



Annual  
Report 2011

## **Executive Offices**

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*Growing Wealth Enriching Life*



***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. 9-1, Sec. 2, Chienkuo N. Rd., Chungshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2508-2288
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
Hsitung Branch	No. 12, Tunghsing 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. 244, Sec. 1, Neihu Rd., Neihu District, 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, Chunghsin 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
Chunghsin Branch	No. 527, Sec.5, Chunghsin 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
East Sanchung Branch	No. 55, Chengyi N. Rd., Sanchung District, New Taipei City 241, Taiwan (R.O.C.)	(02)8985-2888
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., Chunggho 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
Chiangtutsui 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., Chunggho District, New Taipei City 235, Taiwan (R.O.C.)	(02)2223-4077
Chunggho 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. 265, 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. 1, Sec. 1, Hsiwan Rd., Hsichih District, 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. 35, Tienmei 3rd St., 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 Tower, 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	848-3825-7612
Nanjing Representative Office	No. 4108, 41F, Nanjing SunnyWorld Center, 188 Lushan Road, Jianye District, Nanjing, P.R.C.	8625-8321-9688

# Financial Highlights

(In millions, except per share data)	2011 NT\$	2011 US\$ <sup>(1)</sup>	2010 NT\$
<b>For the year</b>			
Pretax income (include cumulative effect of accounting changes)	2,708	89.40	4,363
Net income	2,464	81.35	3,501
<b>At year-end</b>			
Deposits and remittances	963,100	31,795.97	900,715
Discounts and loans	712,006	23,506.31	690,441
Total assets	1,182,128	39,027.01	1,106,894
Shareholders' equity	70,545	2,328.99	65,955
<b>Per share</b>			
Earnings per share	0.48	0.02	0.72
Shareholders' equity per share	13.42	0.44	13.31
Dividends declared per share <sup>(2)</sup>			
- Cash dividend	0.3280	0.01	0.4946
- Stock dividend	-	-	-

Note: (1) US dollar amounts are converted for convenience only at NT\$30.29 per dollar, the prevailing rate on Dec. 31, 2011.

(2) Dividends are distributed in the following year.

# Letter to Shareholders

Looking back at 2011, Taiwan's economy grew at a steady pace early in the year; since then, domestic growth momentum has been affected by the earthquake in Japan and the credit crisis in Europe in combination with slowing economies in the emerging markets and a weakening global economy. In the second half of the year, the U.S. national debt crisis sent shock waves through financial markets around the world. The US sovereign credit rating was downgraded by S&P, which caused U.S. stock markets to plunge, which in turn dragged down stock markets around the world. Because the stock markets fell, domestic wealth also shrank in Taiwan. Some firms implemented unpaid vacations and tightened budgets for human resources, which slashed consumer confidence. Moreover, businesses were unwilling to invest with so many uncertainties in the outlook of the global economy, which weighed down overall economic performance.

In response to the ever-changing market competition and be well-prepared for the opportunities and challenges derived from the opening up of cross-strait financial market, the parent company SinoPac Holdings launched a "five-year project" in 2011, announcing its vision to build an enterprise which has "content shareholders, proud employees, happy customers and public respect". SinoPac Holdings also aspires to the goal of becoming "the most flexible and convenient financial service provider in the cross-strait region" based on the three main focus— "new market, new currency, and new channel". In addition to integrating the three platforms of "products," "channels," and "operations" and combining its diversified business operations, the Bank also pursues innovation in financial products and takes advantage of the seamless bridging of the physical and virtual channels to provide the most complete and convenient access to cash flows, capital markets, investment and financing services.

At the end of 2011, Bank SinoPac registered NT\$1,182.1 billion of assets and over NT\$70.5 billion in shareholders' equity. Against NT\$962.5 billion in deposits, loans and credit lines totaled NT\$719.4 billion and NT\$757.2 billion respectively. The BIS ratio came in at 14.01% on a consolidated basis. For 2011, the Bank posted net income of NT\$2.46 billion, translating into earnings of NT\$0.53 per share on a pretax basis, an after-tax EPS of NT\$0.48 and a 3.61% return on equity. Separately, the bank recorded a 0.47% non-performing loan ratio and an 210.62% loan-loss coverage ratio.

As of the end of 2011, the outstanding balance of corporate lending was NT\$390.0 billion, nearly 40% of which was foreign currency lending. The volume of factoring was NT\$140.6 billion, and the volume of foreign exchange was US\$198.7 billion, both account for significant market share among the banking industry in Taiwan. With respect to the small and medium enterprise credit guarantee business, the total amount of credit guarantees in 2011 was NT\$66.2 billion, growing by 17% compared to 2010. For excellent achievements in credit guarantees for small and medium enterprises, the Bank was awarded the "Credit Guarantee Fund Partner Award" by the Small and Medium Enterprise Credit Guarantee Fund of Taiwan. In 2011, the Bank served as the facility agent and lead arranger for syndicated loans, and tried to expand its syndicated loan services to overseas Taiwanese businesses to demonstrate the Bank's strength as a lead arranger in syndicated loans. As more overseas offices are being established, the cross-continental corporate financial service network provides integrated, cross-regional client services in all major regions with high concentrations of Taiwanese businesses. In response to the increasingly globalized supply chains of Taiwanese businesses, Factoring by Insurance (FBI) effectively reduces overseas business risks and costs associated with factoring to allow the Bank to remain in a leading position ahead of its domestic market in supply chain financing. The Bank's future plans include actively integrating resources, placing equal emphasis on domestic and foreign growth, and building more comprehensive business platforms in order to become a leading brand in cross-continental services.



Chairman / CHIU Cheng Hsiung

The balance of mortgage loans as of the end of 2011 exceeded NT\$350 billion. While upholding the strategy of equal emphasis on quantity and quality, the Bank will primarily target homebuyers and allocate the Bank's total resources effectively and with attention to risk in order to maintain the optimal scale for reasonable growth in mortgage loans. To focus on niche markets by utilizing database analysis and conducting customer value analysis to identify potential premium customers for differentiated marketing. To reinforce integrated marketing mechanisms accompanied by marketing and customer care activities to develop relationships with customers. To effectively control lending risks by utilizing prior systematic assessments and after-sales management mechanisms to continue the pursuit of premium mortgage clients and maintain good personal loan quality. To utilize the all-encompassing branch network to reach into communities and achieve stable growth in personal loans. To combine resources of the holding company and the Bank to develop customer relations with the existing customer base, and to promote integrated marketing for the entire product line in order to satisfy the needs of target customers. To reinforce customer loyalty, to enhance interactions with clients and product depth, and to cement long term relationships with clients.

With respect to financial operations, in addition to proprietary trading, the Bank provides a diversified range of tools for financial hedging, financial operations, and investment planning as well as consulting services. The Bank is also an active participant in a variety of financial transactions in the financial markets in Taiwan and in Asia. The foreign exchange operation is one of a handful of domestic market makers in Taiwan. In terms of the trading volume of derivatives, the Bank ranks fifth among domestic and foreign banks in Taiwan and second among domestic banks. The Bank is also the leader among its domestic peers in manipulation skills. The overseas platform is positioned as the financial product operation center for foreign exchange and derivatives denominated in currencies outside the Asia Pacific region and the offshore fund transfer service center for Taiwanese businesses. The platform also provides more comprehensive money services for companies with cross-strait operations. Targeting business opportunities associated with the Renminbi as a global currency, the offshore banking unit (OBU) started offering RMB services in 2011. The Bank will duplicate relevant foreign exchange experience to provide RMB-denominated hedging products for foreign exchange rates and interest rates. With respect to the precious metals business, the Bank started offering gold accounts in November 2011. The Bank will continue to develop diversified products and create differentiation by product packaging to satisfy the customer demand for hedging and investment.

With respect to wealth management business in 2011 as a whole, the total sales volume of mutual funds and foreign securities invested in by the Bank with non-discretionary money trust reached NT\$57.3 billion, and the total trust assets under management was NT\$112.8 billion; the outstanding balance of general trust services (including real estate trusts, employee stock ownership plans and benefit trust funds, and security trusts) at the end of the year was NT\$20.7 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 was NT\$159.8 billion; and the total premium received from bancassurance operations was NT\$18.7 billion. In order to provide better customer service and meet customer needs, Bank SinoPac will continue to engage in the innovation of products and services including enhanced investment approaches, real-time ETF transactions, QDII custody services, beneficiary rights, compensatory payment services for securities lending, and discretionary custody service supply chain integration. To continue to enhance the relevant trading systems and utilize system functions to improve user friendliness. In the future, the Bank will place an equal emphasis on customer's needs and the corresponding degree of risk aversion in order to design simple and understandable financial products while remaining committed to product differentiation. The Bank will follow the competent authority's progress of opening the market in order to plan and introduce RMB related financial planning products. To provide sustainable premium services in order to become a wealth management bank on which customers can depend.

With respect to consumer finance, in addition to the continuing commitment to product innovation, new partnerships were successfully established with Miramar, Huashan 1914, and the National Petroleum Corporation to issue co-branded cards in 2011, which not only enhanced brand recognition for Bank SinoPac, but also put the growth in the number of cards and the amount of spending over the Bank's peers, which will continue to infuse growth momentum into business operations in the future. As of the end of 2011, the number of cards in circulation was 2.18 million growing significantly by 52% compared to the previous year and elevating the Bank's ranking to 6th place. The balance of credit card receivables was NT\$18 billion. The asset quality was stable and bad debt expenses remained at a historical lows, thus profits were able to remain stable. In May 2011, the Bank was given the approval for offering credit card interbank acquiring business. It then combined the services with corporate finance and other services to advertise them to the affiliated vendors. The aim was to strengthen vendor relations through complete financial services. As of the end of 2011, the amount of acquiring business had exceeded 7 billion dollars with considerable room for future growth. In 2011, the Bank introduced small money bidding loans based on the traditional money bidding practice and then the "Fengli Loan" with rebates. The way the products were packaged was well received by the market. The balance of unsecured loans was approximately NT\$9.7 billion, growing significantly by 62% compared to the end of last year. Meanwhile, the accumulated bidding limit activated was NT\$4.6 billion, and the Bank continues to use social networking sites to attract young customers to join the bidding platform. Benefit from adequate asset quality controls and stable bad debt recovery, the profitability of the unsecured loans business improved significantly.

Bank SinoPac operates 129 branches in Taiwan, 91 of which are located in the Greater Taipei area. With an international business plan, three points of branches have been established in Hong Kong, Kowloon, and Macau for the Hong Kong and Macau region, and a representative office has been established in Nanjing, China to prepare for a cross-strait financial platform, both of which are supported by 18 offices on the Pacific coast, including California of the United States and Vietnam, forming a powerful and all-encompassing service network. In addition to the Greater Taipei area, physical points of branches have also been established in all metropolitan areas in central and southern Taiwan. In 2011, we launched a campaign to polish the SinoPac brand, which covered a series of new experiences beginning with branch hardware and layout design, followed by the appointment of service ambassadors and customer service etiquette training, and then the introduction of the MMA+ high efficiency, intelligent account, all aiming to recreate value for the SinoPac brand.

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. Moreover, the Bank is the first one of Taiwan banking industry to provide online transfer and remittance with Display Card and OTP(One-Time Password). In 2010, Bank SinoPac was recognized as Best Electronic Banking Merit Award at the fifth Awards for Outstanding Financial Firms in Taiwan by Taiwan Academy of Banking and Finance. In the next year, 2011, the Bank was recognized again as Outstanding Contribution Award in Financial Electronic Data Interchange at the 2011 Annual Financial Information System Convention. 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.

Bank SinoPac is committed to give back to the very community that has allowed it to prosper over the years. This year, SinoPac sponsored the internationally renowned sculptor Li Chen for an exhibition at the National Chiang Kai-shek Memorial Hall. Not only was the exhibition the largest outdoor sculpture exhibit ever organized in Asia, it also brought international recognition to Taiwanese artists. The Bank then sponsored the Taipei Children's Arts Festival organized by the Department of Cultural Affairs, which led children into the world of art through theatrical troupes and outdoor performances. In 2011, the company also sponsored the "Presidential Cultural Awards" organized by the General Association of Chinese Culture, "Waves of Rice - Images of Old Farming Life in Taiwan," and "Cross-Strait Chinese Character Art Festival Related Events" with the goal to promote passing on cultural heritage. The Bank will continue to promote major art and cultural events through sponsorship in the future.



President / Tina CHIANG

To capture the opportunities generated from a more opened cross-strait financial market, Bank SinoPac has set up a representative office in Nanjing in 2011 and has been planning for subsequent operating unit openings to better serve Taiwanese businesses. Meanwhile, the Bank has worked with Industrial and Commercial Bank of China to launch the groundbreaking service of "24-hour Direct Cross-strait Wire Transfer Service" which saves time and costs for remittances and effectively enhances cash management capabilities. Bank SinoPac's Hong Kong branch is the fifth largest Taiwanese-owned bank in terms of RMB deposits and it is also the first to provide RMB-denominated bridge loans. The RMB business model can be quickly replicated as the Hong Kong branch has experienced diverse business operations such as offshore RMB trade settlements and offshore loans backed by onshore guarantees. As cross-strait financial regulations become more open and as Bank SinoPac's offshore banking unit (OBU) and overseas branches are approved to conduct more RMB related businesses, Bank SinoPac is able to effectively utilize its various channels and provide more flexible and convenient financial services to Taiwanese businesses in Taiwan, Hong Kong, Macau and the United States.

In 2011, Standard & Poor's gave Bank SinoPac a BBB long-term rating and an A-2 short-term rating, with a Stable outlook (August 24, 2011). Taiwan Ratings assigned the bank ratings of twA+ and twA-1, also with a Stable outlook (December 8, 2011). 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 19, 2011).

Looking forward, the business environment remains challenging for banks. Bank SinoPac will remain committed to the service philosophy of putting customers first and increasing the scale, scope, and depth of services. We have never wavered in pursuing our vision of sustainable development: "content shareholders, proud employees, happy customers and public respect." In 2011, the Bank also launched the five-year, three-stage (seeding→growing→branching) transformation project, 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 also provide world class financial services for our clients around the world.

CHIU Cheng Hsiung  
Chairman

Tina CHIANG  
President

## I. Introduction

Bank SinoPac is a wholly owned subsidiary of SinoPac Holdings, and was created in the merger of equals between Bank SinoPac under SinoPac Holdings and the International Bank of Taipei on November 13, 2006. The Bank provides the best financial services with an all-encompassing business network and highly innovative product lines while achieving the ideal of a new financial silk road based on the three main focus, "new market, new currency, and new channel."

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.

In 2011, the Bank disposed of several credit assets in order to invigorate non-performing assets. Later, for the purpose of strengthening the Bank's capital structure, it completed a private offering of common shares on

June 30, which were all subscribed by the parent company, SinoPac Holdings, to support funding needs for domestic and overseas business expansion. Moreover, for the purpose of raising the Bank's capital adequacy ratio, the Bank issued subordinated debts in three offerings for a total of NT\$11 billion to provide for funding needs and medium and long term funding for business expansion. Furthermore, the Bank conducted land reevaluations on October 21 to reflect the value of the Bank's land assets, which increased shareholders' equity by more than NT\$700 million.

At the end of 2011, Bank SinoPac had over 4,000 employees, NT\$52.5 billion in paid-in capital and NT\$1,182.1 billion of assets. In terms of its corporate structure, the bank comprises 18 divisions and one office. Alongside 129 domestic branches, 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 10 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 services.

#### General Corporate Data

December 31, 2011

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\$70,545 million
Paid-in capital:	NT\$52,574 million
Number of shares issued:	5,257.0 million
Number of employees:	4,994
Auditor:	Deloitte Touche Tohmatsu
S&P Ratings (Aug. 24, 2011)	
Long-term credit rating:	BBB
Short-term credit rating:	A-2
Rating outlook:	Stable
Fitch Ratings (Oct. 19, 2011)	
Long-term foreign currency issuer default rating:	BBB
Short-term foreign currency issuer default rating:	F2
Rating outlook:	Stable
Taiwan Ratings (Dec. 8, 2011)	
Long-term credit rating:	twA+
Short-term credit rating:	twA-1
Rating outlook:	Stable

## II. Human Resources

### (I) Employee Statistics

February 29, 2012

Items	2012/2/29	2011	2010
Number of staff	4,956	<b>4,994</b>	4,670
Average age	36.79	<b>37.01</b>	36.17
Average seniority	10.72	<b>10.49</b>	10.17
Education			
Ph.D. degree	0.10%	<b>0.08%</b>	0.09%
Master's degree	16.49%	<b>16.58%</b>	15.95%
University and college	75.41%	<b>75.39%</b>	75.80%
Junior college & others	8.00%	<b>7.95%</b>	8.16%
Total	100.00%	<b>100.00%</b>	100.00%

### (II) Board of Directors and Supervisors

February 29, 2012

Title	Name	Elected Date	Positions Held Concurrently
Chairman	CHIU Cheng-Hsiung	2010.06.01	Chairman of Bank SinoPac
Director	LIEN Sheng-Wen	2011.03.01	Director of cnYES.com
Director	Desmond JIANG (Note 1)	2010.06.01	Director of SinoPac Capital Ltd.
Director	LEE Liang-Chi	2010.06.01	Chairman of Ever Trust Investment Co., Ltd.
Director	Felix Y. HO (Note 2)	2010.06.01	Chairman of Yuen Foong Yu Consumer Products Co., Ltd. Director of Yuen Foong Yu Paper Mfg. 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 of SinoPac Holdings Supervisor of E Ink Holdings Inc.
Independent Director	MAI Chao-Cheng	2010.06.01	Managing Director / Independent Director of SinoPac Holdings
Independent Director	CHEN Tain-Jy	2010.07.23	Independent Director of Lextar Electronics Corp.
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

Note 1: On Mar 23, 2012, the Board of the SinoPac Holdings appointed Tina CHIANG to replace Desmond JIANG as the representative of the Juristic-person Director-Bank SinoPac.

Note 2: On Mar 23, 2012, the Board of the SinoPac Holdings appointed HO Show- Chung to replace Felix Y. HO as the representative of the Juristic-person Director-Bank SinoPac.

Note 3: All directors and supervisors are legal representatives of SinoPac Holdings.

## (III) Executive Officers

February 29, 2012

<ul style="list-style-type: none"> <li>• Desmond JIANG (Note 1) Bank SinoPac President</li> </ul>
<ul style="list-style-type: none"> <li>• Tina CHIANG (Note 1) Executive Vice President</li> </ul>
<ul style="list-style-type: none"> <li>• HSIEH Chun Executive Vice President, Head of Corporate Banking Division</li> </ul>
<ul style="list-style-type: none"> <li>• Philip J.WEI Executive Vice President, Head of Banking Division</li> </ul>
<ul style="list-style-type: none"> <li>• David HAN Executive Vice President, Head of Wealth Management Division, Chief Executive of Financial Products</li> </ul>
<ul style="list-style-type: none"> <li>• Jocelyn KUO Executive Vice President, Head of Retail Banking Division</li> </ul>
<ul style="list-style-type: none"> <li>• Lupe CHUANG Executive Vice President, Chief Executive of Operation</li> </ul>
<ul style="list-style-type: none"> <li>• Matt CHUANG Executive Vice President, Head of Overseas Business Division ,Head of Financial Markets Division,and General Manager of Hong Kong Branch</li> </ul>
<ul style="list-style-type: none"> <li>• Sam WANG Chief Auditor</li> </ul>
<ul style="list-style-type: none"> <li>• CHEN Chia-Hsing Senior Vice President, Chief Executive of Channel, Head of Banking Business Integrated Division</li> </ul>
<ul style="list-style-type: none"> <li>• Jenny HUANG Chief Secretary</li> </ul>

Note 1: On Dec 23, 2011, the Board of the SinoPac Holdings approved the appointment of Tina CHIANG as President of Bank SinoPac, getting approval of the regulatory authority on Mar 16,2012.

## I. Global Overview

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

SinoPac Holdings mainly serves the following Pan-Pacific markets: Taiwan, the U.S., the Mainland China, Hong Kong, Macau and Vietnam. A summary of their respective economic conditions is as follows:

#### A. Taiwan

Looking back at 2011, Taiwan's economy in the first half year benefited from the launch of the ECFA, the increased daily limit of Chinese tourists to 500 people, and the strong sales of new high-tech products, stable economic growth led to a series of record breaking figures in exports. However, in the second half year, the increasing severity of the European debt crisis increased the uncertainty of the global economy, which led to shrinking investments, decreased exports, and reduced consumer expenditures in Taiwan. As both internal and external demands decreased, the GDP growth in 2011 fell each quarter, and the annual growth fell from 10.72% in 2010 to 4.04%.

Looking ahead to 2012, in addition to the unresolved European debt issues, the low GDP growth in the United States, a cooling Chinese economy, and a slowing global economy will continue to weigh heavily on Taiwan's export momentum. However, government provides favorable policies include eased restrictions on Chinese tourists, an increase in the number of zero tariff products under the ECFA from 72 to 526, and programs to attract businesses worldwide. It is expected that Taiwan's GDP growth can bounce back and increase each quarter after dropping in the first quarter. The annual growth is estimated to be 3.85%, which will be moderate growth.

In terms of consumer prices, Taiwan's annual CPI growth in 2011 rose from 0.96% to 1.42% with mild inflation. While slowing global economy in the future will suppress consumer prices, the rising oil price will push up consumer prices contrarily. It is expected the annual CPI growth in 2012 will rise to 1.46%. With respect to interest rates, the Central Bank of the Republic of China (CBC) raised the interest rate twice in the first half of 2011 from 1.625% to 1.875%, a total of 0.25%. However, the deteriorating European debt crisis created warning signals for Taiwan's exports, and the CBC terminated the cycle of raising interest rates in the third quarter. The discount rate was kept the same at 1.875% in the fourth quarter. Looking ahead to 2012, although the volatile global economy will have an adverse effect on Taiwan, it is expected that the CBC may stop raising interest rates.

#### B. China, Hong Kong and Macau

The Chinese economy in 2011, in spite of stable investment growth supported by investments in the primary industries and consumer spending by home appliance/automobile incentive policies, the government's policies to tighten the credit market and to eliminate outdated production capacity started making an impact. In addition, with increased worries over slowing economies in Europe and the United States and slowing export growth, the annual GDP fell from 10.4% in 2010 to 9.2%, which still clearly exceeded the official target growth of 8%. Under the influence of a global economic slowdown, Hong Kong and Macau also experienced slower growth. Hong Kong's GDP fell from 7.0% in 2010 to 5.0% in 2011, and Macau's GDP fell from 27.0% in 2010 to 20.7% in 2011.

In the first half of 2011, as the CPI rose above 6% and liquidity pressure showed no sign of easing, the People's Bank of China (PBC) continued the tightening of policies that it adopted in the second half of 2010. In addition to raising the reserve requirement ratio (RRR) by 0.5% each month from January to June to bring it to a peak of 21.5%, PBC also increased one-year deposit and lending rates by 0.25% each time in February, April, and July to bring them up to 3.50% and 6.56%, respectively. However, as the CPI started showing signs of falling, the liquidity pressure eased, and the global economic outlook became uncertain in the second half of the year, PBC not only suspended interest rate hikes, but also lowered the RRR by 0.5% to 21.0% starting on December 5, indicating that the overall monetary policy had changed from "tightening" in the first half of the year to "loosening."

