

# **Bank SinoPac**

**Financial Statements for the  
Six Months Ended June 30, 2011 and 2010 and  
Independent Auditors' Report**

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
Bank SinoPac

We have audited the accompanying balance sheets of Bank SinoPac as of June 30, 2011 and 2010, and the related statements of income, changes in stockholders' equity and cash flows for the six months then ended. These financial statements are the responsibility of the Bank SinoPac's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bank SinoPac as of June 30, 2011 and 2010, and the results of its operations and its cash flows for the six months then ended, in conformity with Criteria Governing the Preparation of Financial Reports by Public Banks, Criteria Governing the Preparation of Financial Reports by Securities Firms, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, the guidelines issued by the authority, 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.

We have also audited the consolidated financial statements of Bank SinoPac and subsidiaries as of and for the six months ended June 30, 2011 and 2010, on which we have issued a modified unqualified and an unqualified opinion thereon, respectively.

August 4, 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 audit such financial statements are those generally accepted and applied in the Republic of China.*

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

# BANK SINOPAC

## BALANCE SHEETS JUNE 30, 2011 AND 2010

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

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)	\$ 13,527,667	\$ 9,768,898	38	CALL LOANS AND DUE TO BANKS (Note 17)	\$ 61,741,890	\$ 51,331,555	20
DUE FROM THE CENTRAL BANK AND OTHER BANKS (Note 5)	60,081,910	73,764,918	(19)	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2, 6 and 28)	7,487,306	10,669,364	(30)
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2, 6 and 28)	41,518,134	18,943,852	119	SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE (Notes 2, 7 and 28)	3,701,852	7,118,233	(48)
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 2, 7 and 28)	1,663,820	-	-	ACCOUNTS, INTEREST AND OTHER PAYABLES (Notes 2, 18 and 28)	13,171,307	19,254,313	(32)
ACCOUNTS, INTEREST AND OTHER RECEIVABLES, NET (Notes 2, 3, 8, 27 and 28)	43,927,321	47,685,696	(8)	DEPOSITS AND REMITTANCES (Notes 19 and 28)	932,744,871	850,471,026	10
DISCOUNTS AND LOANS, NET (Notes 2, 3, 9, 28 and 29)	715,123,617	692,225,184	3	BANK DEBENTURES (Notes 2 and 20)	27,584,316	25,679,753	7
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 2, 7, 10 and 29)	31,407,210	37,301,038	(16)	OTHER FINANCIAL LIABILITIES (Notes 2, 21 and 28)	18,563,116	21,091,691	(12)
HELD-TO-MATURITY INVESTMENTS (Notes 2, 11 and 29)	201,374,286	141,501,775	42	OTHER LIABILITIES (Notes 2, 22 and 27)	<u>3,364,075</u>	<u>3,042,267</u>	11
EQUITY INVESTMENTS - EQUITY METHOD (Notes 2 and 12)	5,966,979	7,342,520	(19)	Total liabilities	<u>1,068,358,733</u>	<u>988,658,202</u>	8
OTHER FINANCIAL ASSETS, NET				STOCKHOLDERS' EQUITY			
Unquoted equity instruments (Notes 2 and 13)	6,531,672	1,922,882	240	Capital stock, NT\$10 par value, authorized 8,000,000 thousand shares; issued and outstanding 5,257,447 thousand shares in 2011 and 4,821,847 thousand shares in 2010	<u>52,574,469</u>	<u>48,218,469</u>	9
Non-active market debt instruments (Notes 2 and 13)	71,199	92,173	(23)	Capital surplus			
Others (Notes 2, 3,13 and 28)	<u>2,967,824</u>	<u>5,507,359</u>	(46)	Additional paid-in capital from share issuance in excess of par	1,884,561	795,561	137
Other financial assets, net	<u>9,570,695</u>	<u>7,522,414</u>	27	Capital surplus from business combination	8,076,524	8,076,524	-
Others				Others	<u>1,733</u>	<u>1,733</u>	-
PROPERTIES (Notes 2, 14 and 28)				Total capital surplus	<u>9,962,818</u>	<u>8,873,818</u>	12
Cost and revaluation increment				Retained earnings			
Land	4,692,274	4,779,926	(2)	Legal reserve	4,411,447	3,361,034	31
Buildings	4,689,941	4,736,553	(1)	Special reserve	367,188	282,977	30
Computer and machinery equipment	4,589,222	4,741,402	(3)	Unappropriated earnings	<u>2,735,871</u>	<u>1,490,550</u>	84
Transportation equipment	<u>1,210</u>	<u>1,342</u>	(10)	Total retained earnings	<u>7,514,506</u>	<u>5,134,561</u>	46
Total cost	13,972,647	14,259,223	(2)	Other adjustment			
Less: Accumulated depreciation	<u>5,771,062</u>	<u>5,692,444</u>	1	Cumulative translation adjustments	(235,529)	(57,394)	310
Prepayments for equipment and construction in progress	8,201,585	8,566,779	(4)	Unrealized gains on available-for-sale financial assets	183,237	177,137	3
Net properties	<u>475,880</u>	<u>287,717</u>	65	Unrealized losses on cash flow hedge	(28,833)	(19,357)	49
				Net loss not recognized as pension cost	(945,801)	(766,159)	23
				Unrealized revaluation increment on land	<u>1,030,154</u>	<u>1,030,154</u>	-
				Total other adjustment	<u>3,228</u>	<u>364,381</u>	(99)
INTANGIBLE ASSETS (Notes 2 and 15)	<u>958,481</u>	<u>985,492</u>	(3)	Total stockholders' equity	<u>70,055,021</u>	<u>62,591,229</u>	12
OTHER ASSETS (Notes 2, 16 and 27)	<u>4,616,169</u>	<u>5,353,148</u>	(14)				
TOTAL	<u>\$ 1,138,413,754</u>	<u>\$ 1,051,249,431</u>	8	TOTAL	<u>\$ 1,138,413,754</u>	<u>\$ 1,051,249,431</u>	8

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

(With Deloitte & Touche audit report dated August 4, 2011)

# BANK SINOPAC

## STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2011 AND 2010

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

	<u>2011</u>	<u>2010</u>	% Increase (Decrease)
	Amount	Amount	
INTEREST REVENUE (Notes 2 and 28)	\$ 10,388,848	\$ 8,659,306	20
INTEREST EXPENSE (Notes 2 and 28)	<u>4,128,011</u>	<u>2,741,563</u>	51
NET INTEREST	<u>6,260,837</u>	<u>5,917,743</u>	6
NET REVENUES OTHER THAN INTEREST (Note 2)			
Commission and fee revenues, net (Notes 24 and 28)	1,685,534	1,783,447	(5)
Gains from financial assets and liabilities at fair value through profit or loss (Note 6)	26,559	119,070	(78)
Realized losses on available-for-sale financial assets (Note 23)	(4,167)	(28,672)	(85)
Gains from (losses on) equity investments - equity method, net (Note 12)	93,778	(542,490)	117
Foreign exchange gain, net	453,070	153,841	195
Impairment losses on assets	-	(20,972)	100
Gains from disposal of properties	85,113	-	-
Losses on sale of nonperforming loans	(295,470)	-	-
Recovery of bad debts	331,609	500,340	(34)
Other net gains (losses) (Note 28)	<u>7,729</u>	<u>(46,111)</u>	117
Total net revenues	<u>8,644,592</u>	<u>7,836,196</u>	10
PROVISION FOR BAD DEBTS (Notes 2, 3, 8 and 9)	<u>226,507</u>	<u>1,072,315</u>	(79)
OPERATING EXPENSES (Notes 2, 25, 26 and 28)			
Personnel expenses	3,240,250	2,813,514	15
Depreciation and amortization	220,497	248,595	(11)
Others	<u>1,717,471</u>	<u>1,467,634</u>	17
Total operating expenses	<u>5,178,218</u>	<u>4,529,743</u>	14
INCOME BEFORE INCOME TAX	3,239,867	2,234,138	45
INCOME TAX EXPENSE (Notes 2 and 27)	<u>503,996</u>	<u>743,588</u>	(32)
NET INCOME	<u>\$ 2,735,871</u>	<u>\$ 1,490,550</u>	84
	<u>2011</u>	<u>2010</u>	
	Pretax	After Tax	Pretax
		After Tax	
EARNINGS PER SHARE (Note 23)			
Basic earnings per share	<u>\$ 0.65</u>	<u>\$ 0.55</u>	<u>\$ 0.46</u>
		<u>\$ 0.31</u>	

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

(With Deloitte & Touche audit report dated August 4, 2011)

**BANK SINOPAC**

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
SIX MONTHS ENDED JUNE 30, 2011 AND 2010  
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)**

	Issued and Outstanding Capital Stock (Note 23)		Capital Surplus (Notes 23)				Retained Earnings (Note 23)				Other Adjustment					Total Stockholders' Equity
	Common Stock		Share Issuance in Excess of Par	Capital Surplus from Business Combination	Others	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Cumulative Translation Adjustments (Note 2)	Unrealized Gains (Losses) on Available-for-sale Financial Assets (Notes 2 and 23)	Unrealized Gains (Losses) on Cash Flow Hedge (Notes 2 and 23)	Net Loss Not Recognized as Pension Cost (Note 2)	Unrealized Revaluation Increment on Land (Note 14)	
	Shares in Thousands	Amount														
BALANCE, JANUARY 1, 2011	4,955,047	\$ 49,550,469	\$ 1,128,561	\$ 8,076,524	\$ 1,733	\$ 9,206,818	\$ 3,361,034	\$ 282,977	\$ 3,501,375	\$ 7,145,386	\$ (220,752)	\$ 215,383	\$ (26,185)	\$ (945,801)	\$ 1,030,154	\$ 65,955,472
Appropriation of 2010 earnings																
Legal reserve	-	-	-	-	-	-	1,050,413	-	(1,050,413)	-	-	-	-	-	-	-
Cash dividends - \$0.35389480 per share	-	-	-	-	-	-	-	-	(1,753,565)	(1,753,565)	-	-	-	-	-	(1,753,565)
Bonus to stockholder - \$0.14074484 per share	-	-	-	-	-	-	-	-	(697,397)	(697,397)	-	-	-	-	-	(697,397)
Private placement of common stocks	302,400	3,024,000	756,000	-	-	756,000	-	-	-	-	-	-	-	-	-	3,780,000
Special reserve reclassified from trading loss reserve	-	-	-	-	-	-	-	84,211	-	84,211	-	-	-	-	-	84,211
Net income for the six months ended June 30, 2011	-	-	-	-	-	-	-	-	2,735,871	2,735,871	-	-	-	-	-	2,735,871
Unrealized gains or losses on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	(32,146)	-	-	-	-	(32,146)
Unrealized gains or losses on cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	(2,648)	-	-	-	(2,648)
Change in cumulative translation adjustments	-	-	-	-	-	-	-	-	-	-	(14,777)	-	-	-	-	(14,777)
<b>BALANCE, JUNE 30, 2011</b>	<b>5,257,447</b>	<b>\$ 52,574,469</b>	<b>\$ 1,884,561</b>	<b>\$ 8,076,524</b>	<b>\$ 1,733</b>	<b>\$ 9,962,818</b>	<b>\$ 4,411,447</b>	<b>\$ 367,188</b>	<b>\$ 2,735,871</b>	<b>\$ 7,514,506</b>	<b>\$ (235,529)</b>	<b>\$ 183,237</b>	<b>\$ (28,833)</b>	<b>\$ (945,801)</b>	<b>\$ 1,030,154</b>	<b>\$ 70,055,021</b>
BALANCE, JANUARY 1, 2010	4,821,847	\$ 48,218,469	\$ 795,561	\$ 8,076,524	\$ 1,733	\$ 8,873,818	\$ 2,746,023	\$ 282,977	\$ 2,050,036	\$ 5,079,036	\$ (66,530)	\$ (31,203)	\$ 22,130	\$ (766,159)	\$ 1,030,154	\$ 62,359,715
Appropriation of 2009 earnings																
Legal reserve	-	-	-	-	-	-	615,011	-	(615,011)	-	-	-	-	-	-	-
Cash dividends - \$0.16235 per share	-	-	-	-	-	-	-	-	(782,833)	(782,833)	-	-	-	-	-	(782,833)
Bonus to stockholder - \$0.13525 per share	-	-	-	-	-	-	-	-	(652,192)	(652,192)	-	-	-	-	-	(652,192)
Net income for the six months ended June 30, 2010	-	-	-	-	-	-	-	-	1,490,550	1,490,550	-	-	-	-	-	1,490,550
Unrealized gains or losses on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	208,340	-	-	-	-	208,340
Unrealized gains or losses on cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	(41,487)	-	-	-	(41,487)
Change in cumulative translation adjustments	-	-	-	-	-	-	-	-	-	-	9,136	-	-	-	-	9,136
<b>BALANCE, JUNE 30, 2010</b>	<b>4,821,847</b>	<b>\$ 48,218,469</b>	<b>\$ 795,561</b>	<b>\$ 8,076,524</b>	<b>\$ 1,733</b>	<b>\$ 8,873,818</b>	<b>\$ 3,361,034</b>	<b>\$ 282,977</b>	<b>\$ 1,490,550</b>	<b>\$ 5,134,561</b>	<b>\$ (57,394)</b>	<b>\$ 177,137</b>	<b>\$ (19,357)</b>	<b>\$ (766,159)</b>	<b>\$ 1,030,154</b>	<b>\$ 62,591,229</b>

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

(With Deloitte & Touche audit report dated August 4, 2011)

