



Annual
Report 2012

● Executive Offices

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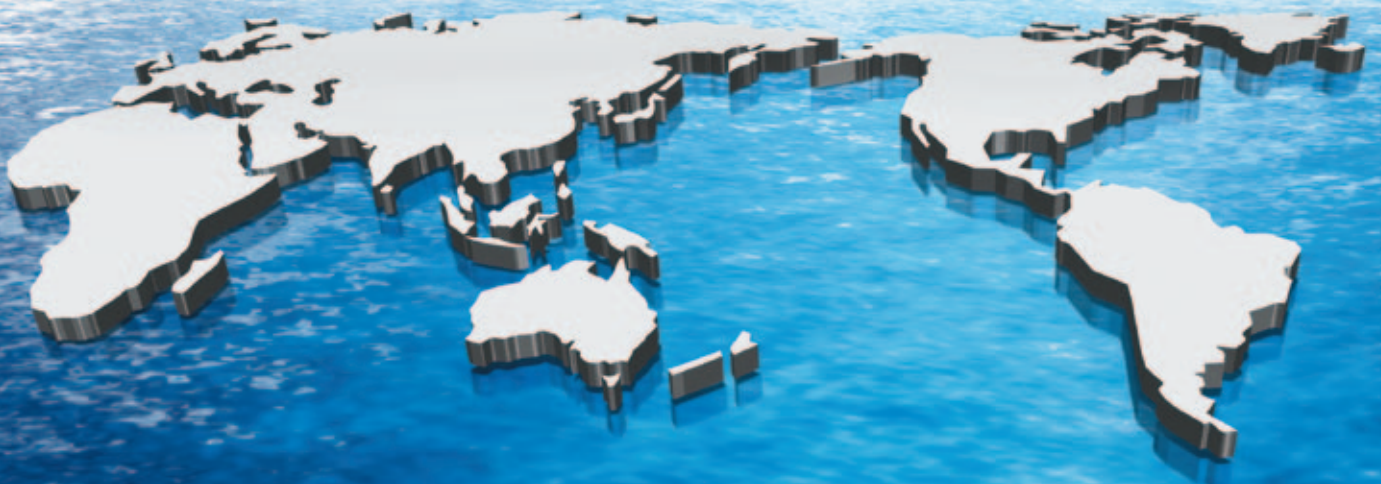
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Growing Wealth Enriching Life



Financial Silk Road of the 21st Century

***The Integrated Service Network of
Bank SinoPac and its Affiliates***



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Office Locations

Dep. / Branch Name	Address	Telephone No.
Headquarters	No. 36, Sec. 3, Nanking E. Rd., Chungshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2506-3333
Banking Division	No. 36, Sec. 3, Nanking E. Rd., Chungshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2506-3333
Trust Division	No. 36, Sec. 3, Nanking E. Rd., Chungshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2506-3333
International Division	No. 36, Sec. 3, Nanking E. Rd., Chungshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2506-3333
Offshore Banking Unit	No. 36, Sec. 3, Nanking E. Rd., Chungshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2506-3333
Taipei Branch	No. 9-1, Sec. 2, Chienkuo N. Rd., Chungshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2508-2288
Chungshan Branch	No. 79, Sec. 2, Chungshan N. Rd., Chungshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2571-7221
Lungchiang Branch	No. 409, Lungchiang Rd., Chungshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2509-5570
Tehui Branch	No. 16-5, Tehui St., Chungshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2585-4880
Sungchiang Branch	No. 192, Sungchiang Rd., Chungshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2567-9911
Chunglun Branch	No. 306, Sec. 2, Bade Rd., Chungshan District, Taipei City 104, Taiwan (R.O.C.)	(02)8161-8000
Sungshan Branch	No. 680, Sec. 4, Bade Rd., Sungshan District, Taipei City 105, Taiwan (R.O.C.)	(02)2761-1331
Hsisung Branch	No. 12, Tungshing Rd., Sungshan District, Taipei City 105, Taiwan (R.O.C.)	(02)2746-9888
Tunpei Branch	No. 209, Tunhua N. Rd., Sungshan District, Taipei City 105, Taiwan (R.O.C.)	(02)2712-7899
Yungchun Branch	No. 352, Yungchi Rd., Hsinyi District, Taipei City 110, Taiwan (R.O.C.)	(02)2769-5323
Sanhsing Branch	No. 296, Chuangching Rd., Hsinyi District, Taipei City 110, Taiwan (R.O.C.)	(02)2723-2955
Fulin Branch	No. 620, Sec. 5, Chungshan N. Rd., Shihlin District, Taipei City 111, Taiwan (R.O.C.)	(02)2833-0505
Chunghsiao E. Road Branch	No. 48, Sec. 4, Chunghsiao E. Rd., Taan District, Taipei City 106, Taiwan (R.O.C.)	(02)2771-7011
Tungmen Branch	No. 156, Sec. 2, Hsinyi Rd., Taan District, Taipei City 106, Taiwan (R.O.C.)	(02)2394-3203
Hsinyi Branch	No. 252, Sec. 4, Hsinyi Rd., Taan District, Taipei City 106, Taiwan (R.O.C.)	(02)2705-8322
Jenai Branch	No. 316-2, Sec. 4, Jenai Rd., Taan District, Taipei City 106, Taiwan (R.O.C.)	(02)2704-5711
Hoping Branch	No. 260, Sec. 3, Hoping E. Rd., Taan District, Taipei City 106, Taiwan (R.O.C.)	(02)2735-4533
Chunghsiao Branch	No. 1, Lane 236, Sec. 1, Tunhua S. Rd., Taan District, Taipei City 106, Taiwan (R.O.C.)	(02)2778-8811
Hsinwei Branch	No. 46, Sec. 4, Hsinyi Rd., Taan District, Taipei City 106, Taiwan (R.O.C.)	(02)2704-9911
Tunnan Branch	No. 187, Sec. 2, Anho Rd., Taan District, Taipei City 106, Taiwan (R.O.C.)	(02)2378-0707
Chengchung Branch	No. 17, Poai Rd., Chungcheng District, Taipei City 100, Taiwan (R.O.C.)	(02)2381-7777
Nanmen Branch	No. 110, Sec. 1, Nanchang Rd., Chungcheng District, Taipei City 100, Taiwan (R.O.C.)	(02)2391-7565
Shihmao Branch	No. 380, Sec. 1, Chilung Rd., Hsinyi District, Taipei City 110, Taiwan (R.O.C.)	(02)2345-1177
Tingchou Branch	No. 217, Sanyuan St., Chungcheng District, Taipei City 100, Taiwan (R.O.C.)	(02)2337-8728
Chinan Road Branch	No. 39, Sec. 2, Chinan Rd., Chungcheng District, Taipei City 100, Taiwan (R.O.C.)	(02)2396-3001
Hsinsheng Branch	No. 263, Sec. 2, Hsinyi Rd., Chungcheng District, Taipei City 100, Taiwan (R.O.C.)	(02)2392-6611
Chungcheng Branch	No. 172, Sec. 2, Roosevelt Rd., Taan District, Taipei City 106, Taiwan (R.O.C.)	(02)2367-2888
Chiencheng Branch	No. 43, Changan W. Rd., Tatung District, Taipei City 103, Taiwan (R.O.C.)	(02)2555-3261
Yenping Branch	No. 286, Minsheng W. Rd., Tatung District, Taipei City 103, Taiwan (R.O.C.)	(02)2558-0091
Chungching North Road Branch	No. 139, Sec. 3, Chungching N. Rd., Tatung District, Taipei City 103, Taiwan (R.O.C.)	(02)2598-2463
Hsimen Branch	No. 75, Chengtu Rd., Wanhua District, Taipei City 108, Taiwan (R.O.C.)	(02)2381-8255
Wanhua Branch	No. 280, Kangting Rd., Wanhua District, Taipei City 108, Taiwan (R.O.C.)	(02)2302-3485
Shuangyuan Branch	No. 58, Tungyuan St., Wanhua District, Taipei City 108, Taiwan (R.O.C.)	(02)2303-8222
Hsinglung Branch	No. 222, Sec. 2, Hsinglung Rd., Wenshan District, Taipei City 116, Taiwan (R.O.C.)	(02)2933-9831
Chingmei Branch	No. 12, Chechien Rd., Wenshan District, Taipei City 116, Taiwan (R.O.C.)	(02)2932-8540
Neihu Branch	No. 723, Sec. 1, Neihu Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	(02)2797-1600
Tunghu Branch	No. 23, Tunghu Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	(02)2633-5555
Hsinhu Branch	No. 8, Juikuang Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	(02)8792-6888
Hsihu Branch	No.412, Ruiguang Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)	(02)8797-6633
Shetzu Branch	No. 111, Sec. 6, Yenping N. Rd., Shihlin District, Taipei City 111, Taiwan (R.O.C.)	(02)2812-9477
Shihlin Branch	No. 85, Sec. 4, Chengte Rd., Shihlin District, Taipei City 111, Taiwan (R.O.C.)	(02)2886-8877
Shihlung Branch	No. 423, Sec. 6, Chungshan N. Rd., Shihlin District, Taipei City 111, Taiwan (R.O.C.)	(02)2872-7155
Lanya Branch	No. 183, Tehsing E. Rd., Shihlin District, Taipei City 111, Taiwan (R.O.C.)	(02)2833-7222

Dep. / Branch Name	Address	Telephone No.
Sungte Branch	No. 132, Sungte Rd., Hsinyi District, Taipei City 110, Taiwan (R.O.C.)	(02)8788-2688
Tienmu Branch	No. 249, Sec. 2, Chungcheng Rd., Shihlin District, Taipei City 111, Taiwan (R.O.C.)	(02)2872-1177
Peitou Branch	No. 166-6, Kuangming Rd., Peitou District, Taipei City 112, Taiwan (R.O.C.)	(02)2891-2127
Nankang Branch	(E)1F., No.19-12, Sanchong Rd., Nankang District, Taipei City 115, Taiwan (R.O.C.)	(02)2788-5265
Sanchung Branch	No. 80, Sec. 2, Chunghsiao Rd., Sanchung District, New Taipei City 241, Taiwan (R.O.C.)	(02)2983-3008
South Sanchung Branch	No. 400, Chungcheng N. Rd., Sanchung District, New Taipei City 241, Taiwan (R.O.C.)	(02)2982-0711
Sanho Branch	No. 18, Sec. 2, Chungshin Rd., Sanchung District, New Taipei City 241, Taiwan (R.O.C.)	(02)2972-8787
Chengyi Branch	No. 343, Chengyi N. Rd., Sanchung District, New Taipei City 241, Taiwan (R.O.C.)	(02)2981-1335
North Sanchung Branch	No. 83, Sec. 4, Tzuchiang Rd., Sanchung District, New Taipei City 241, Taiwan (R.O.C.)	(02)2982-6239
Chunghsing Branch	No. 44, Hsinhsing Rd., Sanchung District, New Taipei City 241, Taiwan (R.O.C.)	(02)2976-2159
Chungshin Branch	No. 527, Sec.5, Chungshin Rd., Sanchung District, New Taipei City 241, Taiwan (R.O.C.)	(02)2999-1418
Chuwei Branch	No. 31-15, Mintsu Rd., Tanshui District, New Taipei City 251, Taiwan (R.O.C.)	(02)2808-7058
Kinmen Branch	No. 236, Minquan Rd., Jincheng Township, Kinmen County 893, Taiwan (R.O.C.)	(082)32-3300
Panchiao Branch	No. 23, Fuchung Rd., Panchiao District, New Taipei City 220, Taiwan (R.O.C.)	(02)2967-1112
Kuangfu Branch	No. 204, Lite St., Chungho District, New Taipei City 235, Taiwan (R.O.C.)	(02)8227-5058
East Panchiao Branch	No. 147, Sec. 2, Chungshan Rd., Panchiao District, New Taipei City 220, Taiwan (R.O.C.)	(02)8952-2200
Panchiao Chunghsiao Branch	No.198, Chongqing Rd., Panchiao Dist., New Taipei City 220, Taiwan (R.O.C.)	(02)2955-3678
Huachiang Branch	No. 82, Hsinhai Rd., Panchiao District, New Taipei City 220, Taiwan (R.O.C.)	(02)2257-2199
Hsichou Branch	No. 74, Sec. 2, Tuhsing Rd., Panchiao District, New Taipei City 220, Taiwan (R.O.C.)	(02)2687-6869
Chiangtzu Branch	No. 6-12, Sec. 2, Shuangshih Rd., Panchiao District, New Taipei City 22043, Taiwan (R.O.C.)	(02)8252-8999
Panhsin Branch	No. 186, Minchuan Rd., Panchiao District, New Taipei City 220, Taiwan (R.O.C.)	(02)2968-1616
Chisui Branch	No. 533, Liencheng Rd., Chungho District, New Taipei City 235, Taiwan (R.O.C.)	(02)2223-4077
Chungho Branch	No. 51, Chungcheng Rd., Yungho District, New Taipei City 234, Taiwan (R.O.C.)	(02)8668-9393
Yungho Branch	No. 47, Sec. 2, Yungho Rd., Yungho District, New Taipei City 234, Taiwan (R.O.C.)	(02)2927-4000
Kangshan Branch	No. 1, Tate 1st Rd., Kangshan District, Kaohsiung City 820, Taiwan (R.O.C.)	(07)622-6688
Hsintien Branch	No. 290, Chungcheng Rd., Hsintien District, New Taipei City 231, Taiwan (R.O.C.)	(02)2917-2202
Peihsin Branch	No. 260, Sec. 2, Peihsin Rd., Hsintien District, New Taipei City 231, Taiwan (R.O.C.)	(02)2912-7799
Hsinchuang Branch	No. 341, Chungcheng Rd., Hsinchuang District, New Taipei City 242, Taiwan (R.O.C.)	(02)2201-6123
Chungkang Branch	No. 399, Chungkang Rd., Hsinchuang District, New Taipei City 242, Taiwan (R.O.C.)	(02)2992-3123
Hsisheng Branch	No. 61, Houkang 1st Rd., Hsinchuang District, New Taipei City 242, Taiwan (R.O.C.)	(02)2202-7700
Suyuan Branch	No. 540-1, Huacheng Rd., Hsinchuang District New Taipei City 242, Taiwan (R.O.C.)	(02)2996-8840
Minan Branch	No. 47, Minan E. Rd., Hsinchuang District, New Taipei City 242, Taiwan (R.O.C.)	(02)2205-8170
Hsintai Branch	No. 229, Hsintai Rd., Hsinchuang District, New Taipei City 242, Taiwan (R.O.C.)	(02)2992-9898
Tucheng Branch	No. 223-6, Sec. 2, Chungyang Rd., Tucheng District, New Taipei City 236, Taiwan (R.O.C.)	(02)2260-8122
Haishan Branch	No. 200-12, Sec. 3, Chincheng Rd., Tucheng District, New Taipei City 236, Taiwan (R.O.C.)	(02)2270-3800
Hsuehfu Branch	No. 124, Sec. 1, Hsuehfu Rd., Tucheng District, New Taipei City 236, Taiwan (R.O.C.)	(02)2266-2000
Yingke Branch	No. 212, Chienkuo Rd., Yingke District, New Taipei City 239, Taiwan (R.O.C.)	(02)2678-6000
Yingtao Branch	No. 60, Sec. 2, Yingtao Rd., Yingke District, New Taipei City 239, Taiwan (R.O.C.)	(02)2678-6999
Hsichih Branch	No.508~510, Sec. 2, Datong Rd., Xizhi Dist., New Taipei City 221, Taiwan (R.O.C.)	(02)2642-1561
Hsichih Changshu Branch	No. 89, Chunghsing Rd., Hsichih District, New Taipei City 221, Taiwan (R.O.C.)	(02)2694-9898
Shulin Branch	No. 288, Sec. 1, Chungshan Rd., Shulin District, New Taipei City 238, Taiwan (R.O.C.)	(02)2683-8668
Huilung Branch	No. 61, Sanchun St., Shulin District, New Taipei City 238, Taiwan (R.O.C.)	(02)2688-9030
Luchou Branch	No. 30, Sanmin Rd., Luchou District, New Taipei City 247, Taiwan (R.O.C.)	(02)2281-8966
South Luchou Branch	No. 203, Changan St., Luchou District, New Taipei City 247, Taiwan (R.O.C.)	(02)2289-6186
Chungke Branch	No.126-21, Sec. 3, Taichungkang Rd., Hsitun District, Taichung City 407, Taiwan (R.O.C.)	(04)2465-1688
Wuku Branch	No. 84, Kungshang Rd., Wuku District, New Taipei City 248, Taiwan (R.O.C.)	(02)2291-7333
Taishan Branch	No. 416, Sec. 2, Mingchih Rd., Taishan District g, New Taipei City 243, Taiwan (R.O.C.)	(02)2903-0903
Shenkeng Branch	No. 156, Sec. 3, Peishen Rd., Shenkeng District, New Taipei City 222, Taiwan (R.O.C.)	(02)2664-2626

Dep. / Branch Name	Address	Telephone No.
Tanshui Branch	No. 77, Sec. 1, Chungshan N. Rd., Tanshui District, New Taipei City 251, Taiwan (R.O.C.)	(02)2622-1788
Chilung Branch	No. 2, Yi 1st Rd., Chungcheng District, Chilung City 202, Taiwan (R.O.C.)	(02)2423-1161
Chunan Branch	No. 157, Kuangfu Rd., Chunan Town, Miaoli County 350, Taiwan (R.O.C.)	(037)47-9898
Lotung Branch	No. 205, Chungcheng Rd., Lotung Town, Yilan County 265, Taiwan (R.O.C.)	(039)545-421
Yilan Branch	No. 33, Sec. 3, Chungshan Rd., Yilan City, Yilan County 260, Taiwan (R.O.C.)	(039)324-511
Taoyuan Branch	No. 51, Fuhsing Rd., Taoyuan City, Taoyuan County 330, Taiwan (R.O.C.)	(03)333-9000
North Taoyuan Branch	No. 656, Chunjih Rd., Taoyuan City, Taoyuan County 330, Taiwan (R.O.C.)	(03)317-8889
South Taoyuan Branch	No. 839, Chungshan Rd., Taoyuan City, Taoyuan County 330, Taiwan (R.O.C.)	(03)369-2727
Linkou Branch	No. 53, Wenhua 1st Rd., Kueishan Hsiang, Taoyuan County 333, Taiwan (R.O.C.)	(03)397-5888
Nankan Branch	No. 310, Chungcheng Rd., Luchu Hsiang, Taoyuan County 338, Taiwan (R.O.C.)	(03)321-4126
Chungli Branch	No. 160, Tzuhui 3rd St., Chungli City, Taoyuan County 320, Taiwan (R.O.C.)	(03)427-8988
Neili Branch	No. 321, Huanchung E. Rd., Chungli City, Taoyuan County 320, Taiwan (R.O.C.)	(03)435-8888
Dayuan Branch	No. 1, Lane 100 ,Chungshan N. Rd. , Dayuan Hsiang , Taoyuan County 337, Taiwan (R.O.C.)	(03)384-0688
Hsinchu Branch	No. 295, Sec. 2, Kuangfu Rd., Hsinchu City 300, Taiwan (R.O.C.)	(03)572-8866
Chuke Branch	No. 472, Sec. 1, Kuangfu Rd., Hsinchu City 300, Taiwan (R.O.C.)	(03)564-5555
Kuanghua Branch	No. 528, Sec. 1, Jingguo Rd., East Dist., Hsinchu City 300, Taiwan (R.O.C.)	(03)535-6688
Chupei Kuangming Branch	No. 87-6,Kuangming 6th Rd.,Chupei City, Hsinchu County 30268, Taiwan (R.O.C.)	(03)553-0000
Hsinkung Branch	No. 22, Chunghua Rd., Fengshan Village, Hukou Hsiang , Hsinchu County 30353, Taiwan (R.O.C.)	(03)597-2277
Taichung Branch	No. 101, Sec. 1, Tzuyu Rd., West District, Taichung City 403, Taiwan (R.O.C.)	(04)2220-5766
North Taichung Branch	No. 1027, Sec. 3, Wenhsin Rd., Peitun District, Taichung City 406, Taiwan (R.O.C.)	(04)2293-8101
South Taichung Branch	No. 66, Sec. 2, Kungyi Rd., Nantun District, Taichung City 408, Taiwan (R.O.C.)	(04)2323-2468
Hsitun Branch	No.10, Sec. 3, Huichung Rd., Nantun District, Taichung City 408, Taiwan (R.O.C.)	(04)2255-9988
Fengyuan Branch	No. 245 , Chungcheng Rd., Fengyuan District, Taichung City 420, Taiwan (R.O.C.)	(04)2520-8966
Changhua Branch	No. 317, Mintsu Rd., Changhua City, Changhua County 500, Taiwan (R.O.C.)	(04)726-3111
Yuanlin Branch	No. 51, Sec. 2 , Chungshan Rd., Yuanlin Town, Changhua County 510, Taiwan (R.O.C.)	(04)837-8068
Chiayi Branch	No. 338, Hsingyeh W. Rd., Chiayi City 600, Taiwan (R.O.C.)	(05)235-7888
Tainan Branch	No. 114, Sec. 2, Chienkang Rd., South District, Tainan City 702, Taiwan (R.O.C.)	(06)223-2888
East Tainan Branch	No. 163, Sec. 2, Changjung Rd., East District, Tainan City 701, Taiwan (R.O.C.)	(06)200-5566
North Tainan Branch	No. 480, Sec. 4, Hsimen Rd., North District, Tainan City 704, Taiwan (R.O.C.)	(06)282-3888
Yungkuang Branch	No. 725, Chunghua Rd., Yungkuang District, Tainan City 710, Taiwan (R.O.C.)	(06)202-8599
Kaohsiung Branch	No. 143, Chungcheng 2nd Rd., Lingya District, Kaohsiung City 802, Taiwan (R.O.C.)	(07)224-3733
Sanmin Branch	No. 78, Mintsu 1st Rd., Sanmin District, Kaohsiung City 807, Taiwan (R.O.C.)	(07)392-8988
North Kaohsiung Branch	No. 441, Yucheng Rd., Tsoying District, Kaohsiung City 813, Taiwan (R.O.C.)	(07)557-5888
South Kaohsiung Branch	No. 100, Chunghua 4th Rd., Lingya District, Kaohsiung City 802, Taiwan (R.O.C.)	(07)535-1111
Lingya Branch	No. 90, Chienkuo 1st Rd., Lingya District, Kaohsiung City 802, Taiwan (R.O.C.)	(07)725-6101
Fengshan Branch	No. 366, Kuangyuan Rd., Fengshan District, Kaohsiung City 830, Taiwan (R.O.C.)	(07)710-8866
Pingtung Branch	No. 14, Fuhsing N. Rd., Pingtung City, Pingtung County 900, Taiwan (R.O.C.)	(08)732-3322
Los Angeles Branch	Wells Fargo Center-South Tower 355 South Grand Avenue, Suite 4168, Los Angeles, California,USA.	1-213-437-4800
Hong Kong Branch	26F, Central Touer, 28 Queen's Rd Central, Hong Kong	852-2801-2801
Kowloon Branch	18F, One Peking, 1 Peking Rd., Tsim Sha Tsui, Kowloon, Hong Kong	852-3655-8688
Macau Branch	9F, Avenida Doutor Mario Soares, Finance and IT Center of Macao, Macau	853-2871-5175
Vietnam Representative Office	Saigon Riverside Office Building, 17F, 2A-4A Ton Duc Thang Street, District 1, Ho Chi Minh City, Vietnam	84-8-3825-7612
Nanjing Representative Office	No.4108 , 41F , Nanjing SunnyWorld Center , 188 Lushan Road, Jianye District , Nanjing, P.R.C.	86-25-8321-9688

Financial Highlights

(In millions, except per share data)	2012 NT\$	2012 US\$ ⁽¹⁾	2011 NT\$
For the year			
Pretax income (include cumulative effect of accounting changes)	9,263	317.92	2,708
Net income	8,220	282.12	2,464
At year-end			
Deposits and remittances	1,008,786	34,622.64	963,100
Discounts and loans	750,309	25,751.43	712,006
Total assets	1,242,787	42,653.81	1,182,128
Shareholders' equity	78,964	2,710.13	70,545
Per share			
Earnings per share	1.54	0.05	0.48
Shareholders' equity per share	14.66	0.50	13.42
Dividends declared per share ⁽²⁾			
- Cash dividend	-	-	0.3280
- Stock dividend	1.0683	0.04	-

Note: (1) US dollar amounts are converted for convenience only at NT\$29.1366 per dollar, the prevailing rate on Dec. 28, 2012.

(2) Dividends are distributed in the following year.

Letter to Shareholders

In the first half of 2012, due to the unresolved sovereign-debt crisis in Euro zone, the slow pace of economic recovery in the United States, and the weak growth in both China and the emerging markets, the whole world indeed was clouded by economic uncertainty. Taiwan, on the other hand, had many challenges of its own. Impacts from the surge of oil and electricity price, capital gain tax on stock profits issues etc., mired Taiwan in economic growth retardation. Till the second half of 2012, the central banks in many European countries pronounced the repurchase of bonds, which helped to mitigate the problem of sovereign debts. It was followed by the launch of "quantitative easing" policies in the U.S., Europe, and Japan, the narrow escape from the fiscal cliff in the U.S. helped to boost up economic growth in the world and in Taiwan as well.

Despite the macroeconomic uncertainty and volatility, Bank SinoPac has performed well. In 2012, the Bank had a net profit after tax of NT\$8.22 billion, representing a 234% increase from the same period of 2011. The earnings per share (EPS) was NT\$1.74 before tax and NT\$1.54 after tax. This showed an increase of 228% and 221% from the same period of the previous year, respectively. Return on equity (ROE) was 11.00%, the non-performing loan rate was 0.30%, and the coverage ratio was 336.62%, which taken together showed significant improvement in operation. As of December 31, 2012, Bank SinoPac had total assets of NT\$1,242.8 billion, shareholder's equity of NT\$79 billion, total amount of deposits reached NT\$1,007.7 billion, loans and credit lines up to NT\$758.1 billion and NT\$799.4 billion, and consolidated capital adequacy ratio at 13.68%.

As of December 31, 2012, the outstanding balance of corporate loans and credit business was NT\$418.6 billion, of which loans in foreign currency accounted for 43% of the total. The Volume of factoring was NT\$125.7 billion and the volume of foreign exchange was US\$160.1 billion, both captured significant market share among the banking industry in Taiwan. In 2012, the outstanding balance of SME loans exceeded NT\$100 billion, and it was NT\$113.4 billion at the end of the year, an increase of 31% from December 31, 2011. The market share of the Bank is the 4th in domestic private banks. In addition, Bank SinoPac is excellent achievements in credit granting to SMEs. The total amount of credit guarantees in 2012 was NT\$79.8 billion, up to 20% over last year. The "Small and Medium Enterprises Credit Guarantee Fund of Taiwan, SMEG" has conferred the "Credit Guarantee Partnership Award", and "Excellent Credit Manager Award" to the Bank in 2012. Furthermore, the Bank has coordinated and acted as the management bank of the consortium in arranging a number of syndicated loans to the enterprises. In so doing, the Bank has fully demonstrated its strength in coordinating a variety of syndicated loans. With its expansion of overseas business territory, the cross-border banking service network of the Bank has already covered most regions inhabited by business persons from Taiwan and provided inter-region and integrative services. In the wake of the globalization of the supply chain of enterprises from Taiwan, the launch of Factoring by Insurance, known as FBI, effectively helped to reduce the operation risk deriving from offshore factoring and the cost of operation. In the future, the Bank shall take proactive action to integrate related resources for synchronized operation at home and abroad, and shall establish a viable platform for banking services with a view to emerging as an leading brand in cross-continental services.



Chairman / CHIU Cheng Hsiung

The balance of mortgage loans as of the end of 2012 exceeded NT\$360 billion. The Bank adopted a balanced strategy between quantity and quality in the development of mortgage business, and primarily target at the residential mortgages. With the effective allocation of the Bank's resources and consideration of risk management, the Bank maintains reasonable growth of mortgage portfolio to an optimal scale. To effectively control credit risk by using prudent credit initiation as well as disciplined account maintenance to continue expanding premium mortgage clients and maintaining good asset quality. To focus on niche markets by using database analysis and conducting customers value analysis to develop targeted segments of customer for differentiated marketing activities. Utilizing extensive branch network, the Bank not only regularly conducts various activities, of financial or leisure topics, to strengthen the customer relationship, but also extends the services toward the community banking business, with aim to reinforce customer loyalty and to enhance interactions with clients and product depth.

With respect to wealth management business in 2012 as a whole, non-discretionary monetary trust investing on domestic and foreign securities under management stood at NT\$117.2 billion; the other trust services (including real estate trusts, employee stock ownership plans and benefit trust funds, and securities trusts) under management stood at NT\$25.5 billion; as the custodian for domestic mutual funds offered by securities investment trust enterprises, while actively offering different custodian services, the total outstanding balance of assets under custodianship at the end of the year stood at NT\$152.5 billion and the total premium received from bancassurance operations was NT\$23.3 billion. Sustained innovation in banking is the destiny of Bank SinoPac for providing better service to the customers for satisfying their needs. In so doing, the Bank will introduce more tools in its investment portfolio, continue to upgrade investment means, development of the APP function in subscription of fund units, design and installation of RMB-related financial products and the transaction platform. At the same time, the Bank will fortify the functions of its transaction system and utilize the system function for the convenience of the customers. In the future, the Bank will seek a balance between customer needs and risk tolerance, and will appeal to fool-proof and transparent financial products to the customers, make further efforts in the differentiation of products, and make it the wealth management bank that the customers can count on with superior products and services.

In the area of financial marketing business, Bank SinoPac will provide a wider array of financial instruments for hedging or financial management, investment tools, and consulting services to customers. It will also take a positive stance in the operation of the financial markets in Taiwan and Asia. The Bank is one of the few market makers among the domestic banks in the foreign exchange option trade, and is ranked one of the top 5 in derivative trade by volume among the domestic and foreign banks in Taiwan. In its overseas operation, the Bank seeks to position itself as the operation center of Asia-Pacific in the foreign exchange and derivative trade, and the offshore service center of fund appropriation for Taiwanese enterprises. In addition, the Bank will provide full-range and cross-strait banking services for enterprises in Taiwan and Mainland China. In 2012, the volume of bond trade conducted by the Bank was NT\$328.3 billion, which was an increase of 6% from the same period of 2011. The transactions of corporate bonds grew at a high rate of 175%. The Bank was ranked among the top 20 in the bond trade market. In light of the internationalization of RMB, the Bank will replicate its good experience in foreign exchange to provide exchange rate and interest rate investment and hedging products for the customers so that they can take the ride of growth in RMB. In the future, the Bank will develop a customer-oriented product portfolio, thereby providing a greater variety of products for the needs of the customers in hedging and investment.

Bank SinoPac highly values its existing customers and issued the "SinoPac Hi Card" and the "SinoPac Wealth Management Infinite Card" in 2012, and continued to enjoy growth of card circulation volume, credit card consumption, and commission income from using credit cards. As of December 31, 2012, Bank SinoPac had 2.25 million credit cards in circulation, which was an increase of 3% from a year ago and ranked the 6th in the market. The total amount of credit card consumption in 2012 showed an increase of 10% from the same period of 2011. Account receivables from credit cards amounted approximately to NT\$17.1 billion. These figures show stable asset quality with the size of bad debts reached historic low and steady stream of profits. The number of acquirer locations increased significantly in 2012, with the acquirer amount totaling NT\$25.7 billion over the whole period, or a 235% increase from the same period of 2011. In December 2012, the competent authority approved Bank SinoPac to run the acquirer bank service with the Union Pay system. The Bank will further develop the market in acquirer bank services through the Union Pay System without reserve and seek every opportunity for consumption from the Mainlanders during their trips to Taiwan. This will certainly help to bring in further revenue from acquirer bank services. The unsecured loan business of the bank has been highly recognized in the market because of its proper packaging of products. In 2012, Bank SinoPac had a unsecured loans balance was NT\$12.1 billion, an increase of 24% from the same period of the previous year. Given its proper control of asset quality, the Bank can recover its non-performing loans stably and has increasing profit from unsecured loans.

In 2012, Standard & Poor's gave Bank SinoPac a BBB long-term issuer credit rating and an A-2 short-term issuer rating, with a Stable Outlook (September 24, 2012). Taiwan Ratings assigned the bank ratings of twA+ and twA-1, also with a Stable Outlook (September 24, 2012). Alongside a Stable Outlook, Fitch

Taiwan assigned Bank SinoPac a BBB long-term issuer default rating, F2 short-term issuer default rating, A+(tw) national long-term rating, and F1+(tw) national short-term rating (October 2, 2012).

Bank SinoPac divided its function of risk management into two spheres in 2012 to augment risk management. One is for the institutionalization of policy and system while another is for routine operation management. A Risk Management Committee was established under the direct supervision of the Chairman of the Board. This committee is responsible for making policies of risk management and supervising their practice. The Risk Management Division is responsible for the enforcement of risk management and is under the supervision of the President of the Bank. In addition, the Bank has set up the Financial Institution Department responsible for the planning of banking transactions with industry peers and the strategy for interaction. This department is tasked with boosting the growth of the banking business within the industry. Furthermore, the Bank has intensified its training for employees in compliance to cope with the changes in the legal environment. With the help of internal investigations and audits, the Bank can assure its compliance with applicable laws.

Bank SinoPac has a vision to build the enterprise which has "content shareholders, proud employees, happy customers and public respect". For moving towards the vision, the Bank continues its 5-year reengineering plan through the platforms of "products", "channels", and "operations" to facilitate product integration and operational efficiencies. These will be reinforced by providing real-time operation support for channel teams to satisfy the needs of the customers. With the spirit of "innovation and cooperation", the Bank will integrate its resources within the holding company by strengthen the horizontal cooperation between subsidiaries, and will continue to launch innovative financial products, enhance the investment and development of its e-banking platform, ultimately to make the best effort to emerge as the "the most flexible and convenient financial service provider in the cross-strait region". In responding to the development of cross-strait business, accelerate overseas deployment and seize the opportunities of internationalization of RMB, Bank SinoPac set its business goal on three main focus, "new market, new currency, and new channel". One positive outcome was that the Bank became the first among its peer approved by Bank of China in running bond trade in China under full Taiwan ownership. Furthermore, the Bank worked in cooperation with Industrial and Commercial Bank of China in launching the "Cross-strait RMB Same Day Direct Remittance Service". This new service helps the companies with cross-strait operations to save valuable time and cost, and effectively enhance cash management capabilities. In addition, this move has created the "New Cross Border Financial Platform" and provides the enterprises from Taiwan and Mainland China with products and services of remittances, corporate banking, financial market trade, wealth management and capital market trade in RMB in Greater China. Bank SinoPac is the industry leader in marketing RMB related products, and was the first financial institution from Taiwan being approved by the Financial Supervisory Commission to establish a subsidiary in Mainland China-Bank SinoPac (China) Limited. The innovative products of the Bank, "New Cross Border Financial Platform", and the "MMA+ Wealth Management account" allowed the Bank to win the 6th "Best International Development Award" and the "Best Business Innovation Award" presented by Taiwan Academy of Banking and Finance in 2012.

Bank SinoPac has 129 domestic branches (including Banking Division) of which 90 are located at greater Taipei area while Kinmen Branch covers the business on the west side of the Taiwan Strait. As a part of its global deployment, 3 banking locations in Hong Kong, Kowloon, and Macau were established. The Representative Office in Nanjing is assigned with the mission for planning the banking platform between Taiwan and Mainland China. With additional support by the 17 offices along the Pacific Rim, such as those in California in the United States and Vietnam, the Bank has formed a strong and meticulous financial service network. In addition to the greater Taipei area, branches in all metropolitan areas in central and southern Taiwan are also positioned. From 2012 onward, Bank SinoPac has advocated a "Courtesy Campaign" to promote courteous and professional behavior towards customers and colleagues, which emphasize service mindset starts from the "heart" and in a "new way" in order to ensure the professional corporate image of the Bank should create an impression in the long run. The bank completed system update on July 16, 2012, after three years of intense development and more than 4,000 man-hour involved. With the 24-hour uninterrupted new core system, the Bank can enhance its service quality and efficiency, as well as support the needs of its innovative business.

With respect to the virtual channels, Bank SinoPac has constructed the "MMA electronic banking platform" and "SinoPac mobile banking", which are the customer-oriented platform to deliver the most friendly electronic financial services and products via information technology. Breaking the barriers of time and space, the bank provide customers the integrated investment planning channels, convenience trading services and complete financial market information anytime and anywhere. At the beginning of 2012, the Bank implemented a new comprehensive financial service model, called "SinoPac one-stop customer service", which setup the brand new channel in Hi-life to provide one-on-one video services on ATM. The service is designed to fulfill customers' daily needs via 24-hours ATM video service and build a new benchmark for service innovation in financial industry. As e-commerce grows by leaps and bounds, the Bank has found a niche market by developing online payment products to expand the customer base. In addition, Bank SinoPac is also a pioneer in launching the "SinoPac AR Fortune Cloud" with Augmented Reality technology for cloud marketing platform of financial service. In this platform, 3D Augmented Reality technology is applied for integrating the supply of information on consumption and providing customers with a brand new experience in banking service. As e-commerce grows rapidly, the Bank will continue developing e-payment products to keep an edge in market.

Bank SinoPac has been an active and positive corporate citizen over the years. In 2012, the Bank launched a cooperation education program jointly with National Chung Hsing University by donating a lecture and research building which will be used as the first inspection, research and development, and testing facility of agricultural materials and products in Taiwan. This facility will be very meaningful in food hygiene and allow the people of Taiwan to have peace of mind in food. Through the industry-university collaboration, not only talent can be nurtured to meet the needs of the industry, but commercialization and business development can also be stimulated for small and medium enterprises. The Bank continues to support the Taipei Children's Cultural Festival organized by the Cultural Bureau of Taipei City Government. This festival allows children to share experiences in the artistic world with the fun and joy of arts. The Bank also sponsored the "2012 Simple Life" where the essence of a simple life is delivered through concerts, creativity, and arts gatherings. In November 2012, Bank SinoPac established its service location in Kinmen to provide offshore island residents with high quality banking services, also, sponsored the "18th Athlete Game of Kinmen County and the 4th Offshore Islands Athlete Game" as a way to assist the development of the island and make a contribution to the community.

It is expected the business environment will remain challenging for the banking industry over the foreseeable future. Bank SinoPac, with the service philosophy of putting customers first and increasing the scale, scope, and depth of service, will continue to launch innovative products and service under its customer centric business model, aiming to achieve strong and stable growth in order to acquire a tactical position in the fast growing financial sectors throughout the Greater China region. The Bank will be dedicated to provide world-class financial services to its international customers with global presence.



President / Tina CHIANG

CHIU Cheng Hsiung
Chairman

Tina CHIANG
President

I. Introduction

Bank SinoPac is a wholly-owned subsidiary of SinoPac Holdings, and was formed in a merger between the former Bank SinoPac under SinoPac Holdings and the International Bank of Taipei on November 13, 2006. Bank SinoPac provides the best financial services and innovative product line to customers through its intensive branch networks. With the pillars of New Currency, New Market, and New Channel, the Bank can realize its vision of building a company that embraces "content shareholder, proud employees, happy customer and public respect".

International Bank of Taipei's predecessor was Taipei Mutual Loans and Savings Co., which was set up on May 4, 1948. Transformed into Taipei Business Bank in 1978, it was upgraded to a commercial bank under the name of International Bank of Taipei on May 14, 1998. The subsequent decades of evolution saw International Bank of Taipei focus on serving small and medium-sized enterprises and securing a solid customer base while taking the initiative to reinvent itself when warranted. On December 26, 2005, International Bank of Taipei was merged into SinoPac Holdings via a share swap and thus officially became the latter's wholly owned subsidiary.

Since its inception on January 28, 1992, Bank SinoPac has been devoted to product innovation and integration. Starting 2000, the Bank took the initiative to launch such niche offerings as Money Management Account®, B-to-B Pay-Web, e-Factoring, and Factoring by Insurance (FBI). These and other services form an efficient platform that allows customers to allocate their funds and manage their assets without any restrictions in time or geography. On May 9, 2002, Bank SinoPac, together with its subsidiary SinoPac Securities, merged with National Securities, thus giving birth to SinoPac Holdings. On June 20 of the same year, Bank SinoPac was made a wholly owned subsidiary of SinoPac Holdings.

On July 20, 2006, SinoPac Holdings changed its Chinese name into Yuen Foong (永豐). To better integrate banking resources and optimize their economies of scale, Bank SinoPac and International Bank of Taipei were merged as of November 13 of the same year, with the former as the surviving entity. Reengineering initiated subsequently, across the Bank's channels, products and operations, led to the establishment of a new network of full function branches. Further, the Bank undertook an across-the-board initiative to flatten the organization and reduce expenditure that proved effective in bringing down its overall cost structure.

As part of the SinoPac Group's organizational restructuring and adjustment in investment portfolios, Bank SinoPac completed the dissolution and liquidation of SinoPac Financial Consulting Co. on March 13, 2009. This was followed by Bank SinoPac's merger with SinoPac Card Services, another wholly owned subsidiary of SinoPac Holdings, on June 1 of the same year. Also with Bank SinoPac as the surviving entity, the exercise did not only raise the bank's BIS ratio but also help consolidate resources and enhance overall operational efficiency without undermining shareholders' interests. In a similar vein, Bank SinoPac sold its stake in SinoPac Leasing to its parent SinoPac Holdings on December 3, 2009 in a bid to help the SinoPac Group put its assets to better use and enhance its overall operational efficiency.

Bank SinoPac has been officially approved by the Financial Supervisory Commission of Taiwan and the Investment Commission of the Ministry of Economic Affairs in 2012 in setting up a subsidiary, the Bank

SinoPac (China) Limited in Mainland China. While waiting for Mainland's regulatory approval, Bank SinoPac is actively planning the subsidiary's future operations and subsequent unit openings to better serve the vast number of Taiwanese businesses in the region. For fortifying its capital structure, the Bank raised a pool of capital via private placement on June 29 with full subscription by its parent company, SinoPac Holdings, to support its operation. For upgrading the capital adequacy and business expansion in the course of operation, the Bank has issued debentures totaled NT\$6 billion as mid and long-term resources of capital. In addition, the Bank has no non-performing loans and has disposed a few loan assets.

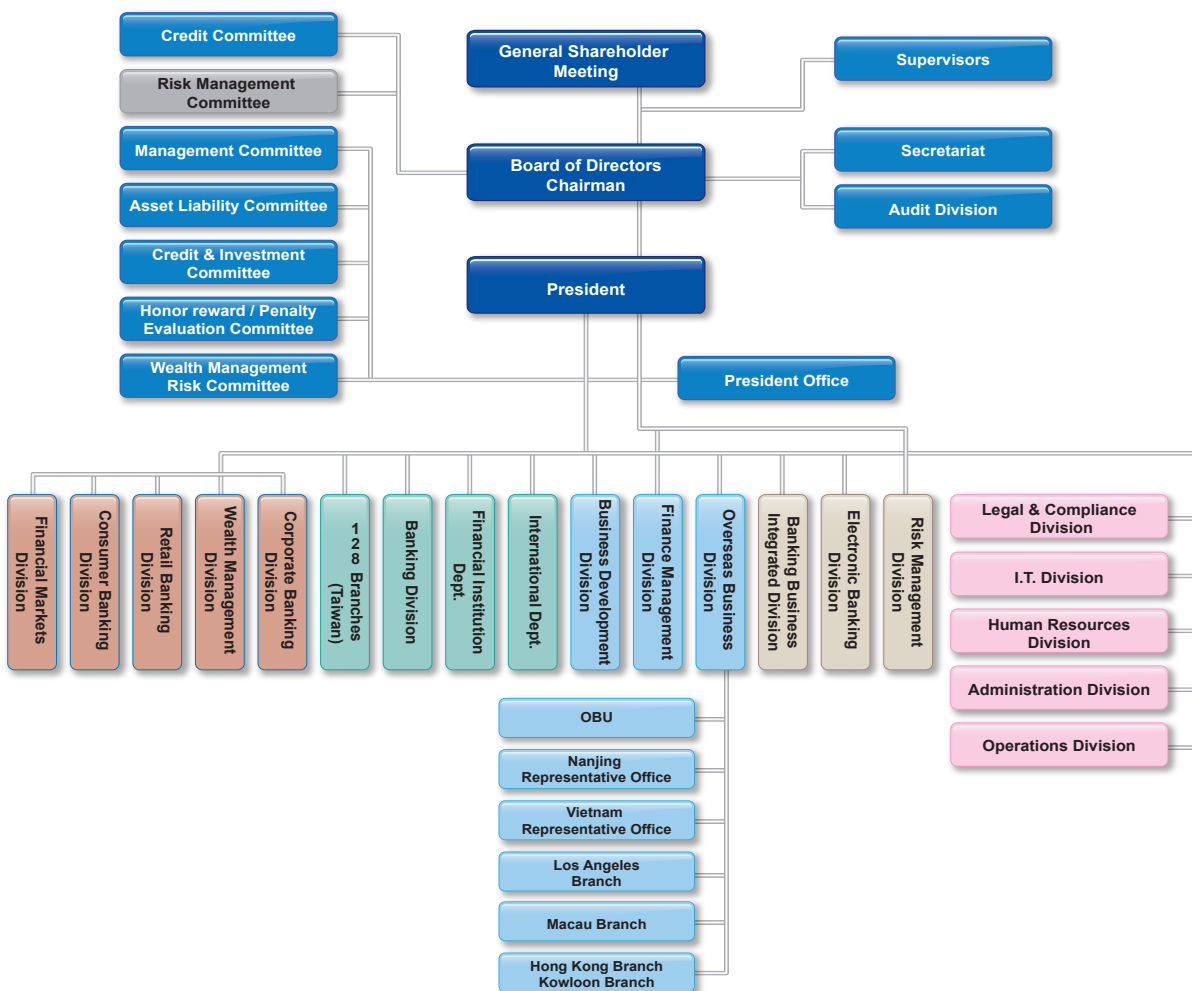
At the end of 2012, Bank SinoPac had over 4,000 employees, NT\$53.9 billion in paid-in capital and NT\$1,242.8 billion of assets. In terms of its corporate structure, the bank comprises 18 divisions and one office. Alongside 129 domestic branches (including Banking Division), there are such overseas outlets as the Hong Kong Branch, Kowloon Branch, Macau Branch, Los Angeles Branch, representative office in Vietnam, as well as a representative office in Nanjing. Further, Bank SinoPac's California-based subsidiary Far East National Bank operates 9 U.S. branches, a branch in Ho Chi Minh City, Vietnam, and a representative office in Beijing. In the meantime, Bank SinoPac has also invested in other subsidiaries including SinoPac Capital (Hong Kong), SinoPac Life Insurance Agent and SinoPac Property Insurance Agent to promote cross-selling and integrate businesses, thus providing customers with one-stop shopping service.

December 31, 2012

Date of incorporation:	January 28, 1992
Date of listing on Taiwan Stock Exchange:	June 29, 1998
Re-listing date of SinoPac Holdings:	May 9, 2002
Total shareholders' equity:	NT\$78,964 million
Paid-in capital:	NT\$53,862 million
Number of shares issued:	5,386.0 million
Number of employees:	4,985
Auditor:	Deloitte Touche Tohmatsu
S&P Ratings (Sep. 24, 2012)	
Long-term issuer credit rating:	BBB
Short-term issuer credit rating:	A-2
Rating outlook:	Stable
Fitch Ratings (Oct. 2, 2012)	
Long-term issuer default rating:	BBB
Short-term issuer default rating:	F2
Rating outlook:	Stable
Taiwan Ratings (Sep. 24, 2012)	
Long-term issuer credit rating:	twA+
Short-term issuer credit rating:	twA-1
Rating outlook:	Stable

II. Organization

(I) Organization Chart



(II) Board of Directors and Supervisors

February 28, 2013

Title	Name	Elected Date	Positions Held Concurrently
Chairman	CHIU Cheng-Hsiung	2010.06.01	Chairman of Bank SinoPac
Director	HO Show-Chung	2012.03.23	Chairman of SinoPac Holdings Director of SinoPac Securities(Cayman) Holdings Ltd. Director of Yuen Foong Yu Paper Mfg. Co., Ltd.
Director	LIEN Sheng-Wen	2011.03.01	Director of cnYES.com
Director	Tina CHIANG	2012.03.23	Director of SinoPac Life Insurance Agent Co., Ltd. Director of SinoPac Property Insurance Agent Co., Ltd.
Director	LEE Liang-Chi	2010.06.01	Chairman of Ever Trust Investment Co., Ltd.
Director	LEE Tien-Chieh	2010.06.01	Director of Ruentex Industries Ltd.
Director	YU Kuo-Chi	2010.06.01	Director of SinoPac Holdings Chairman of SinoPac Leasing Corp. Director of SinoPac Venture Capital Corp. Director of SinoPac Management Corp. Director of SinoPac Capital Ltd.
Director	Michael CHANG	2010.06.25	Chief Strategy Officer and Chief Financial Officer of SinoPac Holdings Supervisor of E Ink Holdings Inc.
Independent Director	MAI Chao-Cheng	2010.06.01	Managing Director / Independent Director of SinoPac Holdings

Title	Name	Elected Date	Positions Held Concurrently
Independent Director	CHEN Tain-Jy	2010.07.23	Independent Director of Lextar Electronics Corp. Independent Director of TECO Electric & Machinery Co., Ltd.
Supervisor	Eli C. WANG	2010.06.01	Supervisor of SinoPac Holdings Supervisor of E Ink Holdings Inc.
Supervisor	HO Tsung-Ta	2011.07.01	Supervisor of Y F Chemical Corp. Director of Riken Taiwan Industrial Co., Ltd.
Supervisor	YEH Tien-Cheng	2011.07.01	Director of Ruentex Development Co., Ltd. Supervisor of SinoPac Holdings

* All directors and Supervisors are legal representatives of SinoPac Holdings.

(III) Executive Officers

February 28, 2013

• Tina CHIANG President of Bank SinoPac
• David HAN Executive Vice President, Chief Executive of Financial Products, Head of Financial Markets Division
• Matt CHUANG Executive Vice President, Chief Executive of Channel, Head of Overseas Business Division, and General Manager of Hong Kong Branch
• HSIEH Chun Executive Vice President, Head of Corporate Banking Division
• Jocelyn KUO Executive Vice President, Head of Retail Banking Division, Head of Consumer Banking Division
• Philip J.WEI Executive Vice President, Head of Banking Division
• Bell CHONG Executive Vice President
• Brian LIN Executive Vice President, Regional General Manager
• Kim LIU Executive Vice President
• Lupe CHUANG Executive Vice President
• CHEN Chia-Hsing Senior Vice President, Chief Executive of Operation
• Sam WANG Chief Auditor
• Jenny HUANG Chief Secretary

III. Human Resources

February 28, 2013

Items	2013/2/28	2012	2011
Number of staff	4,998	4,985	4,994
Average age	37.63	37.54	37.01
Average seniority	10.84	10.77	10.49
Education			
Ph.D. degree	0.12%	0.12%	0.08%
Master's degree	17.21%	17.17%	16.58%
University and college	75.17%	75.25%	75.39%
Junior college & others	7.5%	7.46%	7.95%
Total	100.00%	100.00%	100.00%

I. Global Overview

(I) Overview of Major Markets for SinoPac Products and Services

Bank SinoPac provides financial services mainly to five regions in Asia Pacific, namely, Taiwan, U.S., Mainland China, Hong Kong, Macau and Vietnam. The economic situations in the aforementioned territories are described below:

A. Taiwan

In the first half of 2012, Taiwan was under the influence of the Euro debt crisis and the resulting economic recession worldwide with risk factors escalated. It was coupled with the rise in oil prices and electricity prices, and the controversy of the capital gains tax, to the extent that the consumption and investment confidence was hit hard. Both export and domestic demand shrunk. The domestic economy signaled blue. GDP was stagnant in 1Q and declined in 2Q. In the second half of the year, central banks all over the world expand quantitative easing. Minor recovery took place worldwide, albeit the controversy over the Euro debt continued. It was followed by sustained recovery due to the base period benefit. It is estimated that GDP declined from 4.07% in 2011 to only 1.26%.

The year 2013 is still embraced by the problem of the Euro debt crisis and the fiscal cliff of the U.S. Yet, global economic recovery took place with the resumption of trade volume, which may hopefully bring momentum to domestic trade. However, the consumers still lack confidence, which hampered the growth in consumption power. Annual GDP growth in Taiwan is projected at 3.59% in this year.

The policy of rationalization of oil prices and electricity prices became effective in April, which resulted in the rise in both the oil price and electricity price. The typhoon season started in June, which brought more rainfall than expected. The price of foodstuffs rose by 4.16%. As such, the CPI of Taiwan in 2012 moved up from 1.42% to 1.93%. The second wave of electricity price adjustments will come into effect in October 2013, but the international oil price is expected to fall marginally due to the development of new technology for extraction. It is expected that CPI in 2013 will go down to 1.37%. In the domain of interest rate, the Central Bank will keep the rediscount rate at 1.875%, given the low economic growth in 2012 and the surge of consumer prices to the dangerous level of 2% with eased policy in money supply. Global recovery is expected in 2013. Domestic economic recovery is expected to follow. Inflation will be unlikely. The Central Bank is expected to adopt the measure of open market operation to adjust the capital flow in markets and keep the interest rate at its present level.

B. Mainland China, Hong Kong, and Macau

In 2012, Mainland China was hit hard by the problem of the Euro debt crisis, to the extent that governments in most countries tightened their budgets which resulted in recession and weakness in demand. As such, exports growth from Mainland China to the EU turned negative. The government policies of regulating the real estate market, the streamlining of production capacity, and the decline in the investment in train severely hampered domestic demand. It was echoed with the expiration of the subsidy for supplying electrical appliances to the rural villages and the

sluggish economy that affected the confidence of the consumers. As such, GDP growth in Mainland China in 2012 fell from 9.3% in 2011 to only 7.8%, which was higher than the official projection of 7.5%, but was below the expectation of 8.0% in the market. The economic growth in Hong Kong and Macau was also hit hard by the sluggish economic growth at the global level. The GDP of Hong Kong in 2012 fell from 4.9% as was in 2011 to only 1.4% while the GDP of Macau in 2012 fell from 21.8% as was in 2011 to only 9.9%.

GDP in 2012 stayed low and fell below the market expectation of 8.0% from Q2 of 2012. CPI growth also slowed to lower than 4% as projected by the government from February 2012 onward. Consumer prices stayed low and economic growth slid down. The People's Bank of China has kept the downward adjustment of RRR from December 2011 to February and May, 2012 (Totally cut RRR by 1.5 percentage points to allow RRR to reach the level of 20.0%), and has also cut down the interest rate in June and July, 2012, with the RMB one-year bench mark deposit and loan rates cut down from 3.5% and 6.56% to 3.0% and 6.0%, respectively.