In 2012, as the European debt crisis continued, both the IMF and the World Bank are making downward adjustments for global economic growth. With the expectations of a global economic slowdown and weakened domestic demand in China, GDP will fall below 9% to 8.6%. As for Hong Kong and Macau, GDP will drop below 5% and 20%, respectively. Moreover, the monetary policy in China is expected to move toward loosening. The interest rate is expected to be lowered by 0.25%, and the RRR lowered by 0.5% each time for four times. In addition, new Yuan loans will rise to 8.5 trillion Yuan.

### C. U.S.

Looking back on the economic performance of the United States in 2011, the momentum of economic expansion was stunted by the impact of oil prices breaking through US\$100 a barrel during the Jasmine Revolution in the Middle East, Japan's earthquake breaking supply chains, S&P lowering the sovereign credit rating of the U.S. which triggered stock market crashes around the world, and the deteriorating European debt crisis pushing the Eurozone into negative growth, while unemployment remained high and the housing market struggled. In 2011, U.S. GDP growth fell from 3.0% to 1.7%, below the long term average of 3.0%.

In order to ensure the continued recovery of the U.S. economy, the Fed continued to implement the US\$600 billion QE2 in the first half of 2011, and kept the interest rate at zero. In September 2011, it announced again the Operation Twist (i.e. buying long term bonds and selling short term bonds), which will buy US\$400 billion of 6- to 30-year government bonds by the end of June 2012, and sell the same amount of government bonds of 3 years or less. The proceeds from maturing MBS will be reinvested into more MBS.

Looking ahead to 2012, the deteriorating government debt will leave limited room for fiscal maneuvering. The persisting European debt crisis will create unfavorable conditions for corporate investment and increasing employment, and will make it difficult for any significant improvement to be made in the labor and housing markets. The United States will continue to experience low growth in 2012, and the estimated GDP growth is only 2.3%. In order to support the economy, it is expected that the Fed will maintain the zero percent interest rate policy in 2012 and launch QE3.

## D. Vietnam

In 2010, as the emerging markets led the global economic recovery, Vietnam's GDP growth rebounded to 6.8% from 5.3%, and it has officially joined the ranks of the middle-income countries. Entering 2011, the country benefited from increasingly strong exports of agricultural, forestry, and fish products, and the trade deficit shrank from US\$10.8 billion to US\$9.5 billion, the lowest in 10 years. However, Vietnam has continued to be plagued by high consumer prices. The government employed a tightening monetary policy to fight inflation, which combined with a global economic slowdown in the second half of the year, brought Vietnam's GDP back down to 5.9% in 2011. In particular, 0.66 percentage points was contributed by the agricultural, forestry, and fishing sectors, 2.32 percentage points by the industrial sector, and 2.91 percentage points by the service sector.

Looking ahead to 2012, Vietnam will continue to face the three challenges of high inflation, a high deficit, and a tight capital market. However, in terms of government policies: (1) to keep controlling consumer prices as a primary objective of economic development in 2012; (2) to adjust investment structures, restructure state-owned enterprises, and reduce fiscal deficits; and (3) to implement agricultural innovation while increasing the production value percentage of the hi-tech industry in order to improve the trade deficit; all the policies demonstrate the government's determination to stabilize the economy. Although the impact of a global economic slowdown will be inevitable for the open Vietnamese economy, improved inflation, strong domestic demand, and government policies support the expectation of potential GDP growth around 6.0% in 2012.

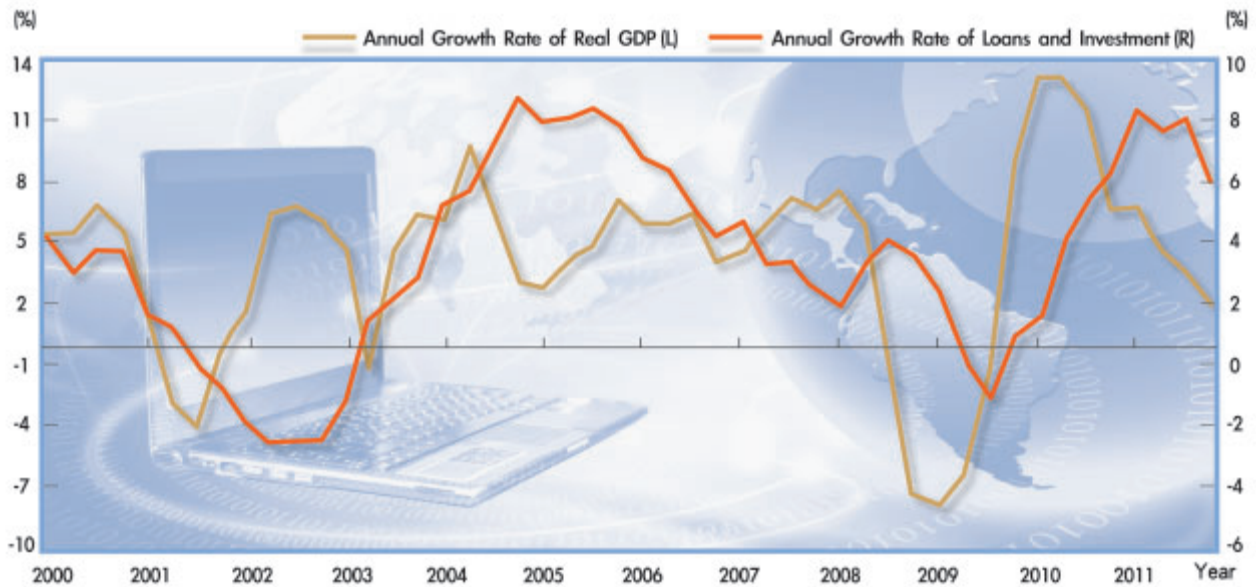
### (II) Future Market Supply and Demand

For the lending business at a bank, the insurance sales at an insurance company, and the trade orders made by clients of a securities dealer, the economy plays a crucial role. When the economy is expanding, the borrowers are more willing and have a stronger need to borrow as capital expenditure increases; the potential policyholders, provided they are secure in their finances and employment, are more motivated to purchase new insurance or top up existing policies; investors are lured by bullish markets and more willing to invest in stock markets, and so the bank, the insurance company, and the securities dealer can make relatively good profits. On the other hand, if the economy starts to contract and slow down, the financial institutions will experience less than satisfactory profits, sometimes even falling deep into the red as a result of bad debts and unfavorable investment results. Having shaken off the effects of the global financial crisis, Taiwan's annual GDP growth rebounded from the bottom at -1.81% in 2009 and reached a peak of 10.72% in 2010. Since then the annual GDP growth has been falling from the peak, and is expected to be 4.04% and 3.85% in 2011 and 2012, respectively.

The economic outlook decides how much the profits rise or fall for financial institutions. Over the last 30 years, the economy in Taiwan has undergone drastic structural changes. The ratio of total exports over GDP has increased from 33% in the early days to 75% in 2011. The economic conditions in the major importing countries will have an effect on the economic outlook in Taiwan. Mainland China (including Hong Kong), Europe, and the United States are the top three countries importing from Taiwan. As the correlation coefficient between the lending momentum of domestic banks and GDP growth is at least 65%, the Directorate-General of Budget, Accounting and Statistics (DGBAS), Executive Yuan, has estimated that annual GDP growth will be 3.85% in 2012. Therefore, the Research Department has estimated that the lending growth will be 3% to 5% for domestic banks in 2012, below 8% to 10% in 2011.

## Annual Growth Rates of GDP, Loans and Investments

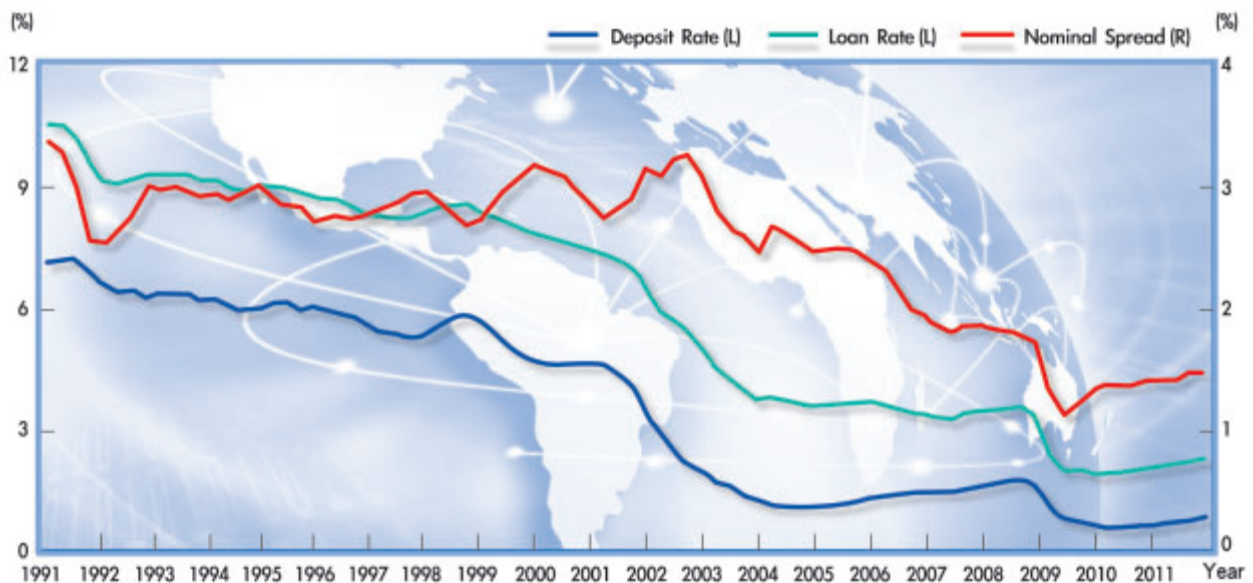
Source: TEJ; Compiled by SinoPac Holdings



The latest interest rate hike by the Central Bank of the ROC started in June 2010, and the discount rate was raised from the low level of 1.25% to 1.875% after five 0.125% increases. In September 2011, as global economic growth turned stagnant and inflation expectations slumped, the central bank stopped raising the interest rate. As of the end of 2011, the central bank has suspended the interest rate twice. In 2011, the trend of nominal credit spreads for banks continued upward, and increased each quarter from 1.11% in the second quarter of 2009 to 1.43% in the fourth quarter of 2011. However, after the central bank stopped raising the interest rate, it is expected that the nominal credit spreads will stop growing for banks in Taiwan in the first quarter of 2012.

## Nominal Interest Spread

Source: TEJ; Compiled by SinoPac Holdings



### (III) Positive and Negative Factors for Future Developments

#### A. Positive Factors

##### 1. Business in China shifting from theory to practice

With respect to cross-strait financial cooperation, it has moved from theory to practice and a profitable stage. At present, 11 domestic banks have entered mainland China, six of which (Chang Hwa Bank, Cathay United Bank, Taiwan Cooperative Bank, Hua Nan Bank, First Bank, and Land Bank) have branches that have been operating for at least one year and have applied (or will apply) for RMB business licenses from the China Banking Regulatory Commission. In October and November of 2011, four banks elevated their China offices to branches (Chinatrust, Mega International Commercial Bank, Bank of Taiwan, and E. Sun Bank). In addition, one bank (the Taiwan Business Bank) is in the process of making a license application for a branch in China.

##### 2. New trends of opening leasing companies in China

The leasing companies established by Taiwanese financial service providers are classified as foreign-funded leasing companies and therefore are governed by the Ministry of Commerce and allowed to conduct RMB financing operations directly. It is also the main reason for the large number of financial institutions entering the market. At present, the branches of Taiwanese-owned banks in China may not conduct RMB lending in the first year of business, and must wait until after the first year of business has been completed to apply to the China Banking Regulatory Commission for an RMB lending license for Taiwanese-owned enterprises. Prior to March 2011, only Chailease Holding and Taiwan Acceptance Corporation had opened leasing companies in China. It is only after the FSC lifted the restrictions to allow financial holding companies to establish finance leasing companies in China on March 16, 2011 that the number of finance leasing companies established by Taiwanese financial holding companies skyrocketed. As of the end of December 2011, there were nine financial institutions have established finance leasing companies in China and officially opened for business. Another three financial institutions are applying for a license.

##### 3. Chinese-owned banks to purchase shares and strengthen cross-strait partnerships

Since December 2012, there has been frequent news about the FSC passing the sunrise clause that will allow Chinese-owned banks to purchase shares of financial holding companies and banks in Taiwan. Yuh Chang Chen, chairman of the FSC, also made a public comment that the FSC has made plans for Chinese-owned banks to purchase shares in Taiwan. The FSC waited until December 20, 2011 to make the official announcement that applications for share purchase will officially open to Chinese-owned banks on January 2, 2012, which suggested that potential cases were already in the process of negotiation. According to the "Regulations Governing the Banking Activity and the Establishment and Investment of Financial Institutions Between Taiwan and Mainland China" released on March 16, 2010, the financial institutions on both sides of the strait are subject to certain restrictions when purchasing shares, and only those who meet the requirements may make applications. Moreover, Chinese-owned banks can only choose to either set up branches or purchase shares. Only four Chinese-owned banks meet the requirements of the three financial laws and are qualified to purchase shares in Taiwan:

The Bank Of China, the Bank of Communications, the China Construction Bank, and the Industrial and Commercial Bank of China. However, as the Bank Of China, the Bank of Communications and the China Construction Bank have applied to the FSC of Taiwan to set up branches, the Industrial and Commercial Bank of China is the only one Chinese-owned bank qualified to purchase shares in Taiwan.

## B. Negative Factors

### 1. Excess reserve problem still not resolved for banks

Since 2002, the banking industry in Taiwan has been facing the problem of not being able to effectively absorb capital. The loan-to-deposit ratios for the banks were between 66% and 69% from 2002 to 2008, and fell to 62% in 2009, remaining at a historical low, and then returned to between 63% and 65% between 2010 and 2011. Although some banks have opened branches in China, they can do little to solve the excess reserve problem in Taiwan in the short term.

### 2. Increased chances of allocating bad debt reserves for DRAM industries

The problems of the DRAM industry have their roots in the global financial crisis of 2008. Prompted by government intervention, the banks group provided debt relief for ProMOS and Powerchip to prevent them from going bankrupt. Three years later and the problem of supply exceeding demand in the DRAM industry remains. The DRAM contract prices have not been able to stop falling. Meanwhile, ProMOS and Powerchip are still unable to effectively reconstruct their business structures. As the financial institutions one by one raised the bad debt reserve ratios on the loans to ProMOS to between 75% and 100%, Powerchip again applied for relief from the Ministry of Economic Affairs in late 2011. The members of the bank group have one by one raised the bad debt reserve ratios for ProMOS and Powerchip while it has become necessary for them to consider writing off the bad debts in the future. This may cause the loan coverage ratio to fall below 1%. Applications for overseas operations and business in China are likely to be affected. Under the first rule of keeping the loan coverage ratio above 1%, it is expected that the asset quality management at the Bank will adopt the two methods as follows: (a) To actively increase reserves and loan coverage ratios, and improve risk response. However, this method will sacrifice the Banks' profits and capital adequacy ratios. (b) Banks with a loan coverage ratio around 1% may allow the non-performing loan ratio to rise without writing off the loans to prevent the loan coverage ratio from falling below 1%. The banks face a challenging business dilemma between profits and asset quality.

## I. Business operation

### (I) Business Scope and Operation

#### A. Retail Banking

In 2011, the real estate market in Taiwan was affected by the European debt crisis and a slowing global economy while domestically, the government tried to defend residential justice and distributive justice by implementing the goods and services tax (luxury tax) in June. The Authorities supervising the banking industry has continued to monitor home loans for "second homes in specific areas" and implemented control measures by demanding that banks reduce the concentration of property loans, adjust the calculation of risk weights for mortgage loans, and increase loan coverage ratios. As a result, the trading volume fell in the real estate market, which adversely effected the growth in mortgage loans for banks.

Based on the conditions of the real estate market, the Authorities' policies and control measures for the industry, and effective allocation of the Bank's overall resources, the Bank's mortgage lending operation has adopted a stable and sustainable approach to growth, which actively filters out premium clients to increase and integrate sales opportunities while implementing risk classification for collateral with lending strategies adjusted by region for tighter control to maintain excellent credit asset quality.

As of the end of 2011, the outstanding balance was NT\$352.62 billion for mortgage loans, NT\$4.06 billion for auto loans, NT\$14 million for credit loans, and NT\$582 million for other loans.

#### B. Wealth Management

##### 1. Business scope:

To provide a variety of products or services including financial, general trust and custody services, and bancassurance 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) General 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:

Overshadowed by worries over a recession in the United States, the persisting European debt crisis, and the threat of inflation in emerging markets, the market conditions have been extremely unstable and investor confidence has been low. It will be difficult to change the risk averse attitude in the short term. In addition, the

authorities have continued to tighten the trust and financial laws in Taiwan that are relevant to the financial planning business, which has had an impact on the overall performance of the wealth management business in 2011.

Looking back at 2011 as a whole, the total sales volume of securities entrusted by Bank SinoPac with non-discretionary money trust reached NT\$57.27 billion, and the total trust assets under management was NT\$112.82 billion ; the outstanding balance of the general trust services (including real estate trusts, employee stock ownership plans and benefit trust, and security trusts) at the end of the year was NT\$20.71 billion; as the custodian for domestic mutual funds offered by securities investment trust enterprises, the total outstanding balance of assets under custodianship at the end of the year was NT\$159.77 billion ; and the total premium received from bancassurance operations was NT\$18.70 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.
- (4) MMA Bid-Money platform business is for consumer groups lending product management.

### 2. Business overview

- (1) Revenue ratio: Interest income 63%, Fee income 37%.
- (2) As of the end of 2011, the balance of credit card account receivables was NT\$18.00 billion, the balance of unsecured loans was NT\$9.69 billion, and the Bid Money On-line Service had accepted 2,400 sets of subscriptions, activating an accumulated bidding limit of NT\$4.62 billion.

### 3. Current products and services and new developments.

- (1) To continue to promote credit card offers to add additional value to the cards.
- (2) To establish cross-industry strategic alliances to issue co-branded credit cards and explore new customer bases.
- (3) To create an online bonus shopping mall, which combines vendor offers and provides a variety of products for purchase and point redemption.
- (4) To partner with vendors in providing "instant point redemption at checkout" to reinforce the incentives for customers to pay via credit cards.
- (5) To expand acquiring business with merchants and provide one-stop business services by integrating cash flows, financing management, and member management platforms.
- (6) To provide lending products with rebates or limits, and to implement product differentiation and pricing strategies based on customer profile.
- (7) To utilize social networking websites to promote online money bidding products in order to reach the younger, internet savvy customer base and to increase the number of new members and subscriptions.

## 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 2011, the outstanding balance of corporate lending was NT\$390.00 billion, nearly 40% of which is foreign currency lending. In addition, the volume of factoring was NT\$140.60 billion, and the volume of foreign exchange was US\$198.70 billion, both account for significant market share among the banking industry in Taiwan.

The total amount of credit guarantee in 2011 was NT\$66.20 billion, growing by 17% compared to 2010. For excellent achievements in credit guarantees for small and medium enterprises, Bank SinoPac was awarded the "Credit Guarantee Partnership Award" by the Small and Medium Enterprise Credit Guarantee Fund of Taiwan in 2011.

For the US\$150 million syndicated loan to Meita Industrial in 2011, the Bank was the credit limit manager and lead arranger. The loan was one of the largest syndicated loans to an overseas Taiwanese business in which the Bank served as the lead arranger in recent years, and helped to demonstrate the Bank's strength as a lead arranger in syndicated loans to overseas Taiwanese businesses.

SinoPac Holdings continues to establish more overseas offices and its intercontinental corporate financial service network covers all major regions with clusters of Taiwanese businesses, and it provides integrated, cross-regional client services. 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 is an active participant in a variety of financial transactions in financial markets in Taiwan and Asia. With a well established platform for foreign exchange and related derivatives and, in particular, as one of only a handful of domestic market makers of foreign exchange options, the Bank, in terms of the trading volume of derivatives, ranks fifth among domestic and foreign banks in Taiwan and second among domestic banks. The Bank also leads its domestic peers in operational skills, and its excellent performance will be beneficial to the long term development of structured products. The overseas platform is positioned as the financial product operation center for foreign exchange and derivatives denominated in currencies outside Asia Pacific and the offshore fund transfer service center for Taiwanese businesses. The platform also provides more comprehensive cash flow services for companies with cross-strait operations.

In 2011, the offshore banking unit (OBU) started offering RMB services. The Bank will duplicate the relevant foreign exchange experience to provide RMB-denominated hedging products for foreign exchange rates and interest rates. Meanwhile, the Bank has been developing its precious metal business. The Bank started offering gold accounts in November, 2011, and will take a step further to promote online gold trading with gold accounts in order to provide convenient, diversified product choices to satisfy customer needs.

The market continued to be affected by worries over the European deficit and deteriorating economies in the second half of 2011. Developed countries continued with loose monetary policies while emerging countries considered changing direction. Drastic volatility was observed in the foreign exchange, interest rate, and raw materials markets. The market focus in 2012 will be on sovereign debts, slowing economies, exchange rate policies implemented by different countries, and inflation. Since the regulations outside the Bank including the "Directions for Banks Conducting Financial Derivatives Businesses," the "Self Regulatory Guidelines for Banks Conducting Financial Derivatives Businesses," and the "Financial Consumer Protection Act" have been updated and implemented in turn, a specific regulatory framework has been established for client classification and management, measures to protect rights, and content of transaction agreements. For the clients, their rights will be better protected when they engage in the trading of financial products. For 2012, it is expected that high volatility will persist in financial markets. Bank SinoPac will continue to closely monitor the changes in the global economy while keeping abreast with central bank policies and the movements and trends in financial markets. The aim is to provide clients with detailed, dynamic, and competitive products and services, and to assist clients in obtaining investment targets and trading strategy products that best meet their personal needs.

## 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, adopts latest internet technological development, embraces opportunities in virtual channel interaction and management, strives to take 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.