# BANK SINOPAC

## STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 2,735,871	\$ 1,490,550
Adjustments to reconcile net income to net cash (used in) provided by operating activities		
Depreciation and amortization	235,845	263,023
Amortization of premium or discount of financial assets	40,033	41,191
Amortization of premium or discount of bank debentures	1,014	725
Provision for credit and trading losses	226,507	1,069,353
Impairment losses on assets	-	20,972
Gains from disposal of financial assets designated at fair value through profit or loss	(5,945)	(707)
Unrealized (gains from) losses on financial assets designated at fair value through profit or loss	(13,242)	12,329
Realized losses on available-for-sale financial assets	4,167	28,672
(Gains from) losses on equity investments - equity method	(93,778)	542,490
Cash dividends received from investments under equity method	548,092	824,607
(Gains from) losses on sale and retirement of properties and idle assets	(83,916)	2,783
Gains from disposal of collaterals assumed, net	(132)	(1,593)
Accrued pension cost	(46,883)	(42,519)
Deferred income tax	415,929	(129,804)
Increase in held-for-trading financial assets	(15,394,460)	(2,454,790)
(Decrease) increase in held-for-trading financial liabilities	(2,019,806)	2,033,078
(Increase) decrease in accounts, interest and other receivables	(2,449,409)	2,750,553
Decrease in accounts, interest and other payables	(333,973)	(6,140,709)
Net cash (used in) provided by operating activities	<u>(16,234,086)</u>	<u>310,204</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease (increase) in due from the Central Bank and other banks	15,205,618	(1,100,915)
Increase in securities purchased under agreements to resell	(511,341)	-
Acquisition of financial assets designated at fair value through profit or loss	(611,229)	-
Proceeds from sale of financial assets designated at fair value through profit or loss	874,613	319,482
Proceeds from sale of non-active market debt instruments	9,898	7,569
Increase in discounts and loans	(25,090,321)	(40,349,525)
Acquisition of properties	(206,647)	(132,086)
Proceeds from sale of properties	36,331	2,593,554
Acquisition of available-for-sale financial assets	(207,344,655)	(164,049,690)
Proceeds from sale of available-for-sale financial assets	208,933,757	158,299,166
Acquisition of held-to-maturity investments	(551,450,658)	(142,031,145)
Proceeds from matured held-to-maturity investments	549,159,780	124,380,831
Acquisition of unquoted equity instruments	(1,464,540)	(1,434,375)
Proceeds from sale of collaterals assumed	22,947	53,015

(Continued)

# BANK SINOPAC

## STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

	2011	2010
Increase in other financial assets	\$ (217,944)	\$ (489,710)
Decrease in other assets	<u>4,860</u>	<u>416,219</u>
Net cash used in investing activities	<u>(12,649,531)</u>	<u>(63,517,610)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Decrease) increase in call loans and due to banks	(2,845,887)	8,961,795
Increase in securities sold under agreements to repurchase	634,399	5,520,188
Increase in deposits and remittances	32,029,478	34,305,141
Bank debentures issued	1,000,000	-
Repayment of bank debentures on maturity	(3,500,000)	(1,400,000)
Increase in other financial liabilities	2,586,793	7,931,840
Increase in other liabilities	479,990	13,422
Proceeds from the private placement of common stocks	3,780,000	-
Cash dividends	<u>(2,450,962)</u>	<u>-</u>
Net cash provided by financing activities	<u>31,713,811</u>	<u>55,332,386</u>
EFFECTS OF CHANGES IN EXCHANGE RATE	<u>(22,111)</u>	<u>(13,537)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,808,083	(7,888,557)
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>\$ 13,527,667</u>	<u>\$ 9,768,898</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ 4,044,395</u>	<u>\$ 2,950,942</u>
Income tax paid	<u>\$ 53,648</u>	<u>\$ 46,145</u>
<b>NON-CASH FINANCING ACTIVITIES</b>		
Dividends payable	<u>\$ -</u>	<u>\$ 1,435,025</u>

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

(With Deloitte & Touche audit report dated August 4, 2011)

(Concluded)

# BANK SINOPAC

## NOTES TO FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2011 AND 2010

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

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### 1. ORGANIZATION AND OPERATIONS

#### Organization

August 8, 1991	Bank SinoPac (the "Bank") obtained government approval to incorporate.
January 28, 1992	The Bank started operations.
May 9, 2002	The Bank swap shares with SinoPac Securities Corporation and SinoPac Securities Co., Ltd. (the "SPS") to established SinoPac Financial Holdings Company Limited (the "SPH"), a financial holding company, resulting in the Bank become an unlisted wholly owned subsidiary of SPH.
December 26, 2005	SPH finished the merger with International Bank of Taipei Co., Ltd. (IBT), through a 100% share swap.
May 8, 2006	The boards of directors of IBT resolved to transfer credit card business and related assets and liabilities to SinoPac Card Services Co., Ltd. ("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 June 30, 2011 and 2010, the Bank had a total of 4,749 and 4,648 employees, respectively.

As of June 30, 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**

### **Declaration of Applying Related Regulations and Accounting Principles Generally Accepted in the Republic of China (ROC)**

The Bank's financial statements were prepared in conformity with Criteria Governing the Preparation of Financial Reports by Public Banks, Criteria Governing the Preparation of Financial Reports by Securities Firms, Business Accounting Law, Guidelines Governing Business Accounting, the guidelines issued by the authority, and accounting principles generally accepted in the Republic of China (ROC).

### **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. 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.

### **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 and 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.

### **Accounting Estimates**

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.

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

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; (d) for the Bank debentures issued overseas and the overseas bonds-period-end reference prices published by Bloomberg, calculated by Internal model or provided by counterparty and (e) 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 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. 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.

## **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.

## **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.

## **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.

## **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.

## **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.

### **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.

### **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.

### **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 June 30, 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.

## **Properties, Rental properties and Idle Assets**

Properties, rental properties and idle 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, rental properties and idle 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**

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.

## **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 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.

### **Recognition of Revenue**

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.

### **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.

### **Reclassifications**

Certain accounts as of and for the six months ended June 30, 2010 have been reclassified to conform to the financial statement presentation as of and for the six months ended June 30, 2011.

## **3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES**

### **Financial Instruments**

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.

## Operating Segments

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 six months ended June 30, 2010 to conform to the disclosures as of and for the six months ended June 30, 2011.

### 4. CASH AND CASH EQUIVALENTS

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
Cash on hand	\$ 6,036,798	\$ 6,012,653
Due from other banks	5,838,641	2,361,571
Notes and checks in clearing	<u>1,652,228</u>	<u>1,394,674</u>
	<u>\$ 13,527,667</u>	<u>\$ 9,768,898</u>

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

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
Call loans to banks	\$ 21,395,752	\$ 35,217,149
Due from Central Banks - checking accounts	14,873,930	17,584,986
Deposit reserve - demand accounts	23,711,422	20,862,721
Deposit reserve - foreign currencies	<u>100,806</u>	<u>100,062</u>
	<u>\$ 60,081,910</u>	<u>\$ 73,764,918</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 6-1.

	<u>June 30</u>	
	<u>2011</u>	<u>2010</u>
Held for trading financial assets	\$ 40,907,527	\$ 17,844,898
Financial assets designated at fair value through profit or losses	<u>610,607</u>	<u>1,098,954</u>
	<u>\$ 41,518,134</u>	<u>\$ 18,943,852</u>
Held for trading financial liabilities	<u>\$ 7,487,306</u>	<u>\$ 10,669,364</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 6-2. The Bank's strategy is to hedge most of the market risk exposures using hedging instruments with market value changes that have a highly negative correlation with the changes in the market of the exposures being hedged.

Gains or losses of financial instruments at fair value through profit or loss for the six months ended June 30, 2011 and 2010 were as follows:

	<u>Six Months Ended June 30</u>	
	<u>2011</u>	<u>2010</u>
Held for trading financial assets and liabilities		
Realized (losses) gains	\$ (85,587)	\$ 101,432
Valuation gains	<u>92,959</u>	<u>29,260</u>
	<u>7,372</u>	<u>130,692</u>
Financial assets and liabilities designated at fair value through profit or loss		
Valuation (losses) gains	13,242	(12,329)
Realized gains	<u>5,945</u>	<u>707</u>
	<u>19,187</u>	<u>(11,622)</u>
	<u>\$ 26,559</u>	<u>\$ 119,070</u>

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

As of June 30, 2011, securities were purchased under agreements to resell at \$1,664,887 in July 2011.

As of June 30, 2011 and 2010, securities were sold under agreements to repurchase at \$3,703,273 and \$7,118,861 between July and September 2011 and between July and September 2010, respectively.

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

	<u>June 30</u>	
<b>Financial Assets</b>	<u>2011</u>	<u>2010</u>
Available-for-sale	\$ 3,701,852	\$ 7,118,233

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

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
Accounts receivable - factoring	\$ 17,706,751	\$ 25,407,513
Credit card receivable	16,843,295	16,451,287
Accounts receivable - forfaiting	4,409,543	1,204,902
Acceptances	2,020,044	2,333,740
Receivables from related parties (Note 27)	1,604,089	1,145,620
Interest receivable and revenue receivable	1,447,984	1,232,488
Accounts receivable and notes receivable	129,457	76,425
Others	<u>257,297</u>	<u>238,844</u>
	44,418,460	48,090,819
Less: Allowance for credit losses	<u>491,139</u>	<u>405,123</u>
	<u>\$ 43,927,321</u>	<u>\$ 47,685,696</u>

For the details of and changes in allowance for credit losses of accounts receivables, please refer to Table 7-1. The statement of the allowance for possible losses on receivables assessed for impairment, please refer to Table 7-3.

The credit card receivables as of June 30, 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 \$1,961,372 and \$2,285,040, respectively.

## 9. DISCOUNTS AND LOANS, NET

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
Negotiations	\$ 1,844,226	\$ 1,959,429
Overdrafts	7,798	9,056
Secured overdrafts	633,004	763,703
Accounts receivable - financing	2,570,309	2,972,004
Short-term loans	109,774,480	94,455,726
Short-term secured loans	57,962,396	56,591,058
Medium-term loans	104,718,074	91,033,374
Medium-term secured loans	80,095,362	72,770,064
Long-term loans	14,411,515	10,520,335
Long-term secured loans	345,998,547	361,953,574
Nonperforming loans transferred from loans	<u>2,435,993</u>	<u>3,728,403</u>
	720,451,704	696,756,726
Allowance for credit losses	(5,148,992)	(4,543,659)
Discount on discounts and loans	(185,098)	-
Adjustment of hedge valuation	<u>6,003</u>	<u>12,117</u>
	<u>\$ 715,123,617</u>	<u>\$ 692,225,184</u>

As of June 30, 2011 and 2010, the balances of nonaccrual interest loans were \$2,552,869 and \$3,975,131, respectively. The unrecognized interest revenues on nonaccrual interest loans amounted to \$40,197 and \$62,924 for the six months ended June 30, 2011 and 2010, respectively.

For the six months ended June 30, 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, please refer to Table 7-1. The statement of the allowance for possible losses on discounts and loans assessed for impairment, please refer to Table 7-3.

#### 10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Related information regarding available-for-sale financial assets please refer to Table 6-3.

#### 11. HELD-TO-MATURITY INVESTMENTS

Related information regarding held-to-maturity financial assets please refer to Table 6-4.

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

	<b>Balance of Equity Investments</b>		<b>Income (Loss) from Equity Investments</b>	
	<b>June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
SinoPac Bancorp	\$ 4,458,648	\$ 5,725,718	\$ (219,932)	\$ (847,604)
SinoPac Capital Limited (H.K.)	1,157,333	1,261,885	24,454	11,939
SinoPac Life Insurance Agent Co., Ltd.	331,668	333,190	276,071	277,592
SinoPac Property Insurance Agent Co., Ltd.	<u>19,330</u>	<u>21,727</u>	<u>13,185</u>	<u>15,583</u>
	<u>\$ 5,966,979</u>	<u>\$ 7,342,520</u>	<u>\$ 93,778</u>	<u>\$ (542,490)</u>

The bank recognized investment income under equity method for the six months ended June 30, 2011 and 2010, respectively, based on the investees' audited 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 6-5.

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, March 30, 2011 and June 28, 2011 amounting to US\$30,000 thousand, \$40,000 thousand, \$30,000 thousand, \$30,000 thousand and \$20,000 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 June 30, 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>June 30</u>	
	<u>2011</u>	<u>2010</u>
Cost and revaluation increment	\$ <u>13,972,647</u>	\$ <u>14,259,223</u>
Accumulated depreciation		
Buildings	2,024,703	1,925,090
Computer and machinery equipment	3,745,294	3,766,436
Transportation equipment	<u>1,065</u>	<u>918</u>
	<u>5,771,062</u>	<u>5,692,444</u>
Advances on acquisitions of equipment and construction in progress	<u>475,880</u>	<u>287,717</u>
Net properties	<u>\$ 8,677,465</u>	<u>\$ 8,854,496</u>

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

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

#### 15. INTANGIBLE ASSETS

	<u>June 30</u>	
	<u>2011</u>	<u>2010</u>
Goodwill - credit card department	\$ 876,717	\$ 876,717
Computer software	<u>81,764</u>	<u>108,775</u>
	<u>\$ 958,481</u>	<u>\$ 985,492</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 June 30, 2011.