The leadership in Mainland China will take place in 2013 with a policy for stimulating domestic demand. With an economic upturn worldwide and the improvement of demand for export, the GDP in Mainland China is expected to resume to the level of 8.3%. Economic growth in Hong Kong and Macau will be stronger than it was in 2012. Hong Kong is expected to enjoy growth of 5% while Macau is expected to pick up double-digit growth. Inflation in Mainland China may come back in 2013 with the surge of consumer prices. It is expected that the People's Bank of China may be cautious about its policy of easing liquidity, and may adjust the interest rate upward if RRR and interest rates remain unchanged in the first half of the year and CPI rises to 4.0% in the second half of the year.

C. U.S.

Economic performance of the U.S. in 2012 was conditioned by a number of factors. The withdrawal of Greece from the Euro Zone, the quest for financial relief by Spain, the economic recession in China, and the uncertainty of the fiscal cliff in the U.S. and the slow resumption of employment made economic recovery in the U.S. difficult. GDP growth of the U.S. in 2012 was 2.2%, the 7th consecutive year of growth below the average of 3.0% level.

For ensuring sustained economic recovery, the FED announced in June 2012 the extension of Operation Twist (buy securities in long positions and sell securities in short position) to the end of the year, and also launched QE3 in September 2012 for buying US\$40 billion worth of MBS monthly, and the QE4 in December 2012 for buying US\$45 billion worth of US treasury bonds. The size of asset purchases in QE3 + QE4 amounted to US\$85 billion.

Both the Republicans and Democrats are expected to reach agreement on the fiscal cliff in 2013. Yet, the waiver of the payroll tax was due at the end of 2012 and the US government will continue to cut its spending. With the prolonged poor economic performance in the Euro Zone, GDP growth in the U.S. is projected at only 2.1% in this year. In supporting economic recovery, the FED will keep the interest rate at zero ground in 2013 and will continue the QE asset acquisition plan.

D. Vietnam

Vietnam performed well in 2012 in the domain of export trade. The exports of coffee, rubber, and cashew nuts enjoyed stable growth and contributed to the overall export growth at 18.3% and imports at 7.1%, which were lower than 33.3% and 24.78% in 2011, respectively. Despite the decline of both import and export, this was the first time since 1992 that Vietnam enjoyed a trade surplus, amounting to US\$284 million, with improvement in the trade structure. The problem of non-performing loans and capital inadequacy handicapped the domestic banks of Vietnam. It was coupled with inefficient investment. These factors deprived Vietnam of domestic demand growth. The annual GDP growth in Vietnam fell from 5.89% as in 2011 to 5.03%, the lowest since 2000 and not the official projection of 5.2%. The contribution was 2.70 p.p. from the service sector, 1.89 p.p. from the industrial sector, and 0.44p.p. from the agricultural and aquacultural sector.

Exports from Vietnam in 2013 lack added value. The content of agricultural export lacks variety. The problem of technical barriers to trade is getting in the way. These will hamper the international competitive power of Vietnam. Under the government policy of mid- and long-term investment, and the improvement of the production of high value-added products, external trade and investment are expected to improve with GDP growth projected at 5% in 2013. CPI in 2012 fell significantly from 18.6% to 9.21% with an interest rate cut 6 times by the Central Bank of Vietnam. The interest rate and refinancing rate fell to 9% and 7%, respectively, and may well arouse anxiety of inflation. In 2013, CPI is unlikely to fall and is projected at 8.0%.

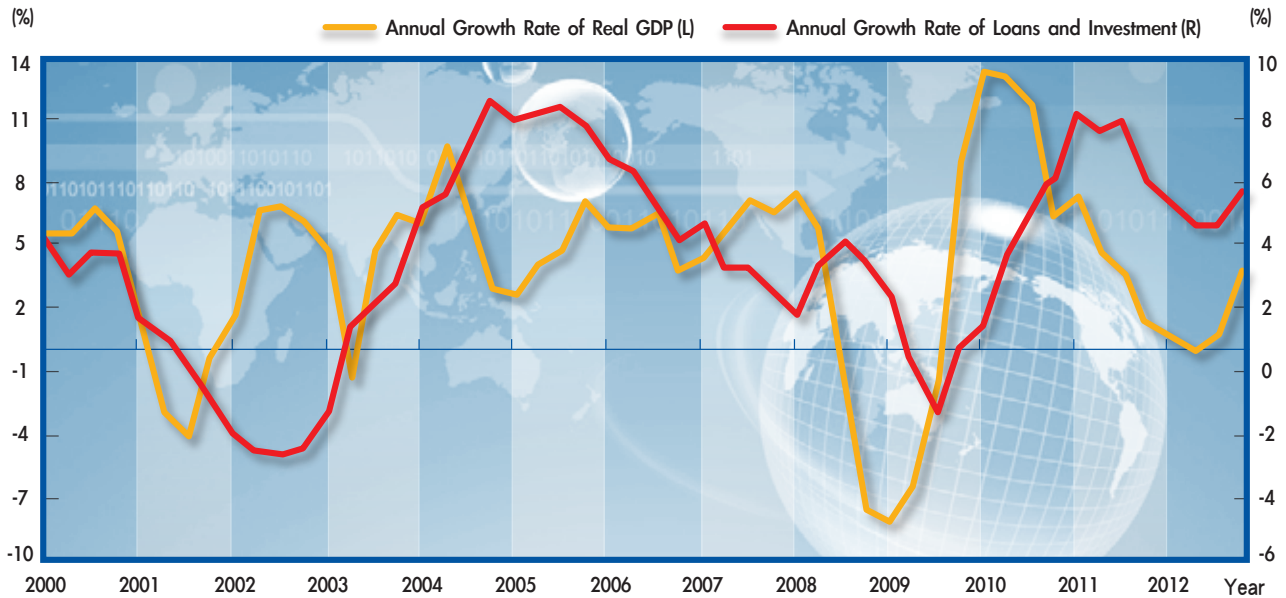
(II) Future Market Supply and Demand

The macro economy plays a critical role in affecting the supply and demand in market, the loan business of the Banks, the sales of insurance policies by insurers, and the volume of trading orders placed with securities dealers. At the time of economic upturn, the borrowers are more willing to borrow with high demand due to the increase in capital spending. With the abundant supply of capital and no anxiety of unemployment, the insured are highly motivated to purchase insurance policies or cap up their policies. Investors are willing to invest in the stock market due to the bullish outlook of the market. As such, banks, insurance companies, and securities firms will make good profits. In contrast, the performance of financial institutions in profit making will not be ideal at the time of economic downturn and eventual recession. The problem of non-performing loans, unfavorable return in investment, and sizable paper loss will surface too.

The size of growth or decline in profit making by financial institutions is conditioned by the economic performance as a whole. In the last 3 decades, the economic structure of Taiwan has undergone major structural change. Exports in 2012 accounted for 63% of the GDP, which was significant growth from the initial stage of only 30%. As such, the economic performance of the trade partners of Taiwan will affect the economic future of Taiwan. Mainland China (including Hong Kong), Europe, and the U.S. are the three major exporting partners to Taiwan. Also, the correlation of the financing dynamic of domestic banks and GDP growth is higher than 65%. According to the estimate of The Office of Budgeting, Accounting and Statistics of the Executive Yuan, GDP growth rate in 2013 is projected at 3.59%. As such, we estimated that the growth rate of financing by domestic banks in 2013 will range from 3% to 5%.

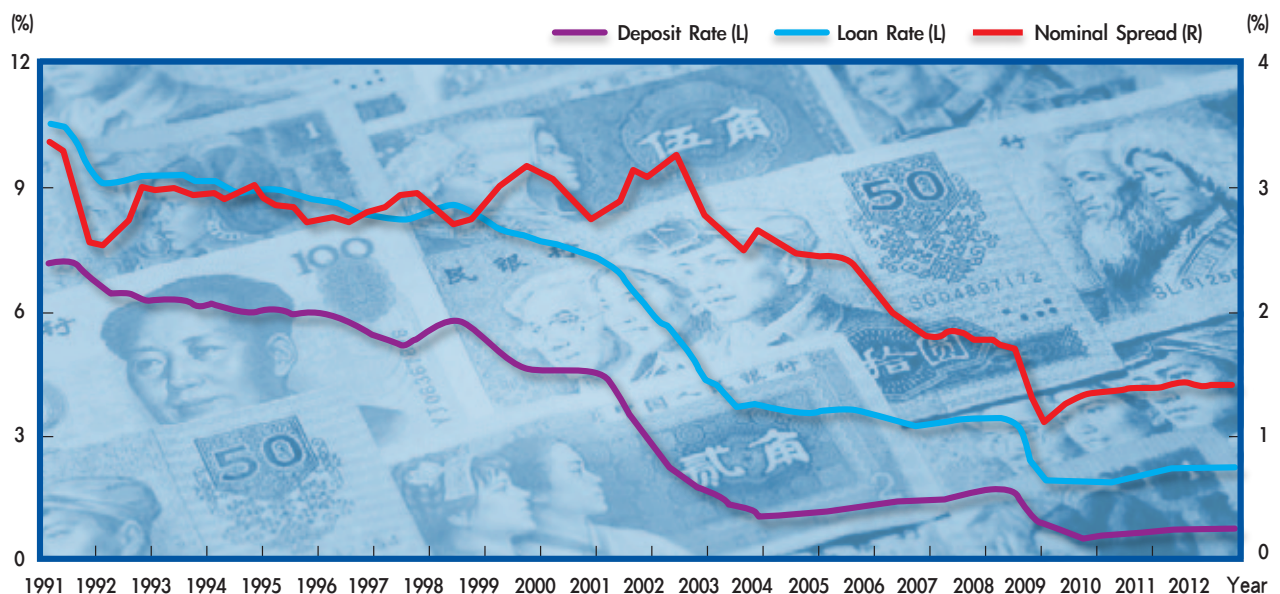
Annual Growth Rates of GDP, Loans and Investments

Source: TEJ; Compiled by SinoPac Holdings



The Central Bank stopped any upward adjustment of interest rates since September 2011 due to sluggish global economic growth and the anticipated slow down of inflation. As of the end of 2012, the Central Bank had an interest rate freeze in 6 instances. However banks kept adjusting their financing structure. In 2012, the nominal interest rate spread continued widening. In Q1 2012, the interest rate spread stayed at the level of 1.41%, and then moved incrementally to 1.43% in Q4. The Central Bank is highly likely to keep the interest rate stable at this level in 2013. Domestic banks just started to deal with RMB business and will very likely to offer a higher interest rate in RMB to absorb large volumes of the currency. As such, the probability of keeping the interest rate stagnant at the level it was at in 2012 by the Central Bank is very high.

Source: TEJ; Compiled by SinoPac Holdings



(III) Factors favorable and unfavorable for development

A. Favorable factors

1. The operation in Mainland China is on the move

The financial cooperation between the two sides of the Strait has already been kicked off and is at the operation and profit making stages. Currently, the branches of Chang Hwa Bank, Cathay United Bank, Cooperative Bank, Hua Nan Bank, First Bank, and the Land Bank of Taiwan in Mainland China have been in operation for two years and have applied (or about to apply) with the China Banking Regulatory Commission (CBRC) for licensing in dealing with RMB currency. In addition, China Trust Bank, Mega Bank, Bank of Taiwan, and E.Sun Bank have also upgraded their banking offices in China to branches.

2. New trend for the establishment of leasing companies in Mainland China

The leasing companies established by the financial institutions in Taiwan are registered as foreign-owned leasing companies and are under the jurisdiction of the Ministry of Commerce. As such, they can deal with financing in RMB. This is the main reason that most financial institutions in Taiwan prefer developing their operation by this mean. Currently, branches of banks in Taiwan in Mainland China cannot deal with financing in RMB in the first year of operation and have to wait after one full year of operation and apply with CBRC for licensing. Currently, many financial holding companies in Taiwan rush to establish leasing companies in Mainland China.

3. Equity investment by banks in Mainland China to intensify banking cooperation of both sides

According to the "Regulations Governing Business Transactions and Investment between Financial Institutions in Taiwan and in Mainland China" promulgated on March 16 2010, equity investment by financial institutions on both sides is regulated by certain conditions, and only those that are qualified may apply for investment. In addition, banks from Mainland China may choose either establishing branches in Taiwan or making equity investment in the banks of Taiwan. There are four banks from Mainland China qualified under the laws governing financial institutions. They are Bank of China, Bank of Communications, China Construction Bank, and the Industrial and Commercial Bank of China. Bank of China, Communications Bank and China Construction Bank have already established their branches in Taiwan and in reality, only the Industrial and Commercial Bank of China may make equity investment in the banks of Taiwan.

4. Domestic Branches started to deal with RMB

After Taiwan and Mainland China have entered into agreement on clearing and settlement, banks in Taiwan may deal with deposits and loans in RMB, offshore securities (offshore bonds, ETF), structured products, and derivatives denominated in RMB, but mutual funds and insurance products denominated in RMB are yet to be deregulated. Deregulation of financial products have to be done incrementally in three aspects: (1) deregulation of domestic investment trust offering funds denominated in RMB; (2) deregulation of offering structured products denominated in RMB for marketing in Taiwan; and (3) deregulation of insurance policies issued by domestic insurers in RMB.

B. Unfavorable factors

1. The problem of excess liquidity of domestic banks is yet to be resolved

The banks in Taiwan have had excess liquidity since 2002 and still cannot efficiently utilize the capital. The deposit to loan ratio of banks in the period of 2002~2008 was as 66~69%, and moved downward to 62% in 2009, which was a record low. However, this ratio climbed up to 65% again in 2012. Some banks have established branches in Mainland China, but the contribution to the problem of excess liquidity in local banks is marginal.

2. The requirement of provisions for bad debts gets increasingly strict

The competent authority of Taiwan started to require banks to increase their provisions for bad debts in mid-2011. First of all, they required the domestic banks to increase the provisions on Class I assets from 0% to 0.5% in July 2011 because the neighboring countries in Asia had allocated at least 1% of provision for Class I assets, which are classified as normal. Indeed, the concept of zero provision practiced in Taiwan has been highly permissive. In September 2011, the competent authority further required the debt coverage ratio of all loans be increased to 1%. As of today, the competent authority set the standard of provisions on Class I loan assets from 0.5% to 1%. Of all the neighboring countries and territories, the requirement of coverage ratio in Mainland China is set at 2.5% or higher (provisions for bad debts/total loans) and in most international large banks is set at 2% or higher. The supervisory effect of the banking industry in Taiwan is indeed below the international standard.

I. Business Overview

(I) Business scope and overview

A. Retail Banking

The principal area of business in retail banking covers the management, research and development, marketing supervision, and sales planning services of personal secured loans and related products, including, home mortgage loans (including home buying, home repair, strategic loans, and revolving mortgage), car loans, second mortgages, stock financing, and other secured loans. In addition, we also provide integrated capital needs services to each target segment.

In 2012, the real estate market of Taiwan was clouded by international economic turmoil. It was amplified with the levy of the specifically selected goods and services tax (luxury tax) which took effect in 2011, the regulation of the Authority on credit limits to specific districts and real properties at higher prices on a selective basis, and the launch of the price actual transaction registration system in August 2012. As such, real estate trade in that year turned stagnant. Based on the condition of the real estate market and effective allocation of the Bank's overall resources, the Bank's operation has adopted a stable and sustainable approach to growth. The Bank actively filters out premium clients and implements risk classification for target region and collateral with proper credit processing regulations and a post-approval management system, which aim to maintain excellent credit asset quality and boost cross-selling opportunity applied to valued customer.

As of the end of 2012, the outstanding balance was NT\$362.8 billion for mortgage loans, NT\$5.2 billion for auto loans, NT\$11 million for credit loans, and NT\$593 million for other loans.

B. Wealth Management

1. Business scope:

To provide a variety of products or services including financial planning, other trust and custody services, and insurance products to satisfy the needs of different clients:

- (1) Financial planning products: Examples include domestic and offshore mutual funds, foreign bonds, ETFs, and structured products.
- (2) Other trust and custody services: Examples include custody services for foreign-owned enterprises investing in domestic securities, corporate employee benefit trust funds, custody services for corporate employee pensions and termination trust funds, custody services for discretionary authorization investments, real estate investment trusts, security trusts, etc. It also acts as a TDR depository institution.
- (3) Insurance products: The Bank partners with SinoPac Life Insurance Agent Co.,Ltd., the SinoPac Property Insurance Agent Co.,Ltd., and other insurance companies to expand bancassurance operations, and provides endowment insurance, mortgage life insurance, protection insurance, and unit linked policies as well as accident insurance, residential fire insurance, commercial insurance, auto/motorcycle insurance, and health insurance.

2. Business overview:

The problem of the Euro debt crisis persist and the investment market is so unpredictable. Investors have not yet recovered from the loss of confidence. As such, savings insurance, high yield bonds, and products with stable income emerged as the mainstream investment. At the same time, regulations governing domestic trust and banking have become stricter than ever. All financial products are highly homogenous, making innovation difficult. Furthermore, good quality financial services and positive customer relations have to be addressed to in order to enhance customer loyalty.

Looking back at 2012 as a whole, the total sales volume of non-discretionary monetary trust investing on domestic and foreign securities was NT\$50.9 billion, and the non-discretionary monetary trust investing on domestic and foreign securities under management stood at NT\$117.2 billion ; the other trust services (including real estate trusts, employee stock ownership plans and benefit trust funds, and securities trusts) under management stood at NT\$25.5 billion; as the custodian for domestic mutual funds offered by securities investment trust enterprises, while actively offering different custodian services, the total outstanding balance of assets under custodianship at the end of the year stood at NT\$152.5 billion and the total premium received from bancassurance operations was NT\$23.3 billion.

C. Consumer Banking

1. Business Scope

- (1) Credit card issuing business which included card issuance, revolving credit balance processing, cash advance and for related matters.
- (2) Credit card acquiring business which included signing card acceptance merchants, agency merchant's clearing accounts, merchants' card transactions processing and for related issues.
- (3) Unsecured loan business is for consumer personal credit.

2. Business overview

- (1) Revenue ratio: Interest income 60%, Fee income 40%.
- (2) As of the end of 2012, the balance of credit card account receivables was NT\$17.1 billion, the balance of unsecured loans was NT\$12.1 billion.

D. Corporate Banking

1. Business Scope

- (1) Acceptance of corporate deposits
- (2) Short-term working capital, term loans, and guarantee and acceptance services.
- (3) Domestic and international factoring.
- (4) Trade finance services, including foreign exchange payments and receipts as well as guarantee for foreign currency payments.
- (5) International banking services meant for offshore legal and natural persons.

2. Business overview

In 2012, the outstanding balance of corporate loans and credit business was NT\$418.6 billion, nearly 43% of which is foreign currency lending. In addition, the volume of factoring was NT\$125.7 billion, and the volume of foreign exchange was US\$160.1 billion, both account for significant market share among the banking industry in Taiwan.

Bank SinoPac has avidly supported the Project for Strengthening Domestic Bank Lending to SMEs - the seventh phase, which was carried out by the Financial Supervisory Commission in 2012. Therefore, the Bank has performed soundly in SME loans. In 2012, the outstanding balance of SME loans exceeded NT\$100 billion, and it was NT\$113.4 billion at the end of the year, an increase of 31% from December 31, 2011. In other words, the market share of the Bank is the 4th in the domestic private banks. Furthermore, Bank SinoPac got a qualification for the "Special Award of Balanced Regional Development-Hualien, Taitung and Outlying Islands" in the Project for Strengthening Domestic Bank Lending to SMEs due to outperformance in lending to SME in these areas. In addition, Bank SinoPac is excellent achievements in credit granting to SME. The total amount of credit guarantees in 2012 was NT\$79.8 billion, up 20% over last year. Based on the performance of in credit granting to SME in 2011, the Bank was accorded "Credit Guarantee Partnership Award" and "Excellent Credit Manager" by the Small and Medium Enterprise Credit Guarantee Fund of Taiwan in 2012.

In 2012, Bank SinoPac won 19 mandated lead arranger roles on syndicated lending transactions, including the syndicated loan of Wistron, T-Mac Techvest, Far Eastern Machinery, China Metal International Holdings, Tatung, and Jin Cheng Transports. This demonstrated the effort of the Bank in coordinating jumbo size loans in a wide array of industries and the capacity to provide customers with solutions in long-term financing. Bank SinoPac continued its overseas expansion and has covered most of the gathering places for Taiwan-based companies by its inter-continental corporate banking service network through which the Bank can provide integrative and cross-region services. In 2012, Bank SinoPac established a business location in Kinmen, which helped to form an iron triangle with its branches in Hong Kong and Macau. In addition, Bank SinoPac cooperates with the Industrial and Commercial Bank of China (ICBC), a bank with the top capitalization in the world, to launch the services of "Same day settlement of USD across the Taiwan Strait" and "Same day settlement of RMB across the Taiwan Strait" so that capital can be directly and quickly remitted to Mainland China. This speedy and convenient service not only help customers save time and the cost of remittance, but also promote their capital efficient.

Moreover, with respect to Factoring by Insurance (FBI) products, apart from continuing to provide more comprehensive services for corporate clients, the Bank has effectively reduced overseas business risks and costs associated with factoring to allow Bank SinoPac to extend its factoring operations into Europe and the Americas. As the supply chains of Taiwanese businesses are becoming more globalized, the introduction of this product will propel Bank SinoPac's supply chain finance into a strong leading position among domestic banks.

E. Financial Markets

1. Business Scope

- (1) Proprietary trading and financial transactions in trading categories including foreign exchange, interest rates, equity, and derivatives.
- (2) To provide financial products for sale, a diverse range of tools for financial hedging, financial operations, and investment planning, and market information and consulting services.

2. Business overview

Bank SinoPac has taken a proactive stance in participating in all transactions in the financial markets of Taiwan and elsewhere in Asia. Owing to its viable platform in foreign exchange and derivative trade particularly, its position as market making dealer for a number of domestic banks in options, Bank SinoPac was ranked in 5th place among all domestic banks of Taiwan in derivative trade. With its platform extended offshore, Bank SinoPac is positioned as the operation center of foreign exchange and derivative trade in Asia Pacific and can provide full-range financial services to enterprises operating on both sides of the Taiwan Strait.

In 2012, Bank SinoPac conducted bond trade amounting to NT\$328.3 billion with growth of 6% from the same period of 2011. Trading volume of corporate bonds grew substantially by 175% in the same period, which ranked the Bank among the top 20 by trade volume, and resulted in selection by GreTai Stock Market as a reference rate securities dealer in corporate bonds.

Institutional financial marketing also demonstrated its strength in 2012. Effort has been made in tracking the capital flows and the hedge needs of customers. With intensified training for the partner channels and a series of seminars for the customers, the overall upgrade of the channel dynamics, in depth cultivation of customer relations and the establishment of full-seasoned branches, the achievement of financial marketing business has substantially surpassed the desired goal.

Bank SinoPac continued its development in RMB business. With the establishment of the subsidiary at Nanjing, the Bank will persist in the development of RMB business and related investment and hedge products. This allows customers to enjoy the very opportunity of growth of the RMB market and makes a wide array of financial products and professional services available for customers in Mainland China.

F. Electronic Banking

The Electronic Banking Department was established in July 2010 with the determination to develop electronic banking business strategies based on information technology. The responsibility of this department includes integrated management and promotion of online channels and service platforms, innovation in product, services, and marketing with customer service centric as the main focus of marketing strategy implemented.

In November 2011, the Electronic Finance Department was recognized at the 2011 Financial Information System Convention with the Award for Outstanding Contributions in Financial Electronic Data Interchange (FEDI).

Fueled by advancement in information technology, e-commerce and virtual channel have become an indispensable investment in every business sector. Electronic Banking Department builds its cornerstone on the core strength in an online and mobile banking service platform added improving new product development with latest information technology to conduct marketing events and promotion with these virtual channels. In addition to manage existing virtual channel platforms, the Bank actively expends a new leap in banking business models and accomplishes a mission to build an integrated financial service platform in cloud computing.

The current business focus is described as follows:

1. Grow subscribers to online and mobile banking services by aiming to enrich user experience.
2. Develop and promote online payment products; strive for a bigger market share while catering to latest market trends in e-commerce.
3. Complement the Bank's cross-selling strategy by developing a greater variety of marketing channels.
4. Build a stronger capacity for data warehousing and retrieval and install a business intelligence system; seek for new business opportunities even as low margins are increasingly taken for granted.

In NT\$ millions

Items	Dec. 31, 2012		Dec. 31, 2011	
	Amount	%	Amount	%
Demand Deposits				
Checking Deposits	12,952	1.28%	12,689	1.32%
Demand Deposits	193,823	19.24%	169,666	17.63%
Savings Deposits	233,999	23.22%	223,683	23.24%
Subtotal	440,774	43.74%	406,038	42.19%
Time Deposits				
Time Deposits	312,040	30.97%	314,744	32.70%
Negotiable Certificates of Deposit	28,495	2.83%	26,592	2.76%
Savings Deposits	226,342	22.46%	215,152	22.35%
Subtotal	566,877	56.26%	556,488	57.81%
Total	1,007,651	100.00%	962,526	100.00%

Loans and Guarantees

In NT\$ millions

Items	Dec. 31, 2012		Dec. 31, 2011	
	Amount	%	Amount	%
Loans				
Import and Export Negotiations	884	0.12%	2,101	0.29%
Overdrafts	461	0.06%	588	0.08%
Accounts Receivable Financing	1,804	0.24%	2,342	0.33%
Short-Term Loans	171,652	22.64%	150,427	20.91%
Mid-Term Loans	208,733	27.53%	195,583	27.19%
Long-Term Loans	372,597	49.15%	365,611	50.82%
NPLs Transferred from Loans	2,004	0.26%	2,750	0.38%
Subtotal	758,135	100.00%	719,402	100.00%
Acceptances, Guarantee, Exchange Bills Negotiated	21,817	-	14,570	-
Factoring	19,389	-	16,630	-
Nonperforming receivables transferred from other than loans- Factoring	41	-	66	-
Total	799,382	-	750,668	-

In NT\$ millions

Items	Dec. 31, 2012	Dec. 31, 2011
Corporate Banking		
Credit Outstanding	418,633	383,451
Loans Outstanding	377,576	352,440
Retail / Consumer Banking		
Credit Outstanding	380,749	367,217
Loans Outstanding	380,559	366,962
Total Credit Outstanding	799,382	750,668
Total Loans Outstanding	758,135	719,402

Overdue Credits

In NT\$ millions

Items	Dec. 31, 2012		Dec. 31, 2011	
	Amount	%	Amount	%
Type A Overdue Credit and NPLs	2,113	0.28%	3,310	0.46%
Type B Overdue Credit and NPLs	139	0.02%	88	0.01%
Total Overdue Credit under Surveillance	2,252	0.30%	3,398	0.47%
Bad Loans Write-Off	489	-	978	-
Outstanding Balance of NPL Provisions	7,582	-	7,209	-

Foreign Exchange Business

In US\$ millions

Items	2012	2011
Outward Remittances	79,474	99,991
Inward Remittances	77,125	95,116
Export Negotiation and Collection	1,594	1,558
Letters of Credit; D/P and D/A	1,674	1,847
Cash and Traveler's Check Trade	167	163
Bills Collection and Purchases	51	51
Total	160,085	198,726

In NT\$ millions

Items	2012	2011
Trading Volume of Bills and Bonds	5,624,997	4,325,016
Year-End Balance of Bills and Bonds	277,731	281,457
Year-End Balance of Listed / OTC Stocks	111	95
Year-End Balance of Beneficiary Certificates	386	446
Short-Term Bills Accredited and Underwritten	-	-

Summary of Income and Expenses		In NT\$ millions
Items	2012	2011
Interest revenue	22,655	20,492
Interest expense	9,340	7,908
Net interest	13,315	12,584
Net revenues other than interest		
Commissions and fee revenues, net	3,389	3,262
Gains on financial assets and liabilities at fair value through profit or loss, net	2,436	528
Realized gains from available-for-sale financial assets	7	5
Gains (losses) on equity investments - equity method	1,612	(1,558)
Foreign exchange gains, net	291	539
(Impairment losses) reversal gains on assets	(258)	285
Losses on sale of nonperforming loans	(78)	(295)
Recovery of bad debts	561	627
Other net gains	109	72
Total net revenues	21,384	16,049
Allowance for doubtful accounts	956	2,625
Operating expenses	11,165	10,716
Income before income tax	9,263	2,708
Income tax expense	(1,043)	(244)
Net income	8,220	2,464

II. Business plan of the year

(I) Retail Banking

1. Comply with the policies of the Authority and the effective allocation of resources of the Bank to maintain sustained growth of mortgage profits.
 - (1) Maintain the position of mortgage loan assets in consideration with credit risk asset allocation of the Bank for increasing return.
 - (2) Accommodate to the regulation of the Authority in real estate and mortgage loans with dynamic adjustment measures for the effective management of related risks.

2. To commit in soliciting the target market in order to maintain premium loan quality.
 - (1) To entice the channels to serve the target market with the use of risk guidelines and pricing.
 - (2) To coordinate with branch customer management and use the systems to reinforce pre-and post-lending asset risk management.

3. Offer customer-oriented integrated sales to elevate the stickiness with mortgage clients.
 - (1) Coordinate internal resources and keep track of the needs of premium mortgage customers with differential services.
 - (2) Conduct analysis of the database for marketing accompanied by the upraised added-value attributed to strategic alliances to reinforce customer loyalty and increase fee income.

(II) Wealth Management

1. Develop the customer centric business model and continue innovation of products and services to satisfy customer needs.
2. Provide integration of differentiated products wealth management information, privileges, and financial planning by customer segment and need, as well as the function of the financial advisors.
3. Fortify the cross-platform marketing of all business to increase in the population of high net worth, expand business scale and enhance profits.
4. Integrate the onshore and offshore platform to provide customers a full-range of service.
5. Upgrade or replace the function of the primary system platform to provide more convenient services.
6. Continue to implement the risk control and compliance of all kind of products and services to earn the trust of the customers.
7. Work closely with all channels for achieving the joint objectives of profit making.
8. Develop Bank SinoPac Hong Kong Branch into a Wealth Management Business Hub by product & business integration and channel synergy within country and abroad.
9. Integrate the Holdings' resources and form strategic alliance to enhance the variety and diversity of products and develop channels for new customer source.

(III) Consumer Banking

1. Operation oriented towards customer needs
 - (1) Get to know about the different attributes of the customers and provide them with differentiated products, consumption, or special offer events to satisfy the needs of different customers for strengthening customer loyalty.
 - (2) Strengthen the capacity in technical analysis of data and cautiously select targeted groups of customers. Improve the responses of customers in different projects and effectively upgrade customer contribution.
 - (3) Make innovation of business function through the acquiring system and LMS (Loyalty Management System) to cultivate in depth interaction with the Bank.

2. Integration of differentiated products and privileges to different groups of customers

- (1) Locate the targeted group of customers with reference to their consumption patterns with corresponding products, which could help to fine-tune marketing activities.
- (2) Continue the cross-selling of the most suitable products and upgrade business performance through improving customer benefits on the basis of customer and product attributes.

3. Maintain close cooperation with channel marketing and the product suppliers.

- (1) Use the advertising support of the product suppliers to enhance the capacity of the channels in product promotion.
- (2) Organize routine training with sales techniques and product training for better communication and higher productivity of the sales.
- (3) Establish a complete service process with input of marketing resources, customize acquiring service per customer needs, and assist the developing of peripheral business.
- (4) Organize events as incentives in the channels

4. Expand the size of assets in unsecured loan and credit card business with effective control of asset quality

- (1) Sort out the group of existing/potential customers with high assets from the targeted group of customers, provide differentiated product packages for customers in good standing, explore in depth interaction with customers with special offers.
- (2) Monitor any change in asset quality at regular intervals and keep the cost of risk in control.
- (3) Effectively control the risk of non-performing loans and maintain the performance in the recovery of write-off accounts for conversion to earnings.

5. Strengthen the competitive power of consumer banking products for thicker spread and earnings.

- (1) Make proper adjustment of price in due time in response to economic situations and competitive situations in the market.
- (2) Make the product line complete in the unsecured loan and move towards a diversified product portfolio.
- (3) Make risk pricing accurate for the effective service of existing/new customers and thicker profits from the spread.

(IV) Corporate Banking

1. Provide clients with all-encompassing corporate banking services via the bank's 129 branches

With a far-reaching service network of 129 full function branches nationwide, Bank SinoPac is poised to help clients meet various basic financing needs. A big variety of corporate banking products are made available to help foster partnerships with them. In particular, the bank seeks to meet every need of medium-sized and large enterprises by teaming up with other SinoPac Holdings affiliates for provision of fully integrated, value-added financial services.

2. Deployment in Taiwan and Mainland China with gravity on the west side of the Taiwan Strait

Bank SinoPac established a branch in Kinmen in 2012 for providing various services to the local tourist industry. With the advantage and specific features of tourist resources in Kinmen, and the understanding of the capital flows in the island, Bank SinoPac has successfully developed "value-added" financial services. Kinmen is located at the "Special Zone on the west side of the Taiwan Strait" and is off the coast of Xiamen, and is a transportation pivot for both sides of the Taiwan Strait. With the Special Economic Circle at the west side of the Taiwan Strait as the center, the operation here helps to explore the market in Mainland China.

3. Cater to specific needs of niche markets while serving global supply chains

Bank SinoPac takes the preemptive opportunities and grasps the initiative situation through discerning the trend of industry development. In addition, the Bank tries to fully understand our clients, including their demands and cash flows, and then provides tailor-made services and self-liquidated loans. The advantages are getting more business opportunities and minimizing the credit risk.

4. Acting as mandated lead arranger of the consortium and satisfying customers with diversified needs in financing

The business of syndicated loans has been growing with Bank SinoPac as the lead bank of the consortium. The patterns of syndicate loans is diverse, including financing in mergers and acquisitions, BOT financing programs, offshore loans with onshore guarantees, and financing offshore real properties. Bank SinoPac acts as the mandated lead arranger to satisfy the needs of the customers in mid to long-term financing and keep the customers with long-term relations.

5. Additional effort in servicing the financing of small and medium enterprises

With its solid foundation in financing small and medium enterprises, Bank SinoPac can make the best use of different forms of guarantees provided by the "Small and Medium Enterprises Credit Guarantee Fund" and different policies of the government in vitalizing the economy to satisfy the needs of small and medium enterprises in financial products and services. In supporting the cause of the Financial Supervisory Commission in the "Project for Strengthening Domestic Bank Lending to SMEs-the seventh phase", Bank SinoPac lending to SMEs was in excess of NT\$100 billion in 2012.

6. Develop onshore and offshore customers in good standing through the joint effort of branches at home and overseas

The easing of the banking regulations in Taiwan and Mainland China helped to prosper trade activities on both sides. Cross-border trade denominated in RMB continued to surge. The demand for banking services in Taiwan, Mainland China, and Hong Kong is on the rise and in higher variety. With its experience in servicing customers in Hong Kong and Macau, Bank SinoPac will continue its efforts in developing onshore and offshore customers in good standing through the cooperation among its international banking branches, the LA Branch, and all other domestic and overseas branches.

7. Provide customers more convenient and flexible banking service with the innovative "New Cross Border Financial Platform"

Bank SinoPac will keep abreast of any change in the legal environment, market response, and customer needs to develop different kinds of cross-border financing services quickly. With its innovative "New Cross Border Financial Platform", Bank SinoPac puts together capital flow and trade financing in RMB to provide offshore customers convenient and flexible banking services with features of both Taiwan and Mainland China.

(V) Financial Markets

1. Proprietary Trade:

Continue the integration and optimization of the financial transaction platform and make the portfolio management of the financial transaction system complete in order to provide dealers with cross-instrument hedges, strengthen their capacity in market making, and fortify internal risk management. Learn from good examples in foreign exchange and get more experience in the operation of RMB. Keep abreast of the liberalization of RMB for overseas operation and develop different types of services in RMB for better business opportunity deriving from the internationalization of RMB.

2. Financial Marketing:

Make positive efforts in any business opportunity deriving from RMB. Provide optimal planning in financial operation and derivatives to satisfy the needs of the customers in investment in RMB and hedging. Develop customers within the core value and cultivate in-depth relations. Monitor the mark to market (MTM) mechanism and materialize risk control for optimizing the credit profile. Intensify training in the channels to provide customers top-notch professional service.

3. Capital market operation:

Provide customers with integrated solutions through combining resources from the Holdings and guide the customers to finance through the capital market. Gradually build up the position for investment in RMB, and take proactive action to exploit the various business opportunities derived.

(VI) Electronic Banking

In 2012, Bank SinoPac accomplished the upgrade of cyber account number service, the upgrade of mobile banking functions, and the innovative use of mobile phone services. At the same time, Bank SinoPac also proactively enlarged its population of e-banking customers. These customers tended to be the younger generation, which makes the utility of the e-Banking platform more efficient. As such, the launch of new service items can be quickly promoted and are highly accepted. The growth in the size of customers at a younger age and the launch of new services seems to have yielded a positive reciprocal effect.

The following is the description of business planning in this year:

1. Increase the penetration of electronic banking

Continue to upgrade the features of electronic banking services platform for individual and corporate users. Establish an all encompassing service network combining both brick-and-mortar and virtual channels; promote the use of the Internet and acquire a greater number of subscribers by means of various marketing campaigns, provide customers with a full spectrum of electronic banking services to bolster customer loyalty and reduce the operating costs of branches.

2. Upgrade and promote mobile banking

Further upgrade and enhance the mobile banking platform to fully take advantage of the growing popularity of smart-phones and other handheld devices. The ultimate objective is to provide customers a simple and convenient electronic banking experience accessible anytime, anywhere.

3. Develop market communication through virtual channels

Promote the new developed applications by promotion and join the bank-wide integrated marketing activities in order to explore business opportunities in a diversified range of channels, with intend to increase the number of online banking members. To improve the competitive power in electronic cash flow service with the channel interaction, the Bank implements mobile banking marketing mechanisms and enhances cash flow and payment services. To target the online shoppers and promote the non-designated transfer service via internet and mobile banking in order to free automated transfer from the restrictions of physical channels and highlight the advantages of virtual channels.

4. Enhance the functions of online services and develop cross-border payment services

In the wake of increasing demand for cross-border payment via the internet, Bank SinoPac will continue to communicate with the official authorities regarding its development of online payment platforms to support cross-border businesses in line with the schedule of deregulation, and will upgrade online transaction functions and the development of cross-border payment services in compliance with applicable laws, Bank SinoPac will get the very early opportunity into the market.

III. Research and Development

(I) R&D on Financial Products

1. In 2012, the size of the credit card business grew steadily. Bank SinoPac will continue to develop its existing customers in depth and issue the co-branded card with Hi-Life called "SinoPac Hi Card", and the "SinoPac Wealth Management Infinite Card", and will continue its effort in increasing the number of cards in circulation, the total amount of spending by credit cards, and the income from card services. As of the end of 2012, the Bank had 3% growth in card circulation volume as compared with the same period of 2011. The total amount of transactions by credit card also grew by 10% in the same period. As of the end of 2012, the number of SinoPac credit cards in circulation totaled 2.25 million, which was 6th in the market. The asset quality was stable and the expenses incurred from non-performing loans stayed at a record low. Credit card business can help to bring in stable income.

2. In 2012, the approved amount of unsecured loan from channels remained stable, and the touch-up of the products helped to enhance its competitive power in the market. The balance of unsecured loans in 2012 was an increase of 24% from the same period of 2011. The control of asset quality has been appropriate and the recovery of write-off accounts is stable and the profitability from unsecured loan business remained stable.
3. Bank SinoPac was permitted by the competent authority to deal with the business as an acquirer bank in credit card services in May 2011. The Bank took immediate action to promote this service with the shops. In 2012, the volume of acquiring business increase substantially. By the end of the year, the total amount of acquirer transactions was NT\$25.7 billion, which was an increase of 235% from the same period of the previous year. In addition, the competent authority also permitted Bank SinoPac to engage in acquirer bank services for the Union Pay cards, which helped to enlarge the size of business in this area and income.
4. In November 2011, Bank SinoPac started to provide passbook savings in gold denominated in NTD, and extended the service to e-banking passbook savings in gold denominated in NTD in August 2012, and over the counter of passbook savings in gold denominated in USD services in January 2013. In the future, Bank SinoPac will continue to develop more services in e-banking passbook savings in gold denominated in USD so that the customers can have larger variety in investment and wealth management service.
5. Bank SinoPac established the LMS platform for redemption of gifts to customers with bonus points. A large variety of gifts are available for redemption. In 2012, the Bank established more channels for redemption (Hi-Life, and NPC gas stations) of gifts. The function of online redemptions via the e-banking system is also in the design process, and is expected to be completed in Q2 2013. By then, the customers will have more channels for redemption of gifts.
6. Bank SinoPac revised its official website for credit card users in 2012 and made it more user-friendly. In addition, services linking smart access devices like smart phones have also been unveiled so that customers can access to the update information of the Bank on special offer and others. In Q4 2012, the Bank upgraded its service at the transaction end with fortification of online functions.
7. Bank SinoPac has designed its own SME Scorecard and SME Information Platform for the evaluation of small and medium enterprises on credit standing in 2012, and has already introduced the SME Scorecard into the corporate credit approval process. This helps the processing staff and the review staff to assess risk more efficiently and effectively.

(II) Future plans of R&D

1. In order to provide better customer service and meet customer needs, in 2013 Bank SinoPac will continue to engage in the innovation of products and services, including the import of investment portfolio tools and the upgrade of efficient investment method, the development of fund transaction APP, the establishment of advance payment trust on e-gift vouchers, and will continue to design and install the platform for RMB products and transaction, the integration of onshore and offshore business platform and products.

2. Bank SinoPac will fortify the functions of its transaction system and utilize the system function, including the platform for fund transactions, the MMA transaction network, the wealth management system, and the custodian system. In addition, the Bank will seek to complete the transaction platform for offshore bonds and advance payment trust of e-gift vouchers.
3. Bank SinoPac will integrate the LMS system (Loyalty Management System) and develop close-end card value storage and bonus points operation with medium and big shops, and will establish the cross-industry bonus points exchange system and the clearing and settlement mechanism for higher revenue from acquirer bank service.
4. To employ FCI's (Factors Chain International) experience and achievements in factoring and to obtain a better understanding of clients worldwide via collaboration between FCI platforms; and to explore and expand the industry supply chain and integration with cross-platform businesses.
5. To continue to conduct Factoring by Insurance (FBI), to strengthen partnerships with international insurers, to build a factoring platform, which will be used as the support for helping customers explore new global business opportunities.
6. Diversify the structured products denominated in RMB with competitive quotations to satisfy the needs of the customers.
7. Support the Customer Centric project planning orientation for development of planning of portfolios and most appropriate business development models for the specific needs of customers in different segments for stronger business development and higher customer satisfaction.
8. With its rich and solid experiences in RMB business and being aligned with the trend of deregulation, Bank SinoPac has provided its customers services which cover corporate banking, financial markets, wealth management, and capital market operation in RMB. In the future, the Bank will connect with other domestic banks and financial institutions to broaden its service range to customers and maximize the Bank's synergy. In addition, the Bank targets to make Bank SinoPac "the most flexible and convenient financial service provider in the cross-strait region.
9. The internationalization of RMB attracts customers to be more willing to invest in RMB. As such, satisfying customer needs and offering customized products and services will be the trend in the future. Through integration of the Holdings, and the collaboration among the Bank, securities companies, investment trust arms and their subsidiaries, the Bank will continue to introduce and develop products meeting the needs of the customers, broaden its product lines, and provide customers the best service in wealth management.
10. In the wake of the ceaseless growth of the customer needs for cross-border trade denominated in RMB and the demand for capacity expansion through investment in Mainland China, the demand for the issuance of offshore

corporate bonds denominated in RMB is expected to grow. Bank SinoPac will take proactive action to integrate the resources of the Holdings, and fortify the cooperation between the Bank and the securities subsidiaries to promote joint businesses and provide customers opportunities to raise capital through a wide array of channels.

11. In 2013, Bank SinoPac will revamp both the personal internet bank-"MMA.com" and cooperate internet bank-"MMAb2b" to fortify an important virtual channel for providing more upgrade services to the bank customers. In addition, the Bank seeks to improve the virtual channel usage including user number and use frequency, and upgrade the online transaction and payment functions.
12. In 2012, the size of the e-commerce market in Taiwan reached NT\$660 billion, which was 17.4% increasing from the same period of the last year. According to the Institute for Information Industry (III), the substantial growth of the e-commerce market in the future will rely on the international market improvement. As estimation of the Ministry of Economic Affairs, there are about 12.8 million small and medium enterprises, 24% of which had successfully developed their business via the internet, 15% of which hoped the government could support the e-commerce infrastructure construction, and 8% of which expected consummation mechanism and security for the internet transactions. To increase the e-commerce market share of Bank SinoPac, the Bank will find thorough penetration needs of the internet population and increase the member of internet and mobile banking. In addition, to get over the niche market, the Bank will also integrate local small and medium enterprises and world-wide internet platforms for developing online payment business.

IV. Short-term and Long-term Business Development Plans

(I) Retail Banking

A. Short-term Business Development Plans

1. Strengthen the performance of the branch channels and refine the service for existing customers by providing differential services with local features to increase product penetration and fee income.
2. Provide diversified products for the development of different segments of potential customers. Expand the scope of strategic alliances through seeking more strategic partners through whom special offers and services could be accessible to the customers with added value of products enhanced.

B. Long-term Business Development Plans

1. With effective allocation of the Bank's resources, the Bank follows the mortgage policies of the government and the Authorities and establishes the management principles of "sustainable management, risk diversification, stable returns on assets, and asset quality assurance" by which to guide the channels to attract the premium and high net worth target market.
2. Continue the coordination and cooperation with the financial holding parent on product support and provide convenient and full-range financial services and added value oriented towards the needs of the customers, thus to maintain customer loyalty and long-term relationship.

3. To maintain premium asset quality with a low non-performing loan ratio, minimize bad debt losses, and improve overall product benefits.

(II) Wealth Management

A. Short-term Business Development Plans

1. Develop the customer centric business model: Position the targeted customers as per their behavioral patterns, provide integration of differentiated products, wealth management information, privileges, and financial planning.
2. Align the development with customer centric and continue to engage in the innovation of products and services: Include the import of investment portfolio tools and the upgrade of efficient investment method, and development of fund transaction APP, the establishment of advance payment trust on e-gift vouchers. And continue to design and install the platform for RMB products and transaction, the integration of onshore and offshore business platform and products .
3. Vitalize the mechanism of sales: through the effective coordination mechanism of "product" and "channel", the Bank will provide customers and financial advisors better service and guide branches to implement all marketing plans in order to achieve the profit goals of the Bank.
4. Upgrade or replace main system platforms: Fortify the platform for fund transactions, MMA transaction networks, wealth management systems, and the custodian system. In addition, seek to complete the transaction platform for offshore bonds.
5. Continue the effort in risk management: Continue the post-sale inspection of the branches, build up and provide the information for the execution of "Customer Asset Security Control Indicator" with intensification in the education of legal update and compliance.
6. Integrate the resources from the Holdings: Make the best use of the cooperation among the Holdings' subsidiaries to provide the customers comprehensive financial services by offering more diverse wealth management services and wider range of financial product choices.
7. Attune to the trend of market changes and introduce niche products quickly. Strengthen product innovation and ingenuity, and develop high-yield financial instruments in particular. Provide differentiated investment products and services to explore potential customers and business opportunities.
8. Based on the integration of all the RMB products and services available in Hong Kong, research and develop differentiated financial services, such as the innovation of wealth management products, and low cost e-banking products, which increase the volume of business and bring in commission incomes.

B. Long-term Business Development Plans

To meet the various financial planning needs customers may have and provide reliable and trustworthy financial planning services in order to become a wealth management bank on which customers depend.

1. To provide premium products and integrated value services.
2. To create friendly sales channels and efficient system platforms.
3. To establish a one-stop wealth management service team to provide the most appropriate and professional financial consulting services.
4. To continue the pursuit of quality operation services and excellent risk management mechanisms.
5. Be customer centric and continue to develop RMB products. With Hong Kong and Taiwan as the main axes, integrate product and professional knowledge to expand the scope of wealth management and private banking proactively.

(III) Consumer Banking

A. Short-term Business Development Plans

1. Make additional effort in the service of high-end customers to buttress the base of good quality customers. Clean up the non-efficient cards and upgrade the economic efficiency of each card with the higher rate of cards in active status.
2. Make use of customer related and technical analysis of data effectively, and segmentation in marketing management. Enhance the accuracy of cross sell other financial products and cooperation in greater depth and stronger bonds.
3. Design usage programs for high spending industries and make an effort to work with medium and big shops in credit card transactions for installment payment in order to broaden the scope of business.
4. Strengthen the competitive power in acquirer bank service given the linkage to acquirer service for the Union Pay cards and explore different business cooperation opportunities.
5. Adjust the pricing of unsecured loan with the change in economic condition and market competition. Build up the appropriate models of marketing with reference to the specific local features of the branches.
6. Get in touch with the targeted customers through internet marketing events, and intensify the supervision and professional training for the channels in order to increase the capacity of unsecured loan business.
7. Understand the risk rating of the customers, and provide the most suitable products and offers through proper sales packaging.

B. Long-term Business Development Plans

1. Maintain stable growth in business and use the channel advantage to upgrade the life-time value and contribution of customers for higher return.
2. Continue to make use of the media, broadcasting, and internet channels in the promotion of products and events. Enhance the brand image of the Bank in consumer banking, and upgrade the overall effect of promotion.
3. Provide differentiated products and services and make them affordable and effective, and develop such products and services as the reliable brands of financial products for the customers.
4. Classify the assets with a high precision scoring model in terms of risk level, and proceed to cross sell other financial products with stable asset quality.
5. Build up the model for the development of consumer banking and explore possible business opportunity in Mainland China, given the advantages of embellished business locations in Mainland China and the rich experience in credit card issuance and customer service management.

(IV) Corporate Banking

A. Short-term Business Development Plans

1. Maximize the strengths of the bank's 129 full function branches throughout Taiwan to deepen relations with existing customers and secure new ones; pay attention to asset quality while striving aggressively for lending expansion to ensure profitable growth.
2. Enlarge the bank's deposit and loan operations both at domestic and abroad steadily to further enhance its market share; accept deposits from new clients, in particular demand deposits from corporate accounts, to lower capital costs; adopt a target-oriented approach toward asset and liability management to minimize the structural risk.
3. Seek closer relation with and large enterprises; vie for chances to serve as a lead arranger for syndicated loans so as to provide target clients with differentiated services and various offerings from other SinoPac affiliates. Boost earnings with the help of blue ocean strategy, e.g. focusing on more sophisticated, higher yield M&A and project financing.
4. Continue to expand the bank's factoring platform that spans the broadly defined Greater China market: Taiwan, China, Hong Kong/Macau, Vietnam and the U.S. Collaborate with world-renowned credit guarantee agencies and Factors Chain International (FCI) to provide buyer information around the world with speedy, competitive and flexible factoring services. After having extended its factoring platform to the Asian market, the bank is set to further expand its Factoring by Insurance (FBI) services. Ultimately, it aims to provide customers with even better-rounded services once they are fully integrated on a global scale.

5. The credit policy depends on the economic situations of all industries. Manage credit risk properly and provide appropriate planning support for customers of different needs. Develop the SME scorecard to enhance the efficiency of the corporate credit approval system. In addition, the Bank will continue to upgrade the hardware and software, and make the system more stable with high precision to reduce the probability of non-performing loans.
6. Actively promote Bank SinoPac's innovative "New Cross Border Financial Platform". Continue to intensify the close cooperations with strategic partner banks in various aspects, i.e. corporate banking, financial market operation, capital market operation, and remittances etc.
7. Enhance the cooperations among domestic and overseas channels within the Bank. Make the best use of the resources of all subsidiaries of the Holdings to strengthen the bonds between the overseas affiliates of the corporate banking customers and the Bank. Target to boost the momentum of overall corporate banking business, intensify risk control, and maximize synergy resulted from cross-selling.
8. Converge all efforts to the establishment of Bank SinoPac subsidiary in Nanjing and make use of this subsidiary as the foothold in the diversified operation in Mainland China. Actively develop RMB related businesses with both the customers in Mainland China and enterprises from Taiwan to increase the market share of Bank SinoPac in RMB business.
9. Provide continuous training and hire talents with international standing to build up a strong reserve of international banking professionals for Bank SinoPac and hence strengthen the competitive edge of the organization.

B. Long-term Business Development Plans

1. Integrate resources, expand both domestically and internationally, and continue to strengthen operational efficiency to make Bank SinoPac the best financial institution in Asia. The bank also sees itself as a new "Silk Road" for the financial world of the 21st century that serves all enterprises and individuals that may want to do business in Greater China.
2. Build better-equipped overseas platforms and turn SinoPac into a cross-continental international bank.
3. Build on resources available at SinoPac Holdings to consolidate all the relevant businesses under a customer centric organizational structure; undertake vertical integration of corporate banking services; provide corporate customers with one-stop, tailor-made solutions.
4. Build up the SME Information Platform. It was developed to improve data integration and process efficiency. By bringing important client information and data from various internal and external sources, the SME Information Platform generates a summary report of a client's profile and key risk factors. Account officers are able to quickly identify potential risk areas for further investigation and make informed decisions.

5. Continue to expand the service network across Greater China and to connect Holdings' offices and Chinese businesses worldwide to become the most flexible and convenient financial service provider in the cross-strait region. Enhance the operational efficiency of customers' capital, increase the ease of transactions and provide both domestic and global financial services. By offering comprehensive cross-regional integrated services to the clients, their operational costs in doing international trades can be reduced.

(V) Financial Markets

A. Short-term Business Development Plans

1. Aggressively strive to expand the Financial Marketing business and continue to upgrade the professional standing in market and increase market share. Fortify the cross-function cooperation of the financial marketing team, and develop customer oriented products and sales models on the customer centric basis. Work in conjunction with the branches for channel synergy. Provide the most suitable plans for customers on investment in assets and liabilities and for hedging needs. Improve the transaction volume with customers in depth and in scope for a stable source of profit.
2. Design related products of investments in the interest rate and exchange rate related to RMB and hedging instrument under the liberalization of the RMB market, and provide the customers a wide array of choices in products.
3. Continue the improvement of the professional skills of the financial team, materialize the training of people, and upgrade service quality.
4. Continue the optimization of the transaction system and provide real-time and integrated information on the positions of trade for the effective control of transaction risk. Intensify internal risk management and the ability of the dealers in market making, and provide the dealers with hedging instruments.
5. Diversify the investment portfolio by adding underlying assets for investment until the profit making structure can be achieved. Target to increase self-generated income and intensify the financial and business cooperation domestically and abroad to enhance operation performance.

B. Long-term Business Development Plans

1. Build up and develop diversified products and platform, and satisfy the needs of the customers in hedging and investments through differentiation in product packaging.
2. Optimize the trading system through the long-term development of systematic financial analysis model and the search for a Straight Through Process (STP) to create high value-added transactions and earnings and enhance the competitive power in the financial product market.

3. Make efforts in upgrading the professional standing and skills of the financial team and to keep abreast of the new financial trends in the region, and hope to plan for the best in the expansion of business territory.
4. Continue the development of hedging instruments for the needs of the targeted customers in hedging. Take proactive action to form strategic partnership with banks of Hong Kong/Mainland China in good quality for enveloping business opportunities deriving from RMB.
5. Enhance the professional training for the marketing personnel on financial products. Take proactive stance in setting up the offshore trading platform for RMB to increase revenue from exchange gain and commission income. Integrate the resources of the Bank in joint business development and broaden the bases of existing customers and new customers in financial transaction service for more business opportunities.