## Deposits

In NT\$ millions

Items	Dec. 31, 2011		Dec. 31, 2010	
	Amount	%	Amount	%
<b>Demand Deposits</b>				
Checking Deposits	12,689	1.32%	12,402	1.38%
Demand Deposits	169,666	17.63%	159,943	17.77%
Savings Deposits	223,683	23.24%	228,137	25.34%
<b>Subtotal</b>	<b>406,038</b>	<b>42.19%</b>	<b>400,482</b>	<b>44.49%</b>
<b>Time Deposits</b>				
Time Deposits	314,744	32.70%	286,154	31.79%
Negotiable Certificates of Deposit	26,592	2.76%	23,439	2.60%
Savings Deposits	215,152	22.35%	190,153	21.12%
<b>Subtotal</b>	<b>556,488</b>	<b>57.81%</b>	<b>499,746</b>	<b>55.51%</b>
<b>Total</b>	<b>962,526</b>	<b>100.00%</b>	<b>900,228</b>	<b>100.00%</b>

## Loans and Guarantees

In NT\$ millions

Items	Dec. 31, 2011		Dec. 31, 2010	
	Amount	%	Amount	%
<b>Loans</b>				
Import and Export Negotiations	2,101	0.29%	1,567	0.23%
Overdrafts	588	0.08%	749	0.11%
Accounts Receivable Financing	2,342	0.33%	2,497	0.36%
Short-Term Loans	150,427	20.91%	149,604	21.50%
Mid-Term Loans	195,583	27.19%	173,514	24.94%
Long-Term Loans	365,611	50.82%	364,446	52.39%
NPLs Transferred from Loans	2,750	0.38%	3,298	0.47%
<b>Subtotal</b>	<b>719,402</b>	<b>100.00%</b>	<b>695,675</b>	<b>100.00%</b>
Acceptances, Guarantee, Letters of Credit, etc.	21,069	-	21,287	-
Factoring	16,630	-	18,458	-
Nonperforming receivables transferred from other than loans- Factoring	66	-	7	-
<b>Total</b>	<b>757,167</b>	<b>-</b>	<b>735,427</b>	<b>-</b>

## Credit Exposure

In NT\$ millions

Items	Dec. 31, 2011	Dec. 31, 2010
<b>Corporate Banking</b>		
Credit Outstanding	389,951	373,043
Loans Outstanding	352,440	333,634
<b>Retail / Consumer Banking</b>		
Credit Outstanding	367,216	362,384
Loans Outstanding	366,962	362,041
<b>Total Credit Outstanding</b>	<b>757,167</b>	<b>735,427</b>
<b>Total Loans Outstanding</b>	<b>719,402</b>	<b>695,675</b>

## Overdue Credits

In NT\$ millions

Items	Dec. 31, 2011		Dec. 31, 2010	
	Amount	%	Amount	%
Type A Overdue Credit and NPLs	3,310	0.46%	3,495	0.50%
Type B Overdue Credit and NPLs	88	0.01%	101	0.02%
Total Overdue Credit under Surveillance	3,398	0.47%	3,596	0.52%
Bad Loans Write-Off	978	-	1,634	-
Outstanding Balance of NPL Provisions	7,209	-	5,242	-

## Foreign Exchange Business

In US\$ millions

Items	2011	2010
Outward Remittances	99,991	85,378
Inward Remittances	95,116	82,936
Export Negotiation and Collection	1,558	1,335
Letters of Credit; D/P and D/A	1,847	1,711
Cash and Traveler's Check Trade	163	153
Bills Collection and Purchases	51	53
Total	198,726	171,566

## Securities Investment

In NT\$ millions

Items	2011	2010
Trading Volume of Bills and Bonds	4,316,292	3,452,161
Year-End Balance of Bills and Bonds	278,592	235,659
Year-End Balance of Listed / OTC Stocks	95	1,422
Year-End Balance of Beneficiary Certificates	446	650
Short-Term Bills Accredited and Underwritten	-	-

Summary of Income and Expenses		In NT\$ millions
Items	2011	2010
Interest revenue	22,237	18,254
Interest expense	9,342	6,121
Net interest	12,895	12,133
Net revenues other than interest		
Commissions and fee revenues, net	3,244	3,712
(Losses on) gains from financial assets and liabilities at fair value through profit or loss	(11)	442
Realized gains from available-for-sale financial assets	5	51
Losses on equity investments - equity method, net	(1,558)	(743)
Foreign exchange gain, net	767	634
Reversal gains (impairment losses) on asset	285	(348)
Losses on sale of non performing loans	(295)	-
Rental revenues	120	140
Recovery of bad debts	627	719
Other net losses	(30)	(169)
Total net revenues	16,049	16,571
Provision for bad debts	2,625	2,572
Operating expenses	10,716	9,636
Income before income tax	2,708	4,363
Income tax expense	(244)	(862)
Net income	2,464	3,501

## II. Business plan of the year

### (I) Retail Banking

1. To comply with the policies of the Authorities and effectively allocate the Bank's total resources to maintain stable growth of mortgage profits
  - (1) Carry out the Bank's well-rounded strategy for asset allocation in the management of mortgage portfolio so as to keep up its contribution to earnings.
  - (2) To comply with the control measures of the Authorities for real estate and mortgages to make dynamic adjustments for effective management of relevant 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. To reinforce the marketing integration and increase the product penetration to elevate mortgage product's earnings.
  - (1) To coordinate internal resources and develop stronger ties with premium mortgage clients well-suited for integrated marketing.
  - (2) To employ database analysis accompanied by marketing and customer care activities to reinforce customer loyalty and increase fee income.

## (II) Wealth Management

1. To expand the customer base and develop customer relations
 

To integrate the existing resources and improve communication and coordination between channels, products, and operations. To implement employee training programs to increase the proportion of target customers under management, which in turn enhances the interaction with the existing wealth management clients while increasing exposure to potential wealth management clients and providing better client services.
  
2. To utilize the resources of the holding company and expand business
 

To combine the resources under the holding company and strengthen product research capabilities. In addition to creating added value for existing products to boost mutual fund sales and volumes and assets under management, to join forces with other subsidiaries of the holding company to expand operations such as corporate employee benefit trusts, real estate trusts, and securities trusts in order to achieve synergy and create opportunities for integrated marketing and profit growth.
  
3. To strengthen risk management mechanisms and ensure legal compliance
 

To continue to strengthen the produce suitability policy including the classification of risk levels for investors and products, implementation of wealth management sales guidelines, and compliance with the laws regarding sales risk indicators. To reinforce the operations on relevant trading platforms, operation automation, and marketing flexibility through the investment of system resources while satisfying client needs and the requirements of profitability for the bank, sales risk management, and compliance with internal and external regulations in order to establish a professional image and reputation in wealth management.
  
4. To enhance marketing performance and increase business momentum
 

To combine the resources inside the holding company, competition and product information, and research studies by external institutions to actively provide the employees of the company with a variety real time information, response measures, and investment recommendations. At the same time, data warehousing is employed to conduct customer value analysis, provide appropriate sales assistance, training assistance, and customer care activities for the branches, and enhance marketing performance and operation momentum.

5. To keep track of customer needs and design wealth management products

To mutual funds and insurance to be the primary focus in the wealth management operations, and invest to position ETF as the secondary focus, while following the competent authority's progress in opening the market to RMB services to plan and introduce RMB related financial planning products.

### (III) Consumer Banking

1. To stabilize business growth, strengthen cross-industry alliances, and continue product innovation.
2. To increase customer contributions to profits and pursue revenue growth.
3. To impose strict control over asset quality and increase the size of profitable assets.
4. To effectively utilize resources and reduce the average operating costs per customer/product.
5. To encourage an organizational culture of innovation and entice employees to pursue success at work.

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

Build a deeper understanding of the latest trends across the global supply chains of various key industries so as to better grasp business opportunities and make inroads into niche markets; provide corporate clients with tailor-made services and promote credit business that is focused on trade-related, self-liquidating financing; keep track of customers' trade and cash flows to build a better understanding of them and their trading partners, in turn securing more business opportunities while keeping lending risks to a minimum.

3. To create a syndicated loan team to oversee and coordinate syndicated loans

The syndicated loans in which the Bank has served as the lead arranger have continued to grow in number and encompass a great variety of cases. By serving as a lead arranger for syndicated loans, Bank SinoPac satisfies customer needs for capital expenditure and refinancing, and provides oversea Taiwanese businesses with direct access to loans or offshore working capital, which helps strengthen customer relations.

4. To cope with the deregulation progress, we commit to provide a convenient cross-strait financial services platform for our customers.

To cope with the continuous growth of cross-strait financial activities and to be well prepared for RMB becoming a global currency, with Hong Kong Branch and Macau Branch as the outposts in China, Bank SinoPac keeps abreast of the latest news on the trend of the currency and its potential business opportunities. Joining the Offshore Banking Unit and Los Angeles Branch together, the Bank provides a convenient cross-strait financial services platform for our customers. By collaborating the various business layout under SinoPac Holdings and strengthening the regional resources integration, we offer comprehensive and unique customer services to meet customers' needs in both financial and capital markets. Such high-quality services greatly enhance our competitive edge over our competitors.

5. Make best use of overseas resources to expand our presence with Chinese clientele residing in the Pacific Rim.

Utilize the best in every resource from overseas platforms to actively expand client base in countries along the Pacific Rim, strengthen the relationship with our customers, provide high value-added integrated financial services to medium and large enterprises, prompt intercontinental cash flows, and help corporate clients to improve capital utilization efficiency and increase their competitiveness.

## (V) Financial Markets

1. Proprietary trading business:

To create a new financial trading system, complete the line of interest rate products, and increase the speed of constructing structured products. To evolve from a single product line to portfolio management. To enhance the market making skills of traders and to provide cross-hedging vehicle for traders while improving internal risk management. Moreover, to duplicate the superior foreign exchange experience, to accumulate experience with the offshore Renminbi market (CNH), to assist in building and promoting CNH operations overseas, and to target the business opportunities associated with the Renminbi as a global currency.

2. Financial marketing business:

To expand the breadth and depth of interaction with clients of financial marketing. To expand the product line by creating a diversified range of products related to precious metals and the Renminbi. To improve the process efficiency for dual currency instrument (DCI) transactions and shorten the preparation process before new product launches. To reinforce interdepartmental cooperation, strengthen employee training in finance, and increase the economic scale of transactions.

3. Capital market business:

Consolidate resources under the holding company. Provide an integrated solution to customer's needs, and provide professional guidance to customers to take part in various financing activities in the capital market. Gradually construct RMB related investment positions and actively develop business opportunities derived therein, such as asset securitization.

## (VI) Electronic Banking

In 2011, with regard to the different areas of business, the Bank has completed the e-Collection upgrade, improvement of mobile banking services, and optimization of the dynamic one-time password on automated channels. At the same time, the Bank has made an active effort to reach more Internet users. As online members become younger, a younger customer base means more frequent use of the e-commerce platform, and new services introduced can be advertised at a faster speed and become more widely accepted. The growing number of young members and the newer and better services being introduced have formed a virtuous cycle.

The following is a detailed description of the business plans for the current 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 mobile banking marketing mechanisms implementation, and the e-Collection service enhancement. 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.

## III. Research and Development

### (I) R&D on Financial Products

1. New partnerships were successfully established with Miramar, Huashan 1914, and the National Petroleum Corporation to issue co-branded cards in 2011, which increased the numbers of cards in circulation and cards in use as well as the amounts of receivables, spending, and fee income. In particular, the number of cards in circulation and cards in use grew by 52% compared to the end of the previous year (2010), which will continue to infuse growth momentum into business operations in the future. As of the end of 2011, the number of cards in

circulation was 2.18 million, elevating the Bank's ranking into the sixth place with NT\$18.00 billion in receivables. The asset quality was stable and the bad debt expenses remained at a historical low, and so profits were able to stay stable.

2. In 2011, the Bank introduced small money bidding loans based on the traditional money bidding practice in the first quarter, and then launched the "Fengli Loan" with rebates in the second quarter, which offered a low interest rate for the first six months to attract premium customers. The way the products were packaged were well received by the market, and the number of applications and approved amount increased while the balance of unsecured loans grew by 62% compared to the same period last year. Meanwhile, adequate asset quality controls and stable bad debt recovery significantly improved the profitability of the lending business. Risk-based pricing of interest rates will come into effect in the seventh month, which is expected to gradually expand the unsecured loans spreads and contribute to the Bank's overall earnings.
3. In May 2011, the Bank was given the approval for offering credit card interbank acquiring business by the competent authority. It immediately combined the services with corporate finance and other services to advertise them to the affiliated vendors. The aim was to strengthen vendor relations through money services. As of the end of 2011, the amount of acquiring business had exceeded 7 billion dollars. Looking ahead to 2012, acquiring business will grow to several times the current size.
4. In October 2010, the Bank became the first in the world to apply one time passwords (OTP) to credit card transactions and mobile banking services. The groundbreaking approach enhanced the Bank's image for product innovation and increased brand awareness. More secure transaction certification measures were implemented at the same time to place the Bank in a more competitive position in the fight for the online shopping market.
5. In April 2011, the Bank launched the competitive unsecured loan product "Fengli Loan," which led to large growth in unsecured loans.
6. In December 2011, the Bank created a bonus redemption platform, which provides a variety of products for customers to redeem with bonus points. The Bank also raised the value of bonus points to better entice cardholders to use the cards and accumulate bonus points.
7. In November 2011, the Bank started offering gold accounts. As of the end of December, the total number of accounts opened exceeded 30,000 and the amount of gold held in deposit exceeded 120 kilograms.

## (II) Future plans of R&D

1. In order to provide better customer service and meet customer needs, in 2012 Bank SinoPac will continue to engage in product and service innovation, including introducing products and services like regular fixed amount fund investments to be made on a daily basis, enhanced efficient investment approaches, real-time ETF transactions, QDII custodial services, transfers of beneficial rights, compensatory payment services for securities lending, and discretionary custodial service supply chain integration.

2. To continue to enhance the relevant trading systems and utilize system functions, including the fund trading platform, the MMA financial trading network, the wealth management system, the foreign asset custody system, and employee benefit trust system, and to complete building the securities lending system and integrating the discretionary custodial service supply chain.
3. 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.
4. 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.
5. To start an efficiency enhancement project for the corporate credit approval system, implement management by level of authority and improve the efficiency of the credit approval process by utilizing functions and simplifying spread sheets, and by taking further steps to reinforce post-lending early warning controls.
6. To strengthen internal credit rating models in response to the implementation of Basel II, to create a database for combining loss given default, expected loss, risk assessment and risk-based pricing strategy to improve the overall earnings and keep asset quality at a safe level.
7. In order to promote a full range of RMB products and services and develop the Mainland Chinese customer base, Bank SinoPac prepares to open branches locally and develops IT and operational systems that comply with regulations in Mainland China. Moreover, we seek to form strategic alliances to make connections between various locations in China and Bank SinoPac for information flow. The plan is to construct an IT application system for fund transfer and cash flow management in the Greater China area, which targets to provide comprehensive financial services to our potential customers and capture new business opportunities.
8. In 2012, the official credit card webpage was revamped. In addition to a more user friendly environment, it also provides services to connect smartphones and other devices to the official website in order to help customer stay informed of the deals offered by the Bank. The trading related services will be upgraded in the second quarter, and the functions of the online services will be enhanced.
9. To offer deals on credit cards and unsecured loans, to continue the study of differentiation and product design, and to implement precision marketing.
10. To make a greater effort offering RMB-denominated hedging products for foreign exchange rates and interest rates, to actively provide customers with market information on the Renminbi, and to provide competitive quotes on exchange rates to meet customers' needs.

11. With respect to gold accounts, additional efforts will be made to promote online transactions for gold accounts with the addition of quotes on gold prices in US dollars in order to offer customers access to investing in gold derivative products.
12. According to the "2011 Report on Personal Online Banking and Mobile Banking in Taiwan" in 104 Survey 87.2% of the internet users aged 18 or above in Taiwan have used online banking services, and with respect to mobile banking, 41.1% of those surveyed understand the services offered by mobile banking, and 20.4% of those surveyed have used mobile banking services. In order to make the virtual channel as one of the major channel to provide customer service in the near future, the emphasis will be on continuing to increase the emphasis will be put to increase the usage of the virtual channel continuously, including number of users, frequency of use, and the enhancement of online service.
13. In 2011, the size of the B2C electronic commerce market in Taiwan reached 250 billion dollars. According to the Institute for Information Industry, the large growth in the electronic commerce market in the future will depend on the international market. According to surveys, approximately 20% of the businesses indicated they have engaged in international sales, while the other 11% were vendors preparing to engage in international sales within a year. However, one of the challenges facing companies pursuing global expansion is having geographically restricted cash flows. Moreover, according to the data released by the National Bureau of Statistics of China, the growth in the total retail sales of consumer goods in 2010 was 18.4%, and the growth in online sales for the same period reached 90%. The sales volume of the online shopping market in China accounted for 3% of retail sales. The data indicated the electronic commerce market in China has a huge potential for growth. In order to increase Bank SinoPac's market share in the electronic commerce business, the Bank will reach out to internet users, increase the number of online banking and mobile banking users, and join forces with the small and medium enterprises in Taiwan and major online platforms in Taiwan and overseas to develop electronic money payment services to develop a niche market.

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

### **(I) Retail Banking**

#### **A. Short-term Business Development Plans**

1. To pursue a strategy focusing on developing stronger ties with "premium mortgage clients," to place an emphasis on integrated marketing for mortgage clients by gradually increasing product penetration to become wealth management clients in order to increase overall benefits.
2. To utilize the all-encompassing branch network to reach into the communities, to employ database marketing to actively develop customer relations with the existing customer base, and to promote integrated marketing for the entire product line in order to satisfy customer needs and increase fee income for the Bank.

#### **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. To continue to provide added value for mortgage clients through collaboration with the holding company and product support in order to maintain customer loyalty and develop long term relationships.
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. To continue to engage in product or service innovation and add new channels:

In addition to introducing regular fixed amount fund investments to be made on a daily basis, enhanced efficient investment approaches, real-time ETF transactions, QDII custodial services, transfers of beneficial rights, compensatory payment services for securities lending, and discretionary custodial service supply chain integration, new additions of online EFT transactions and telephone banking services will become available. Meanwhile, the resources under the holding company (securities dealer, investment trust, investment consulting, and overseas services) will be employed to provide differentiated services for the purpose of exploring the high net worth customer base.

2. To enhance the selection mechanism for wealth management products and increase marketing features:

To introduce the investment consulting resources from the holding company, obtain valid research information, and provide suitable selected and focus funds, while reinforcing investment portfolio recommendations and continuing to promote the efficient investment approach.

3. To integrate internal and external resources and ensure the quality of customer care:

To join the Lead Research Department under the holding company, SinoPac Capital Management, and fund management companies to provide instant, effective sales information and marketing directions, and to enhance the wealth management services, while following business development to launch appropriate marketing and incentive programs and organize customer care events and seminars.

4. To reinforce marketing mechanisms:

To guide branches to implement different marketing plans through effective product and channel coordination mechanisms, while expanding the total assets under management (AUM) from high net worth customers (AUM >= 2 million) and developing stronger ties with premium mortgage clients suitable for cross marketing.

5. To upgrade related system platforms:

To enhance the fund trading platform, the MMA financial trading network and trading functions, customer management under the wealth management system, the foreign asset custody system (QDII), and employee benefit trust system; and to complete building the securities lending system and integrating the discretionary custodial service supply chain.

6. To create and reinforce after sales risk control mechanisms:

To strengthen the existing sales procedures and risk management, establish and implement after sales on-site inspections, security measures for client assets, and position management controls in response to internal management.

## 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. Combine the RMB products and services available in Hong Kong and develop distinct financial services, such as innovative wealth management products and low-cost electronic banking, to increase the volume of fee-income related business.
6. Build a financial empire that spans Greater China, ASEAN and the United States. Strive to become the best financial partner for global Chinese customers.

## (III) Consumer Banking

### A. Short-term Business Development Plans

1. To keep exploring new co-branded channels and new customer bases, and to work with key channels and develop long term partnerships.
2. To incorporate the EasyCard feature and make the Bank more competitive in the small payment market.
3. To combine channel resources and offer seasonal or holiday deals, and to raise the ratio of cards in use and the average amount of each transaction per card.
4. To reinforce the design of installment products, and to try to have well known physical and virtual channels offer installment deals to encourage card use.
5. To accelerate the progress of expanding acquiring business with merchants and to improve the business volume and earnings of acquiring business while providing money services for vendors to secure partnerships.
6. To apply for acquiring business for UnionPay cards in order to tap into the business opportunities offered by Chinese consumers in Taiwan.
7. To analyze customer profile and provide differentiated loan products to meet their capital needs.
8. To take advantage of the advantages of branch locations and telemarketing to extend the reach and increase the size of lending operations.
9. To enhance product design on the Bid Money On-line Service to attract new customers including young internet users, and to break away from the existing business conditions to increase the number of members and subscriptions.

## **B. Long-term Business Development Plans**

1. To reinforce the integrated marketing mechanisms and increase the number of financial products purchased by target customers and their contributions.
2. To continue product and event promotion via channels such as the media, radio stations, and the internet, to enhance the Bank's image as a retail banking brand, and increase overall advertising benefits.
3. To utilize data analysis results to obtain precise information on customer risk and contribution, and to incorporate resource allocation and utilization into the most beneficial projects.
4. To differentiate products and services, to offer good value and practical solutions, and to develop into a trusted consumer finance brand.
5. To provide career planning assistance for employees, to enhance work experience for the team, and build a management team that possess diversity and a global view.
6. Following the establishment of offices in China, to take advantage of the existing experience in card issuance and customer management and construct a future development pattern and opportunities for the retail banking business in China.

## **(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. Readjust the credit policy in tandem with fundamental changes unique to the relevant industry; enforce credit risk management faithfully and devise tailor-made measures for customers of distinctively different characteristics. The Bank already incorporated a Basel II-compliant internal credit rating model into its credit approval (i-credit), setting clearly defined criteria for lending procedures and the granting of approval at all levels. Emphasis will be placed on further enhancing the reliability and asset quality to effectively minimize NPLs.
6. Set foot in Nanjing, run a diversified banking operation in Mainland China, follow the progress of deregulation, reinforce the Hong Kong and Macau platforms, establish cross-selling mechanisms, expand local customer base, promote RMB services for Taiwanese-owned businesses, and thus eventually increase overall corporate banking revenue and momentum by promoting all aspects of financial services which the Bank offers.
7. Actively promote the expansion and integration of overseas platforms to expand target customer base from overseas Taiwanese businesses to overseas Chinese businesses, then PRC enterprises. Collaborate with strategic partners who include international financial institutions to accelerate business development, and provide customers with cross-selling services, including corporate finance, financial market, wealth management, and electronic banking services.

## **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-oriented organizational structure; undertake vertical integration of corporate banking services; provide corporate customers with one-stop, tailor-made solutions.
4. To construct marketing platform by analyzing customers and industries information, SinoPac Holdings could recommend the most suitable product modules and provide more well-rounded financial services to corporate banking customers. To analyze the characteristic in different areas, localize financial service and improve the overall performance.
5. Continue to expand the service network across Greater China, connect Holdings' offices and Chinese businesses worldwide, become the most convenient cross-strait financial service brand, enhance funding and transaction efficiency, provide both domestic and global financial services, and reduce the operating costs of international trade with complete inter-regional integrated services.

## (V) Financial Markets

### A. Short-term Business Development Plans

1. To actively expand the sales of financial products, to continue to enhance the Bank's professional image and increase market share, to reinforce cooperation between the financial marketing team and other departments, to assist branches to create synergy, to provide premium services for customers and satisfy their needs for asset and liability investment and hedging, which in turn will raise the stable trade volume and increase profit stability.
2. Provide customers with a greater variety of products to choose from by strengthening the depth and variety of hedging instruments against swings in RMB exchange and interest rates as well as expanding into precious metals.
3. Undertake effective, up-to-date training programs to further enhance the competence of relevant personnel and improve service quality.
4. With the new financial trading system in place, to increase the speed of constructing structured products. To evolve from a single product line to portfolio management. To enhance the market making skills of the traders and to provide cross-hedging vehicle for traders.
5. The new system will provide real-time integrated position information, and effectively monitor transaction risks and enhance internal risk management.

### B. Long-term Business Development Plans

1. Construct platforms for trading commodities and precious metals; diversify product offerings and present them in meticulously differentiated packaging to fully satisfy customer needs for hedging and investment.
2. To complete the line of interest rate products with the second stage of building a new financial trading system. To engage in the long term development of systematic financial analysis models and the pursuit of a more complete straight through process (STP) in order to create high added value transactions and surplus and to increase competitiveness in the financial product market..
3. Upgrade the Financial Markets Division's expertise and capacity in maintaining a foothold on the latest developments across regional markets.
4. Develop a richer mix of financial products to help clients hedge against risks; enter into strategic alliances with quality banks in Hong Kong and China to fully take advantage of the fast-growing RMB business.
5. Grasp potential opportunities arisen from the volatility of global currencies, continue product innovation, serve as a pioneer in the financial industry, and become the most professional financial service provider on both sides of the strait.

