans			Account Receivable	Provisions for Acceptance and Guarantees	Other Financial Assets	Other Assets	Total
	Specific Reserve	General Reserve	Subtotal					
Balance, January 1	\$ 2,286,482	\$ 2,773,395	\$ 5,059,877	\$ 404,898	\$ 31	\$ 888,847	\$ 723	\$ 6,354,376
Provision	42,767	127,458	170,225	51,474	-	324,832	-	546,531
Write-off	(202,300)	-	(202,300)	(117,695)	-	(2,004)	-	(321,999)
Recovery of written-off credits	885	-	885	71,951	-	69	-	72,905
Reclassifications	473,157	(473,157)	-	-	-	-	-	-
Result from change of effects of exchange rate changes	(2,033)	-	(2,033)	(441)	-	(9,535)	-	(12,009)
Others	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,034)</u>	<u>-</u>	<u>(1,034)</u>
Balance, March 31	<u>\$ 2,598,958</u>	<u>\$ 2,427,696</u>	<u>\$ 5,026,654</u>	<u>\$ 410,187</u>	<u>\$ 31</u>	<u>\$ 1,201,175</u>	<u>\$ 723</u>	<u>\$ 6,638,770</u>

BANK SINOPAC

OVERDUE LOANS AND RECEIVABLES

MARCH 31, 2011 AND 2010

(In Thousands of New Taiwan Dollars, %)

Items		March 31, 2011					March 31, 2010				
		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	\$ 915,195	\$ 137,612,688	0.67%	\$ 644,027	70.37%	\$ 1,766,248	\$ 126,843,963	1.39%	\$ 728,804	41.26%
	Unsecured	1,826,254	218,020,240	0.84%	3,502,322	191.78%	2,539,902	181,985,167	1.40%	2,158,565	84.99%
Consumer loan	Mortgage (Note 4)	657,221	347,777,942	0.19%	471,803	71.79%	1,409,960	356,698,091	0.40%	920,843	65.31%
	Cash card	474	51,894	0.91%	20,853	4,399.37%	800	66,951	1.19%	3,440	430.33%
	Micro credit (Note 5)	78,775	6,099,293	1.29%	586,331	744.31%	248,129	8,395,270	2.96%	1,166,192	469.99%
	Other (Note 6)										
	Secured	1,595	4,173,332	0.04%	13,252	830.85%	13,228	4,942,331	0.27%	48,810	368.99%
	Unsecured										
Total		3,479,514	713,735,389	0.49%	5,238,588	150.56%	5,978,267	678,931,773	0.88%	5,026,654	84.08%
		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		93,747	15,571,019	0.60%	559,650	596.98%	156,229	16,650,672	0.94%	383,147	245.25%
Account receivable - factoring with no recourse (Note 7)		9,503	17,625,334	0.05%	61,598	648.20%	1,068,776	12,488,412	8.56%	1,013,652	94.84%
Excluded NPL as a result of debt consultation and loan agreements (Note 8)		\$ 17,664					\$ 28,590				
Excluded overdue receivables as a result of debt consultation and loan agreements (Note 8)		755,478					1,015,730				
Excluded NPL as a result of consumer debt clearance (Note 9)		12,080					14,681				
Excluded overdue receivables as a result of consumer debt clearance (Note 9)		827,187					784,672				

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).

BANK SINOPAC

**STATEMENT OF THE ALLOWANCES FOR POSSIBLE LOSSES ON LOANS AND RECEIVABLES
ASSESSED FOR IMPAIRMENT.**

MARCH 31, 2011 AND 2010

(In Thousands of New Taiwan Dollars)

Loans

Items		Discounts and Loans	Allowance for Possible Losses
With objective evidence of impairment	Individually assessed	\$ 3,426,086	\$ 884,341
	Collectively assessed	3,523,370	1,531,860
With no objective evidence of impairment	Collectively assessed	706,785,933	2,822,387

Receivables

Items			Receivables	Allowance for Possible Losses
With objective evidence of impairment	Individually assessed	Nonperforming receivables transferred from other than loans, net (Note 3)	\$ 111,994	\$ 105,682
	Collectively assessed	Credit card receivables	2,375,409	447,524
		Nonperforming receivables transferred from other than loans, net (Note 3)	7,378	5,907
With no objective evidence of impairment	Collectively assessed	Account receivable - factoring receivables	17,625,334	61,598
		Credit card receivables	13,195,610	112,126
		Others	7,780,178	37,754

Note 1: The amount of loans and receivables excludes the amount of allowance for credit losses and adjustments for discount (premium).

Note 2: The comparison with the prior period is not required in 2011.

Note 3: Recorded as other financial assets.

