

Bank SinoPac

**Financial Statements for the
Nine Months Ended September 30, 2011 and 2010 and
Independent Accountants' Review Report**

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Stockholders
Bank SinoPac

We have reviewed the accompanying balance sheets of Bank SinoPac as of September 30, 2011 and 2010, and the related statements of income, and cash flows for the nine months then ended. These financial statements are the responsibility of the Bank SinoPac's management. Our responsibility is to issue a report on these financial statements based on our reviews.

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

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

October 22, 2011

Notice to Readers

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

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

BANK SINOPAC

BALANCE SHEETS

SEPTEMBER 30, 2011 AND 2010

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

(Reviewed, Not Audited)

ASSETS	2011	2010	% Increase (Decrease)	LIABILITIES AND STOCKHOLDERS' EQUITY	2011	2010	% Increase (Decrease)
	Amount	Amount			Amount	Amount	
CASH AND CASH EQUIVALENTS (Notes 4 and 28)	\$ 12,430,472	\$ 9,784,027	27	CALL LOANS AND DUE TO BANKS (Note 17)	\$ 53,527,528	\$ 58,306,067	(8)
DUE FROM THE CENTRAL BANK AND OTHER BANKS (Note 5)	66,549,815	72,328,780	(8)	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2, 6 and 28)	10,332,582	11,780,484	(12)
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2, 6 and 28)	35,264,420	29,574,314	19	SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE (Notes 2, 7 and 28)	8,591,257	4,458,749	93
SECURITIES PURCHASED UNDER AGREEMENT TO RESELL (Notes 2, 7 and 28)	2,661,885	1,113,491	139	ACCOUNTS, INTEREST AND OTHER PAYABLES (Notes 2, 18 and 28)	17,585,900	21,390,049	(18)
ACCOUNTS, INTEREST AND OTHER RECEIVABLES, NET (Notes 2, 3, 8, 27 and 28)	47,600,252	49,734,398	(4)	DEPOSITS AND REMITTANCES (Notes 19 and 28)	950,311,599	864,268,566	10
DISCOUNTS AND LOANS, NET (Notes 2, 3, 9, 28 and 29)	714,000,871	674,275,394	6	BANK DEBENTURES (Notes 2 and 20)	33,861,348	24,127,094	40
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET (Notes 2, 7, 10 and 29)	30,540,462	30,075,981	2	OTHER FINANCIAL LIABILITIES (Notes 2, 21 and 28)	12,401,450	21,476,813	(42)
HELD-TO-MATURITY INVESTMENTS, NET (Notes 2, 11 and 29)	221,803,599	176,460,615	26	OTHER LIABILITIES (Notes 2, 22 and 27)	<u>3,527,269</u>	<u>3,023,779</u>	17
EQUITY INVESTMENTS - EQUITY METHOD (Notes 2 and 12)	6,039,565	6,947,101	(13)	Total liabilities	<u>1,090,138,933</u>	<u>1,008,831,601</u>	8
OTHER FINANCIAL ASSETS, NET				STOCKHOLDERS' EQUITY (Notes 2 and 23)			
Unquoted equity instruments (Notes 2 and 13)	6,531,672	4,149,582	57	Capital stock, NTS10 par value, authorized 8,000,000 thousand shares; issued and outstanding 5,257,447 thousand shares in 2011 and 4,955,047 thousand shares in 2010	<u>52,574,469</u>	<u>49,550,469</u>	6
Non-active market debt instruments (Notes 2 and 13)	75,411	88,754	(15)	Capital surplus			
Others (Notes 2, 3, 13 and 28)	<u>3,852,494</u>	<u>5,319,373</u>	(28)	Additional paid-in capital from share issuance in excess of par	1,884,561	1,128,561	67
Other financial assets, net	<u>10,459,577</u>	<u>9,557,709</u>	9	Capital surplus from business combination	8,076,524	8,076,524	-
PROPERTIES (Notes 2, 14 and 28)				Others	<u>1,733</u>	<u>1,733</u>	-
Cost and revaluation increment				Total capital surplus	<u>9,962,818</u>	<u>9,206,818</u>	8
Land	4,703,919	4,765,609	(1)	Retained earnings			
Buildings	4,711,968	4,732,812	-	Legal reserve	4,411,447	3,361,034	31
Computer and machinery equipment	4,596,909	4,715,319	(3)	Special reserve	367,188	282,977	30
Transportation equipment	<u>1,271</u>	<u>1,311</u>	(3)	Unappropriated earnings	<u>3,612,767</u>	<u>2,841,885</u>	27
Total cost	14,014,067	14,215,051	(1)	Total retained earnings	<u>8,391,402</u>	<u>6,485,896</u>	29
Less: Accumulated depreciation	<u>5,852,251</u>	<u>5,731,207</u>	2	Other adjustment			
	8,161,816	8,483,844	(4)	Cumulative translation adjustments	(178,618)	(107,786)	66
Prepayments for equipment and construction in progress	<u>517,486</u>	<u>294,247</u>	76	Unrealized gains on financial instruments	194,148	325,553	(40)
Net properties	<u>8,679,302</u>	<u>8,778,091</u>	(1)	Unrealized losses on cash flow hedge	(42,520)	(38,978)	9
INTANGIBLE ASSETS (Notes 2 and 15)	<u>948,623</u>	<u>975,094</u>	(3)	Net loss not recognized as pension cost	(945,801)	(766,159)	23
OTHER ASSETS (Notes 2, 16 and 27)	<u>4,146,142</u>	<u>4,912,573</u>	(16)	Unrealized revaluation increment on land	<u>1,030,154</u>	<u>1,030,154</u>	-
TOTAL	<u>\$ 1,161,124,985</u>	<u>\$ 1,074,517,568</u>	8	Total other adjustment	<u>57,363</u>	<u>442,784</u>	(87)
				Total stockholders' equity	<u>70,986,052</u>	<u>65,685,967</u>	8
				TOTAL	<u>\$ 1,161,124,985</u>	<u>\$ 1,074,517,568</u>	8

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

(With Deloitte & Touche review report dated October 22, 2011)

BANK SINOPAC

STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

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

(Reviewed, Not Audited)

	<u>2011</u>	<u>2010</u>	% Increase
	Amount	Amount	(Decrease)
INTEREST REVENUE (Notes 2 and 28)	\$ 16,035,798	\$ 13,400,399	20
INTEREST EXPENSE (Notes 2 and 28)	<u>6,468,059</u>	<u>4,362,624</u>	48
NET INTEREST	<u>9,567,739</u>	<u>9,037,775</u>	6
NET REVENUES OTHER THAN INTEREST (Note 2)			
Commission and fee revenues, net (Notes 24 and 28)	2,555,137	2,651,947	(4)
(Losses on) gains from financial assets and liabilities at fair value through profit or loss (Notes 6 and 28)	(151,736)	361,452	(142)
Realized gain from available-for-sale financial assets (Note 23)	824	48,270	(98)
Losses on equity investments - equity method, net (Note 12)	(163,934)	(739,173)	(78)
Foreign exchange gain, net	604,768	326,968	85
Reversal gains (impairment losses) on assets	34,000	(20,972)	262
Gains from (losses on) disposal of properties	85,115	(678)	12,654
Losses on sale of nonperforming loans	(295,470)	-	-
Gains from disposal of collaterals assumed	54,394	1,700	3,100
Rental revenues	89,231	105,544	(15)
Recovery of bad debts	489,456	634,709	(23)
Other net losses (Note 28)	<u>(64,133)</u>	<u>(124,949)</u>	(49)
Total net revenues	<u>12,805,391</u>	<u>12,282,593</u>	4
PROVISION FOR BAD DEBTS (Notes 2, 3, 8 and 9)	<u>557,148</u>	<u>1,541,792</u>	(64)
OPERATING EXPENSES (Notes 2, 25, 26 and 28)			
Personnel expenses	4,880,068	4,423,090	10
Depreciation and amortization	327,897	367,044	(11)
Others	<u>2,846,609</u>	<u>2,255,918</u>	26
Total operating expenses	<u>8,054,574</u>	<u>7,046,052</u>	14
INCOME BEFORE INCOME TAX	4,193,669	3,694,749	14
INCOME TAX EXPENSE (Notes 2 and 27)	<u>580,902</u>	<u>852,864</u>	(32)
NET INCOME	<u>\$ 3,612,767</u>	<u>\$ 2,841,885</u>	27

(Continued)

BANK SINOPAC

STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

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

(Reviewed, Not Audited)

	2011		2010	
	Pretax	After Tax	Pretax	After Tax
EARNINGS PER SHARE (Note 23)				
Basic earnings per share	<u>\$ 0.83</u>	<u>\$ 0.71</u>	<u>\$ 0.76</u>	<u>\$ 0.59</u>

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

(With Deloitte & Touche review report dated October 22, 2011)

(Concluded)

BANK SINOPAC

STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 3,612,767	\$ 2,841,885
Adjustments to reconcile net income to net cash (used in) provided by operating activities		
Depreciation and amortization	352,046	387,626
Amortization of premium or discount of financial assets	56,465	60,981
Amortization of premium or discount of bank debentures	1,519	1,090
Provision for credit and trading losses	557,148	1,545,318
Reversal gains (impairment losses) on assets	(34,000)	20,972
Gains from disposal of financial assets designated at fair value through profit or loss	(5,945)	(8,758)
Unrealized losses on (gains from) financial assets designated at fair value through profit or loss	3,265	(5,659)
Realized gains on available-for-sale financial assets	(824)	(48,270)
Losses on equity investments - equity method	163,934	739,173
Cash dividends received from investments under equity method	548,092	881,770
(Gains from) losses on sale and retirement of properties and idle assets	(81,535)	4,001
Gains from disposal of collaterals assumed, net	(54,394)	(1,700)
Accrued pension cost	(42,995)	(37,478)
Deferred income tax	395,444	761,729
Increase in held-for-trading financial assets	(8,877,689)	(13,428,967)
Increase in held-for-trading financial liabilities	825,470	3,144,198
(Increase) decrease in accounts, interest and other receivables	(5,988,597)	2,818,977
Decrease in accounts, interest and other payables	<u>4,036,386</u>	<u>(3,579,096)</u>
Net cash used in operating activities	<u>(4,533,443)</u>	<u>(3,902,208)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in due from the Central Bank and other banks	8,737,713	335,223
Increase in securities purchased under agreements to resell	(1,509,406)	(1,113,491)
Acquisition of financial assets designated at fair value through profit or loss	(891,265)	-
Proceeds from sale of financial assets designated at fair value through profit or loss	875,085	694,292
Proceeds from sale of non-active market debt instruments	10,002	9,848
Increase in discounts and loans	(24,461,992)	(22,924,277)
Acquisition of properties	(283,769)	(196,602)
Proceeds from sale of properties	158,421	419
Acquisition of available-for-sale financial assets	(326,115,668)	(272,286,946)
Proceeds from sale of available-for-sale financial assets	328,553,397	274,021,432
Acquisition of held-to-maturity investments	(833,780,587)	(425,160,393)
Proceeds from matured held-to-maturity investments	811,062,644	372,532,835
Acquisition of unquoted equity instruments	(1,464,540)	(3,661,075)
Proceeds from sale of collaterals assumed	624,454	60,924

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BANK SINOPAC

STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2011	2010
Increase in other financial assets	\$ (1,120,566)	\$ (345,092)
(Increase) decrease in other assets	<u>(434,852)</u>	<u>7,585</u>
Net cash used in investing activities	<u>(40,040,929)</u>	<u>(78,025,318)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in call loans and due to banks	(11,060,249)	15,936,307
Increase in securities sold under agreements to repurchase	5,523,804	2,860,704
Increase in deposits and remittances	49,596,206	50,933,408
Bank debentures issued	7,800,000	-
Repayment of bank debentures on maturity	(4,000,000)	(2,900,000)
(Decrease) increase in other financial liabilities	(3,574,873)	5,463,288
Increase in other liabilities	639,930	90,358
Cash dividends	(2,450,962)	-
Proceeds from the private placement of common stocks	<u>3,780,000</u>	<u>1,665,000</u>
Net cash provided by financing activities	<u>46,253,856</u>	<u>74,049,065</u>
EFFECTS OF CHANGES IN EXCHANGE RATE	<u>31,404</u>	<u>5,033</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,710,888	(7,873,428)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>10,719,584</u>	<u>17,657,455</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 12,430,472</u>	<u>\$ 9,784,027</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	<u>\$ 6,143,524</u>	<u>\$ 4,552,047</u>
Income tax paid	<u>\$ 53,648</u>	<u>\$ 61,258</u>
NON-CASH FINANCING ACTIVITIES		
Dividends payable	<u>\$ 1,435,025</u>	<u>\$ 1,435,025</u>

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

(With Deloitte & Touche review report dated October 22, 2011)

(Concluded)

BANK SINOPAC

NOTES TO FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

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

(Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

Organization

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

Operations

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

As of September 30, 2011 and 2010, the Bank had a total of 4,948 and 4,644 employees, respectively.