## (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 ultimacy 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.

[www.banksinopac.com.tw](http://www.banksinopac.com.tw)

# *Financial Reports*

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# Financial Reports

## I. Condensed Five-year Financial Statements

Balance Sheets		In NT\$ millions				
Items	2011/12/31	2010/12/31	2009/12/31	2008/12/31	2007/12/31	
Cash and due from banks	91,462	86,007	90,321	105,529	161,456	
Financial assets at fair value through profit or loss	32,791	26,368	16,815	32,983	29,641	
Securities purchased under agreements to resell	3,080	1,152	-	2,599	4,024	
Available-for-sale financial assets, net	32,601	33,083	31,436	23,628	110,585	
Discounts and loans, net	712,006	690,441	652,502	629,440	602,247	
Accounts Interest and other receivables, net	51,656	41,711	50,885	48,501	47,474	
Held-to-maturity investments, net	229,880	199,083	123,833	115,762	2,678	
Equity investments - equity method	4,570	6,478	8,699	9,632	9,637	
Properties, net	9,377	8,719	8,890	9,202	9,173	
Intangible assets	952	970	995	1,040	1,059	
Other financial assets, net	8,919	7,906	6,065	3,154	6,501	
Other assets	4,834	4,976	6,107	7,297	6,159	
<b>Total assets</b>	<b>1,182,128</b>	<b>1,106,894</b>	<b>996,548</b>	<b>988,767</b>	<b>990,634</b>	
Call loans and due to banks	66,167	64,588	42,370	39,155	44,904	
Deposits and remittances	963,100	900,716	826,352	793,819	793,448	
Financial liabilities at fair value through profit or loss	7,310	9,507	8,636	16,919	10,157	
Securities sold under agreements to repurchase	7,072	3,067	1,598	4,426	6,438	
Bank debentures and bonds payable	37,028	30,121	27,130	35,213	38,343	
Accrued pension cost	1,456	1,602	1,486	1,430	1,159	
Other financial liabilities	7,847	15,982	2,965	9,462	6,478	
Other liabilities	21,603	15,356	23,651	31,906	29,117	
<b>Total liabilities</b>	<b>1,111,583</b>	<b>1,040,939</b>	<b>934,188</b>	<b>932,330</b>	<b>930,044</b>	
	Ex-dividends	1,040,939	934,188	932,330	930,044	
	Post-dividends	1,043,390	935,623	932,330	930,044	
Capital stock	52,574	49,550	48,218	44,818	45,852	
Capital surplus	9,963	9,207	8,874	8,194	8,196	
Retained Earnings	7,242	7,145	5,079	3,029	6,718	
	Ex-dividends	4,694	3,644	3,029	6,718	
	Post-dividends	4,694	3,644	3,029	6,718	
Unrealized gains or losses on financial instruments	111	189	(9)	(20)	(536)	
Cumulative translation adjustments	(215)	(221)	(66)	28	(24)	
Others	870	85	264	388	382	
<b>Total Stockholder's equity</b>	<b>70,545</b>	<b>65,955</b>	<b>62,360</b>	<b>56,437</b>	<b>60,589</b>	
	Ex-dividends	65,955	62,360	56,437	60,589	
	Post-dividends	63,504	60,925	56,437	60,589	

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 and 2007 were retroactively restated assuming the assets and liabilities of SinoPac Card Services Co., Ltd. have been included at book value.

Statements of Income		In NT\$ millions				
Items	2011	2010	2009	2008	2007	
Net interest	12,895	12,133	9,846	14,249	15,125	
Net revenues other than interest	3,154	4,438	4,992	(1,168)	2,364	
Provision for bad debts	2,625	2,572	3,178	5,714	8,079	
Operating expenses	10,716	9,636	9,372	11,447	11,084	
Pretax income	2,708	4,363	2,288	(4,080)	(1,674)	
Net income	2,464	3,501	2,085	(3,184)	(674)	
EPS (in NT\$ dollar)	0.48	0.72	0.47	(0.69)	(0.15)	

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 and 2007 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, 2011 and 2010, 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 express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bank SinoPac as of December 31, 2011 and 2010, 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, 2011 and 2010, on which we have issued a modified unqualified and an unqualified opinion thereon, respectively.

*Deloitte & Touche*

March 23, 2012

### 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, 2011 AND 2010  
(In Thousands of New Taiwan Dollars, Except Par Value)

	2011	2010	%
	Amount	Amount	Increase (Decrease)
<b>ASSETS</b>			
CASH AND CASH EQUIVALENTS (Notes 4 and 28)	\$ 17,789,825	\$ 10,719,584	66
DUE FROM THE CENTRAL BANK AND OTHER BANKS (Note 5)	73,672,240	75,287,528	( 2)
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2, 6, 28 and 29)	32,791,036	26,367,871	24
SECURITIES PURCHASED UNDER AGREEMENT TO RESELL (Notes 2, 7 and 28)	3,080,168	1,152,479	167
ACCOUNTS, INTEREST AND OTHER RECEIVABLES, NET (Notes 2, 3, 8, 27 and 28)	51,656,213	41,710,760	24
DISCOUNTS AND LOANS, NET (Notes 2, 3, 9, 28 and 29)	712,005,897	690,441,086	3
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET (Notes 2, 7, 10 and 29)	32,600,632	33,083,043	( 1)
HELD-TO-MATURITY INVESTMENTS, NET (Notes 2, 11 and 29)	229,879,924	199,083,372	15
EQUITY INVESTMENTS - EQUITY METHOD (Notes 2 and 12)	4,569,539	6,477,510	( 29)
OTHER FINANCIAL ASSETS, NET			
Unquoted equity instruments (Notes 2 and 13)	6,529,172	5,067,132	29
Non-active market debt instruments (Notes 2 and 13)	-	82,066	( 100)
Others (Notes 2, 3, 13 and 28)	2,389,739	2,757,216	( 13)
Other financial assets, net	8,918,911	7,906,414	13
PROPERTIES (Notes 2, 14 and 28)			
Cost and revaluation increment			
Land	5,382,435	4,721,206	14
Buildings	4,773,038	4,701,551	2
Computer and machinery equipment	4,443,615	4,560,551	( 3)
Transportation equipment	1,166	1,226	( 5)
Total cost	14,600,254	13,984,534	4
Less: Accumulated depreciation	5,698,974	5,624,222	1
Prepayments for equipment and construction in progress	8,901,280	8,360,312	6
Net properties	476,208	358,462	33
Net properties	9,377,488	8,718,774	8
INTANGIBLE ASSETS (Notes 2 and 15)	951,678	970,256	( 2)
OTHER ASSETS (Notes 2, 16 and 27)	4,834,083	4,975,772	( 3)
TOTAL	\$ 1,182,127,634	\$ 1,106,894,449	7

The accompanying notes are an integral part of the financial statements.  
(With Deloitte & Touche audit report dated March 23, 2012)

	2011	2010	%
	Amount	Amount	Increase (Decrease)
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
CALL LOANS AND DUE TO BANKS (Note 17)	\$ 66,166,811	\$ 64,587,777	2
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2, 6 and 28)	7,309,754	9,507,112	( 23)
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE (Notes 2, 7 and 28)	7,071,871	3,067,453	131
ACCOUNTS, INTEREST AND OTHER PAYABLES (Notes 2, 18 and 28)	19,093,254	13,908,998	37
DEPOSITS AND REMITTANCES (Notes 19 and 28)	963,100,250	900,715,393	7
BANK DEBENTURES (Notes 2 and 20)	37,027,843	30,121,486	23
OTHER FINANCIAL LIABILITIES (Notes 2, 21 and 28)	7,847,474	15,982,253	( 51)
OTHER LIABILITIES (Notes 2, 22 and 27)	3,965,529	3,048,505	30
Total liabilities	1,111,582,786	1,040,938,977	7
<b>STOCKHOLDERS' EQUITY</b>			
Capital stock, NT\$10 par value, authorized 8,000,000 thousand shares; issued and outstanding 5,257,447 thousand shares in 2011 and 4,955,047 thousand shares in 2010	52,574,469	49,550,469	6
Capital surplus			
Additional paid-in capital from share issuance in excess of par	1,884,561	1,128,561	67
Capital surplus from business combination	8,076,524	8,076,524	-
Others	1,733	1,733	-
Total capital surplus	9,962,818	9,206,818	8
Retained earnings			
Legal reserve	4,411,447	3,361,034	31
Special reserve	367,188	282,977	30
Unappropriated earnings	2,463,651	3,501,375	( 30)
Total retained earnings	7,242,286	7,145,386	1
Other adjustment			
Cumulative translation adjustments	( 215,609)	( 220,752)	( 2)
Unrealized gains on available-for-sale financial assets	153,096	215,383	( 29)
Unrealized losses on cash flow hedge	( 42,506)	( 26,185)	62
Net loss not recognized as pension cost	( 865,593)	( 945,801)	( 8)
Unrealized revaluation increment on land	1,735,887	1,030,154	69
Total other adjustment	765,275	52,799	1,349
Total stockholders' equity	70,544,848	65,955,472	7
<b>TOTAL</b>	<b>\$ 1,182,127,634</b>	<b>\$ 1,106,894,449</b>	<b>7</b>



## BANK SINOPAC

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2011 AND 2010  
(In Thousands of New Taiwan Dollars)

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 2,463,651	\$ 3,501,375
Adjustments to reconcile net income to net cash used in operating activities		
Depreciation and amortization	468,132	511,277
Amortization of premium or discount of financial assets	79,269	77,051
Amortization of premium or discount of bank debentures	2,215	1,452
Provision for credit and trading losses	2,625,248	2,579,479
(Reversal gains) impairment losses on assets	( 284,827)	347,511
Gains from disposal of financial assets designated at fair value through profit or loss	( 5,945)	( 8,805)
Unrealized gains from financial assets designated at fair value through profit or loss	( 4,877)	( 7,956)
Realized gains from available-for-sale financial assets	( 2,849)	( 45,684)
Losses on equity investments - equity method	1,557,564	742,723
Cash dividends received from investments under equity method	548,092	881,770
(Gains from) losses on sale and retirement of properties and idle assets	( 78,196)	8,449
(Gains from) losses on disposal of collaterals assumed, net	( 53,429)	989
Accrued pension cost	( 64,998)	( 31,024)
Deferred income tax	36,452	231,667
Increase in held-for-trading financial assets	( 6,401,901)	( 10,122,959)
(Decrease) increase in held-for-trading financial liabilities	( 2,197,358)	870,826
(Increase) decrease in accounts, interest and other receivables	( 10,018,959)	8,529,777
Increase (decrease) in accounts, interest and other payables	5,546,303	( 11,576,046)
Net cash used in operating activities	( 5,786,413)	( 3,508,128)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease (increase) in due from the Central Bank and other banks	1,615,288	( 2,623,525)
Increase in securities purchased under agreements to resell	( 1,927,689)	( 1,152,479)
Acquisition of financial assets designated at fair value through profit or loss	( 885,321)	-
Proceeds from sale of financial assets designated at fair value through profit or loss	874,879	586,630
Proceeds from sale of non-active market debt instruments	82,066	16,536
Increase in discounts and loans	( 24,462,629)	( 39,888,142)
Acquisition of properties	( 465,618)	( 334,724)
Proceeds from sale of properties and idle assets	139,949	2,594,273
Acquisition of available-for-sale financial assets	( 431,217,573)	( 391,131,796)
Proceeds from sale of available-for-sale financial assets	431,528,164	389,660,265
Acquisition of held-to-maturity investments	( 1,157,010,295)	( 768,521,592)
Proceeds from matured held-to-maturity investments	1,126,130,984	693,231,716
Acquisition of unquoted equity instruments	( 1,464,540)	( 4,578,625)
Proceeds from sale of collaterals assumed	624,454	58,235
Decrease (increase) in other financial assets	510,374	( 275,085)
(Increase) decrease in other assets	( 515,874)	898,025
Net cash used in investing activities	( 56,443,381)	( 121,460,288)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in call loans and due to banks	1,579,034	22,218,017
Increase in securities sold under agreements to repurchase	4,004,418	1,469,408
Increase in deposits and remittances	62,384,857	87,380,235
Bank debentures issued	10,994,030	6,000,000
Repayment of bank debentures on maturity	( 4,000,000)	( 2,900,000)
(Decrease) increase in other financial liabilities	( 8,109,481)	2,157,950
Increase (decrease) in other liabilities	982,862	( 8,662)
Cash dividends	( 2,450,962)	-
Proceeds from the private placement of common stocks	3,780,000	1,665,000
Net cash provided by financing activities	69,164,758	117,981,948
EFFECTS OF CHANGES IN EXCHANGE RATE	135,277	48,597
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,070,241	( 6,937,871)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	10,719,584	17,657,455
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 17,789,825	\$ 10,719,584
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid	\$ 8,870,364	\$ 6,271,740
Income tax paid	\$ 75,741	\$ 69,158
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Dividends payable	\$ -	\$ 1,435,025

The accompanying notes are an integral part of the financial statements.  
(With Deloitte & Touche audit report dated March 23, 2012)

## BANK SINOPAC

## STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2011 AND 2010

(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, 2010	4,821,847	\$ 48,218,469	\$ 795,561	\$ 8,076,524	\$ 1,733	\$ 8,873,818
Appropriation of 2009 earnings						
Legal reserve	-	-	-	-	-	-
Cash dividends - \$0.16235 per share	-	-	-	-	-	-
Bonus to stockholder - \$0.13525 per share	-	-	-	-	-	-
Private placement of common stocks	133,200	1,332,000	333,000	-	-	333,000
Net income for the year ended December 31, 2010	-	-	-	-	-	-
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, 2010	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

The accompanying notes are an integral part of the financial statements.  
(With Deloitte & Touche audit report dated March 23, 2012)

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 14)	
\$ 2,746,023	\$ 282,977	\$ 2,050,036	\$ 5,079,036	\$ (66,530)	\$ (31,203)	\$ 22,130	\$ (766,159)	\$ 1,030,154	\$ 62,359,715
615,011	-	(615,011)	-	-	-	-	-	-	-
-	-	(782,833)	(782,833)	-	-	-	-	-	(782,833)
-	-	(652,192)	(652,192)	-	-	-	-	-	(652,192)
-	-	-	-	-	-	-	-	-	1,665,000
-	-	3,501,375	3,501,375	-	-	-	-	-	3,501,375
-	-	-	-	-	246,586	-	-	-	246,586
-	-	-	-	-	-	(48,315)	-	-	(48,315)
-	-	-	-	-	-	-	(179,642)	-	(179,642)
-	-	-	-	(154,222)	-	-	-	-	(154,222)
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

## BANK SINOPAC

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010  
(In Thousands of New Taiwan Dollars, Unless Otherwise Stated)

## 1. ORGANIZATION AND OPERATIONS

**Organization**

August 8, 1991	Bank SinoPac (the "Bank") obtained government approval to incorporate.
January 28, 1992	The Bank started operations.
May 9, 2002	The Bank swap shares with SinoPac Securities Corporation and SinoPac Securities Co., Ltd. (the "SPS") to established SinoPac Financial Holdings Company Limited (the "SPH"), a financial holding company, resulting in the Bank become an unlisted wholly owned subsidiary of SPH.
December 26, 2005	SPH finished the merger with International Bank of Taipei Co., Ltd. (IBT), through a 100% share swap.
May 8, 2006	The boards of directors of IBT resolved to transfer credit card business and related assets and liabilities to SinoPac Card Services Co., Ltd. ("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, 2011 and 2010, the Bank had a total of 4,994 and 4,670 employees, respectively.

As of December 31, 2011, the Bank's operating units included Banking, Trust, and International Division of the Head Office, OBU, 128 domestic branches, 3 overseas branches, 1 overseas sub-branches and 2 overseas representative office.

The operations of the Bank's Trust Department consist of planning, managing and operating of trust business and affiliated business. These operations are governed by the Banking Law and the Trust Law.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

**Basis of Financial Statement Preparation**

The accompanying financial statements include the accounts of the Head Office, OBU, all branches and the representative office. All interoffice transactions and balances have been eliminated. Since the operating cycle in the banking industry cannot be reasonably identified, the accounts included in the Bank's financial statements were not classified as current or noncurrent. Nevertheless, accounts were properly categorized in accordance with the nature of each account and sequenced by their liquidity. Please refer to Note 32 for the maturity analysis of assets and liabilities.

## Foreign-currency Translations

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

Non-derivative foreign currencies are translated into New Taiwan dollars using the rate of the trading date. Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, are recognized in the income statement. Unrealized exchange differences on non-monetary financial assets (e.g. investments in equity instruments) are a component of the change in their entire fair value. For non-monetary financial investments, which are classified as available-for-sale, unrealized exchange differences are recorded directly in equity. For non-monetary financial assets classified as held for trading, unrealized exchange differences are recognized in the income statement. For non-monetary financial assets classified as unquoted equity investments are measured at the rate of trading date.

For equity-method investees with foreign-currency financial statements, monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rates on balance sheet date. Foreign-currency income and expenses are translated using the average exchange rate for the period. Translation differences net of income tax are recorded as "cumulative translation adjustments" under stockholders' equity.

## Accounting Estimates

In determining the fair value of certain financial instruments, allowance for credit losses, depreciation and amortization, assets impairment, pension, income tax, contingency losses, provision for losses on guarantees, bonus to employees and remuneration to directors and supervisors, the Bank needs to make estimates based on judgment and available information. The estimates were usually made under uncertain conditions; actual results could differ from those estimates.

## Financial Instruments at Fair Value Through Profit or Loss

Fair value are determined as follows: (a) listed stocks and GreTai Securities Market (GTSM) stocks - closing prices as of the balance sheet date; (b) beneficiary certificates (open-end funds) - net asset values as of the balance sheet date; (c) bonds - period-end reference prices published by the GTSM; (d) for the Bank debentures issued overseas and the overseas bonds-period-end reference prices published by Bloomberg, calculated by Internal model or provided by counterparty and (e) the financial instruments without active markets, fair value is determined by the price provided by counterparty.

Financial instruments at fair value through profit or loss consist of any financial asset and liability that is designated on initial recognition as one to be measured at fair value with fair value changes in profit or loss and financial assets and liabilities which should be classified as held for trading. Those instruments are required to be recognized at fair value and to be measured at fair value through profit or loss as of the balance sheet date. The Bank uses trade date accounting when recording related transactions, except for bonds, for which settlement date accounting is used.

A derivative that does not meet the criteria for hedge accounting is classified as a financial asset or a financial liability held for trading. If the fair value of the derivative is positive, the derivative is recognized as a financial asset; otherwise, the derivative is recognized as a financial liability.

Any financial asset and any financial liability may be designated as financial instruments at fair value through profit or loss to eliminate measurement anomalies for items that provide a natural offset of each other. Applying the fair value option eliminates accounting measurement mismatch for items that naturally offset each other or eliminates the burden of separating embedded derivatives that are not considered to be closely related to the host contract pertaining to a hybrid instrument. The Bank designated hybrid instruments as financial assets and liabilities at financial assets or liabilities at fair value through profit or loss because embedded derivatives are not separated from the host contract in a hybrid instrument. Besides, the set of financial assets, financial liabilities or the combination of both managed by the Bank's risk management policies and investment strategies will be designated as financial instruments at fair value through profit or loss.

## Available-for-sale Financial Assets

Available-for-sale financial assets are initially measured at fair value plus transaction costs that are directly attributed to the acquisition. Unrealized gains or losses on available-for-sale financial assets are reported in equity attributed to the Bank's stockholders. On disposal of an available-for-sale financial asset, the accumulated, unrealized gain or loss in equity attributable to the Bank's stockholders is transferred to net profit and loss for the period. The Bank uses trade date accounting when recording related transactions, except for bonds, for which settlement date accounting is used.

Cash dividends are recognized on the ex-dividend date. Cash dividends received a year after investment acquisition is recognized as income, otherwise as a reduction of the carrying value of the investments. The effective interest rate method of amortization and accretion is used; the straight line method is used if there is no significant difference.

If an available-for-sale financial asset is determined to be impaired, the accumulative unrealized loss previously recognized in equity attributable to the Bank shareholders is recognized as impairment loss and reported in income statement. For equity investments, loss reversal is adjusted to the equity attributable to the Bank stockholders. For debt investments, loss reversal is credited to current income.

### **Held-to-maturity Investments**

Held-to-maturity investments are carried at amortized cost using the effective interest method; otherwise the straight line method can be used if there is no significant difference. At initial recognition, the costs of the financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition. The net profit and loss of the held-to-maturity investments for the period is reported in income statement when the financial assets are derecognized, impaired or amortized. The Bank uses trade date accounting when recording related transactions, except for bonds, for which settlement date accounting is used.

If a held-to-maturity financial asset is determined to be impaired, the impairment loss is recognized and reported in income statement. Loss reversal is credited to current income and should not be more than the carrying amount had the impairment not been recognized.

### **Hedge Accounting**

In order to qualify as a hedge, a derivative must effectively reduce any risk inherent in the hedged item from potential movements in interest rates, exchange rates and market values. Changes in the fair value or cash flow of the derivative must be highly correlated with changes in the fair value or cash flow of the underlying hedged item over the life of the hedged contract. At the inception of the hedge, there must be formal designation and documentation of the hedging relationship, the Bank's risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged items, overall risk management objectives and strategies and how the entity will assess the hedging instrument's effectiveness.

A fair value hedge that meets the entire hedge accounting criteria is accounted for as follows:

- a. The gain or loss from re-measuring the hedging instrument at fair value (for a derivative hedging instrument) or the foreign currency component of its carrying amount (for a non-derivative hedging instrument) is recognized immediately in profit or loss, and
- b. The carrying amount of the hedged item is adjusted through profit or loss for the corresponding gain or loss attributable to the hedged risk.

A cash flow hedge that meets the entire hedge accounting criteria is accounted for as follows:

- a. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in stockholders' equity. The amount recognized in stockholders' equity is recognized in profit or loss in the same year or years during which the hedged forecast transaction or an asset or liability arising from the hedged forecast transaction affects profit or loss.
- b. If all or a portion of a loss recognized in stockholders' equity is not expected to be recovered in the future, the amount that is not expected to be recovered is reclassified into loss.

### **Unquoted Equity Instruments**

Investments in equity instruments without quoted market prices in an active market and whose fair value cannot be reliably measured are measured at their original cost. If there is objective evidence that the asset is impaired, an impairment loss is recognized and a reversal of the impairment loss is prohibited.

### **Non-active Market Debt Instruments**

Non-active market debt instruments are those which do not have quoted market prices in an active market, and whose fair value cannot be reliably measured. Non-active market debt instruments are carried at amortized cost. The accounting treatment for such debt instruments is similar to that for held-to maturity investments except for the absence of restriction or the timing of their disposal.

## Nonperforming Loans

Under guidelines issued by the Banking Bureau of Financial Supervisory Commission (the Banking Bureau), the balance of loans and other credits extended by the Bank and the related accrued interest thereon are classified as nonperforming when the loan is overdue and shall be authorized by a resolution passed by the board of directors.

Nonperforming loans reclassified from loans are classified as discounts and loans; otherwise, they are classified as other financial assets.