## 16. OTHER ASSETS

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
Deferred income tax assets (Note 27)	\$ 1,653,814	\$ 2,583,071
Rental properties, net	1,281,810	1,234,392
Collaterals assumed, net of accumulated impairment \$72,819 and \$72,819, respectively	515,124	545,741
Idle assets, net	458,914	419,085
Deferred pension cost	271,384	303,360
Prepayment	208,275	172,687
Temporary payment	187,787	46,628
Land value increment tax	34,792	34,792
Others	<u>4,269</u>	<u>13,392</u>
	<u>\$ 4,616,169</u>	<u>\$ 5,353,148</u>

## 17. CALL LOANS AND DUE TO BANKS

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
Call loans	\$ 43,789,879	\$ 30,954,049
Redeposit from the directorate general of postal remittance	17,804,335	20,317,965
Due to banks	147,676	37,162
Due to the Central Bank	<u>-</u>	<u>22,379</u>
	<u>\$ 61,741,890</u>	<u>\$ 51,331,555</u>

## 18. ACCOUNTS, INTEREST AND OTHER PAYABLES

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
Accounts payable - factoring	\$ 4,441,693	\$ 10,721,059
Acceptance payable	2,020,044	2,333,740
Notes and checks in clearing	1,652,228	1,394,674
Dividends payable (Note 23)	1,435,025	1,435,025
Interest payable	1,380,885	1,122,039
Accrued expenses	1,344,505	961,245

(Continued)

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
Tax payable	\$ 101,667	\$ 139,768
Accounts payable	97,536	392,940
Receipts under custody payable	96,433	108,860
Others	<u>601,291</u>	<u>644,963</u>
	<u>\$ 13,171,307</u>	<u>\$ 19,254,313</u> (Concluded)

## 19. DEPOSITS AND REMITTANCES

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
Checking	\$ 11,918,072	\$ 12,738,530
Demand	167,504,615	147,672,206
Savings - demand	220,374,230	211,288,716
Time	302,036,503	256,230,357
Negotiable certificates of deposit	26,646,500	40,869,700
Savings - time	203,630,525	181,308,623
Inward remittances	533,182	246,431
Outward remittances	<u>101,244</u>	<u>116,463</u>
	<u>\$ 932,744,871</u>	<u>\$ 850,471,026</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 6-6.

## 21. OTHER FINANCIAL LIABILITIES

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
Principal of structured products	\$ 17,856,978	\$ 18,149,441
Appropriated loan fund from the government	417,050	467,208
Guarantee deposits received	248,346	251,667
Hedging derivative financial liabilities	40,742	35,438
Contingent losses (Note 13)	<u>-</u>	<u>2,187,937</u>
	<u>\$ 18,563,116</u>	<u>\$ 21,091,691</u>

## 22. OTHER LIABILITIES

	<u>June 30</u>	
	<u>2011</u>	<u>2010</u>
Accrued pension cost	\$ 1,554,810	\$ 1,443,051
Temporary receipt	1,109,317	464,953
Reserve for land value increment tax	430,599	430,599
Advance receipt	151,917	267,052
Deferred income tax liabilities (Note 27)	66,102	240,104
Others	<u>51,330</u>	<u>196,508</u>
	<u>\$ 3,364,075</u>	<u>\$ 3,042,267</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. And the Bank set August 31, 2010 as the effective date of capitalization.

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 June 24, 2011, with 302,400 thousand shares, par value at \$10, and issue price at \$12.5. And the Bank set June 30, 2011 as the effective date of capitalization.

### 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 2.5% of the remaining earnings which allocated stockholders' dividends as employee bonus.

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 \$16,680 for the six months ended June 30, 2011. The Bank accrued bonus to remuneration to directors of \$13,344 for the six months ended June 30, 2011. The Bank did not accrue the bonus to employees and the remuneration to directors and supervisors for the six months ended June 30, 2010, because the Bank did not meet the requirement under the Bank's Articles of Incorporations. 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 June 24, 2011 and June 25, 2010, the board of directors which execute the rights and functions of the stockholders' meeting resolved the appropriation of earnings for 2010 and 2009 as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For Year 2010</b>	<b>For Year 2009</b>	<b>For Year 2010</b>	<b>For Year 2009</b>
Legal reserve	\$ 1,050,413	\$ 615,011		
Cash dividends	1,753,565	782,833	\$0.35389480	\$0.16235
Bonus to stockholders	<u>697,397</u>	<u>652,192</u>	0.14074484	0.13525
	<u>\$ 3,501,375</u>	<u>\$ 2,050,036</u>		

The bonus to employees of \$17,435 and \$16,305 and the remuneration to directors and supervisors of \$13,948 and \$10,835 for 2010 and 2009 respectively were resolved by the board of directors on June 24, 2011 and June 25, 2010. The resolution on the payment of employee bonus and remuneration to directors and supervisors was consistent with those shown in the financial statement of 2010 and 2009.

In accordance with FSC guideline No. 09900146911, 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 six months ended June 30, 2011 and 2010, respectively, were summarized as follows:

	<b>Available-for- sale Financial Assets</b>	<b>Equity Investments - Equity Method</b>	<b>Total</b>
<u>Six months ended June 30, 2011</u>			
Balance, January 1	\$ 170,629	\$ 44,754	\$ 215,383
Recognized in stockholders' equity	(46,744)	10,431	(36,313)
Transferred to profit or loss	<u>4,167</u>	<u>-</u>	<u>4,167</u>
Balance, June 30	<u>\$ 128,052</u>	<u>\$ 55,185</u>	<u>\$ 183,237</u>
<u>Six months ended June 30, 2010</u>			
Balance, January 1	\$ (77,898)	\$ 46,695	\$ (31,203)
Recognized in stockholders' equity	159,942	19,726	179,668
Transferred to profit or loss	<u>28,672</u>	<u>-</u>	<u>28,672</u>
Balance, June 30	<u>\$ 110,716</u>	<u>\$ 66,421</u>	<u>\$ 177,137</u>

The movements of unrealized gains or losses of cash flows hedge for the six months ended June 30, 2011 and 2010, respectively, were summarized as follows:

	<b>Six Months Ended June 30</b>	
	<b>2011</b>	<b>2010</b>
Balance, January 1	\$ (26,185)	\$ 22,130
Recognized in stockholders' equity	(2,648)	(41,487)
Transferred to profit or loss	<u>-</u>	<u>-</u>
Balance, June 30	<u>\$ (28,833)</u>	<u>\$ (19,357)</u>

f. Earnings per share

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

	<b>Numerator (Amounts)</b>		<b>Denominator (Shares in Thousands)</b>	<b>EPS (NT\$)</b>	
	<b>Pretax</b>	<b>After Tax</b>		<b>Pretax</b>	<b>After Tax</b>
<u>Six months ended June 30, 2011</u>					
Basic EPS	<u>\$ 3,239,867</u>	<u>\$ 2,735,871</u>	<u>4,956,718</u>	<u>\$ 0.65</u>	<u>\$ 0.55</u>
<u>Six months ended June 30, 2010</u>					
Basic EPS	<u>\$ 2,234,138</u>	<u>\$ 1,490,550</u>	<u>4,821,847</u>	<u>\$ 0.46</u>	<u>\$ 0.31</u>

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

	<b>Six Months Ended June 30</b>	
	<b>2011</b>	<b>2010</b>
Commissions and fees revenues	\$ 2,000,361	\$ 2,075,598
Commissions and fees expenses	<u>(314,827)</u>	<u>(292,151)</u>
	<u>\$ 1,685,534</u>	<u>\$ 1,783,447</u>

**25. OPERATING EXPENSES**

	<b>Six Months Ended June 30</b>	
	<b>2011</b>	<b>2010</b>
Personnel expenses		
Salaries and wages	\$ 2,623,533	\$ 2,225,624
Pension	266,889	245,209
Labor insurance and national health insurance	169,027	152,795
Others	<u>180,801</u>	<u>189,886</u>
	3,240,250	2,813,514
Depreciation	196,823	218,995
Amortization	23,674	29,600
Others	<u>1,717,471</u>	<u>1,467,634</u>
	<u>\$ 5,178,218</u>	<u>\$ 4,529,743</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 \$80,912 and \$70,373 for the six months ended June 30, 2011 and 2010, respectively. For the six months ended June 30, 2011 and 2010, the pension expense amounted to \$185,977 and \$174,836, 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:

	<b>Six Months Ended June 30</b>	
	<b>2011</b>	<b>2010</b>
Current income tax payable	\$ 52,425	\$ 366,275
Separate taxes	-	31,533
Deferred income taxes	415,929	(129,804)
Effect of tax law changes on deferred income taxes	-	472,733
Adjustment for prior years tax	10,677	(3,966)
Overseas income taxes over limitation	<u>24,965</u>	<u>6,817</u>
Income tax expense	<u>\$ 503,996</u>	<u>\$ 743,588</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:

	<b>Six Months Ended June 30</b>	
	<b>2011</b>	<b>2010</b>
Tax on pretax income at 17% statutory rate	\$ 550,777	\$ 379,804
Add (deduct) tax effects of:		
Tax-exempt income	(231)	20,107
Permanent difference	(82,070)	(44,716)
Temporary difference	32,749	158,393
Loss carryforwards	<u>(448,800)</u>	<u>(147,313)</u>
Current income tax payable	<u>\$ 52,425</u>	<u>\$ 366,275</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 June 30, 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:

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
Loss carryforwards	\$ 1,416,452	\$ 2,315,574
Deferred pension cost	220,705	226,810
Unrealized loss or gain on foreign exchange and revaluation of financial instrument, net	(44,743)	(16,075)
Personnel training expenditures	-	25,457
Allowance for credit loss over limit	-	1,927
Others	87,900	55,878
Valuation allowance	<u>(26,500)</u>	<u>(26,500)</u>
Deferred income tax assets, net	<u>\$ 1,653,814</u>	<u>\$ 2,583,071</u>
Investment income under the equity method	\$ (19,547)	\$ (193,549)
Others	<u>(46,555)</u>	<u>(46,555)</u>
Deferred income tax liabilities, net	<u>\$ (66,102)</u>	<u>\$ (240,104)</u>

The unused loss carryforwards as of June 30, 2011 were as follows:

<b>Deficit Year</b>	<b>The Last Year of Claiming Deductible Loss</b>	<b>Amount</b>
2007	2017	\$ 643,450
2008	2018	6,166,540
2009	2019	<u>1,522,078</u>
		<u>\$ 8,332,068</u>

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

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
Receivables from related parties	<u>\$ 1,604,089</u>	<u>\$ 1,145,620</u>

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

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
Balances of imputed tax credit account	<u>\$ 1,910,688</u>	<u>\$ 3,154,069</u>

The creditable tax ratio used for distributing earnings generated in 2010 and 2009 were 20.48% and 33.33%, respectively.

- g. As of June 30, 2011, the unappropriated earnings generated before January 1, 1997 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, IBT and SinoPac Card Services Co., Ltd., income tax returns through 2006 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

<b>Name</b>	<b>Relationship with the Bank</b>
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

(Continued)

Name	Relationship with the Bank
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.	Overseas subsidiary of the Bank
Grand Capital International Limited (Grand Capital)	Subsidiary of SPL
Intellisys Corporation	Subsidiary of SinoPac Venture Capital
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
E Ink Holdings Co., Ltd. (E Ink Holdings)	Affiliate of the Bank's director
Rung-Tzung Investment Corp. (Rung-Tzung Investment)	Affiliate of the second-degree of kinship of the director of SinoPac Securities
Ho, Shou Chuan	President of SPH
Chang, Xing Ru	The spouse of the president of SPH
Chang, Wan Ru	The second-degree of kinship of the president of SPH
Chen 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
Zhong, Dau Cheng	Manager of the Bank
Jhuo, Shu Lin	Manager of the Bank
Ji, Ying Huei	Manager of the Bank
Liang, Ya Zi	Manager of the Bank
Huang, Shiou Jyuan	Manager of the Bank
Lee, Jhong lan	Manager of the Bank
Chang, Jia Jyun	Manager of the Bank
Chang, Ping Chou	Manager of the Bank
Lin, Jian Ying	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	
	June 30		June 30	
	2011	2010	2011	2010
1) Due from banks				
Due from banks - FENB	\$ 69,247	\$ 23,985	1.19%	1.02%

## 2) Derivative financial instruments

<b>June 30, 2011</b>					
	<b>Contract (Notional) Amount</b>	<b>Contract Period</b>	<b>Fair Value</b>	<b>Balance Sheet</b>	
				<b>Account</b>	<b>Balance</b>
Currency swap contracts					
SinoPac Capital Ltd.	\$ 831,094	2011.6.23- 2011.7.25	\$ 68	Financial assets at fair value through profit or loss	\$ 68
FENB	771,591	2011.6.3- 2011.7.19	(27)	Financial liabilities at fair value through profit or loss	(27)
Interest rate swap contracts					
SinoPac Securities	38,065,000	2007.1.3- 2016.6.23	(43,072)	Financial liabilities at fair value through profit or loss	(43,072)
Forward Contracts					
E Ink Holdings	388,827	2011.3.10- 2011.9.2	49	Financial assets at fair value through profit or loss	49
<b>June 30, 2010</b>					
	<b>Contract (Notional) Amount</b>	<b>Contract Period</b>	<b>Fair Value</b>	<b>Balance Sheet</b>	
				<b>Account</b>	<b>Balance</b>
Currency swap contracts					
SinoPac Capital Ltd.	\$ 937,299	2010.6.21- 2010.7.21	\$ 177	Financial assets at fair value through profit or loss	\$ 177
FENB	505,260	2010.6.7- 2010.7.23	(1)	Financial liabilities at fair value through profit or loss	(1)
Interest rate swap contracts					
SinoPac Securities	33,185,000	2007.1.3- 2015.7.1	(68,618)	Financial liabilities at fair value through profit or loss	(68,618)
Forward Contracts					
E Ink Holdings	1,300,803	2010.4.27- 2010.12.31	155	Financial assets at fair value through profit or loss	155
Non-delivery forward contract - short position					
FENB	82,475	2009.9.8- 2010.12.2	(725)	Financial liabilities at fair value through profit or loss	(725)

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

As of June 30, 2011 and 2010, other receivables from related parties amounted to \$90,155 and \$66,290, respectively. These include the accrued commission of SPLIA and SPPIA amounted to \$78,172 thousands as of June, 30 2011, and the dividends receivables of SPPIA amounted to \$57,163 thousands as of June 30, 2010. As of June 30, 2011 and 2010, other payables to related parties amounted to \$16,368 and \$22,614, respectively.

The Bank's dividends payable to SPH amounted to \$1,435,025 as of June 30, 2011 and 2010, respectively.

As of June 30, 2011 and 2010, the Bank's estimated receivables resulting from the adoption of the linked-tax system amounted to \$1,604,089 and \$1,145,620, respectively.