As of September 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 2 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, 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 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 nine months ended September 30, 2010 have been reclassified to conform to the financial statement presentation as of and for the nine months ended September 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 nine months ended September 30, 2010 to conform to the disclosures as of and for the nine months ended September 30, 2011.

4. CASH AND CASH EQUIVALENTS

	<u>September 30</u>	
	<u>2011</u>	<u>2010</u>
Cash on hand	\$ 6,037,948	\$ 5,841,334
Due from other banks	4,614,275	2,263,425
Notes and checks in clearing	<u>1,778,249</u>	<u>1,679,268</u>
	<u>\$ 12,430,472</u>	<u>\$ 9,784,027</u>

5. DUE FROM THE CENTRAL BANK AND OTHER BANKS

	<u>September 30</u>	
	<u>2011</u>	<u>2010</u>
Call loans to banks	\$ 26,176,911	\$ 33,141,705
Due from Central Banks - checking accounts	16,392,118	16,918,746
Deposit reserve - demand accounts	23,843,509	22,171,205
Deposit reserve - foreign currencies	<u>137,277</u>	<u>97,124</u>
	<u>\$ 66,549,815</u>	<u>\$ 72,328,780</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>September 30</u>	
	<u>2011</u>	<u>2010</u>
Held for trading financial assets	\$ 34,390,756	\$ 28,819,075
Financial assets designated at fair value through profit or losses	<u>873,664</u>	<u>755,239</u>
	<u>\$ 35,264,420</u>	<u>\$ 29,574,314</u>
Held for trading financial liabilities	<u>\$ 10,332,582</u>	<u>\$ 11,780,484</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 nine months ended September 30, 2011 and 2010 were as follows:

	Nine Months Ended September 30	
	2011	2010
Held for trading financial assets and liabilities		
Realized losses	\$ (51,459)	\$ (8,600)
Valuation (losses) gains	<u>(102,957)</u>	<u>355,635</u>
	<u>(154,416)</u>	<u>347,035</u>
Financial assets and liabilities designated at fair value through profit or loss		
Realized gains	5,945	8,758
Realized (losses) gains	<u>(3,265)</u>	<u>5,659</u>
	<u>2,680</u>	<u>14,417</u>
	<u>\$ (151,736)</u>	<u>\$ 361,452</u>

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

As of September 30, 2011 and 2010, securities were purchased under agreements to resell at \$2,663,248 and \$1,114,215 in October 2011 and between October and December 2010, respectively.

As of September 30, 2011 and 2010, securities were sold under agreements to repurchase at \$8,595,914 and \$4,459,353 between October 2011 and January 2012 and between October and December 2010, respectively.

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

	September 30	
Financial Assets	2011	2010
Available-for-sale	\$ 8,591,257	\$ 4,458,749

8. ACCOUNTS, INTEREST AND OTHER RECEIVABLES, NET

	September 30	
	2011	2010
Credit card receivable	\$ 17,344,178	\$ 15,791,522
Accounts receivable - factoring	17,075,605	27,294,577
Accounts receivable - forfeiting	8,054,802	1,800,177
Acceptances	2,064,278	1,907,863
Interest receivable and revenue receivable	1,661,222	1,215,615
Receivables from related parties (Note 27)	1,152,006	1,487,203
Accounts receivable and notes receivable	262,436	224,029
Others	<u>416,551</u>	<u>410,119</u>
	48,031,078	50,131,105
Less: Allowance for credit losses	<u>430,826</u>	<u>396,707</u>
	<u>\$ 47,600,252</u>	<u>\$ 49,734,398</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 September 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 \$1,890,185 and \$2,204,545, respectively.

9. DISCOUNTS AND LOANS, NET

	September 30	
	2011	2010
Negotiations	\$ 1,723,424	\$ 1,991,193
Overdrafts	7,653	6,535
Secured overdrafts	637,110	710,962
Accounts receivable - financing	2,774,455	2,650,188
Short-term loans	94,800,884	81,060,442
Short-term secured loans	58,387,824	54,917,419
Medium-term loans	110,105,586	89,024,570
Medium-term secured loans	83,563,395	75,390,656
Long-term loans	14,100,827	9,754,103
Long-term secured loans	350,669,692	359,781,012
Nonperforming loans transferred from loans	<u>2,905,463</u>	<u>3,686,917</u>
	719,676,313	678,973,997
Allowance for credit losses	(5,445,855)	(4,710,027)
Discount on discounts and loans	(234,305)	-
Adjustment of hedge valuation	<u>4,718</u>	<u>11,424</u>
	<u>\$ 714,000,871</u>	<u>\$ 674,275,394</u>

As of September 30, 2011 and 2010, the balances of nonaccrual interest loans were \$3,021,599 and \$3,923,040, respectively. The unrecognized interest revenues on nonaccrual interest loans amounted to \$70,161 and \$97,209 for the nine months ended September 30, 2011 and 2010, respectively.

For the nine months ended September 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

	Balance of Equity Investments		Income (Loss) from Equity Investments	
	September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
SinoPac Bancorp	\$ 4,312,777	\$ 5,212,513	\$ (628,387)	\$ (1,195,659)
SinoPac Capital Limited (H.K.)	1,237,117	1,234,927	36,524	18,567
SinoPac Life Insurance Agent Co., Ltd.	464,579	472,230	408,981	416,632
SinoPac Property Insurance Agent Co., Ltd.	<u>25,092</u>	<u>27,431</u>	<u>18,948</u>	<u>21,287</u>
	<u>\$ 6,039,565</u>	<u>\$ 6,947,101</u>	<u>\$ (163,934)</u>	<u>\$ (739,173)</u>

The bank recognized investment income under equity method for the nine months ended September 30, 2011 and 2010, respectively, based on the investees' reviewed financial statement.

13. OTHER FINANCIAL ASSETS, NET

Investments in equity instruments without quoted prices in an active market and whose fair values cannot be reliably measured are measured at their cost. Investments in debt instruments without quoted prices in an active market and with fixed or determinable payments are carried at amortized cost using the effective interest method.

Related information regarding other financial assets please refer to Table 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 September 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>September 30</u>	
	<u>2011</u>	<u>2010</u>
Cost and revaluation increment	\$ 14,014,067	\$ 14,215,051
Accumulated depreciation		
Buildings	2,066,390	1,952,890
Computer and machinery equipment	3,784,683	3,777,355
Transportation equipment	<u>1,178</u>	<u>962</u>
	<u>5,852,251</u>	<u>5,731,207</u>
Advances on acquisitions of equipment and construction in progress	<u>517,486</u>	<u>294,247</u>
Net properties	<u>\$ 8,679,302</u>	<u>\$ 8,778,091</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.

The Bank revalued its land, which approved by the board of directors on October 21, 2011 and resulted in total revaluation increments of \$867,128. The net revaluation amount of \$705,733 after deducting the reserve for land value increment tax of \$161,395 was credited to equity as unrealized revaluation increment.

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>September 30</u>	
	<u>2011</u>	<u>2010</u>
Goodwill - credit card department	\$ 876,717	\$ 876,717
Computer software	<u>71,906</u>	<u>98,377</u>
	<u>\$ 948,623</u>	<u>\$ 975,094</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 September 30, 2011.

16. OTHER ASSETS

	September 30	
	2011	2010
Deferred income tax assets (Note 27)	\$ 1,644,035	\$ 2,072,610
Rental properties, net	1,161,635	1,236,547
Idle assets, net	548,730	442,369
Prepayment	339,063	245,551
Deferred pension cost	271,384	303,360
Temporary payment	140,895	27,922
Land value increment tax	34,792	34,792
Collaterals assumed, net of accumulated impairment \$38,819 and \$72,819, respectively	1,878	537,938
Others	<u>3,730</u>	<u>11,484</u>
	<u>\$ 4,146,142</u>	<u>\$ 4,912,573</u>

17. CALL LOANS AND DUE TO BANKS

	September 30	
	2011	2010
Call loans	\$ 38,688,706	\$ 38,494,157
Redeposit from the directorate general of postal remittance	14,804,335	19,783,215
Due to banks	<u>34,487</u>	<u>28,695</u>
	<u>\$ 53,527,528</u>	<u>\$ 58,306,067</u>

18. ACCOUNTS, INTEREST AND OTHER PAYABLES

	September 30	
	2011	2010
Accounts payable - factoring	\$ 7,229,373	\$ 12,304,566
Acceptance payable	2,064,278	1,907,863
Notes and checks in clearing	1,778,249	1,679,268
Accrued expenses	1,683,531	1,358,119
Interest payable	1,621,804	1,232,678
Dividends payable (Note 23)	1,435,025	1,435,025
Receipts under custody payable	573,500	448,083
Accounts payable	276,716	263,441
Tax payable	100,327	149,868
Others	<u>823,097</u>	<u>611,138</u>
	<u>\$ 17,585,900</u>	<u>\$ 21,390,049</u>

19. DEPOSITS AND REMITTANCES

	<u>September 30</u>	
	<u>2011</u>	<u>2010</u>
Checking	\$ 11,836,268	\$ 12,886,094
Demand	175,698,313	156,388,101
Savings - demand	224,760,797	222,643,883
Time	297,505,432	263,649,629
Negotiable certificates of deposit	29,456,700	21,295,400
Savings - time	210,170,491	187,041,337
Inward remittances	566,527	298,642
Outward remittances	<u>317,071</u>	<u>65,480</u>
	<u>\$ 950,311,599</u>	<u>\$ 864,268,566</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

	<u>September 30</u>	
	<u>2011</u>	<u>2010</u>
Principal of structured products	\$ 11,682,841	\$ 18,585,140
Appropriated loan fund from the government	408,928	463,715
Guarantee deposits received	253,734	245,895
Hedging derivative financial liabilities	55,947	58,385
Contingent losses (Note 13)	<u>-</u>	<u>2,123,678</u>
	<u>\$ 12,401,450</u>	<u>\$ 21,476,813</u>

22. OTHER LIABILITIES

	<u>September 30</u>	
	<u>2011</u>	<u>2010</u>
Accrued pension cost	\$ 1,558,698	\$ 1,448,092
Temporary receipt	1,176,451	571,798
Reserve for land value increment tax	430,599	430,599
Advance receipt	246,233	253,469
Deferred income tax liabilities (Note 27)	46,555	133,301
Others	<u>68,733</u>	<u>186,520</u>
	<u>\$ 3,527,269</u>	<u>\$ 3,023,779</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 \$1.665 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 \$17,296 for the nine months ended September 30, 2011. The Bank accrued bonus to remuneration to directors of \$13,837 for the nine months ended September 30, 2011. The Bank accrue the bonus to employees of \$2,668 and the remuneration to directors and supervisors of \$2,135 for the nine months ended September 30, 2010. The bonus to employees and the remuneration to directors and supervisors recognized were estimated on the basis of the Bank's Articles of Incorporation and past experience. Material differences between such estimated amounts and the amounts proposed by the Board of Directors in the following year are retroactively adjusted for in the current year. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate.