## Allowance for Credit Losses and Provision for Losses on Guarantees

The Bank assesses the collectability on the balances of discounts and loans, accounts receivables, interest receivables, other receivables, and other financial assets, as well as guarantees and acceptances as of the balance sheet date.

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

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

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

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

Pursuant to "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans" (the "Regulations") issued by the Banking Bureau, the Bank evaluates credit losses on the basis of the estimated collectability. In accordance with the Regulations stated above, the credit assets divided into different classes subject to normal assets, assets that require special mentioned, assets that are substandard, assets that are doubtful, and assets for which there is loss.

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

However, effective January 1, 2011, the minimum provisions for possible losses should be the sum of 0.5% of the outstanding balance of normal on and off balance sheet credit assets (excluding assets that represent claims against an ROC government agency) and the foregoing provisions for unsound credit assets. The minimum loan loss provision and reserves against liability on guarantees of normal credit assets shall be allocated sufficiently within three years of the execution of the amendment. Under Financial Supervisory Commission (FSC) guidelines from No. 10010006830, the minimum allowance for credit losses and provision for losses on guarantees shall be more than 1%.

Write-offs of loans falling under the Banking Bureau guidelines, upon approval by the board of directors, are offset against the recorded allowance for credit losses. Recovery of loans written off on the current year is recorded as reverse of allowance whereas recovery of loans written off on the previous years is recorded as other revenue.

## Repurchase and Reverse Repurchase Transactions

Securities purchased under agreements to resell (reverse repurchase) agreements and securities sold under agreements to repurchase are generally treated as collateralized financing transactions. Interest earned on reverse repurchase agreements or interest incurred on repurchase agreements is recognized as interest income or interest expense over the life of each agreement.

## Impairment of Assets

SFAS No. 35 requires the impairment review on long-term investments accounted for by the equity method and properties to be made on each balance sheet date. If assets or the relevant cash-generating units (CGUs) are deemed impaired, then the Bank must calculate their recoverable amounts. An impairment loss should be recognized whenever the recoverable amount of the assets or the CGU is below the carrying amount, and this impairment loss either is charged to accumulated impairment or reduces the carrying amount of the assets or CGUs directly. After the recognition of an impairment loss, the depreciation (amortization) should be adjusted in future periods by the revised asset/CGUs carrying amount (net of accumulated impairment), less its salvage value, on a systematic basis over its remaining service life. If asset impairment loss (excluding goodwill) is reversed, the increase in the carrying amount resulting from reversal is credited to current income. However, loss reversal should not be more than the carrying amount (net of depreciation) had the impairment not been recognized. An impairment loss on a revalued asset is recognized directly against capital surplus from revaluation for the asset to the same asset. A reversal of an impairment loss on a revalued asset is credited directly to capital surplus from revaluation under the heading capital surplus from revaluation. However, to the extent that an impairment loss on the same revalued asset was previously recognized as profit or loss, a reversal of that impairment loss is also recognized as profit or loss.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstance indicate goodwill impairment. Impairment is recorded if the book value exceeds value in use. The increase in the recoverable amount of goodwill in the period following the recognition of an impairment loss is likely to be an increase in internally generated goodwill rather than the reversal of the impairment loss recognized for the acquired goodwill. Thus, a reversal of an impairment loss on goodwill is prohibited.

## Equity Investments - Equity Method

Equity investments are accounted for by the equity method if the Bank has significant influence over the investees. Under this method, investments are stated at cost plus (or minus) a proportionate share in net earnings (losses) or changes in net worth of the investees. Cash dividends received are accounted for as a reduction of the carrying values of the investments. Until June 30, 2005, any difference between the acquisition cost and the equity in the investee is amortized over 15 years. Pursuant to a newly released SFAS, such goodwill is not amortized since January 1, 2006.

## Properties, Rental properties and Idle Assets

Properties, rental properties and idle assets are stated at cost plus revaluation increment less accumulated depreciation and accumulated impairment losses. Major renewals, additions and improvements are capitalized, while cost of repairs and maintenance are expensed as incurred.

Upon sale or disposal of Properties, rental properties and idle assets, their cost, revaluation increment and related accumulated depreciation and accumulated impairment losses are removed from the accounts. Any resulting gain or loss is credited or charged to current income.

Depreciation is calculated on the straight-line basis over estimated useful lives as follows: buildings, 5 to 60 years; computer and machinery equipment, 3 to 15 years; transportation equipment, 5 years. Depreciation of revaluated property is computed on the straight-line basis over their remaining useful lives determined at the time of revaluation. For assets still in use beyond their original estimated useful lives, further depreciation is calculated on the basis of any remaining salvage value and the estimated additional useful lives.

## Intangible Assets

The cost of computer software is amortized on the straight-line basis over 5 years.

## Goodwill

Goodwill resulted from the Bank's cash merger with SinoPac Card. Based on a newly released SFAS No. 37, goodwill is no longer amortized and instead is tested for impairment annually.

**Collaterals Assumed**

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

**Pension**

Pension expense under defined benefit pension plan is determined on the basis of actuarial calculations. Pension under defined contribution pension plan is expensed during the period when the employees rendered their services.

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

**Income Tax**

Inter-period income tax allocation is applied, in which tax effects of deductible temporary differences unused loss carry forward and unused investment tax credits are recognized as deferred income tax assets, and those of taxable temporary differences are recognized as deferred income tax liabilities. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized.

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

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

Income tax (10%) on inappropriate earnings is recorded as income tax in the year when the stockholders resolve the appropriation of the earnings.

SPH adopted the linked-tax system for income tax filings with its qualified subsidiaries, including the Bank. The different amounts between tax expense and deferred tax liabilities and assets based on consolidation and SPH with its qualified subsidiaries are adjusted on SPH; related amounts are recognized as accounts receivable or accounts payable.

**Recognition of Revenue**

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

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

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

Service fees are recorded as revenue upon receipt or substantial completion of activities involved in the earnings process.

Interest income on revolving credit card receivables and cash advance is recognized on an accrual basis. Service fee income is recognized when service is rendered. Annual fee income is the member fee received from card members and is recognized when card members fail to meet the criteria for annual fee exemption; provision for allowance is estimated using past experience and is recognized as a deduction from annual fee income within the year the annual fee income is recognized.

**Contingencies**

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

**Reclassifications**

Certain accounts as of and for the year ended December 31, 2010 have been reclassified to conform to the financial statement presentation as of and for the year ended December 31, 2011.

### 3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

#### Financial Instruments

On January 1, 2011, the Bank adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." The main revisions includes (1) finance lease receivables are now covered by SFAS No. 34; (2) the scope of the applicability of SFAS No. 34 to insurance contracts is amended; (3) loans and receivables originated by the Bank are now covered by SFAS No. 34; (4) additional guidelines on impairment testing of financial assets carried at amortized cost when a debtor has financial difficulties and the terms of obligations have been modified; and (5) accounting treatment by a debtor for modifications in the terms of obligations.

#### Operating Segments

On January 1, 2011, the Bank adopted the newly issued SFAS No. 41 - "Operating Segments." The requirements of the statement are based on the information about the components of the Bank that management uses to make decisions about operating matters. SFAS No. 41 requires the identification of operating segments on the basis of internal reports that are regularly reviewed by the Bank's chief operating decision maker in order to allocate resources to the segments and assess their performance. This statement supersedes SFAS No. 20, "Segment Reporting." For this accounting change, the Bank restated the segment information as of and for the year ended December 31, 2010 to conform to the disclosures as of and for the year ended December 31, 2011.

### 4. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2011	2010
Cash on hand	\$ 5,866,186	\$ 5,875,327
Due from other banks	6,765,193	3,187,396
Notes and checks in clearing	<u>5,158,446</u>	<u>1,656,861</u>
	<u>\$ 17,789,825</u>	<u>\$ 10,719,584</u>

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

	<u>December 31</u>	
	2011	2010
Call loans to banks	\$ 33,633,978	\$ 37,777,994
Due from Central Bank - checking accounts	16,120,145	14,808,266
Deposit reserve - demand accounts	23,781,812	22,599,236
Deposit reserve - foreign currencies	<u>136,305</u>	<u>102,032</u>
	<u>\$ 73,672,240</u>	<u>\$ 75,287,528</u>

Under a directive issued by the Central Bank of the ROC, NTD-denominated deposit reserves are determined monthly at prescribed rates on average balances of customers' NTD-denominated deposits. Deposit reserve - demand account cannot be withdrawn momentarily, except for adjusting the deposit reserve account monthly. In addition, the foreign-currency deposit reserves are determined at prescribed rates on balances of additional foreign-currency deposits. The foreign-currency deposit reserves may be withdrawn momentarily and are no interest earning.

### 6. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Related information regarding financial instruments at fair value through profit or loss for the years ended December 31, 2011 and 2010 please refer to Table 7-1.

	<u>December 31</u>	
	2011	2010
Held for trading financial assets	\$ 31,914,968	\$ 25,513,067
Financial assets designated at fair value through profit or losses	<u>876,068</u>	<u>854,804</u>
	<u>\$ 32,791,036</u>	<u>\$ 26,367,871</u>
Held for trading financial liabilities	<u>\$ 7,309,754</u>	<u>\$ 9,507,112</u>

The Bank engages in derivative transactions mainly for accommodating customers' needs and managing its exposure positions. The contract amounts (notional amounts) of the outstanding derivative transactions please refer to Table 7-2. The Bank's strategy is to hedge most of the market risk exposures using hedging instruments with market value changes that have a highly negative correlation with the changes in the market of the exposures being hedged.

Gains or losses of financial instruments at fair value through profit or loss for the years ended December 31, 2011 and 2010 were as follows:

	<b>Years Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Held for trading financial assets and liabilities		
Realized (losses) gains	\$ (244,713)	\$ 236,230
Valuation gains	<u>222,558</u>	<u>188,822</u>
	<u>(22,155)</u>	<u>425,052</u>
Financial assets and liabilities designated at fair value through profit or loss		
Realized gains	5,945	8,805
Valuation gains	<u>4,877</u>	<u>7,956</u>
	<u>10,822</u>	<u>16,761</u>
	<u>\$ (11,333)</u>	<u>\$ 441,813</u>

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

As of December 31, 2011 and 2010, securities were purchased under agreements to resell at \$3,081,182 and \$1,153,100 in January 2012 and January 2011, respectively.

As of December 31, 2011 and 2010, securities were sold under agreements to repurchase at \$7,075,742 and \$3,067,827 between January and March 2012 and between January and March 2011, respectively.

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

<b>Financial Assets</b>	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Available-for-sale	\$ 7,071,871	\$ 3,067,453

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

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Credit card receivable	\$ 18,118,724	\$ 16,338,069
Accounts receivable - factoring	16,629,573	18,457,780
Accounts receivable - forfeiting	11,542,182	2,131,517
Acceptances	2,061,715	2,423,762
Interest receivable and revenue receivable	1,699,832	1,225,223
Receivables from adopting the linked-tax system of income tax (Note 27)	1,167,569	1,420,328
Receivable from loan sale	378,555	-
Accounts receivable and notes receivable	86,639	106,087
Others	<u>401,050</u>	<u>245,717</u>
	52,085,839	42,348,483
Less: Allowance for credit losses	<u>429,626</u>	<u>637,723</u>
	<u>\$ 51,656,213</u>	<u>\$ 41,710,760</u>

For the details of and changes in allowance for credit losses of accounts receivables, please refer to Table 8-1. The statement of the allowance for possible losses on receivables assessed for impairment, please refer to Table 8-3.

The credit card receivables as of December 31, 2011 and 2010 referred to SinoPac Card Services' credit cardholders who completed consultation with the Bank on debt repayment, with credit card receivables amounted to \$1,824,716 and \$2,127,049, respectively.

**9. DISCOUNTS AND LOANS, NET**

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Negotiations	\$ 2,100,703	\$ 1,567,377
Overdrafts	7,691	7,995
Secured overdrafts	580,451	740,873
Accounts receivable - financing	2,342,299	2,497,175
Short-term loans	95,076,025	94,234,825
Short-term secured loans	55,351,063	55,368,451
Medium-term loans	111,660,760	101,360,794
Medium-term secured loans	83,922,325	72,153,283
Long-term loans	14,085,119	14,541,174
Long-term secured loans	351,526,264	349,904,573
Nonperforming loans transferred from loans	<u>2,749,635</u>	<u>3,298,064</u>
	719,402,335	695,674,584
Allowance for credit losses	(7,156,156)	(5,242,240)
Premium or discount on discounts and loans	(243,389)	-
Adjustment of hedge valuation	<u>3,107</u>	<u>8,742</u>
	<u>\$ 712,005,897</u>	<u>\$ 690,441,086</u>

As of December 31, 2011 and 2010, the balances of nonaccrual interest loans were \$2,926,216 and \$3,416,359, respectively. The unrecognized interest revenues on nonaccrual interest loans amounted to \$83,439 and \$101,217 for the years ended December 31, 2011 and 2010, respectively.

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

The details of and changes in allowance for credit losses of discounts and loans, please refer to Table 8-1. The statement of the allowance for possible losses on discounts and loans assessed for impairment, please refer to Table 8-3.

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

Related information regarding available-for-sale financial assets please refer to Table 7-3.

**11. HELD-TO-MATURITY INVESTMENTS**

Related information regarding held-to-maturity financial assets please refer to Table 7-4.

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

	<b>Balance of Equity Investments</b>		<b>Income (Loss) from Equity Investments</b>	
	<b>December 31</b>		<b>Years Ended December 31</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
SinoPac Bancorp	\$ 2,680,845	\$ 4,718,986	\$ (2,189,954)	\$ (1,310,251)
SinoPac Capital Limited (H.K.)	1,241,505	1,148,690	46,943	19,436
SinoPac Life Insurance Agent Co., Ltd.	612,839	576,769	557,242	521,171
SinoPac Property Insurance Agent Co., Ltd.	<u>34,350</u>	<u>33,065</u>	<u>28,205</u>	<u>26,921</u>
	<u>\$ 4,569,539</u>	<u>\$ 6,477,510</u>	<u>\$ (1,557,564)</u>	<u>\$ (742,723)</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 measured at their cost. Investments in debt instruments without quoted prices in an active market and with fixed or determinable payments are carried at amortized cost using the effective interest method.

Related information regarding other financial assets please refer to Table 7-5.

In order to strengthen the capital structure and improve competitive advantage, the board of directors resolved to acquire the preferred stocks of SinoPac Bancorp on January 8, 2010, with US\$25 per share, US\$45,000 thousand in total. The board of directors resolved to further increase cash investment of preferred stocks of SinoPac Bancorp by the maximum amount of US\$200,000 thousand at \$25 per share on April 23, 2010 and June 24, 2010, respectively. In addition, the Bank further acquired the preferred stocks of SinoPac Bancorp on July 27, 2010, September 23, 2010, December 10, 2010, March 30, 2011 and June 28, 2011 amounting to US\$30,000 thousand, \$40,000 thousand, \$30,000 thousand, \$30,000 thousand and \$20,000 thousand, respectively.

The Bank was delegated by professional investors to sell investment products of PEM GROUP amounting to US\$146,000 thousand in private placement, which was allowed under Hong Kong's regulations. The Court appointed permanent receiver for all assets that belong to, are being managed by, or in the possession of or control of PEM GROUP and any of their subsidiaries and affiliates. If the products aforementioned fail to repay at maturity due to deceptive underlying assets, the Bank will buy back those products at the price of initial payment deducted the distribution and redemption. As far, the Bank investigates internally and externally, delegates the lawyer and informs the related investors simultaneously to solve the problem. In accordance with aforementioned principle, the board of directors have resolved on December 24, 2010 to comply with the Courts' appointment of the PEM GROUP receiver to take the insurance policies at the price of approximately US\$40.4 million, and impairment losses amounting to US\$11,152 thousand has been charged. As of December 31, 2011, US\$70,287 thousand of the accumulated impairment losses has been set aside. The receiver has transferred portion of insurance policies to the Trustee established jointly by the banks intended to hold insurance policies as of March 7, 2011. And the Bank has submitted the result to the authorities.

### 14. PROPERTIES

	December 31	
	2011	2010
Cost and revaluation increment	\$ 14,600,254	\$ 13,984,534
Accumulated depreciation		
Buildings	2,115,815	1,964,990
Computer and machinery equipment	3,582,013	3,658,273
Transportation equipment	1,146	959
	<u>5,698,974</u>	<u>5,624,222</u>
Advances on acquisitions of equipment and construction in progress	<u>476,208</u>	<u>358,462</u>
Net properties	<u>\$ 9,377,488</u>	<u>\$ 8,718,774</u>

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

The Bank revalued its land, which approved by the board of directors on October 21, 2011 and resulted in total revaluation increments of \$867,127. 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 ARDF of ROC, the Bank did not book the land value increment tax reserve amounting to \$555,910 since the land was not revalued when both banks merged on November 13, 2006. After the Bank revalued its land on October 21, 2011, the amount of \$152,639 which the Bank did not book according the interpretation (94) 349 was recognized as reserve for land value increment tax.

**15. INTANGIBLE ASSETS**

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Goodwill - credit card department	\$ 876,717	\$ 876,717
Computer software	<u>74,961</u>	<u>93,539</u>
	<u>\$ 951,678</u>	<u>\$ 970,256</u>

Goodwill resulted from the Bank's cash merger with SinoPac Card Services, and this merger was treated as a reorganization of SinoPac Financial Holdings Company Limited, the Bank's parent. On January 1, 2006, the Bank Statement of Financial Accounting Standards No. 35 - "Impairment of Assets," which requires the impairment review on goodwill to be made on each balance sheet date. If goodwill is deemed impaired, the Bank must calculate its recoverable amounts.

In assessing goodwill for impairment, the Bank considers the credit card department as a cash generating unit and estimates the recoverable amount by its value in use. The Bank uses the department's actual profitability and estimated salvage value as a key assumption to predict future cash flows in order to calculate its value in use. Under the going-concern assumption, the Bank predicts the net cash flows provided by its operating activities in the next 5 years and uses its parent company's weighted average cost of capital as the discount rate to calculate the value in use.

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

**16. OTHER ASSETS**

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Deferred income tax assets (Note 27)	\$ 2,011,055	\$ 2,119,322
Rental properties, net	1,228,590	1,311,083
Idle assets, net	643,217	442,559
Deferred pension cost	244,245	271,385
Prepayment	244,194	228,729
Temporary payment	216,095	24,503
Precious metals - gold	206,761	-
Land value increment tax	34,792	34,792
Collaterals assumed, net of accumulated impairment \$38,819 and \$72,819, respectively	1,878	537,938
Others	<u>3,256</u>	<u>5,461</u>
	<u>\$ 4,834,083</u>	<u>\$ 4,975,772</u>

**17. CALL LOANS AND DUE TO BANKS**

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Call loans	\$ 54,346,379	\$ 45,661,871
Redeposit from the directorate general of postal remittance	11,806,420	18,877,255
Due to banks	<u>14,012</u>	<u>48,651</u>
	<u>\$ 66,166,811</u>	<u>\$ 64,587,777</u>

**18. ACCOUNTS, INTEREST AND OTHER PAYABLES**

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Accounts payable - factoring	\$ 5,777,254	\$ 4,348,201
Notes and checks in clearing	5,158,446	1,656,861
Acceptance payable	2,061,715	2,423,762
Interest payable	1,768,454	1,297,269
Accrued expenses	1,699,087	1,661,954
Dividends payable (Note 23)	1,435,025	1,435,025
Remittance payable	509,756	208,281
Tax payable	160,326	209,499
Receipts under custody payable	97,308	104,845
Accounts payable	85,239	252,242
Others	<u>340,644</u>	<u>311,059</u>
	<u>\$ 19,093,254</u>	<u>\$ 13,908,998</u>

**19. DEPOSITS AND REMITTANCES**

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Checking	\$ 12,689,442	\$ 12,401,568
Demand	169,666,216	159,943,444
Savings - demand	223,682,682	228,136,986
Time	314,743,482	286,153,941
Negotiable certificates of deposit	26,592,200	23,438,700
Savings - time	215,151,937	190,153,248
Inward remittances	496,482	408,616
Outward remittances	<u>77,809</u>	<u>78,890</u>
	<u>\$ 963,100,250</u>	<u>\$ 900,715,393</u>

**20. BANK DEBENTURES AND BONDS PAYABLE**

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

**21. OTHER FINANCIAL LIABILITIES**

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Principal of structured products	\$ 7,165,848	\$ 15,252,479
Appropriated loan fund from the government	399,990	427,859
Guarantee deposits received	227,317	261,624
Hedging derivative financial liabilities	<u>54,319</u>	<u>40,291</u>
	<u>\$ 7,847,474</u>	<u>\$ 15,982,253</u>

**22. OTHER LIABILITIES**

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Accrued pension cost (Note 26)	\$ 1,456,487	\$ 1,601,693
Temporary receipt	1,276,555	485,353
Reserve for land value increment tax	591,993	430,599
Advance receipt	302,576	254,509
Precious metals - gold	185,362	-
Provisions for losses on guarantees	55,112	28
Deferred income tax liabilities (Note 27)	46,555	99,455
Others	<u>50,889</u>	<u>176,868</u>
	<u>\$ 3,965,529</u>	<u>\$ 3,048,505</u>

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

To handle the Group's capital more efficiently, the board of directors of the Bank resolved to raise capital in private placement on August 20, 2010, amounting to \$1.665 billion, with 133,200 thousand shares, par value at \$10, and issue price at \$12.5. And the Bank set August 31, 2010 as the effective date of capitalization.

To handle the Group's capital more efficiently, increase the Bank's Tier-1 capital and broaden the business scale, the board of directors resolved to raise capital in private placement amounting to \$3.78 billion on June 24, 2011, with 302,400 thousand shares, par value at \$10, and issue price at \$12.5. And the Bank set June 30, 2011 as the effective date of capitalization.

**b. Capital surplus**

Under related regulations, capital surplus may only be used to offset a deficit. However, capital surplus from shares issued in excess of par value (including additional paid-in capital from issuance of common stock, issuance of shares for combinations and treasury stock transactions) and donations may be transferred to common stock on the basis of the percentage of shares held by the stockholders. Any capital surplus transferred to common stock should be within a certain percentage prescribed by law. Under the revised Company Law issued on January 4, 2012, the aforementioned capital surplus also may be distributed in cash. The capital surplus from long-term equity investments under equity method may not be used for any purpose.

**c. Special reserve**

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

**d. Appropriation of earnings and dividend policy**

The Bank's Articles of Incorporation provide that the Bank may declare dividends or make other distributions from earnings after it has:

- 1) Deducted any deficit of prior years;
- 2) Paid all outstanding taxes;
- 3) Set aside 30% of remaining earnings as legal reserve;
- 4) Set aside any special reserve or retained earnings allocated at its option;
- 5) Allocated stockholders' dividends;
- 6) Allocated at least 2.5% of the remaining earnings which allocated stockholders' dividends as employee bonus.

To comply with the Bank's globalization strategy, strengthen its market position, integrate its diversified business operation and be a major local bank, the Bank has adopted the "Balanced Dividend Policy". Under this policy, dividends available for distribution are determined by referring to its capital adequacy ratio (CAR). Cash dividends may be declared if the Bank's CAR is above 10% and stock dividends may be declared if the CAR is equal to or less than 10%. However, the Bank may make discretionary cash distribution even if the CAR is below 10%, if approved at the stockholders' meeting, for the purpose of maintaining the cash dividends at a certain level in any given year.

Cash dividends and cash bonus are paid when approved by the stockholders, while the distribution of stock dividends requires the additional approval of the authorities.