BANK SINOPAC

OPERATING SEGMENTS

THREE MONTHS ENDED MARCH 31, 2011 AND 2010

(In Thousands of New Taiwan Dollars)

		Three Months Ended March 31, 2011								
		Domestic Branches	Consumer Banking	Financial Transaction	Oversea Branches	United States Subsidiary	Others	Operating Segments	Non-operating Segments	Total
Income	Net interest	\$ 2,558,160	\$ 342,782	\$ 284,392	\$ 260,606	\$ 276,435	\$ 46,282	\$ 3,768,657	\$ (392,496)	\$ 3,376,161
	Interest revenue	3,317,686	395,425	876,145	386,196	389,846	65,196	5,430,494	63,106	5,493,600
	Revenue amount segments	624,679	(49,822)	(255,662)	(46,197)	-	(14,299)	258,699	(258,699)	-
	Interest expense	1,384,205	2,821	336,091	79,393	113,411	4,615	1,920,536	196,903	2,117,439
	Commission and fee revenues, net	625,822	125,655	(8,039)	54,293	11,611	163,097	972,439	20,456	992,895
	Others	168,721	49,483	38,367	8,578	(9,679)	(1,993)	253,477	193,859	447,336
	Net revenue	3,352,703	517,920	314,720	323,477	278,367	207,386	4,994,573	(178,181)	4,816,392
	Bad debt expense	131,937	(225,945)	-	(141,567)	206,677	851	(28,047)	470,251	442,204
	Operating expense	1,863,268	317,671	72,255	206,049	295,403	39,053	2,793,699	(15,329)	2,778,370
	Depreciation and amortization	39,600	5,114	1,640	7,017	12,612	2,235	68,218	56,396	124,614
	Income before income tax	1,357,498	426,194	242,465	258,995	(223,713)	167,482	2,228,921	(633,103)	1,595,818
	Income tax benefit (expense)	(226,728)	(118,108)	(40,034)	34,867	(4,058)	(29,186)	(383,247)	77,051	(306,196)
Net income	1,130,770	308,086	202,431	293,862	(227,771)	138,296	1,845,674	(556,052)	1,289,622	
		Domestic Branches	Consumer Banking	Financial Transaction	Oversea Branches	United States Subsidiary	Others	Operating Segments	Non-operating Segments	Total
Asset (Note 1)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

		Three Months Ended March 31, 2010								
		Domestic Branches	Consumer Banking	Financial Transaction	Oversea Branches	United States Subsidiary	Others	Operating Segments	Non-operating Segments	Total
Income	Net interest	\$ 2,191,880	\$ 414,799	\$ 223,854	\$ 244,977	\$ 358,737	\$ 42,045	\$ 3,476,292	\$ (210,699)	\$ 3,265,593
	Interest revenue	2,856,451	454,395	523,694	352,511	582,351	51,706	4,821,108	28,793	4,849,901
	Revenue amount segments	366,313	(36,407)	(169,391)	(87,576)	-	(6,549)	66,390	(66,390)	-
	Interest expense	1,030,884	3,189	130,449	19,958	223,614	3,112	1,411,206	173,102	1,584,308
	Commission and fee revenues, net	744,598	107,688	(4,008)	38,108	17,753	199,274	1,103,413	5,297	1,108,710
	Others	117,996	22,672	25,567	121,288	14,947	(4,298)	298,172	54,171	352,343
	Net revenue	3,054,474	545,159	245,413	404,373	391,437	237,021	4,877,877	(151,231)	4,726,646
	Bad debt expense	117,710	62,131	-	437,113	710,716	782	1,328,452	(71,204)	1,257,248
	Operating expense	1,755,915	236,862	55,954	169,235	311,732	44,890	2,574,588	39,191	2,613,779
	Depreciation and amortization	41,378	5,615	2,095	9,296	14,344	2,349	75,077	64,675	139,752
	Income before income tax	1,180,849	246,166	189,459	(201,975)	(631,011)	191,349	974,837	(119,218)	855,619
	Income tax benefit (expense)	(238,058)	(48,190)	(83,223)	122,366	270,999	(32,782)	(8,888)	33,212	24,324
Net income	942,791	197,976	106,236	(79,609)	(360,012)	158,567	965,949	(86,006)	879,943	
		Domestic Branches	Consumer Banking	Financial Transaction	Oversea Branches	United States Subsidiary	Others	Operating Segments	Non-operating Segments	Total
Asset (Note 1)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Note 1: The chief operating decision makers of the Bank rely only on the average amounts of loans and deposits during the period to assess the performance of the operating segments and make decisions. Thus, under an explanation issued by Accounting Research and Development Foundation of ROC, the measure of segment assets is zero.