(VI) Electronic Banking

A. Short-term Business Development Plans

1. Continue to improve the interface for electronic banking services to persuade more corporate clients to subscribe to the bank's comprehensive collection services, in turn boosting their demand deposits.
2. Build a corporate information and service platform with cash flow management to contact small and medium corporate clients and explore cross selling opportunities in financing or investment planning products in order to increase business advantages. To employ database analysis for precision marketing in order to achieve cross selling between regular customers and online members, and increase the number of the Bank's product holding by these customers.
3. Persist with the bank-wide integrated and interactive strategy for all marketing endeavors while exploring new channel and outlet possibilities and expanding the electronic banking clientele.
4. Build and design an online cash-flow service (product) platform, and utilize new channels (internet and mobile devices) to connect new markets (mainland China) and link new currencies (the Renminbi).
5. Respond to the fast-growing popularity of smartphones by further upgrading mobile banking services and enhancing user friendliness so as to boost apps downloads.
6. Optimize the MMA platform to improve service efficiency. To duplicate the physical service on the virtual channel in order to guide customers to use online services instead. This will increase the online service, ratio and ultimately reduce overall operating costs.

7. Employ business intelligence in order to understand customer behaviors. To provide proper services or products on the platform in order to develop customer loyalty and customer contributions and asset to the bank will be also increased.

B. Long-term Business Development Plans

1. Formulate a fully integrated, all-encompassing service platform that keeps customer value at its core and draws from innovative technologies and human-centric design to provide customers with a simple, convenient, timely and safe online banking experience.
2. Assist the branches in growing their electronic banking business and developing cash flow products so as to further foster their partnerships with clients.
3. Strengthen the brand consistency in Bank SinoPac's dealings with the outside world by promoting a unified, readily recognizable logo across the online community. Provide customers with a more convenient, friendlier online environment, thereby soliciting their endorsement of Bank SinoPac as a preferred brand name.



Financial Reports

www.banksinopac.com.tw

Financial Reports

I. Condensed Five-year Financial Statements

Balance Sheets		In NT\$ millions				
Items	2012/12/31	2011/12/31	2010/12/31	2009/12/31	2008/12/31	
Cash and due from banks	104,250	91,462	86,007	90,321	105,529	
Financial assets at fair value through profit or loss	27,060	32,791	26,368	16,815	32,983	
Securities purchased under agreements to resell	236	3,080	1,152	-	2,599	
Available-for-sale financial assets, net	51,062	32,601	33,083	31,436	23,628	
Discounts and loans, net	750,310	712,006	690,441	652,502	629,440	
Accounts Interest and other receivables, net	62,175	51,656	41,711	50,885	48,501	
Held-to-maturity investments, net	217,319	229,880	199,083	123,833	115,762	
Equity investments - equity method	5,424	4,570	6,478	8,699	9,632	
Properties, net	9,214	9,377	8,719	8,890	9,202	
Intangible assets	1,565	952	970	995	1,040	
Other financial assets, net	9,370	8,919	7,906	6,065	3,154	
Other assets	4,802	4,834	4,976	6,107	7,297	
Total assets	1,242,787	1,182,128	1,106,894	996,548	988,767	
Call loans and due to banks	69,989	66,167	64,588	42,370	39,155	
Deposits and remittances	1,008,786	963,100	900,716	826,352	793,819	
Financial liabilities at fair value through profit or loss	8,671	7,310	9,507	8,636	16,919	
Securities sold under agreements to repurchase	1,201	7,072	3,067	1,598	4,426	
Bank debentures and bonds payable	43,002	37,028	30,121	27,130	35,213	
Accrued pension cost	1,433	1,456	1,602	1,486	1,430	
Other financial liabilities	5,978	7,847	15,982	2,965	9,462	
Other liabilities	24,763	21,603	15,356	23,651	31,906	
Total liabilities	1,163,823	1,111,583	1,040,939	934,188	932,330	
	Ex-dividends	1,111,583	1,040,939	934,188	932,330	
	Post-dividends	1,113,308	1,043,390	935,623	932,330	
Capital stock	53,862	52,574	49,550	48,218	44,818	
Capital surplus	10,413	9,963	9,207	8,874	8,194	
Retained Earnings	13,738	7,242	7,145	5,079	3,029	
	Ex-dividends	7,242	7,145	5,079	3,029	
	Post-dividends	5,517	4,694	3,644	3,029	
Unrealized gains or losses on financial instruments	343	111	189	(9)	(20)	
Cumulative translation adjustments	(212)	(215)	(221)	(66)	28	
Others	820	870	85	264	388	
Total Stockholder's equity	78,964	70,545	65,955	62,360	56,437	
	Ex-dividends	70,545	65,955	62,360	56,437	
	Post-dividends	68,820	63,504	60,925	56,437	

Note: Based on Statement of Financial Accounting Standards(SFAS) Interpretation No.(91) 243 and 244 and No.(95) 081 issued by the Accounting Research and Development Foundation of the Republic of China, the merger of Bank SinoPac and SinoPac Card Services Co., Ltd. Was treated as a reorganization and was recorded at the book value of both entities' assets and liabilities. Also in accordance with SFAS Interpretation No.(95) 141, the financial statements of Bank SinoPac as of and for the year ended December 31, 2008 were retroactively restated assuming the assets and liabilities of SinoPac Card Services Co., Ltd. have been included at book value.

In NT\$ millions

Items	2012	2011	2010	2009	2008
Net interest	13,315	12,584	12,133	9,846	14,249
Net revenues other than interest	8,069	3,465	4,438	4,992	(1,168)
Provision for bad debts	956	2,625	2,572	3,178	5,714
Operating expenses	11,165	10,716	9,636	9,372	11,447
Pretax income	9,263	2,708	4,363	2,288	(4,080)
Net income	8,220	2,464	3,501	2,085	(3,184)
EPS (in NT\$ dollar)	1.54	0.48	0.72	0.47	(0.69)

Note1: Based on Statement of Financial Accounting Standards(SFAS) Interpretation No.(91) 243 and 244 and No.(95) 081 issued by the Accounting Research and Development Foundation of the Republic of China, the merger of Bank SinoPac and SinoPac Card Services Co., Ltd. Was treated as a reorganization and was recorded at the book value of both entities' assets and liabilities. In addition, based on Interpretation No.(95) 141, the financial statements of Bank SinoPac as of and for the year ended December 31, 2008 were retroactively restated, assuming the book values of the assets and liabilities of SinoPac Card Services Co., Ltd. were included.

Note 2: EPS for the years were adjusted for the distribution of stock dividends.

II. Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Bank SinoPac

We have audited the accompanying balance sheets of Bank SinoPac as of December 31, 2012 and 2011, and the related statements of income, changes in stockholders' equity and cash flows for the years 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 audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bank SinoPac as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended, in conformity with Criteria Governing the Preparation of Financial Reports by Public Banks, Criteria Governing the Preparation of Financial Reports by Securities Firms, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, the guidelines issued by the authority, and accounting principles generally accepted in the Republic of China.

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

We have also audited the consolidated financial statements of Bank SinoPac and subsidiaries as of and for the years ended December 31, 2012 and 2011, on which we have issued an unqualified and a modified unqualified opinion thereon, respectively.

Deloitte & Touche

March 13, 2013

Notice to Readers

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

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

BANK SINOPAC

BALANCE SHEETS

DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Par Value)

	2012	2011	%
	Amount	Amount	Increase (Decrease)
ASSETS			
CASH AND CASH EQUIVALENTS (Notes 4 and 28)	\$ 18,633,817	\$ 17,789,825	5
DUE FROM THE CENTRAL BANK AND OTHER BANKS (Note 5)	85,616,140	73,672,240	16
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2, 6, 28 and 29)	27,060,490	32,791,036	(17)
SECURITIES PURCHASED UNDER AGREEMENT TO RESELL (Notes 2, 7 and 28)	236,006	3,080,168	(92)
ACCOUNTS, INTEREST AND OTHER RECEIVABLES, NET (Notes 2, 3, 8, 27 and 28)	62,174,574	51,656,213	20
DISCOUNTS AND LOANS, NET (Notes 2, 3, 9, 28 and 29)	750,309,439	712,005,897	5
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 2, 7, 10 and 29)	51,061,892	32,600,632	57
HELD-TO-MATURITY INVESTMENTS (Notes 2, 11 and 29)	217,319,165	229,879,924	(5)
EQUITY INVESTMENTS - EQUITY METHOD (Notes 2 and 12)	5,424,038	4,569,539	19
OTHER FINANCIAL ASSETS, NET			
Unquoted equity instruments (Notes 2, 13 and 28)	6,526,737	6,529,172	-
Others (Notes 2, 3, 13 and 28)	2,843,402	2,389,739	19
Other financial assets, net	9,370,139	8,918,911	5
PROPERTIES (Notes 2, 14 and 28)			
Cost and revaluation increment			
Land	5,489,527	5,382,435	2
Buildings	4,916,979	4,773,038	3
Computer and machinery equipment	4,695,213	4,443,615	6
Transportation equipment	1,128	1,166	(3)
Total cost	15,102,847	14,600,254	3
Less: Accumulated depreciation	6,003,167	5,698,974	5
Prepayments for equipment and construction in progress	9,099,680	8,901,280	2
	114,219	476,208	(76)
Net properties	9,213,899	9,377,488	(2)
INTANGIBLE ASSETS (Notes 2 and 15)	1,564,818	951,678	64
OTHER ASSETS (Notes 2, 16 and 27)	4,802,256	4,834,083	(1)
TOTAL	\$ 1,242,786,673	\$ 1,182,127,634	5

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated March 13, 2013)

	2012	2011	%
	Amount	Amount	Increase (Decrease)
LIABILITIES AND STOCKHOLDERS' EQUITY			
CALL LOANS AND DUE TO BANKS (Note 17)	\$ 69,989,084	\$ 66,166,811	6
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2, 6 and 28)	8,671,057	7,309,754	19
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE (Notes 2, 7 and 28)	1,201,450	7,071,871	(83)
ACCOUNTS, INTEREST AND OTHER PAYABLES (Notes 2, 18, 27 and 28)	21,735,405	19,093,254	14
DEPOSITS AND REMITTANCES (Notes 19 and 28)	1,008,785,799	963,100,250	5
BANK DEBENTURES (Notes 2 and 20)	43,001,812	37,027,843	16
OTHER FINANCIAL LIABILITIES (Notes 2, 21 and 28)	5,977,826	7,847,474	(24)
OTHER LIABILITIES (Notes 2, 22, 26 and 27)	4,459,800	3,965,529	12
Total liabilities	1,163,822,233	1,111,582,786	5
STOCKHOLDERS' EQUITY			
Capital stock, NT\$10.00 par value, authorized 8,000,000 thousand shares; issued and outstanding 5,386,202 thousand shares in 2012 and 5,257,447 thousand shares in 2011	53,862,022	52,574,469	2
Capital surplus			
Additional paid-in capital in excess of par	2,335,205	1,884,561	24
Capital surplus from business combination	8,076,524	8,076,524	-
Others	1,733	1,733	-
Total capital surplus	10,413,462	9,962,818	5
Retained earnings			
Legal reserve	5,150,542	4,411,447	17
Special reserve	367,188	367,188	-
Unappropriated earnings	8,220,197	2,463,651	234
Total retained earnings	13,737,927	7,242,286	90
Other adjustment			
Cumulative translation adjustments	(211,790)	(215,609)	(2)
Unrealized gains on available-for-sale financial assets	361,836	153,096	136
Unrealized losses on cash flow hedge	(18,738)	(42,506)	(56)
Net loss not recognized as pension cost	(916,166)	(865,593)	6
Unrealized revaluation increment on land	1,735,887	1,735,887	-
Total other adjustment	951,029	765,275	24
Total stockholders' equity	78,964,440	70,544,848	12
TOTAL	\$ 1,242,786,673	\$ 1,182,127,634	5

BANK SINOPAC

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 8,220,197	\$ 2,463,651
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation and amortization	514,526	467,532
Amortization of premium or discount of financial assets	126,553	79,269
Amortization of premium or discount of bank debentures	2,835	2,215
Provision for credit and trading losses	956,343	2,625,248
Impairment losses (reversal gains) on assets	258,288	(284,827)
Gains from disposal of financial assets designated as at fair value through profit or loss	(428)	(5,945)
Unrealized gains on financial assets designated as at fair value through profit or loss	(11,995)	(4,877)
Realized gains on available-for-sale financial assets	(6,533)	(2,849)
(Gains from) losses on equity investments - equity method	(1,611,666)	1,557,564
Cash dividends received from investments under equity method	585,446	548,092
Gains from disposal of unquoted equity instruments	(380)	-
Losses (gains) on sale and retirement of properties and idle assets	4,021	(78,196)
Gains from disposal of collaterals assumed	(4,540)	(53,429)
Accrued pension cost	(74,423)	(64,998)
Deferred income tax	488,758	36,341
Decrease (increase) in held-for-trading financial assets	8,083,337	(6,401,901)
Increase (decrease) in held-for-trading financial liabilities	1,361,303	(2,197,358)
Increase in accounts, interest and other receivables	(10,453,918)	(10,018,959)
Increase in accounts, interest and other payables	2,662,420	5,546,303
Net cash provided by (used in) operating activities	11,100,144	(5,787,124)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in due from the Central Bank and other banks	(11,943,900)	1,615,288
Decrease (increase) in securities purchased under agreements to resell	2,844,162	(1,927,689)
Acquisition of financial assets designated as at fair value through profit or loss	(3,548,935)	(885,321)
Proceeds from sale of financial assets designated as at fair value through profit or loss	1,170,909	874,879
Proceeds from sale of non-active market debt instruments	-	82,066
Increase in discounts and loans	(39,219,001)	(24,462,629)
Acquisition of properties	(624,072)	(465,618)
Proceeds from sale of properties and idle assets	111	158,421
Acquisition of available-for-sale financial assets	(440,781,876)	(431,217,573)
Proceeds from sale of available-for-sale financial assets	422,419,702	431,528,164
Acquisition of held-to-maturity investments	(1,780,758,486)	(1,157,010,295)
Proceeds from matured held-to-maturity investments	1,793,320,178	1,126,130,984
Acquisition of unquoted equity instruments	-	(1,464,540)
Return of capital from unquoted equity instruments	2,815	-
Proceeds from sale of collaterals assumed	35,794	624,454
(Increase) decrease in other financial assets	(714,502)	510,374
Increase in other assets	(647,975)	(515,763)
Net cash used in investing activities	(58,445,076)	(56,424,798)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in call loans and due to banks	3,822,273	1,579,034
(Decrease) increase in securities sold under agreements to repurchase	(5,870,421)	4,004,418
Increase in deposits and remittances	45,685,549	62,384,857
Bank debentures issued	5,996,840	10,994,030
Repayment of bank debentures on maturity	-	(4,000,000)
Decrease in other financial liabilities	(1,869,648)	(8,109,481)
Increase in other liabilities	437,934	982,862
Cash dividends	(1,724,556)	(2,450,962)
Proceeds from the private placement of common stocks	1,738,197	3,780,000
Net cash provided by financing activities	48,216,168	69,164,758
INCREASE IN CASH AND CASH EQUIVALENTS	871,236	6,952,836
EFFECTS OF CHANGES IN EXCHANGE RATE	(27,244)	117,405
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	17,789,825	10,719,584
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 18,633,817	\$ 17,789,825
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 9,298,628	\$ 7,437,210
Income tax paid	\$ 242,705	\$ 75,741

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated March 13, 2013)

BANK SINOPAC

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Issued and Outstanding Capital Stock (Note 23)		Capital Surplus (Notes 2 and 23)			
	Shares in Thousands	Amount	Share Issuance in Excess of Par	Capital Surplus from Business Combination	Others	Total
BALANCE, JANUARY 1, 2011	4,955,047	\$ 49,550,469	\$ 1,128,561	\$ 8,076,524	\$ 1,733	\$ 9,206,818
Appropriation of 2010 earnings						
Legal reserve	-	-	-	-	-	-
Cash dividends - \$0.35389480 per share	-	-	-	-	-	-
Bonus to stockholder - \$0.14074484 per share	-	-	-	-	-	-
Private placement of common stocks	302,400	3,024,000	756,000	-	-	756,000
Special reserve reclassified from trading loss reserve	-	-	-	-	-	-
Net income for the year ended December 31, 2011	-	-	-	-	-	-
Unrealized gains or losses on available-for-sale financial assets	-	-	-	-	-	-
Unrealized gains or losses on cash flow hedge	-	-	-	-	-	-
Net income not recognized as pension cost	-	-	-	-	-	-
Unrealized revaluation increment on land	-	-	-	-	-	-
Change in cumulative translation adjustments	-	-	-	-	-	-
BALANCE, DECEMBER 31, 2011	5,257,447	52,574,469	1,884,561	8,076,524	1,733	9,962,818
Appropriation of 2011 earnings						
Legal reserve	-	-	-	-	-	-
Cash dividends - \$0.22911420 per share	-	-	-	-	-	-
Bonus to stockholder - \$0.09890732 per share	-	-	-	-	-	-
Private placement of common stocks	128,755	1,287,553	450,644	-	-	450,644
Net income for the year ended December 31, 2012	-	-	-	-	-	-
Unrealized gains or losses on available-for-sale financial assets	-	-	-	-	-	-
Unrealized gains or losses on cash flow hedge	-	-	-	-	-	-
Net loss not recognized as pension cost	-	-	-	-	-	-
Change in cumulative translation adjustments	-	-	-	-	-	-
BALANCE, DECEMBER 31, 2012	5,386,202	\$ 53,862,022	\$ 2,335,205	\$ 8,076,524	\$ 1,733	\$ 10,413,462

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated March 13, 2013)

Retained Earnings (Note 23)				Other Adjustment					Total Stockholders' Equity
Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Cumulative Translation Adjustments (Note 2)	Unrealized Gains (Losses) on Available-for-Sale Financial Assets (Notes 2 and Z3)	Unrealized Gains (Losses) on Cash Flow Hedge (Notes 2 and Z3)	Net Loss Not Recognized as Pension Cost (Note 2)	Unrealized Revaluation Increment on Land (Note 14)	
\$ 3,361,034	\$ 282,977	\$ 3,501,375	\$ 7,145,386	\$ (220,752)	\$ 215,383	\$ (26,185)	\$ (945,801)	\$ 1,030,154	\$ 65,955,472
1,050,413	-	(1,050,413)	-	-	-	-	-	-	-
-	-	(1,753,565)	(1,753,565)	-	-	-	-	-	(1,753,565)
-	-	(697,397)	(697,397)	-	-	-	-	-	(697,397)
-	-	-	-	-	-	-	-	-	3,780,000
-	84,211	-	84,211	-	-	-	-	-	84,211
-	-	2,463,651	2,463,651	-	-	-	-	-	2,463,651
-	-	-	-	-	(62,287)	-	-	-	(62,287)
-	-	-	-	-	-	(16,321)	-	-	(16,321)
-	-	-	-	-	-	-	80,208	-	80,208
-	-	-	-	-	-	-	-	705,733	705,733
-	-	-	-	5,143	-	-	-	-	5,143
4,411,447	367,188	2,463,651	7,242,286	(215,609)	153,096	(42,506)	(865,593)	1,735,887	70,544,848
739,095	-	(739,095)	-	-	-	-	-	-	-
-	-	(1,204,556)	(1,204,556)	-	-	-	-	-	(1,204,556)
-	-	(520,000)	(520,000)	-	-	-	-	-	(520,000)
-	-	-	-	-	-	-	-	-	1,738,197
-	-	8,220,197	8,220,197	-	-	-	-	-	8,220,197
-	-	-	-	-	208,740	-	-	-	208,740
-	-	-	-	-	-	23,768	-	-	23,768
-	-	-	-	-	-	-	(50,573)	-	(50,573)
-	-	-	-	3,819	-	-	-	-	3,819
\$ 5,150,542	\$ 367,188	\$ 8,220,197	\$ 13,737,927	\$ (211,790)	\$ 361,836	\$ (18,738)	\$ (916,166)	\$ 1,735,887	\$ 78,964,440

BANK SINOPAC

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Unless Otherwise Stated)

1. ORGANIZATION AND OPERATIONS

Organization

August 8, 1991	Bank SinoPac (the "Bank") obtained government approval to incorporate.
January 28, 1992	The Bank started operations.
May 9, 2002	The Bank swap shares with SinoPac Securities Corporation and SinoPac Securities Co., Ltd. (the "SPS") to establish 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 December 31, 2012 and 2011, the Bank had a total of 4,985 and 4,994 employees, respectively.

As of December 31, 2012, the Bank's operating units included Banking, Trust, International Division of the Head Office, OBU, 128 domestic branches, 3 overseas branches, 1 overseas sub-branch and 2 overseas representative offices.

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. SIGNIFICANT ACCOUNTING POLICIES

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

The Bank's financial statements have been prepared in conformity with Criteria Governing the Preparation of Financial Reports by Public Banks, Criteria Governing the Preparation of Financial Reports by Securities Firms, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, the guidelines issued by the authority, and accounting principles generally accepted in the Republic of China.

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 operations' financial statement are as follows: The assets or liabilities are translated at the spot rate as of the balance sheet date, and 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 the same as the ending balance of the prior year. Dividends are translated at the spot rate as of the declaration date, and the revenues and expenses are translated at the weighted average rate for the year. Exchange differences arising from the translation of the financial statements of foreign operations are recognized as a separate component of shareholders' equity. 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 on the transaction date, are recognized in the income statement. At the balance sheet date, foreign-currency monetary assets and liabilities are revalued using prevailing exchange rates, and the exchange differences are recognized in profit or loss. For nonmonetary financial investments classified as available-for-sale, unrealized exchange differences are recorded directly in equity. For nonmonetary financial assets classified as held for trading, unrealized exchange differences are recognized in the income statement. Nonmonetary 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 the 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 values 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 these 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) bank debentures issued overseas and the overseas bonds - period-end prices published by Bloomberg, calculated through an internal model or provided by a counter-party and (e) financial instruments without active markets-at prices provided by a counter-party.

Financial instruments at fair value through profit or loss (FVTPL) are any financial assets and liabilities that are designated on initial recognition as at fair value through profit or that are held for trading. The Bank recognizes a financial asset or a financial liability in the balance sheet when the Bank becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized when the Bank loses control of their contractual rights over the financial asset. A financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

Financial instruments at FVTPL are initially measured at fair value. At each balance sheet date after initial recognition, financial assets or financial liabilities at FVTPL are remeasured at fair value, with changes in fair value recognized directly in profit or loss in the year in which they arise. The Bank uses trade date accounting in recording 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 (a) eliminates or significantly reduces a measurement or recognition inconsistency (also known as accounting mismatch) that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases and (b) eliminates the burden of separating embedded derivatives that are not considered to be closely related to a host contract pertaining to a hybrid instrument. Thus, the Bank designated debt instruments, bank debentures issued and hybrid instruments as financial assets and liabilities at FVTPL.

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 or loss for the period. The Bank uses trade date accounting when recording related transactions, except for bond transactions, 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, but if these dividends have been distributed from pre-acquisition-earnings, the dividends are treated as a reduction of the carrying value of the investments. The difference between the initial cost of a debt instrument and its maturity amount is amortized using the effective interest rate method; the straight line method is used if there is no significant difference in the results of using the effective interest rate method and those of the straight-line method. The amortized interest is recognized in profit or loss.

If an available-for-sale financial asset is determined to be impaired, an impairment loss is recognized. A decrease in impairment loss on an equity instrument classified as available-for-sale is recognized directly in equity. For debt investments, an impairment 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; the straight line method can be used if there is no significant difference in the results of using the effective interest method and those of straight-line method. 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 are reported in the income statement when the financial assets are derecognized, impaired or amortized. The Bank uses trade date accounting in recording transactions, except for bond transactions, 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 the income statement. Loss reversal is credited to current income, and the adjusted carrying amount of investment should not be more than the carrying amount had the impairment loss not been recognized.

Hedge Accounting

To qualify as a hedge, a derivative must effectively reduce any effect on the hedged item of adverse movements in interest rates, exchange rates and market values. Changes in the fair value or cash flow of the derivative must be highly negatively correlated with changes in the fair value or cash flow of the underlying hedged item over the life of the hedged contract. At the start 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 Bank 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 remeasuring a derivative hedging instrument at fair value or the foreign-currency component of 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 prices in an active market and with a fair value that 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, but a reversal of the impairment loss is prohibited.

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 this classification has been authorized under 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

In determining the allowance for credit losses and provision for losses on guarantees, the Bank assesses the collectability of discounts and loans, accounts receivables, interest receivable, other receivable, and other financial assets, as well as guarantees and acceptances as of the balance sheet date.

The Bank adopted the third-time revised 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 to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the foregoing discounts and loans, 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 foregoing discounts and loans, receivables, and other financial assets becoming overdue; or
- Probability that the debtor will enter into bankruptcy or under go financial reorganization.

Discounts and loans, accounts receivables, interest receivables, other receivables, and other financial assets that are assessed as not impaired individually are further assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of discounts and loans, 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 collaterals and guarantees, discounted at the original effective interest rates. The carrying amount of the discounts and loans, receivables, and other financial assets is reduced through the use of an allowance account.

Under the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/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, credit assets are classified as normal assets, assets that require special mentioned, assets with substandard, assets with doubtful collectibility, and assets on which there is loss.

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

Effective January 1, 2011, however, under an amendment to the Regulations, the minimum provisions for possible losses should be the sum of (a) 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 (b) 0.5% of the foregoing provisions for unsound credit assets. The minimum loan loss provision and reserves against liability on guarantees of normal credit assets should be allocated sufficiently within three years of the execution of the amendment. In addition, under Financial Supervisory Commission (FSC) guidelines No. 10010006830 there should be a provision at more than 1% of sum of a minimum allowance for credit losses and the provision for losses on guarantees.

Write-offs of loans falling under the Banking Bureau guidelines are offset against the recorded allowance for credit losses upon approval by the board of directors. Recovery of loans written off on the current year is recorded as reversal of allowance whereas recovery of loans written off in 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 - "Impairment of Assets" requires the impairment review of equity investments - equity method and properties 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 at 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 is charged to earnings unless the asset is carried at a revalued amount, in which case the impairment loss is first treated as a deduction to the unrealized revaluation increment and any remaining loss is charged to earnings. A reversal of an impairment loss is recognized in earnings, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is first recognized as gains to the extent that an impairment loss on the same revalued asset was previously charged to earnings. Any excess amount is treated as an increase in the unrealized revaluation increment. 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 December 31, 2005, any difference between the acquisition cost and the equity in the investee is amortized over 15 years. Pursuant to a newly released SFAS, such goodwill is not amortized since January 1, 2006.

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 service lives, depreciation is calculated over newly estimated 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, goodwill is no longer amortized and instead is tested for impairment annually.

Collaterals Assumed

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

Pension

Pension cost under defined benefit pension plan is determined on the basis of actuarial calculations. Contributions under a defined contribution pension plan are expensed in the period when the employees render 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

Provision for income tax is based on inter-period tax allocation by the Bank. The tax effects of unused tax credits, operating loss carryforward, debit of stockholders' equity adjustment and deductible temporary differences are recognized as deferred income tax assets. And valuation allowances are provided for deferred income tax assets that are not certain to be realized. Taxable temporary differences and credits to stockholders' equity adjustment are recognized as deferred income tax liabilities.

Tax credits for acquisition of equity investments are recognized as reductions of current income tax.

The adjustment of prior year's income tax was included in the current income tax.

Income tax (10%) on unappropriate earnings is recorded as income tax in the year when the stockholders resolve the retention of these 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 on the accrual basis and is amortized using the effective interest method effective January 1, 2011. Interest should not be accrued for loans that are transferred to nonperforming loans. The interest revenue on those loans/credits is recognized upon collection.

Under Ministry of Finance (MOF) regulations, the interest revenue on structured loans is recognized upon collection.

Commission revenue is recognized upon receiving cash or when the earnings process is almost completed.

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 membership fee received from card members and is recognized when card members fail to meet the criteria for annual fee exemption; an 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 loss is possible, the related information is disclosed in the notes of financial statements.

Reclassifications

Certain accounts as of and for the year ended December 31, 2011 have been reclassified to conform to the financial statement presentation as of and for the year ended December 31, 2012.

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

Financial Instruments

On January 1, 2011, the Bank adopted the newly revised 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."

4. CASH AND CASH EQUIVALENTS

	December 31	
	2012	2011
Cash on hand	\$ 7,009,686	\$ 5,866,186
Due from other banks	5,391,764	6,765,193
Notes and checks for clearing	<u>6,232,367</u>	<u>5,158,446</u>
	<u>\$ 18,633,817</u>	<u>\$ 17,789,825</u>

5. DUE FROM THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2012	2011
Call loans to banks	\$ 46,122,446	\$ 33,633,978
Due from Central Bank - checking accounts	13,888,006	15,319,773
Due from Central Bank - interbank settlement funds	835,207	800,372
Deposit reserve - demand accounts	24,639,366	23,781,812
Deposit reserve - foreign currencies	<u>131,115</u>	<u>136,305</u>
	<u>\$ 85,616,140</u>	<u>\$ 73,672,240</u>

Under a directive issued by the Central Bank of the ROC, New Taiwan dollar (NTD)-denominated deposit reserves are determined monthly at prescribed rates on the average balances of customers' NTD-denominated deposits. Deposit reserve - demand account should not be used, except for adjusting the deposit reserve account monthly. In addition, foreign-currency deposit reserves are determined at prescribed rates the balances of additional foreign-currency deposits. These reserves may be withdrawn momentarily at any time at no interest earning.

6. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Related information on financial instruments at fair value through profit or loss for the years ended December 31, 2012 and 2011 is shown in Table 5-1.

	<u>December 31</u>	
	2012	2011
Held-for-trading financial assets	\$ 23,831,631	\$ 31,914,968
Financial assets designated as at fair value through profit or loss	<u>3,228,859</u>	<u>876,068</u>
	<u>\$ 27,060,490</u>	<u>\$ 32,791,036</u>
Held-for-trading financial liabilities	<u>\$ 8,671,057</u>	<u>\$ 7,309,754</u>

The Bank had engaged in derivative transactions mainly to accommodate customers' needs and manage their own exposure positions. Other information on outstanding derivative contracts is shown in Table 5-2. The Bank's strategy is to hedge most of the market risk exposures using hedging instruments with market value changes that have a highly negative correlation with the changes in the market of the items being hedged.

Gains from financial instruments at fair value through profit or loss for the years ended December 31, 2012 and 2011 were as follows:

	<u>Year Ended December 31</u>	
	2012	2011
Held-for-trading financial assets and liabilities		
Realized gains	\$ 2,210,993	\$ 64,948
Valuation gains	<u>212,850</u>	<u>452,763</u>
	<u>2,423,843</u>	<u>517,711</u>
Financial assets and liabilities designated as at fair value through profit or loss		
Valuation gains	11,995	4,877
Realized gains	<u>428</u>	<u>5,945</u>
	<u>12,423</u>	<u>10,822</u>
	<u>\$ 2,436,266</u>	<u>\$ 528,533</u>

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

As of December 31, 2012 and 2011, securities purchased under agreements to resell amounted to \$236,172 and \$3,081,182, respectively, with agreement expired in January 2013 and 2012, respectively.

As of December 31, 2012 and 2011, securities purchased under agreements to repurchase amounted to \$1,202,323 and \$7,075,742, respectively, with agreement expired between January and March 2013 and 2012, respectively.

The Bank's financial assets sold with agreements to repurchase are summarized as follows:

Financial Assets	<u>December 31</u>	
	2012	2011
Available-for-sale	\$ 1,201,450	\$ 7,071,871

8. ACCOUNTS, INTEREST AND OTHER RECEIVABLES

	December 31	
	2012	2011
Accounts receivable - factoring	\$ 19,389,452	\$ 16,629,573
Accounts receivable - forfeiting	18,880,671	11,542,182
Credit card receivables	17,295,213	18,118,724
Interest and revenue receivables	2,108,203	1,699,832
Acceptance receivables	1,916,100	2,061,715
Acceptance receivable - forfeiting	1,268,824	-
Receivables from adopting the linked-tax system of income tax (Note 27)	1,155,349	1,167,569
Accounts and notes receivable	239,090	86,639
Receivable from loan sale	-	378,555
Others	373,569	401,050
	<u>62,626,471</u>	<u>52,085,839</u>
Less: Allowance for credit losses	<u>451,897</u>	<u>429,626</u>
	<u>\$ 62,174,574</u>	<u>\$ 51,656,213</u>

The details of and changes in allowance for credit losses of accounts receivable are shown in Table 6-1. The statement of the allowance for possible losses on receivables assessed for impairment is presented as Table 6-3.

The credit card receivables as of December 31, 2012 and 2011 referred to credit cardholders who completed consultation with the Bank on debt repayment, with credit card receivables amounting to \$1,608,707 and \$1,824,716, respectively.

9. DISCOUNTS AND LOANS

	December 31	
	2012	2011
Negotiations	\$ 884,274	\$ 2,100,703
Overdrafts	5,756	7,691
Secured overdrafts	455,345	580,451
Accounts receivable - financing	1,804,137	2,342,299
Short-term loans	102,869,111	95,076,025
Secured short-term loans	68,782,301	55,351,063
Medium-term loans	120,012,657	111,660,760
Secured medium-term loans	88,719,720	83,922,325
Long-term loans	12,223,682	14,085,119
Secured long-term loans	360,373,497	351,526,264
Nonperforming loans transferred from loans	2,004,359	2,749,635
	<u>758,134,839</u>	<u>719,402,335</u>
Allowance for credit losses	(7,582,257)	(7,156,156)
Premium or discount on discounts and loans	(243,143)	(243,389)
Adjustment of hedge valuation	-	3,107
	<u>\$ 750,309,439</u>	<u>\$ 712,005,897</u>

As of December 31, 2012 and 2011, the balances of nonaccrual interest loans were \$2,151,688 and \$2,926,216, respectively. The unrecognized interest revenues on nonaccrual interest loans were \$37,989 and \$83,439 for the years ended December 31, 2012 and 2011, respectively.

For the years ended December 31, 2012 and 2011, the Bank wrote off certain credits after legal proceedings or collecting process had been completed.

The details of and changes in allowance for credit losses of discounts and loans is shown in Table 6-1. The statement of the allowance for possible losses on discounts and loans assessed for impairment is presented as Table 6-3.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Information on available-for-sale financial assets is shown in Table 5-3.

11. HELD-TO-MATURITY INVESTMENTS

Information on held-to-maturity financial assets is shown in Table 5-4.

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

	Balance of Equity Investments		Income (Loss) from Equity Investments	
	December 31		Year Ended December 31	
	2012	2011	2012	2011
SinoPac Bancorp	\$ 3,331,159	\$ 2,680,845	\$ 776,881	\$ (2,189,954)
SinoPac Capital Limited (H.K.)	1,261,900	1,241,505	65,549	46,943
SinoPac Life Insurance Agent Co., Ltd.	792,915	612,839	737,317	557,242
SinoPac Property Insurance Agent Co., Ltd.	<u>38,064</u>	<u>34,350</u>	<u>31,919</u>	<u>28,205</u>
	<u>\$ 5,424,038</u>	<u>\$ 4,569,539</u>	<u>\$ 1,611,666</u>	<u>\$ (1,557,564)</u>

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 recognized at their original cost.

Related information on other financial assets is shown in Table 5-5.

In order to strengthen the capital structure and improve competitive advantage, 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 amounting to US\$50,000 thousand and US\$100,000 thousand in 2011 and 2010, respectively.

The Bank was delegated by professional investors to sell investment products of the PEM GROUP amounting to US\$146,000 thousand through private placement, which was allowed under Hong Kong's regulations. A court appointed a permanent receiver for all assets that belong to, are being managed by, or in the possession of or control of, the PEM GROUP and any of their subsidiaries and affiliates. If the products fail to be repaid on maturity cause of questionable underlying assets, the Bank will buy back the products at the price of initial payment net of the distribution and redemption cost. Later, there were significant defaults on maturity payments. Thus, the Bank initiated local and overseas investigations on this case delegated a lawyer to handle the incident and informed related investors of this situation. On December 24, 2010, the board of directors resolved to abide by a court's appointment of the PEM GROUP receiver to take the insurance policies at the price of approximately US\$40.4 million, and recognized impairment losses of US\$11,152 thousand. On March 7, 2011, the receiver transferred a portion of the insurance policies to a trustee established jointly by the banks intended to hold insurance policies. And the Bank had submitted to the authorities the results of this policy transfer. As of December 31, 2012, a reserve of US\$79,020 thousand had been set aside to cover the accumulated impairment losses.

14. PROPERTIES

	December 31	
	2012	2011
Cost and revaluation increment	\$ 15,102,847	\$ 14,600,254
Accumulated depreciation		
Buildings	2,298,999	2,115,815
Computer and machinery equipment	3,703,040	3,582,013
Transportation equipment	<u>1,128</u>	<u>1,146</u>
	<u>6,003,167</u>	<u>5,698,974</u>
Advances on acquisitions of equipment and construction in progress	<u>114,219</u>	<u>476,208</u>
Net properties	<u>\$ 9,213,899</u>	<u>\$ 9,377,488</u>

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

The Bank's land revaluation, which was approved by the board of directors on October 21, 2011 resulted in total revaluation increments of \$867,127. The net revaluation amount of \$705,733 after deducting the reserve for land value increment tax of \$161,394 was credited to equity as unrealized revaluation increment.

Under the Financial Institutions Merger Act and interpretation (94) 349 issued by the Accounting Research and Development Foundation (ARDF) of the 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. After the Bank revalued its land on October 21, 2011, the amount of \$152,639 was recognized as reserve for land value increment tax.

15. INTANGIBLE ASSETS

	December 31	
	2012	2011
Goodwill - credit card department	\$ 876,717	\$ 876,717
Computer software	<u>688,101</u>	<u>74,961</u>
	<u>\$ 1,564,818</u>	<u>\$ 951,678</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 have applied SFAS No. 35 - "Impairment of Assets," which requires the impairment review of goodwill annually or more frequently if events or changes in circumstance indicate goodwill impairment.

In assessing whether goodwill is impaired, 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 and thus calculates 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 cost of capital to calculate the value in use.

The assessment of the value in use of the credit card department based on the foregoing key assumptions showed no objective evidence that goodwill had been impaired as of December 31, 2012.

16. OTHER ASSETS

	December 31	
	2012	2011
Deferred income tax assets (Note 27)	\$ 1,510,686	\$ 2,011,055
Rental properties, net	1,148,438	1,228,590
Precious metals - gold	812,798	206,761
Idle assets, net	533,312	643,217
Temporary payment	267,910	216,095
Prepayment	265,082	244,194
Deferred pension cost	217,107	244,245
Others	<u>46,923</u>	<u>39,926</u>
	<u>\$ 4,802,256</u>	<u>\$ 4,834,083</u>

17. CALL LOANS AND DUE TO BANKS

	December 31	
	2012	2011
Call loans from banks	\$ 60,544,419	\$ 54,346,379
Redeposit from the directorate general of postal remittance	9,358,180	11,806,420
Due to banks	<u>86,485</u>	<u>14,012</u>
	<u>\$ 69,989,084</u>	<u>\$ 66,166,811</u>

18. ACCOUNTS , INTEREST AND OTHER PAYABLE

	December 31	
	2012	2011
Notes and checks in clearing	\$ 6,232,367	\$ 5,158,446
Accounts payable - factoring	6,006,343	5,777,254
Accrued expense	2,454,323	1,671,817
Acceptance	1,916,100	2,061,715
Interest payable	1,810,257	1,768,454
Dividends payable (Note 23)	1,435,025	1,435,025
Tax payable	422,092	160,326
Accounts payable	308,363	85,239
Remittance payable	165,164	527,041
Others	<u>985,371</u>	<u>447,937</u>
	<u>\$ 21,735,405</u>	<u>\$ 19,093,254</u>

19. DEPOSITS AND REMITTANCES

	December 31	
	2012	2011
Checking	\$ 12,952,251	\$ 12,689,442
Demand	193,823,267	169,666,216
Savings - demand	233,998,552	223,682,682
Time	312,040,252	314,743,482
Negotiable certificates of deposit	28,494,600	26,592,200
Savings - time	226,342,379	215,151,937
Inward remittances	970,398	496,482
Outward remittances	<u>164,100</u>	<u>77,809</u>
	<u>\$ 1,008,785,799</u>	<u>\$ 963,100,250</u>

20. BANK DEBENTURES

To raise capital for its financial operation and increase its capital adequacy ratio, the Bank obtained approval to issue bank debentures. Related information is shown in Table 5-6.

21. OTHER FINANCIAL LIABILITIES

	December 31	
	2012	2011
Principal of structured products	\$ 5,613,926	\$ 7,165,848
Guarantee deposits received	270,424	227,317
Payments collected for share subscriptions	70,900	399,990
Hedging derivative financial liabilities	<u>22,576</u>	<u>54,319</u>
	<u>\$ 5,977,826</u>	<u>\$ 7,847,474</u>

22. OTHER LIABILITIES

	December 31	
	2012	2011
Accrued pension cost (Note 26)	\$ 1,432,637	\$ 1,456,487
Temporary receipt	975,723	1,276,555
Precious metals - gold	797,195	185,362
Reserve for land value increment tax	591,993	591,993
Advance receipt	434,133	302,576
Reserve for losses on guarantees	135,299	55,112
Deferred income tax liabilities (Note 27)	46,555	46,555
Others	46,265	50,889
	<u>\$ 4,459,800</u>	<u>\$ 3,965,529</u>

23. STOCKHOLDERS' EQUITY**a. Capital stocks**

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. And the board of directors of the Bank resolved to raise capital in private placement on March 23, 2012, amounting to 1.74 billion, with 128,755 thousand shares, par value at \$10, and issue price at \$13.5. And the Bank set June 29, 2012 as the effective date of capitalization.

b. Capital surplus

The capital surplus from the issuance of new shares at a premium (additional paid-in capital from issuance of common shares, conversion of bonds and treasury stock transactions) and endowments received by the Bank may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Company's paid-in capital every year).

The capital surplus from long-term equity investments under equity method may not be used for any purpose.

c. Special reserve

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

d. Earnings distribution and dividend policy

The Bank's Articles of Incorporation provide that annual net income should be appropriated 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 after the approval of the stockholders, while the distribution of stock dividends requires the additional approval of the authorities.

The Bank accrued bonus to employees of \$76,526 and \$13,000 for the years ended December 31, 2012 and 2011, respectively. The Bank accrued bonus to remuneration to directors of \$28,000 and \$10,400 for the years ended December 31, 2012 and 2011, respectively. 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.

Under the Company Act, legal reserve shall be appropriated until it has reached the Company's paid-in capital. This reserve may be used to offset a deficit. Under the revised Company Act issued on January 4, 2012, when the legal reserve has exceeded 25% of the Bank's paid-in capital, the excess may be transferred to capital or distributed in cash. In addition, the Banking Act 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 Act revised on December 30, 2008, when legal reserve meet the total capital reserve or well financial position and setting aside legal reserve under Company Act 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 revised on April 30, 2012 shall be as prescribed by the FSC, 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 Act.

On June 22, 2012 and June 24, 2011, the board of directors which execute the rights and functions of the stockholders' meeting resolved the appropriation of earnings for 2011 and 2010 as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Year 2011	For Year 2010	For Year 2011	For Year 2010
Legal reserve	\$ 739,095	\$ 1,050,413		
Cash dividends	1,204,556	1,753,565	\$0.22911420	\$0.35389480
Bonus to stockholders	520,000	697,397	0.09890732	0.14074484

The bonus to employees of \$13,000 and \$17,435 and the remuneration to directors and supervisors of \$10,400 and \$13,948 for 2011 and 2010 respectively were resolved by the board of directors, exercised the rights and functions of the shareholders' meeting, on June 22, 2012 and June 24, 2011. The resolution on the payment of employee bonus and remuneration to directors and supervisors was consistent with those shown in the financial statement of 2011 and 2010.

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 appropriations of earnings for 2012 had been proposed in the board of directors on March 13, 2013. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 2,466,059	
Cash and stocks dividends	2,693,101	\$ 0.5
Bonus to stockholders	3,061,037	0.56831083

The appropriations of earnings will be resolved by the board of directors which execute the rights and functions of the stockholder's meeting in 2013.

The information on the proposed and approved of the bonus to employees and the remuneration to directors and supervisor is available on the Market Observation Post System (M.O.P.S) website of the Taiwan Stock Exchange.

e. Unrealized revaluation gain or loss on financial instruments

The movements of unrealized revaluation gain or loss on available-for-sale financial assets for the years ended December 31, 2012 and 2011, respectively, are summarized as follows:

	Available-for- sale Financial Assets	Equity Investments - Equity Method	Total
<u>Year ended December 31, 2012</u>			
Balance, January 1	\$ 83,219	\$ 69,877	\$ 153,096
Recognized in stockholders' equity	227,737	11,884	239,621
Transferred to profit or loss	<u>(6,533)</u>	<u>(24,348)</u>	<u>(30,881)</u>
Balance, December 31	<u>\$ 304,423</u>	<u>\$ 57,413</u>	<u>\$ 361,836</u>

(Continued)

	Available-for- sale Financial Assets	Equity Investments - Equity Method	Total
<u>Year ended December 31, 2011</u>			
Balance, January 1	\$ 170,629	\$ 44,754	\$ 215,383
Recognized in stockholders' equity	(84,561)	32,652	(51,909)
Transferred to profit or loss	<u>(2,849)</u>	<u>(7,529)</u>	<u>(10,378)</u>
Balance, December 31	<u>\$ 83,219</u>	<u>\$ 69,877</u>	<u>\$ 153,096</u>

(Concluded)

The movements of unrealized gain or loss on cash flows hedge for the years ended December 31, 2012 and 2011, are summarized as follows:

	<u>Year Ended December 31</u>	
	2012	2011
Balance, January 1	\$ (42,506)	\$ (26,185)
Recognized in stockholders' equity	<u>23,768</u>	<u>(16,321)</u>
Balance, December 31	<u>\$ (18,738)</u>	<u>\$ (42,506)</u>

f. Earnings per share

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

	<u>Numerator (Amounts)</u>		Denominator (Shares in Thousands)	<u>EPS (NTS)</u>	
	Pretax	After-Tax		Pretax	After-Tax
<u>Year ended December 31, 2012</u>					
Basic EPS	<u>\$ 9,263,193</u>	<u>\$ 8,220,197</u>	<u>5,322,880</u>	<u>\$ 1.74</u>	<u>\$ 1.54</u>
<u>Year ended December 31, 2011</u>					
Basic EPS	<u>\$ 2,707,882</u>	<u>\$ 2,463,651</u>	<u>5,108,318</u>	<u>\$ 0.53</u>	<u>\$ 0.48</u>

24. COMMISSIONS AND FEE REVENUES, NET

	Year Ended December 31	
	2012	2011
Commissions and fees revenues	\$ 4,050,571	\$ 3,920,284
Commissions and fees expenses	<u>(660,967)</u>	<u>(658,241)</u>
	<u>\$ 3,389,604</u>	<u>\$ 3,262,043</u>

25. OPERATING EXPENSES

	Year Ended December 31	
	2012	2011
Personnel expenses		
Salaries and wages	\$ 5,735,485	\$ 4,972,083
Pension	437,359	532,602
Labor insurance and national health insurance	358,471	336,770
Others	<u>406,626</u>	<u>408,177</u>
	6,937,941	6,249,632
Depreciation	414,124	389,790
Amortization	74,818	46,943
Others	<u>3,738,041</u>	<u>4,030,072</u>
	<u>\$ 11,164,924</u>	<u>\$ 10,716,437</u>

26. PENSION

Since July 1, 2005, for those employees who still choose to be subject to the Labor Standards Act, the Bank makes monthly contributions, equal to 4% of employee salaries, to the severance payment fund. If the employees quit voluntarily, they can still receive the severance payment under certain criteria. Since November 13, 2006, for those employees who joined the Bank as the result of a merger and still choose to be subject to the Labor Standards Act, the Bank has made monthly contributions, equal to 4% of employee salaries, to the severance payment fund except for those who are eligible for promotion or are a part of a forced-retirement project. If the employees quit voluntarily, they may still receive the severance payment criteria.

For those employees who choose to be subject to the Labor Pension Act, the Bank has ceased to contribute to a severance payment fund. The cumulative contributions generated before applying the Labor Pension Act are summed up, and the sum is retained in the severance payment fund. The employees will receive the severance payment under certain criteria when they quit voluntarily.

For the Bank's employees who choose the pension mechanism regulated by the Labor Standards Act, the retirement benefits are paid to employees as follow: (i) a lump sum payment equal to two base units for each year of service; (ii) that each year of service exceeding 15 years is entitled to only one base unit of wage; and (iii) that the maximum payment is for up to 45 base units. Any fraction of a year of over year is counted as one year of service, and any fraction of a year of up to year is counted as half a year of service.

The Bank has also a defined contribution plan regulated by the Labor Pension Act (the "Act") which took effect on July 1, 2005. Under this Act, the Bank contributes amounts at 6% of employee salaries to the Labor Insurance Administration (the Act, the monthly contribution rate by the employer to the Labor Pension Fund shall be at least 6% of the employee's monthly wages). Pension expenses under the defined contribution pension plan were \$173,375 and \$160,644 for the years ended December 31, 2012 and 2011, respectively. For the years ended December 31, 2012 and 2011, the pension expenses amounted to \$263,984 and \$371,958, respectively, which were contributed to personal pension accounts.

Other information on the defined benefit pension plan of the Bank is as follows:

a. The components of the net pension cost were summarized below:

	Years Ended December 31	
	2012	2011
Service cost	\$ 109,550	\$ 131,922
Interest cost	103,008	134,117
Expected return on pension fund assets	(55,636)	(48,869)
Net amortization	<u>107,062</u>	<u>154,788</u>
Net pension cost	<u>\$ 263,984</u>	<u>\$ 371,958</u>

b. The reconciliations of the funded status of the plan and accrued pension cost as of December 31, 2012 and 2011 were as follows:

	Years Ended December 31	
	2012	2011
Benefit obligation		
Vested benefit obligation	\$ 2,040,600	\$ 1,903,126
Nonvested benefit obligation	<u>2,135,167</u>	<u>2,210,596</u>
Accumulated benefit obligation	4,175,767	4,113,722
Additional benefit based on future salaries	<u>1,098,145</u>	<u>1,093,788</u>
Projected benefit obligation	5,273,912	5,207,510
Fair value of plan assets	<u>(2,743,130)</u>	<u>(2,657,235)</u>
Funded status	2,530,782	2,550,275
Unamortized prior service cost	(217,107)	(244,245)
Unamortized pension loss	(2,014,311)	(1,959,382)
Additional accrued pension liability	<u>1,133,273</u>	<u>1,109,839</u>
Accrued pension cost	<u>\$ 1,432,637</u>	<u>\$ 1,456,487</u>

	December 31	
	2012	2011
c. Vested benefit	<u>\$ 2,784,730</u>	<u>\$ 2,778,164</u>

d. Actuarial assumptions

Discount rate used in determining present value	1.75%	2.00%
Future salary increase rate	1.75%	1.75%
Expected rate of return on plan assets	1.75%	2.00%

27. INCOME TAX

Under Rule No. 910458039 issued by the Ministry of Finance on February 12, 2003, a financial holding company and its domestic subsidiaries that held over 90% of shares issued 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, SPH adopted the linked-tax system for income tax and unappropriated earnings tax filings with its qualified subsidiaries since 2003.

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

	Year Ended December 31	
	2012	2011
Current income tax payable	\$ 559,013	\$ 197,213
Deferred income taxes	488,758	36,341
Adjustment for prior years tax	<u>(4,775)</u>	<u>10,677</u>
Income tax expense	<u>\$ 1,042,996</u>	<u>\$ 244,231</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:

	Year Ended December 31	
	2012	2011
Tax on pretax income at 17% statutory rate	\$ 1,574,743	\$ 460,340
Add (deduct) tax effects of:		
Tax-exempt income	(11,231)	8,650
Permanent difference	(515,413)	(235,200)
Temporary difference	(142,155)	396,923
Loss carryforwards	<u>(346,931)</u>	<u>(433,500)</u>
Current income tax payable	<u>\$ 559,013</u>	<u>\$ 197,213</u>

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

	December 31	
	2012	2011
Deferred income tax assets		
Loss carryforwards	\$ 1,078,422	\$ 1,431,752
Deferred pension cost	214,200	222,239
Unrealized loss or gain on foreign exchange and revaluation of financial instrument, net	220	(12,298)
Investment loss under the equity method	168,761	311,647
Others	75,583	84,215
Valuation allowance	<u>(26,500)</u>	<u>(26,500)</u>
	<u>\$ 1,510,686</u>	<u>\$ 2,011,055</u>
Deferred income tax liabilities		
Others	<u>\$ (46,555)</u>	<u>\$ (46,555)</u>

The unused loss carryforwards as of December 31, 2012 were as follows:

Deficit Year	The Last Year of Claiming Deductible Loss	Amount
2008	2018	\$ 4,821,582
2009	2019	<u>1,522,078</u>
		<u>\$ 6,343,660</u>

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

	December 31	
	2012	2011
Receivables from related parties	<u>\$ 1,155,349</u>	<u>\$ 1,167,569</u>
Payables from related parties	<u>\$ 248,469</u>	<u>\$ -</u>

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

	December 31	
	2012	2011
Balances of the imputation tax credit account (ICA)	<u>\$ 1,551,693</u>	<u>\$ 1,924,606</u>

In 2012, the creditable tax ratio calculated by the expected imputation tax credit amount as of the dividend declaration date was estimated to 20.48% by the Bank. The actual creditable tax ratio generated in 2011 was 20.48%.

f. As of December 31, 2012, 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 Act, when the unappropriated earnings generated on or after January 1, 1998 are distributed, stockholders will get imputation credits based on the imputed tax credit ratio as of the dividend declaration date; however, for the unappropriated earnings generated before January 1, 1998, no imputation credit will be allocated to stockholders.

g. For the Bank, 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
SinoPac Securities Investment Trust Co., Ltd. (SinoPac Securities Investment Trust)	Subsidiary of SPH
SinoPac Life Insurance Agent Co., Ltd. (SPLIA)	Subsidiary of the Bank
SinoPac Property Insurance Agent Co., Ltd. (SPPIA)	Subsidiary of the Bank
SinoPac Capital Ltd.	Overseas subsidiary of the Bank
Far East National Bank (FENB)	Overseas affiliate of the Bank
Far East Capital, LLC (FEC, LLC)	Overseas affiliate of the Bank
Grand Capital International Limited (Grand Capital)	Subsidiary of SPL
Intellisys Corporation	Subsidiary of SinoPac Venture Capital
SinoPac Futures Corporation (SinoPac Futures)	Subsidiary of SinoPac Securities
SinoPac Capital (Asia) Ltd.	Affiliate of SinoPac Securities
SinoPac Securities (Asia) Ltd.	Affiliate of SinoPac Securities
Yung An Leasing Corporation (Yung An Leasing)	Affiliate of the SPH's president
Taiwan Genome Sciences, Inc.	Affiliate of the SPH's president
E Ink Holdings Co., Ltd. (E Ink Holdings)	Affiliate of the SPH's president
Taiwan Futures Exchange (TAIFEX)	Affiliate of the president of SinoPac Securities
Taiwan Depository & Clearing Corporation (TDCC)	Affiliate of the president of SinoPac Securities
Financial Information Services Co., Ltd. (Financial Information)	Affiliate of the president of SPL
LinkCom Manufacturing Co., Ltd. (LinkCom)	Affiliate of the spouse of the president of SinoPac Securities Investment Trust
BoardTek Electronics Corp. (BoardTek Electronics)	Affiliate of the SPH's director
Rung-Tzung Investment Corp. (Rung-Tzung Investment)	Affiliate of the director of SinoPac Securities
Ho, Shou Chuan	President of SPH
Others	The Bank's directors, supervisors, managers and their relatives, department chiefs, the investees accounted for by the equity method and their subsidiaries, the investees of SPH's other subsidiaries, etc.

b. Significant transactions between the Bank and the related parties

1) Due from banks (recorded as cash and cash equivalents)

	Ending Balance		% of Total	
	December 31		December 31	
	2012	2011	2012	2011
Due from banks - FENB	\$ 55,664	\$ 104,763	1.03%	1.55%

2) Derivative financial instruments

December 31, 2012					
	Contract (Notional) Amount	Contract Period	Valuation Gains (Losses)	Account	Balance
Currency swap contracts					
SinoPac Capital Ltd.	\$ 845,090	2012.12.18-2013.01.18	\$ 426	Financial assets at fair value through profit or loss	\$ 426
SinoPac Securities	874,098	2012.12.05-2013.01.24	2,630	Financial assets at fair value through profit or loss	2,630
Interest rate swap contracts					
SinoPac Securities	16,500,000	2008.06.03-2017.10.16	(70,567)	Financial assets at fair value through profit or loss	113,749
SinoPac Securities	16,500,000	2008.01.24-2017.05.18	104,815	Financial liabilities at fair value through profit or loss	128,862
December 31, 2011					
	Contract (Notional) Amount	Contract Period	Valuation Gains (Losses)	Account	Balance
Currency swap contracts					
SinoPac Capital Ltd.	\$ 874,817	2011.12.23-2012.01.20	\$ 41	Financial assets at fair value through profit or loss	\$ 41
SinoPac Capital (Asia) Ltd.	323,203	2011.12.01-2012.02.01	47	Financial assets at fair value through profit or loss	47
SinoPac Capital (Asia) Ltd.	260,049	2011.12.01-2012.02.01	(185)	Financial liabilities at fair value through profit or loss	185
FENB	682,290	2011.12.23-2012.01.27	(38)	Financial liabilities at fair value through profit or loss	38
Interest rate swap contracts					
SinoPac Securities	18,450,000	2007.01.03-2016.10.27	58,236	Financial assets at fair value through profit or loss	191,622
SinoPac Securities	24,055,000	2008.01.24-2016.11.03	(53,639)	Financial liabilities at fair value through profit or loss	242,651
Forward Contracts					
E Ink Holdings	212,030	2011.11.23-2012.03.02	71	Financial assets at fair value through profit or loss	71

3) Accounts, other receivables and payables

As of December 31, 2012 and 2011, other receivables from related-parties amounted to \$134,196 and \$127,427, respectively. These include the accrued commission of SPPIA and SPLIA amounted to \$103,383 and \$89,908 as of December 31, 2012 and 2011, respectively. As of December 31, 2012 and 2011, other payables to related-parties amounted to \$15,077 and \$19,829, respectively.