The Bank accrued bonus to employees of \$13,000 and \$17,435 for the years ended December 31, 2011 and 2010, respectively. The Bank accrued bonus to remuneration to directors of \$10,400 and \$13,948 for the years ended December 31, 2011 and 2010, 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.

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

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 Company's paid-in capital, the excess may be transferred to capital or distributed in cash. In addition, the Banking Law provides that, before the balance of the reserve reaches the aggregate par value of the outstanding capital stock, annual cash dividends, remuneration to directors and supervisors, and bonus to employees should not exceed 15% of the aggregate par value of the outstanding capital stock of the Bank.

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

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

On June 24, 2011 and June 25, 2010, the board of directors which execute the rights and functions of the stockholders' meeting resolved the appropriation of earnings for 2010 and 2009 as follows:

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

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

In accordance with FSC guideline No. 09900146911, cash dividends and bonus to stockholders for 2009 amounting to \$1,435,025 shall not be remitted to the parent company until the land transferred to SPL from the Bank is disposed and the gain is realized.

The appropriations of earnings for 2011 had been proposed in the board of directors on March 23, 2012. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 739,095	
Cash dividends	1,204,556	\$0.22911420
Bonus to stockholders	520,000	0.09890732

The appropriations of earnings will be resolved by the board of directors which execute the rights and functions of the stockholder's meeting in 2012.

The related information regarding the proposed and resolved appropriation of earnings is available on the Market Observation Post System (M.O.P.S) website of the Taiwan Stock Exchange.

e. Unrealized gains or losses on financial instruments

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

	<b>Available-for- sale Financial Assets</b>	<b>Equity Investments - Equity Method</b>	<b>Total</b>
<u>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>
<u>Year ended December 31, 2010</u>			
Balance, January 1	\$ (77,898)	\$ 46,695	\$ (31,203)
Recognized in stockholders' equity	294,211	41,003	335,214
Transferred to profit or loss	<u>(45,684)</u>	<u>(42,944)</u>	<u>(88,628)</u>
Balance, December 31	<u>\$ 170,629</u>	<u>\$ 44,754</u>	<u>\$ 215,383</u>

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

	<b>Years Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Balance, January 1	\$ (26,185)	\$ 22,130
Recognized in stockholders' equity	(16,321)	(48,315)
Transferred to profit or loss	<u>-</u>	<u>-</u>
Balance, December 31	<u>\$ (42,506)</u>	<u>\$ (26,185)</u>

## f. Earnings per share

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

	Numerator (Amounts)		Denominator (Shares in Thousands)	EPS (NT\$)	
	Pretax	After Tax		Pretax	After Tax
<u>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>
<u>Year ended December 31, 2010</u>					
Basic EPS	<u>\$ 4,363,309</u>	<u>\$ 3,501,375</u>	<u>4,866,369</u>	<u>\$ 0.90</u>	<u>\$ 0.72</u>

## 24. COMMISSIONS AND FEE REVENUES, NET

	Years Ended December 31	
	2011	2010
Commissions and fees revenues	\$ 3,902,373	\$ 4,308,948
Commissions and fees expenses	<u>(658,241)</u>	<u>(596,980)</u>
	<u>\$ 3,244,132</u>	<u>\$ 3,711,968</u>

## 25. OPERATING EXPENSES

	Years Ended December 31	
	2011	2010
Personnel expenses		
Salaries and wages	\$ 4,972,083	\$ 4,817,932
Pension	532,602	490,538
Labor insurance and national health insurance	336,770	305,742
Others	<u>408,177</u>	<u>415,294</u>
	6,249,632	6,029,506
Depreciation	389,790	424,930
Amortization	46,943	59,884
Others	<u>4,030,072</u>	<u>3,121,786</u>
	<u>\$ 10,716,437</u>	<u>\$ 9,636,106</u>

## 26. PENSION

Since July 1, 2005, for those employees who still choose to be subject to the Labor Standard Law, the Bank makes monthly contributions, equal to 4% of employee salaries, to the severance payment fund. If the employees quit willingly, they still can receive the severance payment based on the severance payment criteria. On November 13, 2006, for those employees who joined the Bank owing to the merger and still choose to be subject to the Labor Standard Law, the Bank made monthly contributions, equal to 4% of employee salaries, to the severance payment fund excluding those who are eligible for promoted or enforced retirement project. If the employees quit willingly, they still can receive the severance payment based on the severance payment criteria.

For those employees who choose to be subject to the Labor Pension Act, the Bank ceases to contribute into severance payment fund. The amount of the cumulative contributions generated before applying the Labor Pension Act is summed up in the balance at that month and retained in the severance payment fund. The employees will receive the severance payment based on the severance payment criteria when they quit willingly.

For the Bank's employees who choose the pension mechanism regulated by the Labor Standard Law, the retirement payments shall be paid to employees on the basis of the following standards: (i) a lump sum payment of retirement payments equal to two base units shall be paid for each year of service; (ii) provided that each year of service exceeding fifteen years shall be entitled to only one base unit of wage; (iii) and that the maximum payment shall be forty-five base units. Any fraction of a year of over 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 applied defined contribution plan regulated by Labor Pension Act after July 1, 2005. Under this Act, the Bank contributed 6% of the employee salaries to the Labor Insurance Administration (according to this Act, the contribution rate by the employer to the Labor Pension Fund per month shall not be less than 6% of the employee's monthly wages). Pension expense under the defined contribution pension plan were \$160,644 and \$140,866 for the years ended December 31, 2011 and 2010, respectively. For the years ended December 31, 2011 and 2010, the pension expense amounted to \$371,958 and \$349,672, 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:

	<b>Years Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Service cost	\$ 131,922	\$ 144,544
Interest cost	134,117	115,669
Expected return on pension fund assets	(48,869)	(43,142)
Net amortization and deferral	<u>154,788</u>	<u>132,601</u>
Net pension cost	<u>\$ 371,958</u>	<u>\$ 349,672</u>

b. The reconciliations of the funded status of the plan and accrued pension cost as of December 31, 2011 and 2010 were as follows:

	<b>Years Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Benefit obligation		
Vested benefit obligation	\$ 1,903,126	\$ 1,496,412
Nonvested benefit obligation	<u>2,210,596</u>	<u>2,434,938</u>
Accumulated benefit obligation	4,113,722	3,931,350
Additional benefit based on future salaries	<u>1,093,788</u>	<u>2,080,752</u>
Projected benefit obligation	5,207,510	6,012,102
Fair value of plan assets	<u>(2,657,235)</u>	<u>(2,329,657)</u>
Funded status	2,550,275	3,682,445
Unamortized prior service cost	(244,245)	(271,385)
Unamortized pension loss	(1,959,382)	(3,026,553)
Additional accrued pension liability	<u>1,109,839</u>	<u>1,217,186</u>
Accrued pension cost	<u>\$ 1,456,487</u>	<u>\$ 1,601,693</u>

	<b>Years Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
c. Vested benefit	<u>\$ 2,778,164</u>	<u>\$ 2,311,809</u>

d. Actuarial assumptions

1) Discount rate used in determining present value	2.00%	2.25%
2) Future salary increase rate	1.75%	3.00%
3) Expected rate of return on plan assets	2.00%	2.00%

## 27. INCOME TAX

Under a directive issued by the Ministry of Finance, a financial holding company and its domestic subsidiaries which over 90% of shares issued were held by the financial holding company for 12 months within the same tax year may choose to adopt the linked-tax system for income tax filings. Thus, SinoPac Financial Holdings Company Limited adopted the linked-tax system for income tax filings with its qualified subsidiaries in 2003.

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

	<b>Years Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Current income tax payable	\$ 197,213	\$ 114,635
Separate taxes	-	31,534
Deferred income taxes	36,341	231,667
Effect of tax law changes on deferred income taxes	-	472,733
Adjustment for prior years tax	10,677	1,602
Overseas income taxes over limitation	<u>-</u>	<u>9,763</u>
Income tax expense	<u>\$ 244,231</u>	<u>\$ 861,934</u>

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

b. Reconciliation of tax on pretax income at statutory rate and current income tax payable:

	<b>Years Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Tax on pretax income at 17% statutory rate	\$ 460,340	\$ 741,763
Add (deduct) tax effects of:		
Tax-exempt income	8,650	(32,203)
Permanent difference	(235,200)	(181,260)
Temporary difference	396,923	198,543
Loss carryforwards	(433,500)	(586,751)
Investment credit	<u>-</u>	<u>(25,457)</u>
Current income tax payable	<u>\$ 197,213</u>	<u>\$ 114,635</u>

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

- 1) Under Article 10 of the Statute for Industrial Innovation (SII) passed by the Legislative Yuan in April 2010, a profit-seeking enterprise may deduct up to 15% of its research and development expenditures from its income tax payable for the fiscal year in which these expenditures are incurred, but this deduction should not exceed 30% of the income tax payable for that fiscal year. This incentive took effect from January 1, 2010 and is effective till December 31, 2019. The assessment calculated by the Bank on December 31, 2011 has no income tax credits.
- 2) In May 2010, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduced a profit-seeking enterprise's income tax rate from 20% to 17%, effective January 1, 2010.

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

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Loss carryforwards	\$ 1,431,752	\$ 1,876,136
Deferred pension cost	222,239	228,674
Unrealized loss or gain on foreign exchange and revaluation of financial instrument, net	(12,298)	(49,660)
Investment loss under the equity method	311,647	-
Others	84,215	90,672
Valuation allowance	<u>(26,500)</u>	<u>(26,500)</u>
Deferred income tax assets, net	<u>\$ 2,011,055</u>	<u>\$ 2,119,322</u>
Investment income under the equity method	\$ -	\$ (52,900)
Others	<u>(46,555)</u>	<u>(46,555)</u>
Deferred income tax liabilities, net	<u>\$ (46,555)</u>	<u>\$ (99,455)</u>

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

<b>Deficit Year</b>	<b>The Last Year of Claiming Deductible Loss</b>	<b>Amount</b>
2007	2017	\$ 733,450
2008	2018	6,166,540
2009	2019	<u>1,522,078</u>
		<u>\$ 8,422,068</u>

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

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Receivables from related parties	<u>\$ 1,167,569</u>	<u>\$ 1,420,328</u>

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

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Balances of imputed tax credit account	<u>\$ 1,924,606</u>	<u>\$ 2,494,373</u>

In 2011, the creditable tax ratios were estimated to 20.48% by the Bank. The actual creditable tax ratio used for distributing earnings generated in 2010 was 20.48%.

When the unappropriated earnings are distributed, stockholders will get imputation credits based on the imputed tax credit ratio as of the dividend declaration date, therefore there would be differences between the imputed tax credit ratio as of 2011 and the tax credit ratio applied to stockholders actually.

g. As of December 31, 2011, the unappropriated earnings generated before January 1, 1997 was \$8,758, which was recorded as capital surplus owing to merger of IBT.

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

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

## 28. RELATED-PARTY TRANSACTIONS

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

a. Related parties

<b>Name</b>	<b>Relationship with the Bank</b>
SinoPac Financial Holdings Company Limited (SPH)	Parent company of the Bank
SinoPac Securities Corporation (SinoPac Securities)	Subsidiary of SPH
SinoPac Call Center Co., Ltd. (SinoPac Call Center)	Subsidiary of SPH
SinoPac Venture Capital Co., Ltd. (SinoPac Venture Capital)	Subsidiary of SPH
SinoPac Leasing Corporation (SPL)	Subsidiary of SPH
SinoPac Life Insurance Agent Co., Ltd. (SPLIA)	Subsidiary of the Bank
SinoPac Property Insurance Agent Co., Ltd. (SPPIA)	Subsidiary of the Bank
SinoPac Securities Investment Trust Co., Ltd. (SinoPac Securities Investment Trust)	Subsidiary of SPH
Far East National Bank (FENB)	Overseas affiliate of the Bank
Far East Capital, LLC (FEC, LLC)	Overseas affiliate of the Bank
SinoPac Capital Ltd.	Overseas subsidiary of the Bank

Name	Relationship with the Bank
Grand Capital International Limited (Grand Capital)	Subsidiary of SPL
Intellisys Corporation	Subsidiary of SinoPac Venture Capital
BoardTek Electronics Corp. (BoardTek Electronics)	Affiliate of the SPH's director
Yung An Leasing Corporation (Yung An Leasing)	Affiliate of the SPH's director
SinoPac Capital (Asia) Ltd.	Affiliate of SinoPac Securities
SinoPac Securities (Asia) Ltd.	Affiliate of SinoPac Securities
Taiwan Genome Sciences, Inc.	Affiliate of the SPH's director
SinoPac Futures Corporation (SinoPac Futures)	Subsidiary of SinoPac Securities
E Ink Holdings Co., Ltd. (E Ink Holdings)	Affiliate of the SPH's director
Rung-Tzung Investment Corp. (Rung-Tzung Investment)	Affiliate of the second-degree of kinship of the director of SinoPac Securities
Ho, Shou Chuan	President of SPH
Chen Hsu, Yu Rong	The second-degree of kinship of the director of SPPIA
Lin Xu, Li Hong	The spouse of SinoPac Securities' director
Lee, Jhong Lan	The second-degree of kinship of the director of SinoPac Securities (Europe) Ltd.
Huang, Shiou Jyuan	The director of SinoPac Securities Investment Service Corporation
Wu, Jian Hong	Manager of SinoPac Securities
Chang, Ping Chou	Manager of SinoPac Securities
Guo, Kai Wei	Manager of the Bank
Zhong, Dau Cheng	Manager of the Bank
Jhuo, Shu Lin	Manager of the Bank
Ji, Ying Huei	Manager of the Bank
Liang, Ya Zi	Manager of the Bank
Chang, Jia Jyun	Manager of the Bank
Lin, Jian Ying	Manager of the Bank
Yu, Xiu Zhong	Manager of the Bank
Guo, Ling Ling	Manager of the Bank
Wang, Mei Ling	Manager of the Bank
Lai, Li Ru	Manager of the Bank
Deng, Ai Hua	Manager of the Bank
Chang, Zhen Ming	Manager of the Bank
Huang, Wei Ming	Manager of the Bank
Others	The Bank's directors, supervisors, managers and their relatives, department chiefs, the investees accounted for by the equity method and their subsidiaries, and the investees of SPH's other subsidiaries, etc.

## b. Significant transactions between the Bank and the related parties

	Ending Balance		% of Total	
	December 31		December 31	
	2011	2010	2011	2010
1) Due from banks				
Due from banks - FENB	\$ 104,763	\$ 31,287	1.55%	0.98%

## 2) Derivative financial instruments

	December 31, 2011				
	Contract (Notional) Amount	Contract Period	Valuation Gains or Losses	Balance Sheet	
				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
	December 31, 2010				
	Contract (Notional) Amount	Contract Period	Valuation Gains or Losses	Balance Sheet	
				Account	Balance
Currency swap contracts					
SinoPac Capital Ltd.	\$ 850,951	2010.12.24- 2011.01.24	\$ 29	Financial assets at fair value through profit or loss	\$ 29
FENB	148,331	2010.12.14- 2011.1.06	8	Financial assets at fair value through profit or loss	8
FENB	114,651	2010.12.2- 2011.01.10	(20)	Financial liabilities at fair value through profit or loss	20
Grand Capital	317,497	2010.11.4- 2011.01.11	50	Financial assets at fair value through profit or loss	50
Interest rate swap contracts					
SinoPac Securities	15,850,000	2007.01.03- 2015.10.12	40,409	Financial assets at fair value through profit or loss	139,588
SinoPac Securities	20,515,000	2008.01.24- 2015.12.28	(62,827)	Financial liabilities at fair value through profit or loss	202,671
Forward contracts					
Grand Capital	106,405	2010.11.26- 2011.02.25	10	Financial assets at fair value through profit or loss	10
E Ink Holdings	233,216	2010.12.30- 2011.05.03	109	Financial assets at fair value through profit or loss	109

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

As of December 31, 2011 and 2010, other receivables from related parties amounted to \$127,427 and \$8,682, respectively. These include the accrued commission of SPLIA and SPPIA amounted to \$90,087 as of December 31, 2011. As of December 31, 2011 and 2010, other payables to related parties amounted to \$19,829 and \$17,347, respectively.

The Bank's dividends payable to SPH amounted to \$1,435,025 as of December 31, 2011 and 2010, respectively.

As of December 31, 2011 and 2010, the Bank's estimated receivables resulting from the adoption of the linked-tax system amounted to \$1,167,569 and \$1,420,328, respectively.

## 4) Loans

	Year Ended December 31, 2011				
	December 31, 2011 Balance	Highest Balance	% of Total	Interest/ Fee Rates (%)	Interest Revenue
Loans	\$ <u>6,483,150</u>	\$ <u>8,324,463</u>	<u>0.91</u>	1.2-6.85	\$ <u>135,668</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	46	\$ 18,284	\$ 14,509	V	-	None	Yes
Households mortgages	234	1,687,060	1,526,109	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
	Chen Hsu, Yu, Rong	4,665	4,309	V	-	Real estate	Yes
	Yu, Xiu Zhong	4,255	-	V	-	Certificate of deposit	Yes
	Huang, Shiou Jyuan	3,251	-	V	-	Certificate of deposit	Yes
	Wu, Jian Hong	3,000	3,000	V	-	Securities	Yes
	Jhuo, Shu Lin	909	364	V	-	Certificate of deposit	Yes
	Lee, Jhong Lan	800	620	V	-	Movable	Yes
	Chang, Jia Jyun	750	750	V	-	Certificate of deposit	Yes
	Ji, Ying Huei	82	-	V	-	Certificate of deposit	Yes
	Wang, Mei Ling	41	-	V	-	Certificate of deposit	Yes
	Lin Xu, Li Hong	29	-	V	-	Certificate of deposit	Yes
	Guo, Ling Ling	28	-	V	-	Certificate of deposit	Yes
	Others subtotal	<u>6,619,119</u>	<u>4,942,532</u>				
		<u>\$ 8,324,463</u>	<u>\$ 6,483,150</u>				

	Year Ended December 31, 2010				
	December 31, 2010 Balance	Highest Balance	% of Total	Interest/ Fee Rates (%)	Interest Revenue
Loans	\$ <u>5,331,605</u>	\$ <u>7,915,337</u>	<u>0.77</u>	0.7-6.58	\$ <u>152,068</u>

December 31, 2010

Category	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collaterals	Is the Transaction at Arm's Length Commercial Term
Employees consuming loan	34	\$ 15,829	\$ 12,626	V	-	None	Yes
Households mortgages	226	1,571,988	1,250,512	V	-	Real estate	Yes
Others:	SPL	3,005,000	2,158,000	V	-	Real estate and movable	Yes
	Grand Capital	1,289,460	1,163,544	V	-	Movable	Yes
	SinoPac Capital (Asia) Ltd.	985,531	-	V	-	Movable	Yes
	BoardTek Electronics	410,354	305,554	V	-	Real estate	Yes
	Rung-Tzung Investment	246,672	200,000	V	-	Real estate	Yes
	Yung An Leasing	198,800	198,800	V	-	Real estate	Yes
	SinoPac Securities	125,000	-	V	-	Securities	Yes
	FEC, LLC	43,535	38,128	V	-	Real estate	Yes
	Taiwan Genome Sciences, Inc.	9,500	-	V	-	Real estate	Yes
	Chen Hsu, Yu Rong	6,370	4,441	V	-	Real estate	Yes
	Jhuo, Shu Lin	4,214	-	V	-	Certificate of deposit	Yes
	Lai, Li Ru	982	-	V	-	Certificate of deposit	Yes
	Chang, Zhen Ming	865	-	V	-	Certificate of deposit	Yes
	Liang, Ya Zi	397	-	V	-	Certificate of deposit	Yes
	Lin Xu, Li Hong	320	-	V	-	Certificate of deposit	Yes
	Huang, Wei Ming	299	-	V	-	Certificate of deposit	Yes
	Chang, Ping Chou	125	-	V	-	Certificate of deposit	Yes
	Lin, Jian Ying	47	-	V	-	Certificate of deposit	Yes
	Zhong, Dau Cheng	22	-	V	-	Certificate of deposit	Yes
	Huang, Shiou Jyuan	17	-	V	-	Certificate of deposit	Yes
	Guo, Kai Wei	5	-	V	-	Certificate of deposit	Yes
	Deng, Ai Hua	5	-	V	-	Certificate of deposit	Yes
	Others subtotal	<u>6,327,520</u>	<u>4,068,467</u>				
		<u>\$ 7,915,337</u>	<u>\$ 5,331,605</u>				

## 5) Guarantees

December 31, 2011

Related Party	The Highest Balance in Current Period	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.

December 31, 2010

Related Party	The Highest Balance in Current Period	Ending Balance	Provision	Rates	Type of Collaterals	Note
SinoPac Securities	\$ 2,000	\$ 2,000	\$ -	0.3%	Certificate of deposit	
Others	2,685	580	-	1.50%-1.71%	None	Note

Note: The guarantees are employees consuming loans.

## 6) Properties transaction

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

## 7) Securities purchased under agreements to resell

2011

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

2010

	<u>December 31, 2010</u>		<u>Year Ended December 31, 2010</u>
	Face Amount	Carrying Amount	Interest Revenue
SinoPac Capital (Asia) Ltd.	\$ 944,233	\$ 849,555	\$ 1,980

## 8) Securities sold under agreements to repurchase

2011

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

2010

	<u>December 31, 2010</u>		<u>Year Ended December 31, 2010</u>
	Face Amount	Carrying Amount	Interest Expense
Ho, Shou Chuan	\$ 180,000	\$ 180,834	\$ 392
Others	-	-	79

## 9) Guarantee deposits

	<u>Ending Balance</u>		<u>% of Total</u>	
	<u>December 31</u>		<u>December 31</u>	
	2011	2010	2011	2010
SinoPac Futures	\$ 32,140	\$ 32,067	5.78%	3.49%
SPL	10,344	11,414	1.86%	1.24%

## 10) Guarantee deposits received

	<u>Ending Balance</u>		<u>% of Total</u>	
	<u>December 31</u>		<u>December 31</u>	
	2011	2010	2011	2010
SinoPac Securities	\$ 2,868	\$ 2,648	1.26%	1.01%
SPL	1,474	1,474	0.65%	0.56%
SinoPac Call Center	594	1,170	0.26%	0.45%
SPLIA	560	-	0.25%	-
SPPIA	84	-	0.04%	-
Intellisys Corporation	76	-	0.03%	-

## 11) Deposits

	Ending Balance	% of Total	Interest Rate (%)	Interest Expense	% of Total
<u>Year ended December 31, 2011</u>					
SinoPac Securities	\$ 3,964,629	0.41%	0-1.35	\$ 23,125	0.25%
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	0.07%
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	0.01%
Others	11,219,129	1.16%	0-13	189,161	2.02%
<u>Year ended December 31, 2010</u>					
SinoPac Securities	4,805,791	0.53%	0-1.13	12,641	0.21%
SinoPac Securities (Asia) Ltd.	1,126,784	0.13%	0-1.5	2,515	0.04%
SinoPac Venture Capital	1,009,820	0.11%	0.02-0.12	1,140	0.02%
SinoPac Futures	985,304	0.11%	0.12-0.82	4,199	0.07%
SPLIA	667,187	0.07%	0.12-0.35	1,987	0.03%
Others	7,996,856	0.89%	0-13	76,354	1.25%

## 12) Revenues and expenses

	Amount		% of Total	
	Years Ended December 31		Years Ended December 31	
	2011	2010	2011	2010
Commissions and fees revenues	\$ 322,674	\$ 37,895	8.27%	0.88%
Commissions and fees expenses	3,457	2,384	0.53%	0.40%
Gains from unquoted equity instruments	4,616	3,062	(15.58%)	(1.81%)
Other revenues	8,736	11,106	(29.48%)	(6.57%)
Marketing expense	13,313	8,254	0.33%	0.26%
Professional advisory charges	182,379	157,916	4.53%	5.06%
Office expense	15,798	20,066	0.39%	0.64%
Other operating expense	3,388	27,240	0.08%	0.87%

The Bank had entered into several co-sell insurance contracts with SPLIA and SPPIA. The service fee revenue for the year ended December 31, 2011 was amounted to \$277,960. 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, 2011 and 2010 amounted to \$182,777 and \$183,132, respectively.