## 4) Loans

	<b>Six months ended June 30, 2011</b>				
	<b>June 30, 2011 Balance</b>	<b>Highest Balance</b>	<b>% of Total</b>	<b>Interest/ Fee Rates (%)</b>	<b>Interest Revenue</b>
Loans	<u>\$ 7,114,507</u>	<u>\$ 8,044,391</u>	<u>0.99</u>	1.19813-6.69	<u>\$ 83,721</u>

June 30, 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	39	\$ 15,199	\$ 12,161	V	-	None	Yes
Households mortgages	226	1,518,069	1,401,746	V	-	Real estate	Yes
Others:	Grand Capital	3,173,292	3,023,411	V	-	Movable	Yes
	SPL	2,158,000	1,962,000	V	-	Real estate and movable	Yes
	SinoPac Securities	335,000	-	V	-	Real estate	Yes
	BoardTek Electronics	305,554	253,154	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
	FEC, LLC	38,476	-	V	-	Real estate	Yes
	Chen Hsu, Yu, Rong	4,441	4,097	V	-	Real estate	Yes
	Yu, Xiu Zhong	4,255	-	V	-	Certificate of deposit	Yes
	Huang, Shiou Jyuan	3,251	-	V	-	Certificate of deposit	Yes
	Lee, Jhong Lan	800	740	V	-	Movable	Yes
	Chang, Jia Jyun	599	398	V	-	Certificate of deposit	Yes
	Jhuo, Shu Lin	596	-	V	-	Certificate of deposit	Yes
	Ji, Ying Huei	59	-	V	-	Certificate of deposit	Yes
	Others subtotal	<u>6,511,123</u>	<u>5,700,600</u>				
		<u>\$ 8,044,391</u>	<u>\$ 7,114,507</u>				

Six months ended June 30, 2010

	June 30, 2010 Balance	Highest Balance	% of Total	Interest/Fee Rates (%)	Interest Revenue
Loans	<u>\$ 5,480,948</u>	<u>\$ 6,101,521</u>	<u>0.79</u>	0.7-6.5	<u>\$ 83,587</u>

June 30, 2010

Category	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collaterals	Is the Transaction at Arm's Length Commercial Term
Employees consuming loan	24	\$ 9,460	\$ 8,486	V	-	None	Yes
Households mortgages	207	1,366,331	1,202,460	V	-	Real estate	Yes
Others:	SPL	2,535,000	2,139,000	V	-	Real estate	Yes
	SinoPac Capital (Asia) Ltd.	758,533	758,533	V	-	Movable	Yes
	Grand Capital	516,448	512,252	V	-	Movable	Yes
	BoardTek Electronics	410,354	357,954	V	-	Real estate	Yes
	Rung-Tzung Investment	246,671	246,671	V	-	Real estate	Yes
	Yung An Leasing	198,800	198,800	V	-	Real estate	Yes
	FEC, LLC	43,535	42,835	V	-	Real estate	Yes
	Taiwan Genome Sciences, Inc.	7,500	7,500	V	-	Real estate	Yes
	Chen Hsu, Yu Rong	6,370	4,931	V	-	Real estate	Yes
	Jhuo, Shu Lin	1,976	1,526	V	-	Certificate of deposit	Yes
	Lin Xu, Li Hong	320	-	V	-	Certificate of deposit	Yes
	Chang, Ping Chou	125	-	V	-	Certificate of deposit	Yes

(Continued)

June 30, 2010

Category	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collaterals	Is the Transaction at Arm's Length Commercial Term
	Lin, Jian Ying	\$ 47	\$ -	V	-	Certificate of deposit	Yes
	Zhong, Dau Cheng	22	-	V	-	Certificate of deposit	Yes
	Huang, Shiou Jyuan	17	-	V	-	Certificate of deposit	Yes
	Liang, Ya Zi	7	-	V	-	Certificate of deposit	Yes
	Guo, Kai Wei	5	-	V	-	Certificate of deposit	Yes
	Others subtotal	<u>4,725,730</u>	<u>4,270,002</u>				
		<u>\$ 6,101,521</u>	<u>\$ 5,480,948</u>				

(Concluded)

### 5) Guarantees

June 30, 2011

Related Party	The Highest Balance in Current Period	Ending Balance	Provision	Rates	Type of Collaterals	Note
SPL	\$ 432,030	\$ 432,030	\$ -	0.3%	Real estate and movable	
SinoPac Securities	2,000	2,000	-	0.3%	Certificate of deposit	
Other	665	280	-	1.41%-1.49%	None	Note

Note: The guarantees are employees consuming loans.

June 30, 2010

Related Party	The Highest Balance in Current Period	Ending Balance	Provision	Rates	Type of Collaterals	Note
SinoPac Securities	\$ 2,000	\$ 2,000	\$ -	0.3%	Certificate of deposit	
Other	2,650	1,390	-	1.25%-2.75%	None	Note

Note: The guarantees are employees consuming loans.

### 6) Properties transaction

In February, 2011, the Bank sold properties with book value of \$4,686 and \$662 to SPLIA and SPPIA. In addition, properties with book value of \$3,682 were purchased from SPLIA. Above transactions did not generate any gains or losses.

### 7) Securities purchased under agreements to resell

	<u>June 30, 2011</u>		<u>Six Months Ended June 30, 2011</u>
	Face Amount	Cost	Interest Revenue
SinoPac Capital (Asia) Ltd.	\$ 1,595,055	\$ 1,432,210	\$ 3,891

8) Securities sold under agreements to repurchase

	<b>June 30, 2011</b>		<b>Six Months Ended June 30, 2011</b>
	<b>Face Amount</b>	<b>Cost</b>	<b>Interest Expense</b>
	Ho, Shou Chuan	\$ 180,000	\$ 178,993

  

	<b>June 30, 2010</b>		<b>Six Months Ended June 30, 2010</b>
	<b>Face Amount</b>	<b>Cost</b>	<b>Interest Expense</b>
	Ho, Shou Chuan	\$ 180,000	\$ 174,147
Chang, Xing Ru	32,000	31,531	77
Chang, Wan Ru	-	-	4

9) Guarantee deposits

	<b>Ending Balance</b>		<b>% of Total</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
SinoPac Futures	\$ 31,961	\$ 32,050	3.29%	3.53%
SPL	11,414	11,414	1.18%	1.26%

10) Guarantee deposits received

	<b>Ending Balance</b>		<b>% of Total</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
SinoPac Securities	\$ 2,648	\$ 2,648	1.07%	1.05%
SPL	1,474	1,474	0.59%	0.59%
SPLIA	560	-	0.23%	-
SinoPac Call Center	550	1,170	0.22%	0.46%
SPPIA	84	-	0.03%	-

11) Deposits

	<b>Ending Balance</b>	<b>% of Total</b>	<b>Interest Rate (%)</b>	<b>Interest Expense</b>	<b>% of Total</b>
<u>Six months ended June 30, 2011</u>					
SinoPac Securities	\$ 4,304,930	0.46%	0-1.13	\$ 9,669	0.23%
SinoPac Venture Capital	1,092,462	0.12%	0.02-0.16	789	0.02%
E Ink Holdings	710,411	0.08%	0.02-0.16	146	-
SinoPac Securities (Asia) Ltd.	627,900	0.07%	0-1.5	582	0.01%
SPLIA	471,734	0.05%	0.16	1,081	0.03%
Others	9,598,110	1.03%	0-13	70,450	1.71%

(Continued)

	<b>Ending Balance</b>	<b>% of Total</b>	<b>Interest Rate (%)</b>	<b>Interest Expense</b>	<b>% of Total</b>
<u>Six months ended June 30, 2010</u>					
SinoPac Securities	\$ 3,069,362	0.36%	0-0.9	\$ 4,728	0.17%
SPH	2,721,334	0.32%	0-0.18	133	-
SinoPac Venture Capital	1,129,700	0.13%	0.02-0.11	531	0.02%
SinoPac Futures	1,086,602	0.13%	0.11-0.54	2,216	0.08%
SinoPac Securities (Asia) Ltd.	774,484	0.09%	0-1.5	1,199	0.04%
Others	6,301,182	0.74%	0-13	25,236	0.92%
					(Concluded)

12) Revenues and expenses

	<u>Amount</u>		<u>% of Total</u>	
	<u>Six Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Commissions and fees revenues	\$ 120,717	\$ 16,632	6.03%	0.80%
Commissions and fees expenses	557	1,376	0.18%	0.47%
Marketing expense	10,776	4,800	0.63%	0.33%
Professional advisory charges	78,721	80,757	4.58%	5.50%
Office expense	6,083	10,697	0.35%	0.73%
Other operating expense	1,687	13,071	0.10%	0.89%
Other revenues	5,086	4,852	65.80%	(10.52%)

The Bank had entered into several co-sell insurance contracts with SPLIA and SPPIA. The service fee revenue for the six months ended June 30, 2011 was amounted to \$96,823. The Bank had entered into professional advisory contracts with SinoPac Call Center. The professional advisory charges and other operating expenses paid for the six months ended June 30, 2011 and 2010 amounted to \$79,119 and \$93,003, respectively.

13) Lease

a) The Bank as a lessee

<b>Lessor</b>	<u>Other operating expense</u>		<b>Lease Term</b>	<b>Payment Frequency</b>
	<u>Six Months Ended June 30</u>	<u>Six Months Ended June 30</u>		
	<u>2011</u>	<u>2010</u>		
SPL	\$ 62,397	\$ 60,505	February 2020	Rentals paid monthly

b) The Bank as a lessor

Lessee	Rental Income		Lease Term	Payment Frequency
	Six Months Ended June 30			
	2011	2010		
SinoPac Securities	\$ 9,764	\$ 9,794	March 2016	Rentals received monthly
SinoPac Securities	6,936	6,936	September 2017	Rentals received monthly
Investment Trust				
SinoPac Call Center	1,370	3,239	April 2014	Rentals received monthly
SPL	2,946	2,946	July 2011	Rentals received monthly
Intellisys Corporation	1,668	1,668	December 2013	Rentals received monthly
SPLIA	1,565	990	January 2014	Rentals received monthly
SPPIA	233	135	January 2014	Rentals received monthly

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

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

## 29. RESTRICTED ASSETS

Pledged or restricted assets of the Bank as of June 30, 2011 and 2010 are summarized as follows:

Restricted Assets	Object	Fair Value		Purposes
		June 30		
		2011	2010	
Discounts and loans	Loans	\$ 2,188,866	\$ 2,604,286	Pledged with the Federal Reserve Bank under the discount window program
Available-for-sale financial assets	Government bonds	510,303	505,960	Pledged to court as collaterals for filing provisional seizure, GTSM as bond payment settlement reserves for electronic bond trading system, deposits for conducting of discretionary investment business by SICE, a trust reserve fund
Held-to-maturity investments	Government bonds	184,854	207,167	Hong Kong branch's clearing system of real - time gross settlement
Held-to-maturity investments	Negotiable certificate of deposits	144,010	161,390	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
July 1 to December 31, 2011	\$ 165,135
2012	272,454
2013	196,168
2014	142,417
2015	112,896

Rentals for the years beyond 2016 amount to \$183,533, the present value of which is about \$167,824 as discounted at the Bank's one-year time deposit rate of 1.27% on June 30, 2011.

b. Equipment purchase contract

The Bank had entered into contracts to buy computer equipment and office equipment for \$708,516, of which \$465,141 had already been paid as of June 30, 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 Supreme Administrative Court judged that the aforementioned judge shall be abolished and remanded. After the initial trial, the Taipei High Administrative Court has ruled against the Bank on October 12, 2010, and the Bank has appealed the ruling with the Supreme Administrative Court.

### 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.

	Six Months Ended June 30			
	2011		2010	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Due from the Central Bank and other banks	\$ 26,956,429	0.57	\$ 22,398,572	0.42
Call loans to banks	26,485,526	0.69	42,347,876	0.50
Financial assets at fair value through profit or loss	42,551,284	1.02	6,319,450	1.76
Securities purchased under agreements to resell	1,617,635	0.70	149,924	0.10
Available-for-sale financial assets	36,563,446	1.79	29,815,832	1.57
Discounts and loans	707,759,148	2.08	679,973,206	1.90
Accounts receivable - factoring	9,334,599	1.24	8,564,406	1.17
Credit card receivable	10,095,879	13.30	11,232,900	14.37
Held-to-maturity investments	187,041,973	0.79	128,371,212	0.68
Other financial assets	240,794	0.47	252,184	0.55
<u>Interest-bearing liabilities</u>				
Due to the Central Bank and other banks	18,799,731	1.24	20,748,188	1.03
Call loans	43,054,737	0.64	23,260,275	0.34
Securities sold under agreements to repurchase	3,691,270	0.48	5,209,244	0.21
Demand	161,198,571	0.13	147,725,790	0.11
Savings - demand	226,053,069	0.40	212,578,958	0.35
Time	293,066,324	0.83	256,051,655	0.58
Savings - time	196,121,719	1.16	179,411,977	1.01
Negotiable certificates of deposit	26,167,494	0.68	26,752,659	0.37
Bank debentures	30,213,011	2.00	26,781,714	2.06
Other liabilities - appropriated loan fund	423,146	0.94	477,279	0.93

## 32. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments

	June 30			
	2011		2010	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<u>Financial assets</u>				
Other short-term financial assets	\$ 117,596,629	\$ 117,596,629	\$ 130,073,892	\$ 130,073,892
Financial assets at fair value through profit or loss	41,518,134	41,518,134	18,943,852	18,943,852
Discounts and loans	715,123,617	715,123,617	692,225,184	692,225,184
Available-for-sale financial assets	31,407,210	31,407,210	37,301,038	37,301,038
Held-to-maturity investments	201,374,286	201,379,908	141,501,775	141,517,480
Equity investments-equity method	5,966,979	5,966,979	7,342,520	7,342,520
Unquoted equity instruments	6,531,672	-	1,922,882	-
Non-active market debt instruments	71,199	69,561	92,173	84,228
Other financial assets	2,967,824	2,967,824	5,507,359	5,507,359
<u>Financial liabilities</u>				
Other short-term financial liabilities	78,513,382	78,513,382	77,564,333	77,564,333
Financial liabilities at fair value through profit or loss	7,487,306	7,487,306	10,669,364	10,669,364
Deposits and remittances	932,744,871	932,744,871	850,471,026	850,471,026
Bank debentures	27,584,316	28,093,259	25,679,753	26,036,272
Other financial liabilities	18,563,116	18,563,116	21,091,691	21,091,691