The Bank's dividends payable to SPH amounted to \$1,435,025 as of December 31, 2012 and 2011, respectively.

As of December 31, 2012 and 2011, the Bank's estimated receivables resulting from the adoption of the linked-tax system amounted to \$1,155,349 and \$1,167,569, respectively.

As of December 31, 2012, the Bank's estimated payables resulting from the adoption of the linked-tax system amounted to \$248,469.

4) Loans

Year Ended December 31, 2012

	Ending Balance	Highest Balance	% to Total	Interest/ Fee Rates (%)	Interest Revenue
Loans	<u>\$ 6,560,088</u>	<u>\$ 7,941,533</u>	<u>0.87</u>	0-6.88	<u>\$ 150,267</u>

December 31, 2012

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 loans	53	\$ 20,079	\$ 13,666	V	-	None	Yes
Household mortgage loans	282	1,896,905	1,661,275	V	-	Real estate	Yes
Others:	Grand Capital	2,682,464	2,304,355	V	-	Movable	Yes
	SPL	2,334,000	2,222,000	V	-	Real estate and movable	Yes
	SinoPac Securities	556,000	-	V	-	Real estate	Yes
	Yung An Leasing	198,800	198,800	V	-	Real estate	Yes
	BoardTek Electronics	133,229	50,000	V	-	Real estate	Yes
	Taiwan Genome Sciences, Inc.	85,000	84,000	V	-	Real estate	Yes
	LinkCom	22,080	21,384	V	-	Real estate	Yes
	Others	12,976	4,608	V	-	Real estate, movable and securities	Yes
	Others subtotal		<u>6,024,549</u>	<u>4,885,147</u>			
		<u>\$ 7,941,533</u>	<u>\$ 6,560,088</u>				

Year Ended December 31, 2011					
	Ending Balance	Highest Balance	% to Total	Interest/ Fee Rates (%)	Interest Revenue
Loans	\$ 6,483,150	\$ 8,324,463	0.91	0-6.85	\$ 135,668

December 31, 2011							
Category	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collaterals	Is the Transaction at Arm's Length Commercial Term
Employees consuming loan	38	\$ 15,556	\$ 11,961	V	-	None	Yes
Households mortgages	234	1,689,788	1,528,657	V	-	Real estate	Yes
Others:	Grand Capital	3,276,056	2,682,460	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 Electronics	305,554	33,229	V	-	Real estate	Yes
	RungTzung Investment	200,000	-	V	-	Real estate	Yes
	Yung An Leasing	198,800	198,800	V	-	Real estate	Yes
	Taiwan Genome Sciences, Inc.	88,000	85,000	V	-	Real estate	Yes
	FEC, LLC	39,899	-	V	-	Real estate	Yes
	Others	17,810	9,043	V	-	Real estate, certificate of deposit, movable and securities	Yes
	Others subtotal		<u>6,619,119</u>	<u>4,942,532</u>			
		<u>\$ 8,324,463</u>	<u>\$ 6,483,150</u>				

5) Guarantees

December 31, 2012

Related Party	Highest Balance in Current Year	Ending Balance	Provision	Rates	Type of Collaterals	Note
SinoPac Securities	\$ 2,000	\$ 2,000	\$ -	0.3%	Certificate of deposit	
Others	30	-	-	1.13%-1.32%	None	Note

Note: The guarantees are for employees' consumer loans.

December 31, 2011

Related Party	The Highest Balance in Current Year	Ending Balance	Provision	Rates	Type of Collaterals	Note
SPL	\$457,590	\$ -	\$ -	0.3%	Real estate and movable	
SinoPac Securities	2,000	2,000	-	0.3%	Certificate of deposit	
Others	665	30	-	1.33%-1.49%	None	Note

Note: The guarantees are for employees' consumer loans.

6) Unquoted equity instruments (recorded as other financial assets)

	Ending Balance		% of Total	
	December 31		December 31	
	2012	2011	2012	2011
Financial Information	\$ 91,000	\$ 91,000	1.39%	1.39%
TAIFEX	21,490	21,490	0.33%	0.33%
TDCC	4,639	4,639	0.07%	0.07%

7) Properties transaction

In January and September 2012, the Bank purchased properties with book value of \$1,583 and \$183 from SinoPac Call Center.

In February 2011, the Bank sold properties with book value of \$4,686 and \$662 to SPLIA and SPPIA, respectively. In addition, properties with book value of \$5,357, \$3,682 and \$2,051 were purchased from SinoPac Call Center, SPLIA and Intellisys Corporation in January, February and October 2011. Above transactions did not generate any gains or losses.

8) Securities purchased under agreements to resell

2012

	December 31, 2012		Year Ended
	Face Amount	Carrying Amount	December 31, 2012
			Interest Revenue
SinoPac Securities (Asia) Ltd.	\$ 203,956	\$ 183,560	\$ 454
SinoPac Capital (Asia) Ltd.	58,273	52,446	7,386

2011

	December 31, 2011		Year Ended
	Face Amount	Carrying Amount	December 31, 2011
			Interest Revenue
SinoPac Capital (Asia) Ltd.	\$ 1,455,889	\$ 1,279,549	\$ 12,263

9) Securities sold under agreements to repurchase

2012

	December 31, 2012		Year Ended
	Face Amount	Carrying Amount	December 31, 2012
			Interest Expense
Ho, Shou Chuan	\$ 529,000	\$ 531,567	\$ 2,676
SinoPac Securities	-	-	2

2011

	December 31, 2011		Year Ended
	Face Amount	Carrying Amount	December 31, 2011
			Interest Expense
Ho, Shou Chuan	\$ 539,000	\$ 540,767	\$ 1,036

10) Guarantee deposits (recorded as other financial assets)

	Ending Balance		% to Total	
	December 31		December 31	
	2012	2011	2012	2011
SinoPac Futures	\$ 30,862	\$ 32,140	2.94%	5.78%
SPL	7,984	10,344	0.76%	1.86%

11) Guarantee deposits received (recorded as other financial liabilities)

	Ending Balance		% to Total	
	December 31		December 31	
	2012	2011	2012	2011
SinoPac Securities	\$ 2,870	\$ 2,868	1.06%	1.26%
SPL	1,474	1,474	0.55%	0.65%
SPLIA	738	560	0.27%	0.25%
SinoPac Call Center	594	594	0.22%	0.26%
SPPIA	148	84	0.05%	0.04%
Intellisys Corporation	-	76	-	0.03%

12) Deposits

	Ending Balance	% of Total	Interest Rate (%)	Interest Expense	% of Total
<u>Year ended December 31, 2012</u>					
SinoPac Securities	\$ 3,211,551	0.32%	0-1.35	\$ 18,437	0.20%
E Ink Holdings	1,818,979	0.18%	0.01-0.17	3,251	0.03%
SinoPac Venture Capital	1,074,684	0.11%	0.02-0.65	2,576	0.03%
SinoPac Futures	945,424	0.09%	0.17-1.35	11,265	0.12%
SPLIA	897,034	0.09%	0.17	1,292	0.01%
Others	11,917,177	1.18%	0-13	166,472	1.78%
<u>Year ended December 31, 2011</u>					
SinoPac Securities	3,964,629	0.41%	0-1.35	23,125	0.29%
E Ink Holdings	1,298,308	0.13%	0.02-0.65	985	0.01%
SinoPac Futures	1,199,473	0.12%	0.17-1.345	6,250	0.08%
SinoPac Venture Capital	919,151	0.10%	0.02-0.17	1,665	0.02%
SinoPac Securities (Asia) Ltd.	804,753	0.08%	0-1.5	1,193	0.02%
Others	11,219,129	1.16%	0-13	189,161	2.39%

13) Revenues and expenses

	Amount		% to Total	
	Year Ended December 31		Year Ended December 31	
	2012	2011	2012	2011
Commissions and fees revenues	\$ 478,056	\$ 322,674	11.80%	8.23%
Commissions and fees expenses	5,871	3,457	0.89%	0.53%
Gains from unquoted equity instruments	33,578	4,616	30.87%	6.39%
Other revenues	6,236	8,736	5.73%	12.09%
Professional advisory charges	166,550	182,379	4.46%	4.53%
Marketing expense	12,075	13,313	0.32%	0.33%
Other operating expense	37,263	19,186	1.00%	0.48%

The Bank had entered into several co-sell insurance contracts with SPLIA and SPPIA. The service fee revenue for the years ended December 31, 2012 and 2011 were \$436,006 and \$277,960, respectively. The Bank had entered into professional advisory contracts with SinoPac Call Center. The professional advisory charges and other operating expenses paid for the years ended December 31, 2012 and 2011 were \$166,640 and \$182,926, respectively.

14) Lease

a) The Bank as a lessee

Lessor	Other Operating Expense		Lease Term	Payment Frequency
	Year Ended December 31			
	2012	2011		
SPL	\$ 125,483	\$ 125,367	February 2020	Rentals paid monthly

b) The Bank as a lessor

Lessee	Rental Income		Lease Term	Receive Frequency
	Year Ended December 31			
	2012	2011		
SinoPac Securities	\$ 23,939	\$ 19,454	July 2017	Rentals received monthly
SinoPac Securities Investment Trust	13,872	13,872	September 2017	Rentals received monthly
SPL	5,964	5,922	July 2016	Rentals received monthly
SPLIA	3,922	3,420	December 2012	Rentals received monthly
SinoPac Call Center	3,373	3,081	September 2015	Rentals received monthly
SPPIA	504	485	December 2012	Rentals received monthly
Intellisys Corporation	228	2,351	June 2012	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.

c. Compensation of directors, supervisors and management personnel; please refer to annual report for the detail information.

	Years Ended December 31	
	2012	2011
Salary and compensation	\$ 137,755	\$ 119,841
Business-conducting expense	6,648	7,055
	<u>\$ 144,403</u>	<u>\$ 126,896</u>

29. RESTRICTED ASSETS

In addition to those disclosed in other Notes, pledged or restricted assets of the Bank as of December 31, 2012 and 2011 are summarized as follows:

Restricted Assets	Object	December 31		Purposes
		2012	2011	
Financial assets at fair value through profit or loss	Negotiable certificate of deposits	\$ -	\$ 5,001,988	Pledged with the Central Bank for foreign-exchange transactions
Discounts and loans	Loans	1,340,925	1,907,288	Pledged with the Federal Reserve Bank under the discount window program
Available-for-sale financial assets	Government bonds	539,353	555,699	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	Negotiable certificate of deposits	5,145,683	151,450	Pledged in accordance with requirements of the California Department of Financial Institutions, and with the Central Bank for foreign - exchange transactions
Held-to-maturity investments	Government bonds	187,814	97,400	Hong Kong branch's clearing system of real - time gross settlement

30. SIGNIFICANT CONTINGENCIES AND COMMITMENTS

In addition to those disclosed in the Note 32, financial instruments, and other footnotes, 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
2013	\$ 431,227
2014	347,859
2015	272,191
2016	183,487
2017	123,234

Rentals for the years beyond 2018 amount to \$201,685, the present value of which is about \$183,007 as discounted at the Bank's one-year time deposit rate of 1.35% on December 31, 2012.

b. Equipment purchase contract

The Bank entered into contracts to buy computer equipment and office equipment for \$201,935, of which \$164,224 had been paid as of December 31, 2012.

c. Commitments

The bank has signed industry- academy contract cooperation with National Chung Hsing University on July 25, 2012 for the building of food safety and agricultural material research, development and promotion. The total expenditure estimated at 255 million and shall not exceed 300 million.

d. Contingencies

- 1) The Securities and Futures Investors Protection Center (SFIPC) filed a lawsuit against the Bank and SPL's subsidiary, Grand Capital, on the ground that Procomp Informatics Ltd. deposited US\$10,000 thousand in the Bank's Shisung Branch (formally Sungshan Branch) and placed a restriction on the use of this deposit as a condition for a short-term loan to Addie International Limited granted by SPL and for allegedly helping Yeh, Sue-Fei and Procomp Informatics Ltd. ("Procomp") do irregular trading but, at the same time, Procomp used the restricted deposit for fictitious sale transactions. Later, when problems on Procomp's account arose, the Bank and Grand Cathay demanded compensation, which was taken from Procomp's account, resulting in damage to Procomp. The Bank was suspected of misleading investors by concealing the restricted status of Procomp's deposit and window dressing Procomp's financial statements. The SFIPC filed a lawsuit against the Bank, SPL and all other parties related to Procomp and demanded compensation of \$5.58 billion. The Shihlin District Court rejected the SFIPC's lawsuit against the Bank and SPL on March 11, 2008. SFIPC then filed an appeal. Compensation amount claimed now is \$4.21 billion. The Bank and SPL entered a plea on SFIPC's charges, and as of December 31, 2012, this case was being tried in the Taiwan High Court.
- 2) The SFIPC filed a lawsuit against the Bank on the ground that the Bank's Tunpei Branch provided National Aerospace Fasteners Corporation (NAFC) with its accounts receivable factoring services. NAFC recorded this significant-amount loan transaction as an accounts receivable financing to window-dress its financial position in order to attract investments. The SFIPC filed a lawsuit against the Bank and other parties and demanded compensation approximately \$543,233 and interest rate was calculated at 5% from the next date of indictment delivered to the debt clearance. The Bank entered a plea on this lawsuit, and this case was being tried in the Taiwan Taipei District Court as of December 31, 2012.

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

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

	Year Ended December 31			
	2012		2011	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Due from the Central Bank and other banks	\$ 26,714,393	0.70	\$ 27,792,491	0.59
Call loans to banks	33,066,428	1.55	25,135,209	0.83
Financial assets at fair value through profit or loss	17,756,706	1.42	34,402,585	1.14
Securities purchased under agreements to resell	1,665,379	0.94	2,037,934	0.86
Credit card receivable	9,833,854	12.72	10,077,089	12.93
Accounts receivable - factoring	7,197,922	1.81	9,173,201	1.43
Accounts receivable - forfeiting	10,639,681	3.19	5,276,954	2.71
Acceptance receivable - forfeiting	83,153	1.62	-	-
Discounts and loans	735,344,699	2.31	712,479,172	2.20
Available-for-sale financial assets	51,870,785	1.44	37,704,668	1.71
Held-to-maturity investments	236,602,884	0.90	203,297,271	0.85
Other financial assets	106,883	-	219,200	0.49
<u>Interest-bearing liabilities</u>				
Due to the Central Bank and other banks	9,571,937	1.40	17,018,548	1.32
Call loans	49,314,916	0.64	42,854,289	0.80
Securities sold under agreements to repurchase	5,830,812	0.71	5,874,397	0.64
Demand deposits	177,470,108	0.20	168,443,282	0.16
Savings - demand deposits	228,998,954	0.42	224,956,174	0.41
Time deposits	319,917,953	1.09	294,152,759	0.93
Savings - time deposits	221,705,622	1.32	203,082,257	1.23
Negotiable certificates of deposits	30,693,358	0.92	28,006,016	0.79
Bank debentures	38,710,584	2.14	31,648,607	2.09
Other financial liabilities - payments collected for share subscriptions	205,347	0.94	416,790	0.92

32. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

	December 31			
	2012		2011	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<u>Financial assets</u>				
Other short-term financial assets	\$ 165,505,188	\$ 165,505,188	\$ 145,030,877	\$ 145,030,877
Financial assets at fair value through profit or loss	27,060,490	27,060,490	32,791,036	32,791,036
Discounts and loans	750,309,439	750,309,439	712,005,897	712,005,897
Available-for-sale financial assets	51,061,892	51,061,892	32,600,632	32,600,632
Held-to-maturity investments	217,319,165	217,315,185	229,879,924	229,880,918
Equity investments-equity method	5,424,038	-	4,569,539	-
Unquoted equity instruments	6,526,737	-	6,529,172	-
Other financial assets	2,843,402	2,843,402	2,389,739	2,389,739
<u>Financial liabilities</u>				
Other short-term financial liabilities	92,503,847	92,503,847	92,171,610	92,171,610
Financial liabilities at fair value through profit or loss	8,671,057	8,671,057	7,309,754	7,309,754
Deposits and remittances	1,008,785,799	1,008,785,799	963,100,250	963,100,250
Bank debentures	43,001,812	43,688,721	37,027,843	37,666,805
Other financial liabilities	5,977,826	5,977,826	7,847,474	7,847,474

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. However, because of statutory limitations (right and debt), tax receivable, receivables on the linked-tax system with SPH's subsidiaries and tax payable have been excluded from the estimation approach.
- 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 at quoted market prices. However, in many instances, there are no quoted market prices for the Bank's various financial instruments. Thus, fair values are based on estimates using available indirect data and appropriate valuation methodologies.

Forward, interest rate swap and cross-currency swap contracts' fair values are based on estimates using discounted cash flow method. Options' fair values are based on estimates using the Black & Scholes model.

The fair values of the forward contracts are estimated on the basis of the foreign exchange rates provided by Reuters. Fair values of structured instruments are provided by the counter-parties. All outstanding contracts will offset market risks. The fair values of interest rate swap contracts and cross-currency swap contracts are estimated on the basis of market quotations by Reuters.

- 3) Discounts and loans, deposits, and other financial liabilities are interest-earning assets and interest-bearing liabilities at mostly floating interest rates. Thus, their carrying amounts approximate 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.
- 5) Fair values of refundable guarantee deposits and guarantee deposits received are estimated at their carrying amounts since these deposits do not have specific due dates. Purchase of PEM instruments does not have specific due date and valued by actuary. Thus, the carrying amount represents fair value.
- c. Interest revenues of financial assets and liabilities other than those at fair value through profit or loss were \$22,402,754 and \$20,101,474, for the years ended December 31, 2012 and 2011, respectively. Related interest expenses were \$9,340,170 and \$7,901,930, for the years ended December 31, 2012 and 2011, respectively.

d. Financial risk information

1) Market risk

The Bank sets up risk-management indicators based on the characteristics 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 timely when market risk is over the limit.

Fair values of financial assets and financial liabilities that are determined using quoted market prices or estimates are summarized as follows:

	<u>Quoted Market Prices</u>		<u>Fair Value Based on Estimates</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<u>Financial assets</u>				
Financial assets at fair value through profit or loss	\$ 12,025,341	\$ 6,061,101	\$ 15,035,149	\$ 26,729,935
Available-for-sale financial assets	24,753,188	14,748,788	26,308,704	17,851,844
Held-to-maturity investments	-	-	217,315,185	229,880,918
<u>Financial liabilities</u>				
Financial liabilities at fair value through profit or loss	10,066	1,682	8,660,991	7,308,072
Bank debentures	42,273,225	36,225,765	1,415,496	1,441,040

The fair value hierarchy of the Bank's financial instruments were as follows:

<u>Item</u>	<u>December 31, 2012</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<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	\$ 108,153	\$ 108,153	\$ -	\$ -
Investment in bonds	14,101,607	11,915,737	1,820,530	365,340
Others	908,911	-	908,911	-
Financial assets designated as at FVTPL	3,228,859	-	3,051,854	177,005
Available-for-sale financial assets				
Investment in stocks	6,937	6,937	-	-
Investment in bonds	44,946,611	24,746,251	17,785,053	2,415,307
Others	6,108,344	-	5,671,295	437,049

Item	December 31, 2012			
	Total	Level 1	Level 2	Level 3
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets	\$ 8,712,960	\$ 1,451	\$ 7,882,762	\$ 828,747
Other financial assets				
Hedging derivative financial assets	15,616	-	15,616	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	8,671,057	10,066	7,832,244	828,747
Other financial liabilities				
Hedging derivative financial liabilities	22,576	-	22,576	-
Item	December 31, 2011			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Investment in stocks	\$ 31,171	\$ 31,171	\$ -	\$ -
Investment in bonds	6,706,516	5,573,964	756,314	376,238
Others	17,456,789	450,698	17,005,311	780
Financial assets designated as at FVTPL	876,068	-	697,945	178,123
Available-for-sale financial assets				
Investment in stocks	62,959	62,959	-	-
Investment in bonds	27,060,670	14,685,829	12,374,841	-
Others	5,477,003	-	5,024,470	452,533
<u>Derivative financial Instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets	7,720,492	5,268	7,604,202	111,022
Other financial assets				
Hedging derivative financial assets	41,323	-	41,323	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	7,309,754	1,682	7,197,005	111,067
Other financial liabilities				
Hedging derivative financial liabilities	54,319	-	54,319	-

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. Based on SFAS No. 34 - "Financial Instruments: Recognition and Measurement", active markets are markets with all of the following conditions:

- a) Products traded in the market are homogeneous.
- b) Active and willing trading parties are readily 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) Publicly quoted price of comparables with 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 prices 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 views and projections.
- 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 those financial instruments valued using models where one or more significant inputs are unobservable.

Level 3 Fair Value Classification of Financial Assets
Year Ended December 31, 2012
(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	\$ 377,018	\$ 41,949	\$ -	\$ -	\$ 40,150	\$ -	\$ (13,477)	\$ 365,340
Financial assets designated as at FVTPL	178,123	5,897	-	-	-	-	(7,015)	177,005
Available-for-sale financial assets	452,533	(2,680)	2,609,219	-	-	189,415	(17,301)	2,852,356
<u>Derivative instruments</u>								
Financial assets as at fair value through profit or loss								
Held-for-trading financial assets	111,022	719,178	-	-	1,398	-	(55)	828,747

Level 3 Fair Value Classification of Financial Assets
Year Ended December 31, 2011
(In Thousands of New Taiwan Dollars)

Name	Beginning Balance	Valuation Gain (Loss) Reflected on Income Statement or in Shareholders' Equity	Increase		Decrease		Foreign Exchange Rate Effect	Ending Balance
			Purchase/ Issued	Transfer into Level 3	Disposed/ Sold	Transfer Out of Level 3		
<u>Non-derivative instruments</u>								
Financial assets at fair value through profit or loss								
Held-for-trading financial assets	\$ 907	\$ 255,259	\$ 387,051	\$ 40,766	\$ 318,983	\$ -	\$ 12,018	\$ 377,018
Financial assets designated as at FVTPL	-	(6,103)	184,226	-	-	-	-	178,123
Available-for-sale financial assets	-	(1,817)	454,350	-	-	-	-	452,533
Other financial assets								
Non-active market debt instruments	79,634	-	-	-	79,634	-	-	-
<u>Derivative instruments</u>								
Financial assets at fair value through profit or loss								
Held-for-trading financial assets	306,841	(111,703)	3,062	-	87,220	-	42	111,022

Level 3 Fair Value Classification of Financial Liabilities
Year Ended December 31, 2012
(In Thousands of New Taiwan Dollars)

Name	Beginning Balance	Valuation Gain (Loss) Reflected on Income Statement or in Shareholders' Equity	Increase		Decrease		Foreign Exchange Rate Effect	Ending Balance
			Purchase/ Issued	Transfer into Level 3	Disposed/ Sold	Transfer Out of Level 3		
<u>Derivative instruments</u>								
Financial liabilities at fair value through profit or loss								
Held-for-trading financial liabilities	\$ 111,067	\$ 719,725	\$ -	\$ -	\$ 1,967	\$ -	\$ (78)	\$ 828,747

Level 3 Fair Value Classification of Financial Liabilities
Year Ended December 31, 2011
(In Thousands of New Taiwan Dollars)

Name	Beginning Balance	Valuation Gain (Loss) Reflected on Income Statement or in Shareholders' Equity	Increase		Decrease		Foreign Exchange Rate Effect	Ending Balance
			Purchase/ Issued	Transfer into Level 3	Disposed/ Sold	Transfer Out of Level 3		
<u>Derivative instruments</u>								
Financial liabilities at fair value through profit or loss								
Held-for-trading financial liabilities	\$ 298,239	\$ (188,293)	\$ 4,125	\$ -	\$ 3,040	\$ -	\$ 36	\$ 111,067

The Bank has set up an independent risk management team to control market risk and to carry out the market risk management policy, which includes the organization frame, responsibility and management process, and also set clear regulations and limits to reduce risks on transactions. The sub-risk management teams review limits on monitoring and managing risk exposures within their respective areas of supervision and report timely to the head office management team.

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

The Bank formally documents in writing its intention to apply hedge accounting and follows the requirement of related accounting standards. The 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 drawdowns are made against the credit facilities. As of December 31, 2012 and 2011, the ratio of secured loans to total loans were 69.07% and 68.18%, respectively. The ratio of secured financial guarantees and standby letters of credits were from 15.96% and 18.22%. 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	December 31	
	2012 Maximum Credit Exposure	2011 Maximum Credit Exposure
Off-balance-sheet credit risk		
Credit card commitments	\$ 215,223,711	\$ 209,633,194
Financial guarantees and standby letter of credit	25,817,298	19,007,127
Undrawn loan commitments	14,941,501	16,291,073

The above amounts are evaluated based on contracts of off-balance-sheet credit risk on the balance sheet date. When financial instruments transactions concentrated on counter-party, which engaged in similar business activities, had similar economic characteristics and abilities to execute contracts, the credit risk concentration arose.

Concentrations of credit risk exist when changes in economic, industrial or geographic factors similarly affect groups of counter-parties 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 its exposures continually. The Bank's most significant concentrations of credit risk were summarized by counter-party, industry sector and region as follows:

Credit Risk Profile by Counterparty	December 31	
	2012	2011
Consumer	\$ 391,204,166	\$ 380,463,194
Private sector	333,946,852	298,304,610
Government - government-owned business	<u>33,131,150</u>	<u>40,811,112</u>
	<u>\$ 758,282,168</u>	<u>\$ 719,578,916</u>

Credit Risk Profile by Industry Sector	December 31	
	2012	2011
Electricity industry	\$ 78,818,191	\$ 71,735,252
Wholesale trade and retail business	58,292,724	56,525,275
Materials and supplies	52,634,567	44,531,919
	<u>\$ 189,745,482</u>	<u>\$ 172,792,446</u>

Credit Risk Profile by Region	December 31	
	2012	2011
Domestic area	\$ 660,971,772	\$ 637,048,486
Asia	45,874,857	41,202,366
North America	34,121,662	27,165,647
	<u>\$ 740,968,291</u>	<u>\$ 705,416,499</u>

3) Liquidity risk

As of December 31, 2012 and 2011, the liquidity reserve ratio were 33.57% and 33.35%, respectively. The capital and working capital were enough to execute all contract obligations; thus, there was no liquidity risk.

The management policy of the Bank is to match the contractual maturity profile and interest rate of its assets and liabilities. Because of uncertainty, the maturities are not usually fully matched with interest rates of assets and liabilities. 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:

	December 31, 2012						Total
	Due in One Month	Due between after One Month and Three Months	Due between after Three Months and Six Months	Due between after Six Months and One Year	Due between after One Year and Seven Years	Due after Seven Years	
Assets							
Cash and cash equivalents	\$ 18,394,614	\$ 117,669	\$ 74,448	\$ 47,086	\$ -	\$ -	\$ 18,633,817
Due from the Central Bank and other banks	76,416,015	3,847,853	2,831,091	2,521,181	-	-	85,616,140
Financial assets at fair value through profit or loss	27,059,563	574	348	5	-	-	27,060,490
Securities purchased under agreements to resell	236,006	-	-	-	-	-	236,006
Receivables	23,318,179	18,255,710	10,110,985	8,233,415	2,708,125	57	62,626,471
Discounts and loans	62,090,835	81,465,687	42,308,918	38,000,028	184,365,743	349,903,628	758,134,839
Available-for-sale financial assets	5,975,023	614,880	437,049	2,710,885	41,029,974	294,081	51,061,892
Held-to-maturity investments	133,046,473	40,743,233	34,684,595	7,844,043	972,222	28,599	217,319,165
Hedging derivative financial assets	-	-	-	15,616	-	-	15,616
	<u>346,536,708</u>	<u>145,045,606</u>	<u>90,447,434</u>	<u>59,372,259</u>	<u>229,076,064</u>	<u>350,226,365</u>	<u>1,220,704,436</u>
Liabilities							
Call loans and due to banks	51,102,047	9,923,996	942,356	8,020,685	-	-	69,989,084
Financial liabilities at fair value through profit or loss	8,666,473	378	2,620	1,586	-	-	8,671,057
Securities sold under agreements to repurchase	718,924	482,526	-	-	-	-	1,201,450
Payables	14,024,864	3,721,672	1,313,135	579,147	661,562	1,435,025	21,735,405
Deposits and remittances	151,073,900	157,789,152	168,949,238	175,121,550	355,851,959	-	1,008,785,799
Bank debentures	15,616	-	-	1,400,000	37,286,196	4,300,000	43,001,812
Principal of structured products	3,846,449	1,422,204	174,460	167,772	3,041	-	5,613,926
Hedging derivative financial liabilities	-	-	-	-	22,576	-	22,576
	<u>229,448,273</u>	<u>173,339,928</u>	<u>171,381,809</u>	<u>185,290,740</u>	<u>393,825,334</u>	<u>5,735,025</u>	<u>1,159,021,109</u>
Net liquidity gap	<u>\$ 117,088,435</u>	<u>\$ (28,294,322)</u>	<u>\$ (80,934,375)</u>	<u>\$ (125,918,481)</u>	<u>\$ (164,749,270)</u>	<u>\$ 344,491,340</u>	<u>\$ 61,683,327</u>

	December 31, 2011						Total
	Due in One Month	Due between after One Month and Three Months	Due between after Three Months and Six Months	Due between after Six Months and One Year	Due between after One Year and Seven Years	Due after Seven Years	
Assets							
Cash and cash equivalents	\$ 17,789,825	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,789,825
Due from the Central Bank and other banks	60,706,778	5,929,149	3,909,208	3,127,105	-	-	73,672,240
Financial assets at fair value through profit or loss	30,140,124	421,339	2,084,496	141,259	3,818	-	32,791,036
Securities purchased under agreements to resell	3,080,168	-	-	-	-	-	3,080,168
Receivables	19,201,038	19,190,993	4,872,041	5,997,036	2,824,731	-	52,085,839
Discounts and loans	50,431,578	58,285,153	41,333,504	43,744,928	178,332,302	347,274,870	719,402,335
Available-for-sale financial assets	5,883,655	645,336	581,277	557,772	24,638,390	294,202	32,600,632
Held-to-maturity investments	109,980,160	77,249,309	11,002,931	31,116,062	500,921	30,541	229,879,924
Hedging derivative financial assets	-	-	-	-	41,323	-	41,323
	<u>297,213,326</u>	<u>161,721,279</u>	<u>63,783,457</u>	<u>84,684,162</u>	<u>206,341,485</u>	<u>347,599,613</u>	<u>1,161,343,322</u>
Liabilities							
Call loans and due to banks	45,886,056	10,745,588	2,049,575	7,425,632	59,960	-	66,166,811
Financial liabilities at fair value through profit or loss	4,703,057	407,076	163,250	2,036,030	341	-	7,309,754
Securities sold under agreements to repurchase	5,319,665	1,752,206	-	-	-	-	7,071,871
Payables	11,275,450	4,243,739	1,124,562	699,204	315,274	1,435,025	19,093,254
Deposits and remittances	119,439,950	136,547,289	210,146,649	169,613,960	327,352,402	-	963,100,250
Bank debentures	41,323	-	-	-	33,986,520	3,000,000	37,027,843
Principal of structured products	3,528,900	3,579,261	57,687	-	-	-	7,165,848
Hedging derivative financial liabilities	-	-	-	3,107	51,212	-	54,319
	<u>190,194,401</u>	<u>157,275,159</u>	<u>213,541,723</u>	<u>179,777,933</u>	<u>361,765,709</u>	<u>4,435,025</u>	<u>1,106,989,950</u>
Net liquidity gap	<u>\$ 107,018,925</u>	<u>\$ 4,446,120</u>	<u>\$ (149,758,266)</u>	<u>\$ (95,093,771)</u>	<u>\$ (155,424,224)</u>	<u>\$ 343,164,588</u>	<u>\$ 54,353,372</u>

4) Foreign exchange rate risk

The Bank engages in foreign exchange business mainly to accommodate customers' needs and manages its exposure positions. Significant foreign-currency assets and liabilities were as follows:

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

	December 31					
	2012			2011		
	U.S. Dollars	Exchange Rate	New Taiwan Dollars	U.S. Dollars	Exchange Rate	New Taiwan Dollars
Assets						
Cash and cash equivalents	\$ 126,088	29.1366	\$3,673,776	\$ 94,562	30.29	\$2,864,283
Due from the Central Bank and other banks	629,000	29.1366	18,326,921	549,185	30.29	16,634,814
Financial assets at fair value through profit or loss	316,282	29.1366	9,215,382	420,181	30.29	12,727,282
Securities purchased under agreements to resell	8,100	29.1366	236,006	43,143	30.29	1,306,801
Receivables, net	1,186,733	29.1366	34,577,365	958,580	30.29	29,035,388
Discounts and loans, net	4,627,209	29.1366	134,821,138	4,016,481	30.29	121,659,209
Available-for-sale financial assets	68,886	29.1366	2,007,104	111,361	30.29	3,373,125

	December 31					
	2012			2011		
	U.S. Dollars	Exchange Rate	New Taiwan Dollars	U.S. Dollars	Exchange Rate	New Taiwan Dollars
Held-to-maturity investments	\$ 5,982	29.1366	\$ 174,295	\$ 6,008	30.29	\$ 181,982
Equity investments-equity method	162,306	29.1366	4,729,045	162,306	30.29	4,916,249
Other financial assets, net						
Unquoted equity instruments	195,000	30.991	6,043,165	195,000	30.991	6,043,165
Other financial assets	74,472	29.1366	2,169,861	57,670	30.29	1,746,824
<u>Liabilities</u>						
Call loan and due to banks	1,625,610	29.1366	47,364,748	1,483,245	30.29	44,927,491
Financial liabilities at fair value through profit or loss	135,777	29.1366	3,956,080	428,461	30.29	12,978,084
Payables	239,431	29.1366	6,976,205	235,807	30.29	7,142,594
Deposits and remittances	4,961,542	29.1366	144,562,465	4,262,985	30.29	129,125,816
Other financial liabilities	94,264	29.1366	2,746,532	70,090	30.29	2,123,026

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 fair value risk on the interest of the Bank's debentures, fixed rate loans may fluctuate as market rates change. The Bank evaluated the risk may be significant and thus used interest rate swaps as hedging instruments.

Hedged Items	Hedging Instruments	December 31			
		2012		2011	
		Notional Amount	Fair Value	Notional Amount	Fair Value
Bank debentures	Interest rate swap	\$ 1,400,000	\$ 15,616	\$ 1,400,000	\$ 41,323
Fixed rate loans	Interest rate swap	-	-	134,123	(3,107)

f. Cash flow hedge

The Bank used interest rate swap contracts to hedge against the risk of adverse interest rate fluctuations of bank debentures.

Hedged Items	Hedging Instruments	December 31			
		2012		2011	
		Notional Amount	Fair Value	Notional Amount	Fair Value
Bank debentures	Interest rate swap	\$ 3,600,000	\$ (22,576)	\$ 3,600,000	\$ (51,212)

33. MARKET RISK CONTROL AND HEDGE STRATEGY

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

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

a. Statement of capital adequacy

Analysis Items		Year	December 31, 2012		December 31, 2011		
			Standalone	Consolidation	Standalone	Consolidation	
Eligible capital	Tier 1 capital		\$67,331,426	\$72,338,629	\$59,365,922	\$63,862,362	
	Tier 2 capital		29,937,518	36,062,151	28,878,423	34,329,809	
	Tier 3 capital		-	-	-	-	
	Eligible capital		97,268,944	108,400,780	88,244,345	98,192,171	
Risk-weighted assets	Credit risk	Standardized approach	706,571,756	729,504,805	616,247,958	645,639,452	
		Internal rating - based approach	-	-	-	-	
		Securitization	723	631,950	914	559,267	
	Operational risk	Basic indicator approach	34,026,943	38,561,788	30,050,610	36,394,452	
		Standardized approach/ alternative standardized approach	-	-	-	-	
		Advanced measurement approach	-	-	-	-	
	Market risk	Standardized approach	19,674,819	23,485,329	18,188,885	18,171,185	
		Internal models approach	-	-	-	-	
	Total risk-weighted assets			760,274,241	792,183,872	664,488,367	700,764,356
	Capital adequacy rate			12.79%	13.68%	13.28%	14.01%
Tier 1 risk - based capital ratio			8.86%	9.13%	8.93%	9.11%	
Tier 2 risk - based capital ratio			3.93%	4.55%	4.35%	4.90%	
Tier 3 risk - based capital ratio			-	-	-	-	
Ratios of common stockholders' equity to total assets			4.33%	4.25%	4.45%	4.33%	
Leverage ratio			5.58%	5.84%	5.22%	5.42%	

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

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

Note 3: The formula:

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

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

b. Asset quality

The overdue loans and receivables are shown in Table 6-2.

c. Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities
December 31, 2012

(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	\$1,116,647,032	\$280,179,911	\$141,941,208	\$ 91,933,080	\$ 53,844,626	\$548,748,207
Main capital outflow on maturity	1,133,884,510	140,675,794	179,116,910	176,406,492	199,640,636	438,044,678
Gap	(17,237,478)	139,504,117	(37,175,702)	(84,473,412)	(145,796,010)	110,703,529

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

Maturity Analysis of Assets and Liabilities
December 31, 2012

(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	\$ 10,935,064	\$3,211,268	\$3,529,056	\$1,394,621	\$1,265,120	\$1,534,999
Main capital outflow on maturity	10,749,928	3,976,087	2,854,913	1,406,855	895,662	1,616,411
Gap	185,136	(764,819)	674,143	(12,234)	369,458	(81,412)

Note 1: The above amounts are book values of the assets and liabilities held by the onshore branches and offshore banking unit of the Bank in U.S. dollars, which have no off-balance sheet amounts (negotiable certificates of deposits, bonds or stocks, etc.).

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
December 31, 2011

(In Thousands of New Taiwan Dollars)

	Total	The Amount of Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Main capital inflow on maturity	\$1,116,701,479	\$292,785,793	\$161,329,746	\$ 58,896,007	\$ 73,251,278	\$530,438,655
Main capital outflow on maturity	1,129,739,922	183,892,309	170,424,563	186,421,932	183,082,093	405,919,025
Gap	(13,038,443)	108,893,484	(9,094,817)	(127,525,925)	(109,830,815)	124,519,630

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
December 31, 2011**

(In Thousands of U.S. Dollars)

	Total	The Amount of Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Main capital inflow on maturity	\$12,756,092	\$4,368,480	\$3,281,467	\$1,367,686	\$ 621,922	\$3,116,537
Main capital outflow on maturity	12,660,878	4,768,149	3,182,681	1,099,738	655,456	2,954,854
Gap	95,214	(399,669)	98,786	267,948	(33,534)	161,683

Note 1: The above amounts are book values of the assets and liabilities held by the onshore branches and offshore banking unit of the Bank in U.S. dollars, which have no off-balance sheet amounts (negotiable certificates of deposits, bonds or stocks, etc.).

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

d. Profitability

(%)

Items	Year Ended December 31, 2012	Year Ended December 31, 2011
	Return on total assets	
Before income tax	0.76	0.24
After income tax	0.68	0.22
Return on net worth		
Before income tax	12.39	3.97
After income tax	11.00	3.61
Profit margin	38.44	15.35

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 years ended December 31, 2012 and 2011.

e. Interest rate sensitivity information

**Interest Rate Sensitivity
December 31, 2012**

(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	\$776,383,457	\$ 42,438,568	\$ 41,916,628	\$ 77,287,158	\$938,025,811
Interest rate-sensitive liabilities	337,333,354	418,251,512	87,737,208	38,147,913	881,469,987
Interest rate-sensitive gap	439,050,103	(375,812,944)	(45,820,580)	39,139,245	56,555,824
Net worth					79,845,233
Ratio of interest rate-sensitive assets to liabilities					106.42%
Ratio of interest rate-sensitive gap to net worth					70.83%

**Interest Rate Sensitivity
December 31, 2011**

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$751,895,994	\$ 37,243,170	\$ 61,177,329	\$ 52,907,663	\$903,224,156
Interest rate-sensitive liabilities	356,551,630	409,369,216	56,184,008	30,203,336	852,308,190
Interest rate-sensitive gap	395,344,364	(372,126,046)	4,993,321	22,704,327	50,915,966
Net worth					70,508,936
Ratio of interest rate-sensitive assets to liabilities					105.97%
Ratio of interest rate-sensitive gap to net worth					72.21%

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

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

Note 3: Interest rate sensitivity 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 (U.S. Dollars)
December 31, 2012**

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 5,880,318	\$ 163,728	\$ 67,508	\$ 140,091	\$ 6,251,645
Interest rate-sensitive liabilities	2,949,143	3,687,695	220,917	6,531	6,864,286
Interest rate-sensitive gap	2,931,175	(3,523,967)	(153,409)	133,560	(612,641)
Net worth					90,708
Ratio of interest rate-sensitive assets to liabilities					91.07%
Ratio of interest rate-sensitive gap to net worth					(675.40%)

**Interest Rate Sensitivity (U.S. Dollars)
December 31, 2011**

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 5,048,063	\$ 307,073	\$ 32,488	\$ 125,651	\$ 5,513,275
Interest rate-sensitive liabilities	2,821,289	2,845,788	246,451	2,420	5,915,948
Interest rate-sensitive gap	2,226,774	(2,538,715)	(213,963)	123,231	(402,673)
Net worth					82,643
Ratio of interest rate-sensitive assets to liabilities					93.19%
Ratio of interest rate-sensitive gap to net worth					(487.24%)

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 are 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 are affected by interest-rate changes.

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

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

f. Concentration of credit extensions

December 31, 2012

(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 (manufacture of liquid crystal panel and components)	\$13,528,638	19.17 %
2	B Group (manufacture of liquid crystal panel and components)	12,973,578	18.39 %
3	C Group (manufacture of plastics, sheets, pipes and tubes)	12,618,614	17.88 %
4	D Group (manufacture of computers)	6,400,532	9.07 %
5	E Group (manufacture of computers)	4,914,051	6.96 %
6	F Group (financial leasing)	4,662,355	6.61 %
7	G Group (smelting and refining of iron and steel)	4,594,042	6.51 %
8	H Group (cable and other subscription programming)	4,468,119	6.33 %
9	I Group (mechanics, telecommunications and electricity facilities installation)	3,960,509	5.61 %
10	J Group (manufacture of the basic metals not else where classified)	2,577,708	3.65 %

December 31, 2011

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	Industry Category (Note 2)	Total Credit Consists of Loans (Note 3)	Percentage of Net Worth (%) (Note 4)
1	A Group (manufacture of liquid crystal panel and components)	\$14,355,828	21.77 %
2	B Group (manufacture of plastics, sheets, pipes and tubes)	14,272,371	21.64 %
3	C Group (manufacture of liquid crystal panel and components)	12,219,170	18.53 %
4	D Group (manufacture of computers)	7,916,648	12.00 %
5	E Group (manufacture of computers)	5,933,193	9.00 %
6	F Group (retail sale of cosmetics in specialized stores)	5,358,503	8.12 %
7	G Group (cable and other subscription programming)	4,751,461	7.20 %
8	H Group (financial leasing)	4,618,464	7.00 %
9	I Group (manufacture of liquid crystal panel and components)	4,023,044	6.10 %
10	J Group (manufacture of the basic metals not else where classified)	2,523,957	3.83 %

Note 1: Ranking of top 10 groups (excluding government or state - owned utilities) whose total credit consists of loans.

Note 2: Groups were those as defined in the Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings Law Article 6.

Note 3: Total credit is the sum of all loans (including import and export bills 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 factored without recourse, 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 December 31, 2012 and 2011

(In Thousands of New Taiwan Dollars)

	December 31					
	2012			2011		
	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	\$ 2,657,699	\$ -	\$ 2,657,699	\$ 2,699,582	\$ -	\$ 2,699,582
Bonds	1,611,352	-	1,611,352	2,633,025	-	2,633,025
Stocks	6,480,917	-	6,480,917	5,746,650	-	5,746,650
Funds	116,814,926	-	116,814,926	111,451,569	-	111,451,569
Securities lent	3,457,380	-	3,457,380	1,188,055	-	1,188,055
Receivables	15,312	-	15,312	9,301	-	9,301
Prepayments	2,313	-	2,313	12	49	61
Real estate						
Land	6,549,890	-	6,549,890	5,945,769	-	5,945,769
Buildings	1,289,377	-	1,289,377	111,039	-	111,039
Construction in process	3,817,626	-	3,817,626	3,753,650	-	3,753,650
Securities under custody	<u>60,183,115</u>	<u>-</u>	<u>60,183,115</u>	<u>67,235,920</u>	<u>-</u>	<u>67,235,920</u>
Total trust assets	<u>\$202,879,907</u>	<u>\$ -</u>	<u>\$202,879,907</u>	<u>\$200,774,572</u>	<u>\$ 49</u>	<u>\$200,774,621</u>
<u>Trust liabilities</u>						
Payables	\$ 5,748	\$ -	\$ 5,748	\$ 2,226	\$ -	\$ 2,226
Payable on securities under custody	60,183,115	-	60,183,115	67,235,920	-	67,235,920
Trust capital	142,245,441	-	142,245,441	132,994,919	11,806	133,006,725
Reserves and cumulative earnings						
Reserves	-	-	-	-	22,312	22,312
Net income (loss)	973,173	-	973,173	(37,791)	(22,815)	(60,606)
Cumulative earnings	541,507	(34,069)	507,438	2,333,012	720,559	3,053,571
Deferred amount	<u>(1,069,077)</u>	<u>34,069</u>	<u>(1,035,008)</u>	<u>(1,753,714)</u>	<u>(731,813)</u>	<u>(2,485,527)</u>
Total trust liabilities	<u>\$202,879,907</u>	<u>\$ -</u>	<u>\$202,879,907</u>	<u>\$200,774,572</u>	<u>\$ 49</u>	<u>\$200,774,621</u>

Trust Income Statement
Years Ended December 31, 2012 and 2011

(In Thousands of New Taiwan Dollars)

	Year Ended December 31					
	2012			2011		
	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	\$ 24,894	\$ -	\$ 24,894	\$ 37,364	\$ 479	\$ 37,843
Borrowed Securities income	136,433	-	136,433	21,639	-	21,639
Cash dividends	167,749	-	167,749	303,931	-	303,931
Gains from beneficiary certificates	139	-	139	185	-	185
Realized investment income	104,958	-	104,958	28,234	-	28,234
Unrealized investment income	630,551	-	630,551	-	-	-
Total trust income	<u>1,064,724</u>	<u>-</u>	<u>1,064,724</u>	<u>391,353</u>	<u>479</u>	<u>391,832</u>
Trust expense						
Trust administrative expenses	27,898	-	27,898	9,553	105	9,658
Tax expenses	238	-	238	3,721	-	3,721
Interest expenses	-	-	-	-	22,869	22,869
OTC expenses	-	-	-	-	75	75
Service expenses	-	-	-	-	231	231
Realized investment loss	60,530	-	60,530	72,602	-	72,602
Unrealized investment loss	-	-	-	342,792	-	342,792
Others	2,885	-	2,885	476	14	490
Total trust expense	<u>91,551</u>	<u>-</u>	<u>91,551</u>	<u>429,144</u>	<u>23,294</u>	<u>452,438</u>
Income (loss) before income tax	973,173	-	973,173	(37,791)	(22,815)	(60,606)
Income tax expense	-	-	-	-	-	-
Net income (loss)	<u>\$ 973,173</u>	<u>\$ -</u>	<u>\$ 973,173</u>	<u>\$ (37,791)</u>	<u>\$ (22,815)</u>	<u>\$ (60,606)</u>

Trust Properties of Trust Accounts
December 31, 2012 and 2011

(In Thousands of New Taiwan Dollars)

Investment Portfolio	December 31			
	2012		2011	
	Book Value	Note	Book Value	Note
Bank deposits	\$ 2,657,699		\$ 2,699,582	
Bonds	1,611,352		2,633,025	
Stocks	6,480,917		5,746,650	
Funds	116,814,926		111,451,569	
Securities lent	3,457,380		1,188,055	
Real estate				
Land	6,549,890		5,945,769	
Buildings	1,289,377		111,039	
Construction in process	3,817,626		3,753,650	
Securities under custody	60,183,115		67,235,920	
Total	<u>\$ 202,862,282</u>		<u>\$ 200,765,259</u>	

- b. The contents of operations of the trust business is under the Trust Law.
- c. IBT, a trustee in behalf of its corporate customers, purchased CDOs issued by Lehman Brothers for US\$20 million in 2005. A civil case have been brought against the issuer, custodians and bond holders (the Bank based on trust deed) by the insolvency administrator of Lehman Brothers at United States Bankruptcy Court, New York. The civil case is still in preliminary case of proceeding. The Bank has notified the lawsuit to customers and appointed attorney.

36. CROSS-SELLING INFORMATION

For the years ended December 31, 2012 and 2011, the Bank charged SinoPac Securities for \$3,223 and \$3,170, respectively, as marketing and opening accounts. The rental fee the Bank has charged SinoPac Securities for the years ended December 31, 2012 and 2011 were \$3,408 and \$3,270, respectively. The rental fee the Bank paid to SinoPac Securities were \$668 and \$674, for the years ended December 31, 2012 and 2011, respectively. The Bank has charged SinoPac Securities a total of \$3,245 and \$3,766, respectively for the years ended December 31, 2012 and 2011 for bonus as part of the cross-selling agreement. Other transactions between SPH and its subsidiaries please refer to Note 28.

37. OPERATING SEGMENT INFORMATION

Based on chief of decision maker'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 mentioned in Note 2 apply to all of the business segments in accordance to SFAS 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 SinoPac Bancorp and Far East National Bank.

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

- a. 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 7.
- b. The Bank is operating mainly in three geographical areas – Domestic and others, USA, and Hong Kong and Macau. For the information regarding business segment revenue from external customers geographical information of assets, please refer to Table 7.