## 13) Lease

## a) The Bank as a lessee

Lessor	Other operating expense		Lease Term	Payment Frequency
	Years Ended December 31			
	2011	2010		
SPL	\$ 125,367	\$ 122,930	February 2020	Rentals paid monthly

## b) The Bank as a lessor

Lessee	Rental Income		Lease Term	Payment Frequency
	Years Ended December 31			
	2011	2010		
SinoPac Securities	\$ 19,454	\$ 19,587	November 2016	Rentals received monthly
SinoPac Securities Investment Trust	13,872	13,872	September 2017	Rentals received monthly
SPL	5,922	5,892	July 2016	Rentals received monthly
SPLIA	3,420	1,980	January 2014	Rentals received monthly
SinoPac Call Center	3,081	6,717	September 2014	Rentals received monthly
Intellisys Corporation	2,351	3,336	September 2014	Rentals received monthly
SPPIA	485	270	January 2014	Rentals received monthly

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

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

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

	<b>Years Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Salary and compensation	\$ 119,841	\$ 146,290
Business-conducting expense	<u>7,055</u>	<u>7,164</u>
	<u>\$ 126,896</u>	<u>\$ 153,454</u>

## 29. RESTRICTED ASSETS

In addition to those disclosed in other Notes, pledged or restricted assets of the Bank as of December 31, 2011 and 2010 are summarized as follows:

<b>Restricted Assets</b>	<b>Object</b>	<b>December 31</b>		<b>Purposes</b>
		<b>2011</b>	<b>2010</b>	
Financial assets at fair value through profit or loss	Negotiable certificate of deposits	\$ 5,001,988	\$ -	Pledged with the Central Bank under the foreign exchange
Discounts and loans	Loans	1,907,288	2,293,151	Pledged with the Federal Reserve Bank under the discount window program
Available-for-sale financial assets	Government bonds	555,699	539,718	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	151,450	145,761	Pledged in accordance with requirements of the California Department of Financial Institutions
Held-to-maturity investments	Government bonds	97,400	187,545	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:

<b>Year</b>	<b>Amount</b>
2012	\$ 349,323
2013	226,491
2014	168,979
2015	138,031
2016	93,697

Rentals for the years beyond 2017 amount to \$142,126, the present value of which is about \$129,380 as discounted at the Bank's one-year time deposit rate of 1.35% on December 31, 2011.

b. Equipment purchase contract

The Bank had entered into contracts to buy computer equipment and office equipment for \$931,200, of which \$484,801 had already been paid as of December 31, 2011.

c. The Securities and Futures Investors Protection Center (SFIPC) was filing a lawsuit against the Bank and SPL's subsidiary, Grand Capital, in the ground that Procomp Informatics Ltd. provided deposit US\$10,000 thousand with the Bank's Shisung Branch (formally Sungshan Branch) and limited the usage as a condition for short-term loan to Addie International Limited granted by SPL and for helping Yeh, Sue-Fei and Procomp Informatics Ltd. processing irregular trading and appropriating the aforementioned limited deposit for fictitious sales. Finally the Bank directly took compensation from Procomp Informatics Ltd.'s account, causing Procomp's damage. And the Bank was suspected of misleading investors by providing unreal confirmations for conceal with the limited deposit of the Procomp and window-dressing its financial statements. The SFIPC filed additional lawsuit against the Bank, SPL and all other parties related to Procomp Informatics Ltd. for involving liability \$41.7 hundred millions to pay compensation. The Shihlin District Court rejected the SFIPC's lawsuit against the Bank on March 11, 2008. SFIPC has filed an appeal. The Bank has entered a plea on such charges and the case is under trying in the Taiwan High Court.

d. The SFIPC is believed by investors to be filing a lawsuit against the Bank in the ground that National Aerospace Fasteners Corporation provided an accounts receivable - factoring with the Bank's Tunpei Branch and recorded the substantially loan transaction as an accounts receivable financing activity to window-dress its financial position which the investors made their investing decision based on. The SFIPC files lawsuit against the Bank and all other parties for compensation \$5.7 hundred millions. The Bank has entered a plea on such charges and the case is under trying in the Taipei District Court.

e. The FSC imposed a disciplinary, FSC (6) 09480115211, at December 23, 2005 for restraining the Bank from developing new clients of accounts receivable factoring activities (except for authorized limit of original clients) in the period of January to June 2006, due to believing the Bank accommodated client to increase bank deposit falsely for window dressing the clients' financial reports and not in accordance with regular transaction. Additionally, the FSC believed the Bank not sufficiently disclosed the restricted deposit for CPA confirmation. After appealing to Supreme Administration Court and filing an administrative appeal, the Supreme Administrative Court had entered a final judgment against the Bank on October 13, 2011.

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

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

	Years Ended December 31			
	2011		2010	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Due from the Central Bank and other banks	\$ 27,792,491	0.59	\$ 23,082,597	0.47
Call loans to banks	25,135,209	0.83	40,307,671	0.55
Financial assets at fair value through profit or loss	34,402,585	1.14	10,276,265	1.32
Securities purchased under agreements to resell	2,037,934	0.86	447,723	0.60
Available-for-sale financial assets	37,704,668	1.71	32,549,317	1.58
Discounts and loans	712,479,172	2.20	682,467,204	1.96
Accounts receivable - factoring	9,173,201	1.43	10,108,943	1.24
Credit card receivable	10,077,089	12.93	10,911,492	14.04
Held-to-maturity investments	203,297,271	0.85	153,306,904	0.69
Other financial assets	219,200	0.49	244,545	0.56

	Years Ended December 31			
	2011		2010	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-bearing liabilities</u>				
Due to the Central Bank and other banks	17,018,548	1.32	20,251,695	1.09
Call loans	42,854,289	0.80	28,453,856	0.45
Securities sold under agreements to repurchase	5,874,397	0.64	5,212,519	0.27
Demand deposits	168,443,282	0.16	152,238,104	0.11
Savings - demand deposits	224,956,174	0.41	216,534,844	0.36
Time deposits	294,152,759	0.93	274,021,367	0.64
Savings - time deposits	203,082,257	1.23	183,026,392	1.03
Negotiable certificates of deposits	28,006,016	0.79	26,874,832	0.42
Bank debentures	31,648,607	2.09	25,881,274	2.06
Other financial liabilities	416,790	0.92	466,408	0.92

### 32. FINANCIAL INSTRUMENTS

#### a. Fair value of financial instruments

	December 31			
	2011		2010	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<u>Financial assets</u>				
Other short-term financial assets	\$ 145,030,877	\$ 145,030,877	\$ 127,450,023	\$ 127,450,023
Financial assets at fair value through profit or loss	32,791,036	32,791,036	26,367,871	26,367,871
Discounts and loans	712,005,897	712,005,897	690,441,086	690,441,086
Available-for-sale financial assets	32,600,632	32,600,632	33,083,043	33,083,043
Held-to-maturity investments	229,879,924	229,880,918	199,083,372	199,101,472
Equity investments-equity method	4,569,539	-	6,477,510	-
Unquoted equity instruments	6,529,172	-	5,067,132	-
Non-active market debt instruments	-	-	82,066	79,634
Other financial assets	2,389,739	2,389,739	2,757,216	2,757,216
<u>Financial liabilities</u>				
Other short-term financial liabilities	92,171,610	92,171,610	81,354,730	81,354,730
Financial liabilities at fair value through profit or loss	7,309,754	7,309,754	9,507,112	9,507,112
Deposits and remittances	963,110,250	963,110,250	900,715,393	900,715,393
Bank debentures	37,027,843	37,666,805	30,121,486	30,528,056
Other financial liabilities	7,847,474	7,847,474	15,982,253	15,982,253

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

- 1) The carrying amounts of cash and cash equivalents, due from the Central Bank and other banks, securities purchased under agreements to resell, receivables, call loans and due to banks, securities sold under agreements to repurchase, payables, and remittances approximate their fair values because of the short maturities of these instruments.
- 2) For financial instruments at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, bank debentures and hedging derivative financial instruments, fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Bank's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using available indirect data and appropriate valuation methodologies.

Forward contracts' and interest rate swap contracts' fair values are based on estimates using present value techniques. Options' fair value is based on estimates using Black & Scholes model.

Fair value of forward contracts is estimated based on the forward rates provided by Reuters.

Fair value of structured instruments is provided by the counter parties. All outstanding contracts are based on match basis and market risks will be offset.

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

- 3) Discounts and loans, deposits, and other financial liabilities are interest-earning assets and interest-bearing liabilities. Thus, their carrying amounts represent fair values. Fair value of nonperforming loans is based on the carrying amount, which is net of allowance for credit losses.
  - 4) Unquoted equity instruments and equity investments - equity method are investments in unquoted shares, which have no quoted price in an active market and entail an unreasonable high cost to obtain verifiable fair value. Therefore, no fair value is presented. And non-active market debt instruments used estimated value as its fair value.
  - 5) Fair values of refundable guarantee deposits, guarantee deposits received and purchase of PEM instruments are estimated at their carrying amounts since such deposits do not have specific due dates.
- c. Interest revenue of financial assets and liabilities other than those at fair value through profit or loss amounted to \$20,101,474 and \$17,046,138, for the years ended December 31, 2011 and 2010, respectively. Interest expense of financial assets and liabilities other than those at fair value through profit or loss amounted to \$7,241,314 and \$4,946,889, for the years ended December 31, 2011 and 2010, respectively.

d. Financial risk information

1) Market risk

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

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

	Quoted Market Prices		Fair Value Based on Estimates	
	December 31		December 31	
	2011	2010	2011	2010
<u>Financial assets</u>				
Financial assets at fair value through profit or loss	\$ 6,061,101	\$ 23,960,137	\$ 26,729,935	\$ 2,407,734
Available-for-sale financial assets	14,748,788	31,084,254	17,851,844	1,998,789
Held-to-maturity investments	-	199,101,472	229,880,918	-
Other financial assets - non-active market debt instruments	-	-	-	79,634
<u>Financial liabilities</u>				
Financial liabilities at fair value through profit or loss	1,682	9,212,138	7,308,072	294,974
Bank debentures	36,225,765	28,000,445	1,441,040	2,527,611

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

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 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. According to SFAS No. 34, active markets are markets with all of the following conditions:

- Products traded in the market are homogeneous.
- Active willing trading parties are readily available.
- 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.

- Quoted price of comparables in an active market. Financial products with similar maturities and characteristics should be priced similarly. Adjustments are made for time lapse, minor characteristic differences, related party transactions, and observable price and relativity of similar financial products.
- Publicly quoted price of comparable products in non-active market.
- Financial model valuation with input based on publicly observable inputs such as interest rate, yield to maturity and variance that reflects public market's view and projection.
- 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, 2011**  
(In Thousands of New Taiwan Dollars)

Name	Beginning Balance	Valuation Gain/Loss Reflected in Income Statement or in Shareholders' Equity	Increase		Decrease		Foreign Exchange Rate Effect	Ending Balance
			Purchase/ Issued	Transfer into Level 3	Disposed/ Sold	Transfer Out of Level 3		
<u>Non-derivative instruments</u>								
Financial assets at fair value through profit or loss Held for trading financial assets	\$ 907	\$ 255,259	\$ 387,051	\$ 40,766	\$ 318,983	\$ -	\$ 12,018	\$ 377,018
Financial assets designated at fair value through profit or loss	-	(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 Financial Liabilities**  
**Year Ended December 31, 2011**  
(In Thousands of New Taiwan Dollars)

Name	Beginning Balance	Valuation Gain/Loss Reflected in Income Statement or in Shareholders' Equity	Increase		Decrease		Foreign Exchange Rate Effect	Ending Balance
			Purchase/ Issued	Transfer into Level 3	Disposed/ Sold	Transfer Out of Level 3		
<u>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 sets up independent risk management team to control the market risk, and to carry the market risk management policy out, including organization frame, responsibility and management process; also set clear market risk regulation and limits. Each sub-risk management team reviews limits by monitoring and managing risk exposures under the respective supervision and reports to head office management team timely.

Market risk reports which include the monitor of outstanding position limitation of loss and quantitative measures of risk indicators (ex.: Position, Delta, Vega, and BPV, etc.) are provided to risk management sector to manage risk exposure, risk premium and capital allocation. The indicators are calculated by the valuation models (ex.: Black & Scholes Model) provided by transaction systems (ex.: Fenics, Kondor Plus, and Bloomberg, etc.). The Bank uses the value-at-risk approach and Monte Carlo simulation method to derive quantitative measures for the trading book market risks under 99% confidence interval.

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

## 2) Credit risk

The Bank is exposed to credit risk in the event of default on contracts by counter-parties. The Bank makes credit commitments and issues financial guarantees and standby letters of credit only after careful evaluation of customers' credit worthiness. On the basis of the result of the credit evaluation, the Bank may require collaterals before drawings are made against the credit facilities. As of December 31, 2011 and 2010, ratios of secured loans to total loans were 68.18% and 68.70% respectively. Ratio of secured financial guarantees and standby letters of credits were between 21.64% and 23.39%. 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	
	2011	2010
	Maximum Credit Exposure	Maximum Credit Exposure
Off-balance-sheet credit risk		
Credit card commitments for credit card	\$ 209,633,194	\$ 175,223,135
Financial guarantees and standby letter of credit	19,007,127	18,863,305
Undrawn loan commitments	16,291,073	17,873,465

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

Credit Risk Profile by Counterparty	December 31	
	2011	2010
Consumer	\$ 380,463,194	\$ 378,249,511
Private sector	298,304,610	277,306,412
Government - government owned business	<u>40,811,112</u>	<u>40,236,956</u>
	<u>\$ 719,578,916</u>	<u>\$ 695,792,879</u>

Credit Risk Profile by Industry Sector	December 31	
	2011	2010
Electricity industry	\$ 71,735,252	\$ 63,307,145
Wholesale trade and retail business	56,525,275	44,865,134
Material and supplies	<u>44,531,919</u>	<u>42,569,608</u>
	<u>\$ 172,792,446</u>	<u>\$ 150,741,887</u>

Credit Risk Profile by Region	December 31	
	2011	2010
Domestic area	\$ 637,048,486	\$ 633,894,811
Asia	41,202,366	31,597,590
North America	<u>27,165,647</u>	<u>21,412,377</u>
	<u>\$ 705,416,499</u>	<u>\$ 686,904,778</u>

## 3) Liquidity risk

As of December 31, 2011 and 2010, the liquidity reserve ratio was 33.35% and 31.51%, respectively. The Bank has sufficient capital and working capital to execute all the obligation of contract and has no liquidity risk.

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

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

	December 31, 2011						
	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due Between One Year and Seven Years	Due After Seven Years	Total
<b>Assets</b>							
Cash and cash equivalents	\$ 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>
<b>Liabilities</b>							
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 (Note)	122,968,851	140,126,550	210,204,335	169,613,960	327,352,402	-	970,266,098
Bank debentures	41,323	-	-	-	33,986,520	3,000,000	37,027,843
Hedging derivative financial liabilities	-	-	-	3,107	51,212	-	54,319
	<u>190,194,402</u>	<u>157,275,159</u>	<u>213,541,722</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>\$107,018,924</u>	<u>\$ 4,446,120</u>	<u>\$(149,758,265)</u>	<u>\$(95,093,771)</u>	<u>\$(155,424,224)</u>	<u>\$343,164,588</u>	<u>\$ 54,353,372</u>
	December 31, 2010						
	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due Between One Year and Seven Years	Due After Seven Years	Total
<b>Assets</b>							
Cash and cash equivalents	\$ 10,719,584	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,719,584
Due from the Central Bank and other banks	67,314,572	2,819,995	5,152,961	-	-	-	75,287,528
Financial assets at fair value through profit or loss	23,358,361	387,393	2,443,315	178,267	535	-	26,367,871
Securities purchased under agreements to resell	1,152,479	-	-	-	-	-	1,152,479
Receivables	19,711,647	10,755,308	2,016,643	1,126,902	8,737,983	-	42,348,483
Discounts and loans	55,728,291	58,005,673	35,245,292	32,335,156	162,335,500	352,024,672	695,674,584
Available-for-sale financial assets	6,900,593	1,285,100	482,815	2,686,784	21,433,428	294,323	33,083,043
Held-to-maturity investments	116,705,568	41,943,817	11,554,547	28,339,063	515,379	24,998	199,083,372
Non-active market debt instruments	-	-	80,809	-	-	1,257	82,066
Hedging derivative financial assets	-	-	16,284	15,418	96,349	-	128,051
	<u>301,591,095</u>	<u>115,197,286</u>	<u>56,992,666</u>	<u>64,681,590</u>	<u>193,119,174</u>	<u>352,345,250</u>	<u>1,083,927,061</u>

December 31, 2010

	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due Between One Year and Seven Years	Due After Seven Years	Total
<b>Liabilities</b>							
Call loans and due to banks	\$ 36,880,937	\$ 12,572,343	\$ 1,650,990	\$ 13,483,507	\$ -	\$ -	\$ 64,587,777
Financial liabilities at fair value through profit or loss	6,662,958	385,427	151,948	2,305,533	1,246	-	9,507,112
Securities sold under agreements to repurchase	3,016,860	50,593	-	-	-	-	3,067,453
Payables	7,155,412	3,350,724	1,143,841	2,014,902	244,119	-	13,908,998
Deposits and remittances (Note)	136,749,610	149,180,566	157,908,041	149,692,443	322,437,212	-	915,967,872
Bank debentures	128,051	-	3,500,000	500,000	25,993,435	-	30,121,486
Hedging derivative financial liabilities	-	-	-	-	40,291	-	40,291
	<u>190,593,828</u>	<u>165,539,653</u>	<u>164,354,820</u>	<u>167,996,385</u>	<u>348,716,303</u>	-	<u>1,037,200,989</u>
Net liquidity gap	<u>\$110,997,267</u>	<u>\$ (50,342,367)</u>	<u>\$(107,362,154)</u>	<u>\$(103,314,795)</u>	<u>\$(155,597,129)</u>	<u>\$352,345,250</u>	<u>\$ 46,726,072</u>

Note: Included the principal of structured products.

#### 4) Foreign exchange rate risk

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

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

	December 31					
	2011			2010		
	U.S. Dollars	Exchange Rate	New Taiwan Dollars	U.S. Dollars	Exchange Rate	New Taiwan Dollars
<b>Assets</b>						
Cash and cash equivalents	\$ 94,562	30.29	\$2,864,283	\$ 75,036	29.152	\$2,187,449
Due from the Central Bank and other banks	549,185	30.29	16,634,814	832,500	29.152	24,269,040
Financial assets at fair value through profit or loss	420,181	30.29	12,727,282	633,809	29.152	18,476,800
Securities purchased under agreements to resell	43,143	30.29	1,306,801	37,886	29.152	1,104,453
Receivables, net	958,580	30.29	29,035,388	719,360	29.152	20,970,783
Discounts and loans, net	4,016,481	30.29	121,659,209	3,401,767	29.152	99,168,312
Available-for-sale financial assets	111,361	30.29	3,373,125	99,457	29.152	2,899,370
Held-to-maturity investments	6,008	30.29	181,982	6,329	29.152	184,503
Equity investments-equity method	162,306	30.29	4,916,249	162,306	29.152	4,731,545
Other financial assets, net						
Unquoted equity instruments	195,000	30.991	6,043,165	145,000	31.577	4,578,625
Non-active market debt instruments	-	30.29	-	2,772	29.152	80,809
Other financial assets	57,670	30.29	1,746,824	59,208	29.152	1,726,032
<b>Liabilities</b>						
Due to the Central Bank and other banks	1,483,245	30.29	44,927,491	1,198,860	29.152	34,949,167
Financial liabilities at fair value through profit or loss	428,461	30.29	12,978,084	477,386	29.152	13,916,757
Payables	235,807	30.29	7,142,594	178,168	29.152	5,193,954
Deposits and remittances	4,262,985	30.29	129,125,816	4,142,419	29.152	120,759,799
Other financial liabilities	70,090	30.29	2,123,026	47,371	29.152	1,380,959

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

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

## e. Fair value hedge

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

Hedged Items	Hedging Instruments	December 31			
		2011		2010	
		Notional Amount	Fair Value	Notional Amount	Fair Value
Bank debentures	Interest rate swap	\$ 1,400,000	\$ 41,323	\$ 1,400,000	\$ 96,349
	Cross currency swap	-	-	1,000,000	31,702
Fixed rate loans	Interest rate swap	134,123	(3,107)	141,919	(8,742)

## f. Cash flow hedge

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

Hedged Items	Hedging Instruments	December 31			
		2011		2010	
		Notional Amount	Fair Value	Notional Amount	Fair Value
Bank debentures	Interest rate swap	\$ 3,600,000	\$ (51,212)	\$ 3,600,000	\$ (31,549)

## 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, 2011		December 31, 2010		
			Standalone	Consolidation	Standalone	Consolidation	
Eligible capital	Tier 1 capital		\$59,365,922	\$63,862,362	\$55,343,189	\$60,084,898	
	Tier 2 capital		28,878,423	34,329,809	18,770,866	24,584,690	
	Tier 3 capital		-	-	-	-	
	Eligible capital		88,244,345	98,192,171	74,114,055	84,669,588	
Risk-weighted assets	Credit risk	Standardized approach	616,247,958	645,639,452	573,241,752	605,474,979	
		Internal rating - based approach	-	-	-	-	
		Securitization	914	559,267	286,211	812,726	
	Operational risk	Basic indicator approach	30,050,610	36,394,452	26,013,713	31,791,225	
		Standardized approach/alternative standardized approach	-	-	-	-	
		Advanced measurement approach	-	-	-	-	
	Market risk	Standardized approach	18,188,885	18,171,185	23,193,160	23,483,560	
		Internal models approach	-	-	-	-	
	Total risk-weighted assets			664,488,367	700,764,356	622,734,836	661,562,490
	Capital adequacy rate			13.28%	14.01%	11.90%	12.80%
Tier 1 risk - based capital ratio			8.93%	9.11%	8.89%	9.08%	
Tier 2 risk - based capital ratio			4.35%	4.90%	3.01%	3.72%	
Tier 3 risk - based capital ratio			-	-	-	-	
Ratios of common stockholders' equity to total assets			4.45%	4.33%	4.48%	4.32%	
Leverage ratio			5.22%	5.42%	5.30%	5.47%	

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

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

Note 3: The formula:

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

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

#### b. Asset quality

The overdue loans and receivables information please refer to Table 8-2.