Based on a directive issued by the Securities and Futures Bureau, an amount equal to the balance of unrealized losses on financial instruments under stockholders' equity accounts shall be transferred from inappropriate earnings to a special reserve. Any special reserve appropriated may be reversed to the extent of the decrease in the balance.

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

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

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

On 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:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For Year 2010</u>	<u>For Year 2009</u>	<u>For Year 2010</u>	<u>For Year 2009</u>
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 nine months ended September 30, 2011 and 2010, respectively, were summarized as follows:

	Available-for- sale Financial Assets	Equity Investments - Equity Method	Total
<u>Nine months ended September 30, 2011</u>			
Balance, January 1	\$ 170,629	\$ 44,754	\$ 215,383
Recognized in stockholders' equity	(48,272)	35,320	(12,952)
Transferred to profit or loss	<u>(824)</u>	<u>(7,459)</u>	<u>(8,283)</u>
Balance, end of period	<u>\$ 121,533</u>	<u>\$ 72,615</u>	<u>\$ 194,148</u>
<u>Nine months ended September 30, 2010</u>			
Balance, January 1	\$ (77,898)	\$ 46,695	\$ (31,203)
Recognized in stockholders' equity	390,585	57,815	448,400
Transferred to profit or loss	<u>(48,270)</u>	<u>(43,374)</u>	<u>(91,644)</u>
Balance, end of period	<u>\$ 264,417</u>	<u>\$ 61,136</u>	<u>\$ 325,553</u>

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

	<u>Nine Months Ended September 30</u>	
	2011	2010
Balance, January 1	\$ (26,185)	\$ 22,130
Recognized in stockholders' equity	(16,335)	(61,108)
Transferred to profit or loss	<u>-</u>	<u>-</u>
Balance, September 30	<u>\$ (42,520)</u>	<u>\$ (38,978)</u>

f. Earnings per share

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

	Numerator (Amounts)		Denominator (Shares in Thousands)	EPS (NT\$)	
	Pretax	After Tax		Pretax	After Tax
<u>Nine months ended September 30, 2011</u>					
Basic EPS	<u>\$ 4,193,669</u>	<u>\$ 3,612,767</u>	<u>5,058,062</u>	<u>\$ 0.83</u>	<u>\$ 0.71</u>
<u>Nine months ended September 30, 2010</u>					
Basic EPS	<u>\$ 3,694,749</u>	<u>\$ 2,841,885</u>	<u>4,836,484</u>	<u>\$ 0.76</u>	<u>\$ 0.59</u>

24. COMMISSIONS AND FEE REVENUES, NET

	<u>Nine Months Ended September 30</u>	
	<u>2011</u>	<u>2010</u>
Commissions and fees revenues	\$ 3,057,286	\$ 3,089,367
Commissions and fees expenses	<u>(502,149)</u>	<u>(437,420)</u>
	<u>\$ 2,555,137</u>	<u>\$ 2,651,947</u>

25. OPERATING EXPENSES

	<u>Nine Months Ended September 30</u>	
	<u>2011</u>	<u>2010</u>
Personnel expenses		
Salaries and wages	\$ 3,970,104	\$ 3,552,989
Pension	398,272	367,562
Labor insurance and national health insurance	251,228	229,165
Others	<u>260,464</u>	<u>273,374</u>
	4,880,068	4,423,090
Depreciation	292,720	323,513
Amortization	35,177	43,531
Others	<u>2,846,609</u>	<u>2,255,918</u>
	<u>\$ 8,054,574</u>	<u>\$ 7,046,052</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 nine months is counted as one year of service, and any fraction of a year of up to nine 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 \$119,304 and \$105,308 for the nine months ended September 30, 2011 and 2010, respectively. For the nine months ended September 30, 2011 and 2010, the pension expense amounted to \$278,968 and \$262,254, 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:

	Nine Months Ended September 30	
	2011	2010
Current income tax payable	\$ 146,393	\$ 39,808
Separate taxes	-	31,533
Deferred income taxes	395,444	288,996
Effect of tax law changes on deferred income taxes	-	472,733
Adjustment for prior years tax	10,677	11,628
Overseas income taxes over limitation	<u>28,388</u>	<u>8,166</u>
Income tax expense	<u>\$ 580,902</u>	<u>\$ 852,864</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:

	<u>Nine Months Ended September 30</u>	
	2011	2010
Tax on pretax income at 17% statutory rate	\$ 712,924	\$ 628,107
Add (deduct) tax effects of:		
Tax-exempt income	7,626	(16,360)
Permanent difference	(178,530)	(115,458)
Temporary difference	139,703	227,444
Loss carryforwards	<u>(535,330)</u>	<u>(683,925)</u>
Current income tax payable	<u>\$ 146,393</u>	<u>\$ 39,808</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 September 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:

	<u>September 30</u>	
	2011	2010
Loss carryforwards	\$ 1,329,922	\$ 1,778,962
Deferred pension cost	221,366	227,667
Unrealized loss or gain on foreign exchange and revaluation of financial instrument, net	(5,152)	(12,448)
Personnel training expenditures	-	25,457
Allowance for credit loss over limit	-	1,927
Investment loss under the equity method	47,899	-
Others	76,500	77,545
Valuation allowance	<u>(26,500)</u>	<u>(26,500)</u>
Deferred income tax assets, net	<u>\$ 1,644,035</u>	<u>\$ 2,072,610</u>
Investment income under the equity method	\$ -	\$ (86,746)
Others	<u>(46,555)</u>	<u>(46,555)</u>
Deferred income tax liabilities, net	<u>\$ (46,555)</u>	<u>\$ (133,301)</u>

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

Deficit Year	The Last Year of Claiming Deductible Loss	Amount
2007	2017	\$ 134,450
2008	2018	6,166,540
2009	2019	<u>1,522,078</u>
		<u>\$ 7,823,068</u>

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

	September 30	
	2011	2010
Receivables from related parties	<u>\$ 1,152,006</u>	<u>\$ 1,487,203</u>

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

	September 30	
	2011	2010
Balances of imputed tax credit account	<u>\$ 1,923,757</u>	<u>\$ 2,494,372</u>

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

- g. As of September 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

Name	Relationship with the Bank
SinoPac Financial Holdings Company Limited (SPH)	Parent company of the Bank
SinoPac Securities Corporation (SinoPac Securities)	Subsidiary of SPH
SinoPac Call Center Co., Ltd. (SinoPac Call Center)	Subsidiary of SPH
SinoPac Venture Capital Co., Ltd. (SinoPac Venture Capital)	Subsidiary of SPH
SinoPac Leasing Corporation (SPL)	Subsidiary of SPH

(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
SinoPac Global Emerging Markets Fund	Managed by SinoPac Securities Investment Trust
BoardTek Electronics Corp. (BoardTek Electronics)	Affiliate of the SPH's director
Yung An Leasing Corporation (Yung An Leasing)	Affiliate of the SPH's director
Yuen Foong Paper Co., Ltd. (YFP)	Affiliate of the spouse of the director of SPH
SinoPac Capital (Asia) Ltd.	Affiliate of SinoPac Securities
SinoPac Securities (Asia) Ltd.	Affiliate of SinoPac Securities
Taiwan Genome Sciences, Inc.	Affiliate of the SPH's director
SinoPac Futures Corporation (SinoPac Futures)	Subsidiary of SinoPac Securities
E Ink Holdings Co., Ltd. (E Ink Holdings)	Affiliate of the SPH'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
Chen Hsu, Yu Rong	The second-degree of kinship of the director of SPPIA
Lin Xu, Li Hong	The spouse of SinoPac Securities' director
Lee, Jhong lan	The second-degree of kinship of the director of SinoPac Securities (Europe) Ltd.
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
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
Guo, Ling Ling	Manager of the Bank
Wang, Mei Ling	Manager of the Bank
Lai, Li Ru	Manager of the Bank
Deng, Ai Hua	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	
	September 30		September 30	
	2011	2010	2011	2010
1) Due from banks				
Due from banks - FENB	\$ 52,041	\$ 45,811	1.13%	2.02%
2) Financial assets at fair value through profit or loss				
Beneficiary certificates - SinoPac Global Emerging Markets Fund	-	20,080	-	0.07%
3) Derivative financial instruments				

September 30, 2011					
	Contract (Notional) Amount	Contract Period	Valuation Gains or Losses	Balance Sheet	
				Account	Balance
Currency swap contracts					
SinoPac Capital	\$ 879,337	2011.9.26-2011.10.26	\$ 136	Financial assets at fair value through profit or loss	\$ 136
FENB	57,774	2011.9.21-2011.10.5	3	Financial assets at fair value through profit or loss	3
FENB	1,313,544	2011.9.8-2011.10.28	(59)	Financial liabilities at fair value through profit or loss	59
Interest rate swap contracts					
SinoPac Securities	18,750,000	2007.1.3-2016.9.21	57,557	Financial assets at fair value through profit or loss	191,779
SinoPac Securities	21,115,000	2008.1.24-2016.7.21	(55,994)	Financial liabilities at fair value through profit or loss	246,696
Forward Contracts					
E Ink Holdings	305,060	2011.8.30-2011.11.4	93	Financial assets at fair value through profit or loss	93
September 30, 2010					
	Contract (Notional) Amount	Contract Period	Valuation Gains or Losses	Balance Sheet	
				Account	Balance
Currency swap contracts					
SinoPac Capital	\$ 928,619	2010.9.24-2010.10.22	\$ 41	Financial assets at fair value through profit or loss	\$ 41
FENB	400,313	2010.9.24-2010.10.12	7	Financial assets at fair value through profit or loss	7
FENB	53,302	2010.9.2-2010.10.12	(19)	Financial liabilities at fair value through profit or loss	19
Interest rate swap contracts					
SinoPac Securities	16,150,000	2007.1.3-2015.9.15	79,300	Financial assets at fair value through profit or loss	178,479
SinoPac Securities	18,415,000	2008.1.24-2015.8.31	(111,655)	Financial liabilities at fair value through profit or loss	257,018
Non-delivery forward contract - short position					
FENB	38,223	2010.4.8-2010.12.2	169	Financial assets at fair value through profit or loss	169
Forward contracts					
Grand Capital	114,355	2010.9.29-2010.11.30	14	Financial assets at fair value through profit or loss	14

(Continued)

September 30, 2010						
	Contract (Notional) Amount	Contract Period	Valuation Gains or Losses	Balance Sheet		
				Account	Balance	
E Ink Holdings	\$ 712,758	2010.5.11- 2010.12.31	\$ 379	Financial assets at fair value through profit or loss	\$ 379	
E Ink Holdings	78,325	2010.5.11- 2010.10.1	-	Financial liabilities at fair value through profit or loss	-	
Yuan Foong Paper Co., Ltd.	11,338	2010.9.23- 2010.10.13	-	Financial assets at fair value through profit or loss	-	

(Concluded)

4) Accounts, interest, other receivables and payables

As of September 30, 2011 and 2010, other receivables from related parties amounted to \$102,305 and \$8,548, respectively. These include the accrued commission of SPLIA and SPPIA amounted to \$91,752 as of September 30, 2011. As of September 30, 2011 and 2010, other payables to related parties amounted to \$22,720 and \$22,560, respectively.

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

As of September 30, 2011 and 2010, the Bank's estimated receivables resulting from the adoption of the linked-tax system amounted to \$1,152,006 and \$1,487,203, respectively.