### 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 hedging 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 PEM instruments 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 \$9,470,163 and \$8,131,395, for the six months ended June 30, 2011 and 2010, respectively. Interest expense of financial assets and liabilities other than those at fair value through profit or loss amounted to \$3,239,207 and \$2,234,730, for the six months ended June 30, 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	
	June 30		June 30	
	2011	2010	2011	2010
<u>Financial assets</u>				
Financial assets at fair value through profit or loss	\$ 5,394,635	\$ 15,705,308	\$ 36,123,499	\$ 3,238,544
Available-for-sale financial assets	10,349,307	35,307,030	21,057,903	1,994,008
Held-to-maturity investments	-	141,517,480	201,379,908	-
Other financial assets - non-active market debt instruments	-	-	69,561	84,228
<u>Financial liabilities</u>				
Financial liabilities at fair value through profit or loss	15,256	10,473,361	7,472,050	196,003
Bank debentures	26,099,938	21,949,744	1,993,321	4,086,528

The fair value hierarchy of the Bank's financial instruments as of June 30, 2011 was as follows:

Item	June 30, 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	\$ 821,342	\$ 821,342	\$ -	\$ -
Investment in bonds	4,127,308	3,977,269	148,579	1,460
Others	28,699,913	595,155	28,103,862	896
Financial assets designated at FVTPL				
	610,607	-	435,824	174,783
Available-for-sale financial assets				
Investment in stocks	73,915	73,915	-	-
Investment in bonds	25,556,168	10,275,392	15,280,776	-
Others	5,777,127	-	5,345,097	432,030
Other financial assets				
Non-active market debt instruments	69,561	-	-	69,561
<u>Derivative financial Instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Held for trading financial assets	7,258,964	869	7,104,330	153,765
Other financial assets				
Hedging derivative financial assets	93,682	-	93,682	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Held for trading financial liabilities	7,487,306	15,256	7,317,331	154,719
Other financial liabilities				
Hedging derivative financial liabilities	40,742	-	40,742	-

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 or 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 financial instruments. 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, related party transactions, and observable price and relativity of similar financial products.
- 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 data, or variables that can be verified through publicly observable data.

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

**Level 3 Fair Value Classification Financial Assets**  
Six Months Ended June 30, 2011  
(In Thousands of New Taiwan Dollars)

Name	Beginning Balance	Valuation Gain/Loss Reflected on Income Statement or in Shareholders' Equity	Increase		Decrease		Foreign Exchange Rate Effect	Ending 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	\$ (37,513)	\$ 225,037	\$ 43,397	\$ 225,307	\$ -	\$ (4,435)	\$ 2,356
Financial assets designated at fair value through profit or loss	-	(393)	175,176	-	-	-	-	174,783
Available-for-sale financial assets	-	-	432,030	-	-	-	-	432,030
Other financial assets Non-active market debt instruments	79,634	-	-	-	10,073	-	-	69,561
<u>Derivative instruments</u>								
Financial assets at fair value through profit or loss Held for trading financial assets	306,841	(68,099)	1,529	-	86,493	-	(13)	153,765

**Level 3 Fair Value Classification Financial Liabilities**  
Six Months Ended June 30, 2011  
(In Thousands of New Taiwan Dollars)

Name	Beginning Balance	Valuation Gain/Loss Reflected on Income Statement or in Shareholders' Equity	Increase		Decrease		Foreign Exchange Rate Effect	Ending Balance
			Purchase/ Issued	Transfer into Level 3	Disposed/ Sold	Transfer Out of Level 3		
<u>Non-derivative instruments</u>								
Financial liabilities at fair value through profit or loss Held for trading financial liabilities	\$ 298,239	\$ (143,525)	\$ 1,978	\$ -	\$ 1,961	\$ -	\$ (12)	\$ 154,719

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

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

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

## 2) Credit risk

The Bank is exposed to credit risk in the event of default on contracts by counter-parties. The Bank makes credit commitments and issues financial guarantees and standby letters of credit only after careful evaluation of customers' credit worthiness. On the basis of the result of the credit evaluation, the Bank may require collaterals before drawings are made against the credit facilities. As of June 30, 2011 and 2010, ratios of secured loans to total loans were 67.19% and 70.45% respectively. Ratio of secured financial guarantees and standby letters of credits were from 23.63% to 26.97%. 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:

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
<b>Items</b>	<b>Maximum Credit Exposure</b>	<b>Maximum Credit Exposure</b>
Off-balance-sheet credit risk		
Credit card commitments for credit card	\$ 180,065,102	\$ 172,359,409
Financial guarantees and standby letter of credit	17,783,034	21,313,885
Undrawn loan commitments	14,237,764	20,279,506

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

<b>Credit Risk Profile by Counterparty</b>	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
Consumer	\$ 373,183,310	\$ 390,160,830
Private sector	303,458,511	277,554,039
Government	<u>43,926,759</u>	<u>29,288,585</u>
	<u>\$ 720,568,580</u>	<u>\$ 697,003,454</u>

<b>Credit Risk Profile by Industry Sector</b>	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
Electricity industry	\$ 69,561,919	\$ 53,253,500
Wholesale trade and retail business	50,302,937	47,700,095
Material and supplies	<u>48,811,341</u>	<u>50,040,644</u>
	<u>\$ 168,676,197</u>	<u>\$ 150,994,239</u>

<b>Credit Risk Profile by Region</b>	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
Domestic area	\$ 648,436,270	\$ 638,250,191
Asia	35,117,616	30,843,049
North America	<u>23,972,077</u>	<u>19,750,392</u>
	<u>\$ 707,525,963</u>	<u>\$ 688,843,632</u>

### 3) Liquidity risk

As of June 30, 2011 and 2010, the liquidity reserve ratio was 31.48% and 21.43%, respectively. The Bank has sufficient capital and working capital to execute all the obligation of contract and has no liquidity risk.

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

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

	June 30, 2011						
	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due Between One Year and Seven Years	Due After Seven Years	Total
<b>Assets</b>							
Cash and cash equivalents	\$ 13,527,667	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,527,667
Due from the Central Bank and other banks	60,081,910	-	-	-	-	-	60,081,910
Financial assets at fair value through profit or loss	39,167,640	434,037	1,784,695	131,249	513	-	41,518,134
Securities purchased under agreements to resell	1,663,820	-	-	-	-	-	1,663,820
Receivables	15,353,887	15,703,508	2,820,392	1,899,893	2,230,284	6,410,496	44,418,460
Discounts and loans	71,845,691	63,658,081	38,548,718	28,998,842	173,228,562	344,171,810	720,451,704
Available-for-sale financial assets	5,354,127	1,352,021	419,807	2,015,401	21,971,591	294,263	31,407,210
Held-to-maturity investments	98,039,499	29,626,592	64,632,064	8,542,384	501,277	32,470	201,374,286
Non-active market debt instruments	-	-	71,199	-	-	-	71,199
Hedging derivative financial assets	-	14,621	-	-	79,061	-	93,682
	<u>305,034,241</u>	<u>110,788,860</u>	<u>108,276,875</u>	<u>41,587,769</u>	<u>198,011,288</u>	<u>350,909,039</u>	<u>1,114,608,072</u>
<b>Liabilities</b>							
Call loans and due to banks	38,598,940	8,708,931	10,038,051	4,395,968	-	-	61,741,890
Financial liabilities at fair value through profit or loss	4,792,999	473,129	151,814	2,066,470	2,894	-	7,487,306
Securities sold under agreements to repurchase	2,456,112	1,245,740	-	-	-	-	3,701,852
Payables	5,302,847	3,301,932	1,371,298	1,579,867	1,615,363	-	13,171,307
Deposits and remittances (Note)	132,253,121	142,374,218	173,604,682	161,718,051	331,310,698	9,341,079	950,601,849
Bank debentures	593,681	-	-	-	26,990,635	-	27,584,316
Hedging derivative financial liabilities	-	-	-	-	40,742	-	40,742
	<u>183,997,700</u>	<u>156,103,950</u>	<u>185,165,845</u>	<u>169,760,356</u>	<u>359,960,332</u>	<u>9,341,079</u>	<u>1,064,329,262</u>
Net liquidity gap	<u>\$ 121,036,541</u>	<u>\$ (45,315,090)</u>	<u>\$ (76,888,970)</u>	<u>\$ (128,172,587)</u>	<u>\$ (161,949,044)</u>	<u>\$ 341,567,960</u>	<u>\$ 50,278,810</u>
	June 30, 2010						
	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due Between One Year and Seven Years	Due After Seven Years	Total
<b>Assets</b>							
Cash and cash equivalents	\$ 9,768,898	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,768,898
Due from the Central Bank and other banks	59,919,937	10,035,986	3,808,995	-	-	-	73,764,918
Financial assets at fair value through profit or loss	15,094,787	363,593	3,263,534	221,053	885	-	18,943,852
Receivables	18,500,299	16,949,498	2,167,233	1,347,470	9,126,319	-	48,090,819
Discounts and loans	57,711,018	51,704,636	41,972,560	32,270,225	152,607,645	360,490,642	696,756,726
Available-for-sale financial assets	11,360,633	620,523	98,038	2,483,239	22,643,946	94,659	37,301,038
Held-to-maturity investments	71,000,000	45,730,568	11,661,390	12,188,003	840,515	81,299	141,501,775
Non-active market debt instruments	-	-	-	-	89,475	2,698	92,173
Hedging derivative financial assets	8,747	26,309	-	17,458	134,531	-	187,045
	<u>243,364,319</u>	<u>125,431,113</u>	<u>62,971,750</u>	<u>48,527,448</u>	<u>185,443,316</u>	<u>360,669,298</u>	<u>1,026,407,244</u>
<b>Liabilities</b>							
Call loans and due to banks	25,846,717	9,208,584	10,807,366	5,468,888	-	-	51,331,555
Financial liabilities at fair value through profit or loss	7,108,585	278,131	283,058	2,998,350	1,240	-	10,669,364
Securities sold under agreements to repurchase	7,034,498	83,735	-	-	-	-	7,118,233
Payables	7,513,227	7,678,164	2,514,747	1,191,894	356,281	-	19,254,313
Deposits and remittances (Note)	120,169,315	161,046,473	159,542,555	127,483,050	300,379,074	-	868,620,467
Bank debentures	687,045	1,000,000	-	4,000,000	19,992,708	-	25,679,753
Hedging derivative financial liabilities	-	-	-	-	35,438	-	35,438
	<u>168,359,387</u>	<u>179,295,087</u>	<u>173,147,726</u>	<u>141,142,182</u>	<u>320,764,741</u>	<u>-</u>	<u>982,709,123</u>
Net liquidity gap	<u>\$ 75,004,932</u>	<u>\$ (53,863,974)</u>	<u>\$ (110,175,976)</u>	<u>\$ (92,614,734)</u>	<u>\$ (135,521,425)</u>	<u>\$ 360,669,298</u>	<u>\$ 43,698,121</u>

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)

	June 30					
	2011			2010		
	U.S. Dollars	Exchange Rate	New Taiwan Dollars	U.S. Dollars	Exchange Rate	New Taiwan Dollars
<u>Assets</u>						
Cash and cash equivalents	\$ 103,801	28.802	\$ 2,989,676	\$ 55,265	32.278	\$ 1,783,844
Due from the Central Bank and other banks	393,500	28.802	11,333,587	672,100	32.278	21,694,044
Financial assets at fair value through profit or loss	449,483	28.802	12,946,009	507,587	32.278	16,383,893
Securities purchased under agreements to resell	57,768	28.802	1,663,834	-	32.278	-
Receivables, net	761,268	28.802	21,926,041	830,759	32.278	26,815,239
Discounts and loans, net	3,787,073	28.802	109,075,277	2,943,968	32.278	95,025,399
Available-for-sale financial assets	134,511	28.802	3,874,186	143,081	32.278	4,618,369
Held-to-maturity investments	6,127	28.802	176,470	7,519	32.278	242,698
Equity investments-equity method	162,306	28.802	4,674,737	162,306	32.278	5,238,913
Other financial assets, net						
Unquoted equity instruments	195,000	30.991	6,043,165	45,000	31.875	1,434,375
Non-active market debt instruments	2,472	28.802	71,199	2,772	32.278	89,475
Other financial assets	68,333	28.802	1,968,127	136,203	32.278	4,396,360
<u>Liabilities</u>						
Due to the Central Bank and other banks	1,177,286	28.802	33,908,191	790,967	32.278	25,530,833
Financial liabilities at fair value through profit or loss	402,722	28.802	11,599,199	596,187	32.278	19,243,724
Payables	184,545	28.802	5,315,265	355,505	32.278	11,474,990
Deposits and remittances	4,119,550	28.802	118,651,279	3,508,187	32.278	113,237,260
Other financial liabilities	100,806	28.802	2,903,414	167,890	32.278	5,419,153

#### 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	June 30			
		2011		2010	
		Notion Amount	Fair Value	Notion Amount	Fair Value
Bank debentures	Interest rate swap	\$ 1,400,000	\$ 79,061	\$ 2,400,000	\$ 125,139
	Cross currency swap	500,000	14,621	2,500,000	61,906
Fixed rate loans	Interest rate swap	133,959	(6,003)	163,912	(12,117)

f. Cash flow hedge

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

Hedged Items	Hedging Instruments	June 30			
		2011		2010	
		Notion Amount	Fair Value	Notion Amount	Fair Value
Bank debentures	Interest rate swap	\$ 3,600,000	\$ (34,739)	\$ 3,600,000	\$ (23,321)