38. PRE-DISCLOSURE FOR ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Under Rule No. 0990004943 issued by the FSC on February 2, 2010, the Bank pre-discloses the following information on the adoption of International Financial Reporting Standards (IFRSs) as follows:

- a. On May 14, 2009, the FSC announced the "Framework for Adoption of International Financial Reporting Standards by Companies in the ROC." In this framework, starting 2013, Financial Institutions Supervised by FSC should prepare their financial statements in accordance with the Criteria Governing the Preparation of Financial Reports by Public Banks and the International Financial Reporting Standards, International Accounting Standards, and the Interpretations as well as related guidances translated by the ARDF and issued by the FSC. To comply with this framework, the Bank has set up a project team and made a plan to adopt the IFRSs. Leading the implementation of this plan are the project decision-making committees. The main contents of the plan and status of execution were as follows:

Contents of Plan	Responsible Departments	Status of Execution
1) Establish the task force	SPH project accounting division	Finished
2) Set up a work plan for IFRSs adoption	SPH project accounting division	Finished
3) Identify and analyze the differences between the current accounting policies and IFRSs	Administration, human resource, commodity, risk management and accounting divisions	Finished
4) Complete the identification of consolidated entities under IFRSs	Accounting division	Finished
5) Evaluate the potential effects of the adoption of IFRS 1 - "First-time Adoption of International Financial Reporting Standards" (IFRS 1)	Administration, human resource, commodity, risk management and accounting divisions	Finished
6) Assess the related IT system to identify possible adjustments	Administration, human resource, commodity, risk management, accounting and IT divisions	Finished
7) Assess the related internal controls to identify possible adjustments	Administration, human resource, commodity, risk management and accounting divisions	Finished
8) Determine the IFRSs accounting policies	Administration, human resource, commodity, risk management and accounting divisions	Finished
9) Choose from the exemptions stated in IFRS 1	Administration, human resource, commodity, and accounting divisions	Finished
10) Complete the preparation of the opening IFRS statement of financial position	Accounting division	Finished
11) Complete the preparation of comparative 2012 IFRSs financial information	Accounting division	Finished
12) Complete the modification of internal control (including the financial report process and relevant IT systems)	Administration, human resource, commodity, risk management, accounting, IT and internal audit divisions	Finished

b. The Bank and its subsidiaries had assessed the material differences, shown below, between the existing accounting policies and the accounting policies to be adopted under IFRSs:

1) Reconciliation of balance sheet as of January 1, 2012

	R.O.C. GAAP	Affecting Amounts	IFRSs	Description
<u>Assets</u>				
Cash and cash equivalents	\$ 18,012,075	\$ -	\$ 18,012,075	
Due from the Central Bank and other banks	82,753,425	-	82,753,425	
Financial assets at fair value through profit or loss	33,437,176	(2,356)	33,434,820	5) d)
Securities purchased under agreements to resell	3,080,168	-	3,080,168	
Receivables, net	51,939,318	550,363	52,489,681	5) d)
Discounts and loans, net	732,363,961	-	732,363,961	

	R.O.C. GAAP	Affecting Amounts	IFRSs	Description
Available-for-sale financial assets	\$ 37,085,376	\$ 104,361	\$ 37,189,737	5) d)
Held-to-maturity investments	233,697,727	-	233,697,727	
Other financial assets, net	5,264,090	(562,053)	4,702,037	
Properties, net	9,601,903	1,869,479	11,471,382	5) e)
Intangible assets	1,457,004	-	1,457,004	
Other assets	6,842,184	(1,035,688)	5,806,496	5) c), 5) e)
Total	\$ 1,215,534,407	\$ 924,106	\$ 1,216,458,513	
Liabilities				
Call loans and due to banks	\$ 66,374,829	\$ -	\$ 66,374,829	
Short-term borrowings	899,480	-	899,480	
Financial liabilities at fair value through profit or loss	7,308,944	-	7,308,944	
Securities sold under agreements to repurchase	7,071,871	-	7,071,871	
Payables	20,169,513	340	20,169,853	5) d)
Deposits and remittances	994,056,325	-	994,056,325	
Bank debentures	37,027,843	-	37,027,843	
Other financial liabilities	7,847,122	(226,965)	7,620,157	
Other liabilities	4,233,632	2,033,405	6,267,037	5) a), 5) b), 5) c)
Total liabilities	1,144,989,559	1,806,780	1,146,796,339	
Stockholders' equity of parent company				
Capital stock	52,574,469	-	52,574,469	
Capital surplus	9,962,818	-	9,962,818	
Retained earnings	7,242,286	(12,017)	7,230,269	5) d), 5) g)
Other items on stockholders' equity	765,275	(870,657)	(105,382)	5) g)
Total stockholders' equity of parent company	70,544,848	(882,674)	69,662,174	
Total	\$ 1,215,534,407	\$ 924,106	\$ 1,216,458,513	

2) Reconciliation of balance sheet as of December 31, 2012

	R.O.C. GAAP	Affecting Amounts	IFRSs	Description
Assets				
Cash and cash equivalents	\$ 19,131,502	\$ -	\$ 19,131,502	
Due from the Central Bank and other banks	87,672,292	-	87,672,292	
Financial assets at fair value through profit or loss	27,680,674	(49,803)	27,630,871	5) d)
Securities purchased under agreements to resell	236,006	-	236,006	
Receivables, net	62,354,485	682,897	63,037,382	5) d)
Discounts and loans, net	770,309,413	-	770,309,413	
Available-for-sale financial assets	55,787,623	-	55,787,623	
Held-to-maturity investments	219,843,943	-	219,843,943	
Other financial assets, net	5,533,415	(1,058,380)	4,475,035	
Properties, net	9,418,888	1,680,602	11,099,490	5) e)
Intangible assets	2,044,968	-	2,044,968	
Other assets	6,359,440	(390,586)	5,968,854	5) c), 5) e)
Total	\$ 1,266,372,649	\$ 864,730	\$ 1,267,237,379	

	R.O.C. GAAP	Affecting Amounts	IFRSs	Description
<u>Liabilities</u>				
Call loans and due to banks	\$ 70,454,184	\$ -	\$ 70,454,184	
Short-term borrowings	903,218	-	903,218	
Financial liabilities at fair value through profit or loss	8,671,564	-	8,671,564	
Securities sold under agreements to repurchase	1,201,450	-	1,201,450	
Payables	22,733,956	(99,099)	22,634,857	5) d)
Deposits and remittances	1,029,885,089	-	1,029,885,089	
Bank debentures	43,001,812	-	43,001,812	
Other financial liabilities	5,977,107	(269,705)	5,707,402	
Other liabilities	4,579,829	1,947,167	6,526,996	5) a), 5) b), 5) c)
Total liabilities	<u>1,187,408,209</u>	<u>1,578,363</u>	<u>1,188,986,572</u>	
<u>Stockholders' equity of parent company</u>				
Capital stock	53,862,022	-	53,862,022	
Capital surplus	10,413,462	-	10,413,462	
Retained earnings	13,737,927	105,914	13,843,841	5) g)
Other items on stockholders' equity	<u>951,029</u>	<u>(819,547)</u>	<u>131,482</u>	5) g)
Total stockholders' equity of parent company	<u>78,964,440</u>	<u>(713,633)</u>	<u>78,250,807</u>	
Total	<u>\$ 1,266,372,649</u>	<u>\$ 864,730</u>	<u>\$ 1,267,237,379</u>	

3) Reconciliation of statement of comprehensive income for the year ended December 31, 2012

	R.O.C. GAAP	Affecting Amounts	IFRSs	Description
Net interest	\$ 14,448,742	\$ (186,374)	\$ 14,262,368	5) b)
Net revenues other than interest				
Commissions and fee revenues, net	4,565,284	87,140	4,652,424	
Gains from financial assets and liabilities at fair value through profit or loss	2,434,862	283,671	2,718,533	5) d)
Realized gains from available-for-sale financial assets	31,337	-	31,337	
Foreign exchange gain, net	325,085	294	325,379	
Impairment losses on assets	(287,334)	-	(287,334)	
Recovery of bad debts	561,481	(561,481)	-	5) f)
Loss from disposal of bad debts	(76,078)	-	(76,078)	
Other net gains	<u>157,521</u>	<u>113,999</u>	<u>271,520</u>	
Total net revenues	<u>22,160,900</u>	<u>(262,751)</u>	<u>21,898,149</u>	
Reversal of bad debts	<u>35,918</u>	<u>561,481</u>	<u>597,399</u>	5) f)

	R.O.C. GAAP	Affecting Amounts	IFRSs	Description
Operating expenses				
Personnel expenses	\$ (7,623,916)	\$ (110,078)	\$ (7,733,994)	5) a), 5) b)
Depreciation and amortization	(532,493)	(30,404)	(562,897)	
Others	<u>(4,271,894)</u>	<u>(4,332)</u>	<u>(4,276,226)</u>	
Total operating expenses	<u>(12,428,303)</u>	<u>(144,814)</u>	<u>(12,573,117)</u>	
Income before income tax	9,768,515	153,916	9,922,431	
Income tax expense	<u>(1,548,318)</u>	<u>(26,047)</u>	<u>(1,574,365)</u>	
Profit or loss	<u>\$ 8,220,197</u>	<u>\$ 127,869</u>	<u>8,348,066</u>	
Other comprehensive income				
Cumulative translation adjustments and exchange differences arising on translating foreign operations			4,356	
Unrealized gains on available-for-sale financial assets			208,740	
Unrealized gains on cash flow hedge			23,768	
Actuarial gains or losses of defined benefit plans			(9,938)	
Other comprehensive income for the year			<u>226,926</u>	
Comprehensive income for the year			<u>\$ 8,574,992</u>	

4) IFRS 1 optional exemptions

IFRS 1 - "First-time Adoption of International Financial Reporting Standards" states the procedures of entity's first-time adoption of IFRSs. According to the standard, the Bank and its subsidiaries should establish the accounting policy under IFRSs and apply retrospectively to the opening statement of financial position on effective date of IFRSs. IFRS 1 provides a number of optional exemptions from the general principle of full retrospective application, the Bank and its subsidiaries choose as below.

Business combinations

The Bank and its subsidiaries applied exemptions to the business combinations occurred before the date of transition. Therefore, goodwill, related assets and liabilities and non-controlling interest on the consolidated balance sheet as of January 1, 2012 amounted based on the numbers of December 31, 2011 by prior GAAP.

Above exemptions are also applied to the investment in associates of the Bank and its subsidiaries in the past.

Employee benefits

The bank and its subsidiaries recognized all unrecognized cumulative actuarial gain and loss related to employee benefit plan in retained earnings on the transition date of IFRS.

Deemed cost

The bank and its subsidiaries takes R.O.C. GAAP revaluation as deemed cost for parts of lands on the transition date. Other properties, plants and equipments, investment properties and intangible assets are measured using cost model and adopted related retrospective application.

5) Reconciliation of transition to IFRSs

There may exist significant differences between the current accounting policy and the future accounting policy adopted by IFRS of the Bank and its subsidiaries as below:

a) Employment benefit - actuarial gain and loss of defined benefit plan

Under R.O.C. GAAP, net transition obligation resulted from first-time adoption of SFAS No. 18 “Accounting for Pensions” should be amortized on a straight line basis over average remaining service life of active plan participants and recognized as net periodic pension cost. Transitional rules in IAS 19 “Employee Benefits” will not be applicable once transitioned to IFRSs, and the related affected amounts of net transition obligation should be recognized at once and adjusted with retained earnings.

Under R.O.C. GAAP, actuarial gains and losses use a 'corridor' approach when measuring its obligations, and amortized over the expected average remaining working lives of the participating employees. Instead, under IAS No. 19 “Employee Benefits” the Bank and its subsidiaries will recognize actuarial gains and losses of defined benefit obligation immediately in full in the period which they occur, as other comprehensive income. The subsequent reclassification to earnings is not permitted.

As of December 31, 2012 and January 1, 2012, the Bank and its subsidiaries reapplied actuarial valuation of defined benefit obligation in accordance with IAS 19, resulted in increments of accrued pension liabilities amounted to \$917,454 and \$1,034,553 under IFRS 1, respectively. And for the period ended December 31, 2012 resulted in decrements of pension cost amounted to \$85,990.

b) Employment benefit - preferential interest on employees' deposits

Under Article 28 of the Criteria Governing the Preparation of Financial Reports by Public Bank, the excess preferential interest the Bank offers to the employees under an employment arrangement or internal guideline should be recognized as post-employee benefits on the retirement date.

As of December 31, 2012 and January 1, 2012, the Bank and its subsidiaries applied actuarial valuation to preferential interest on retired employees' deposits in conformity with IAS 19 and Criteria Governing the Preparation of Financial Reports by Public Banks, resulted in increments of provisions for employee amounted to \$198,567 and \$170,548, respectively, and increment of employment benefit expense amounted to \$8,372 with reclassification of interest expense of employees' deposit to employment benefit expense amounted to \$168,131 for the year ended December 31, 2012.

c) Recognition of provisions

The amount recognized as a provision should be the best estimate of the expenditure required to settle the present obligation at the balance sheet date, that is, the amount based on fee revenues. The Bank and its subsidiaries reversed the provisions after the transition to IFRSs.

As of December 31, 2012 and January 1, 2012, the Bank and its subsidiaries adjusted with decrements respectively in provisions amounted to \$35,398 and \$36,398 and deferred tax asset amounted to \$5,237 and \$5,407 in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”.

d) Regular way transactions of financial assets

Under R.O.C. GAAP, entities have flexibility to use either trade date or settlement date accounting for recognition by the product category of financial instruments. The Bank and its subsidiaries applied settlement date accounting on bonds transactions and trade date accounting to regular way purchased or sold financial assets. After the transition to IFRSs, financial assets in the same category should be applied trade date or settlement date accounting consistently.

As of December 31, 2012 and January 1, 2012, the Bank and its subsidiaries adjusted respectively in following accounts in accordance with IAS 39 “Financial Instruments: Recognition and Measurement”: Increments in receivables amounted to \$102,737 and \$53,281; decrements in financial assets at fair value through profit or loss amounted to \$49,803 and \$2,356; increments in payables amounted to \$53,094 and \$155,332. As of December 31, 2012, the Bank and its subsidiaries adjusted decrement in gains from financial assets and liabilities at fair value through profit or loss amounted to \$114. As of January 1, 2012, the Bank and its subsidiaries adjusted increments in available-for-sale financial assets amounted to \$104,361 and decrements in retained earnings amounted to \$46.

e) Plants, properties and equipment

Under R.O.C. GAAP, rental assets and idle assets are classified as other assets. After the transition to IFRSs, assets held to earn rentals, or for capital appreciation, or both, are classified as investment properties, and others are reclassified as plants, properties and equipment.

As of December 31, 2012 and January 1, 2012, the Bank and its subsidiaries reclassified other assets to fixed assets amounted to \$1,681,750 and \$1,871,807.

f) Recovery of bad debts

The Bank and its subsidiaries reclassified recovery of bad debts to bad debt expense amounted to \$561,481 in accordance with the revised Criteria Governing the Preparation of Financial Reports by Public Banks.

g) Reconciliation of retained earnings

Major differences of retained earnings for January 1, 2012 under R.O.C. GAAP and IFRSs are due to IFRS 1, the Bank and its subsidiaries reclassified unrealized revaluation increment on land as retained earnings amounted to \$1,735,887 and adjusted in related pension liabilities amounted to \$2,144,391. In accordance with IAS 19, the Bank and its subsidiaries retrospectively recognized employment benefit provision of retired servicemen’s preferential interest on deposit amounted to \$170,548 and related tax effect which caused increment of retained earnings amounted to \$113,438.

c. Special reserve at the date of transition

Under Rule No. 1010012865 issued by the FSC on April 6, 2012, the first-time adoption of IFRSs, the Bank should appropriate the special surplus amounts to the balances of the unrealized revaluation increment and cumulative translation adjustments (gains) under the stockholders’ equity, which are transferred to retained earnings for adopting the optional exemptions of IFRS 1.

The Bank could only appropriate the amount of the retained earnings recognized at the date of transition if which is less than which should be reserved, and revise the reversed in the proportion of appropriating to the retained earnings for distributing the dividends, while using, disposing or reclassification of the related assets. The amount is \$1,735,887 of unrealized revaluation increment being transferred to the retained earnings of the Bank and its subsidiaries. While the retained earnings recognized for the first-time adoption of IFRSs is not increased, the Bank should not appropriate the special surplus.

d. The Bank and its subsidiaries has prepared the above assessments in compliance with (a) the 2010 version of the IFRSs translated by the ARDF and issued by the FSC and (b) the Guidelines Governing the Preparation of Financial Reports by Public Banks amended and issued by the FSC on December 26, 2011. These assessments may be changed as the International Accounting Statements Board continues to issue or amend standards, and as the FSC may issue new rules governing the adoption of IFRSs, and as other laws and regulations may be amended to comply with the adoption of IFRSs. Actual results may differ from these assessments.

39. ADDITIONAL DISCLOSURES

a. and b. Following are the additional disclosures required for the Bank and investees:

- 1) Financing provided: The Bank, NA; investees, none;
 - 2) Endorsement/guarantee provided: The Bank, NA; investees, none;
 - 3) Marketable securities held: Table 1;
 - 4) Marketable securities acquired and disposed of, at costs or prices of at least NT\$300 million or 10% of the issued capital: None;
 - 5) Acquired and disposed of investee investment at cost or prices of at least NT\$300 million or 10% of the issued capital: None;
 - 6) Acquisition of individual real estate at costs of at least NT\$300 million or 10% of the issued capital: None;
 - 7) Disposal of individual real estate at prices of at least NT\$300 million or 10% of the issued capital: None;
 - 8) Financial asset securitization: None;
 - 9) Allowance for service fees to related-parties amounting to at least NT\$5 million: None;
 - 10) Receivables from related parties amounting to at least NT\$300 million or 10% of the issued capital: Table 2;
 - 11) Trading information - sale of nonperforming loans: Table 3;
 - 12) Names, locations and other information of investees on which the Bank exercises significant influences: Table 4;
 - 13) Other material transactions which will affect the decisions of financial report users: Table 5 to 7;
 - 14) Derivative financial transactions: Except for the disclosure in other footnotes, the derivative financial instruments of the Bank are disclosed in Notes 6, 32 and Table 5-2, and the derivative financial instrument transactions: Subsidiaries in banking industry, NA; others, Table 5-7.
- c. Information related to investment in Mainland China: None.

TABLE 1**BANK SINOPAC AND INVESTEES****MARKETABLE SECURITIES HELD****DECEMBER 31, 2012****(In Thousands of New Taiwan Dollars or Shares)**

Name of Holding Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	December 31, 2012				Note
				Shares/Units/ Face Amount	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
SinoPac Bancorp	Stock Far East National Bank	Subsidiary	Equity investments - equity method and unquoted equity investments	8,070	\$ 9,251,345	100.00%	\$ 9,251,345	Note 2
	Far East Capital, LLC	Subsidiary	Equity investments - equity method	-	19,505	100.00%	19,505	Note 2
SinoPac Capital Limited (H.K.)	Stock SinoPac Capital (B.V.I.) Ltd.	Subsidiary	Equity investments - equity method	4,450	31,182	100.00%	47,881	Note 2
	SinoPac Insurance Brokers Ltd.	Subsidiary	Equity investments - equity method	100	1,128	100.00%	137,607	Note 2
SinoPac Capital (B.V.I.) Ltd.	Fund China Enterprise Capital	-	Unquoted equity investments	0.020	29,144	0.85%	29,144	Note 3
	Stock RSP Information Service Company Limited	Subsidiary	Equity investments - equity method	1,000	3,736	100.00%	9,374	Note 2
SinoPac Property Insurance Agent Co., Ltd.	Bond Government bond 88-3	-	Guarantee deposits	-	625	-	747	Pledge
SinoPac Life Insurance Agent Co., Ltd.	Bond Government bond 88-3	-	Guarantee deposits	-	625	-	747	Pledge

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

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

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

TABLE 2**BANK SINOPAC AND INVESTEES****RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL****DECEMBER 31, 2012****(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	\$ 1,155,552 (Note)	-	\$ -	-	\$ -	\$ -

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

TABLE 3**BANK SINOPAC AND INVESTEES****TRADING INFORMATION - SALE OF NONPERFORMING LOANS
YEAR ENDED DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars)**

Date	Counter-parties	Loans	Carrying Amount (Note)	Selling Price (Note)	Gain or (Loss) on Disposal	Attachment	Relation
<u>Bank SinoPac</u>							
June 27, 2012	Mega Asset Management Corporation	Commercial secured loans	\$ 169,586	\$ 199,870	\$ 30,284	-	None
December 24, 2012	Deutsche Bank, London Branch	Commercial secured loans	140,968	98,336	(42,632)	-	None
December 28, 2012	Deutsche Bank, London Branch	Commercial secured loans	93,297	65,557	(27,740)	-	None
<u>FENB</u>							
January 19, 2012	Aimcapital 610, LLC	Commercial secured loans	5,842	5,978	136	-	None
January 24, 2012	STRIP N SEARCH CENTER, LLC	Commercial secured loans	187,007	187,007	-	-	None
January 30, 2012	4001 International Investors, LLC	Commercial secured loans	5,999	4,459	(1,540)	-	None
March 5, 2012	Oakfield Industrial Park, LLC	Commercial secured loans	83,225	56,484	(26,741)	-	None
May 1, 2012	Bankers Fiscal Services, Inc.	Commercial secured loans	-	5,214	5,214	-	None
May 15, 2012	Liberty Asset Management, Co.	Commercial secured loans	47,086	45,182	(1,904)	-	None
May 24, 2012	Alcatraz Terminal, LLC	Commercial secured loans	346,415	396,041	49,626	-	None
June 27, 2012	Jiffy Properties, LLC	Commercial secured loans	108,956	97,194	(11,762)	-	None
August 6, 2012	Robert & Doreen Schwartz	Commercial secured loans	-	308	308	-	None
August 13, 2012	Sheldon Appel, Trustee of the Erwin and Essie Appel Trust	Commercial secured loans	13,840	13,923	83	-	None
August 23, 2012	749 Bryant Investors, LLC	Commercial secured loans	25,888	20,116	(5,772)	-	None
December 31, 2012	Asset Foreclosure Services, Inc.	Commercial secured loans	4,357	5,734	1,377	-	None

Note: Carrying amount of Bank SinoPac is the original credit amount deducted allowance for bad debt. Carrying amount of FENB is the original credit amount. Foreign-currency amounts are translated at the exchange rates of balance sheet date.

TABLE 4

BANK SINOPAC AND INVESTEEES

INFORMATION ON INVESTED ENTERPRISES

YEAR ENDED DECEMBER 31, 2012

(In Thousands of New Taiwan Dollars or Shares)

Investee Company	Location	Main Businesses and Products	Percentage of Ownership	Carrying Amount	Investment Gains	Consolidated Investment				Note
						Shares	Imitated Shares	Total		
								Shares	Percentage of Ownership	
<u>Financial related enterprise</u>										
SinoPac Bancorp	California	Holding company	100.00%	\$ 3,331,159	\$ 776,881	20	-	20	100.00%	Subsidiary
SinoPac Capital Limited (H.K.)	Hong Kong	Credit and investment service	100.00%	1,261,900	65,549	229,998	-	229,998	100.00%	Subsidiary
SinoPac Life Insurance Agent Co., Ltd.	Taipei	Life insurance agent	100.00%	792,915	737,317	300	-	300	100.00%	Subsidiary
SinoPac Property Insurance Agent Co., Ltd.	Taipei	Property insurance agent	100.00%	38,064	31,919	300	-	300	100.00%	Subsidiary
SinoPac Bancorp	California	Holding company	100.00%	6,043,165	-	7,800	-	7,800	100.00%	Preferred stock
Global Securities Finance Corporation	Taipei	Securities financing	2.63%	173,496	-	21,552	-	21,552	2.87%	
Taipei Foreign Exchange Inc.	Taipei	Foreign exchange market maker	3.43%	6,800	2,176	680	-	680	3.43%	Note 2
Taiwan Futures Exchange	Taipei	Futures exchange and settlement	1.07%	21,490	6,571	5,807	-	5,807	2.08%	Note 2
Fuh Hwa Securities Investment Trust Co., Ltd.	Taipei	Securities investment trust and consultant	4.63%	15,000	9,000	1,500	-	1,500	4.63%	Note 2
Financial Information Service Co., Ltd.	Taipei	Planning and developing the information system of across banking institution and managing the information web system	2.28%	91,000	26,617	10,238	-	10,238	2.28%	Note 2
Taiwan Asset Management Corporation	Taipei	Evaluating, auctioning, and managing for financial institutions' loan	0.28%	50,000	3,797	5,000	-	5,000	0.28%	Note 2
Taiwan Financial Asset Service Co.	Taipei	Auction	5.88%	100,000	1,000	10,000	-	10,000	5.88%	Note 2
Sunny Asset Management Corp.	Taipei	Purchasing for financial institutions' loan assets	1.42%	164	154	85	-	85	1.42%	Note 2
Taiwan Depository and Clearing Co.	Taipei	Computerizing book-entry operation for securities	0.08%	4,639	390	2,907	-	2,907	0.91%	Note 2
<u>Nonfinancial related enterprise</u>										
Taiwan Television Enterprise, Ltd.	Taipei	Wireless television company	4.84%	20,983	-	13,826	-	13,826	4.93%	

Note 1: Foreign-currency amounts were translated at the exchange rate as of the balance sheet date, except for foreign-currency-denominated income and expenses, which were translated to New Taiwan dollars at the average exchange rate for the year ended December 31, 2012.

Note 2: Investment gains are dividends income.

TABLE 5-1

BANK SINOPAC

**FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS
 DECEMBER 31, 2012 AND 2011
 (In Thousands of New Taiwan Dollars)**

	December 31	
	2012	2011
<u>Held-for-trading financial assets</u>		
Government bonds	\$ 11,029,088	\$ 3,110,307
Corporate bonds	2,168,074	2,935,051
Bank debentures	885,336	640,777
Treasury bill	512,868	-
Beneficiary certificates	396,043	450,698
Listed stocks	108,153	31,171
Convertible bonds	19,109	20,381
Negotiable certificates of deposits	-	17,005,311
Collateralized debt obligations	-	780
Derivative financial assets		
Interest rate swap contracts	2,726,906	4,569,158
Currency swap contracts	2,258,092	167,422
Long option contracts	1,830,714	666,008
Forward contracts	1,778,951	2,101,499
Cross-currency swap contracts	89,422	192,369
Others	28,875	24,036
	<u>23,831,631</u>	<u>31,914,968</u>
<u>Financial assets designated as at fair value through profit or loss</u>		
Convertible bonds	<u>3,228,859</u>	<u>876,068</u>
Total of financial assets at fair value through profit or loss	<u>\$ 27,060,490</u>	<u>\$ 32,791,036</u>
<u>Held-for-trading financial liabilities</u>		
Derivative financial liabilities		
Interest rate swap contracts	\$ 2,783,076	\$ 4,583,328
Currency swap contracts	2,226,695	144,792
Short option contracts	1,856,129	812,661
Forward contracts	1,711,301	1,605,822
Cross-currency swap contract	59,948	123,602
Others	33,908	39,549
	<u>\$ 8,671,057</u>	<u>\$ 7,309,754</u>

TABLE 5-2**BANK SINOPAC****STATEMENTS OF OUTSTANDING CONTRACT OF DERIVATIVES
DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)**

	Contract Amounts	
	December 31	
	2012	2011
Interest rate swap contracts	\$ 631,767,938	\$ 836,221,169
Currency swap contracts	342,886,217	379,929,660
Option contracts		
Long position	283,134,468	146,307,870
Short position	283,964,933	145,337,961
Forward contracts		
Long position	18,802,164	5,310,071
Short position	14,423,966	3,381,876
Non-deliverable forward contracts		
Long position	256,278,267	270,945,746
Short position	256,187,238	270,144,366
Cross-currency swap contracts	10,050,740	8,590,579
Assets swap contracts	3,226,505	1,036,771
Credit default swap contracts	800,000	1,100,000
Equity-linked swap contracts	962,766	35,057
Commodity-linked swap contracts	297,575	273,825
Futures contracts	1,529	1,288,682
Credit-linked swap contracts	800,000	1,100,000

TABLE 5-3**BANK SINOPAC****STATEMENTS OF AVAILABLE-FOR-SALE FINANCIAL ASSETS
DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)**

	December 31	
	2012	2011
Corporate bonds	\$ 21,938,670	\$ 8,245,565
Government bonds	16,267,156	12,213,236
Bank debentures	6,740,785	5,995,760
Commercial paper	5,671,295	5,024,470
Negotiable certificates of deposit	437,049	452,533
Listed stocks	6,937	62,959
Government institutional bonds	-	606,109
	<u>\$ 51,061,892</u>	<u>\$ 32,600,632</u>

TABLE 5-4**BANK SINOPAC****STATEMENTS OF HELD-TO-MATURITY FINANCIAL ASSETS
DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)**

	December 31	
	2012	2011
Negotiable certificates of deposit	\$ 215,825,683	\$ 229,220,900
Government bonds	1,214,743	127,561
Corporate bonds	250,141	500,921
Bank debentures	24,984	25,974
Collateralized debt obligations	<u>3,614</u>	<u>4,568</u>
	<u>\$ 217,319,165</u>	<u>\$ 229,879,924</u>

TABLE 5-5**BANK SINOPAC****STATEMENTS OF OTHER FINANCIAL ASSETS, NET
DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)**

	December 31	
	2012	2011
Unquoted equity instruments		
Oversea unlisted equity investments - preferred stock	\$ 6,043,165	\$ 6,043,165
Unlisted equity investments - common stock	<u>483,572</u>	<u>488,507</u>
	6,526,737	6,531,672
Less: Accumulated impairment	<u>-</u>	<u>2,500</u>
	<u>6,526,737</u>	<u>6,529,172</u>
Others		
Purchase of PEM instruments	3,909,134	3,772,340
Guarantee deposits	1,049,100	556,112
Guarantee of futures and options	149,699	121,150
Nonperforming receivables transferred from other than loans	147,329	176,581
Short-term loan advance	20,598	22,927
Hedging derivative financial instruments	15,616	41,323
Exchange bills negotiated	<u>607</u>	<u>362</u>
	5,292,083	4,690,795
Less: Accumulated impairment	2,302,383	2,128,986
Allowance for credit losses	<u>146,298</u>	<u>172,070</u>
	<u>2,843,402</u>	<u>2,389,739</u>
	<u>\$ 9,370,139</u>	<u>\$ 8,918,911</u>

TABLE 5-6

BANK SINOPAC

**STATEMENTS OF BANK DEBENTURES
 DECEMBER 31, 2012 AND 2011
 (In Thousands of New Taiwan Dollars)**

	December 31		Maturity Date	Rates
	2012	2011		
<u>Subordinate bank debentures</u>				
First subordinated bank debentures issued in 2008	\$ 1,415,496	\$ 1,441,040	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)	4,499,175	4,498,825	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)	499,908	499,870	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	3,599,547	3,599,180	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	5,598,522	5,598,104	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)	2,199,489	2,199,293	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)	2,199,953	2,199,942	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)	3,098,828	3,098,603	2010.12.09-2017.12.09 Principal is repayable on maturity date.	Fixed interest rate of 1.8%, interest is paid annually.
First subordinated bank debentures issued in 2010 (B)	2,898,912	2,898,698	2010.12.09-2017.12.09 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	999,505	999,415	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)	3,798,379	3,798,110	2011.08.18-2018.08.18 Principal is repayable on maturity date.	Fixed interest rate of 1.95%, interest is paid annually.
Second subordinated bank debentures issued in 2011 (B)	2,998,625	2,998,481	2011.08.18-2021.08.18 Principal is repayable on maturity date.	Fixed interest rate of 2.18%, interest is paid annually.
Third subordinated bank debentures issued in 2011	3,198,520	3,198,282	2011.11.04-2018.11.04 Principal is repayable on maturity date.	Fixed interest rate of 1.85%, interest is paid annually.
First subordinated bank debentures issued in 2012 (A)	4,697,623	-	2012.09.18-2019.09.18 Principal is repayable on maturity date.	Fixed interest rate of 1.53%, interest is paid annually.
First subordinated bank debentures issued in 2012 (B)	1,299,330	-	2012.09.18-2022.09.18 Principal is repayable on maturity date.	Fixed interest rate of 1.65%, interest is paid annually.
	<u>\$43,001,812</u>	<u>\$37,027,843</u>		

TABLE 5-7

BANK SINOPAC

**DERIVATIVE FINANCIAL INSTRUMENT TRANSACTIONS
DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)**

SinoPac Capital Limited (H.K.)

As of December 31, 2012 and 2011, the contract amounts (or notional amounts) and fair values of outstanding contracts were as follows:

Financial Instruments	December 31			
	2012		2011	
	Contract (Notional) Amount	Fair Value	Contract (Notional) Amount	Fair Value
Currency swap contracts	\$ 845,090	\$ (426)	\$ 874,817	\$ (41)

TABLE 6-1

BANK SINOPAC

**STATEMENT OF CHANGES IN ALLOWANCE FOR CREDIT LOSSES AND PROVISION FOR LOSSES ON
GUARANTEES
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)**

	Year Ended December 31, 2012							
	Discounts and Loans			Account Receivable	Provisions for Guarantees	Other Financial Assets	Other Assets	Total
Specific Reserve	General Reserve	Subtotal						
Balance, January 1	\$ 1,084,183	\$ 6,071,973	\$ 7,156,156	\$ 429,626	\$ 55,112	\$ 172,070	\$ 10	\$ 7,812,974
Provision	68,081	908,143	976,224	(82,521)	80,502	(18,598)	736	956,343
Write-off	(495,830)	-	(495,830)	(181,470)	-	(3,374)	-	(680,674)
Recovery of written-off credits	6,473	-	6,473	288,453	-	296	-	295,222
Effect of exchange rate changes	(60,766)	-	(60,766)	(2,191)	(315)	(4,096)	-	(67,368)
Balance, December 31	<u>\$ 602,141</u>	<u>\$ 6,980,116</u>	<u>\$ 7,582,257</u>	<u>\$ 451,897</u>	<u>\$ 135,299</u>	<u>\$ 146,298</u>	<u>\$ 746</u>	<u>\$ 8,316,497</u>
	Year Ended December 31, 2011							
	Discounts and Loans			Account Receivable	Provisions for 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	311,070	2,580,664	2,891,734	(351,988)	58,334	27,881	(713)	2,625,248
Write-off	(989,779)	-	(989,779)	(216,959)	-	(16,641)	-	(1,223,379)
Recovery of written-off credits	11,512	-	11,512	297,403	-	1,778	-	310,693
Reclassifications	-	(52,852)	(52,852)	63,441	(3,346)	(7,243)	-	-
Effect of exchange rate changes	53,301	-	53,301	6	96	(1,000)	-	52,403
Balance, December 31	<u>\$ 1,084,183</u>	<u>\$ 6,071,973</u>	<u>\$ 7,156,156</u>	<u>\$ 429,626</u>	<u>\$ 55,112</u>	<u>\$ 172,070</u>	<u>\$ 10</u>	<u>\$ 7,812,974</u>

TABLE 6-2

BANK SINOPAC

OVERDUE LOANS AND RECEIVABLES
DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, %)

Items		December 31, 2012					December 31, 2011					
		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	\$ 619,986	\$156,161,453	0.40%	\$ 1,267,629	204.46%	\$ 1,460,531	\$142,940,674	1.02%	\$ 933,734	63.93%	
	Unsecured	1,232,839	221,414,893	0.56%	2,890,170	234.43%	1,459,760	209,499,404	0.70%	2,900,478	198.70%	
Consumer loan	Mortgage (Note 4)	354,391	362,753,147	0.10%	2,858,327	806.55%	420,190	352,617,379	0.12%	2,714,271	645.96%	
	Cash card	175	32,107	0.55%	16,042	9,166.86%	460	42,583	1.08%	17,255	3,751.09%	
	Micro credit (Note 5)	44,052	12,032,675	0.37%	504,856	1,146.05%	55,645	9,656,712	0.58%	554,659	996.78%	
	Other (Note 6)	Secured	1,017	5,740,564	0.02%	45,233	4,447.69%	1,131	4,645,583	0.02%	35,759	3,161.72%
		Unsecured										
Total		2,252,460	758,134,839	0.30%	7,582,257	336.62%	3,397,717	719,402,335	0.47%	7,156,156	210.62%	
		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		76,245	17,295,213	0.44%	326,823	428.65%	69,612	18,118,724	0.38%	329,737	473.68%	
Accounts receivable - factoring with no recourse (Notes 7 and 10)		41,247	19,430,389	0.21%	111,688	270.78%	66,488	16,695,747	0.40%	112,946	169.87%	
Excluded NPL as a result of debt negotiation and loan agreements (Note 8)		10,327					14,446					
Excluded overdue receivables as a result of debt negotiation and loan agreements (Note 8)		427,870					599,859					
Excluded NPL as a result of consumer debt clearance (Note 9)		9,579					9,454					
Excluded overdue receivables as a result of consumer debt clearance (Note 9)		821,125					822,526					

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

For credit card business: Overdue receivables are regulated by the Banking Bureau letter 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 receivable.

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 loan is a financing to be used by a borrower to buy, build, or fix a dwelling, and the dwelling owned by the borrower, spouse, or children is used to fully secure the loan.

Note 5: Micro credit is regulated by the Banking Bureau letter dated December 19, 2005 (Ref. No. 09440010950).

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

Note 7: For accounts receivable - factoring with no recourse, as required by the Banking Bureau letter dated July 19, 2005 (Ref. No. 094000494), an allowance for bad debts is recognized once no compensation is made from factoring or insurance.

Note 8: The disclosure of excluded NPLs and excluded overdue receivables resulting from debt negotiations 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).

Note 10: Part of nonperforming receivables transferred from other than loans was included.

TABLE 6-3

BANK SINOPAC

**STATEMENT OF THE ALLOWANCES FOR POSSIBLE LOSSES ON LOANS AND RECEIVABLES ASSESSED FOR IMPAIRMENT
DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)**

Loans

Items		December 31			
		2012		2011	
		Discounts and Loans	Allowance for Possible Losses	Discounts and Loans	Allowance for Possible Losses
With objective evidence of impairment	Individually assessed	\$ 9,152,918	\$ 924,709	\$ 2,834,259	\$ 377,212
	Collectively assessed	2,542,903	1,067,727	2,967,824	1,361,748
With no objective evidence of impairment	Collectively assessed	746,439,018	5,589,821	713,600,252	5,417,196

Receivables

Items			December 31			
			2012		2011	
			Receivables	Allowance for Possible Losses	Receivables	Allowance for Possible Losses
With objective evidence of impairment	Individually assessed	Nonperforming receivables transferred from other than loans (Note 2)	\$ 106,203	\$ 100,303	\$ 110,407	\$ 104,150
		Others	12,315	11,665	23,272	11,502
	Collectively assessed	Credit card receivables	1,772,168	193,578	2,056,064	240,891
		Nonperforming receivables transferred from other than loans (Note 2)	41,126	33,367	66,174	52,852
With no objective evidence of impairment	Collectively assessed	Account receivable - factoring receivables	19,389,452	78,465	16,629,573	60,094
		Accounts receivable - forfaiting	18,880,671	17,954	11,542,182	5,049
		Credit card receivables	15,523,045	133,245	16,062,660	88,846
		Others	7,048,820	16,990	5,772,088	23,244

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

Note 2: Recorded as other financial assets.

TABLE 7

BANK SINOPAC

OPERATING SEGMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

		Year Ended December 31, 2012								
		Domestic Branches	Consumer Banking	Financial Transaction	Oversea Branches	United States Subsidiary	Others	Operating Segments	Non-operating Segments	Total
Income (loss)	Net interest	\$ 9,708,606	\$ 1,195,058	\$ 1,086,722	\$ 1,518,691	\$ 1,060,791	\$ 170,660	\$ 14,740,528	\$ (291,786)	\$14,448,742
	Interest revenue	15,288,035	1,467,273	3,031,362	2,450,273	1,201,782	269,453	23,708,178	238,688	23,946,866
	Revenue amount segments	1,996,847	(260,459)	(1,679,769)	(491,208)	-	(78,497)	(513,086)	513,086	-
	Interest expense	7,576,276	11,756	264,871	440,374	140,991	20,296	8,454,564	1,043,560	9,498,124
	Commission and fee revenues, net	3,496,506	646,445	(29,774)	248,353	72,159	1,084,887	5,518,576	(953,292)	4,565,284
	Others	1,713,851	238,571	1,659,381	39,092	82,453	23,188	3,756,536	(609,662)	3,146,874
	Net revenue (loss)	14,918,963	2,080,074	2,716,329	1,806,136	1,215,403	1,278,735	24,015,640	(1,854,740)	22,160,900
	Bad-debt expense (gains on reversal of bad-debt)	101,652	(109,879)	-	146,347	(992,261)	(1,055)	(855,196)	819,278	(35,918)
	Operating expense	8,594,957	1,457,682	554,696	1,032,890	1,082,650	277,344	13,000,219	(571,916)	12,428,303
	Depreciation and amortization	166,177	19,093	3,568	17,380	40,523	8,535	255,276	277,217	532,493
	Income (loss) before income tax	6,222,354	732,271	2,161,633	626,899	1,125,014	1,002,446	11,870,617	(2,102,102)	9,768,515
	Income tax benefit (expense)	(927,648)	(124,486)	(241,885)	73,526	(348,134)	(159,739)	(1,728,366)	180,048	(1,548,318)
	Net income (loss)	5,294,706	607,785	1,919,748	700,425	776,880	842,707	10,142,251	(1,922,054)	8,220,197
		Domestic Branches	Consumer Banking	Financial Transaction	Oversea Branches	United States Subsidiary	Others	Operating Segments	Non-operating Segments	Total
Asset (Note 2)		-	-	-	-	-	-	-	-	-

Geographical information

	Year Ended December 31, 2012				
	Domestic and Others	USA	Hong Kong and Macau	Adjustments and Elimination	Total
Income of clients outside the Bank and its subsidiaries	\$ 19,399,463	\$ 1,579,266	\$ 1,182,171	\$ -	\$ 22,160,900
Income from other departments	1,625,303	(1,731)	8,050	(1,631,622)	-
Net revenue	21,024,766	1,577,535	1,190,221	(1,631,622)	22,160,900
Income before income tax	7,792,404	1,325,992	650,119	-	9,768,515
Identifiable assets	1,143,888,628	46,601,223	75,882,798	-	1,266,372,649

Note 1: The operating segments disclosed in the standalone report is based on the consolidation point of view.

Note 2: The chief operating decision makers of the Bank rely on the balances of total assets and 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 ARDF of ROC, the measure of segment assets is zero.

		Year Ended December 31, 2011								
		Domestic Branches	Consumer Banking	Financial Transaction	Oversea Branches	United States Subsidiary	Others	Operating Segments	Non-operating Segments	Total
Income (loss)	Net interest	\$ 9,884,493	\$ 1,273,135	\$ 1,093,964	\$ 1,074,735	\$ 1,106,229	\$ 171,245	\$ 14,603,801	\$ (846,827)	\$13,756,974
	Interest revenue	14,201,265	1,524,668	2,656,019	1,602,383	1,501,505	252,556	21,738,396	333,982	22,072,378
	Revenue amount segments	2,123,072	(239,127)	(1,307,938)	(187,359)	-	(62,455)	326,193	(326,193)	-
	Interest expense	6,439,844	12,406	254,117	340,289	395,276	18,856	7,460,788	854,616	8,315,404
	Commission and fee revenues, net	2,203,313	572,133	(36,435)	227,637	36,931	838,066	3,841,645	271,686	4,113,331
	Others	759,924	231,584	675,364	54,496	(459,366)	2,015	1,264,017	31,518	1,295,535
	Net revenue (loss)	12,847,730	2,076,852	1,732,893	1,356,868	683,794	1,011,326	19,709,463	(543,623)	19,165,840
	Bad-debt expense (gains on reversal of bad-debt)	825,635	(543,045)	-	(112,183)	797,295	3,833	971,535	2,451,008	3,422,543
	Operating expense	7,976,247	1,727,634	437,266	891,493	1,168,026	193,224	12,393,890	(395,010)	11,998,880
	Depreciation and amortization	157,350	21,656	4,503	26,315	48,518	10,128	268,470	220,072	488,542
	Income (loss) before income tax	4,045,848	892,263	1,295,627	577,558	(1,281,527)	814,269	6,344,038	(2,599,621)	3,744,417
	Income tax benefit (expense)	(738,696)	(197,690)	(178,102)	451,415	(908,427)	(139,444)	(1,710,944)	430,178	(1,280,766)
	Net income (loss)	3,307,152	694,573	1,117,525	1,028,973	(2,189,954)	674,825	4,633,094	(2,169,443)	2,463,651
		Domestic Branches	Consumer Banking	Financial Transaction	Oversea Branches	United States Subsidiary	Others	Operating Segments	Non-operating Segments	Total
Asset (Note 2)		-	-	-	-	-	-	-	-	-

Geographical information

	Year Ended December 31, 2011				
	Domestic and Others	USA	Hong Kong and Macau	Adjustments and Elimination	Total
Income of clients outside the Bank and its subsidiaries	\$ 16,874,049	\$ 921,689	\$ 1,370,102	\$ -	\$ 19,165,840
Income from other departments	(1,559,612)	(243)	13,503	1,546,352	-
Net revenue	15,314,437	921,446	1,383,605	1,546,352	19,165,840
Income (loss) before income tax	4,483,748	(1,154,927)	415,596	-	3,744,417
Identifiable assets	1,086,113,573	55,267,298	74,153,536	-	1,215,534,407

Note 1: The operating segments disclosed in the standalone report is based on the consolidation point of view.

Note 2: The chief operating decision makers of the Bank rely on the balances of total assets and 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 ARDF of ROC, the measure of segment assets is zero.

III. Auditors' Report - Consolidated

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Bank SinoPac

We have audited the accompanying consolidated balance sheets of Bank SinoPac and its subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These consolidated 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 audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bank SinoPac and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended, in conformity with Criteria Governing the Preparation of Financial Reports by Public Banks, 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 and its subsidiaries adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement" effective on January 1, 2011.

Deloitte & Touche

March 13, 2013

Notice to Readers

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

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

BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2012 AND 2011

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

	2012	2011	%
	Amount	Amount	
ASSETS			
CASH AND CASH EQUIVALENTS (Note 4)	\$ 19,131,502	\$ 18,012,075	6
DUE FROM THE CENTRAL BANK AND OTHER BANKS (Note 5)	87,672,292	82,753,425	6
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2, 6, 28 and 29)	27,680,674	33,437,176	(17)
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 2, 7 and 28)	236,006	3,080,168	(92)
ACCOUNTS, INTEREST AND OTHER RECEIVABLES, NET (Notes 2, 3, 8, 27 and 28)	62,354,485	51,939,318	20
DISCOUNTS AND LOANS, NET (Notes 2, 3, 9, 28 and 29)	770,309,413	732,363,961	5
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 2, 7, 10 and 29)	55,787,623	37,085,376	50
HELD-TO-MATURITY INVESTMENTS (Notes 2, 11 and 29)	219,843,943	233,697,727	(6)
OTHER FINANCIAL ASSETS, NET (Notes 2, 3, 12 and 28)			
Unquoted equity instruments	1,462,235	1,641,455	(11)
Others	4,071,180	3,622,635	12
Other financial assets, net	5,533,415	5,264,090	5
PROPERTIES (Notes 2, 13 and 28)			
Cost and revaluation increment			
Land	5,540,335	5,435,254	2
Buildings	5,003,512	4,862,996	3
Computer and machinery equipment	5,139,291	4,937,818	4
Transportation equipment	5,780	6,002	(4)
Total cost	15,688,918	15,242,070	3
Less: Accumulated depreciation	6,384,289	6,117,029	4
	9,304,629	9,125,041	2
Prepayments for equipment and construction in progress	114,259	476,862	(76)
Net properties	9,418,888	9,601,903	(2)
INTANGIBLE ASSETS (Notes 2 and 14)	2,044,968	1,457,004	40
OTHER ASSETS (Notes 2, 15, 27 and 28)	6,359,440	6,842,184	(7)
TOTAL	\$ 1,266,372,649	\$ 1,215,534,407	4

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated March 13, 2013)

	2012	2011	%
	Amount	Amount	
LIABILITIES AND STOCKHOLDERS' EQUITY			
CALL LOANS AND DUE TO BANKS (Note 16)	\$ 70,454,184	\$ 66,374,829	6
SHORT-TERM BORROWINGS (Note 17)	903,218	899,480	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2, 6 and 28)	8,671,564	7,308,944	19
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE (Notes 2, 7 and 28)	1,201,450	7,071,871	(83)
ACCOUNTS, INTEREST AND OTHER PAYABLES (Notes 2, 18, 27 and 28)	22,733,956	20,169,513	13
DEPOSITS AND REMITTANCES (Notes 19 and 28)	1,029,885,089	994,056,325	4
BANK DEBENTURES (Notes 2 and 20)	43,001,812	37,027,843	16
OTHER FINANCIAL LIABILITIES (Notes 2, 21 and 28)	5,977,107	7,847,122	(24)
OTHER LIABILITIES (Notes 2, 22, 26 and 27)	4,579,829	4,233,632	8
Total liabilities	<u>1,187,408,209</u>	<u>1,144,989,559</u>	4
STOCKHOLDERS' EQUITY			
Capital stock, \$10 par value, authorized 8,000,000 thousand shares; issued and outstanding 5,386,202 thousand shares in 2012 and 5,257,447 thousand shares in 2011	53,862,022	52,574,469	2
Capital surplus			
Additional paid-in capital from share issuance in excess of par	2,335,205	1,884,561	24
Capital surplus from business combination	8,076,524	8,076,524	-
Others	1,733	1,733	-
Total capital surplus	<u>10,413,462</u>	<u>9,962,818</u>	5
Retained earnings			
Legal reserve	5,150,542	4,411,447	17
Special reserve	367,188	367,188	-
Unappropriated earnings	8,220,197	2,463,651	234
Total retained earnings	<u>13,737,927</u>	<u>7,242,286</u>	90
Other adjustment			
Cumulative translation adjustments	(211,790)	(215,609)	(2)
Unrealized gains on available-for-sale financial assets	361,836	153,096	136
Unrealized losses on cash flow hedge	(18,738)	(42,506)	(56)
Net loss not recognized as pension cost	(916,166)	(865,593)	6
Unrealized revaluation increment on land	1,735,887	1,735,887	-
Total other adjustment	<u>951,029</u>	<u>765,275</u>	24
Total stockholders' equity	<u>78,964,440</u>	<u>70,544,848</u>	12
TOTAL	<u>\$ 1,266,372,649</u>	<u>\$ 1,215,534,407</u>	4

BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated income	\$ 8,220,197	\$ 2,463,651
Adjustments to reconcile consolidated income to net cash provided by (used in) operating activities		
Depreciation and amortization	558,077	519,341
Amortization of premium or discount of financial assets	170,059	77,523
Amortization of premium or discount of bank debentures	2,835	2,215
(Reversal gains) provision for credit and trading losses	(35,918)	3,422,543
Impairment losses (reversal gains) on assets	287,334	(62,600)
Losses on (gains from) disposal of financial assets designated as at fair value through profit or loss	1,705	(11,767)
Unrealized (gains from) losses on financial assets designated as at fair value through profit or loss	(13,093)	19,287
Realized gains from available-for-sale financial assets	(30,881)	(10,378)
Gains from disposal of unquoted equity instruments	(380)	(22,316)
Losses on (gains from) sale and retirement of properties and idle assets	8,783	(78,195)
(Gains from) losses on disposal of collaterals assumed, net	(14,244)	22,760
Accrued pension cost	(74,423)	(64,998)
Deferred income tax	837,572	615,051
Decrease (increase) in held-for-trading financial assets	8,083,679	(6,314,667)
Increase (decrease) in held-for-trading financial liabilities	1,362,620	(2,198,168)
Increase in accounts, interest and other receivables	(10,350,724)	(10,140,054)
Increase in accounts, interest and other payables	2,584,712	5,860,831
Net cash provided by (used in) operating activities	11,597,910	(5,899,941)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in due from the Central Bank and other banks	(4,918,867)	1,739,917
Decrease (increase) in securities purchased under agreements to resell	2,844,162	(1,927,689)
Acquisition of financial assets designated as at fair value through profit or loss	(3,548,935)	(885,321)
Proceeds from sale of financial assets designated as at fair value through profit or loss	1,170,909	1,039,248
Proceeds from sale of non-active market debt instruments	-	82,066
Increase in discounts and loans	(37,858,516)	(19,892,305)
Acquisition of properties	(655,595)	(505,853)
Proceeds from sale of properties and idle assets	111	152,898
Acquisition of available-for-sale financial assets	(445,179,740)	(434,172,131)
Proceeds from sale of available-for-sale financial assets	426,537,330	435,146,550
Acquisition of held-to-maturity investments	(1,781,088,382)	(1,161,120,584)
Proceeds from matured held-to-maturity investments	1,794,789,880	1,127,960,915
Acquisition of unquoted equity instruments	(32,392)	(190,348)
Proceeds from unquoted equity instruments	138,199	191,438
Proceeds from sale of collaterals assumed	208,403	1,114,572
(Increase) decrease in other financial assets	(711,494)	422,151
(Increase) decrease in other assets	(862,392)	29,764
Net cash used in investing activities	(49,167,319)	(50,814,712)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in call loans and due to banks	4,079,355	1,576,628
(Decrease) increase in securities sold under agreements to repurchase	(5,870,421)	4,004,418
Increase in deposits and remittances	35,830,872	59,577,439
Increase (decrease) in short-term borrowings	3,738	(27,554)
Bank debentures issued	5,996,840	10,994,030
Repayment of bank debentures on maturity	-	(4,000,000)
Decrease in other financial liabilities	(1,870,015)	(11,316,849)
Increase in other liabilities	366,720	1,010,296
Proceeds from the private placement of common stocks	1,738,197	3,780,000
Cash dividends	(1,724,556)	(2,450,962)
Net cash provided by financing activities	38,550,730	63,147,446
EFFECTS OF CHANGES IN EXCHANGE RATE	138,106	153,830
INCREASE IN CASH AND CASH EQUIVALENTS	1,119,427	6,586,623
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	18,012,075	11,425,452
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 19,131,502	\$ 18,012,075
SUPPLEMENTAL INFORMATION		
Interest paid	\$ 9,486,481	\$ 7,912,633
Income tax paid	\$ 375,688	\$ 208,124

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated March 13, 2013)

BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Issued and Outstanding Capital Stock (Note 23)		Capital Surplus (Notes 2 and 23)			
	Common Stock		Share Issuance in Excess of Par	Capital Surplus from Business Combination	Others	Total
	Shares in Thousands	Amount				
BALANCE, JANUARY 1, 2011	4,955,047	\$ 49,550,469	\$ 1,128,561	\$ 8,076,524	\$ 1,733	\$ 9,206,818
Appropriation of 2010 earnings						
Legal reserve	-	-	-	-	-	-
Cash dividends - \$0.35389480 per share	-	-	-	-	-	-
Bonus to stockholder - \$0.14074484 per share	-	-	-	-	-	-
Private placement of common stocks	302,400	3,024,000	756,000	-	-	756,000
Special reserve reclassified from trading loss reserve	-	-	-	-	-	-
Net income for the year ended December 31, 2011	-	-	-	-	-	-
Unrealized gains or losses on available-for-sale financial assets	-	-	-	-	-	-
Unrealized gains or losses on cash flow hedge	-	-	-	-	-	-
Net loss not recognized as pension cost	-	-	-	-	-	-
Unrealized revaluation increment on land	-	-	-	-	-	-
Change in cumulative translation adjustments	-	-	-	-	-	-
BALANCE, DECEMBER 31, 2011	5,257,447	52,574,469	1,884,561	8,076,524	1,733	9,962,818
Appropriation of 2011 earnings						
Legal reserve	-	-	-	-	-	-
Cash dividends - \$0.22911420 per share	-	-	-	-	-	-
Bonus to stockholder - \$0.09890732 per share	-	-	-	-	-	-
Private placement of common stocks	128,755	1,287,553	450,644	-	-	450,644
Net income for the year ended December 31, 2012	-	-	-	-	-	-
Unrealized gains or losses on available-for-sale financial assets	-	-	-	-	-	-
Unrealized gains or losses on cash flow hedge	-	-	-	-	-	-
Net loss not recognized as pension cost	-	-	-	-	-	-
Change in cumulative translation adjustments	-	-	-	-	-	-
BALANCE, DECEMBER 31, 2012	5,386,202	\$ 53,862,022	\$ 2,335,205	\$ 8,076,524	\$ 1,733	\$ 10,413,462

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated March 13, 2013)

Retained Earnings (Note 23)				Other Adjustment					Total Stockholders' Equity
Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Cumulative Translation Adjustments (Note 2)	Unrealized Gains (Losses) on Available-for-sale Financial Assets (Notes 2 and 23)	Unrealized Gains (Losses) on Cash Flow Hedge (Notes 2 and 23)	Net Loss Not Recognized as Pension Cost (Note 2)	Unrealized Revaluation Increment on Land (Note 13)	
\$ 3,361,034	\$ 282,977	\$ 3,501,375	\$ 7,145,386	\$ (220,752)	\$ 215,383	\$ (26,185)	\$ (945,801)	\$ 1,030,154	\$ 65,955,472
1,050,413	-	(1,050,413)	-	-	-	-	-	-	-
-	-	(1,753,565)	(1,753,565)	-	-	-	-	-	(1,753,565)
-	-	(697,397)	(697,397)	-	-	-	-	-	(697,397)
-	-	-	-	-	-	-	-	-	3,780,000
-	84,211	-	84,211	-	-	-	-	-	84,211
-	-	2,463,651	2,463,651	-	-	-	-	-	2,463,651
-	-	-	-	-	(62,287)	-	-	-	(62,287)
-	-	-	-	-	-	(16,321)	-	-	(16,321)
-	-	-	-	-	-	-	80,208	-	80,208
-	-	-	-	-	-	-	-	705,733	705,733
-	-	-	-	5,143	-	-	-	-	5,143
4,411,447	367,188	2,463,651	7,242,286	(215,609)	153,096	(42,506)	(865,593)	1,735,887	70,544,848
739,095	-	(739,095)	-	-	-	-	-	-	-
-	-	(1,204,556)	(1,204,556)	-	-	-	-	-	(1,204,556)
-	-	(520,000)	(520,000)	-	-	-	-	-	(520,000)
-	-	-	-	-	-	-	-	-	1,738,197
-	-	8,220,197	8,220,197	-	-	-	-	-	8,220,197
-	-	-	-	-	208,740	-	-	-	208,740
-	-	-	-	-	-	23,768	-	-	23,768
-	-	-	-	-	-	-	(50,573)	-	(50,573)
-	-	-	-	3,819	-	-	-	-	3,819
\$ 5,150,542	\$ 367,188	\$ 8,220,197	\$ 13,737,927	\$ (211,790)	\$ 361,836	\$ (18,738)	\$ (916,166)	\$ 1,735,887	\$ 78,964,440

BANK SINOPAC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Unless Otherwise Stated)

1. ORGANIZATION AND OPERATIONS

Organization

August 8, 1991	Bank SinoPac (the "Bank") obtained government approval to incorporate.
January 28, 1992	The Bank started operations.
May 9, 2002	The Bank swap shares with SinoPac Securities Corporation and SinoPac Securities Co., Ltd. (the "SPS") to establish 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.