5) Loans

Nine Months Ended September 30, 2011					
	September 30, 2011 Balance	Highest Balance	% of Total	Interest/ Fee Rates (%)	Interest Revenue
Loans	<u>\$ 7,105,472</u>	<u>\$ 8,185,486</u>	<u>1.00</u>	1.2-6.79	<u>\$ 121,642</u>

September 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	38	\$ 14,938	\$ 12,228	V	-	Real estate	Yes
Households mortgages	226	1,554,507	1,431,155	V	-	Real estate	Yes
Others:	Grand Capital	3,276,054	3,195,616	V	-	Movable	Yes
	SPL	2,158,000	1,934,000	V	-	Real estate and movable	Yes
	SinoPac Securities	335,000	-	V	-	Real estate	Yes
	BoardTek	305,554	242,292	V	-	Real estate	Yes
	Electronics						
	RungTzung	200,000	-	V	-	Real estate	Yes
	Investment						
	Yung An Leasing	198,800	198,800	V	-	Real estate	Yes
	Taiwan Genome	88,000	85,000	V	-	Real estate	Yes
	Sciences, Inc.						
FEC, LLC	39,899	-	V	-	Real estate	Yes	
Chen Hsu, Yu, Rong	4,659	4,393	V	-	Real estate	Yes	
Yu, Xiu Zhong	4,255	-	V	-	Certificate of deposit	Yes	

(Continued)

September 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
	Huang, Shiou Jyuan	\$ 3,251	\$ -	V	-	Certificate of deposit	Yes
	Jhuo, Shu Lin	909	608	V	-	Certificate of deposit	Yes
	Lee, Jhong Lan	800	700	V	-	Movable	Yes
	Chang, Jia Jyun	680	680	V	-	Certificate of deposit	Yes
	Ji, Ying Huei	82	-	V	-	Certificate of deposit	Yes
	Wang, Mei Ling	41	-	V	-	Certificate of deposit	Yes
	Lin Xu, Li Hong	29	-	V	-	Certificate of deposit	Yes
	Guo, Ling Ling	28	-	V	-	Certificate of deposit	Yes
	Others subtotal	<u>6,616,041</u>	<u>5,662,089</u>				
		<u>\$ 8,185,486</u>	<u>\$ 7,105,472</u>				

(Concluded)

Nine Months Ended September 30, 2010

	September 30, 2010 Balance	Highest Balance	% of Total	Interest/ Fee Rates (%)	Interest Revenue
Loans	<u>\$ 5,163,649</u>	<u>\$ 7,098,327</u>	<u>0.77</u>	0.98-6.53	<u>\$ 120,604</u>

September 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	28	\$ 11,907	\$ 10,387	V	-	None	Yes
Households mortgages	215	1,368,381	1,183,574	V	-	Real estate	Yes
Others:	SPL	2,535,000	1,836,000	V	-	Real estate and movable	Yes
	Grand Capital	1,152,983	1,116,601	V	-	Movable	Yes
	SinoPac Capital (Asia) Ltd.	985,531	112,788	V	-	Movable	Yes
	BoardTek Electronics	410,354	331,755	V	-	Real estate	Yes
	Rung-Tzung Investment	246,671	200,000	V	-	Real estate	Yes
	Yung An Leasing	198,800	198,800	V	-	Real estate	Yes
	SinoPac Securities	125,000	125,000	V	-	Securities	Yes
	FEC, LLC	43,535	41,285	V	-	Real estate	Yes
	Taiwan Genome Sciences, Inc.	9,500	-	V	-	Real estate	Yes
	Chen Hsu, Yu Rong	6,370	4,815	V	-	Real estate	Yes
	Jhuo, Shu Lin	2,644	2,644	V	-	Certificate of deposit	Yes
	Lai, Li Ru	982	-	V	-	Certificate of deposit	Yes
	Lin Xu, Li Hong	320	-	V	-	Certificate of deposit	Yes
	Liang, Ya Zi	128	-	V	-	Certificate of deposit	Yes
	Chang, Ping Chou	125	-	V	-	Certificate of deposit	Yes
	Lin, Jian Ying	47	-	V	-	Certificate of deposit	Yes
	Zhong, Dau Cheng	22	-	V	-	Certificate of deposit	Yes
	Huang, Shiou Jyuan	17	-	V	-	Certificate of deposit	Yes
	Guo, Kai Wei	5	-	V	-	Certificate of deposit	Yes
	Deng, Ai Hua	5	-	V	-	Certificate of deposit	Yes
	Others subtotal	<u>5,718,039</u>	<u>3,969,688</u>				
		<u>\$ 7,098,327</u>	<u>\$ 5,163,649</u>				

6) Guarantees

September 30, 2011

Related Party	The Highest Balance in Current Period	Ending Balance	Provision	Rates	Type of Collaterals	Note
SPL	\$ 457,590	\$ 457,590	\$ -	0.3%	Real estate and movable	
SinoPac Securities	2,000	2,000	-	0.3%	Certificate of deposit	
Other	665	110	-	1.38%-1.49%	None	Note

Note: The guarantees are employees consuming loans.

September 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	
Others	2,670	1,050	-	1.53%-1.71%	None	Note

Note: The guarantees are employees consuming loans.

7) 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.

8) Securities purchased under agreements to resell

2011

	<u>September 30, 2011</u>		Nine Months Ended September 30, 2011
	Face Amount	Cost	Interest Revenue
SinoPac Capital (Asia) Ltd.	\$ 1,987,313	\$ 1,764,981	\$ 6,567

2010

	<u>September 30, 2010</u>		Nine Months Ended September 30, 2010
	Face Amount	Cost	Interest Revenue
SinoPac Capital (Asia) Ltd.	\$ 839,486	\$ 839,486	\$ 312

9) Securities sold under agreements to repurchase

2011

	<u>September 30, 2011</u>		<u>Nine Months Ended September 30, 2011</u>
	<u>Face Amount</u>	<u>Cost</u>	<u>Interest Expense</u>
Ho, Shou Chuan	\$ 539,000	\$ 536,528	\$ 373

2010

	<u>September 30, 2010</u>		<u>Nine Months Ended September 30, 2010</u>
	<u>Face Amount</u>	<u>Cost</u>	<u>Interest Expense</u>
Others	\$ 180,000	\$ 179,507	\$ 227

10) Guarantee deposits

	<u>Ending Balance</u>		<u>% of Total</u>	
	<u>September 30</u>		<u>September 30</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
SinoPac Futures	\$ 32,676	\$ 32,050	1.92%	3.68%
SPL	10,344	11,414	0.61%	1.31%

11) Guarantee deposits received

	<u>Ending Balance</u>		<u>% of Total</u>	
	<u>September 30</u>		<u>September 30</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
SinoPac Securities	\$ 2,648	\$ 2,648	1.04%	1.08%
SPL	1,474	1,474	0.58%	0.60%
SPLIA	560	-	0.22%	-
SinoPac Call Center	520	1,170	0.20%	0.48%
SPPIA	84	-	0.03%	-

12) Deposits

	Ending Balance	% of Total	Interest Rate (%)	Interest Expense	% of Total
Nine months ended <u>September 30, 2011</u>					
SinoPac Securities	\$ 5,769,339	0.61%	0-1.27	\$ 15,963	0.25%
SinoPac Futures	1,643,050	0.17%	0.17-1.345	2,759	0.04%
SinoPac Venture Capital	1,004,515	0.11%	0.02-0.17	1,242	0.02%
SinoPac Securities (Asia) Ltd.	764,993	0.08%	0.0005-1.5	845	0.01%
SPLIA	599,437	0.06%	0.17	1,313	0.02%
Others	9,842,874	1.04%	0-13	120,040	1.86%
Nine months ended <u>September 30, 2010</u>					
SinoPac Securities	4,013,811	0.46%	0-0.9	7,455	0.17%
SinoPac Securities (Asia) Ltd.	1,421,483	0.16%	0.0005-1.5	1,742	0.04%
SinoPac Venture Capital	1,131,377	0.13%	0.02-0.11	828	0.02%
SinoPac Futures	1,085,429	0.13%	0.11-0.54	3,226	0.07%
E Ink Holding, Inc.	998,686	0.12%	0.01-0.11	260	0.01%
Others	7,061,361	0.82%	0-13	50,508	1.16%

13) Revenues and expenses

	Amount		% of Total	
	Nine Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
Commissions and fees revenues	\$ 221,940	\$ 28,969	7.26%	0.94%
Commissions and fees expenses	2,675	1,856	0.53%	0.42%
Marketing expense	13,165	5,703	0.46%	0.25%
Professional advisory charges	132,693	119,671	4.66%	5.30%
Office expense	10,476	13,969	0.37%	0.62%
Other operating expense	2,468	19,714	0.09%	0.87%
Other revenues	5,973	6,982	(9.31%)	(5.59%)

The Bank had entered into several co-sell insurance contracts with SPLIA and SPPIA. The service fee revenue for the nine months ended September 30, 2011 was amounted to \$188,053. The Bank had entered into professional advisory contracts with SinoPac Call Center. The professional advisory charges and other operating expenses paid for the nine months ended September 30, 2011 and 2010 amounted to \$133,091 and \$138,189, respectively.

14) Lease

a) The Bank as a lessee

Lessor	Other operating expense		Lease Term	Payment Frequency
	Nine Months Ended September 30			
	2011	2010		
SPL	\$ 94,850	\$ 91,884	February 2020	Rentals paid monthly

b) The Bank as a lessor

Lessee	Rental Income		Lease Term	Payment Frequency
	Nine Months Ended			
	2011	2010		
SinoPac Securities	\$ 14,611	\$ 14,690	March 2016	Rentals received monthly
SinoPac Securities	10,404	10,404	September 2017	Rentals received monthly
Investment Trust				
SPL	4,431	4,419	July 2016	Rentals received monthly
SPLIA	2,475	1,485	January 2014	Rentals received monthly
Intellisys Corporation	2,237	2,502	December 2013	Rentals received monthly
SinoPac Call Center	2,190	4,978	April 2014	Rentals received monthly
SPPIA	359	203	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 September 30, 2011 and 2010 are summarized as follows:

Restricted Assets	Object	Book Value		Purposes
		2011	2010	
Financial assets at fair value through profit or loss	Negotiable certificate of deposits	\$ 5,000,000	\$ -	Pledged with the Central Bank under the foreign exchange
Discounts and loans	Loans	2,282,794	2,491,644	Pledged with the Federal Reserve Bank under the discount window program
Available-for-sale financial assets	Government bonds	463,921	538,443	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	195,666	201,749	Hong Kong branch's clearing system of real - time gross settlement
Held-to-maturity investments	Negotiable certificate of deposits	152,530	156,650	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
October 1 to December 31, 2011	\$ 101,835
2012	327,020
2013	210,090
2014	155,241
2015	124,299

Rentals for the years beyond 2016 amount to \$223,502, the present value of which is about \$202,735 as discounted at the Bank's one-year time deposit rate of 1.35% on September 30, 2011.

b. Equipment purchase contract

The Bank had entered into contracts to buy computer equipment and office equipment for \$1,000,762, of which \$510,038 had already been paid as of September 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.