**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. Statement of capital adequacy

Analysis Items		Year	June 30, 2011 (Note 4)		June 30, 2010		December 31, 2010 (Note 4)		
			Standalone	Consolidation	Standalone	Consolidation	Standalone	Consolidation	
Eligible capital	Tier 1 capital		\$ 59,011,040	\$ 64,239,194	\$ 55,744,769	\$ 59,294,225	\$ 55,343,189	\$ 60,084,898	
	Tier 2 capital		15,777,370	21,976,968	13,099,995	17,985,798	18,770,866	24,584,690	
	Tier 3 capital		-	-	-	-	-	-	
	Eligible capital		74,788,410	86,216,162	68,844,764	77,280,023	74,114,055	84,669,588	
Risk-weighted assets	Credit risk	Standardized approach	597,830,381	628,183,443	598,671,136	643,226,705	573,241,752	605,474,979	
		Internal rating - based approach	N/A	N/A	N/A	N/A	N/A	N/A	
		Securitization	250,749	729,911	325,234	979,825	286,211	812,726	
	Operational risk	Basic indicator approach	26,013,713	31,791,225	24,656,312	30,157,400	26,013,713	31,791,225	
		Standardized approach/alternative standardized approach	N/A	N/A	N/A	N/A	N/A	N/A	
		Advanced measurement approach	N/A	N/A	N/A	N/A	N/A	N/A	
	Market risk	Standardized approach	21,985,981	23,063,831	22,986,586	23,361,011	23,193,160	23,483,560	
		Internal models approach	N/A	N/A	N/A	N/A	N/A	N/A	
	Total risk-weighted assets			646,080,824	683,768,410	646,639,268	697,724,941	622,734,836	661,562,490
	Capital adequacy rate			11.58%	12.61%	10.65%	11.08%	11.90%	12.80%
Tier 1 risk - based capital ratio			9.14%	9.40%	8.62%	8.50%	8.89%	9.08%	
Tier 2 risk - based capital ratio			2.44%	3.21%	2.03%	2.58%	3.01%	3.72%	
Tier 3 risk - based capital ratio			-	-	-	-	-	-	
Ratios of common stockholders' equity to total assets			4.62%	4.48%	4.59%	4.39%	4.48%	4.32%	
Leverage ratio			5.43%	5.67%	5.56%	5.59%	5.30%	5.47%	

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

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

Note 3: The formula:

1) Eligible capital = Tier 1 capital + Tier 2 capital + Tier 3 capital.

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

Note 4: In accordance with Financial Supervisory Commission's statement #09900146911, gains from the sale of idle assets are not to be included in the Bank's capital adequacy ratio calculation.

b. Asset quality

The overdue loans and receivables information please refer to Table 7-2.

c. Maturity analysis of assets and liabilities

**Maturity Analysis of Assets and Liabilities**  
June 30, 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	\$ 1,077,684,077	\$ 279,579,676	\$ 120,149,529	\$ 112,277,774	\$ 48,396,969	\$ 517,280,129
Main capital outflow on maturity	1,089,558,625	160,404,428	176,355,702	174,087,872	183,168,006	395,542,617
Gap	(11,874,548)	119,175,248	(56,206,173)	(61,810,098)	(134,771,037)	121,737,512

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

**Maturity Analysis of Assets and Liabilities**  
June 30, 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	\$ 12,136,767	\$ 4,348,302	\$ 2,659,402	\$ 1,597,700	\$ 950,108	\$ 2,581,255
Main capital outflow on maturity	12,052,317	4,999,048	2,695,390	1,075,312	786,100	2,496,467
Gap	84,450	(650,746)	(35,988)	522,388	164,008	84,788

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

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

**Maturity Analysis of Assets and Liabilities  
June 30, 2010**

(In Thousands of New Taiwan Dollars)

	Total	The Amount of Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Main capital inflow on maturity	\$ 975,014,893	\$ 232,288,361	\$ 116,407,041	\$ 53,704,358	\$ 45,361,011	\$ 527,254,122
Main capital outflow on maturity	992,194,199	158,692,600	162,069,141	160,694,731	145,131,347	365,606,380
Gap	(17,179,306)	73,595,761	(45,662,100)	(106,990,373)	(99,770,336)	161,647,742

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

**Maturity Analysis of Assets and Liabilities  
June 30, 2010**

(In Thousands of U.S. Dollars)

	Total	The Amount of Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Main capital inflow on maturity	\$ 9,487,986	\$ 3,756,989	\$ 1,815,666	\$ 1,578,133	\$ 590,434	\$ 1,746,764
Main capital outflow on maturity	9,521,637	4,192,939	2,094,235	941,469	463,993	1,829,001
Gap	(33,651)	(435,950)	(278,569)	636,664	126,441	(82,237)

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

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

d. Profitability

(%)

Items		Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Return on total assets	Before income tax	0.29	0.22
	After income tax	0.24	0.15
Return on net worth	Before income tax	4.76	3.58
	After income tax	4.02	2.39
Profit margin		31.65	19.02

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

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

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

Note 4: Income before (after) income tax represents income for the six months ended June 30, 2011 and 2010.

e. Interest rate sensitivity information

**Interest Rate Sensitivity  
June 30, 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	\$ 714,425,747	\$ 82,425,809	\$ 46,319,230	\$ 46,118,453	\$ 889,289,239
Interest-rate sensitive liabilities	401,087,392	374,893,419	52,095,911	20,701,142	848,777,864
Interest-rate sensitive gap	313,338,355	(292,467,610)	(5,776,681)	25,417,311	40,511,375
Net worth					70,455,034
Ratio of interest-rate sensitive assets to liabilities					104.77%
Ratio of interest-rate sensitive gap to net worth					57.50%

**Interest Rate Sensitivity  
June 30, 2010**

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-rate sensitive assets	\$ 594,869,513	\$ 43,780,853	\$ 51,086,293	\$ 109,371,272	\$ 799,107,931
Interest-rate sensitive liabilities	338,357,193	370,268,601	45,555,003	16,117,505	770,298,302
Interest-rate sensitive gap	256,512,320	(326,487,748)	5,531,290	93,253,767	28,809,629
Net worth					63,345,813
Ratio of interest-rate sensitive assets to liabilities					103.74%
Ratio of interest-rate sensitive gap to net worth					45.48%

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

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

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

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

**Interest Rate Sensitivity  
June 30, 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	\$ 4,780,230	\$ 252,331	\$ 55,687	\$ 150,131	\$ 5,238,379
Interest-rate sensitive liabilities	2,470,737	2,758,386	204,934	1,082	5,435,139
Interest-rate sensitive gap	2,309,493	(2,506,055)	(149,247)	149,049	(196,760)
Net worth					123,618
Ratio of interest-rate sensitive assets to liabilities					96.38%
Ratio of interest-rate sensitive gap to net worth					(159.17%)

**Interest Rate Sensitivity  
June 30, 2010**

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

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-rate sensitive assets	\$ 3,844,500	\$ 442,240	\$ 90,899	\$ 279,024	\$ 4,656,663
Interest-rate sensitive liabilities	2,269,433	2,170,236	213,768	13	4,653,450
Interest-rate sensitive gap	1,575,067	(1,727,996)	(122,869)	279,011	3,213
Net worth					49,933
Ratio of interest-rate sensitive assets to liabilities					100.07%
Ratio of interest-rate sensitive gap to net worth					6.43%

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

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

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

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

f. Concentration of credit extensions

**June 30, 2011**

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

<b>Rank (Note 1)</b>	<b>Industry Category (Note 2)</b>	<b>Total Credit Consists of Loans (Note 3)</b>	<b>Percentage of Net Worth (%) (Note 4)</b>
1	A Group (Optical products manufacturing)	\$18,779,599	28.47%
2	B Group (Plastics)	10,905,878	16.54%
3	C Group (LCD and its components manufacturing)	9,334,373	14.15%
4	D Group (Computer and peripheral equipment)	7,776,677	11.79%
5	E Group (Trading and consumers' goods industry)	5,556,886	8.43%
6	F Group (Finance and lease)	5,419,441	8.22%
7	G Group (CATV)	4,827,748	7.32%
8	H Group (Synthetic fiber)	3,806,385	5.77%
9	I Group (Metal product)	2,503,370	3.80%
10	J Group (Transport marine)	2,428,009	3.68%

**June 30, 2010**

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

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

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  
June 30, 2011 and 2010**

(In Thousands of New Taiwan Dollars)

	June 30					
	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	\$ 3,767,875	\$ -	\$ 3,767,875	\$ 5,896,935	\$ 1,847,832	\$ 7,744,767
Bonds	10,060,762	-	10,060,762	13,470,305	897,628	14,367,933
Stocks	7,314,163	-	7,314,163	6,239,701	-	6,239,701
Funds	123,491,641	-	123,491,641	116,532,134	-	116,532,134
Securities lent	136,867	-	136,867	-	-	-
Receivables	169	-	169	18	1,188	1,206
Prepayments	6	49	55	5	13,602	13,607
Real estate						
Land	7,032,057	-	7,032,057	8,052,786	3,538,574	11,591,360
Buildings	376,356	-	376,356	744,109	1,364,856	2,108,965
Construction in process	3,624,283	-	3,624,283	5,268,203	-	5,268,203
Securities under custody	77,943,989	-	77,943,989	134,620,743	-	134,620,743
Other assets	-	-	-	-	76,831	76,831
Total trust assets	<u>\$ 233,748,168</u>	<u>\$ 49</u>	<u>\$ 233,748,217</u>	<u>\$ 290,824,939</u>	<u>\$ 7,740,511</u>	<u>\$ 298,565,450</u>
<u>Trust liabilities</u>						
Payables	\$ 83	\$ -	\$ 83	\$ -	\$ 3,495	\$ 3,495
Advance receipts	-	-	-	-	16,761	16,761
Other liabilities	-	-	-	-	20,908	20,908
Payable on securities under custody	77,943,989	-	77,943,989	134,620,743	-	134,620,743
Trust capital	153,493,289	11,806	153,505,095	153,990,758	6,492,400	160,483,158
Reserves and cumulative earnings						
Reserves	-	22,312	22,312	-	71,184	71,184
Net income	18,421	(22,815)	(4,394)	230,456	48,716	279,172
Cumulative earnings	2,333,012	720,559	3,053,571	2,148,753	623,617	2,772,370
Deferred amount	(40,626)	(731,813)	(772,439)	(165,771)	-	(165,771)
Unrealized revaluation increment on land	-	-	-	-	463,430	463,430
Total trust liabilities	<u>\$ 233,748,168</u>	<u>\$ 49</u>	<u>\$ 233,748,217</u>	<u>\$ 290,824,939</u>	<u>\$ 7,740,511</u>	<u>\$ 298,565,450</u>

**Trust Income Statement**  
**Six Months Ended June 30, 2011 and 2010**

(In Thousands of New Taiwan Dollars)

	Six Months Ended June 30					
	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	\$ 119,211	\$ 479	\$ 119,690	\$ 122,437	\$ 13,245	\$ 135,682
Rental income	-	-	-	-	104,910	104,910
Borrowed Securities income	3,056	-	3,056	-	-	-
Cash dividend income	7,100	-	7,100	-	-	-
Gains from beneficiary certificates	90	-	90	113	-	113
Realized investment income	18,197	-	18,197	172,099	-	172,099
Total trust income	<u>147,654</u>	<u>479</u>	<u>148,133</u>	<u>294,649</u>	<u>118,155</u>	<u>412,804</u>
Trust expense						
Trust administrative expenses	2,655	105	2,760	2,183	853	3,036
Tax expenses	11,947	-	11,947	11,973	6,942	18,915
Interest expenses	-	22,869	22,869	-	59,891	59,891
OTC expenses	-	75	75	-	956	956
Service expenses	-	231	231	-	-	-
Realized investment loss	47,368	-	47,368	49,831	-	49,831
Unrealized investment loss	67,104	-	67,104	-	-	-
Others	159	14	173	206	797	1,003
Total trust expense	<u>129,233</u>	<u>23,294</u>	<u>152,527</u>	<u>64,193</u>	<u>69,439</u>	<u>133,632</u>
Income (loss) before income tax	<u>18,421</u>	<u>(22,815)</u>	<u>(4,394)</u>	<u>230,456</u>	<u>48,716</u>	<u>279,172</u>
Net income (loss)	<u>\$ 18,421</u>	<u>\$ (22,815)</u>	<u>\$ (4,394)</u>	<u>\$ 230,456</u>	<u>\$ 48,716</u>	<u>\$ 279,172</u>

**Trust Properties of Trust Accounts**  
**June 30, 2011 and 2010**

(In Thousands of New Taiwan Dollars)

Investment Portfolio	June 30			
	2011		2010	
	Book Value	Note	Book Value	Note
Bank deposits	\$ 3,767,875		\$ 7,744,767	
Bonds	10,060,762		13,470,305	
Stocks	7,314,163		6,239,701	
Funds	123,491,641		116,532,134	
Securities lent	136,867		-	
Asset pool of financial asset securitization	-		897,628	
Asset pool of real estate securitization	-		4,903,430	
Real estate				
Land	7,032,057		8,052,786	
Buildings	376,356		744,109	
Construction in process	3,624,283		5,268,203	
Securities under custody	<u>77,943,989</u>		<u>134,620,743</u>	
Total	<u>\$ 233,747,993</u>		<u>\$ 298,473,806</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 six months ended June 30, 2011 and 2010, the Bank charged SinoPac Securities for \$1,522 and \$2,482, respectively, as marketing and opening accounts. The rental fee the Bank has charged SinoPac Securities for the six months ended June 30, 2011 and 2010 were \$1,631 and \$805, respectively. The rental fee the Bank paid to SinoPac Securities were \$337 and \$176, respectively for the six months ended June 30, 2011 and 2010. The Bank has charged SinoPac Securities a total of \$1,956 for the six months ended June 30, 2011 for bonus as part of the cross-selling agreement.