The organization and operation information of the consolidated entities please refer to Table 5.

As of December 31, 2012 and 2011, the Bank and its subsidiaries had a total of 5,277 and 5,338 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Bank and its subsidiaries' consolidation financial statements were prepared in conformity with Criteria Governing the Preparation of Financial Reports by Public Banks, the guidelines issued by the authority, and accounting principles generally accepted in the Republic of China (ROC).

Basis of Financial Statement Preparation

All significant intercompany transactions and balances have been eliminated for consolidation purpose. Since the operating cycle in the banking industry cannot be reasonably identified, the accounts included in the Bank and its subsidiaries' consolidation 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 operations' financial statement are as follows: The assets or liabilities are translated at the spot rate as of the balance sheet date, and 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 the same as the ending balance of the prior year. Dividends are translated at the spot rate as of the declaration date, and the revenues and expenses are translated at the weighted average rate for the year. Exchange differences arising from the translation of the consolidation financial statements of foreign operations are recognized as a separate component of shareholders' equity. 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 on the transaction date, are recognized in the income statement. At the balance sheet date, foreign-currency monetary assets and liabilities are revalued using prevailing exchange rates, and the exchange differences are recognized in profit or loss. 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 the 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 values of certain financial instruments, allowance for credit losses, depreciation of properties, idle and leased assets, assets impairment, pension, income tax, amortization of deferred charges, contingency losses, provision for losses on guarantees, bonus to employees and remuneration to directors and supervisors, the Bank and its subsidiaries need to make estimates based on judgment and available information. The estimates were usually made under uncertain conditions; actual results could differ from these 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) bank debentures issued overseas and the overseas bonds-period-end reference prices published by Bloomberg, calculated through an internal model or provided by a counter-party and (e) financial instruments without active markets-at prices provided by a counter-party.

Financial instruments at fair value through profit or loss (FVTPL) are any financial assets and liabilities that are designated on initial recognition as at fair value through profit or that are held-for-trading. The Bank and its subsidiaries recognize a financial asset or a financial liability in the balance sheet when the Bank and its subsidiaries becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized when the Bank and its subsidiaries lose control of their contractual rights over the financial asset. A financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

Financial instruments at FVTPL are initially measured at fair value. At each balance sheet date after initial recognition, financial assets or financial liabilities at FVTPL are remeasured at fair value, with changes in fair value recognized directly in profit or loss in the year in which they arise. The Bank and its subsidiaries use trade date accounting in recording transactions, except for bond transactions, 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 (a) eliminates or significantly reduces a measurement or recognition inconsistency (also known as accounting mismatch) that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases and (b) eliminates the burden of separating embedded derivatives that are not considered to be closely related to a host contract pertaining to a hybrid instrument. Thus, the Bank and its subsidiaries designated debt instruments, bank debentures issued and hybrid instruments as financial assets and liabilities at FVTPL.

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 and its subsidiaries’ stockholders. On disposal of an available-for-sale financial asset, the accumulated, unrealized gain or loss in equity attributable to the Bank and its subsidiaries’ stockholders is transferred to net profit or loss for the period. The Bank and its subsidiaries use trade date accounting when recording related transactions, except for bond transactions, 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, but if these dividends have been distributed from pre-acquisition-earnings, the dividends are treated as a reduction of the carrying value of the investments. The difference between the initial cost of a debt instrument and its maturity amount is amortized using the effective interest rate method; the straight line method is used if there is no significant difference in the results of using the effective interest rate method and those of the straight-line method. The amortized interest is recognized in profit or loss.

If an available-for-sale financial asset is determined to be impaired, an impairment loss is recognized. A decrease in impairment loss on an equity instrument classified as available-for-sale is recognized directly in equity. For debt investments, an impairment 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; the straight line method can be used if there is no significant difference in the results of using the effective interest method and those of straight-line method. 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 are reported in the income statement when the financial assets are derecognized, impaired or amortized. The Bank and its subsidiaries use trade date accounting in recording transactions, except for bond transactions, 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 the income statement. Loss reversal is credited to current income, and the adjusted carrying amount of investment should not be more than the carrying amount had the impairment loss not been recognized.

Hedge Accounting

To qualify as a hedge, a derivative must effectively reduce any effect on the hedged item of adverse movements in interest rates, exchange rates and market values. Changes in the fair value or cash flow of the derivative must be highly negatively correlated with changes in the fair value or cash flow of the underlying hedged item over the life of the hedged contract. At the start of the hedge, there must be formal designation and documentation of the hedging relationship, the Bank and its subsidiaries' risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged items, overall risk management objectives and strategies and how the Bank 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 remeasuring a derivative hedging instrument at fair value or the foreign-currency component of 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 prices in an active market and with a fair value that 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, but a reversal of the impairment loss is prohibited.

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 its subsidiaries and the related accrued interest thereon are classified as nonperforming when the loan is overdue and this classification has been authorized under 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

In determining the allowance for credit losses and provision for losses on guarantees, the Bank and its subsidiaries assesses the collectability of discounts and loans, accounts receivables, interest receivable, other receivable, and other financial assets, as well as guarantees and acceptances as of the balance sheet date.

The Bank adopted the third-time revised 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 to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the foregoing discounts and loans, 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 foregoing discounts and loans, receivables, and other financial assets becoming overdue; or
- Probability that the debtor will enter into bankruptcy or under go financial reorganization.

Discounts and loans, accounts receivables, interest receivables, other receivables, and other financial assets that are assessed as not impaired individually are further assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of discounts and loans, 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 collaterals and guarantees, discounted at the original effective interest rates. The carrying amount of the discounts and loans, receivables, and other financial assets is reduced through the use of an allowance account.

Under the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/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, credit assets are classified as normal assets, assets that require special mentioned, assets with substandard, assets with doubtful collectibility, and assets on which there is loss.

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

Effective January 1, 2011, however, under an amendment to the Regulations, the minimum provisions for possible losses should be the sum of (a) 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 (b) 0.5% of the foregoing provisions for unsound credit assets. The minimum loan loss provision and reserves against liability on guarantees of normal credit assets should be allocated sufficiently within three years of the execution of the amendment. In addition, under Financial Supervisory Commission (FSC) guidelines No. 10010006830 there should be a provision at more than 1% of sum of a minimum allowance for credit losses and the provision for losses on guarantees.

For FENB, the allowance for loan losses is maintained at a level considered adequate to provide for losses on the loan portfolio at the balance sheet date. The adequacy of the allowance is determined by management on the basis of a periodic review of the loan portfolio, historical loan loss experience, current economic conditions, changes in the composition of the loan portfolio, analysis of collateral values and other pertinent factors. Although management believes the level of the allowance is adequate to absorb losses inherent in the loan portfolio, it cannot be reasonably predicted if additional declines in the local economy or rising interest rates may result in increases in losses.

Write-offs of loans falling under the Banking Bureau guidelines are offset against the recorded allowance for credit losses upon approval by the board of directors. Recovery of loans written off on the current year is recorded as reversal of allowance whereas recovery of loans written off in 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 - "Impairment of Assets" requires the impairment review of equity investments - equity method and properties on each balance sheet date. If assets or the relevant cash-generating units (CGUs) are deemed impaired, then the Bank and its subsidiaries 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 at 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 is charged to earnings unless the asset is carried at a revalued amount, in which case the impairment loss is first treated as a deduction to the unrealized revaluation increment and any remaining loss is charged to earnings. A reversal of an impairment loss is recognized in earnings, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is first recognized as gains to the extent that an impairment loss on the same revalued asset was previously charged to earnings. Any excess amount is treated as an increase in the unrealized revaluation increment. 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.

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; leased improvement of the Bank's subsidiary, 3 years or the lease term shorten than 3 years. For assets still in use beyond their original service lives, depreciation is calculated over newly estimated useful lives.

Intangible Assets

The Bank and its subsidiaries' computer software are amortized on the straight-line basis over 3 to 5 years. Core deposit intangible is amortized on the straight-line over 15 years.

Goodwill

Effective on January 1, 2006, goodwill is not amortized; instead, it is tested for impairment at least once a year and whenever events or changes in circumstances indicate the need for impairment testing.

Collaterals Assumed

Collaterals assumed are recorded at cost and revalued at the lower of cost or net value as of the balance sheet date, and the resulting loss is charged to current loss.

Pension

The pension costs of the Bank and its subsidiaries under defined benefit pension plans are determined on the basis of actuarial calculations. Contributions under a defined contribution pension plan are expensed in the period the employees rendered their services.

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

Income Tax

Provision for income tax is based on inter-period tax allocation by the Bank. The tax effects of unused tax credits, operating loss carryforward, debit of stockholders' equity adjustment and deductible temporary differences are recognized as deferred income tax assets. And valuation allowances are provided for deferred income tax assets that are not certain to be realized. Taxable temporary differences and credits to stockholders' equity adjustment are recognized as deferred income tax liabilities.

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.

Service charge for irrevocable loan commitments and handling fee received by FENB are amortized as adjustments to interest revenue within the loan period.

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 for loans that are transferred to nonperforming loans. The interest revenue on those loans/credits is recognized upon collection.

Under the Ministry of Finance (MOF) regulations, the interest revenue on structured loans is recognized upon collection.

Commission revenue is recognized upon receiving cash or when the earnings process is almost completed.

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 membership fee received from card members and is recognized when card members fail to meet the criteria for annual fee exemption; an 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 notes of financial statements.

Reclassifications

Certain accounts as of and for the year ended December 31, 2011 have been reclassified to conform to the financial statement presentation as of and for the year ended December 31, 2012.

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

Financial Instruments

On January 1, 2011, the Bank and its subsidiaries adopted the newly revised 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 and its subsidiaries 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 and its subsidiaries 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 and its subsidiaries 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 and its subsidiaries' chief operating decision maker in order to allocate resources to the segments and assess their performance. This statement supersedes SFAS No. 20, "Segment Reporting."

4. CASH AND CASH EQUIVALENTS

	December 31	
	2012	2011
Cash on hand	\$ 7,101,652	\$ 5,982,845
Due from other banks	5,797,483	6,870,784
Notes and checks for clearing	<u>6,232,367</u>	<u>5,158,446</u>
	<u>\$ 19,131,502</u>	<u>\$ 18,012,075</u>

5. DUE FROM THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2012	2011
Call loans to banks	\$ 46,705,178	\$ 40,733,389
Due from Central Bank - checking accounts	13,888,006	15,319,773
Due from Central Bank - interbank settlement funds	835,207	800,372
Deposit reserve - demand accounts	24,639,366	23,781,812
Deposit reserve - foreign currencies	131,115	136,305
Balance at the US Federal Reserve Bank	<u>1,473,420</u>	<u>1,981,774</u>
	<u>\$ 87,672,292</u>	<u>\$ 82,753,425</u>

Under a directive issued by the Central Bank of the ROC, New Taiwan dollar (NTD)-denominated deposit reserves are determined monthly at prescribed rates on average balances of customers' NTD-denominated deposits. Deposit reserve - demand account should not be used, except for adjusting the deposit reserve account monthly. In addition, the foreign-currency deposit reserves are determined at prescribed rates the balances of additional foreign-currency deposits. These reserves may be withdrawn momentarily at any time at no interest earning.

6. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Related information on financial instruments at fair value through profit or loss for the years ended December 31, 2012 and 2011 please refer to Table 7-1.

	December 31	
	2012	2011
Held-for-trading financial assets	\$ 23,831,205	\$ 31,914,884
Financial assets designated as at fair value through profit or loss	<u>3,849,469</u>	<u>1,522,292</u>
	<u>\$ 27,680,674</u>	<u>\$ 33,437,176</u>
Held-for-trading financial liabilities	<u>\$ 8,671,564</u>	<u>\$ 7,308,944</u>

The Bank and its subsidiaries engage in derivative transactions mainly to accommodate customers' needs and manage their own exposure positions. Other information on outstanding derivative contracts is shown in Table 7-2. The Bank and its subsidiaries' 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 years ended December 31, 2012 and 2011 were as follows:

	December 31	
	2012	2011
Held-for-trading financial assets and liabilities		
Realized gains	\$ 2,210,993	\$ 64,948
Valuation gains	<u>212,481</u>	<u>452,706</u>
	<u>2,423,474</u>	<u>517,654</u>
Financial assets and liabilities designated as at fair value through profit or loss		
Realized gains (losses)	13,093	(19,287)
Valuation (losses) gains	<u>(1,705)</u>	<u>11,767</u>
	<u>11,388</u>	<u>(7,520)</u>
	<u>\$ 2,434,862</u>	<u>\$ 510,134</u>

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

As of December 31, 2012 and 2011, securities purchased under agreements to resell amounted to \$236,172 and \$3,081,182, respectively, with agreement expired in January 2013 and 2012, respectively.

As of December 31, 2012 and 2011, securities purchased under agreements to repurchase amounted to \$1,202,323 and \$7,075,742, respectively, with agreement expired between January and March 2013 and 2012, respectively.

The Bank and its subsidiaries financial assets sold with agreements to repurchase are summarized as follows:

Financial Assets	December 31	
	2012	2011
Available-for-sale	\$ 1,201,450	\$ 7,071,871

8. ACCOUNTS, INTEREST AND OTHER RECEIVABLES, NET

	December 31	
	2012	2011
Accounts receivable - factoring	\$ 19,389,452	\$ 16,629,573
Accounts receivable - forfeiting	18,880,671	11,542,182
Credit card receivables	17,295,213	18,118,724
Interest receivable and revenue receivables	2,192,221	1,820,803
Acceptance receivables	1,945,159	2,079,326
Acceptances receivables - forfeiting	1,268,824	-
Receivables from adopting the linked-tax system of income tax (Note 27)	1,155,349	1,167,569
Accounts and notes receivable	374,308	198,567
Receivable from loan sale	-	378,555
Others	<u>305,185</u>	<u>433,645</u>
	62,806,382	52,368,944
Less: Allowance for credit losses	<u>451,897</u>	<u>429,626</u>
	<u>\$ 62,354,485</u>	<u>\$ 51,939,318</u>

The details of and changes in allowance for credit losses of accounts receivable are shown in Table 8-1. The statement of the allowance for possible losses on receivables assessed for impairment is presented as Table 8-3.

The credit card receivables as of December 31, 2012 and 2011 referred to credit cardholders who completed consultation with the Bank on debt repayment, with credit card receivables amounted to \$1,608,707 and \$1,824,716, respectively.

9. DISCOUNTS AND LOANS

	December 31	
	2012	2011
Negotiations	\$ 884,274	\$ 2,100,703
Overdrafts	6,624	8,112
Secured overdrafts	455,345	580,451
Accounts receivable - financing	1,804,137	2,342,299
Short-term loans	103,662,978	95,816,079
Secured short-term loans	75,170,809	60,970,625
Medium-term loans	120,012,657	111,672,555
Secured medium-term loans	98,429,282	95,188,962
Long-term loans	12,666,133	14,278,514
Secured long-term loans	363,597,635	355,146,568
Nonperforming loans transferred from loans	<u>2,124,326</u>	<u>3,541,440</u>
	778,814,200	741,646,308
Allowance for credit losses	(8,229,891)	(9,021,594)
Premium or discount on discounts and loans	(274,896)	(263,860)
Adjustment of hedge valuation	<u>-</u>	<u>3,107</u>
	<u>\$ 770,309,413</u>	<u>\$ 732,363,961</u>

As of December 31, 2012 and 2011, the balances of nonaccrual interest loans were \$2,271,655 and \$3,718,021, respectively. The unrecognized interest revenues on nonaccrual interest loans were \$49,104 and \$141,187 for the years ended December 31, 2012 and 2011, respectively.

For the years ended December 31, 2012 and 2011, the Bank and its subsidiaries written off certain credits after legal proceedings or collecting process had been completed.

The details of and changes in allowance for credit losses of discounts and loans is shown in Table 8-1. The statement of the allowance for possible losses on discounts and loans assessed for impairment is presented as Table 8-3.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Information on available-for-sale financial assets is shown in Table 7-3.

11. HELD-TO-MATURITY INVESTMENTS

Information on held-to-maturity financial assets is shown in Table 7-4.

12. 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 original cost.

Related information on other financial assets is shown in Table 7-5.

The Bank was delegated by professional investors to sell investment products of the PEM GROUP amounting to US\$146,000 thousand through private placement, which was allowed under Hong Kong's regulations. A court appointed a permanent receiver for all assets that belong to, are being managed by, or in the possession of or control of, the PEM GROUP and any of their subsidiaries and affiliates. If the products fail to be repaid on maturity cause of questionable underlying assets, the Bank will buy back the products at the price of initial payment net of the distribution and redemption cost. Later, there were significant defaults on maturity payments. Thus, the Bank initiated local and overseas investigations on this case delegated a lawyer to handle the incident and informed related investors of this situation. On December 24, 2010, the board of directors resolved to abide by a court's appointment of the PEM GROUP receiver to take the insurance policies at the price of approximately US\$40.4 million, and recognized impairment losses of US\$11,152 thousand. On March 7, 2011, the receiver transferred a portion of the insurance policies to a trustee established jointly by the banks intended to hold insurance policies. And the Bank had submitted to the authorities the results of this policy transfer. As of December 31, 2012, a reserve of US\$79,020 thousand had been set aside to cover the accumulated impairment losses.

13. PROPERTIES

	December 31	
	2012	2011
Cost and revaluation increment	\$ 15,688,918	\$ 15,242,070
Accumulated depreciation		
Buildings	2,336,256	2,151,692
Computer and machinery equipment	4,043,916	3,961,760
Transportation equipment	<u>4,117</u>	<u>3,577</u>
	<u>6,384,289</u>	<u>6,117,029</u>
Advances on acquisitions of equipment and construction in progress	<u>114,259</u>	<u>476,862</u>
Net properties	<u>\$ 9,418,888</u>	<u>\$ 9,601,903</u>

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

The Bank's land revaluation, which was approved by the board of directors on October 21, 2011 resulted in total revaluation increments of \$867,127. The net revaluation amount of \$705,733 after deducting the reserve for land value increment tax of \$161,394 was credited to equity as unrealized revaluation increment.

Under the Financial Institutions Merger Act and interpretation (94) 349 issued by the Accounting research and Development Foundation (ARDF) of the 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. After the Bank revalued its land on October 21, 2011, the amount of \$152,639 was recognized as reserve for land value increment tax.

14. INTANGIBLE ASSETS

	December 31	
	2012	2011
Goodwill	\$ 1,346,498	\$ 1,365,094
Computer software	698,470	83,128
Core deposit intangible	<u>-</u>	<u>8,782</u>
	<u>\$ 2,044,968</u>	<u>\$ 1,457,004</u>

Goodwill includes referred to (1) \$876,717, resulted from the Bank's cash merger with SinoPac Card Services, and this merger was treated as a reorganized of SPH, and (2) the Bank's acquisition of Far East National Bank (FENB) through SinoPac Bancorp on August 15, 1997, which was accounted for using the purchase method. The assets and liabilities of FENB were revalued to estimate its fair market value as of the date of acquisition. The purchase price in excess of the fair market value of the net tangible assets acquired was US\$16,123, which was recorded as goodwill. Since January 1, 2006, the Bank have applied SFAS No. 35 - "Impairment of Assets," which requires the impairment review of goodwill annually or more frequently if events or changes in circumstance indicate goodwill impairment.

In assessing whether goodwill is impaired, the Bank considers the credit card department or each investee as a cash generating unit and estimates the recoverable amount by its value in use. The Bank uses the department's or investee's actual profitability and estimated salvage value as a key assumption to predict future cash flows and thus calculates 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 cost of capital as the discount rate to calculate the value in use.

After assessment, the Bank and its subsidiaries found no objective evidence that goodwill had been impaired as of December 31, 2012 and 2011.

15. OTHER ASSETS

	December 31	
	2012	2011
Deferred income tax assets (Note 27)	\$ 2,360,372	\$ 3,422,502
Rental properties, net	1,148,438	1,228,590
Precious metals - gold	812,798	206,761
Idle assets, net	533,312	643,217
Prepayment	362,133	355,116
Temporary payment	268,381	242,395
Collaterals assumed, net of accumulated impairment \$87,180 and \$128,186 as of December 31, 2012 and 2011, respectively	257,250	233,661
Deferred pension cost	217,107	244,245
Others	<u>399,649</u>	<u>265,697</u>
	<u>\$ 6,359,440</u>	<u>\$ 6,842,184</u>

16. CALL LOANS AND DUE TO BANKS

	December 31	
	2012	2011
Call loans from banks	\$ 60,544,419	\$ 54,376,919
Redeposit from the directorate general of postal remittance	9,358,180	11,806,420
Due to banks	<u>551,585</u>	<u>191,490</u>
	<u>\$ 70,454,184</u>	<u>\$ 66,374,829</u>

17. SHORT-TERM BORROWINGS

As of December 31, 2012 and 2011, short-term borrowings were due in March 2013 and April 2012, with interest rates ranging from 1.66% to 2.011% and from 1.32278% to 2.05%, respectively.

18. ACCOUNTS, INTEREST AND OTHER PAYABLES

	December 31	
	2012	2011
Notes and checks in clearing	\$ 6,854,882	\$ 5,704,407
Accounts payable - factoring	6,006,343	5,777,254
Accrued expense	2,657,465	1,912,609
Acceptance	1,945,159	2,079,326
Interest payable	1,834,319	1,822,676
Dividends payable (Note 23)	1,435,025	1,435,025
Tax payable	541,188	377,470
Accounts payable	308,495	85,239
Remittance payable	165,164	527,041
Others	<u>985,916</u>	<u>448,466</u>
	<u>\$ 22,733,956</u>	<u>\$ 20,169,513</u>

19. DEPOSITS AND REMITTANCES

	December 31	
	2012	2011
Checking	\$ 16,696,382	\$ 18,561,671
Demand	200,029,019	179,322,566
Savings - demand	235,927,224	226,313,234
Time	321,260,987	327,538,318
Negotiable certificates of deposit	28,494,600	26,592,200
Savings - time	226,342,379	215,151,937
Inward remittances	970,398	496,482
Outward remittances	164,100	77,809
	<u>1,029,885,089</u>	<u>994,054,217</u>
Adjustment of hedge valuation	-	2,108
	<u>\$ 1,029,885,089</u>	<u>\$ 994,056,325</u>

20. BANK DEBENTURES

To raise capital for its financial operation and increase its capital adequacy ratio, the Bank obtained approval to issue subordinate bank debentures. Related information is shown in Table 7-6.

21. OTHER FINANCIAL LIABILITIES

	December 31	
	2012	2011
Principal of structured products	\$ 5,613,926	\$ 7,165,848
Guarantee deposit received	269,705	226,965
Payments collected for share subscriptions	70,900	399,990
Hedging derivative financial liabilities	<u>22,576</u>	<u>54,319</u>
	<u>\$ 5,977,107</u>	<u>\$ 7,847,122</u>

22. OTHER LIABILITIES

	December 31	
	2012	2011
Accrued pension cost (Note 26)	\$ 1,432,637	\$ 1,456,487
Temporary receipt	989,116	1,361,900
Precious metals - gold	797,195	185,362
Reserve for land value increment tax	591,993	591,993
Advanced receipt	434,577	303,262
Reserve for losses on guarantees	240,511	237,184
Deferred income tax liabilities (Note 27)	46,555	46,555
Others	<u>47,245</u>	<u>50,889</u>
	<u>\$ 4,579,829</u>	<u>\$ 4,233,632</u>

23. STOCKHOLDERS' EQUITY**a. Capital stocks**

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. And the board of directors of the Bank resolved to raise capital in private placement on March 23, 2012, amounting to \$1.74 billion, with 128,755 thousand shares, par value at \$10, and issue price at \$13.5. And the Bank set June 29, 2012 as the effective date of capitalization.

b. Capital surplus

The capital surplus from the issuance of new shares at a premium (additional paid-in capital from issuance of common shares, conversion of bonds and treasury stock transactions) and endowments received by the Bank may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Company's paid-in capital every year).

The capital surplus from long-term equity investments under equity method may not be used for any purpose.

c. Special reserve

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

d. Earnings distribution and dividend policy

The Bank's Articles of Incorporation provide that annual net income should be appropriated 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 \$76,526 and \$13,000 for the years ended December 31, 2012 and 2011, respectively. The Bank accrued bonus to remuneration to directors of \$28,000 and \$10,400 for the years ended December 31, 2012 and 2011, respectively. 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.

Under the Company Act, legal reserve shall be appropriated until it has reached the Company's paid-in capital. This reserve may be used to offset a deficit. Under the revised Company Law issued on January 4, 2012, when the legal reserve has exceeded 25% of the Bank's paid-in capital, the excess may be transferred to capital or distributed in cash. In addition, the Banking Act 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 Act revised on December 30, 2008, when legal reserve meet the total capital reserve or well financial position and setting aside legal reserve under Company Act 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 revised on April 30, 2012 shall be as prescribed by the FSC, 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 Act.

On June 22, 2012 and June 24, 2011, the board of directors which execute the rights and functions of the stockholders' meeting resolved the appropriation of earnings for 2011 and 2010 as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Year 2011	For Year 2010	For Year 2011	For Year 2010
Legal reserve	\$ 739,095	\$ 1,050,413		
Cash dividends	1,204,556	1,753,565	\$0.22911420	\$0.35389480
Bonus to stockholders	520,000	697,397	0.09890732	0.14074484

The bonus to employees of \$13,000 and \$17,435 and the remuneration to directors and supervisors of \$10,400 and \$13,948 for 2011 and 2010 respectively were resolved by the board of directors, exercised the rights and functions of the stockholders' meeting, on June 22, 2012 and June 24, 2011. The resolution on the payment of employee bonus and remuneration to directors and supervisors was consistent with those shown in the financial statement of 2011 and 2010.

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 appropriations of earnings for 2012 had been proposed in the board of directors on March 13, 2013. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 2,466,059	
Cash and stock dividends	2,693,101	\$0.50
Bonus to stockholders	3,061,037	0.56831083

The appropriations of earnings will be resolved by the board of directors which execute the rights and functions of the stockholder's meeting in 2013.

The information on the proposed and resolved of the bonus to employees and the remuneration to directors and supervisors is available on the Market Observation Post System (M.O.P.S.) website of the Taiwan Stock Exchange.

e. Unrealized revaluation gains or losses on financial instruments

The movements of unrealized revaluation gains or losses on available-for-sale financial assets for the years ended December 31, 2012 and 2011, respectively, are summarized as follow:

	Years Ended December 31	
	2012	2011
Balance, January 1	\$ 153,096	\$ 215,383
Recognized in stockholders' equity	239,621	(51,909)
Transferred to profit or loss	<u>(30,881)</u>	<u>(10,378)</u>
Balance, December 31	<u>\$ 361,836</u>	<u>\$ 153,096</u>

The movements of unrealized gains or losses of cash flows hedge for the years ended December 31, 2012 and 2011, respectively, are summarized as follows:

	Years Ended December 31	
	2012	2011
Balance, January 1	\$ (42,506)	\$ (26,185)
Recognized in stockholders' equity	<u>23,768</u>	<u>(16,321)</u>
Balance, December 31	<u>\$ (18,738)</u>	<u>\$ (42,506)</u>

f. Earnings per share

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

	<u>Numerator (Amounts)</u>		<u>Denominator (Shares in Thousands)</u>	<u>EPS (NTS)</u>	
	<u>Pretax</u>	<u>After-Tax</u>		<u>Pretax</u>	<u>After-Tax</u>
<u>Year ended December 31, 2012</u>					
Basic EPS					
Net income attributable to parent company's common stockholders	<u>\$ 9,768,515</u>	<u>\$ 8,220,197</u>	<u>5,322,880</u>	<u>\$ 1.84</u>	<u>\$ 1.54</u>
<u>Year ended December 31, 2011</u>					
Basic EPS					
Net income attributable to parent company's common stockholders	<u>\$ 3,744,417</u>	<u>\$ 2,463,651</u>	<u>5,108,318</u>	<u>\$ 0.73</u>	<u>\$ 0.48</u>

24. COMMISSIONS AND FEE REVENUES, NET

	<u>Years Ended December 31</u>	
	<u>2012</u>	<u>2011</u>
Commissions and fees revenues	\$ 5,240,018	\$ 4,793,351
Commissions and fees expenses	<u>(674,734)</u>	<u>(680,020)</u>
	<u>\$ 4,565,284</u>	<u>\$ 4,113,331</u>

25. OPERATING EXPENSES

	<u>Years Ended December 31</u>	
	<u>2012</u>	<u>2011</u>
Personnel expenses		
Salaries and wages	\$ 6,344,082	\$ 5,604,139
Pension	451,690	546,812
Labor insurance and national health insurance	394,899	372,608
Others	<u>433,245</u>	<u>434,377</u>
	7,623,916	6,957,936
Depreciation	444,483	425,730
Amortization	88,010	62,812
Others	<u>4,271,894</u>	<u>4,552,402</u>
	<u>\$ 12,428,303</u>	<u>\$ 11,998,880</u>

26. PENSION

Since July 1, 2005, for those employees who still choose to be subject to the Labor Standards Act, the Bank makes monthly contributions, equal to 4% of employee salaries, to the severance payment fund. If the employees quit voluntarily, they can still receive the severance payment under certain criteria. Since November 13, 2006, for those employees who joined the Bank as the result of a merger and still choose to be subject to the Labor Standards Act, the Bank has made monthly contributions, equal to 4% of employee salaries, to the severance payment fund except for those who are eligible for promotion or are a part of a forced-retirement project. If the employees quit voluntarily, they may still receive the severance payment criteria.

For those employees who choose to be subject to the Labor Pension Act, the Bank has ceased to contribute to severance payment fund. The cumulative contributions generated before applying the Labor Pension Act are summed up, and the sum is retained in the severance payment fund. The employees will receive the severance payment under certain criteria when they quit voluntarily.

For the Bank's employees who choose the pension mechanism regulated by the Labor Standards Act, the retirement benefits are paid to employees as follow: (i) a lump sum payment equal to two base units for each year of service; (ii) that each year of service exceeding 15 years is entitled to only one base unit of wage; and (iii) that the maximum payment is for up to 45 base units. Any fraction of a year of over year is counted as one year of service, and any fraction of a year of up to year is counted as half a year of service.

The Bank has also a defined contribution plan regulated by Labor Pension Act (the "Act") which took effect on July 1, 2005. Under this Act, the Bank contributed 6% of employee salaries to the Labor Insurance Administration (the Act), the monthly contribution rate by the employer to the Labor Pension Fund shall be at least 6% of the employee's monthly wages).

Far East National Bank (FENB) has a 401(k) plan in which all employees of FENB may elect to enroll at the beginning of each month provided that they have been employed for at least three months prior to the enrollment date. Employees may contribute up to 15% of their annual salary with FENB matching up to 3% of the employee's annual salary.

Pension expenses under the defined contribution pension plan were \$187,706 and \$174,854 for the years ended December 31, 2012 and 2011, respectively. For the years ended December 31, 2012 and 2011, the pension expenses amounted to \$263,984 and \$371,958, respectively, which were contributed to personal pension accounts.

Other information on the defined benefit pension plan of the Bank and its subsidiaries are disclosed as follows:

a. The components of the net pension cost were summarized below:

	Years Ended December 31	
	2012	2011
Service cost	\$ 109,550	\$ 131,922
Interest cost	103,008	134,117
Expected return on pension fund assets	(55,636)	(48,869)
Net amortization	<u>107,062</u>	<u>154,788</u>
Net pension cost	<u>\$ 263,984</u>	<u>\$ 371,958</u>

b. The reconciliations of the funded status of the plan and accrued pension cost as of December 31, 2012 and 2011 were as follows:

	Years Ended December 31	
	2012	2011
Benefit obligation		
Vested benefit obligation	\$ 2,040,600	\$ 1,903,126
Nonvested benefit obligation	<u>2,135,167</u>	<u>2,210,596</u>
Accumulated benefit obligation	4,175,767	4,113,722
Additional benefit based on future salaries	<u>1,098,145</u>	<u>1,093,788</u>
Projected benefit obligation	5,273,912	5,207,510
Fair value of plan assets	<u>(2,743,130)</u>	<u>(2,657,235)</u>
Funded status	2,530,782	2,550,275
Unamortized prior service cost	(217,107)	(244,245)
Unamortized pension loss	(2,014,311)	(1,959,382)
Additional accrued pension liability	<u>1,133,273</u>	<u>1,109,839</u>
Accrued pension cost	<u>\$ 1,432,637</u>	<u>\$ 1,456,487</u>

	December 31	
	2012	2011
c. Vested benefit	<u>\$ 2,784,730</u>	<u>\$ 2,778,164</u>

d. Actuarial assumptions

1) Discount rate used in determining present value	1.75%	2.00%
2) Future salary increase rate	1.75%	1.75%
3) Expected rate of return on plan assets	1.75%	2.00%

27. INCOME TAX

Under Rule No. 910458039 issued by the Ministry of Finance, a financial holding company and its domestic subsidiaries that held over 90% of shares issued on February 12, 2003 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, SPH adopted the linked-tax system for income tax and unappropriated earnings tax filings with its qualified subsidiaries since 2003.

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

	Years Ended December 31	
	2012	2011
Current income tax payable	\$ 718,571	\$ 664,048
Deferred income taxes	837,572	615,051
Adjustment for prior years tax	(7,316)	12,778
Others	<u>(509)</u>	<u>(11,111)</u>
Income tax expense	<u>\$ 1,548,318</u>	<u>\$ 1,280,766</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:

	Years Ended December 31	
	2012	2011
Tax on pretax income at statutory rate	\$ 2,211,598	\$ 100,831
Add (deduct) tax effects of:		
Tax-exempt income	(11,231)	2,685
Permanent difference	(554,945)	(267,642)
Temporary difference	(668,309)	1,268,773
Loss carryforwards used	(346,931)	(433,500)
Loss carryforwards	112,918	-
Others	<u>(24,529)</u>	<u>(7,099)</u>
Current income tax payable	<u>\$ 718,571</u>	<u>\$ 664,048</u>

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

	December 31	
	2012	2011
<u>Deferred income tax assets</u>		
Loss carryforwards	\$ 1,078,422	\$ 1,431,752
Deferred pension cost	214,200	222,239
Deferred service charges	(37,199)	(58,743)
Deferred provisions	473,731	1,408,726
Unrealized loss or gain on foreign exchange and revaluation of financial instrument, net	(19,538)	286,096
Loss carryforward of overseas subsidiary	1,840,103	1,206,457
Investment loss under the equity method	168,761	311,647
Others	254,836	308,923
Valuation allowance	<u>(1,612,944)</u>	<u>(1,694,595)</u>
	<u>\$ 2,360,372</u>	<u>\$ 3,422,502</u>
<u>Deferred income tax liabilities</u>		
Others	<u>\$ (46,555)</u>	<u>\$ (46,555)</u>

The unused loss carryforward as of December 31, 2012 were as follows:

Deficit Year	The Last Year of Claiming Deductible Loss	Amount
2008	2018	\$ 4,821,582
2009	2019	<u>1,522,078</u>
		<u>\$ 6,343,660</u>

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

	<u>December 31</u>	
	2012	2011
Receivables from related parties	<u>\$ 1,155,349</u>	<u>\$ 1,167,569</u>
Payables from related parties	<u>\$ 248,469</u>	<u>\$ -</u>

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

	<u>December 31</u>	
	2012	2011
<u>Balance of the imputation credit account (ICA)</u>		
The Bank	\$ 1,551,693	\$ 1,924,606
SinoPac Life Insurance Agent	89,199	84,996
SinoPac Property Insurance Agent	3,029	2,863
	2012	2011
<u>Creditable tax ratios for earnings</u>		
The Bank	20.48%	20.48%
SinoPac Life Insurance Agent	20.48%	20.48%
SinoPac Property Insurance Agent	20.48%	20.48%

Under the Income Tax Act, 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, thus, there would be differences between the imputed tax credit ratio as of 2012 and the tax credit ratio applied to stockholders actually.

f. As of December 31, 2012, 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 Act, 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, 1997, no imputation credit will be allocated to stockholders.

g. For the Bank, IBT and formerly SinoPac Card Services Co., Ltd., income tax returns through 2006 had been examined by the tax authorities.

h. The status of the subsidiaries' examined income tax returns is as follow:

	Examined Year
SinoPac Life Insurance Agent	2010
SinoPac Property Insurance Agent	2010

28. RELATED-PARTY TRANSACTIONS

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

a. Related parties

Name	Relationship with the Bank
SinoPac Financial Holdings Company Limited (SPH)	Parent company of the Bank
SinoPac Securities Corporation (SinoPac Securities)	Subsidiary of SPH
SinoPac Call Center Co., Ltd. (SinoPac Call Center)	Subsidiary of SPH
SinoPac Venture Capital Co., Ltd. (SinoPac Venture Capital)	Subsidiary of SPH
SinoPac Leasing Corporation (SPL)	Subsidiary of SPH
SinoPac Securities Investment Trust Co., Ltd. (SinoPac Securities Investment Trust)	Subsidiary of SPH
Grand Capital International Limited (Grand Capital)	Subsidiary of SPL
Intellisys Corporation	Subsidiary of SinoPac Venture Capital
SinoPac Futures Corporation (SinoPac Futures)	Subsidiary of SinoPac Securities
SinoPac Capital (Asia) Ltd.	Affiliate of SinoPac Securities
SinoPac Securities (Asia) Ltd.	Affiliate of SinoPac Securities
Yung An Leasing Corporation (Yung An Leasing)	Affiliate of the SPH's director
Taiwan Genome Sciences, Inc.	Affiliate of the SPH's director
E Ink Holdings Co., Ltd. (E Ink Holdings)	Affiliate of the SPH's director
Foundation of Fire Fighting Development	Affiliate of the SPH's director
Taiwan Futures Exchange (TAIFEX)	Affiliate of the president of SinoPac Securities
Taiwan Depository & Clearing Corporation (TDCC)	Affiliate of the president of SinoPac Securities
Financial Information Services Co., Ltd. (Financial Information)	Affiliate of the president of SPL
LinkCom Manufacturing Co., Ltd. (LinkCom)	Affiliate of the spouse of the president of SinoPac Securities Investment Trust
BoardTek Electronics Corp. (BoardTek Electronics)	Affiliate of the SPH's director
Rung-Tzung Investment Corp. (Rung-Tzung Investment)	Affiliate of the SinoPac Securities' director
Ho, Shou Chuan	President of SPH
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.

b. Significant transactions between the Bank and the related parties

1) Derivative financial instruments

	December 31, 2012					
	Contract (Notional) Amount	Contract Period	Valuation Gains or Losses	Balance Sheet		
				Account	Balance	
Currency swap contracts						
SinoPac Securities	\$ 874,098	2012.12.5- 2013.1.24	\$ 2,630	Financial assets at fair value through profit or loss	\$ 2,630	
Interest rate swap contracts						
SinoPac Securities	16,500,000	2008.6.3- 2017.10.16	(70,567)	Financial assets at fair value through profit or loss	113,749	
SinoPac Securities	16,500,000	2008.1.24- 2017.5.18	104,815	Financial liabilities at fair value through profit or loss	128,862	

	December 31, 2011					
	Contract (Notional) Amount	Contract Period	Valuation Gains or Losses	Balance Sheet		Balance
				Account		
Currency swap contracts						
SinoPac Capital (Asia) Ltd.	\$ 323,203	2011.12.1-2012.2.1	\$ 47	Financial assets at fair value through profit or loss		\$ 47
SinoPac Capital (Asia) Ltd.	260,049	2011.12.1-2012.2.1	(185)	Financial liabilities at fair value through profit or loss		185
Interest rate swap contracts						
SinoPac Securities	18,450,000	2007.1.3-2016.10.27	58,236	Financial assets at fair value through profit or loss		191,622
SinoPac Securities	24,055,000	2008.1.24-2016.11.3	(53,639)	Financial liabilities at fair value through profit or loss		242,651
Forward Contracts						
E Ink Holdings	212,030	2011.11.23-2012.3.2	71	Financial assets at fair value through profit or loss		71

2) Accounts, other receivables and payables

As of December 31, 2012 and 2011, other receivables from related parties amounted to \$27,646 and \$33,129, respectively. As of December 31, 2012 and 2011, other payables to related parties amounted to \$15,100 and \$19,499, respectively.

The Bank's dividends payable to SPH amounted to \$1,435,025 as of December 31, 2012 and 2011, respectively.

As of December 31, 2012 and 2011, the Bank's estimated receivables resulting from the adoption of the linked-tax system amounted to \$1,155,349 and \$1,167,569, respectively.

As of December 31, 2012, the Bank's estimated payable resulting from the adoption of the linked-tax system amounted to \$248,469.

3) Loans

	Year Ended December 31, 2012				
	Ending Balance	Highest Balance	% of Total	Interest/Fee Rates (%)	Interest Revenue
Loans	<u>\$ 6,560,652</u>	<u>\$ 7,944,545</u>	<u>0.85</u>	0-6.88	<u>\$ 150,315</u>

Category	Account Volume or Name of Related Party	Highest Balance	Ending Balance	December 31, 2012			Is the Transaction at Arm's Length Commercial Term
				Normal	Overdue	Type of Collaterals	
Employees consuming loan	53	\$ 20,079	\$ 13,666	V	-	None	Yes
Households mortgages	286	1,899,917	1,661,839	V	-	Real estate	Yes
Others:	Grand Capital	2,682,464	2,304,355	V	-	Movable	Yes
	SPL	2,334,000	2,222,000	V	-	Real estate and movable	Yes
	SinoPac Securities	556,000	-	V	-	Real estate	Yes
	Yung An Leasing	198,800	198,800	V	-	Real estate	Yes
	BoardTek	133,229	50,000	V	-	Real estate	Yes
	Electronics						
	Taiwan Genome Sciences Inc.	\$ 85,000	\$ 84,000	V	-	Real estate	Yes

December 31, 2012

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
	LinkCom	\$ 22,080	\$ 21,384	V	-	Real estate	Yes
	Others	12,976	4,608	V	-	Real estate, movable and securities	Yes
	Others subtotal	<u>6,024,549</u>	<u>4,885,147</u>				
		<u>\$ 7,944,545</u>	<u>\$ 6,560,652</u>				

Year Ended December 31, 2011

	Ending Balance	Highest Balance	% of Total	Interest/ Fee Rates (%)	Interest Revenue
Loans	<u>\$ 6,484,630</u>	<u>\$ 8,286,241</u>	<u>0.89</u>	0-6.85	<u>\$ 135,602</u>

December 31, 2011

Category	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collaterals	Is the Transaction at Arm's Length Commercial Term
Employees consuming loan	38	\$ 15,556	\$ 11,961	V	-	None	Yes
Households mortgages	238	1,691,465	1,530,137	V	-	Real estate	Yes
Others:	Grand Capital	3,276,056	2,682,460	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	33,229	V	-	Real estate	Yes
	Electronics RungTzung Investment	200,000	-	V	-	Real estate	Yes
	Yung An Leasing	198,800	198,800	V	-	Real estate	Yes
	Taiwan Genome Sciences, Inc.	88,000	85,000	V	-	Real estate	Yes
	Others	17,810	9,043	V	-	Real estate, certificate of deposit, securities and movable	Yes
	Others subtotal	<u>6,579,220</u>	<u>4,942,532</u>				
		<u>\$ 8,286,241</u>	<u>\$ 6,484,630</u>				

4) Guarantees

December 31, 2012

Related Party	The Highest Balance in Current Year	Ending Balance	Provision	Rates	Type of Collaterals	Note
SinoPac Securities	\$ 2,000	\$ 2,000	\$ -	0.3%	Certificate of deposit	
Others	30	-	-	1.13%-1.32%	None	Note

Note: The guarantees are employees consuming loans.

December 31, 2011

Related Party	The Highest Balance in Current Year	Ending Balance	Provision	Rates	Type of Collaterals	Note
SPL	\$457,590	\$ -	\$ -	0.3%	Real estate and movable	
SinoPac Securities	2,000	2,000	-	0.3%	Certificate of deposit	
Others	665	30	-	1.33%-1.49%	None	Note

Note: The guarantees are employees consuming loans.

5) Unquoted equity instruments (recorded as other financial assets)

	Ending Balance		% of Total	
	December 31		December 31	
	2012	2011	2012	2011
Financial information	\$ 91,000	\$ 91,000	6.22%	5.54%
TAIFEX	21,490	21,490	1.47%	1.31%
TDCC	4,639	4,639	0.32%	0.28%

6) Properties transaction

In January and September 2012, the Bank purchased properties with book value of \$1,583 and \$183, from SinoPac Call Center. In January and October 2011, the Bank purchased properties with book value of \$5,357 and \$2,051 from SinoPac Call Center and Intellisys Corporation, respectively. Above transactions did not generate any gains or losses.

The Bank's subsidiaries purchased other assets with value of \$2,900 from Intellisys Corporation on March 14, 2012.

7) Securities purchased under agreements to resell

2012

	December 31, 2012		Year Ended
	Face Amount	Carrying Amount	December 31, 2012
			Interest Revenue
SinoPac Securities (Asia) Ltd.	\$ 203,956	\$ 183,560	\$ 454
SinoPac Capital (Asia) Ltd.	58,273	52,446	7,386

2011

	December 31, 2011		Year Ended
	Face Amount	Carrying Amount	December 31, 2011
			Interest Revenue
SinoPac Capital (Asia) Ltd.	\$ 1,455,889	\$ 1,279,549	\$ 12,263

8) Securities sold under agreements to repurchase

2012

	December 31, 2012		Year Ended
	Face Amount	Carrying Amount	December 31, 2012
			Interest Expense
Ho, Shou Chuan	\$ 529,000	\$ 531,567	\$ 2,676
SinoPac Securities	-	-	2

2011

	December 31, 2011		Year Ended
	Face Amount	Carrying Amount	December 31, 2011
			Interest Expense
Ho, Shou Chuan	\$ 539,000	\$ 540,767	\$ 1,036

9) Guarantee deposits (recorded as other financial assets)

	Ending Balance		% of Total	
	December 31		December 31	
	2012	2011	2012	2011
SinoPac Futures	\$ 30,862	\$ 32,140	2.90%	5.64%
SPL	7,984	10,344	0.75%	1.82%

10) Guarantee deposits received (recorded as other financial liabilities)

	Ending Balance		% of Total	
	December 31		December 31	
	2012	2011	2012	2011
SinoPac Securities	\$ 2,870	\$ 2,868	1.06%	1.26%
SPL	1,474	1,474	0.55%	0.65%
SinoPac Call Center	594	594	0.22%	0.26%
Intellisys Corporation	-	76	-	0.03%

11) Deposits

	Ending Balance	% of Total	Interest Rate (%)	Interest Expense	% of Total
<u>Year ended December 31, 2012</u>					
SinoPac Securities	\$ 3,211,551	0.31%	0-1.35	\$ 18,437	0.19%
E Ink Holdings	1,991,703	0.19%	0.01-0.17	3,271	0.03%
SinoPac Venture Capital	1,074,684	0.10%	0.02-0.65	2,576	0.03%
SinoPac Futures	945,424	0.09%	0.17-1.35	11,265	0.12%
Foundations of Fire Fighting Development	736,195	0.07%	0.3-1.395	9,984	0.11%
Others	10,946,457	1.06%	0-13	155,742	1.64%

Year ended December 31, 2011

SinoPac Securities	3,964,629	0.40%	0-1.35	23,125	0.28%
E Ink Holdings	1,468,988	0.15%	0.02-0.65	985	0.01%
SinoPac Futures	1,199,473	0.12%	0.17-1.345	6,250	0.08%
SinoPac Venture Capital	919,151	0.09%	0.02-0.17	1,665	0.02%
SinoPac Securities (Asia) Ltd.	804,753	0.08%	0-1.5	1,193	0.01%
Others	10,271,271	1.03%	0-13	186,917	2.25%

12) Revenues and expenses

	Amount		% of Total	
	Years Ended December 31		Years Ended December 31	
	2012	2011	2012	2011
Commissions and fees revenues	\$ 42,042	\$ 44,708	0.80%	0.93%
Commissions and fees expenses	5,316	3,701	0.79%	0.54%
Gains from unquoted equity instruments	33,578	4,616	21.32%	4.50%
Other revenues	4,566	4,374	2.90%	4.27%
Professional advisory charges	166,550	182,379	3.90%	4.01%
Marketing expense	12,088	13,320	0.28%	0.29%
Other operating expense	25,221	22,272	0.59%	0.49%

The Bank had entered into professional advisory contracts with SinoPac Call Center. The professional advisory charges and other operating expenses paid for the years ended December 31, 2012 and 2011 were \$166,640 and \$182,926, respectively.

13) Lease

a) The Bank and its subsidiaries as a lessee

Lessor	Other operating expense		Lease Term	Payment Frequency
	Years Ended December 31			
	2012	2011		
SPL	\$ 126,029	\$ 125,887	February 2020	Rentals paid monthly

b) The Bank as a lessor

Lessee	Rental Income		Lease Term	Payment Frequency
	Years Ended December 31			
	2012	2011		
SinoPac Securities	\$ 23,939	\$ 19,454	July 2017	Rentals received monthly
SinoPac Securities Investment Trust	13,872	13,872	September 2017	Rentals received monthly
SPL	5,964	5,922	July 2016	Rentals received monthly
SinoPac Call Center	3,373	3,081	September 2015	Rentals received monthly
Intellisys Corporation	228	2,351	June 2012	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.

For transactions between related parties with FENB and its subsidiaries, SinoPac Capital Limited and its subsidiaries, SPLIA, and SPPIA the terms are similar to those transacted with unrelated parties.

c. Compensation of directors, supervisors and management personnel; please refer to annual report for the detail information.

	Years Ended December 31	
	2012	2011
Salary and compensation	\$ 146,680	\$ 136,348
Business-related expense	12,966	9,783
	<u>\$ 159,646</u>	<u>\$ 146,131</u>

29. RESTRICTED ASSETS

In addition to those disclosed in other Notes, pledged or restricted assets of the Bank and its subsidiaries as of December 31, 2012 and 2011 are summarized as follows:

Restricted Assets	Object	December 31		Purposes
		2012	2011	
Financial assets at fair value through profit or loss	Negotiable certificate of deposits	\$ -	\$ 5,001,988	Pledged with the Central Bank for foreign-exchange transactions
Discounts and loans	Loans	7,324,477	7,047,092	Pledged with the Federal Reserve Bank and the Federal Home Loan Bank under the discount window program

Restricted Assets	Object	December 31		Purposes
		2012	2011	
Available-for-sale financial assets	Government bonds	\$ 539,353	\$ 555,699	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	Negotiable certificate of deposits	5,145,683	151,450	Pledged in accordance with requirements of the California Department of Financial Institutions, and with the Central Bank for foreign-exchange transactions
Held-to-maturity investments	GSE bonds and municipal bonds	2,205,295	437,960	Pledged with the Federal Reserve Bank and Federal Home Loan Bank as loans, foreign exchange, and deposits guarantees
Held-to-maturity investments	Government bonds	187,814	97,400	Hong Kong branch's clearing system of real - time gross settlement

30. SIGNIFICANT CONTINGENCIES AND COMMITMENTS

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

a. Lease contract

The Bank and its subsidiaries 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
2013	\$ 473,848
2014	384,508
2015	302,304
2016	208,283
2017	137,599

Rentals for the years beyond 2018 amount to \$213,394, the present value of which is about \$193,811 as discounted at the Bank's one-year time deposit rate of 1.35% on December 31, 2012.

b. Equipment purchase contract

The Bank entered into contracts to buy computer equipment and office equipment for \$201,935 of which \$164,224 had been paid as of December 31, 2012.

c. Commitments

The bank has signed industry- academy contract cooperation with National Chung Hsing University on July 25, 2012 for the building of food safety and agricultural material research, development and promotion. The total expenditure estimated at 255 million and shall not exceed 300 million.

d. Contingencies

1)The Securities and Futures Investors Protection Center (SFIPC) filed a lawsuit against the Bank and SPL's subsidiary, Grand Capital, on the ground that Procomp Informatics Ltd. deposited US\$10,000 thousand in the Bank's Shisung Branch (formally Sungshan Branch) and placed a restriction on the use of this deposit as a condition for a short-term loan to Addie International Limited granted by SPL and for allegedly helping Yeh, Sue-Fei and Procomp Informatics Ltd. ("Procomp") do irregular trading but, at the same time, Procomp used the restricted deposit for fictitious sale transactions. Later, when problems on Procomp's account arose, the Bank and Grand Cathay demanded compensation, which was taken from Procomp's account, resulting in damage to Procomp. The Bank was suspected of misleading investors by concealing the restricted status of Procomp's deposit and window dressing Procomp's financial statements. The SFIPC filed a lawsuit against the Bank, SPL and all other parties related to Procomp and demanded compensation of \$5.58 billion. The Shihlin District Court rejected the SFIPC's lawsuit against the Bank and SPL on March 11, 2008. SFIPC then filed an appeal. Compensation amount claimed now is \$4.21 billion. The Bank and SPL entered a plea on SFIPC's charges, and as of December 31, 2012, this case was being tried in the Taiwan High Court.