	Nine Months Ended September 30			
	2011		2010	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Due from the Central Bank and other banks	\$ 27,643,541	0.58	\$ 22,695,918	0.45
Call loans to banks	24,216,931	0.68	40,742,252	0.54
Financial assets at fair value through profit or loss	37,775,991	1.09	8,706,680	1.41
Securities purchased under agreements to resell	1,771,522	0.78	183,910	0.37
Available-for-sale financial assets	37,573,174	1.75	31,548,751	1.56
Discounts and loans	709,991,853	2.16	683,857,640	1.92
Accounts receivable - factoring	9,400,181	1.29	9,668,806	1.25
Credit card receivable	10,117,431	12.98	11,051,155	14.19
Held-to-maturity investments	196,279,332	0.83	140,974,683	0.68
Other financial assets	233,654	0.47	244,743	0.58
<u>Interest-bearing liabilities</u>				
Due to the Central Bank and other banks	18,101,649	1.28	20,509,819	1.05
Call loans	41,951,685	0.71	27,830,872	0.43
Securities sold under agreements to repurchase	4,924,573	0.59	5,777,582	0.25
Demand	165,205,955	0.14	149,105,982	0.11
Savings - demand	225,535,757	0.41	214,144,622	0.35
Time	292,591,302	0.87	265,891,477	0.61
Savings - time	199,830,332	1.20	181,064,947	1.02
Negotiable certificates of deposit	27,345,615	0.74	28,606,836	0.39
Bank debentures	30,246,506	2.06	26,009,607	2.07
Other liabilities - appropriated loan fund	420,564	0.93	473,668	0.92

32. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

	September 30			
	2011		2010	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<u>Financial assets</u>				
Other short-term financial assets	\$ 128,090,418	\$ 128,090,418	\$ 131,473,493	\$ 131,473,493
Financial assets at fair value through profit or loss	35,264,420	35,264,420	29,574,314	29,574,314
Discounts and loans	714,000,781	714,000,781	674,275,394	674,275,394
Available-for-sale financial assets	30,540,462	30,540,462	30,075,981	30,075,981
Held-to-maturity investments	221,803,599	221,806,339	176,460,615	176,479,248
Equity investments-equity method	6,039,565	-	6,947,101	-
Unquoted equity instruments	6,531,672	-	4,149,582	-
Non-active market debt instruments	75,411	74,234	88,754	80,660
Other financial assets	3,852,494	3,852,494	5,319,373	5,319,373
<u>Financial liabilities</u>				
Other short-term financial liabilities	79,604,358	79,604,358	84,004,997	84,004,997
Financial liabilities at fair value through profit or loss	10,332,582	10,332,582	11,780,484	11,780,484
Deposits and remittances	950,311,599	950,311,599	864,268,566	864,268,566
Bank debentures	33,861,348	34,431,909	24,127,094	24,588,947
Other financial liabilities	12,401,450	12,401,450	21,476,813	21,476,813

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) Unquoted equity instruments and equity investments - equity method are investments in unquoted shares, which have no quoted price in an active market and entail an unreasonable high cost to obtain verifiable fair value. Therefore, no fair value is presented. 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 \$14,636,354 and \$12,534,700, for the nine months ended September 30, 2011 and 2010, respectively. Interest expense of financial assets and liabilities other than those at fair value through profit or loss amounted to \$5,141,045 and \$3,630,537, for the nine months ended September 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:

	<u>Quoted Market Prices</u>		<u>Fair Value Based on Estimates</u>	
	<u>September 30</u>		<u>September 30</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<u>Financial assets</u>				
Financial assets at fair value through profit or loss	\$ 3,463,730	\$ 26,595,835	\$ 31,800,690	\$ 2,978,479
Available-for-sale financial assets	19,494,603	28,087,294	11,045,859	1,988,687
Held-to-maturity investments	-	176,479,248	221,806,339	-
Other financial assets - non-active market debt instruments	-	-	74,234	80,660
<u>Financial liabilities</u>				
Financial liabilities at fair value through profit or loss	22	11,545,252	10,332,560	235,232
Bank debentures	32,962,021	22,055,404	1,469,888	2,533,543

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

Item	September 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	\$ 255,457	\$ 255,457	\$ -	\$ -
Investment in bonds	3,546,061	2,652,590	752,541	140,930
Others	20,347,556	544,538	19,802,069	949
Financial assets designated at FVTPL				
	873,664	-	694,890	178,774
Available-for-sale financial assets				
Investment in stocks	74,530	74,530	-	-
Investment in bonds	25,086,518	19,420,073	5,666,445	-
Others	5,379,414	-	4,921,824	457,590
Other financial assets				
Non-active market debt instruments	74,234	-	-	74,234
<u>Derivative financial Instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Held for trading financial assets	10,241,682	11,145	9,954,927	275,610
Other financial assets				
Hedging derivative financial assets	70,209	-	70,209	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Held for trading financial liabilities	10,332,582	22	10,056,163	276,397
Other financial liabilities				
Hedging derivative financial liabilities	55,947	-	55,947	-

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 in an active market. Financial products with similar maturities and 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
Nine Months Ended September 30, 2011
(In Thousands of New Taiwan Dollars)

Name	Beginning Balance	Valuation Gain/Loss Reflected in 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	\$ (62,440)	\$ 384,625	\$ 42,918	\$ 241,286	\$ -	\$ 17,155	\$ 141,879
Financial assets designated at fair value through profit or loss	-	(6,766)	185,540	-	-	-	-	178,774
Available-for-sale financial assets	-	-	457,590	-	-	-	-	457,590
Other financial assets Non-active market debt instruments	79,634	-	-	-	5,400	-	-	74,234
<u>Derivative instruments</u>								
Financial assets at fair value through profit or loss Held for trading financial assets	306,841	53,234	2,322	-	86,837	-	50	275,610

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

Name	Beginning Balance	Valuation Gain/Loss Reflected in 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	\$ (22,537)	\$ 3,010	\$ -	\$ 2,357	\$ -	\$ 42	\$ 276,397

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 limits. Each sub-risk management team reviews limits by 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 99% confidence interval.

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 September 30, 2011 and 2010, ratios of secured loans to total loans were 68.47% and 72.31% respectively. Ratio of secured financial guarantees and standby letters of credits were between 21.96% and 25.26%. Collaterals held vary but may include cash, inventories, marketable securities, and other properties. When the customers default, the Bank will, as required by circumstances, foreclose the collaterals or execute other rights arising out of the guarantees given. Since most of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash demands. The maximum potential amount of future payments represents the notional amounts that could be lost under the guarantees if there were a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions or from collaterals held or pledged.

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

Items	September 30	
	2011	2010
	Maximum Credit Exposure	Maximum Credit Exposure
Off-balance-sheet credit risk		
Credit card commitments for credit card	\$ 206,918,401	\$ 172,941,718
Financial guarantees and standby letter of credit	21,158,153	19,686,035
Undrawn loan commitments	16,217,549	20,065,142

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

Credit Risk Profile by Counterparty	September 30	
	2011	2010
Consumer	\$ 379,090,980	\$ 387,107,868
Private sector	301,127,484	262,599,404
Government - utility business	<u>39,573,985</u>	<u>29,502,848</u>
	<u>\$ 719,792,449</u>	<u>\$ 679,210,120</u>

Credit Risk Profile by Industry Sector	September 30	
	2011	2010
Electricity industry	\$ 67,818,975	\$ 52,881,827
Wholesale trade and retail business	57,551,289	45,556,467
Material and supplies	<u>46,885,271</u>	<u>42,548,861</u>
	<u>\$ 172,255,535</u>	<u>\$ 140,987,155</u>

Credit Risk Profile by Region	September 30	
	2011	2010
Domestic area	\$ 640,165,043	\$ 616,856,615
Asia	41,439,167	32,139,881
North America	<u>25,242,830</u>	<u>22,354,582</u>
	<u>\$ 706,847,040</u>	<u>\$ 671,351,078</u>

3) Liquidity risk

As of September 30, 2011 and 2010, the liquidity reserve ratio was 32.45% and 27.32%, 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:

September 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
Assets							
Cash and cash equivalents	\$ 12,430,472	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,430,472
Due from the Central Bank and other banks	66,244,755	305,060	-	-	-	-	66,549,815
Financial assets at fair value through profit or loss	32,119,841	474,864	2,470,253	198,436	1,026	-	35,264,420
Securities purchased under agreements to resell	2,661,885	-	-	-	-	-	2,661,885
Receivables	17,767,105	16,576,185	2,762,542	2,801,032	1,850,924	6,273,290	48,031,078
Discounts and loans	54,856,711	60,180,089	39,878,786	35,678,052	180,613,661	348,469,014	719,676,313
Available-for-sale financial assets	5,220,930	418,780	1,412,808	1,113,296	22,080,416	294,232	30,540,462
Held-to-maturity investments	89,476,515	96,946,309	31,847,803	3,000,000	501,101	31,871	221,803,599
Non-active market debt instruments	-	75,411	-	-	-	-	75,411
Hedging derivative financial assets	-	-	-	-	70,209	-	70,209
	<u>280,778,214</u>	<u>174,976,698</u>	<u>78,372,192</u>	<u>42,790,816</u>	<u>205,117,337</u>	<u>355,068,407</u>	<u>1,137,103,664</u>
Liabilities							
Call loans and due to banks	33,094,961	14,899,258	3,729,798	1,803,511	-	-	53,527,528
Financial liabilities at fair value through profit or loss	6,882,041	551,333	238,177	2,646,752	14,279	-	10,332,582
Securities sold under agreements to repurchase	7,179,548	1,301,691	110,018	-	-	-	8,591,257
Payables	7,928,429	4,545,846	2,498,706	808,070	403,225	1,401,624	17,585,900
Deposits and remittances (Note)	152,160,510	151,506,980	153,751,639	163,373,458	335,911,968	5,289,885	961,994,440
Bank debentures	70,209	-	-	-	30,791,139	3,000,000	33,861,348
Hedging derivative financial liabilities	-	-	-	4,718	51,229	-	55,947
	<u>207,315,698</u>	<u>172,805,108</u>	<u>160,328,338</u>	<u>168,636,509</u>	<u>367,171,840</u>	<u>9,691,509</u>	<u>1,085,949,002</u>
Net liquidity gap	<u>\$ 73,462,516</u>	<u>\$ 2,171,590</u>	<u>\$ (81,956,146)</u>	<u>\$ (125,845,693)</u>	<u>\$ (162,054,503)</u>	<u>\$ 345,376,898</u>	<u>\$ 51,154,662</u>
September 30, 2010							
	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due Between One Year and Seven Years	Due After Seven Years	Total
Assets							
Cash and cash equivalents	\$ 9,784,027	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,784,027
Due from the Central Bank and other banks	63,715,247	3,616,586	4,996,947	-	-	-	72,328,780
Financial assets at fair value through profit or loss	25,463,665	682,916	3,068,302	358,000	1,431	-	29,574,314
Receivables	21,334,932	16,359,647	2,299,979	1,194,953	8,941,594	-	50,131,105
Securities purchased under agreements to resell	1,057,097	56,394	-	-	-	-	1,113,491
Discounts and loans	44,772,567	52,142,742	36,317,044	34,369,260	153,610,531	357,761,853	678,973,997
Available-for-sale financial assets	5,289,017	94,371	1,216,659	2,520,763	20,860,545	94,626	30,075,981
Held-to-maturity investments	78,194,006	78,535,242	6,918,946	11,915,915	840,603	55,903	176,460,615
Non-active market debt instruments	-	-	-	-	86,847	1,907	88,754
Hedging derivative financial assets	-	-	-	15,065	118,955	-	134,020
	<u>249,610,558</u>	<u>151,487,898</u>	<u>54,817,877</u>	<u>50,373,956</u>	<u>184,460,506</u>	<u>357,914,289</u>	<u>1,048,665,084</u>
Liabilities							
Call loans and due to banks	32,492,773	15,893,765	4,116,018	5,803,511	-	-	58,306,067
Financial liabilities at fair value through profit or loss	8,077,337	626,250	215,932	2,860,197	768	-	11,780,484
Securities sold under agreements to repurchase	4,397,282	61,467	-	-	-	-	4,458,749
Payables	9,384,492	8,829,820	2,164,405	718,668	292,664	-	21,390,049
Deposits and remittances (Note)	138,425,181	142,984,786	153,112,567	133,097,234	315,233,938	-	882,853,706
Bank debentures	134,021	-	-	4,000,000	19,993,073	-	24,127,094
Hedging derivative financial liabilities	-	-	-	-	58,385	-	58,385
	<u>192,911,086</u>	<u>168,396,088</u>	<u>159,608,922</u>	<u>146,479,610</u>	<u>335,578,828</u>	<u>-</u>	<u>1,002,974,534</u>
Net liquidity gap	<u>\$ 56,699,472</u>	<u>\$ (16,908,190)</u>	<u>\$ (104,791,045)</u>	<u>\$ (96,105,654)</u>	<u>\$ (151,118,322)</u>	<u>\$ 357,914,289</u>	<u>\$ 45,690,550</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)