Other transactions between SPH and its subsidiaries, please refer to Note 28.

### **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 personnel.

**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 8.

### **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: Table 2;

5) Acquired and disposed of investee investment at cost or prices of at least NT\$300 million or 10% of the issued capital: Table 2;

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

## BANK SINOPAC AND INVESTEEES

## MARKETABLE SECURITIES HELD

JUNE 30, 2011

(In Thousands of New Taiwan Dollars or Share)

Name of Holding Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	June 30, 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 and unquoted equity investments	8,070	\$ 10,302,373	100%	\$ 10,302,373	Note 2
	Far East Capital, LLC	Subsidiary	Equity investments - equity method	-	20,539	100%	20,539	Note 2
SinoPac Capital Limited (H.K.)	<u>Stock</u> SinoPac Capital (B.V.I.) Ltd.	Subsidiary	Equity investments - equity method	4,450	30,701	100%	47,303	Note 2
	SinoPac Insurance Brokers Ltd.	Subsidiary	Equity investments - equity method	100	1,110	100%	133,655	Note 2
SinoPac Capital (B.V.I.) Ltd.	<u>Fund</u> China Enterprise Capital	-	Unquoted equity investments	0.020	28,695	-	28,695	Note 3
	<u>Stock</u> RSP Information Service Company Limited	Subsidiary	Equity investments - equity method	1,000	3,693	100%	4,439	Note 2
SinoPac Property Insurance Agent Co., Ltd.	<u>Bond</u> Government bond 88-3	-	Guarantee deposits	600	632	-	761	Pledge
SinoPac Life Insurance Agent Co., Ltd.	<u>Bond</u> Government bond 88-3	-	Guarantee deposits	600	632	-	761	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 audited financial statements for the latest period.

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

## BANK SINOPAC AND INVESTEES

ACQUIRED AND DISPOSED OF INVESTEE INVESTMENT AT COST OR PRICES OF AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL  
(MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF, AT COST OR PRICES OF AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL)  
SIX MONTHS ENDED JUNE 30, 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	<u>Stock</u> SinoPac Bancorp	Unquoted equity investments	-	Subsidiary of the Bank	5,800	\$ 4,578,625	2,000	\$ 1,464,540	-	\$ -	\$ -	\$ -	7,800	\$ 6,043,165
SinoPac Bancorp	Far East National Bank	Investment in subsidiaries	-	Overseas affiliate of the Bank	6,070	US\$ 308,893 thousand	2,000	US\$ 50,000 thousand	-	-	-	-	8,070	US\$ 358,893 thousand

**BANK SINOPAC AND INVESTEES**

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

**JUNE 30, 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	\$ 1,604,277 (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  
SIX MONTHS ENDED JUNE 30, 2011  
(In Thousands of New Taiwan Dollars)

Date	Counter-parties	Loans	Carrying Amount (Note)	Selling Price	Gain or (Loss) on Disposal	Attachment	Relation
<u>Bank SinoPac</u>							
March 25, 2011	Spiegel Development, Inc.	Commercial secured loans	US\$ 690 thousand	US\$ 853 thousand	US\$ 163 thousand	-	None
April 28, 2011	Merrill Lynch International	Commercial secured loans	US\$ 1,481 thousand	US\$ 1,517 thousand	US\$ 36 thousand	-	None
April 29, 2011	Merrill Lynch Credit Products, LLC	Commercial secured loans	US\$ 3,618 thousand	US\$ 4,921 thousand	US\$ 1,303 thousand	-	None
<u>FENB</u>							
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
April 13, 2011	Oliver McMillan Mgmt. Services, Inc.	Commercial secured loans	US\$ 2,551 thousand	US\$ 3,187 thousand	US\$ 636 thousand	-	None
May 5, 2011	Nikki Investments, LLC	Commercial secured loans	US\$ 501 thousand	US\$ 509 thousand	US\$ 8 thousand	-	None
May 12, 2011	115 Sanchez Investors, LLC	Commercial secured loans	US\$ 332 thousand	US\$ 403 thousand	US\$ 71 thousand	-	None
June 3, 2011	Asset Foreclosure Service, Inc.	Commercial secured loans	US\$ 402 thousand	US\$ 402 thousand	-	-	None
June 6, 2011	O-M Equities 1, LLC	Commercial secured loans	US\$ 990 thousand	US\$ 862 thousand	US\$ (128 thousand)	-	None
June 17, 2011	SPV SIMI, LLC	Commercial secured loans	US\$ 2,110 thousand	US\$ 2,123 thousand	US\$ 13 thousand	-	None
June 21, 2011	C & D Cycle Enterprise LLC	Commercial secured loans	US\$ 1,936 thousand	US\$ 1,980 thousand	US\$ 44 thousand	-	None
June 28, 2011	JASSAS Capital, LLC	Commercial secured loans	US\$ 654 thousand	US\$ 637 thousand	US\$ (17 thousand)	-	None
June 30, 2011	Larry T. Osborn	Commercial secured loans	US\$ 6,502 thousand	US\$ 5,625 thousand	US\$ (877 thousand)	-	None
June 30, 2011	SVP SIMI, LLC	Commercial secured loans	US\$ 3,283 thousand	US\$ 2,613 thousand	US\$ (670 thousand)	-	None
June 30, 2011	Asset Foreclosure Service, Inc.	Commercial secured loans	US\$ 4,055 thousand	US\$ 4,338 thousand	US\$ 283 thousand	-	None

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

## BANK SINOPAC AND INVESTEEES

## INFORMATION ON INVESTED ENTERPRISES

SIX MONTHS ENDED JUNE 30, 2011

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

Investee Company	Location	Main Businesses and Products	Balance as of June 30, 2011			Consolidated Investment				Note
			Percentage of Ownership	Carrying Amount	Investment Gains (Loss)	Shares	Imitated Shares	Total		
								Shares	Percentage of Ownership	
<u>Financial related enterprise</u>										
SinoPac Bancorp	California	Holding company	100.00%	\$ 4,458,648	\$ (219,932)	20	-	20	100.00%	Subsidiary
SinoPac Capital Limited (H.K.)	Hong Kong	Lending and financing	100.00%	1,157,333	24,454	229,998	-	229,998	100.00%	Subsidiary
SinoPac Life Insurance Agent Co., Ltd.	Taipei	Life insurance agent	100.00%	331,668	276,071	300	-	300	100.00%	Subsidiary
SinoPac Property Insurance Agent Co., Ltd.	Taipei	Property insurance agent	100.00%	19,330	13,185	300	-	300	100.00%	Subsidiary
SinoPac Bancorp	California	Holding company	100.00%	6,043,165	-	7,800	-	7,800	100.00%	Note 2
Global Securities Finance Corporation	Taipei	Securities financing	2.63%	173,496	-	19,712	-	19,712	2.63%	
Taipei Foreign Exchange Inc.	Taipei	Foreign exchange market maker	3.43%	6,800	2,173	680	-	680	3.43%	Note 3
Taiwan Futures Exchange	Taipei	Futures exchange and settlement	1.07%	21,490	-	5,036	-	5,036	1.88%	
Fuh Hwa Securities Investment Trust Co., Ltd.	Taipei	Securities investment trust and consultant	4.63%	15,000	15,750	1,500	-	1,500	4.63%	Note 3
Financial Information Service Co., Ltd.	Taipei	Planning and developing the information system of across banking institution and managing the information web system	2.28%	91,000	-	9,100	-	9,100	2.28%	
Taiwan Asset Management Corporation	Taipei	Evaluating, auctioning, and managing for financial institutions' loan	0.28%	50,000	-	5,000	-	5,000	0.28%	
Mondex Taiwan Inc.	Taipei	Information process services	6.69%	4,935	-	395	-	395	6.69%	
Taiwan Financial Asset Service Co.	Taipei	Auction	5.88%	100,000	-	10,000	-	10,000	5.88%	
Sunny Asset Management Corp.	Taipei	Purchasing for financial institutions' loan assets	1.42%	164	-	85	-	85	1.42%	
Taiwan Depository and Clearing Co.	Taipei	Securities custodian	0.08%	4,639	-	2,232	-	2,232	0.75%	
<u>Nonfinancial related enterprise</u>										
Taiwan Television Enterprise, Ltd.	Taipei	Wireless television company	4.84%	20,983	-	13,938	-	13,938	4.97%	

Note 1: Foreign-currency amounts were translated at the exchange rate as of the balance sheet date, except for foreign-currency-denominated income and expenses, which were translated to New Taiwan dollars at the average exchange rate for the six months ended June 30, 2011.

Note 2: During 2010 and for the six months ended 2011, the Bank increase cash investment of preferred stocks of SinoPac Bancorp amounted to 7,800 thousand shares.

Note 3: Investment gains (loss) are dividends income.

**TABLE 6-1****BANK SINOPAC****FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS****JUNE 30, 2011 AND 2010****(In Thousands of New Taiwan Dollars)**

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
<u>Held-for-trading financial assets</u>		
Certificate of deposit	\$ 28,103,862	\$ -
Bank debentures	1,901,411	2,600,563
Government bonds	1,828,516	1,046,595
Listed stocks	821,342	736,971
Beneficiary certificates	591,088	633,652
Corporate bonds	367,115	1,477,124
Convertible bonds	30,266	325,931
Depository receipts	4,067	13,685
Collateralized debt obligations	896	1,025
Derivative financial assets		
Interest rate swaps	4,630,452	7,728,844
Premium paid on option contracts	1,238,530	1,338,296
Forward contracts	1,123,215	1,839,383
Cross-currency swap contracts	114,200	18,740
Currency swap contracts	110,856	65,657
Others	41,711	18,432
	<u>40,907,527</u>	<u>17,844,898</u>
<u>Financial assets designated at fair value through profit or loss</u>		
Hybrid product		
Convertible bonds	610,607	520,529
Corporate bonds	-	314,176
A group of financial instruments is managed and its performance is evaluated on a fair value basis		
C equity interest in VISA Inc.	-	168,562
B equity interest in Master Card Inc.	-	95,687
	<u>610,607</u>	<u>1,098,954</u>
Total of financial assets at fair value through profit or loss	<u>\$ 41,518,134</u>	<u>\$ 18,943,852</u>
<u>Held-for-trading financial liabilities</u>		
Derivative financial liabilities		
Interest rate swaps	\$ 4,483,354	\$ 7,703,817
Forward contracts	1,542,606	1,776,415
Premiums received on option contracts	1,134,642	1,040,513
Cross-currency swap contract	193,029	20,810
Currency swap contract	66,563	67,672
Others	67,112	60,137
	<u>\$ 7,487,306</u>	<u>\$ 10,669,364</u>

**TABLE 6-2****BANK SINOPAC****CONTRACT AMOUNTS OF OUTSTANDING DERIVATIVE TRANSACTIONS****JUNE 30, 2011 AND 2010****(In Thousands of New Taiwan Dollars)**

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
Interest rate swap contracts	\$ 902,574,864	\$ 847,641,642
Currency swap contracts	330,246,896	288,729,865
Options		
Long position	181,910,013	66,702,111
Short position	181,777,582	68,342,589
Forward contracts		
Long position	7,784,177	23,271,415
Short position	2,671,359	12,643,831
Non-deliverable forward contracts		
Long position	165,094,227	124,532,535
Short position	164,014,986	122,629,324
Cross-currency swap contracts	9,062,278	3,398,814
Assets swap contracts	899,249	1,581,622
Credit default swap contracts	1,100,000	1,100,000
Equity-linked swap contracts	35,230	33,366
Commodity-linked swap contracts	544,460	464,375
Futures		
Interest rate futures long position	2,880,200	617,018
Interest rate futures short position	1,527,635	903,784
Credit linked swap contracts	1,100,000	2,500,000

**TABLE 6-3****BANK SINOPAC****AVAILABLE-FOR-SALE FINANCIAL ASSETS****JUNE 30, 2011 AND 2010****(In Thousands of New Taiwan Dollars)**

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
Government bonds	\$ 12,057,778	\$ 12,449,386
Bank debentures	7,672,999	6,286,364
Corporate bonds	5,244,230	6,414,472
Commercial paper	4,845,946	10,637,509
Government sector bonds	581,161	1,377,742
Treasury bills	499,151	-
Negotiable certificates of deposit	432,030	-
Listed stocks	<u>73,915</u>	<u>135,565</u>
	<u>\$ 31,407,210</u>	<u>\$ 37,301,038</u>

**TABLE 6-4****BANK SINOPAC****HELD-TO-MATURITY INVESTMENTS****JUNE 30, 2011 AND 2010****(In Thousands of New Taiwan Dollars)**

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
Negotiable certificates of deposit	\$ 200,194,010	\$ 140,076,390
Corporate bonds	840,870	840,515
Government bonds	306,936	337,735
Bank debentures	24,698	110,604
Collateralized debt obligations	7,772	53,621
Floating rate notes	-	82,910
	<u>\$ 201,374,286</u>	<u>\$ 141,501,775</u>

**TABLE 6-5****BANK SINOPAC****OTHER FINANCIAL ASSETS****JUNE 30, 2011 AND 2010****(In Thousands of New Taiwan Dollars)**

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
Unquoted equity instruments		
Oversea unlisted equity investments - preferred stock	\$ 6,043,165	\$ 1,434,375
Unlisted equity investments - common stock	<u>488,507</u>	<u>488,507</u>
	<u>6,531,672</u>	<u>1,922,882</u>
Non-active market debt instruments		
Collateralized debt obligations	71,199	89,475
Mortgage backed securities	<u>-</u>	<u>2,698</u>
	<u>71,199</u>	<u>92,173</u>
Others		
Purchase of PEM instruments	3,973,122	4,284,699
Guarantee deposits	971,202	908,648
Guarantee of futures and options	193,996	144,456
Nonperforming receivables transferred from other than loans	116,876	246,728
Hedging derivative financial instruments	93,682	187,045
Short-term advancement	16,994	32,309
Bills purchased	<u>539</u>	<u>2,887</u>
	5,366,411	5,806,772
Less: Accumulated impairment	2,273,523	-
Allowance for credit losses	<u>125,064</u>	<u>299,413</u>
	<u>2,967,824</u>	<u>5,507,359</u>
	<u>\$ 9,570,695</u>	<u>\$ 7,522,414</u>