2)The SFIPC filed a lawsuit against the Bank on the ground that the Bank's Tunpei Branch provided National Aerospace Fasteners Corporation (NAFC) with its accounts receivable factoring services. NAFC recorded this significant-amount loan transaction as an accounts receivable financing to window-dress its financial position in order to attract investments. The SFIPC filed a lawsuit against the Bank and other parties and demanded compensation approximately \$543,233 and interest rate was calculated at 5% from the next date of indictment delivered to the debt clearance. The Bank entered a plea on this lawsuit, and this case was being tried in the Taiwan Taipei District Court as of December 31, 2012.

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

The average balances were calculated by the daily average balances of interest-earning assets and interest-bearing liabilities of the Bank and its subsidiaries, FENB, were as follow:

	Years Ended December 31			
	2012		2011	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Due from the Central Bank and other banks	\$ 28,141,981	0.68	\$ 32,305,957	0.54
Call loans to banks	35,634,655	1.56	32,069,459	0.95
Financial assets at fair value through profit or loss	18,376,982	1.54	35,133,664	1.20
Securities purchased under agreements to resell	1,665,379	0.94	2,037,934	0.86
Credit card receivable	9,833,854	12.72	10,077,089	12.93
Accounts receivable - factoring	7,197,922	1.81	9,173,201	1.43
Accounts receivable - forfaiting	10,639,681	3.19	5,276,954	2.71
Acceptance receivable - forfaiting	83,153	1.62	-	-
Discounts and loans	754,773,501	2.37	736,546,563	2.28
Available-for-sale financial assets	56,630,784	1.56	42,602,237	1.88
Held-to-maturity investments	239,789,657	0.92	205,975,901	0.88
Other financial assets	106,883	-	219,200	0.49

	Years Ended December 31			
	2012		2011	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-bearing liabilities</u>				
Due to the Central Bank and other banks	\$ 9,571,937	1.40	\$ 17,018,548	1.32
Call loans	49,372,485	0.64	43,152,085	0.80
Securities sold under agreements to repurchase	5,992,815	0.70	6,383,518	0.60
Demand deposits	185,074,827	0.20	176,905,665	0.17
Savings - demand deposits	232,218,312	0.42	228,803,593	0.41
Time deposits	330,121,602	1.09	310,321,937	0.95
Savings - time deposits	221,705,622	1.32	203,082,257	1.23
Negotiable certificates of deposit	30,693,358	0.92	28,006,016	0.79
Bank debentures	38,710,584	2.14	31,648,607	2.09
Other financial liabilities	205,347	0.94	3,404,107	3.87

32. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

	December 31			
	2012		2011	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<u>Financial assets</u>				
Other short-term financial assets	\$ 168,236,482	\$ 168,236,482	\$ 154,617,417	\$ 154,617,417
Financial assets at fair value through profit or loss	27,680,674	27,680,674	33,437,176	33,437,176
Discounts and loans	770,309,413	770,309,413	732,363,961	732,363,961
Available-for-sale financial assets	55,787,623	55,787,623	37,085,376	37,085,376
Held-to-maturity investments	219,843,943	219,951,792	233,697,727	233,773,911
Unquoted equity instruments	1,462,235	-	1,641,455	-
Other financial assets	4,071,180	4,071,180	3,622,635	3,622,635
<u>Financial liabilities</u>				
Other short-term financial liabilities	94,751,620	94,751,620	94,138,223	94,138,223
Financial liabilities at fair value through profit or loss	8,671,564	8,671,564	7,308,944	7,308,944
Deposits and remittances	1,029,885,089	1,029,885,089	994,056,325	994,056,325
Bank debentures	43,001,812	43,688,721	37,027,843	37,666,805
Other financial liabilities	5,977,107	5,977,107	7,847,122	7,847,122

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, payables, short-term borrowings, remittances, and securities sold under agreements to repurchase, approximate their fair values because of the short maturities of these instruments. However, because of statutory limitations (right and debt), tax receivables, receivables on the linked-tax system with SPH's subsidiaries and tax payable have been excluded from the estimation approach.

2) For financial instruments at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, bank debentures, and hedged derivative financial instruments, fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Bank's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using available indirect data and appropriate valuation methodologies.

Forward interest rate swap and cross-currency swap contracts' fair values are based on estimates using discount cash flow method. Options' fair values are based on estimates using Black & Scholes model.

Fair values of forward contracts are estimated on the basis of the foreign exchange rates provided by Reuters.

Fair value of structured instruments are provided by the counter-parties. All outstanding contracts will offset market risks

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

3) Discounts and loans, deposits, and other financial liabilities are interest-earning assets and interest-bearing liabilities at mostly floating interest rates. Thus, their carrying amounts approximate 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 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 the fair values of no active market debt instruments are estimated.

5) Fair values of refundable guarantee deposits and guarantee deposits received are estimated at their carrying amounts since these deposits do not have specific due dates. Purchase of PEM instruments does not have specific due date and valued by actuary. Thus, the carrying amount represents fair value.

c. Interest revenue of financial assets and liabilities other than those at fair value through profit or loss were \$23,663,081 and \$21,653,663, for the years ended December 31, 2012 and 2011, respectively. Related interest expense were \$9,497,863 and \$8,308,940, for the years ended December 31, 2012 and 2011, respectively.

d. Financial risk information

1) Market risk

The Bank sets up risk-managing indicators based on the characteristics 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 timely when market risk is over the limits.

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

	<u>Quoted Market Prices</u>		<u>Fair Value Based on Estimates</u>	
	<u>December 31</u>		<u>December 31</u>	
	2012	2011	2012	2011
<u>Financial assets</u>				
Financial assets at fair value through profit or loss	\$ 12,025,341	\$ 6,061,101	\$ 15,655,333	\$ 27,376,075
Available-for-sale financial assets	24,753,188	14,748,788	31,034,435	22,336,588
Held-to-maturity investments	2,636,607	3,892,993	217,315,185	229,880,918
<u>Financial liabilities</u>				
Financial liabilities at fair value through profit or loss	10,066	1,682	8,661,498	7,307,262
Bank debentures	42,273,225	36,225,765	1,415,496	1,441,040

The fair value hierarchy of the Bank and its subsidiaries' financial instruments were as follows:

Item	December 31, 2012			
	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	\$ 108,153	\$ 108,153	\$ -	\$ -
Investment in bonds	14,101,607	11,915,737	1,820,530	365,340
Others	908,911	-	908,911	-
Financial assets designated as at FVTPL				
	3,849,469	-	3,672,464	177,005
Available-for-sale financial assets				
Investment in stocks	6,937	6,937	-	-
Investment in bonds	49,672,342	24,746,251	22,510,784	2,415,307
Others	6,108,344	-	5,671,295	437,049
<u>Derivative financial Instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets	8,712,534	1,451	7,882,336	828,747
Other financial assets				
Hedging derivative financial assets	15,616	-	15,616	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	8,671,564	10,066	7,832,751	828,747
Other financial liabilities				
Hedging derivative financial liabilities	22,576	-	22,576	-
Item	December 31, 2011			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Investment in stocks	\$ 31,171	\$ 31,171	\$ -	\$ -
Investment in bonds	6,706,516	5,573,964	756,314	376,238
Others	17,456,789	450,698	17,005,311	780
Financial assets designated as at FVTPL				
	1,517,010	-	1,338,887	178,123
Available-for-sale financial assets				
Investment in stocks	62,959	62,959	-	-
Investment in bonds	31,545,414	14,685,829	16,859,585	-
Others	5,477,003	-	5,024,470	452,533

Item	December 31, 2011			
	Total	Level 1	Level 2	Level 3
<u>Derivative financial Instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets	\$ 7,720,408	\$ 5,268	\$ 7,604,118	\$ 111,022
Financial assets designated as at FVTPL	5,282	-	-	5,282
Other financial assets				
Hedging derivative financial assets	43,431	-	41,323	2,108
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	7,308,944	1,682	7,196,195	111,067
Other financial liabilities				
Hedging derivative financial liabilities	54,319	-	54,319	-

Note 1: The table aims to show the method that the Bank and its subsidiaries 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. Based on SFAS No. 34 - "Financial Instruments: Recognition and Measurement", active markets are markets with all of the following conditions:

- a) Products traded in the market are homogeneous.
- b) Active willing trading parties are readily 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) Publicly quoted price of comparables with an active market. Financial products with similar maturities are characteristics should be priced similarly. Adjustments are made for time lapse, minor characteristic differences, related party transactions, and observable price and relativity of similar financial products.
- b) Publicly quoted price of comparable products in non-active market.
- c) Financial model valuation with input based on publicly observable inputs such as interest rate, yield to maturity and variance that reflects public market's views and projections.
- 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 those financial instruments valued using models where one or more significant input are unobservable.

Level 3 Fair Value Classification Financial Assets
Year Ended December 31, 2012
(In Thousands of New Taiwan Dollars)

Name	Beginning Balance	Valuation Gain (Loss) Reflected on Income Statement or in Shareholders' Equity	Increase		Decrease		Foreign Exchange Rate Effect	Ending Balance
			Purchase/ Issued	Transfer into Level 3	Disposed/ Sold	Transfer Out of Level 3		
<u>Non-derivative instruments</u>								
Financial assets at fair value through profit or loss								
Held-for-trading financial assets	\$ 377,018	\$ 41,949	\$ -	\$ -	\$ 40,150	\$ -	\$ (13,477)	\$ 365,340
Financial assets designated as at FVTPL	178,123	5,897	-	-	-	-	(7,015)	177,005
Available-for-sale financial assets	452,533	(2,680)	2,609,219	-	-	189,415	(17,301)	2,852,356
<u>Derivative instruments</u>								
Financial assets as at FVTPL								
Held-for-trading financial assets	111,022	719,178	-	-	1,398	-	(55)	828,747
Financial assets designated as at FVTPL	5,282	(5,282)	-	-	-	-	-	-
Other financial assets								
Hedging derivative financial assets	2,108	(2,108)	-	-	-	-	-	-

Level 3 Fair Value Classification Financial Assets
Year Ended December 31, 2011
(In Thousands of New Taiwan Dollars)

Name	Beginning Balance	Valuation Gain (Loss) Reflected on Income Statement or in Shareholders' Equity	Increase		Decrease		Foreign Exchange Rate Effect	Ending Balance
			Purchase/ Issued	Transfer into Level 3	Disposed/ Sold	Transfer Out of Level 3		
<u>Non-derivative instruments</u>								
Financial assets at fair value through profit or loss								
Held-for-trading financial assets	\$ 907	\$ 255,259	\$ 387,051	\$ 40,766	\$ 318,983	\$ -	\$ 12,018	\$ 377,018
Financial assets designated as at FVTPL	-	(6,103)	184,226	-	-	-	-	178,123
Available-for-sale financial assets	-	(1,817)	454,350	-	-	-	-	452,533
Other financial assets								
Non-active market debt instruments	79,634	-	-	-	79,634	-	-	-
<u>Derivative instruments</u>								
Financial assets at fair value through profit or loss								
Held-for-trading financial assets	306,841	(111,703)	3,062	-	87,220	-	42	111,022
Financial assets designated as at FVTPL	1,025	1,983	2,761	-	584	-	97	5,282
Other financial assets								
Hedging derivative financial assets	-	-	2,108	-	-	-	-	2,108

Level 3 Fair Value Classification Financial Liabilities
Year Ended December 31, 2012
(In Thousands of New Taiwan Dollars)

Name	Beginning Balance	Valuation Gain (Loss) Reflected on Income Statement or in Shareholders' Equity	Increase		Decrease		Foreign Exchange Rate Effect	Ending Balance
			Purchase/ Issued	Transfer into Level 3	Disposed/ Sold	Transfer Out of Level 3		
Derivative instruments								
Financial liabilities at fair value through profit or loss								
Held-for-trading financial liabilities	\$ 111,067	\$ 719,725	\$ -	\$ -	\$ 1,967	\$ -	\$ (78)	\$ 828,747

Level 3 Fair Value Classification Financial Liabilities
Year Ended December 31, 2011
(In Thousands of New Taiwan Dollars)

Name	Beginning Balance	Valuation Gain (Loss) Reflected on Income Statement or in Shareholders' Equity	Increase		Decrease		Foreign Exchange Rate Effect	Ending Balance
			Purchase/ Issued	Transfer into Level 3	Disposed/ Sold	Transfer Out of Level 3		
Derivative instruments								
Financial liabilities at fair value through profit or loss								
Held-for-trading financial liabilities	\$ 298,239	\$ (188,293)	\$ 4,125	\$ -	\$ 3,040	\$ -	\$ 36	\$ 111,067

The Bank has set up an independent risk management team to control the market risk and to carry out the market risk management policy, which includes organization frame, responsibility and management process, and also set clear regulations and limits to reduce risks on transactions. The sub-risk management team review limits on monitoring and managing risk exposures within their respective areas of supervision and report timely to the head office management team monitoring.

Market risk reports, which include the monitoring of outstanding accounts, loss limits and quantitative measures of risk indicators (Delta, Vega, 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 (e.g. Black Scholes Model) provided by transaction systems (ex. Murex, Kondor Plus, Bloomberg and etc.). The Bank uses the value-at-risk approach and Monte Carlo simulation method to derive quantitative measures for the trading book market risks under normal condition.

The Bank formally documents in writing its intention to apply hedge accounting and follows the requirement of related accounting standards. The 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 December 31, 2012 and 2011, the ratios of secured loans to total loans were 69.07% and 68.18%, respectively. The Ratio of secured financial guarantees and standby letters of credits were from 15.96% and 18.22%. 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 and FENB equaled the book value except which analyzed as follows:

Items	Maximum Credit Exposure	
	December 31	
	2012	2011
Off-balance-sheet credit risk		
Credit card commitments	\$ 215,223,711	\$ 209,633,194
Financial guarantees and standby letter of credit	26,860,362	20,126,523
Undrawn loan commitments	18,645,376	20,001,245

The above amounts are evaluated based on contracts of off-balance-sheet credit risk on the balance sheet date. When financial instruments transactions concentrated on counter-party, which engaged in similar business activities, had similar economic characteristics and abilities to execute contracts, the credit risk concentration arose.

Concentrations of credit risk exist when changes in economic, industrial or geographic factors similarly affect groups of counter-parties 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 its exposures continually. The Bank's most significant concentrations of credit risk were summarized by counter-party, industry sector and region as follows:

Credit Risk Profile by Counterparty	December 31	
	2012	2011
Consumer	\$ 391,204,166	\$ 380,463,194
Private sector	333,946,852	298,304,610
Government - government-owned business	<u>33,131,150</u>	<u>40,811,112</u>
	<u>\$ 758,282,168</u>	<u>\$ 719,578,916</u>

Credit Risk Profile by Industry Sector	December 31	
	2012	2011
Electricity industry	\$ 78,818,191	\$ 71,735,252
Wholesale trade and retail business	58,292,724	56,525,275
Material and supplies	<u>52,634,567</u>	<u>44,531,919</u>
	<u>\$ 189,745,482</u>	<u>\$ 172,792,446</u>

Credit Risk Profile by Region	December 31	
	2012	2011
Domestic area	\$ 660,971,772	\$ 637,048,486
Asia	45,874,857	41,202,366
North America	<u>34,121,662</u>	<u>27,165,647</u>
	<u>\$ 740,968,291</u>	<u>\$ 705,416,499</u>

3) Liquidity risk

As of December 31, 2012 and 2011, the liquidity reserve ratio was 33.57% and 33.35%, respectively. The capital and working capital were enough to execute all contract obligations; thus, there was no liquidity risk.

The management policy of the Bank and FENB is to match the contractual maturity profile and interest rate of its assets and liabilities. Because of the uncertainty, the maturities and interest rates of assets and liabilities usually are not fully matched. The gap may result in potential gain or loss.

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

The Bank

	December 31, 2012						Total
	Due in One Month	Due between after One Month and Three Months	Due between after Three Months and Six Months	Due between after Six Months and One Year	Due between after One Year and Seven Years	Due after Seven Years	
Assets							
Cash and cash equivalents	\$ 18,394,614	\$ 117,669	\$ 74,448	\$ 47,086	\$ -	\$ -	\$ 18,633,817
Due from the Central Bank and other banks	76,416,015	3,847,853	2,831,091	2,521,181	-	-	85,616,140
Financial assets at fair value through profit or loss	27,059,563	574	348	5	-	-	27,060,490
Securities purchased under agreements to resell	236,006	-	-	-	-	-	236,006
Receivables	23,318,179	18,255,710	10,110,985	8,233,415	2,708,125	57	62,626,471
Discounts and loans	62,090,835	81,465,687	42,308,918	38,000,028	184,365,743	349,903,628	758,134,839
Available-for-sale financial assets	5,975,023	614,880	437,049	2,710,885	41,029,974	294,081	51,061,892
Held-to-maturity investments	133,046,473	40,743,233	34,684,595	7,844,043	972,222	28,599	217,319,165
Hedged derivative financial assets	-	-	-	15,616	-	-	15,616
	<u>346,536,708</u>	<u>145,045,606</u>	<u>90,447,434</u>	<u>59,372,259</u>	<u>229,076,064</u>	<u>350,226,365</u>	<u>1,220,704,436</u>
Liabilities							
Call loans and due to banks	51,102,047	9,923,996	942,356	8,020,685	-	-	69,989,084
Financial liabilities at fair value through profit or loss	8,666,473	378	2,620	1,586	-	-	8,671,057
Securities sold under agreements to repurchase	718,924	482,526	-	-	-	-	1,201,450
Payables	14,024,864	3,721,672	1,313,135	579,147	661,562	1,435,025	21,735,405
Deposits and remittances	151,073,900	157,789,152	168,949,238	175,121,550	355,851,959	-	1,008,785,799
Bank debentures	15,616	-	-	1,400,000	37,286,196	4,300,000	43,001,812
Principal of structured products	3,846,449	1,422,204	174,460	167,772	3,041	-	5,613,926
Hedged derivative financial liabilities	-	-	-	-	22,576	-	22,576
	<u>229,448,273</u>	<u>173,339,928</u>	<u>171,381,809</u>	<u>185,290,740</u>	<u>393,825,334</u>	<u>5,735,025</u>	<u>1,159,021,109</u>
Net liquidity gap	<u>\$117,088,435</u>	<u>\$(28,294,322)</u>	<u>\$(80,934,375)</u>	<u>\$(125,918,481)</u>	<u>\$(164,749,270)</u>	<u>\$344,491,340</u>	<u>\$(61,683,327)</u>
December 31, 2011							
	Due in One Month	Due between after One Month and Three Months	Due between after Three Months and Six Months	Due between after Six Months and One Year	Due between after One Year and Seven Years	Due after Seven Years	Total
Assets							
Cash and cash equivalents	\$ 17,789,825	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,789,825
Due from the Central Bank and other banks	60,706,778	5,929,149	3,909,208	3,127,105	-	-	73,672,240
Financial assets at fair value through profit or loss	30,140,124	421,339	2,084,496	141,259	3,818	-	32,791,036
Securities purchased under agreements to resell	3,080,168	-	-	-	-	-	3,080,168
Receivables	19,201,038	19,190,993	4,872,041	5,997,036	2,824,731	-	52,085,839
Discounts and loans	50,431,578	58,285,153	41,333,504	43,744,928	178,332,302	347,274,870	719,402,335
Available-for-sale financial assets	5,883,655	645,336	581,277	557,772	24,638,390	294,202	32,600,632
Held-to-maturity investments	109,980,160	77,249,309	11,002,931	31,116,062	500,921	30,541	229,879,924
Hedged derivative financial assets	-	-	-	-	41,323	-	41,323
	<u>297,213,326</u>	<u>161,721,279</u>	<u>63,783,457</u>	<u>84,684,162</u>	<u>206,341,485</u>	<u>347,599,613</u>	<u>1,161,343,322</u>

	December 31, 2011						Total
	Due in One Month	Due between after One Month and Three Months	Due between after Three Months and Six Months	Due between after Six Months and One Year	Due between after One Year and Seven Years	Due after Seven Years	
Liabilities							
Call loans and due to banks	\$ 45,886,056	\$ 10,745,588	\$ 2,049,575	\$ 7,425,632	\$ 59,960	\$ -	\$ 66,166,811
Financial liabilities at fair value through profit or loss	4,703,057	407,076	163,250	2,036,030	341	-	7,309,754
Securities sold under agreements to repurchase	5,319,665	1,752,206	-	-	-	-	7,071,871
Payables	11,275,450	4,243,739	1,124,562	699,204	315,274	1,435,025	19,093,254
Deposits and remittances	119,439,950	136,547,289	210,146,649	169,613,960	327,352,402	-	963,100,250
Bank debentures	41,323	-	-	-	33,986,520	3,000,000	37,027,843
Principal of structured products	3,528,900	3,579,261	57,687	-	-	-	7,165,848
Hedged derivative financial liabilities	-	-	-	3,107	51,212	-	54,319
	<u>190,194,401</u>	<u>157,275,159</u>	<u>213,541,723</u>	<u>179,777,933</u>	<u>361,765,709</u>	<u>4,435,025</u>	<u>1,106,989,950</u>
Net liquidity gap	<u>\$107,018,925</u>	<u>\$ 4,446,120</u>	<u>\$(149,758,266)</u>	<u>\$(95,093,771)</u>	<u>\$(155,424,224)</u>	<u>\$343,164,588</u>	<u>\$ 54,353,372</u>

FENB

(In Thousands of U.S. Dollars)

	December 31, 2012						Total
	Due in One Month	Due between after One Month and Three Months	Due between after Three Months and Six Months	Due between after Six Months and One Year	Due between after One Year and Seven Years	Due after Seven Years	
Assets	\$ 208,563	\$ 121,319	\$ 63,890	\$ 58,219	\$ 396,402	\$ 155,903	\$ 1,004,296
Liabilities	<u>517,935</u>	<u>92,821</u>	<u>105,939</u>	<u>56,685</u>	<u>36,550</u>	<u>-</u>	<u>809,930</u>
Net liquidity gap	<u>\$ (309,372)</u>	<u>\$ 28,498</u>	<u>\$(42,049)</u>	<u>\$ 1,534</u>	<u>\$ 359,852</u>	<u>\$ 155,903</u>	<u>\$ 194,366</u>

	December 31, 2011						Total
	Due in One Month	Due between after One Month and Three Months	Due between after Three Months and Six Months	Due between after Six Months and One Year	Due between after One Year and Seven Years	Due after Seven Years	
Assets	\$ 323,364	\$ 186,979	\$ 101,385	\$ 90,672	\$ 430,006	\$ 127,722	\$ 1,260,128
Liabilities	<u>710,540</u>	<u>158,410</u>	<u>92,044</u>	<u>80,213</u>	<u>54,472</u>	<u>-</u>	<u>1,095,679</u>
Net liquidity gap	<u>\$ (387,176)</u>	<u>\$ 28,569</u>	<u>\$ 9,341</u>	<u>\$ 10,459</u>	<u>\$ 375,534</u>	<u>\$ 127,722</u>	<u>\$ 164,449</u>

4) Foreign exchange rate risk

The Bank and FENB engages in foreign exchange business mainly to accommodate customers' needs and manages its exposure positions. Significant foreign-currency assets and liabilities were as follows:

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

	December 31, 2012			December 31, 2011		
	U.S. Dollars	Exchange Rate	New Taiwan Dollars	U.S. Dollars	Exchange Rate	New Taiwan Dollars
Assets						
Cash and cash equivalents	\$ 142,718	29.1366	\$4,158,317	\$ 101,449	30.29	\$3,072,890
Due from the Central Bank and other banks	699,569	29.1366	20,383,062	848,993	30.29	25,715,998
Financial assets at fair value through profit or loss	337,582	29.1366	9,835,992	441,341	30.29	13,368,219

	December 31, 2012			December 31, 2011		
	U.S. Dollars	Exchange Rate	New Taiwan Dollars	U.S. Dollars	Exchange Rate	New Taiwan Dollars
Securities purchased under agreements to resell	\$ 8,100	29.1366	\$ 236,006	\$ 43,143	30.29	\$1,306,801
Receivables, net	1,191,671	29.1366	34,721,241	967,217	30.29	29,297,003
Discounts and loans, net	5,247,901	29.1366	152,905,992	4,627,084	30.29	140,154,374
Available-for-sale financial assets	231,078	29.1366	6,732,827	259,421	30.29	7,857,862
Held-to-maturity investments	92,635	29.1366	2,699,069	132,050	30.29	3,999,795
Other financial assets, net						
Unquoted equity instruments	32,589	29.1366	949,533	37,149	30.29	1,125,243
Other financial assets	116,477	29.1366	3,393,744	98,248	30.29	2,975,932
Intangible assets	16,395	29.1366	477,695	16,588	30.29	502,451
Other assets	42,852	29.1366	1,248,562	64,446	30.29	1,952,069
Liabilities						
Due to the Central Bank and other banks	1,641,573	29.1366	47,829,856	1,490,112	30.29	45,135,492
Financial liabilities at fair value through profit or loss	135,777	29.1366	3,956,080	428,461	30.29	12,978,084
Payables	268,461	29.1366	7,822,041	267,807	30.29	8,111,874
Deposits and remittances	5,724,356	29.1366	166,788,271	5,316,190	30.29	161,027,395
Other financial liabilities	94,270	29.1366	2,746,707	70,100	30.29	2,123,329

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 FENB enters into interest rate swap contracts to manage the risk.

e. Fair value hedge

The fair value risk on the interest of the Bank and FENB debentures, fixed rate loans and fixed rate deposit may fluctuate as market rate. The Bank and FENB evaluated the risk may be significant, and thus used interest rate swaps as hedging instruments.

Hedged Items	Hedging Instruments	December 31			
		2012		2011	
		Notional Amount	Fair Value	Notional Amount	Fair Value
Bank debentures	Interest rate swap	\$ 1,400,000	\$ 15,616	\$ 1,400,000	\$ 41,323
Fixed rate loans	Interest rate swap	-	-	134,123	(3,107)
Fixed rate deposits	Interest rate swap	-	-	240,821	2,108

f. Cash flow hedge

The Bank used interest rate swap contracts to hedge against the risk of adverse interest rate fluctuations of the Bank debentures.

Hedged Items	Hedging Instruments	December 31			
		2012		2011	
		Notional Amount	Fair Value	Notional Amount	Fair Value
Bank debentures	Interest rate swap	\$ 3,600,000	\$ (22,576)	\$ 3,600,000	\$ (51,212)

33. MARKET RISK CONTROL AND HEDGE STRATEGY

The Bank and its subsidiaries document the risk management policies, including overall operating strategies and risks control philosophy. The Bank and its subsidiaries' 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 review the policies regularly, and review the operation to make sure the Bank and its subsidiaries' policies are executed properly.

34. INFORMATION ON CONCENTRATION OF RISK - BANK SINOPAC AND FAR EAST NATIONAL BANK

The Bank and FENB have no concentrated credit risk in any industry, individual counter-party or group who engaged in similar business activities. Industries with 5% or more of the outstanding loans as of December 31, 2012 and 2011 were as follows:

	December 31			
	2012		2011	
	Amount	%	Amount	%
Natural person	\$ 391,204,166	50.23	\$ 380,463,405	51.30
Manufacturing	208,888,632	26.82	178,314,140	24.04
Wholesale trade and retail business	71,531,474	9.18	69,160,262	9.33
Construction and real estate	57,641,255	7.40	54,221,451	7.31
Government owned business	33,708,013	4.33	41,387,975	5.58

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

a. Statement of capital adequacy

Analysis Items		Year	December 31, 2012		December 31, 2011		
			Standalone	Consolidation	Standalone	Consolidation	
Eligible capital	Tier 1 capital		\$67,331,426	\$72,338,629	\$59,365,922	\$63,862,362	
	Tier 2 capital		29,937,518	36,062,151	28,878,423	34,329,809	
	Tier 3 capital		-	-	-	-	
	Eligible capital		97,268,944	108,400,780	88,244,345	98,192,171	
Risk-weighted assets	Credit risk	Standardized approach	706,571,756	729,504,805	616,247,958	645,639,452	
		Internal rating - based approach	-	-	-	-	
		Securitization	723	631,950	914	559,267	
	Operational risk	Basic indicator approach	34,026,943	38,561,788	30,050,610	36,394,452	
		Standardized approach/alternative standardized approach	-	-	-	-	
		Advanced measurement approach	-	-	-	-	
	Market risk	Standardized approach	19,674,819	23,485,329	18,188,885	18,171,185	
		Internal models approach	-	-	-	-	
	Total risk-weighted assets			760,274,241	792,183,872	664,488,367	700,764,356
	Capital adequacy rate			12.79%	13.68%	13.28%	14.01%
Tier 1 risk - based capital ratio			8.86%	9.13%	8.93%	9.11%	
Tier 2 risk - based capital ratio			3.93%	4.55%	4.35%	4.90%	
Tier 3 risk - based capital ratio			-	-	-	-	
Ratios of common stockholders' equity to total assets			4.33%	4.25%	4.45%	4.33%	
Leverage ratio			5.58%	5.84%	5.22%	5.42%	

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

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

Note 3: The formula:

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

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

b. Asset quality

The overdue loans and receivables are shown in Table 8-2.

c. Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities
December 31, 2012

(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	\$1,116,647,032	\$280,179,911	\$141,941,208	\$91,933,080	\$53,844,626	\$548,748,207
Main capital outflow on maturity	1,133,884,510	140,675,794	179,116,910	176,406,492	199,640,636	438,044,678
Gap	(17,237,478)	139,504,117	(37,175,702)	(84,473,412)	(145,796,010)	110,703,529

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
December 31, 2012

(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	\$ 10,935,064	\$ 3,211,268	\$ 3,529,056	\$ 1,394,621	\$ 1,265,120	\$ 1,534,999
Main capital outflow on maturity	10,749,928	3,976,087	2,854,913	1,406,855	895,662	1,616,411
Gap	185,136	(764,819)	674,143	(12,234)	369,458	(81,412)

Note 1: The above amounts are book value of the assets and liabilities held by the onshore branches and offshore banking unit of the Bank in U.S. dollars, which have no off-balance sheet amounts (negotiable certificates of deposits, bonds or stocks, etc.).

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
December 31, 2011

(In Thousands of New Taiwan Dollars)

	Total	The Amount of Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Main capital inflow on maturity	\$1,116,701,479	\$292,785,793	\$161,329,746	\$58,896,007	\$73,251,278	\$530,438,655
Main capital outflow on maturity	1,129,739,922	183,892,309	170,424,563	186,421,932	183,082,093	405,919,025
Gap	(13,038,443)	108,893,484	(9,094,817)	(127,525,925)	(109,830,815)	124,519,630

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
December 31, 2011

(In Thousands of U.S. Dollars)

	Total	The Amount of Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Main capital inflow on maturity	\$ 12,756,092	\$ 4,368,480	\$ 3,281,467	\$ 1,367,686	\$ 621,922	\$ 3,116,537
Main capital outflow on maturity	12,660,878	4,768,149	3,182,681	1,099,738	655,456	2,954,854
Gap	95,214	(399,669)	98,786	267,948	(33,534)	161,683

Note 1: The above amounts are book values of the assets and liabilities held by the onshore branches and offshore banking unit of the Bank in U.S. dollars, which have no off-balance sheet amounts (negotiable certificates of deposits, bonds or stocks, etc.).

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

d. Profitability

(%)

Items	Year Ended		
	December 31, 2012	December 31, 2011	
Return on total assets	Before income tax	0.76	0.24
	After income tax	0.68	0.22
Return on net worth	Before income tax	12.39	3.97
	After income tax	11.00	3.61
Profit margin		38.44	15.35

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 years ended December 31, 2012 and 2011.

e. Interest rate sensitivity information

**Interest Rate Sensitivity
December 31, 2012**

(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	\$776,383,457	\$ 42,438,568	\$ 41,916,628	\$ 77,287,158	\$938,025,811
Interest rate-sensitive liabilities	337,333,354	418,251,512	87,737,208	38,147,913	881,469,987
Interest rate-sensitive gap	439,050,103	(375,812,944)	(45,820,580)	39,139,245	56,555,824
Net worth					79,845,233
Ratio of interest-rate sensitive assets to liabilities					106.42%
Ratio of interest-rate sensitive gap to net worth					70.83%

**Interest Rate Sensitivity
December 31, 2011**

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$751,895,994	\$ 37,243,170	\$ 61,177,329	\$ 52,907,663	\$903,224,156
Interest rate-sensitive liabilities	356,551,630	409,369,216	56,184,008	30,203,336	852,308,190
Interest rate-sensitive gap	395,344,364	(372,126,046)	4,993,321	22,704,327	50,915,966
Net worth					70,508,936
Ratio of interest-rate sensitive assets to liabilities					105.97%
Ratio of interest-rate sensitive gap to net worth					72.21%

Note 1: The above amounts include only New Taiwan dollar amounts held by the onshore branches of the Bank (i.e., excluding foreign-currency). In compliance with the Central Bank's supervision policies, the above data are prepared for off-site monitoring by the 15th of the 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
December 31, 2012 (U.S. Dollars)**

(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	\$ 5,880,318	\$ 163,728	\$ 67,508	\$ 140,091	\$ 6,251,645
Interest rate-sensitive liabilities	2,949,143	3,687,695	220,917	6,531	6,864,286
Interest rate-sensitive gap	2,931,175	(3,523,967)	(153,409)	133,560	(612,641)
Net worth					90,708
Ratio of interest rate-sensitive assets to liabilities					91.07%
Ratio of interest rate-sensitive gap to net worth					(675.40%)

**Interest Rate Sensitivity
December 31, 2011 (U.S. Dollars)**

(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	\$ 5,048,063	\$ 307,073	\$ 32,488	\$ 125,651	\$ 5,513,275
Interest rate-sensitive liabilities	2,821,289	2,845,788	246,451	2,420	5,915,948
Interest rate-sensitive gap	2,226,774	(2,538,715)	(213,963)	123,231	(402,673)
Net worth					82,643
Ratio of interest rate-sensitive assets to liabilities					93.19%
Ratio of interest rate-sensitive gap to net worth					(487.24%)

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 are 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 are affected by interest-rate changes.

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

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

f. Concentration of credit extensions

December 31, 2012

(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 (manufacture of liquid crystal panel and components)	\$13,528,638	19.17%
2	B Group (manufacture of liquid crystal panel and components)	12,973,578	18.39%
3	C Group (manufacture of plastics, sheets, pipes and tubes)	12,618,614	17.88%
4	D Group (manufacture of computers)	6,400,532	9.07%
5	E Group (manufacture of computers)	4,914,051	6.96%
6	F Group (financial leasing)	4,662,355	6.61%
7	G Group (smelting and refining of iron and steel)	4,594,042	6.51%
8	H Group (cable and other subscription programming)	4,468,119	6.33%
9	I Group (mechanics, telecommunications and electricity facilities installation)	3,960,509	5.61%
10	J Group (manufacture of the basic metals not else where classified)	2,577,708	3.65%

December 31, 2011

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	Industry Category (Note 2)	Total Credit Consists of Loans (Note 3)	Percentage of Net Worth (%) (Note 4)
1	A Group (manufacture of liquid crystal panel and components)	\$14,355,828	21.77%
2	B Group (manufacture of plastics, sheets, pipes and tubes)	14,272,371	21.64%
3	C Group (manufacture of liquid crystal panel and components)	12,219,170	18.53%
4	D Group (manufacture of computers)	7,916,648	12.00%
5	E Group (manufacture of computers)	5,933,193	9.00%
6	F Group (retail sale of cosmetics in specialized stores)	5,358,503	8.12%
7	G Group (cable and other subscription programming)	4,751,461	7.20%
8	H Group (financial leasing)	4,618,464	7.00%
9	I Group (manufacture of liquid crystal panel and components)	4,023,044	6.10%
10	J Group (manufacture of the basic metals not else where classified)	2,523,957	3.83%

Note 1: Ranking top ten groups (excluding government or state - owned utilities) whose to total credit consists of loans.

Note 2: Groups were those as defined in the Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings Law Article 6.

Note 3: Total credit is the sum of all loans (including import and export bills 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 factored without recourse, acceptances receivable, and grantees issued.

Note 4: Net worth of previous year-end.

36. TRUST BUSINESS UNDER THE TRUST LAW

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

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

Balance Sheets of Trust Accounts December 31, 2012 and 2011

(In Thousands of New Taiwan Dollars)

	December 31					
	2012			2011		
	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	\$ 2,657,699	\$ -	\$ 2,657,699	\$ 2,699,582	\$ -	\$ 2,699,582
Bonds	1,611,352	-	1,611,352	2,633,025	-	2,633,025
Stocks	6,480,917	-	6,480,917	5,746,650	-	5,746,650
Funds	116,814,926	-	116,814,926	111,451,569	-	111,451,569
Securities lent	3,457,380	-	3,457,380	1,188,055	-	1,188,055
Receivables	15,312	-	15,312	9,301	-	9,301
Prepayments	2,313	-	2,313	12	49	61
Real estate						
Land	6,549,890	-	6,549,890	5,945,769	-	5,945,769
Buildings	1,289,377	-	1,289,377	111,039	-	111,039
Construction in process	3,817,626	-	3,817,626	3,753,650	-	3,753,650
Securities under custody	60,183,115	-	60,183,115	67,235,920	-	67,235,920
Total trust assets	<u>\$202,879,907</u>	<u>\$ -</u>	<u>\$202,879,907</u>	<u>\$200,774,572</u>	<u>\$ 49</u>	<u>\$200,774,621</u>

	December 31					
	2012			2011		
	Other Trust Business	Financial Assets and Real Estate Trust Plan	Total	Other Trust Business	Financial Assets and Real Estate Trust Plan	Total
<u>Trust liabilities</u>						
Payables	\$ 5,748	\$ -	\$ 5,748	\$ 2,226	\$ -	\$ 2,226
Payable on securities under custody	60,183,115	-	60,183,115	67,235,920	-	67,235,920
Trust capital	142,245,441	-	142,245,441	132,994,919	11,806	133,006,725
Reserves and cumulative earnings						
Reserves	-	-	-	-	22,312	22,312
Net income (loss)	973,173	-	973,173	(37,791)	(22,815)	(60,606)
Cumulative earnings	541,507	(34,069)	507,438	2,333,012	720,559	3,053,571
Deferred amount	(1,069,077)	34,069	(1,035,008)	(1,753,714)	(731,813)	(2,485,527)
Total trust liabilities	<u>\$202,879,907</u>	<u>\$ -</u>	<u>\$202,879,907</u>	<u>\$200,774,572</u>	<u>\$ 49</u>	<u>\$200,774,621</u>

Trust Income Statement
Years Ended December 31, 2012 and 2011

(In Thousands of New Taiwan Dollars)

	Years Ended December 31					
	2012			2011		
	Other Trust Business	Financial Assets and Real Estate Trust Plan	Total	Other Trust Business	Financial Assets and Real Estate Trust Plan	Total
<u>Trust income</u>						
Interest income	\$ 24,894	\$ -	\$ 24,894	\$ 37,364	\$ 479	\$ 37,843
Borrowed securities income	136,433	-	136,433	21,639	-	21,639
Cash dividends	167,749	-	167,749	303,931	-	303,931
Gains from beneficiary certificates	139	-	139	185	-	185
Realized investment income	104,958	-	104,958	28,234	-	28,234
Unrealized investment income	630,551	-	630,551	-	-	-
Total trust income	<u>1,064,724</u>	<u>-</u>	<u>1,064,724</u>	<u>391,353</u>	<u>479</u>	<u>391,832</u>
<u>Trust expense</u>						
Trust administrative expenses	27,898	-	27,898	9,553	105	9,658
Tax expenses	238	-	238	3,721	-	3,721
Interest expenses	-	-	-	-	22,869	22,869
OTC expenses	-	-	-	-	75	75
Service expenses	-	-	-	-	231	231
Realized investment loss	60,530	-	60,530	72,602	-	72,602
Unrealized investment loss	-	-	-	342,792	-	342,792
Others	2,885	-	2,885	476	14	490
Total trust expense	<u>91,551</u>	<u>-</u>	<u>91,551</u>	<u>429,144</u>	<u>23,294</u>	<u>452,438</u>
Income (loss) before income tax	973,173	-	973,173	(37,791)	(22,815)	(60,606)
Income tax expense	-	-	-	-	-	-
Net income (loss)	<u>\$ 973,173</u>	<u>\$ -</u>	<u>\$ 973,173</u>	<u>\$ (37,791)</u>	<u>\$ (22,815)</u>	<u>\$ (60,606)</u>

**Trust Properties of Trust Accounts
December 31, 2012 and 2011**

(In Thousands of New Taiwan Dollars)

Investment Portfolio	December 31			
	2012		2011	
	Book Value	Note	Book Value	Note
Bank deposits	\$ 2,657,699		\$ 2,699,582	
Bonds	1,611,352		2,633,025	
Stocks	6,480,917		5,746,650	
Funds	116,814,926		111,451,569	
Securities lent	3,457,380		1,188,055	
Real estate				
Land	6,549,890		5,945,769	
Buildings	1,289,377		111,039	
Construction in process	3,817,626		3,753,650	
Securities under custody	<u>60,183,115</u>		<u>67,235,920</u>	
Total	<u>\$ 202,862,282</u>		<u>\$ 200,765,259</u>	

b. The contents of operations of the trust business is under the Trust Law.

c. IBT, a trustee in behalf of its corporate customers, purchased CDOs issued by Lehman Brothers for US\$20 million in 2005. A civil case have been brought against the issuer, custodians and bond holders (the Bank based on trust deed) by the insolvency administrator of Lehman Brothers at United States Bankruptcy Court, New York. The civil case is still in preliminary case of proceeding. The Bank has notified the lawsuit to customers and appointed attorney.

37. CROSS-SELLING INFORMATION

For the years ended December 31, 2012 and 2011, the Bank charged SinoPac Securities for \$3,223 and \$3,170, respectively, as marketing and opening accounts. The rental fee the Bank has charged SinoPac Securities for the years ended December 31, 2012 and 2011 were \$3,408 and \$3,270, respectively. The rental fee the Bank paid to SinoPac Securities were \$668 and \$674 for the years ended December 31, 2012 and 2011, respectively. The Bank has charged SinoPac Securities a total of \$3,245 and \$3,766 respectively for the years ended December 31, 2012 and 2011 for bonus as part of the cross-selling agreement. Other transactions between SPH and its subsidiaries, please refer to Note 28.

38. OPERATING SEGMENT INFORMATION

Based on chief of decision maker's resource allocation and department performance review, the Bank has divided the business segments based on the services and products provided, excluding subsidiary accounted under the equity method. The accounting standards and policies mentioned in Note 2 apply to all of the business segments in accordance to SFAS 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 SinoPac Bancorp and Far East National Bank.

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

- a. For information regarding business segment revenue, operating results and assets, please refer to Table 9.
- b. The Bank is operating mainly in three geographical areas - Domestic and others, USA, and Hong Kong and Macau. For the information regarding business segment revenue from external customers geographical information of assets, please refer to Table 9.

39. PRE-DISCLOSURE FOR ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Under Rule No. 0990004943 issued by the FSC on February 2, 2010, the Bank pre-discloses the following information on the adoption of International Financial Reporting Standards (IFRSs) as follows:

- a. On May 14, 2009, the FSC announced the “Framework for Adoption of International Financial Reporting Standards by Companies in the ROC.” In this framework, starting 2013, Financial Institutions Supervised by FSC should prepare their financial statements in accordance with the Criteria Governing the Preparation of Financial Reports by Public Banks and the International Financial Reporting Standards, International Accounting Standards, and the Interpretations as well as related guidances translated by the ARDF and issued by the FSC. To comply with this framework, the Bank has set up a project team and made a plan to adopt the IFRSs. Leading the implementation of this plan are the project decision-making committees. The main contents of the plan, and status of execution were as follows:

Contents of Plan	Responsible Departments	Status of Execution
1) Establish the task force	SPH project accounting division	Finished
2) Set up a work plan for IFRSs adoption	SPH project accounting division	Finished
3) Identify and analyze the differences between the current accounting policies and IFRSs	Administration, human resource, commodity, risk management and accounting divisions	Finished
4) Complete the identification of consolidated entities under IFRSs	Accounting division	Finished
5) Evaluate the potential effects of the adoption of IFRS 1 - “First-time Adoption of International Financial Reporting Standards” (IFRS 1)	Administration, human resource, commodity, risk management and accounting divisions	Finished
6) Assess the related IT system to identify possible adjustments	Administration, human resource, commodity, risk management, accounting and IT divisions	Finished
7) Assess the related internal controls to identify possible adjustments	Administration, human resource, commodity, risk management and accounting divisions	Finished
8) Determine the IFRSs accounting policies	Administration, human resource, commodity, risk management and accounting divisions	Finished
9) Choose from the exemptions stated in IFRS 1	Administration, human resource, commodity, and accounting divisions	Finished
10) Complete the preparation of the opening IFRS statement of financial position	Accounting division	Finished
11) Complete the preparation of comparative 2012 IFRSs financial information	Accounting division	Finished
12) Complete the modification of internal control (including the financial report process and relevant IT systems)	Administration, human resource, commodity, risk management, accounting, IT and internal audit divisions	Finished

b. The Bank and its subsidiaries had assessed the material differences, shown below, between the existing accounting policies and the accounting policies to be adopted under IFRSs:

1) Reconciliation of balance sheet as of January 1, 2012

	R.O.C. GAAP	Affecting Amounts	IFRSs	Description
<u>Assets</u>				
Cash and cash equivalents	\$ 18,012,075	\$ -	\$ 18,012,075	
Due from the Central Bank and other banks	82,753,425	-	82,753,425	
Financial assets at fair value through profit or loss	33,437,176	(2,356)	33,434,820	5) d)
Securities purchased under agreements to resell	3,080,168	-	3,080,168	
Receivables, net	51,939,318	550,363	52,489,681	5) d)
Discounts and loans, net	732,363,961	-	732,363,961	
Available-for-sale financial assets	37,085,376	104,361	37,189,737	5) d)
Held-to-maturity investments	233,697,727	-	233,697,727	
Other financial assets, net	5,264,090	(562,053)	4,702,037	
Properties, net	9,601,903	1,869,479	11,471,382	5) e)
Intangible assets	1,457,004	-	1,457,004	
Other assets	<u>6,842,184</u>	<u>(1,035,688)</u>	<u>5,806,496</u>	5) c), 5) e)
Total	<u>\$1,215,534,407</u>	<u>\$ 924,106</u>	<u>\$1,216,458,513</u>	
<u>Liabilities</u>				
Call loans and due to banks	\$ 66,374,829	\$ -	\$ 66,374,829	
Short-term borrowings	899,480	-	899,480	
Financial liabilities at fair value through profit or loss	7,308,944	-	7,308,944	
Securities sold under agreements to repurchase	7,071,871	-	7,071,871	
Payables	20,169,513	340	20,169,853	5) d)
Deposits and remittances	994,056,325	-	994,056,325	
Bank debentures	37,027,843	-	37,027,843	
Other financial liabilities	7,847,122	(226,965)	7,620,157	
Other liabilities	<u>4,233,632</u>	<u>2,033,405</u>	<u>6,267,037</u>	5) a), 5) b), 5) c)
Total liabilities	<u>1,144,989,559</u>	<u>1,806,780</u>	<u>1,146,796,339</u>	
<u>Stockholders' equity of parent company</u>				
Capital stock	52,574,469	-	52,574,469	
Capital surplus	9,962,818	-	9,962,818	
Retained earnings	7,242,286	(12,017)	7,230,269	5) d), 5) g)
Other items on stockholders' equity	<u>765,275</u>	<u>(870,657)</u>	<u>(105,382)</u>	5) g)
Total stockholders' equity of parent company	<u>70,544,848</u>	<u>(882,674)</u>	<u>69,662,174</u>	
Total	<u>\$1,215,534,407</u>	<u>\$ 924,106</u>	<u>\$1,216,458,513</u>	

2) Reconciliation of balance sheet as of December 31, 2012

	R.O.C. GAAP	Affecting Amounts	IFRSs	Description
<u>Assets</u>				
Cash and cash equivalents	\$ 19,131,502	\$ -	\$ 19,131,502	
Due from the Central Bank and other banks	87,672,292	-	87,672,292	
Financial assets at fair value through profit or loss	27,680,674	(49,803)	27,630,871	5) d)
Securities purchased under agreements to resell	236,006	-	236,006	
Receivables, net	62,354,485	682,897	63,037,382	5) d)
Discounts and loans, net	770,309,413	-	770,309,413	
Available-for-sale financial assets	55,787,623	-	55,787,623	
Held-to-maturity investments	219,843,943	-	219,843,943	
Other financial assets, net	5,533,415	(1,058,380)	4,475,035	
Properties, net	9,418,888	1,680,602	11,099,490	5) e)
Intangible assets	2,044,968	-	2,044,968	
Other assets	<u>6,359,440</u>	<u>(390,586)</u>	<u>5,968,854</u>	5) c), 5) e)
Total	<u>\$1,266,372,649</u>	<u>\$ 864,730</u>	<u>\$1,267,237,379</u>	
<u>Liabilities</u>				
Call loans and due to banks	\$ 70,454,184	\$ -	\$ 70,454,184	
Short-term borrowings	903,218	-	903,218	
Financial liabilities at fair value through profit or loss	8,671,564	-	8,671,564	
Securities sold under agreements to repurchase	1,201,450	-	1,201,450	
Payables	22,733,956	(99,099)	22,634,857	5) d)
Deposits and remittances	1,029,885,089	-	1,029,885,089	
Bank debentures	43,001,812	-	43,001,812	
Other financial liabilities	5,977,107	(269,705)	5,707,402	
Other liabilities	<u>4,579,829</u>	<u>1,947,167</u>	<u>6,526,996</u>	5) a), 5) b), 5) c)
Total liabilities	<u>1,187,408,209</u>	<u>1,578,363</u>	<u>1,188,986,572</u>	
<u>Stockholders' equity of parent company</u>				
Capital stock	53,862,022	-	53,862,022	
Capital surplus	10,413,462	-	10,413,462	
Retained earnings	13,737,927	105,914	13,843,841	5) g)
Other items on stockholders' equity	<u>951,029</u>	<u>(819,547)</u>	<u>131,482</u>	5) g)
Total stockholders' equity of parent company	<u>78,964,440</u>	<u>(713,633)</u>	<u>78,250,807</u>	
Total	<u>\$1,266,372,649</u>	<u>\$ 864,730</u>	<u>\$1,267,237,379</u>	

3) Reconciliation of statement of comprehensive income for the year ended December 31, 2012

	R.O.C. GAAP	Affecting Amounts	IFRSs	Description
Net interest	\$ 14,448,742	\$ (186,374)	\$ 14,262,368	5) b)
Net revenues other than interest				
Commissions and fee revenues, net	4,565,284	87,140	4,652,424	
Gains from financial assets and liabilities at fair value through profit or loss	2,434,862	283,671	2,718,533	5) d)
Realized gains from available-for-sale financial assets	31,337	-	31,337	
Foreign exchange gain, net	325,085	294	325,379	
Impairment losses on assets	(287,334)	-	(287,334)	
Recovery of bad debts	561,481	(561,481)	-	5) f)
Loss from disposal of bad debts	(76,078)	-	(76,078)	
Other net gains	<u>157,521</u>	<u>113,999</u>	<u>271,520</u>	
Total net revenues	<u>22,160,900</u>	<u>(262,751)</u>	<u>21,898,149</u>	
Reversal of bad debts	<u>35,918</u>	<u>561,481</u>	<u>597,399</u>	5) f)
Operating expenses				
Personnel expenses	(7,623,916)	(110,078)	(7,733,994)	5) a), 5) b)
Depreciation and amortization	(532,493)	(30,404)	(562,897)	
Others	<u>(4,271,894)</u>	<u>(4,332)</u>	<u>(4,276,226)</u>	
Total operating expenses	<u>(12,428,303)</u>	<u>(144,814)</u>	<u>(12,573,117)</u>	
Income before income tax	9,768,515	153,916	9,922,431	
Income tax expense	<u>(1,548,318)</u>	<u>(26,047)</u>	<u>(1,574,365)</u>	
Profit or loss	<u>\$ 8,220,197</u>	<u>\$ 127,869</u>	<u>8,348,066</u>	
Other comprehensive income				
Cumulative translation adjustments and exchange differences arising on translating foreign operations			4,356	
Unrealized gains on available-for-sale financial assets			208,740	
Unrealized gains on cash flow hedge			23,768	
Actuarial benefit of defined plans			(9,938)	
Other comprehensive income for the year			<u>226,926</u>	
Comprehensive income for the year			<u>\$ 8,574,992</u>	

4) IFRS 1 optional exemptions

IFRS 1 - "First-time Adoption of International Financial Reporting Standards" states the procedures of entity's first-time adoption of IFRSs. According to the standard, the Bank and its subsidiaries should establish the accounting policy under IFRSs and apply retrospectively to the opening statement of financial position on effective date of IFRSs. IFRS 1 provides a number of optional exemptions from the general principle of full retrospective application, the Bank and its subsidiaries choose as below.

Business combinations

The Bank and its subsidiaries applied exemptions to the business combinations occurred before the date of transition. Therefore, goodwill, related assets and liabilities and non-controlling interest on the consolidated balance sheet as of January 1, 2012 amounted based on the numbers of December 31, 2011 by prior GAAP.

Above exemptions are also applied to the investment in associates of the Bank and its subsidiaries in the past.

Employee benefits

The bank and its subsidiaries recognized all unrecognized cumulative actuarial gain and loss related to employee benefit plan in retained earnings on the transition date of IFRS.

Deemed cost

The bank and its subsidiaries takes R.O.C. GAAP revaluation as deemed cost for parts of lands on the transition date. Other properties, plants and equipments, investment properties and intangible assets are measured using cost model and adopted related retrospective application.

5) Reconciliation of transition to IFRSs

There may exist significant differences between the current accounting policy and the future accounting policy adopted by IFRS of the Bank and its subsidiaries as below:

a) Employment benefit - actuarial gain and loss of defined benefit plan

Under R.O.C. GAAP, net transition obligation resulted from first-time adoption of SFAS No. 18 “Accounting for Pensions” should be amortized on a straight line basis over average remaining service life of active plan participants and recognized as net periodic pension cost. Transitional rules in IAS 19 “Employee Benefits” will not be applicable once transitioned to IFRSs, and the related affected amounts of net transition obligation should be recognized at once and adjusted with retained earnings.

Under R.O.C. GAAP, actuarial gains and losses use a corridor approach when measuring its obligations, and amortized over the expected average remaining working lives of the participating employees. Instead, under IAS No. 19 “Employee Benefits” the Bank and its subsidiaries will recognize actuarial gains and losses of defined benefit obligation immediately in full in the period which they occur, as other comprehensive income. The subsequent reclassification to earnings is not permitted.

As of December 31, 2012 and January 1, 2012, the Bank and its subsidiaries reapplied actuarial valuation of defined benefit obligation in accordance with IAS 19, resulted in increments of accrued pension liabilities amounted to \$917,454 and \$1,034,553 under IFRS 1, respectively. And for the period ended December 31, 2012 resulted in decrements of pension cost amounted to \$85,990.

b) Employment benefit - preferential interest on employees’ deposits

Under Article 28 of the Criteria Governing the Preparation of Financial Reports by Public Bank, the excess preferential interest the Bank offers to the employees under an employment arrangement or internal guideline should be recognized as post-employee benefits on the retirement date.