	September 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	\$ 47,821	30.506	\$ 1,458,827	\$ 73,146	31.33	\$ 2,291,664
Due from the Central Bank and other banks	322,516	30.506	9,838,673	724,100	31.33	22,686,053
Financial assets at fair value through profit or loss	460,464	30.506	14,046,915	509,660	31.33	15,967,648
Securities purchased under agreements to resell	66,591	30.506	2,031,425	35,541	31.33	1,113,500
Receivables, net	836,372	30.506	25,514,364	945,764	31.33	29,630,786
Discounts and loans, net	3,861,802	30.506	117,808,132	2,940,905	31.33	92,138,554
Available-for-sale financial assets	106,421	30.506	3,246,479	95,849	31.33	3,002,949
Held-to-maturity investments	6,045	30.506	184,409	6,784	31.33	212,543
Equity investments—equity method	162,306	30.506	4,951,307	162,306	31.33	5,085,047
Other financial assets, net						
Unquoted equity instruments	195,000	30.991	6,043,165	115,000	31.835	3,661,075
Non-active market debt instruments	2,472	30.506	75,411	2,772	31.33	86,847
Other financial assets	104,636	30.506	3,192,026	136,397	31.33	4,273,318
<u>Liabilities</u>						
Due to the Central Bank and other banks	1,064,940	30.506	32,487,060	959,715	31.33	30,067,871
Financial liabilities at fair value through profit or loss	353,603	30.506	10,787,013	261,653	31.33	8,197,588
Payables	278,876	30.506	8,507,391	423,678	31.33	13,273,832
Deposits and remittances	4,223,591	30.506	128,844,867	3,901,119	31.33	122,222,058
Other financial liabilities	105,486	30.506	3,217,956	108,214	31.33	3,390,345

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	September 30			
		2011		2010	
		Notional Amount	Fair Value	Notional Amount	Fair Value
Bank debentures	Interest rate swap	\$ 1,400,000	\$ 70,209	\$ 1,400,000	\$ 105,052
	Cross currency swap	-	-	1,000,000	28,968
Fixed rate loans	Interest rate swap	138,519	(4,718)	155,847	(11,424)

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	September 30			
		2011		2010	
		Notional Amount	Fair Value	Notional Amount	Fair Value
Bank debentures	Interest rate swap	\$ 3,600,000	\$ (51,229)	\$ 3,600,000	\$ (46,961)

33. MARKET RISK CONTROL AND HEDGE STRATEGY

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

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

a. Asset quality

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

b. Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities
September 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	\$ 1,105,786,282	\$ 256,522,298	\$ 190,933,185	\$ 94,962,347	\$ 39,222,193	\$ 524,146,259
Main capital outflow on maturity	1,119,508,954	187,041,059	208,841,950	142,828,577	174,300,161	406,497,207
Gap	(13,722,672)	69,481,239	(17,908,765)	(47,866,230)	(135,077,968)	117,649,052

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
September 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	\$ 12,501,948	\$ 4,034,144	\$ 3,431,201	\$ 1,604,584	\$ 751,798	\$ 2,680,221
Main capital outflow on maturity	12,454,204	4,601,087	2,936,457	1,708,626	568,577	2,639,457
Gap	47,744	(566,943)	494,744	(104,042)	183,221	40,764

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
September 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	\$ 997,487,059	\$ 223,654,511	\$ 144,308,525	\$ 53,940,400	\$ 50,610,197	\$ 524,973,426
Main capital outflow on maturity	1,014,654,073	188,405,341	163,503,292	127,743,629	156,976,847	378,024,964
Gap	(17,167,014)	35,249,170	(19,194,767)	(73,803,229)	(106,366,650)	146,948,462

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
September 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	\$ 10,359,363	\$ 4,506,146	\$ 2,279,434	\$ 869,119	\$ 793,916	\$ 1,910,748
Main capital outflow on maturity	10,299,498	4,637,726	1,946,161	1,077,202	626,792	2,011,617
Gap	59,865	(131,580)	333,273	(208,083)	167,124	(100,869)

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		Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Return on total assets	Before income tax	0.37	0.36
	After income tax	0.32	0.27
Return on net worth	Before income tax	6.12	5.77
	After income tax	5.28	4.44
Profit margin		28.21	23.14

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 nine months ended September 30, 2011 and 2010.

d. Interest rate sensitivity information

**Interest Rate Sensitivity
September 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	\$ 766,143,244	\$ 41,606,277	\$ 45,729,468	\$ 47,166,854	\$ 900,645,843
Interest-rate sensitive liabilities	423,366,832	356,764,554	43,921,386	26,250,924	850,303,696
Interest-rate sensitive gap	342,776,412	(315,158,277)	1,808,082	20,915,930	50,342,147
Net worth					71,418,024
Ratio of interest-rate sensitive assets to liabilities					105.92%
Ratio of interest-rate sensitive gap to net worth					70.49%

**Interest Rate Sensitivity
September 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	\$ 661,999,289	\$ 19,157,715	\$ 50,685,618	\$ 87,537,592	\$ 819,380,214
Interest-rate sensitive liabilities	363,232,889	355,583,539	46,019,157	16,107,369	780,942,954
Interest-rate sensitive gap	298,766,400	(336,425,824)	4,666,461	71,430,223	38,437,260
Net worth					66,314,443
Ratio of interest-rate sensitive assets to liabilities					104.92%
Ratio of interest-rate sensitive gap to net worth					57.96%

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
September 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	\$ 4,681,637	\$ 298,671	\$ 12,692	\$ 144,637	\$ 5,137,637
Interest-rate sensitive liabilities	2,415,477	2,891,012	220,983	2,435	5,529,907
Interest-rate sensitive gap	2,266,160	(2,592,341)	(208,291)	142,202	(392,270)
Net worth					126,359
Ratio of interest-rate sensitive assets to liabilities					92.91%
Ratio of interest-rate sensitive gap to net worth					(310.44%)

**Interest Rate Sensitivity
September 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	\$ 4,009,073	\$ 284,547	\$ 75,915	\$ 402,974	\$ 4,772,509
Interest-rate sensitive liabilities	2,446,036	2,553,062	177,095	13	5,176,206
Interest-rate sensitive gap	1,563,037	(2,268,515)	(101,180)	402,961	(403,697)
Net worth					59,997
Ratio of interest-rate sensitive assets to liabilities					92.20%
Ratio of interest-rate sensitive gap to net worth					(672.86%)

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

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

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

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

e. Concentration of credit extensions

September 30, 2011

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	Industry Category (Note 2)	Total Credit Consists of Loans (Note 3)	Percentage of Net Worth (%) (Note 4)
1	A Group (Optical products manufacturing)	\$16,044,530	24.33%
2	B Group (Plastics)	14,355,900	21.77%
3	C Group (LCD and its components manufacturing)	10,140,337	15.37%
4	D Group (Computer and peripheral equipment)	7,806,797	11.84%
5	E Group (Finance and lease)	5,589,209	8.47%
6	F Group (Trading and consumers' goods industry)	5,452,694	8.27%
7	G Group (CATV)	4,784,796	7.25%
8	H Group (Optoelectronic)	3,273,239	4.96%
9	I Group (Transportation marine)	2,808,840	4.26%
10	J Group (Metal product)	2,463,785	3.74%

September 30, 2010

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	Industry Category (Note 2)	Total Credit Consists of Loans (Note 3)	Percentage of Net Worth (%) (Note 4)
1	A Group (Plastics)	\$13,472,770	21.60%
2	B Group (Other electronic)	9,230,044	14.80%
3	C Group (Computer and peripheral equipment)	8,953,207	14.36%
4	D Group (Optoelectronic)	7,539,385	12.09%
5	E Group (Trading and consumers' goods industry)	5,800,000	9.30%
6	F Group (Building material and construction)	5,412,693	8.68%
7	G Group (Transportation industry)	3,531,452	5.66%
8	H Company (Metal product)	2,439,518	3.91%
9	I Group (Synthetic fiber)	2,185,809	3.51%
10	J Company (Building material and construction)	2,000,000	3.21%

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
September 30, 2011 and 2010**

(In Thousands of New Taiwan Dollars)

	September 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	\$ 2,678,843	\$ -	\$ 2,678,843	\$ 4,652,695	\$ 1,480,752	\$ 6,133,447
Bonds	9,036,887	-	9,036,887	12,869,263	-	12,869,263
Stocks	6,074,197	-	6,074,197	6,663,847	-	6,663,847
Funds	122,146,719	-	122,146,719	115,027,275	-	115,027,275
Securities lent	1,429,872	-	1,429,872	133,242	-	133,242
Receivables	2,439	-	2,439	43	76	119
Prepayments	9	49	58	7	13,847	13,854
Real estate						
Land	5,916,664	-	5,916,664	7,942,602	3,538,574	11,481,176
Buildings	96,868	-	96,868	531,497	1,364,856	1,896,353
Construction in process	3,666,398	-	3,666,398	5,273,777	-	5,273,777
Securities under custody	72,737,711	-	72,737,711	122,043,306	-	122,043,306
Other assets	-	-	-	-	76,418	76,418
Total trust assets	<u>\$ 223,786,607</u>	<u>\$ 49</u>	<u>\$ 223,786,656</u>	<u>\$ 275,137,554</u>	<u>\$ 6,474,523</u>	<u>\$ 281,612,077</u>
<u>Trust liabilities</u>						
Payables	\$ 785	\$ -	\$ 785	\$ 34	\$ 15,742	\$ 15,776
Advance receipts	-	-	-	-	16,369	16,369
Other liabilities	-	-	-	-	20,908	20,908
Payable on securities under custody	72,737,711	-	72,737,711	122,043,306	-	122,043,306
Trust capital	148,792,568	11,806	148,804,374	150,765,125	5,193,067	155,958,192
Reserves and cumulative earnings						
Reserves	-	22,312	22,312	-	71,184	71,184
Net income	317,095	(22,815)	294,280	728,926	70,206	799,132
Cumulative earnings	2,333,012	720,559	3,053,571	2,148,753	623,617	2,772,370
Deferred amount	(394,564)	(731,813)	(1,126,377)	(548,590)	-	(548,590)
Unrealized revaluation increment on land	-	-	-	-	463,430	463,430
Total trust liabilities	<u>\$ 223,786,607</u>	<u>\$ 49</u>	<u>\$ 223,786,656</u>	<u>\$ 275,137,554</u>	<u>\$ 6,474,523</u>	<u>\$ 281,612,077</u>

Trust Income Statement
Nine Months Ended September 30, 2011 and 2010

(In Thousands of New Taiwan Dollars)