## BANK SINOPAC

BANK DEBENTURES  
JUNE 30, 2011 AND 2010

(In Thousands of New Taiwan Dollars)

	June 30		Maturity Date	Terms
	2011	2010		
<u>Dominant bank debentures</u>				
Fifteenth dominant bank debentures issued in 2004	\$ 514,621	\$ 521,007	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	-	1,026,309	2003.08.11-2010.08.11 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Eighth dominant bank debentures issued in 2004	-	517,458	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.
Fourteenth dominant bank debentures issued in 2004	-	508,746	2004.07.09-2010.07.09 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Dominant bank debentures	<u>514,621</u>	<u>2,573,520</u>		
<u>Subdominant bank debentures</u>				
First subordinated bank debentures issued in 2008	1,478,700	1,513,008	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)	4,498,657	4,498,324	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)	499,851	499,814	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	3,598,998	3,598,649	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	5,597,902	5,597,501	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)	2,199,197	2,199,008	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)	2,199,938	2,199,929	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)	3,098,490	-	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)	2,898,590	-	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	999,372	-	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 2005	-	3,000,000	2005.12.31-2011.06.13 Principal is repayable on maturity date.	Index rate plus 0.35%. Interest rate is reset semiannually since the issuance date. Interest is paid semiannually.
Subdominant bank debentures	<u>27,069,695</u>	<u>23,106,233</u>		
	<u>\$ 27,584,316</u>	<u>\$ 25,679,753</u>		

**BANK SINOPAC**

**DERIVATIVE FINANCIAL INSTRUMENT TRANSACTIONS**

**JUNE 30, 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 June 30, 2011 and 2010, the contract amounts (or notional amounts) and fair values of outstanding contracts were as follows:

		<b>June 30, 2011</b>	
<b>Financial Instruments</b>		<b>Contract (Notional) Amount</b>	<b>Fair Value</b>
For the purpose of accommodating customers' needs or managing FENB's exposures:			
Currency swap contracts		\$ 771,591	\$ 27
		<b>June 30, 2010</b>	
<b>Financial Instruments</b>		<b>Contract (Notional) Amount</b>	<b>Fair Value</b>
For the purpose of accommodating customers' needs or managing FENB's exposures:			
Currency swap contracts		\$ 505,260	\$ 1
Forward contracts			
Long position		141,225	(4,300)
Short position		140,486	(3,560)
Non-deliverable forward contracts			
Long position		82,475	(496)
Short position		82,475	(545)

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 Capital Ltd.

As of June 30, 2011 and 2010, the outstanding amount of derivative financial instruments contracts were as follows:

	<b>June 30</b>			
	<b>2011</b>		<b>2010</b>	
<b>Financial Instruments</b>	<b>Contract (Notional) Amount</b>	<b>Fair Value</b>	<b>Contract (Notional) Amount</b>	<b>Fair Value</b>
Currency swap contracts	\$ 831,094	\$ (68)	\$ 937,229	\$ (177)
				(Concluded)

**TABLE 7-1****BANK SINOPAC****STATEMENT OF CHANGES IN ALLOWANCE FOR CREDIT LOSS  
SIX MONTHS ENDED JUNE 30, 2011 AND 2010  
(In Thousands of New Taiwan Dollars)**

	<b>Six Months Ended June 30, 2011</b>							
	<b>Discounts and Loans</b>			<b>Account Receivable</b>	<b>Provisions for Acceptance and Guarantees</b>	<b>Other Financial Assets</b>	<b>Other Assets</b>	<b>Total</b>
	<b>Specific Reserve</b>	<b>General Reserve</b>	<b>Subtotal</b>					
Balance, January 1	\$ 1,698,079	\$ 3,544,161	\$ 5,242,240	\$ 637,723	\$ 28	\$ 167,295	\$ 723	\$ 6,048,009
Provision	(89,733)	542,405	452,672	(257,312)	27	31,830	(710)	226,507
Write-off	(501,683)	-	(501,683)	(123,611)	-	(5,148)	-	(630,442)
Recovery of written-off credits	3,384	-	3,384	147,897	-	1,049	-	152,330
Reclassifications	-	(23,778)	(23,778)	86,456	-	(62,678)	-	-
Result from change of effects of exchange rate changes	(23,843)	-	(23,843)	(14)	-	(7,284)	-	(31,141)
Balance, June 30	<u>\$ 1,086,204</u>	<u>\$ 4,062,788</u>	<u>\$ 5,148,992</u>	<u>\$ 491,139</u>	<u>\$ 55</u>	<u>\$ 125,064</u>	<u>\$ 13</u>	<u>\$ 5,765,263</u>
	<b>Six Months Ended June 30, 2010</b>							
	<b>Discounts and Loans</b>			<b>Account Receivable</b>	<b>Provisions for Acceptance and Guarantees</b>	<b>Other Financial Assets</b>	<b>Other Assets</b>	<b>Total</b>
	<b>Specific Reserve</b>	<b>General Reserve</b>	<b>Subtotal</b>					
Balance, January 1	\$ 2,286,482	\$ 2,773,395	\$ 5,059,877	\$ 404,898	\$ 31	\$ 888,847	\$ 723	\$ 6,354,376
Provision	327,912	288,186	616,098	70,415	149	385,653	-	1,072,315
Write-off	(1,163,773)	-	(1,163,773)	(213,496)	-	(955,440)	-	(2,332,709)
Recovery of written-off credits	22,763	-	22,763	143,608	-	342	-	166,713
Reclassifications	291,194	(291,194)	-	-	-	-	-	-
Result from change of effects of exchange rate changes	8,694	-	8,694	(302)	-	(18,955)	-	(10,563)
Others	-	-	-	-	-	(1,034)	-	(1,034)
Balance, June 30	<u>\$ 1,773,272</u>	<u>\$ 2,770,387</u>	<u>\$ 4,543,659</u>	<u>\$ 405,123</u>	<u>\$ 180</u>	<u>\$ 299,413</u>	<u>\$ 723</u>	<u>\$ 5,249,098</u>

## BANK SINOPAC

**OVERDUE LOANS AND RECEIVABLES**  
**JUNE 30, 2011 AND 2010**  
(In Thousands of New Taiwan Dollars, %)

Items		June 30, 2011					June 30, 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	\$ 939,759	\$ 142,702,923	0.66%	\$ 728,296	77.50%	\$ 1,494,772	\$ 133,179,533	1.12%	\$ 785,318	52.54%
	Unsecured	1,168,190	219,381,944	0.53%	2,905,966	248.76%	1,671,087	188,135,071	0.89%	1,678,039	100.42%
Consumer loan	Mortgage (Note 4)	565,489	346,448,178	0.16%	904,608	159.97%	1,071,721	361,963,401	0.30%	924,221	86.24%
	Cash card	775	48,828	1.59%	19,584	2,526.97%	240	62,729	0.38%	2,791	1,162.92%
	Micro credit (Note 5)	62,582	7,614,708	0.82%	577,071	922.10%	155,387	8,341,063	1.86%	1,104,749	710.97%
	Other (Note 6)	1,545	4,255,123	0.04%	13,467	871.65%	11,558	5,074,929	0.23%	48,541	419.98%
	Secured										
	Unsecured										
Total		2,738,340	720,451,704	0.38%	5,148,992	188.03%	4,404,765	696,756,726	0.63%	4,543,659	103.15%
		<b>Overdue Receivables</b>	<b>Account Receivables</b>	<b>Delinquency Ratio</b>	<b>Allowance for Credit Losses</b>	<b>Coverage Ratio</b>	<b>Overdue Receivables</b>	<b>Account Receivables</b>	<b>Delinquency Ratio</b>	<b>Allowance for Credit Losses</b>	<b>Coverage Ratio</b>
Credit card		79,621	16,843,295	0.47%	389,981	489.80%	121,223	16,451,287	0.74%	383,134	316.06%
Account receivable - factoring with no recourse (Note 7)		7,843	17,706,751	0.04%	62,678	799.16%	120,511	14,686,454	0.82%	119,036	98.78%
Excluded NPL as a result of debt consultation and loan agreements (Note 8)		16,301					22,790				
Excluded overdue receivables as a result of debt consultation and loan agreements (Note 8)		695,860					946,487				
Excluded NPL as a result of consumer debt clearance (Note 9)		11,096					14,680				
Excluded overdue receivables as a result of consumer debt clearance (Note 9)		827,414					811,575				

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).

**TABLE 7-3****BANK SINOPAC****STATEMENT OF THE ALLOWANCES FOR POSSIBLE LOSSES ON LOANS AND RECEIVABLES  
ASSESSED FOR IMPAIRMENT.****JUNE 30, 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	\$ 3,949,945	\$ 428,370
	Collectively assessed	2,321,005	1,373,720
With no objective evidence of impairment	Collectively assessed	714,180,754	3,346,902

**Receivables**

Items		Receivables	Allowance for Possible Losses	
With objective evidence of impairment	Individually assessed	Nonperforming receivables transferred from other than loans (Note 3)	\$ 109,649	\$ 103,681
	Collectively assessed	Credit card receivables	2,255,646	291,197
		Nonperforming receivables transferred from other than loans (Note 3)	7,227	5,805
With no objective evidence of impairment	Collectively assessed	Account receivable - factoring receivables	17,706,751	62,678
		Credit card receivables	14,587,649	98,784
		Others	9,868,414	38,480

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

SIX MONTHS ENDED JUNE 30, 2011 AND 2010

(In Thousands of New Taiwan Dollars)

		Six Months Ended June 30, 2011								
		Domestic Branches	Consumer Banking	Financial Transaction	Oversea Branches	United States Subsidiary	Others	Operating Segments	Non-operating Segments	Total
Income	Net interest	\$ 5,139,085	\$ 659,058	\$ 659,441	\$ 522,138	\$ 534,176	\$ 89,316	\$ 7,603,214	\$ (774,273)	\$ 6,828,941
	Interest revenue	6,757,055	769,154	1,848,330	805,296	751,738	127,437	11,059,010	120,727	11,179,737
	Revenue amount segments	1,290,582	(104,054)	(552,125)	(103,252)	-	(29,123)	502,028	(502,028)	-
	Interest expense	2,908,552	6,042	636,764	179,906	217,562	8,998	3,957,824	392,972	4,350,796
	Commission and fee revenues, net	1,227,022	273,168	(16,691)	112,115	20,636	394,384	2,010,634	94,009	2,104,643
	Others	341,232	110,972	155,229	(239,661)	(87,388)	(238)	280,146	231,661	511,807
	Net revenue	6,707,339	1,043,198	797,979	394,592	467,424	483,462	9,893,994	(448,603)	9,445,391
	Bad debt expense	345,280	(409,774)	-	(293,946)	116,820	1,836	(239,784)	583,111	343,327
	Operating expense	3,894,803	651,349	187,030	418,590	562,098	87,992	5,801,862	(12,215)	5,789,647
	Depreciation and amortization	78,770	10,217	3,191	13,945	24,160	4,681	134,964	111,317	246,281
	Income before income tax	2,467,256	801,623	610,949	269,948	(211,494)	393,634	4,331,916	(1,019,499)	3,312,417
	Income tax benefit (expense)	(424,050)	(182,281)	(88,088)	51,424	(8,438)	(67,812)	(719,245)	142,699	(576,546)
Net income	2,043,206	619,342	522,861	321,372	(219,932)	325,822	3,612,671	(876,800)	2,735,871	
		Domestic Branches	Consumer Banking	Financial Transaction	Oversea Branches	United States Subsidiary	Others	Operating Segments	Non-operating Segments	Total
Asset (Note 1)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

  

		Six Months Ended June 30, 2010								
		Domestic Branches	Consumer Banking	Financial Transaction	Oversea Branches	United States Subsidiary	Others	Operating Segments	Non-operating Segments	Total
Income	Net interest	\$ 4,474,480	\$ 809,038	\$ 480,937	\$ 491,967	\$ 681,464	\$ 83,735	\$ 7,021,621	\$ (400,916)	\$ 6,620,705
	Interest revenue	5,806,060	886,903	1,096,787	728,308	1,104,048	103,565	9,725,671	61,108	9,786,779
	Revenue amount segments	752,392	(71,476)	(363,559)	(188,365)	-	(13,260)	115,732	(115,732)	-
	Interest expense	2,083,972	6,389	252,291	47,976	422,584	6,570	2,819,782	346,292	3,166,074
	Commission and fee revenues, net	1,443,672	261,093	(10,578)	75,543	35,618	426,776	2,232,124	9,936	2,242,060
	Others	245,390	54,513	(130,759)	165,342	3,945	(12,285)	326,146	348,410	674,556
	Net revenue	6,163,542	1,124,644	339,600	732,852	721,027	498,226	9,579,891	(42,570)	9,537,321
	Bad debt expense	340,825	86,261	-	553,275	1,572,838	14,622	2,567,821	91,172	2,658,993
	Operating expense	3,530,914	489,522	111,875	360,138	630,909	94,979	5,218,337	(1,600)	5,216,737
	Depreciation and amortization	108,393	10,932	2,659	249	28,310	6,170	156,713	121,544	278,257
	Income before income tax	2,291,803	548,861	227,725	(180,561)	(1,482,720)	388,625	1,793,733	(132,142)	1,661,591
	Income tax benefit (expense)	(448,493)	(106,391)	(107,870)	87,735	635,116	(59,172)	925	(171,966)	(171,041)
Net income	1,843,310	442,470	119,855	(92,826)	(847,604)	329,453	1,794,658	(304,108)	1,490,550	
		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.