As of December 31, 2012 and January 1, 2012, the Bank and its subsidiaries applied actuarial valuation to preferential interest on retired employees’ deposits in conformity with IAS 19 and Criteria Governing the Preparation of Financial Reports by Public Banks, resulted in increments of provisions for employee amounted to \$198,567 and \$170,548, respectively, and increment of employment benefit expense amounted to \$8,372 with reclassification of interest expense of employees’ deposit to employment benefit expense amounted to \$168,131 for the year ended December 31, 2012.

c) Recognition of provisions

The amount recognized as a provision should be the best estimate of the expenditure required to settle the present obligation at the balance sheet date, that is, the amount based on fee revenues. The Bank and its subsidiaries reversed the provisions after the transition to IFRSs.

As of December 31, 2012 and January 1, 2012, the Bank and its subsidiaries adjusted with decrements respectively in provisions amounted to \$35,398 and \$36,398 and deferred tax asset amounted to \$5,237 and \$5,407 in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”.

d) Regular way transactions of financial assets

Under R.O.C. GAAP, entities have flexibility to use either trade date or settlement date accounting for recognition by the product category of financial instruments. The Bank and its subsidiaries applied settlement date accounting on bonds transactions and trade date accounting to regular way purchased or sold financial assets. After the transition to IFRSs, financial assets in the same category should be applied trade date or settlement date accounting consistently.

As of December 31, 2012 and January 1, 2012, the Bank and its subsidiaries adjusted respectively in following accounts in accordance with IAS 39 "Financial Instruments: Recognition and Measurement": Increments in receivables amounted to \$102,737 and \$53,281; decrements in financial assets at fair value through profit or loss amounted to \$49,803 and \$2,356; increments in payables amounted to \$53,094 and \$155,332. As of December 31, 2012, the Bank and its subsidiaries adjusted decrements in gains from financial assets and liabilities at fair value through profit or loss amounted to \$114. As of January 1, 2012, the Bank and its subsidiaries adjusted increments in available-for-sale financial assets amounted to \$104,361 and decrements in retained earnings amounted to \$46.

e) Plants, properties and equipment

Under R.O.C. GAAP, rental assets and idle assets are classified as other assets. After the transition to IFRSs, assets held to earn rentals, or for capital appreciation, or both, are classified as investment properties, and others are reclassified as plants, properties and equipment.

As of December 31, 2012 and January 1, 2012, the Bank and its subsidiaries reclassified other assets to fixed assets amounted to \$1,681,750 and \$1,871,807.

f) Recovery of bad debts

The Bank and its subsidiaries reclassified recovery of bad debts to bad debt expense amounted to \$561,481 in accordance with the revised Criteria Governing the Preparation of Financial Reports by Public Banks.

g) Reconciliation of retained earnings

Major differences of retained earnings for January 1, 2012 under R.O.C. GAAP and IFRSs are due to IFRS 1, the Bank and its subsidiaries reclassified unrealized revaluation increment on land as retained earnings amounted to \$1,735,887 and adjusted in related pension liabilities amounted to \$2,144,391. In accordance with IAS 19, the Bank and its subsidiaries retrospectively recognized employment benefit provision of retired servicemen's preferential interest on deposit amounted to \$170,548 and related tax effect which caused increment of retained earnings amounted to \$113,438.

c. Special reserve at the date of transition

Under Rule No. 1010012865 issued by the FSC on April 6, 2012, the first-time adoption of IFRSs, the Bank should appropriate the special surplus amounts to the balances of the unrealized revaluation increment and cumulative translation adjustments (gains) under the stockholders' equity, which are transferred to retained earnings for adopting the optional exemptions of IFRS 1.

The Bank could only appropriate the amount of the retained earnings recognized at the date of transition if which is less than which should be reserved, and revise the reversed in the proportion of appropriating to the retained earnings for distributing the dividends, while using, disposing or reclassification of the related assets. The amount is \$1,735,887 of unrealized revaluation increment being transferred to the retained earnings of the Bank and its subsidiaries. While the retained earnings recognized for the first-time adoption of IFRSs is not increased, the Bank should not appropriate the special surplus.

d. The Bank and its subsidiaries has prepared the above assessments in compliance with (a) the 2010 version of the IFRSs translated by the ARDF and issued by the FSC and (b) the Guidelines Governing the Preparation of Financial Reports by Public Banks amended and issued by the FSC on December 26, 2011. These assessments may be changed as the International Accounting Standards Board continues to issue or amend standards, and as the FSC may issue new rules governing the adoption of IFRSs, and as other laws and regulations may be amended to comply with the adoption of IFRSs. Actual results may differ from these assessments.

40. ADDITIONAL DISCLOSURES

a. and b. Following are the additional disclosures required for the Bank and investees:

- 1) Financing provided: The Bank, NA; investees, none;
- 2) Endorsement/guarantee provided: The Bank, NA; investees, none;
- 3) Marketable securities held: Table 1;
- 4) Marketable securities acquired and disposed of, at costs or prices of at least NT\$300 million or 10% of the issued capital: None;
- 5) Acquired and disposed of investee investment at cost or prices of at least NT\$300 million or 10% of the issued capital: None;
- 6) Acquisition of individual real estate at costs of at least NT\$300 million or 10% of the issued capital: None;
- 7) Disposal of individual real estate at prices of at least NT\$300 million or 10% of the issued capital: None;
- 8) Financial asset securitization: None;
- 9) Allowance for service fees to related-parties amounting to at least NT\$5 million: None;
- 10) Receivables from related parties amounting to at least NT\$300 million or 10% of the issued capital: Table 2;
- 11) Trading information - sale of nonperforming loans: Table 3;
- 12) Names, locations and other information of investees on which the Bank exercises significant influences: Table 4;
- 13) Other material transactions which will affect the decisions of financial report users: Table 5 to 9;
- 14) Derivative financial transactions: Except for the disclosure in other footnotes, the derivative financial instruments of the Bank are disclosed in Notes 6, 32 and Table 7-2, and the derivative financial instrument transactions: Subsidiaries in banking industry, NA; others, Table 7-7.

b. Information related to investment in Mainland China: None.

TABLE 1**BANK SINOPAC AND INVESTEES****MARKETABLE SECURITIES HELD****DECEMBER 31, 2012****(In Thousands of New Taiwan Dollars or Shares)**

Name of Holding Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	December 31, 2012				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	\$ 9,251,345	100.00%	\$ 9,251,345	Note 2
	Far East Capital, LLC	Subsidiary	Equity investments - equity method	-	19,505	100.00%	19,505	Note 2
SinoPac Capital Limited (H.K.)	<u>Stock</u> SinoPac Capital (B.V.I.) Ltd.	Subsidiary	Equity investments - equity method	4,450	31,182	100.00%	47,881	Note 2
	SinoPac Insurance Brokers Ltd.	Subsidiary	Equity investments - equity method	100	1,128	100.00%	137,607	Note 2
	<u>Fund</u> China Enterprise Capital	-	Unquoted equity investments	0.020	29,144	0.85%	29,144	Note 3
SinoPac Capital (B.V.I.) Ltd.	<u>Stock</u> RSP Information Service Company Limited	Subsidiary	Equity investments - equity method	1,000	3,736	100.00%	9,374	Note 2
SinoPac Property Insurance Agent Co., Ltd.	<u>Bond</u> Government bond 88-3	-	Guarantee deposits	-	625	-	747	Pledge
SinoPac Life Insurance Agent Co., Ltd.	<u>Bond</u> Government bond 88-3	-	Guarantee deposits	-	625	-	747	Pledge

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

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

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

TABLE 2**BANK SINOPAC AND INVESTEES****RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL****DECEMBER 31, 2012****(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	\$ 1,155,552 (Note)	-	\$ -	-	\$ -	\$ -

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

TABLE 3**BANK SINOPAC AND INVESTEES****TRADING INFORMATION - SALE OF NONPERFORMING LOANS
YEAR ENDED DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars)**

Date	Counter-parties	Loans	Carrying Amount (Note)	Selling Price (Note)	Gain or (Loss) on Disposal	Attachment	Relation
<u>Bank SinoPac</u>							
June 27, 2012	Mega Asset Management Corporation	Commercial secured loans	\$ 169,586	\$ 199,870	\$ 30,284	-	None
December 24, 2012	Deutsche Bank, London Branch	Commercial secured loans	140,968	98,336	(42,632)	-	None
December 28, 2012	Deutsche Bank, London Branch	Commercial secured loans	93,297	65,557	(27,740)	-	None
<u>FENB</u>							
January 19, 2012	Aimcapital 610, LLC	Commercial secured loans	5,842	5,978	136	-	None
January 24, 2012	STRIP N SEARCH CENTER, LLC	Commercial secured loans	187,007	187,007	-	-	None
January 30, 2012	4001 International Investors, LLC	Commercial secured loans	5,999	4,459	(1,540)	-	None
March 5, 2012	Oakfield Industrial Park, LLC	Commercial secured loans	83,225	56,484	(26,741)	-	None
May 1, 2012	Bankers Fiscal Services, Inc.	Commercial secured loans	-	5,214	5,214	-	None
May 15, 2012	Liberty Asset Management, Co.	Commercial secured loans	47,086	45,182	(1,904)	-	None
May 24, 2012	Alcatraz Terminal, LLC	Commercial secured loans	346,415	396,041	49,626	-	None
June 27, 2012	Jiffy Properties, LLC	Commercial secured loans	108,956	97,194	(11,762)	-	None
August 6, 2012	Robert & Doreen Schwartz	Commercial secured loans	-	308	308	-	None
August 13, 2012	Sheldon Appel, Trustee of the Erwin and Essie Appel Trust	Commercial secured loans	13,840	13,923	83	-	None
August 23, 2012	749 Bryant Investors, LLC	Commercial secured loans	25,888	20,116	(5,772)	-	None
December 31, 2012	Asset Foreclosure Services, Inc.	Commercial secured loans	4,357	5,734	1,377	-	None

Note: Carrying amount of Bank SinoPac is the original credit amount deducted allowance for bad debt. Carrying amount of FENB is the original credit amount. Foreign-currency amounts are translated at the exchange rates of balance sheet date.

TABLE 4

BANK SINOPAC AND INVESTEEES
INFORMATION ON INVESTED ENTERPRISES
YEAR ENDED DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars or Shares)

Investee Company	Location	Main Businesses and Products	Percentage of Ownership	Carrying Amount	Investment Gains	Consolidated Investment				Note
						Shares	Imitated Shares	Total		
								Shares	Percentage of Ownership	
<u>Financial related enterprise</u>										
SinoPac Bancorp	California	Holding company	100.00%	\$ 3,331,159	\$ 776,881	20	-	20	100.00%	Subsidiary
SinoPac Capital Limited (H.K.)	Hong Kong	Credit and investment service	100.00%	1,261,900	65,549	229,998	-	229,998	100.00%	Subsidiary
SinoPac Life Insurance Agent Co., Ltd.	Taipei	Life insurance agent	100.00%	792,915	737,317	300	-	300	100.00%	Subsidiary
SinoPac Property Insurance Agent Co., Ltd.	Taipei	Property insurance agent	100.00%	38,064	31,919	300	-	300	100.00%	Subsidiary
SinoPac Bancorp	California	Holding company	100.00%	6,043,165	-	7,800	-	7,800	100.00%	Preferred stock
Global Securities Finance Corporation	Taipei	Securities financing	2.63%	173,496	-	21,552	-	21,552	2.87%	
Taipei Foreign Exchange Inc.	Taipei	Foreign exchange market maker	3.43%	6,800	2,176	680	-	680	3.43%	Note 2
Taiwan Futures Exchange	Taipei	Futures exchange and settlement	1.07%	21,490	6,571	5,807	-	5,807	2.08%	Note 2
Fuh Hwa Securities Investment Trust Co., Ltd.	Taipei	Securities investment trust and consultant	4.63%	15,000	9,000	1,500	-	1,500	4.63%	Note 2
Financial Information Service Co., Ltd.	Taipei	Planning and developing the information system of across banking institution and managing the information web system	2.28%	91,000	26,617	10,238	-	10,238	2.28%	Note 2
Taiwan Asset Management Corporation	Taipei	Evaluating, auctioning, and managing for financial institutions' loan	0.28%	50,000	3,797	5,000	-	5,000	0.28%	Note 2
Taiwan Financial Asset Service Co.	Taipei	Auction	5.88%	100,000	1,000	10,000	-	10,000	5.88%	Note 2
Sunny Asset Management Corp.	Taipei	Purchasing for financial institutions' loan assets	1.42%	164	154	85	-	85	1.42%	Note 2
Taiwan Depository and Clearing Co.	Taipei	Computerizing book-entry operation for securities	0.08%	4,639	390	2,907	-	2,907	0.91%	Note 2
<u>Nonfinancial related enterprise</u>										
Taiwan Television Enterprise, Ltd.	Taipei	Wireless television company	4.84%	20,983	-	13,826	-	13,826	4.93%	

Note 1: Foreign-currency amounts were translated at the exchange rate as of the balance sheet date, except for foreign-currency-denominated income and expenses, which were translated to New Taiwan dollars at the average exchange rate for the year ended December 31, 2012.

Note 2: Investment gains are dividends income.

TABLE 5

BANK SINOPAC AND INVESTEES

CONSOLIDATED ENTITIES
DECEMBER 31, 2012

Investor Company	Subsidiaries	Main Businesses	Percentage of Ownership				Note
			No.	December 31, 2012	No.	December 31, 2011	
SinoPac Financial Holding Company Limited	Bank SinoPac	Commercial bank	1	100%	1	100%	As of December 31, 2012, Bank SinoPac's operating units included Banking, Trust, International Division of the Head Office, an OBU, 128 domestic branches, 3 overseas branches, 1 overseas sub-branches and 2 overseas representative office.
Bank SinoPac	SinoPac Bancorp	Stock holding	2	100%	2	100%	SinoPac Bancorp established in June 1997.
	SinoPac Capital Limited (H.K.)	Credit and investment service	3	100%	3	100%	SinoPac Capital Limited (H.K.) was established in January 1999.
	SinoPac Life Insurance Agent Co., Ltd.	Life insurance agent	4	100%	4	100%	SinoPac Life Insurance Agent and IBT Life Insurance Agent were established on July 25, 2000 and May 28, 2001 respectively. They were mainly engaged in life insurance agency business. On August 28, 2006, the boards of directors of SinoPac Life Insurance Agent and IBT Life Insurance Agent resolved to merge these two companies, with IBT Life Insurance Agent as the surviving entity. The effective merger date is November 13, 2006.
	SinoPac Property Insurance Agent Co., Ltd.	Property insurance agent	5	100%	5	100%	SinoPac Property Insurance Agent Co., Ltd. and IBT Property Insurance Agent Co., Ltd. were incorporated on July 24, 2000 and May 29, 2001, respectively. Both companies mainly engaged in property insurance agency business. On August 28, 2006, the boards of directors of SinoPac Property Insurance Agent and IBT Property Insurance Agent resolved to merge these two companies, with IBT Property Insurance Agent as the surviving entity. The effective merger date was November 13, 2006.
SinoPac Bancorp	Far East National Bank	Commercial bank	6	100%	6	100%	Far East National Bank ("FENB") was incorporated in December 1974. FENB mainly engaged in the business of deposit taking and loan. As of December 31, 2012, FENB had 9 branches in Los Angeles and San Francisco areas, Ho Chi Minh City branch and Beijing representative office.
	Far East Capital, LLC	Real Estate Holding Company	7	100%	7	100%	Far East Capital, LLC was established in September 1988, and was originally named Far East Capital Corporation.
SinoPac Capital Limited (H.K.)	SinoPac Capital (B.V.I.) Ltd.	Financial advisory	8	100%	8	100%	SinoPac Capital (B.V.I.) Ltd. was incorporated in British Virgin Island, October 1999.
	SinoPac Insurance Brokers Ltd.	Insurance brokerage	9	100%	9	100%	SinoPac Insurance Brokers Ltd. was incorporated in Hong Kong in May 2004.
SinoPac Capital (B.V.I.) Ltd.	RSP Information Service Company Limited	General trading and internet service	10	100%	10	100%	RSP Information Service Company Limited was established in February 2003.

TABLE 6

BANK SINOPAC AND INVESTEES

**RELATED PARTIES TRANSACTIONS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)**

2012

No. (Note 1)	Transaction Company	Counter-party	Nature of Relationship (Note 2)	Description of Transactions			Percentage of Consolidated Revenue/Assets (Note 3)
				Financial Statement Account	Transaction Amount	Transaction Item	
0	Bank SinoPac	SinoPac Bancorp and subsidiaries	1	Cash and cash equivalents	\$ 55,664	Note 4	-
		SinoPac Bancorp and subsidiaries	1	Accounts, interest and other receivables, net	2,508	Note 4	-
		SinoPac Bancorp and subsidiaries	1	Deposits and remittances	6,159	Note 4	-
		SinoPac Bancorp and subsidiaries	1	Interest revenue	1	Note 4	-
		SinoPac Bancorp and subsidiaries	1	Interest expense	1	Note 4	-
		SinoPac Bancorp and subsidiaries	1	Commission and fee expense	1,561	Note 4	0.01%
		SinoPac Bancorp and subsidiaries	1	Other net gains or losses	1,671	Note 4	0.01%
		SinoPac Bancorp and subsidiaries	1	Other operating expenses	1,107	Note 4	-
		SinoPac Capital (H.K.) Limited and subsidiaries	1	Financial assets at fair value through profit or loss	426	Note 4	-
		SinoPac Capital (H.K.) Limited and subsidiaries	1	Accounts, interest and other receivables, net	422	Note 4	-
		SinoPac Capital (H.K.) Limited and subsidiaries	1	Accounts, interest and other payables	219	Note 4	-
		SinoPac Capital (H.K.) Limited and subsidiaries	1	Deposits and remittances	195,369	Note 4	0.02%
		SinoPac Capital (H.K.) Limited and subsidiaries	1	Interest expense	512	Note 4	-
		SinoPac Capital (H.K.) Limited and subsidiaries	1	Commissions and fee revenues	6	Note 4	-
		SinoPac Capital (H.K.) Limited and subsidiaries	1	Other operating expenses	12,451	Note 4	0.06%
		SinoPac Life Insurance Agent	1	Accounts, interest and other receivables, net	100,762	Note 4	0.01%
		SinoPac Life Insurance Agent	1	Accounts, interest and other payables	46	Note 4	-
		SinoPac Life Insurance Agent	1	Deposits and remittances	897,034	Note 4	0.07%
		SinoPac Life Insurance Agent	1	Other financial liabilities	738	Note 4	-
		SinoPac Life Insurance Agent	1	Interest expense	1,292	Note 4	0.01%
SinoPac Life Insurance Agent	1	Commissions and fee revenues	420,799	Note 4	1.90%		
SinoPac Life Insurance Agent	1	Other net gains or losses	3,922	Note 4	0.02%		
SinoPac Property Insurance Agent	1	Accounts, interest and other receivables, net	2,802	Note 4	-		
SinoPac Property Insurance Agent	1	Accounts, interest and other payables	10	Note 4	-		
SinoPac Property Insurance Agent	1	Deposits and remittances	32,026	Note 4	-		
SinoPac Property Insurance Agent	1	Other financial liabilities	148	Note 4	-		

No. (Note 1)	Transaction Company	Counter-party	Nature of Relationship (Note 2)	Description of Transactions			Percentage of Consolidated Revenue/Assets (Note 3)
				Financial Statement Account	Transaction Amount	Transaction Item	
1	SinoPac Bancorp and subsidiaries	SinoPac Property Insurance Agent	1	Interest expense	\$ 230	Note 4	-
		SinoPac Property Insurance Agent	1	Commissions and fee revenues	15,207	Note 4	0.07%
		SinoPac Property Insurance Agent	1	Other net gains or losses	504	Note 4	-
		Bank SinoPac	2	Cash and cash equivalents	6,159	Note 4	-
		Bank SinoPac	2	Accounts, interest and other payables	415	Note 4	-
		Bank SinoPac	2	Deposits and remittances	57,757	Note 4	-
		Bank SinoPac	2	Interest revenue	1	Note 4	-
		Bank SinoPac	2	Interest expense	1	Note 4	-
		Bank SinoPac	2	Commissions and fee revenues	2,668	Note 4	0.01%
	Bank SinoPac	2	Other operating expenses	1,671	Note 4	0.01%	
	SinoPac Capital (H.K.) Limited and subsidiaries	3	Other operating expenses	382	Note 4	-	
2	SinoPac Capital (H.K.) Limited and subsidiaries	Bank SinoPac	2	Cash and cash equivalents	195,369	Note 4	0.02%
		Bank SinoPac	2	Accounts, interest and other receivables, net	219	Note 4	-
		Bank SinoPac	2	Financial liabilities at fair value through profit or loss	426	Note 4	-
		Bank SinoPac	2	Accounts, interest and other payables	422	Note 4	-
		Bank SinoPac	2	Interest revenue	512	Note 4	-
		Bank SinoPac	2	Commissions and fee revenues	1	Note 4	-
		Bank SinoPac	2	Other net gains or losses	12,451	Note 4	0.06%
		Bank SinoPac	2	Other operating expenses	5	Note 4	-
		SinoPac Bancorp and subsidiaries	3	Other net gains or losses	382	Note 4	-
3	SinoPac Life Insurance Agent	Bank SinoPac	2	Cash and cash equivalents	897,034	Note 4	0.07%
		Bank SinoPac	2	Accounts, interest and other receivables, net	46	Note 4	-
		Bank SinoPac	2	Other financial assets	738	Note 4	-
		Bank SinoPac	2	Accounts, interest and other payables	100,762	Note 4	0.01%
		Bank SinoPac	2	Interest revenue	1,292	Note 4	0.01%
		Bank SinoPac	2	Commission and fee revenues	420,799	Note 4	1.90%
		Bank SinoPac	2	Other operating expenses	3,922	Note 4	0.02%
4	SinoPac Property Insurance Agent	Bank SinoPac	2	Cash and cash equivalents	32,026	Note 4	-
		Bank SinoPac	2	Accounts, interest and other receivables, net	10	Note 4	-
		Bank SinoPac	2	Other financial assets	148	Note 4	-
		Bank SinoPac	2	Accounts, interest and other payables	2,802	Note 4	-
		Bank SinoPac	2	Interest revenue	230	Note 4	-

No. (Note 1)	Transaction Company	Counter-party	Nature of Relationship (Note 2)	Description of Transactions			Percentage of Consolidated Revenue/Assets (Note 3)
				Financial Statement Account	Transaction Amount	Transaction Item	
		Bank SinoPac	2	Commission and fee revenues	\$ 15,207	Note 4	0.07%
		Bank SinoPac	2	Other operating expenses	504	Note 4	-

2011

No. (Note 1)	Transaction Company	Counter-party	Nature of Relationship (Note 2)	Description of Transactions			Percentage of Consolidated Revenue/Assets (Note 3)
				Financial Statement Account	Transaction Amount	Transaction Item	
0	Bank SinoPac	SinoPac Bancorp and subsidiaries	1	Cash and cash equivalents	\$ 104,763	Note 4	0.01%
		SinoPac Bancorp and subsidiaries	1	Accounts, interest and other receivables, net	3,974	Note 4	-
		SinoPac Bancorp and subsidiaries	1	Deposits and remittances	4,496	Note 4	-
		SinoPac Bancorp and subsidiaries	1	Interest revenue	121	Note 4	-
		SinoPac Bancorp and subsidiaries	1	Commission and fee revenues	2,236	Note 4	0.01%
		SinoPac Bancorp and subsidiaries	1	Other net gains or losses	3,454	Note 4	0.02%
		SinoPac Bancorp and subsidiaries	1	Other operating expenses	1,331	Note 4	0.01%
		SinoPac Capital (H.K.) Limited and subsidiaries	1	Financial assets at fair value through profit or loss	41	Note 4	-
		SinoPac Capital (H.K.) Limited and subsidiaries	1	Accounts, interest and other receivables, net	237	Note 4	-
		SinoPac Capital (H.K.) Limited and subsidiaries	1	Financial liabilities at fair value through profit or loss	810	Note 4	-
		SinoPac Capital (H.K.) Limited and subsidiaries	1	Accounts, interest and other payables	469	Note 4	-
		SinoPac Capital (H.K.) Limited and subsidiaries	1	Deposits and remittances	229,695	Note 4	0.02%
		SinoPac Capital (H.K.) Limited and subsidiaries	1	Interest revenue	3,274	Note 4	0.02%
		SinoPac Capital (H.K.) Limited and subsidiaries	1	Interest expense	261	Note 4	-
		SinoPac Capital (H.K.) Limited and subsidiaries	1	Commissions and fee revenues	4	Note 4	-
		SinoPac Capital (H.K.) Limited and subsidiaries	1	Other net gains or losses	909	Note 4	-
		SinoPac Capital (H.K.) Limited and subsidiaries	1	Other operating expenses	814	Note 4	-
		SinoPac Life Insurance Agent	1	Accounts, interest and other receivables, net	86,624	Note 4	0.01%
		SinoPac Life Insurance Agent	1	Accounts, interest and other payables	41	Note 4	-
		SinoPac Life Insurance Agent	1	Deposits and remittances	677,082	Note 4	0.06%
SinoPac Life Insurance Agent	1	Other financial liabilities	560	Note 4	-		
SinoPac Life Insurance Agent	1	Interest expense	1,579	Note 4	0.01%		
SinoPac Life Insurance Agent	1	Commissions and fee revenues	265,029	Note 4	1.38%		
SinoPac Life Insurance Agent	1	Other net gains or losses	3,420	Note 4	0.02%		
SinoPac Property Insurance Agent	1	Accounts, interest and other receivables, net	3,464	Note 4	-		

No. (Note 1)	Transaction Company	Counter-party	Nature of Relationship (Note 2)	Description of Transactions			
				Financial Statement Account	Transaction Amount	Transaction Item	Percentage of Consolidated Revenue/Assets (Note 3)
		SinoPac Property Insurance Agent	1	Accounts, interest and other payables	\$ 7	Note 4	-
		SinoPac Property Insurance Agent	1	Deposits and remittances	36,542	Note 4	-
		SinoPac Property Insurance Agent	1	Other financial liabilities	84	Note 4	-
		SinoPac Property Insurance Agent	1	Interest expense	326	Note 4	-
		SinoPac Property Insurance Agent	1	Commissions and fee revenues	12,932	Note 4	0.07%
		SinoPac Property Insurance Agent	1	Other net gains or losses	485	Note 4	-
1	SinoPac Bancorp and subsidiaries	Bank SinoPac	2	Cash and cash equivalents	4,496	Note 4	-
		Bank SinoPac	2	Accounts, interest and other payables	1,791	Note 4	-
		Bank SinoPac	2	Deposits and remittances	106,946	Note 4	0.01%
		Bank SinoPac	2	Interest expense	121	Note 4	-
		Bank SinoPac	2	Commissions and fee revenues	3,567	Note 4	0.02%
		Bank SinoPac	2	Other operating expenses	3,454	Note 4	0.02%
		SinoPac Capital (H.K.) Limited and subsidiaries	3	Other operating expenses	379	Note 4	-
2	SinoPac Capital (H.K.) Limited and subsidiaries	Bank SinoPac	2	Cash and cash equivalents	229,695	Note 4	0.02%
		Bank SinoPac	2	Financial assets at fair value through profit or loss	769	Note 4	-
		Bank SinoPac	2	Accounts, interest and other receivables, net	469	Note 4	-
		Bank SinoPac	2	Accounts, interest and other payables	237	Note 4	-
		Bank SinoPac	2	Interest revenue	261	Note 4	-
		Bank SinoPac	2	Interest expense	3,274	Note 4	0.02%
		Bank SinoPac	2	Commissions and fee revenues	811	Note 4	-
		Bank SinoPac	2	Other operating expenses	910	Note 4	-
		SinoPac Bancorp and subsidiaries	3	Commissions and fee revenues	379	Note 4	-
3	SinoPac Life Insurance Agent	Bank SinoPac	2	Cash and cash equivalents	677,082	Note 4	0.06%
		Bank SinoPac	2	Accounts, interest and other receivables, net	41	Note 4	-
		Bank SinoPac	2	Other financial assets	560	Note 4	-
		Bank SinoPac	2	Accounts, interest and other payables	86,624	Note 4	0.01%
		Bank SinoPac	2	Interest revenue	1,579	Note 4	0.01%
		Bank SinoPac	2	Commission and fee expense	265,029	Note 4	1.38%
		Bank SinoPac	2	Other operating expenses	3,420	Note 4	0.02%

No. (Note 1)	Transaction Company	Counter-party	Nature of Relationship (Note 2)	Description of Transactions			
				Financial Statement Account	Transaction Amount	Transaction Item	Percentage of Consolidated Revenue/Assets (Note 3)
4	SinoPac Property Insurance Agent	Bank SinoPac	2	Cash and cash equivalents	\$ 36,542	Note 4	-
		Bank SinoPac	2	Accounts, interest and other receivables, net	7	Note 4	-
		Bank SinoPac	2	Other financial assets	84	Note 4	-
		Bank SinoPac	2	Accounts, interest and other payables	3,464	Note 4	-
		Bank SinoPac	2	Interest revenue	326	Note 4	-
		Bank SinoPac	2	Commission and fee expense	12,932	Note 4	0.07%
		Bank SinoPac	2	Other operating expenses	485	Note 4	-

Note 1: Transactions between parent company and subsidiaries should be distinguished as follows:

- a. Parent company: 0.
- b. Subsidiaries are numbered in sequence from 1.

Note 2: Types of transactions with related parties were classified as follows:

1. Parent company to subsidiaries.
2. Subsidiaries to parent company.
3. Subsidiaries to subsidiaries.

Note 3: In the computation of percentage of consolidated revenue/assets, if the amount is the ending balance of assets or liabilities, the accounts percentage will be calculated by dividing the consolidated assets or liabilities; if the amount is the amount of income or expense, the accounts percentage will be cumulated by dividing the consolidated revenues in the same period.

Note 4: For the transactions between the Company and related parties, the terms are similar to those transacted with unrelated parties.

TABLE 7-1

BANK SINOPAC AND SUBSIDIARIES

**FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS
 DECEMBER 31, 2012 AND 2011
 (In Thousands of New Taiwan Dollars)**

	Contract Amounts	
	December 31	
	2012	2011
<u>Held-for-trading financial assets</u>		
Government bonds	\$ 11,029,088	\$ 3,110,307
Corporate bonds	2,168,074	2,935,051
Bank debentures	885,336	640,777
Treasury bill	512,868	-
Beneficiary certificates	396,043	450,698
Listed stock	108,153	31,171
Convertible bonds	19,109	20,381
Negotiable certificates of deposit	-	17,005,311
Collateralized debt obligations	-	780
Derivative financial assets		
Interest rate swap contracts	2,726,906	4,569,158
Currency swap contracts	2,257,666	167,338
Long option contracts	1,830,714	666,008
Forward contracts	1,778,951	2,101,499
Cross-currency swap contracts	89,422	192,369
Others	28,875	24,036
	<u>23,831,205</u>	<u>31,914,884</u>
<u>Financial assets designated as at fair value through profit or loss</u>		
Convertible bonds	3,228,859	876,068
Auction-rate securities	620,610	640,942
Others	-	5,282
	<u>3,849,469</u>	<u>1,522,292</u>
Total of financial assets at fair value through profit or loss	<u>\$ 27,680,674</u>	<u>\$ 33,437,176</u>
<u>Held-for-trading financial liabilities</u>		
Derivative financial liabilities		
Interest rate swap contracts	\$ 2,783,076	\$ 4,583,328
Currency swap contracts	2,227,202	143,982
Short option contracts	1,856,129	812,661
Forward contracts	1,711,301	1,605,822
Cross-currency swap contracts	59,948	123,602
Others	33,908	39,549
	<u>\$ 8,671,564</u>	<u>\$ 7,308,944</u>

TABLE 7-2**BANK SINOPAC AND SUBSIDIARIES****STATEMENTS OF OUTSTANDING CONTRACT OF DERIVATIVES
DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)**

	Contract Amounts	
	December 31	
	2012	2011
Interest rate swap contracts	\$ 631,767,938	\$ 836,221,169
Currency swap contracts	342,041,127	378,372,554
Option contracts		
Long position	283,134,468	146,307,870
Short position	283,964,933	145,337,961
Forward contracts		
Long position	18,860,671	5,384,036
Short position	14,423,966	3,381,876
Non-deliverable forward contracts		
Long position	256,278,267	270,945,746
Short position	256,187,238	270,144,366
Cross-currency swap contracts	10,050,740	8,590,579
Assets swap contracts	3,226,505	1,036,771
Credit default swap contracts	800,000	1,100,000
Equity-linked swap contracts	962,766	35,057
Commodities-linked swap contracts	297,575	273,825
Futures contracts	1,529	1,288,682
Credit-linked swap contracts	800,000	1,100,000

TABLE 7-3**BANK SINOPAC AND SUBSIDIARIES****STATEMENT OF AVAILABLE-FOR-SALE FINANCIAL ASSETS
DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)**

	December 31	
	2012	2011
Corporate bonds	\$ 21,938,670	\$ 8,245,565
Government bonds	16,267,156	12,213,236
Bank debentures	6,740,785	5,995,760
Commercial papers	5,671,295	5,024,470
GSE (government-sponsored enterprise) debentures	4,707,252	4,434,805
Negotiable certificates of deposit	437,049	452,533
Collateralized debt obligations	18,479	49,939
Listed stock	6,937	62,959
Government institutional bonds	-	606,109
	<u>\$ 55,787,623</u>	<u>\$ 37,085,376</u>

TABLE 7-4**BANK SINOPAC AND SUBSIDIARIES****STATEMENT OF HELD-TO-MATURITY FINANCIAL ASSETS
DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)**

	December 31	
	2012	2011
Negotiable certificate of deposit	\$ 215,825,683	\$ 229,220,900
GSE (government-sponsored enterprise) debentures	1,808,461	2,896,637
Government bonds	1,214,743	127,561
Municipal bonds	424,951	618,267
Assets-backed securities	291,366	302,899
Corporate bonds	250,141	500,921
Bank debentures	24,984	25,974
Collateralized debt obligations	3,614	4,568
	<u>\$ 219,843,943</u>	<u>\$ 233,697,727</u>

TABLE 7-5**BANK SINOPAC AND SUBSIDIARIES****STATEMENT OF OTHER FINANCIAL ASSETS, NET
DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)**

	December 31	
	2012	2011
Unquote equity instruments		
Unlisted equity investments	\$ 999,511	\$ 1,131,964
Beneficiary certificates	<u>462,724</u>	<u>511,991</u>
	1,462,235	1,643,955
Less: Accumulated impairment	<u>-</u>	<u>2,500</u>
	<u>1,462,235</u>	<u>1,641,455</u>
Others		
Purchase of PEM instruments	3,909,134	3,772,340
Cash surrender value - managers' life insurance	1,211,492	1,217,152
Guarantee deposits	1,065,386	569,748
Guarantee of futures and options	149,699	121,150
Nonperforming receivables transferred from other than loans	147,329	176,581
Short-term loan advance	20,598	22,927
Hedged derivative financial instruments	15,616	43,431
Exchange bills negotiated	<u>607</u>	<u>362</u>
	6,519,861	5,923,691
Less: Accumulated impairment	2,302,383	2,128,986
Allowance for credit losses	<u>146,298</u>	<u>172,070</u>
	<u>4,071,180</u>	<u>3,622,635</u>
	<u>\$ 5,533,415</u>	<u>\$ 5,264,090</u>

TABLE 7-6

BANK SINOPAC AND SUBSIDIARIES

**STATEMENTS OF BANK DEBENTURES
 DECEMBER 31, 2012 AND 2011
 (In Thousands of New Taiwan Dollars)**

	December 31		Maturity Date	Rates
	2012	2011		
<u>Subdominant bank debentures</u>				
First subordinated bank debentures issued in 2008	\$ 1,415,496	\$ 1,441,040	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)	4,499,175	4,498,825	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)	499,908	499,870	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	3,599,547	3,599,180	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	5,598,522	5,598,104	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)	2,199,489	2,199,293	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)	2,199,953	2,199,942	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)	3,098,828	3,098,603	2010.12.09-2017.12.09 Principal is repayable on maturity date.	Fixed interest rate of 1.8%, interest is paid annually.
First subordinated bank debentures issued in 2010 (B)	2,898,912	2,898,698	2010.12.09-2017.12.09 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	999,505	999,415	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)	3,798,379	3,798,110	2011.08.18-2018.08.18 Principal is repayable on maturity date.	Fixed interest rate of 1.95%, interest is paid annually.
Second subordinated bank debentures issued in 2011 (B)	2,998,625	2,998,481	2011.08.18-2021.08.18 Principal is repayable on maturity date.	Fixed interest rate of 2.18%, interest is paid annually.
Third subordinated bank debentures issued in 2011	3,198,520	3,198,282	2011.11.04-2018.11.04 Principal is repayable on maturity date.	Fixed interest rate of 1.85%, interest is paid annually.
First subordinated bank debentures issued in 2012 (A)	4,697,623	-	2012.09.18-2019.09.18 Principal is repayable on maturity date.	Fixed interest rate of 1.53%, interest is paid annually.
First subordinated bank debentures issued in 2012 (B)	1,299,330	-	2012.09.18-2022.09.18 Principal is repayable on maturity date.	Fixed interest rate of 1.65%, interest is paid annually.
	<u>\$43,001,812</u>	<u>\$37,027,843</u>		

TABLE 7-7

BANK SINOPAC AND SUBSIDIARIES

**DERIVATIVE FINANCIAL INSTRUMENT TRANSACTIONS
DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)**

SinoPac Capital Limited (H.K.)

As of December 31, 2012 and 2011, the contract amounts (or notional amounts) and fair value of outstanding contracts were as follows:

Financial Instruments	December 31			
	2012		2011	
	Contract (Notional) Amount	Fair Value	Contract (Notional) Amount	Fair Value
Currency swap contracts	\$ 845,090	\$ (426)	\$ 874,817	\$ (41)

TABLE 8-1

BANK SINOPAC AND SUBSIDIARIES

**STATEMENT OF CHANGES IN ALLOWANCE FOR CREDIT LOSSES AND PROVISION FOR LOSSES ON
GUARANTEES
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)**

	Year Ended December 31, 2012							
	Discounts and Loans			Account Receivable	Provisions for Guarantee	Other Financial Assets	Other Assets	Total
	Specific Reserve	General Reserve	Subtotal					
Balance, January 1	\$ 1,084,183	\$ 7,937,411	\$ 9,021,594	\$ 429,626	\$ 237,184	\$ 172,070	\$ 10	\$ 9,860,484
Provision	68,081	(13,031)	55,050	(82,521)	9,415	(18,598)	736	(35,918)
Write-off	(495,830)	(353,259)	(849,089)	(181,470)	-	(3,374)	-	(1,033,933)
Recovery of written-off credits	6,473	137,849	144,322	288,453	-	296	-	433,071
Effect of exchange rate changes	(60,766)	(81,220)	(141,986)	(2,191)	(6,088)	(4,096)	-	(154,361)
Balance, December 31	<u>\$ 602,141</u>	<u>\$ 7,627,750</u>	<u>\$ 8,229,891</u>	<u>\$ 451,897</u>	<u>\$ 240,511</u>	<u>\$ 146,298</u>	<u>\$ 746</u>	<u>\$ 9,069,343</u>
	Year Ended December 31, 2011							
	Discounts and Loans			Account Receivable	Provisions for Guarantee	Other Financial Assets	Other Assets	Total
	Specific Reserve	General Reserve	Subtotal					
Balance, January 1	\$ 1,698,079	\$ 5,926,244	\$ 7,624,323	\$ 637,723	\$ 67,120	\$ 167,295	\$ 723	\$ 8,497,184
Provision	311,070	3,268,622	3,579,692	(351,988)	167,671	27,881	(713)	3,422,543
Write-off	(989,779)	(1,800,108)	(2,789,887)	(216,959)	-	(16,641)	-	(3,023,487)
Recovery of written-off credits	11,512	483,490	495,002	297,403	-	1,778	-	794,183
Reclassifications	-	(52,852)	(52,852)	63,441	(3,346)	(7,243)	-	-
Effect of exchange rate changes	53,301	112,015	165,316	6	5,739	(1,000)	-	170,061
Balance, December 31	<u>\$ 1,084,183</u>	<u>\$ 7,937,411</u>	<u>\$ 9,021,594</u>	<u>\$ 429,626</u>	<u>\$ 237,184</u>	<u>\$ 172,070</u>	<u>\$ 10</u>	<u>\$ 9,860,484</u>

TABLE 8-2

BANK SINOPAC

**OVERDUE LOANS AND RECEIVABLE
DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, %)**

Items		December 31, 2012					December 31, 2011					
		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	619,986	156,161,453	0.40%	1,267,629	204.46%	1,460,531	142,940,674	1.02%	933,734	63.93%	
	Unsecured	1,232,839	221,414,893	0.56%	2,890,170	234.43%	1,459,760	209,499,404	0.70%	2,900,478	198.70%	
Consumer loan	Mortgage (Note 4)	354,391	362,753,147	0.10%	2,858,327	806.55%	420,190	352,617,379	0.12%	2,714,271	645.96%	
	Cash card	175	32,107	0.55%	16,042	9,166.86%	460	42,583	1.08%	17,255	3,751.09%	
	Micro credit (Note 5)	44,052	12,032,675	0.37%	504,856	1,146.05%	55,645	9,656,712	0.58%	554,659	996.78%	
	Other (Note 6)	Secured	1,017	5,740,564	0.02%	45,233	4,447.69%	1,131	4,645,583	0.02%	35,759	3,161.72%
		Unsecured										
Total		2,252,460	758,134,839	0.30%	7,582,257	336.62%	3,397,717	719,402,335	0.47%	7,156,156	210.62%	
		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		76,245	17,295,213	0.44%	326,823	428.65%	69,612	18,118,724	0.38%	329,737	473.68%	
Accounts receivable - factoring with no recourse (Notes 7 and 10)		41,247	19,430,389	0.21%	111,688	270.78%	66,488	16,695,747	0.40%	112,946	169.87%	
Excluded NPL as a result of debt consultation and loan agreements (Note 8)					10,327				14,446			
Excluded overdue receivables as a result of debt negotiation and loan agreements (Note 8)					427,870				599,859			
Excluded NPL as a result of consumer debt clearance (Note 9)					9,579				9,454			
Excluded overdue receivables as a result of consumer debt clearance (Note 9)					821,125				822,526			

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

For credit card business: Overdue receivables are regulated by the Banking Bureau letter 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 receivable.

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 loan is a financing to be used by a borrower to buy, build, or fix a dwelling, and the dwelling owned by the borrower, spouse, or children is used to fully secure the loan.

Note 5: Micro credit is regulated by the Banking Bureau letter dated December 19, 2005 (Ref. No. 09440010950).

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

Note 7: For accounts receivable - factoring with no recourse, as required by the Banking Bureau letter dated July 19, 2005 (Ref. No. 094000494), an allowance for bad debts is recognized once no compensation is made from factoring or insurance.

Note 8: The disclosure of excluded NPLs and excluded overdue receivables resulting from debt negotiations 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).

Note 10: Part of nonperforming receivables transferred from other than loans was included.

TABLE 8-3

BANK SINOPAC AND SUBSIDIARIES

STATEMENT OF THE ALLOWANCES FOR POSSIBLE LOSSES ON LOANS AND RECEIVABLES ASSESSED FOR IMPAIRMENT
DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

Loans

Items		December 31			
		2012		2011	
		Discounts and Loans	Allowance for Possible Losses	Discounts and Loans	Allowance for Possible Losses
With objective evidence of impairment	Individually assessed	\$ 10,428,013	\$ 1,027,251	\$ 2,938,333	\$ 404,715
	Collectively assessed	2,542,903	1,067,727	5,394,003	1,416,024
With no objective evidence of impairment	Collectively assessed	765,843,284	6,134,913	733,313,972	7,200,855

Receivables

Items			December 31			
			2012		2011	
			Receivables	Allowance for Possible Losses	Receivables	Allowance for Possible Losses
With objective evidence of impairment	Individually assessed	Nonperforming receivables transferred from other than loans (Note 2)	\$ 106,203	\$ 100,303	\$ 110,407	\$ 104,150
		Others	12,315	11,665	23,272	11,502
	Collectively assessed	Credit card receivables	1,772,168	193,578	2,056,064	240,891
		Nonperforming receivables transferred from other than loans (Note 2)	41,126	33,367	66,174	52,852
With no objective evidence of impairment	Collectively assessed	Accounts receivable - factoring receivables	19,389,452	78,465	16,629,573	60,094
		Accounts receivable - forfeiting	18,880,671	17,954	11,542,182	5,049
		Credit card receivables	15,523,045	133,245	16,062,660	88,846
		Others	7,228,731	16,990	6,055,193	23,244

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

Note 2: Recorded as other financial assets.

TABLE 9

BANK SINOPAC AND SUBSIDIARIES

OPERATING SEGMENTS AND GEOGRAPHICAL INFORMATION
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

Segment revenues and results

		Year Ended December 31, 2012								
		Domestic Branches	Consumer Banking	Financial Transaction	Oversea Branches	United States Subsidiary	Others	Operating Segments	Non-operating Segments	Total
Income (loss)	Net interest	\$9,708,606	\$1,195,058	\$1,086,722	\$1,518,691	\$1,060,791	\$170,660	\$14,740,528	\$ (291,786)	\$14,448,742
	Interest revenue	15,288,035	1,467,273	3,031,362	2,450,273	1,201,782	269,453	23,708,178	238,688	23,946,866
	Revenue amount segments	1,996,847	(260,459)	(1,679,76)	(491,208)	-	(78,497)	(513,086)	513,086	-
	Interest expense	7,576,276	11,756	264,871	440,374	140,991	20,296	8,454,564	1,043,560	9,498,124
	Commission and fee revenues, net	3,496,506	646,445	(29,774)	248,353	72,159	1,084,887	5,518,576	(953,292)	4,565,284
	Others	1,713,851	238,571	1,659,381	39,092	82,453	23,188	3,756,536	(609,662)	3,146,874
	Net revenue (loss)	14,918,963	2,080,074	2,716,329	1,806,136	1,215,403	1,278,735	24,015,640	(1,854,740)	22,160,900
	Bad-debt expense (gain on reversal of bad debt)	101,652	(109,879)	-	146,347	(992,261)	(1,055)	(855,196)	819,278	(35,918)
	Operating expense	8,594,957	1,457,682	554,696	1,032,890	1,082,650	277,344	13,000,219	(571,916)	12,428,303
	Depreciation and amortization	166,177	19,093	3,568	17,380	40,523	8,535	255,276	277,217	532,493
	Income (loss) before income tax	6,222,354	732,271	2,161,633	626,899	1,125,014	1,002,446	11,870,617	(2,102,102)	9,768,515
	Income tax benefit (expense)	(927,648)	(124,486)	(241,885)	73,526	(348,134)	(159,739)	(1,728,366)	180,048	(1,548,318)
	Net income (loss)	5,294,706	607,785	1,919,748	700,425	776,880	842,707	10,142,251	(1,922,054)	8,220,197
		Domestic Branches	Consumer Banking	Financial Transaction	Oversea Branches	United States Subsidiary	Others	Operating Segments	Non-operating Segments	Total
Asset (Note 1)		-	-	-	-	-	-	-	-	-

Geographical information

	Year Ended December 31, 2012				
	Domestic and Others	USA	Hong Kong and Macau	Adjustments and Eliminations	Total
Income of clients outside the Bank and its subsidiaries	\$ 19,399,463	\$ 1,579,266	\$ 1,182,171	\$ -	\$ 22,160,900
Income from other departments	1,625,303	(1,731)	8,050	(1,631,622)	-
Net revenue	21,024,766	1,577,535	1,190,221	(1,631,622)	22,160,900
Income before income tax	7,792,404	1,325,992	650,119	-	9,768,515
Identifiable assets	1,143,888,628	46,601,223	75,882,798	-	1,266,372,649

Note 1: The chief operating decision makers of the Bank rely only on the balances of total assets and 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 ARDF of ROC, the measure of segment assets is zero.

Segment revenues and results

		Year Ended December 31, 2011								
		Domestic Branches	Consumer Banking	Financial Transaction	Overseas Branches	United States Subsidiary	Others	Operating Segments	Non-operating Segments	Total
Income (loss)	Net interest	\$9,884,493	\$1,273,135	\$1,093,964	\$1,074,735	\$1,106,229	\$171,245	\$14,603,801	\$ (846,827)	\$13,756,974
	Interest revenue	14,201,265	1,524,668	2,656,019	1,602,383	1,501,505	252,556	21,738,396	333,982	22,072,378
	Revenue amount segments	2,123,072	(239,127)	(1,307,938)	(187,359)	-	(62,455)	326,193	(326,193)	-
	Interest expense	6,439,844	12,406	254,117	340,289	395,276	18,856	7,460,788	854,616	8,315,404
	Commission and fee revenues, net	2,203,313	572,133	(36,435)	227,637	36,931	838,066	3,841,645	271,686	4,113,331
	Others	759,924	231,584	675,364	54,496	(459,366)	2,015	1,264,017	31,518	1,295,535
	Net revenue (loss)	12,847,730	2,076,852	1,732,893	1,356,868	683,794	1,011,326	19,709,463	(543,623)	19,165,840
	Bad debt expense (gain on reversal of bad debt)	825,635	(543,045)	-	(112,183)	797,295	3,833	971,535	2,451,008	3,422,543
	Operating expense	7,976,247	1,727,634	437,266	891,493	1,168,026	193,224	12,393,890	(395,010)	11,998,880
	Depreciation and amortization	157,350	21,656	4,503	26,315	48,518	10,128	268,470	220,072	488,542
	Income (loss) before income tax	4,045,848	892,263	1,295,627	577,558	(1,281,527)	814,269	6,344,038	(2,599,621)	3,744,417
	Income tax benefit (expense)	(738,696)	(197,690)	(178,102)	451,415	(908,427)	(139,444)	(1,710,944)	430,178	(1,280,766)
	Net income (loss)	3,307,152	694,573	1,117,525	1,028,973	(2,189,954)	674,825	4,633,094	(2,169,443)	2,463,651
		Domestic Branches	Consumer Banking	Financial Transaction	Overseas Branches	United States Subsidiary	Others	Operating Segments	Non-operating Segments	Total
Asset (Note 1)		-	-	-	-	-	-	-	-	-

Geographical information

	Year Ended December 31, 2011				
	Domestic and Others	USA	Hong Kong and Macau	Adjustments and Eliminations	Total
Income of clients outside the Bank and its subsidiaries	\$ 16,874,049	\$ 921,689	\$ 1,370,102	\$ -	\$ 19,165,840
Income from other departments	(1,559,612)	(243)	13,503	1,546,352	-
Net revenue	15,314,437	921,446	1,383,605	1,546,352	19,165,840
Income before income tax	4,483,748	(1,154,927)	415,596	-	3,744,417
Identifiable assets	1,086,113,573	55,267,298	74,153,536	-	1,215,534,407

Note 1: The chief operating decision makers of the Bank rely only on the balances of total assets and 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 ARDF of ROC, the measure of segment assets is zero.

Domestic Major Economic Indicators

In US\$ millions

Items	2012	2011	2010	2009	2008	
National income						
GDP	474,089	464,009	428,186	377,529	400,132	
GDP per capital (in US\$)	20,378	20,006	18,503	16,359	17,399	
Economic growth rate (GDP)	1.26%	4.07%	10.76%	(1.81%)	0.73%	
Foreign trade						
Export	301,181	308,257	274,601	203,675	255,629	
Import	270,473	281,438	251,236	174,371	240,448	
Trade surplus	30,708	26,819	23,365	29,304	15,181	
Price indexes						
Consumer price Index	1.93%	1.42%	0.96%	(0.86%)	3.52%	
Wholesale price Index	(1.16%)	4.32%	5.46%	(8.73%)	5.14%	
Money supply						
Annual growth in M ₂	4.17%	5.83%	4.53%	7.45%	2.71%	
Annual growth in M _{1b}	3.45%	7.16%	14.93%	16.54%	(2.94%)	
Annual growth in M _{1a}	3.55%	8.08%	14.51%	13.37%	0.97%	
Key interest rates (end of period)						
Rates of central bank						
Discounted rate	1.875%	1.875%	1.625%	1.25%	2.00%	
Rate on accommodations with collateral	2.250%	2.250%	2.000%	1.625%	2.375%	
Interbank call loan market						
Weighted average of overnight	0.428%	0.341%	0.185%	0.109%	2.014%	
Stock market						
Weighted Stock Index (TAIEX)	Average	7,481.34	8,155.79	7,949.63	6,459.56	7,024.06
	Year-end	7,699.50	7,072.08	8,972.50	8,188.11	4,591.22
Daily average trading value*	80.95	106.06	112.43	118.25	104.88	
Foreign exchange						
Foreign exchange reserve	403,169	385,547	382,005	348,198	291,707	
Exchange rate (NT\$/US\$)	Average	29.615	29.475	31.628	33.045	31.543
	Year-end	29.136	30.290	30.368	32.030	32.860
Balance of payment	15,484	6,239	40,173	54,126	26,274	
Others						
Industrial production index	(0.05%)	5.03%	26.93%	(8.08%)	(1.78%)	
Unemployment rate	4.24%	4.39%	5.21%	5.85%	4.14%	
Growth rate of investment in private sector	(2.25%)	(1.26%)	29.76%	(18.15%)	(15.58%)	
Population	23,315,822	23,224,912	23,162,123	23,119,772	23,037,031	

* (In NT\$ billions)

Major Subsidiaries

- **SinoPac Bancorp**

Address : 977 N. Broadway, Los Angeles, CA 90012, U.S.A.

Telephone : 1-213-687-1246

- **Far East National Bank**

Address : 977 N. Broadway, Los Angeles, CA 90012, U.S.A.

Telephone : 1-866-336-2872

- **Far East Capital, LLC (previously Far East Capital Corporation)**

Address : 977 N. Broadway, Los Angeles, CA 90012, U.S.A.

Telephone : 1-866-336-2872

- **SinoPac Life Insurance Agent Co., Ltd.**

Address : 10F, No. 36, Nanking East Road, Sec. 3, Taipei 104, Taiwan (R.O.C.)

Telephone : 886-2-2506-3333

- **SinoPac Property Insurance Agent Co., Ltd.**

Address : 6F, No. 36, Nanking East Road, Sec. 3, Taipei 104, Taiwan (R.O.C.)

Telephone : 886-2-2506-3333

- **SinoPac Capital Ltd.**

Address : Units 03-06, 12A Floor, One Peking, 1 Peking Road, Tsim Sha Tsui, Kowloon, Hong Kong

Telephone : 852-3655-8688

- **SinoPac Capital (B.V.I) Ltd.**

Address : P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands

Telephone: 852-3655-8688

- **SinoPac Insurance Brokers Ltd.**

Address : Units 03-06, 12A Floor, One Peking, 1 Peking Road, Tsim Sha Tsui, Kowloon, Hong Kong

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