	Nine Months Ended September 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	\$ 144,331	\$ 479	\$ 144,810	\$ 145,180	\$ 16,896	\$ 162,076
Rental income	-	-	-	-	148,636	148,636
Borrowed Securities income	8,659	-	8,659	42	-	42
Cash dividend income	318,004	-	318,004	370,821	-	370,821
Gains from beneficiary certificates	142	-	142	177	-	177
Realized investment income	28,090	-	28,090	273,974	-	273,974
Unrealized investment income	-	-	-	9,472	-	9,472
Total trust income	<u>499,226</u>	<u>479</u>	<u>499,705</u>	<u>799,666</u>	<u>165,532</u>	<u>965,198</u>
Trust expense						
Trust administrative expenses	4,511	105	4,616	3,251	1,260	4,511
Tax expenses	14,461	-	14,461	14,368	6,941	21,309
Interest expenses	-	22,869	22,869	-	85,151	85,151
OTC expenses	-	75	75	-	956	956
Service expenses	-	231	231	-	-	-
Realized investment loss	66,918	-	66,918	52,863	-	52,863
Unrealized investment loss	95,917	-	95,917	-	-	-
Others	324	14	338	258	1,018	1,276
Total trust expense	<u>182,131</u>	<u>23,294</u>	<u>205,425</u>	<u>70,740</u>	<u>95,326</u>	<u>166,066</u>
Income (loss) before income tax	317,095	(22,815)	294,280	728,926	70,206	799,132
Income tax expense	-	-	-	-	-	-
Net income (loss)	<u>\$ 317,095</u>	<u>\$ (22,815)</u>	<u>\$ 294,280</u>	<u>\$ 728,926</u>	<u>\$ 70,206</u>	<u>\$ 799,132</u>

Trust Properties of Trust Accounts
September 30, 2011 and 2010

(In Thousands of New Taiwan Dollars)

Investment Portfolio	September 30			
	2011		2010	
	Book Value	Note	Book Value	Note
Bank deposits	\$ 2,678,843		\$ 6,133,447	
Bonds	9,036,887		12,869,263	
Stocks	6,074,197		6,663,847	
Funds	122,146,719		115,027,275	
Securities lent	1,429,872		133,242	
Asset pool of financial asset securitization	-		-	
Asset pool of real estate securitization	-		4,903,430	
Real estate				
Land	5,916,664		7,942,602	
Buildings	96,868		531,497	
Construction in process	3,666,398		5,273,777	
Securities under custody	<u>72,737,711</u>		<u>122,043,306</u>	
Total	<u>\$ 223,784,159</u>		<u>\$ 281,521,686</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 nine months ended September 30, 2011 and 2010, the Bank charged SinoPac Securities for \$2,203 and \$3,171, respectively, as marketing and opening accounts. The rental fee the Bank has charged SinoPac Securities for the nine months ended September 30, 2011 and 2010 were \$2,447 and \$1,603, respectively. The rental fee the Bank paid to SinoPac Securities were \$505 and \$352, respectively for the nine months ended September 30, 2011 and 2010. The Bank has charged SinoPac Securities a total of \$3,669 and \$100 for the nine months ended September 30, 2011 and 2010 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.

Operating segment information of the Bank is based on consolidated financial statement.

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: Table 3;
 - 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 4;
 - 11) Sale of nonperforming loans: Table 5;
 - 12) The information of investees: None;
 - 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

SEPTEMBER 30, 2011

(In Thousands of New Taiwan Dollars or Share)

Name of Holding Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	September 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	\$ 10,503,432	100%	\$ 10,503,432	Note 2
	Far East Capital, LLC	Subsidiary	Equity investments - equity method	-	21,550	100%	21,550	Note 2
SinoPac Capital Limited	<u>Stock</u> SinoPac Capital (B.V.I.) Ltd.	Subsidiary	Equity investments - equity method	4,450	32,482	100%	50,075	Note 2
	SinoPac Insurance Brokers Ltd.	Subsidiary	Equity investments - equity method	100	1,175	100%	141,495	Note 2
	<u>Fund</u> China Enterprise Capital	-	Unquoted equity investments	0.020	30,359	-	30,359	Note 3
SinoPac Capital (B.V.I.) Ltd.	<u>Stock</u> RSP Information Service Company Limited	Subsidiary	Equity investments - equity method	1,000	3,911	100%	4,786	Note 2
SinoPac Property Insurance Agent Co., Ltd.	<u>Bond</u> Government bond 88-3	-	Guarantee deposits	600	631	-	764	Pledge
SinoPac Life Insurance Agent Co., Ltd.	<u>Bond</u> Government bond 88-3	-	Guarantee deposits	600	630	-	764	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)
NINE MONTHS ENDED SEPTEMBER 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	Stock	Unquoted equity investments	-	Subsidiary of the Bank	5,800	\$ 4,578,625	2,000	\$ 1,464,540	-	\$ -	\$ -	\$ -	7,800	\$ 6,043,165
SinoPac Bancorp	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

DISPOSAL OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL
 NINE MONTHS ENDED SEPTEMBER 30, 2011
 (In Thousands of New Taiwan Dollars)

Company Name	Type of Property	Transaction Date	Original Acquisition Date	Carrying Amount	Transaction Amount	Proceeds Collection Status	Gain (Loss) on Disposal	Counter-party	Nature of Relationship	Purpose of Disposal	Price Reference	Other Terms
Bank SinoPac	B2-4F, No. 126, Fuzhong Rd., Banqiao Dist., New Taipei City	August 10, 2011	December 30, 2003	\$ 544,916	\$ 610,000	Collected on September 9, 2011	\$ 65,084	Hong Yeh Construction Limited Co.	None	Disposal of collateral assumed	Real estate appraisal report	None

BANK SINOPAC AND INVESTEES

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

SEPTEMBER 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	\$ 1,152,213 (Note)	-	\$ -	-	\$ -	\$ -

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

BANK SINOPAC AND INVESTEEES

TRADING INFORMATION - SELLING NONPERFORMING LOANS
 NINE MONTHS ENDED SEPTEMBER 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	SVP 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	Asset Foreclosure Service, Inc.	Commercial secured loans	US\$ 4,055 thousand	US\$ 4,338 thousand	US\$ 283 thousand	-	None
July 1, 2011	SVP SIMI, LLC	Commercial secured loans	US\$ 3,283 thousand	US\$ 2,721 thousand	US\$ (562) thousand	-	None
July 8, 2011	SST Investment, LLC	Commercial secured loans	US\$ 743 thousand	US\$ 755 thousand	US\$ 12 thousand	-	None
August 18, 2011	Kearny FE 1, LLC	Commercial secured loans	US\$ 26,876 thousand	US\$ 26,924 thousand	US\$ 48 thousand	-	None
September 28, 2011	MB MONTCLAIR, LLC	Commercial secured loans	US\$ 2,057 thousand	US\$ 2,057 thousand	-	-	None
September 29, 2011	RCB Equities #4, LLC	Commercial secured loans	US\$ 9,148 thousand	US\$ 9,497 thousand	US\$ 349 thousand	-	None

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

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

	September 30	
	2011	2010
<u>Held-for-trading financial assets</u>		
Negotiable certificates of deposit	\$ 19,802,069	\$ 10,001,352
Corporate bonds	1,431,954	1,461,775
Bank debentures	1,296,415	2,037,815
Government bonds	796,816	923,616
Beneficiary certificates	544,538	741,669
Listed stocks	255,457	1,102,666
Convertible bonds	20,876	200,872
Collateralized debt obligations	949	975
Depository receipts	-	29,645
Derivative financial assets		
Interest rate swaps	5,246,908	7,797,810
Forward contracts	2,371,319	2,111,466
Premium paid on option contracts	2,108,967	2,297,761
Currency swap contracts	265,127	70,232
Cross-currency swap contracts	207,561	22,484
Others	41,800	18,937
	<u>34,390,756</u>	<u>28,819,075</u>
<u>Financial assets designated at fair value through profit or loss</u>		
Hybrid product		
Convertible bonds	873,664	392,612
Corporate bonds	-	302,991
A group of financial instruments is managed and its performance is evaluated on a fair value basis		
C equity interest in VISA Inc.	-	59,636
	<u>873,664</u>	<u>755,239</u>
Total of financial assets at fair value through profit or loss	<u>\$ 35,264,420</u>	<u>\$ 29,574,314</u>
<u>Held-for-trading financial liabilities</u>		
Derivative financial liabilities		
Interest rate swaps	\$ 5,180,768	\$ 7,680,649
Forward contracts	2,391,736	1,993,286
Premiums received on option contracts	2,266,094	1,954,089
Currency swap contract	251,864	53,239
Cross-currency swap contract	184,974	37,317
Others	57,146	61,904
	<u>\$ 10,332,582</u>	<u>\$ 11,780,484</u>

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

	September 30	
	2011	2010
Interest rate swap contracts	\$ 872,582,909	\$ 876,529,684
Currency swap contracts	372,646,392	291,215,791
Options		
Long position	181,731,102	144,534,749
Short position	182,850,907	146,457,345
Forward contracts		
Long position	5,948,656	19,120,593
Short position	2,613,686	11,098,808
Non-deliverable forward contracts		
Long position	231,195,090	98,291,696
Short position	230,135,403	98,016,500
Cross-currency swap contracts	9,375,172	3,474,694
Assets swap contracts	1,043,795	1,378,520
Credit default swap contracts	1,100,000	1,100,000
Equity-linked swap contracts	33,885	36,700
Commodity-linked swap contracts	487,532	276,300
Futures		
Interest rate futures long position	-	2,390,182
Interest rate futures short position	828,993	1,673,206
Equity futures short position	14,340	-
Credit linked swap contracts	1,100,000	2,500,000

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

	September 30	
	2011	2010
Government bonds	\$ 12,265,830	\$ 11,919,794
Bank debentures	6,658,824	6,015,728
Corporate bonds	5,548,907	6,502,132
Commercial paper	4,921,824	4,808,338
Government sector bonds	612,957	638,427
Negotiable certificates of deposit	457,590	-
Listed stocks	<u>74,530</u>	<u>191,562</u>
	<u>\$ 30,540,462</u>	<u>\$ 30,075,981</u>

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

	September 30	
	2011	2010
Negotiable certificates of deposit	\$ 220,602,530	\$ 175,071,650
Corporate bonds	840,960	840,603
Government bonds	328,238	330,997
Bank debentures	26,159	107,602
Collateralized debt obligations	5,712	29,037
Floating rate notes	<u>-</u>	<u>80,726</u>
	<u>\$ 221,803,599</u>	<u>\$ 176,460,615</u>

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

	September 30	
	2011	2010
Unquoted equity instruments		
Oversea unlisted equity investments - preferred stock	\$ 6,043,165	\$ 3,661,075
Unlisted equity investments - common stock	<u>488,507</u>	<u>488,507</u>
	<u>6,531,672</u>	<u>4,149,582</u>
Non-active market debt instruments		
Collateralized debt obligations	75,411	86,847
Mortgage backed securities	<u>-</u>	<u>1,907</u>
	<u>75,411</u>	<u>88,754</u>
Others		
Purchase of PEM instruments	4,310,015	4,171,187
Guarantee deposits	1,697,496	870,434
Guarantee of futures and options	166,281	163,502
Nonperforming receivables transferred from other than loans	116,136	236,123
Hedging derivative financial instruments	70,209	134,020
Short-term advancement	17,980	28,334
Bills purchased	<u>593</u>	<u>2,251</u>
	6,378,710	5,605,851
Less: Accumulated impairment	2,408,030	-
Allowance for credit losses	<u>118,186</u>	<u>286,478</u>
	<u>3,852,494</u>	<u>5,319,373</u>
	<u>\$ 10,459,577</u>	<u>\$ 9,557,709</u>

BANK SINOPAC

BANK DEBENTURES
SEPTEMBER 30, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

	September 30		Maturity Date	Terms
	2011	2010		
<u>Dominant bank debentures</u>				
Fifteenth dominant bank debentures issued in 2004	\$ -	\$ 513,902	2004.07.13-2011.07.13 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Eighth dominant bank debentures issued in 2004	-	515,065	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.
Dominant bank debentures	<u>-</u>	<u>1,028,967</u>		
<u>Subdominant bank debentures</u>				
First subordinated bank debentures issued in 2008	1,469,887	1,504,575	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)	4,498,741	4,498,405	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)	499,860	499,823	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	3,599,090	3,598,738	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	5,598,003	5,597,599	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)	2,199,245	2,199,055	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)	2,199,941	2,199,932	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)	3,098,545	-	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)	2,898,643	-	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	999,393	-	2011.03.11-2018.03.11 Principal is repayable on maturity date.	Fixed interest rate of 1.92%, interest is paid annually.
Second subordinated bank debentures issued in 2011 (A)	3,800,000	-	2011.8.18-2018.8.18 Principal is repayable on maturity date.	Fixed interest rate of 1.95%, interest is paid annually
Second subordinated bank debentures issued in 2011 (B)	3,000,000	-	2011.8.18-2021.8.18 Principal is repayable on maturity date.	Fixed interest rate of 2.18%, 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>33,861,348</u>	<u>23,098,127</u>		
	<u>\$ 33,861,348</u>	<u>\$ 24,127,094</u>		

BANK SINOPAC**DERIVATIVE FINANCIAL INSTRUMENT TRANSACTIONS****SEPTEMBER 30, 2011 AND 2010****(In Thousands of New Taiwan Dollars)**SinoPac Capital Ltd.

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

	September 30			
	2011		2010	
Financial Instruments	Contract (Notional) Amount	Fair Value	Contract (Notional) Amount	Fair Value
Currency swap contracts	\$ 879,337	\$ (136)	\$ 928,619	\$ (41)

BANK SINOPAC

STATEMENT OF CHANGES IN ALLOWANCE FOR CREDIT LOSS
 NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010
 (In Thousands of New Taiwan Dollars)

	Nine Months Ended September 30, 2011							
	Discounts and Loans			Account Receivable	Provisions for Acceptance and Guarantees	Other Financial Assets	Other Assets	Total
	Specific Reserve	General Reserve	Subtotal					
Balance, January 1	\$ 1,698,079	\$ 3,544,161	\$ 5,242,240	\$ 637,723	\$ 28	\$ 167,295	\$ 723	\$ 6,048,009
Provision	186,434	672,338	858,772	(330,808)	18,833	11,061	(710)	557,148
Write-off	(702,312)	-	(702,312)	(169,493)	-	(14,171)	-	(885,976)
Recovery of written-off credits	6,459	-	6,459	222,975	-	1,475	-	230,909
Reclassifications	-	(22,984)	(22,984)	70,414	-	(47,430)	-	-
Result from change of effects of exchange rate changes	63,680	-	63,680	15	106	(44)	-	63,757
Balance, September 30	<u>\$ 1,252,340</u>	<u>\$ 4,193,515</u>	<u>\$ 5,445,855</u>	<u>\$ 430,826</u>	<u>\$ 18,967</u>	<u>\$ 118,186</u>	<u>\$ 13</u>	<u>\$ 6,013,847</u>
	Nine Months Ended September 30, 2010							
	Discounts and Loans			Account Receivable	Provisions for Acceptance and Guarantees	Other Financial Assets	Other Assets	Total
	Specific Reserve	General Reserve	Subtotal					
Balance, January 1	\$ 2,286,482	\$ 2,773,395	\$ 5,059,877	\$ 404,898	\$ 31	\$ 888,847	\$ 723	\$ 6,354,376
Provision	726,913	421,728	1,148,641	63,878	3	329,270	-	1,541,792
Write-off	(1,459,668)	-	(1,459,668)	(286,170)	-	(959,145)	-	(2,704,983)
Recovery of written-off credits	31,178	-	31,178	214,477	-	768	-	246,423
Reclassifications	191,021	(191,021)	-	-	-	-	-	-
Result from change of effects of exchange rate changes	(70,001)	-	(70,001)	(376)	(3)	27,772	-	(42,608)
Others	-	-	-	-	-	(1,034)	-	(1,034)
Balance, September 30	<u>\$ 1,705,925</u>	<u>\$ 3,004,102</u>	<u>\$ 4,710,027</u>	<u>\$ 396,707</u>	<u>\$ 31</u>	<u>\$ 286,478</u>	<u>\$ 723</u>	<u>\$ 5,393,966</u>

BANK SINOPAC

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

Items		September 30, 2011					September 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	\$ 1,324,800	\$ 146,424,336	0.90%	\$ 776,467	58.61%	\$ 1,247,430	\$ 135,632,419	0.92%	\$ 641,577	51.43%
	Unsecured	1,291,138	208,244,623	0.62%	2,744,211	212.54%	1,793,710	172,328,725	1.04%	1,946,471	108.52%
Consumer loan	Mortgage (Note 4)	498,416	351,555,968	0.14%	1,326,799	266.20%	893,561	358,629,649	0.25%	972,568	108.84%
	Cash card	345	45,271	0.76%	18,134	5,256.23%	943	59,285	1.59%	2,647	280.70%
	Micro credit (Note 5)	53,195	9,025,656	0.59%	565,805	1,063.64%	133,486	8,280,256	1.61%	1,101,343	825.06%
	Other (Note 6)	2,241	4,380,459	0.05%	14,439	644.31%	7,982	4,043,663	0.20%	45,421	569.04%
	Secured										
	Unsecured										
Total		3,170,135	719,676,313	0.44%	5,445,855	171.79%	4,077,112	678,973,997	0.60%	4,710,027	115.52%
		Overdue Receivables	Account Receivables	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio	Overdue Receivables	Account Receivables	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card		75,854	17,344,178	0.44%	344,468	454.12%	107,876	15,791,522	0.68%	383,153	355.18%
Account receivable - factoring with no recourse (Note 7)		530	17,075,605	-	47,430	8,949.06%	115,024	15,001,412	0.77%	115,024	100.00%
Excluded NPL as a result of debt consultation and loan agreements (Note 8)		\$ 15,252					\$ 19,890				
Excluded overdue receivables as a result of debt consultation and loan agreements (Note 8)		646,299					878,167				
Excluded NPL as a result of consumer debt clearance (Note 9)		11,249					15,947				
Excluded overdue receivables as a result of consumer debt clearance (Note 9)		827,712					822,046				

Note 1: For Loan business: Overdue loans represent the amounts of reported overdue loans pursuant to "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" issued by the MOF.
For Credit card business: Overdue receivables are regulated by the Banking Bureau dated July 6, 2005 (Ref. No. 0944000378).

Note 2: For Loan business: NPL ratio = NPL/Total loans.
For Credit card business: Delinquency ratio = Overdue receivables/Account receivables.

Note 3: For loan business: Coverage ratio = LLR/NPL
For credit card business: Coverage ratio = Allowance for credit losses/Overdue receivables.

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

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

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

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

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

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

BANK SINOPAC

**STATEMENT OF THE ALLOWANCES FOR POSSIBLE LOSSES ON LOANS AND RECEIVABLES
ASSESSED FOR IMPAIRMENT.
SEPTEMBER 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	\$ 2,777,605	\$ 483,974
	Collectively assessed	2,859,791	1,184,071
With no objective evidence of impairment	Collectively assessed	714,038,917	3,777,810

Receivables

Items			Receivables	Allowance for Possible Losses
With objective evidence of impairment	Individually assessed	Nonperforming receivables transferred from other than loans (Note 3)	\$ 116,136	\$ 104,919
	Collectively assessed	Credit card receivables	2,151,377	255,029
With no objective evidence of impairment	Collectively assessed	Account receivable - factoring receivables	17,075,605	47,430
		Credit card receivables	15,192,801	89,439
		Accounts receivable - forfeiting	8,054,802	-
		Others	5,556,493	38,928

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

NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

(In Thousands of New Taiwan Dollars)

		Nine Months Ended September 30, 2011								
		Domestic Branches	Consumer Banking	Financial Transaction	Oversea Branches	United States Subsidiary	Others	Operating Segments	Non-operating Segments	Total
Income	Net interest	\$ 7,527,872	\$ 965,575	\$ 1,101,649	\$ 791,658	\$ 793,169	\$ 130,324	\$ 11,310,247	\$ (899,142)	\$ 10,411,105
	Interest revenue	10,395,453	1,143,181	2,971,681	1,232,387	1,108,685	189,245	17,040,632	162,336	17,202,968
	Revenue amount segments	1,740,758	(168,298)	(912,063)	(162,548)	-	(45,266)	452,583	(452,583)	-
	Interest expense	4,608,339	9,308	957,969	278,181	315,516	13,655	6,182,968	608,895	6,791,863
	Commission and fee revenues, net	1,795,613	418,565	(34,359)	169,155	31,002	609,979	2,989,955	191,619	3,181,574
	Others	562,953	181,088	335,662	(244,416)	(80,477)	3,894	758,704	2,939	761,643
	Net revenue	9,886,438	1,565,228	1,402,952	716,397	743,694	744,197	15,058,906	(704,584)	14,354,322
	Bad debt expense	545,315	(493,556)	-	(283,145)	527,093	3,315	299,022	785,219	1,084,241
	Operating expense	6,041,010	1,222,015	374,185	642,569	831,266	140,237	9,251,282	(283,483)	8,967,799
	Depreciation and amortization	117,629	15,646	3,817	20,596	36,084	7,817	201,589	164,871	366,460
	Income before income tax	3,300,113	836,769	1,028,767	356,973	(614,665)	600,645	5,508,602	(1,206,320)	4,302,282
	Income tax benefit (expense)	(601,260)	(188,256)	(130,347)	142,874	(13,722)	(103,320)	(894,031)	204,516	(689,515)
Net income	2,698,853	648,513	898,420	499,847	(628,387)	497,325	4,614,571	(1,001,804)	3,612,767	
		Domestic Branches	Consumer Banking	Financial Transaction	Oversea Branches	United States Subsidiary	Others	Operating Segments	Non-operating Segments	Total
Asset (Note 1)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

		Nine Months Ended September 30, 2010								
		Domestic Branches	Consumer Banking	Financial Transaction	Oversea Branches	United States Subsidiary	Others	Operating Segments	Non-operating Segments	Total
Income	Net interest	\$ 6,924,141	\$ 1,183,037	\$ 793,978	\$ 923,000	\$ 1,013,857	\$ 123,747	\$ 10,961,760	\$ (877,612)	\$ 10,084,148
	Interest revenue	8,929,923	1,304,976	1,847,692	1,119,163	1,614,989	154,793	14,971,536	79,066	15,050,602
	Revenue amount segments	1,268,044	(112,321)	(576,828)	(113,677)	-	(21,066)	444,152	(444,152)	-
	Interest expense	3,273,826	9,618	476,886	82,486	601,132	9,980	4,453,928	512,526	4,966,454
	Commission and fee revenues, net	2,104,027	430,486	(26,971)	116,985	53,720	638,454	3,316,701	24,465	3,341,166
	Others	376,743	85,630	132,390	81,103	(18,767)	790	657,889	645,744	1,303,633
	Net revenue	9,404,911	1,699,153	899,397	1,121,088	1,048,810	762,991	14,936,350	(207,403)	14,728,947
	Bad debt expense	455,942	88,084	-	710,293	2,196,391	14,627	3,465,337	286,690	3,752,027
	Operating expense	5,852,214	752,451	244,907	564,427	947,321	149,229	8,510,549	(426,064)	8,084,485
	Depreciation and amortization	121,596	12,674	3,971	27,163	42,359	9,238	217,001	194,428	411,429
	Income before income tax	3,096,755	858,618	654,490	(153,632)	(2,094,902)	599,135	2,960,464	(68,029)	2,892,435
	Income tax benefit (expense)	(634,273)	(147,272)	(104,372)	90,780	899,242	(90,364)	13,741	(64,291)	(50,550)
Net income	2,462,482	711,346	550,118	(62,852)	(1,195,660)	508,771	2,974,205	(132,320)	2,841,885	
		Domestic Branches	Consumer Banking	Financial Transaction	Oversea Branches	United States Subsidiary	Others	Operating Segments	Non-operating Segments	Total
Asset (Note 1)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Note: 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.