## c. Maturity analysis of assets and liabilities

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

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

**Maturity Analysis of Assets and Liabilities**  
**December 31, 2010**

(In Thousands of New Taiwan Dollars)

	Total	The Amount of Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Main capital inflow on maturity	\$1,030,091,195	\$283,229,450	\$107,231,626	\$ 50,842,700	\$ 62,875,354	\$525,912,065
Main capital outflow on maturity	1,046,936,915	179,917,469	151,193,270	147,666,839	177,040,261	391,119,076
Gap	(16,845,720)	103,311,981	(43,961,644)	(96,824,139)	(114,164,907)	134,792,989

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, 2010**

(In Thousands of U.S. Dollars)

	Total	The Amount of Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Main capital inflow on maturity	\$10,228,006	\$ 4,074,129	\$ 1,785,942	\$ 1,255,606	\$ 695,044	\$ 2,417,285
Main capital outflow on maturity	10,157,520	4,823,018	1,617,138	814,395	469,240	2,433,729
Gap	70,486	(748,889)	168,804	441,211	225,804	(16,444)

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

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

d. Profitability

(%)

Items	Year Ended	Year Ended	
	December 31, 2011	December 31, 2010	
Return on total assets	Before income tax	0.24	0.41
	After income tax	0.22	0.33
Return on net worth	Before income tax	3.97	6.80
	After income tax	3.61	5.46
Profit margin	15.35	21.13	

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, 2011 and 2010.

e. Interest rate sensitivity information

**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%

**Interest Rate Sensitivity  
December 31, 2010**

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-rate sensitive assets	\$718,744,753	\$ 23,992,534	\$ 53,180,435	\$ 58,321,712	\$854,239,434
Interest-rate sensitive liabilities	380,102,084	372,965,474	48,432,914	18,834,629	820,335,101
Interest-rate sensitive gap	338,642,669	(348,972,940)	4,747,521	39,487,083	33,904,333
Net worth					67,173,893
Ratio of interest-rate sensitive assets to liabilities					104.13%
Ratio of interest-rate sensitive gap to net worth					50.47%

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

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

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

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

**Interest Rate Sensitivity  
December 31, 2011**

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

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-rate sensitive assets	\$ 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%)

**Interest Rate Sensitivity  
December 31, 2010**

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

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-rate sensitive assets	\$ 4,695,772	\$ 184,876	\$ 173,594	\$ 185,571	\$ 5,239,813
Interest-rate sensitive liabilities	2,567,962	2,657,158	185,024	411	5,410,555
Interest-rate sensitive gap	2,127,810	(2,472,282)	(11,430)	185,160	(170,742)
Net worth					58,114
Ratio of interest-rate sensitive assets to liabilities					96.84%
Ratio of interest-rate sensitive gap to net worth					(293.81%)

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

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

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

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

## f. Concentration of credit extensions

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 (LCD and its components manufacturing)	\$14,355,828	21.77%
2	B Group (Plastics)	14,272,371	21.64%
3	C Group (LCD and its components manufacturing)	12,219,170	18.53%
4	D Group (Computer and peripheral equipment)	7,916,648	12.00%
5	E Group (Computer and peripheral equipment)	5,933,193	9.00%
6	F Group (Retail sale of cosmetics in specialized stores)	5,358,503	8.12%
7	G Group (CATV)	4,751,461	7.20%
8	H Group (Finance and lease)	4,618,464	7.00%
9	I Group (LCD and its components manufacturing)	4,023,044	6.10%
10	J Group (Metal product)	2,523,957	3.83%

December 31, 2010

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	Industry Category (Note 2)	Total Credit Consists of Loans (Note 3)	Percentage of Net Worth (%) (Note 4)
1	A Group (Optoelectronic)	\$12,243,659	19.63%
2	B Group (Plastics)	12,003,656	19.25%
3	C Group (Computer and peripheral equipment)	8,397,467	13.47%
4	D Group (Manufacture of monitors and terminals)	7,471,722	11.98%
5	E Group (Computer and peripheral equipment)	6,482,937	10.40%
6	F Group (Wholesale of general merchandise)	5,765,269	9.25%
7	G Group (Real estate development activities)	5,524,505	8.86%
8	H Group (Computer and peripheral equipment)	4,789,832	7.68%
9	I Group (Finance and lease)	3,653,192	5.86%
10	J Group (LCD and its components manufacturing)	3,229,970	5.18%

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

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

Note 3: Total credit consists of loans were totalized each credit (included import bill negotiated, export bill negotiated, discounts, overdrafts, short-term loans, short-term secured loans, marginal receivables, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, and nonperforming loans), exchange bills negotiated, accounts receivable - without recourse factoring, acceptances receivable, and grantees issued.

Note 4: Net worth of previous year-end.

### 35. TRUST BUSINESS UNDER THE TRUST LAW

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

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

<b>Balance Sheets of Trust Accounts</b>						
<b>December 31, 2011 and 2010</b>						
<b>(In Thousands of New Taiwan Dollars)</b>						
<b>December 31</b>						
	<b>2011</b>			<b>2010</b>		
	<b>Other Trust Business</b>	<b>Financial Assets and Real Estate Trust Plan</b>	<b>Total</b>	<b>Other Trust Business</b>	<b>Financial Assets and Real Estate Trust Plan</b>	<b>Total</b>
<u>Trust assets</u>						
Bank deposits	\$ 2,699,582	\$ -	\$ 2,699,582	\$ 4,311,477	\$ 1,436,727	\$ 5,748,204
Bonds	2,633,025	-	2,633,025	12,135,070	-	12,135,070
Stocks	5,746,650	-	5,746,650	7,250,904	-	7,250,904
Funds	111,451,569	-	111,451,569	118,769,084	-	118,769,084
Securities lent	1,188,055	-	1,188,055	230,811	-	230,811
Receivables	9,301	-	9,301	2,036	49	2,085
Prepayments	12	49	61	10	13,919	13,929
Real estate						
Land	5,945,769	-	5,945,769	7,599,707	3,538,574	11,138,281
Buildings	111,039	-	111,039	3,102,906	1,364,856	4,467,762
Construction in process	3,753,650	-	3,753,650	2,935,274	-	2,935,274
Securities under custody	67,235,920	-	67,235,920	79,358,442	-	79,358,442
Other assets	-	-	-	-	27,311	27,311
<b>Total trust assets</b>	<b><u>\$200,774,572</u></b>	<b><u>\$ 49</u></b>	<b><u>\$200,774,621</u></b>	<b><u>\$235,695,721</u></b>	<b><u>\$ 6,381,436</u></b>	<b><u>\$242,077,157</u></b>
<u>Trust liabilities</u>						
Payables	2,226	-	2,226	344	1,597	1,941
Advance receipts	-	-	-	-	5,760	5,760
Other liabilities	-	-	-	-	1,667,749	1,667,749
Payable on securities under custody	67,235,920	-	67,235,920	79,358,442	-	79,358,442
Trust capital	132,994,919	11,806	133,006,725	154,003,923	3,489,469	157,493,392
Reserves and cumulative earnings						
Reserves	-	22,312	22,312	-	32,872	32,872
Net income	(37,791)	(22,815)	(60,606)	853,180	96,942	950,122
Cumulative earnings	2,333,012	720,559	3,053,571	2,148,753	623,617	2,772,370
Deferred amount	(1,753,714)	(731,813)	(2,485,527)	(668,921)	-	(668,921)
Unrealized revaluation increment on land	-	-	-	-	463,430	463,430
<b>Total trust liabilities</b>	<b><u>\$200,774,572</u></b>	<b><u>\$ 49</u></b>	<b><u>\$200,774,621</u></b>	<b><u>\$235,695,721</u></b>	<b><u>\$ 6,381,436</u></b>	<b><u>\$242,077,157</u></b>

**Trust Income Statement**  
**Years Ended December 31, 2011 and 2010**

(In Thousands of New Taiwan Dollars)

	Years Ended December 31					
	2011			2010		
	Other Trust Business	Financial Assets and Real Estate Trust Plan	Total	Other Trust Business	Financial Assets and Real Estate Trust Plan	Total
Trust income						
Interest income	\$ 37,364	\$ 479	\$ 37,843	\$ 234,737	\$ 17,778	\$ 252,515
Rental income	-	-	-	-	201,184	201,184
Borrowed Securities income	21,639	-	21,639	2,292	-	2,292
Cash dividend income	303,931	-	303,931	408,040	-	408,040
Gains from beneficiary certificates	185	-	185	217	-	217
Realized investment income	28,234	-	28,234	283,298	-	283,298
Unrealized investment income	-	-	-	14,771	-	14,771
Total trust income	<u>391,353</u>	<u>479</u>	<u>391,832</u>	<u>943,355</u>	<u>218,962</u>	<u>1,162,317</u>
Trust expense						
Trust administrative expenses	9,553	105	9,658	6,680	1,556	8,236
Tax expenses	3,721	-	3,721	23,431	12,497	35,928
Interest expenses	-	22,869	22,869	-	103,866	103,866
OTC expenses	-	75	75	-	956	956
Service expenses	-	231	231	-	1,249	1,249
Realized investment loss	72,602	-	72,602	59,714	-	59,714
Unrealized investment loss	342,792	-	342,792	-	-	-
Others	476	14	490	350	1,896	2,246
Total trust expense	<u>429,144</u>	<u>23,294</u>	<u>452,438</u>	<u>90,175</u>	<u>122,020</u>	<u>212,195</u>
Income (loss) before income tax	(37,791)	(22,815)	(60,606)	853,180	96,942	950,122
Income tax expense	-	-	-	-	-	-
Net income (loss)	<u>\$ (37,791)</u>	<u>\$ (22,815)</u>	<u>\$ (60,606)</u>	<u>\$ 853,180</u>	<u>\$ 96,942</u>	<u>\$ 950,122</u>

**Trust Properties of Trust Accounts**  
**December 31, 2011 and 2010**

(In Thousands of New Taiwan Dollars)

Investment Portfolio	December 31			
	2011		2010	
	Book Value	Note	Book Value	Note
Bank deposits	\$ 2,699,582		\$ 5,748,204	
Bonds	2,633,025		12,135,070	
Stocks	5,746,650		7,250,904	
Funds	111,451,569		118,769,084	
Securities lent	1,188,055		230,811	
Asset pool of financial asset securitization	-		-	
Asset pool of real estate securitization	-		4,903,430	
Real estate				
Land	5,945,769		7,599,707	
Buildings	111,039		3,102,906	
Construction in process	3,753,650		2,935,274	
Securities under custody	<u>67,235,920</u>		<u>79,358,442</u>	
Total	<u>\$ 200,765,259</u>		<u>\$ 242,033,832</u>	

- b. The contents of operations of the trust business under the Trust Law please refer to Note 1.
- 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, 2011 and 2010, the Bank charged SinoPac Securities for \$3,170 and \$3,907, respectively, as marketing and opening accounts. The rental fee the Bank has charged SinoPac Securities for the years ended December 31, 2011 and 2010 were \$3,270 and \$2,419, respectively. The rental fee the Bank paid to SinoPac Securities were \$674 and \$523, respectively for the years ended December 31, 2011 and 2010. The Bank has charged SinoPac Securities a total of \$3,766 and \$134 for the years ended December 31, 2011 and 2010 for bonus as part of the cross-selling agreement. Other transactions between SPH and its subsidiaries, please refer to Note 28.

### 37. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

- 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 9.
- b. The Bank is operating in three principal geographical areas - Domestic, USA, and Hong Kong and Macao. For information regarding clients outside the Bank business segment revenue and geographical information assets, please refer to Table 9.

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

Under Rule No. 0990004943 issued by the Financial Supervisory Commission (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 is the projection decision-making committees. The main contents of the plan, anticipated schedule and status of execution as of December 31, 2011 were as follows:

<b>Contents of Plan</b>	<b>Responsible Department</b>	<b>Status of Execution</b>
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) Comparison and analysis of the differences between current accounting policies and IFRSs	Administration division, human resource division, commodity division, risk management division, accounting division.	Finished
4) Complete the identification of consolidated entities under IFRSs	Accounting division.	Finished
5) Evaluated potential effect on adoption of IFRS 1 "First-time Adoption of International Financial Reporting Standards"	Administration division, human resource division, commodity division, risk management division, accounting division.	Finished
6) Assessment of related IT system to identify possible adjustments	Administration division, human resource division, commodity division, risk management division, accounting division, IT division.	Finished
7) Assessment of related internal controls to identify possible adjustments	Administration division, human resource division, commodity division, risk management division, accounting division.	Finished
8) Determining IFRSs accounting policies	Administration division, human resource division, commodity division, risk management division, accounting division.	Finished
9) Determining the exemptions chosen of IFRS 1 "First-time Adoption of International Financial Reporting Standards"	Administration division, human resource division, commodity division, accounting division.	Finished
10) Complete the preparation of opening IFRS statement of financial position	Accounting division.	In progress according to the plan
11) Complete the preparation of comparative 2012 IFRSs financial information	Accounting division.	In progress according to the plan
12) Complete modification of Internal control (including financial report process and relevant IT systems)	Administration division, human resource division, commodity division, risk management division, accounting division, IT division, internal audit division.	In progress according to the plan

b. As of December 31, 2011, the Bank had assessed the material differences, shown below, between the existing accounting policies and the accounting policies to be adopted under IFRSs:

<b>Accounting Issues</b>	<b>Description of Differences</b>
Employee preferential interest deposits	Under Article 28 of Criteria Governing the Preparation of Financial Reports by Public Bank, the excess preferential interest the Bank offers to the employees according to the employment arrangement or internal guideline should be recognized as post employee benefits at the date when employees retired.

Accounting Issues	Description of Differences
Evaluation of provision	A provision should be recognized when and only when (1) an entity has a present obligation as a result of a past event; and (2) it is possible that an outflow of resources embodying economic benefits will be required to settle the obligation. The provision accrued based on fee revenue should be reversed under IFRSs.
<p>c. The Bank 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 Securities Issuers 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.</p>	

### 39. ADDITIONAL DISCLOSURES

- a. and b. Following are the additional disclosures required by the Securities and Futures Bureau for the Bank and investees:
- 1) Financing provided: 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: Table 2;
  - 5) Acquired and disposed of investee investment at cost or prices of at least NT\$300 million or 10% of the issued capital: Table 2;
  - 6) Acquisition of individual real estate at costs of at least NT\$300 million or 10% of the issued capital: None;
  - 7) Disposal of individual real estate at prices of at least NT\$300 million or 10% of the issued capital: Table 3;
  - 8) Financial asset securitization: None;
  - 9) Allowance for service fees to related-parties amounting to at least NT\$5 million: None;
  - 10) Receivables from related parties amounting to at least NT\$300 million or 10% of the issued capital: Table 4;
  - 11) Sale of nonperforming loans: Table 5;
  - 12) The information of investees: Table 6;
  - 13) Other significant transactions which may affect the decisions of users of financial reports: Table 7 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.
- c. Information related to investment in Mainland China: None.

**TABLE 1****BANK SINOPAC AND INVESTEES****MARKETABLE SECURITIES HELD****DECEMBER 31, 2011****(In Thousands of New Taiwan Dollars or Shares)**

Name of Holding Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	December 31, 2011				Note
				Shares/Units/ Face Amount	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
SinoPac Bancorp	<u>Stock</u> Far East National Bank	Subsidiary	Equity investments - equity method and unquoted equity investments	8,070	\$ 8,829,078	100%	\$ 8,829,078	Note 2
	Far East Capital, LLC	Subsidiary	Equity investments - equity method	-	21,125	100%	21,125	Note 2
SinoPac Capital Limited (H.K.)	<u>Stock</u> SinoPac Capital (B.V.I.) Ltd.	Subsidiary	Equity investments - equity method	4,450	32,328	100%	49,734	Note 2
	SinoPac Insurance Brokers Ltd.	Subsidiary	Equity investments - equity method	100	1,169	100%	141,235	Note 2
SinoPac Capital (B.V.I.) Ltd.	<u>Fund</u> China Enterprise Capital	-	Unquoted equity investments	0.020	30,215	-	30,215	Note 3
	<u>Stock</u> RSP Information Service Company Limited	Subsidiary	Equity investments - equity method	1,000	3,883	100%	4,533	Note 2
SinoPac Property Insurance Agent Co., Ltd.	<u>Bond</u> Government bond 88-3	-	Guarantee deposits	600	630	-	761	Pledge
SinoPac Life Insurance Agent Co., Ltd.	<u>Bond</u> Government bond 88-3	-	Guarantee deposits	600	629	-	761	Pledge

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

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

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

**TABLE 2****BANK SINOPAC AND INVESTEES****ACQUIRED AND DISPOSED OF INVESTEE INVESTMENT AT COST OR PRICES OF AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL****(MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF, AT COST OR PRICES OF AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL)****YEAR ENDED DECEMBER 31, 2011****(In Thousands of New Taiwan Dollars or Shares, Unless Otherwise Stated)**

Company Name	Type and Name of Marketable Securities	Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Units	Amount	Units	Amount	Units	Amount	Carrying Value	Gain (Loss) on Disposal	Units	Amount
Bank SinoPac	<u>Stock</u> SinoPac Bancorp	Unquoted equity investments	-	Subsidiary of the Bank	5,800	\$ 4,578,625	2,000	\$ 1,464,540	-	\$ -	\$ -	\$ -	7,800	\$ 6,043,165
SinoPac Bancorp	Far East National Bank	Investment in subsidiaries	-	Overseas affiliate of the Bank	6,070	US\$ 308,893 thousand	2,000	US\$ 50,000 thousand	-	-	-	-	8,070	US\$ 358,893 thousand

**TABLE 3****BANK SINOPAC AND INVESTEES**

**DISPOSAL OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL  
YEAR ENDED DECEMBER 31, 2011  
(In Thousands of New Taiwan Dollars)**

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

**TABLE 4****BANK SINOPAC AND INVESTEES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL  
DECEMBER 31, 2011  
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Bank SinoPac	SinoPac Financial Holdings Company Limited	The parent company of the Bank	\$ 1,167,783 (Note)	-	\$ -	-	\$ -	\$ -

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

TABLE 5

## BANK SINOPAC AND INVESTEEES

**TRADING INFORMATION - SALE OF NONPERFORMING LOANS  
 YEAR ENDED DECEMBER 31, 2011  
 (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>							
March 25, 2011	Spiegel Development, Inc.	Commercial secured loans	\$ 20,900	\$ 25,837	\$ 4,937	-	None
April 28, 2011	Merrill Lynch International	Commercial secured loans	44,859	45,950	1,091	-	None
April 29, 2011	Merrill Lynch Credit Products, LLC	Commercial secured loans	109,589	149,057	39,468	-	None
<u>FENB</u>							
January 26, 2011	Spiegel Development, Inc.	Commercial secured loans	147,694	122,675	(25,019)	-	None
February 22, 2011	West Valley Asset Management, LLC	Commercial secured loans	61,428	56,370	(5,058)	-	None
February 24, 2011	Leslie Becher	Commercial secured loans	3,817	4,331	514	-	None
March 23, 2011	S. P. Villas, LLC	Commercial secured loans	17,053	25,837	8,784	-	None
April 13, 2011	Oliver McMillan Mgmt. Services, Inc.	Commercial secured loans	77,270	96,534	19,264	-	None
May 5, 2011	Nikki Investments, LLC	Commercial secured loans	15,175	15,418	243	-	None
May 12, 2011	115 Sanchez Investors, LLC	Commercial secured loans	10,056	12,207	2,151	-	None
June 3, 2011	Asset Foreclosure Service, Inc.	Commercial secured loans	12,177	12,177	-	-	None
June 6, 2011	O-M Equities 1, LLC	Commercial secured loans	29,987	26,110	(3,877)	-	None
June 17, 2011	SVP SIMI, LLC	Commercial secured loans	63,912	64,306	394	-	None
June 21, 2011	C & D Cycle Enterprise LLC	Commercial secured loans	58,641	59,974	1,333	-	None
June 28, 2011	JASSAS Capital, LLC	Commercial secured loans	19,810	19,295	(515)	-	None
June 30, 2011	Asset Foreclosure Service, Inc.	Commercial secured loans	122,826	131,398	8,572	-	None
July 1, 2011	SVP SIMI, LLC	Commercial secured loans	99,442	82,419	(17,023)	-	None
July 8, 2011	SST Investments, LLC	Commercial secured loans	22,505	22,869	364	-	None
August 18, 2011	Kearny FE 1, LLC	Commercial secured loans	814,074	814,074	-	-	None
August 18, 2011	Kearny FE 1, LLC	Commercial none secured loans	-	1,424	1,424	-	None
September 28, 2011	MB MONTCLAIR, LLC	Commercial secured loans	62,307	62,307	-	-	None
September 29, 2011	RCB Equities #4, LLC	Commercial secured loans	277,093	287,664	10,571	-	None
October 5, 2011	CCIG Properties, LLC	Commercial secured loans	19,991	39,377	19,386	-	None
October 11, 2011	366 Development, LLC	Commercial secured loans	10,147	10,147	-	-	None
November 1, 2011	RCB Equities #5, LLC	Commercial secured loans	43,133	43,133	-	-	None
November 4, 2011	Miracle Day Investments, LLC	Commercial secured loans	48,282	48,282	-	-	None
November 4, 2011	Arvind Ved	Commercial secured loans	15,236	18,931	3,695	-	None
November 10, 2011	RCB Equities #5, LLC	Commercial secured loans	110,377	138,001	27,624	-	None
November 22, 2011	SDLT Investments VI, LLC	Commercial secured loans	23,838	29,654	5,816	-	None
November 30, 2011	R Squared Asset Group, LLC	Commercial secured loans	97,806	163,990	66,184	-	None
December 6, 2011	80 Alantie LLC	Commercial secured loans	30,441	36,136	5,695	-	None
December 6, 2011	Piercy Road Investors, LLC	Commercial secured loans	49,070	49,070	-	-	None
December 8, 2011	TRI Invest, LLC	Commercial secured loans	9,632	9,693	61	-	None
December 16, 2011	Penn Equities, LLC	Commercial secured loans	127,127	139,273	12,146	-	None
December 27, 2011	Nelson Investors, LLC	Commercial secured loans	25,413	25,413	-	-	None

Date	Counter-parties	Loans	Carrying Amount (Note)	Selling Price (Note)	Gain or (Loss) on Disposal	Attachment	Relation
December 28, 2011	Spiegel Development, Inc.	Commercial secured loans	\$ 163,475	\$ 181,013	\$ 17,538	-	None
December 31, 2011	Orton Development, Inc.	Commercial secured loans	57,430	39,014	(18,416)	-	None
December 31, 2011	Miracle Day Investments, LLC and Dayco Funding Corp.	Commercial secured loans	7,179	7,239	60	-	None
December 31, 2011	KJSRR LLC.	Commercial secured loans	37,832	51,190	13,358	-	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 6

## BANK SINOPAC AND INVESTEEES

**INFORMATION ON INVESTED ENTERPRISES  
YEAR ENDED DECEMBER 31, 2011  
(In Thousands of New Taiwan Dollars or Shares)**

Investee Company	Location	Main Businesses and Products	Percentage of Ownership	Carrying Amount	Investment Gains (Loss)	Consolidated Investment				Note
						Shares	Imitated Shares	Total		
								Shares	Percentage of Ownership	
<u>Financial related enterprise</u>										
SinoPac Bancorp	California	Holding company	100.00%	\$ 2,680,845	\$(2,189,954)	20	-	20	100.00%	Subsidiary
SinoPac Capital Limited (H.K.)	Hong Kong	Credit and investment service	100.00%	1,241,505	46,943	229,998	-	229,998	100.00%	Subsidiary
SinoPac Life Insurance Agent Co., Ltd.	Taipei	Life insurance agent	100.00%	612,839	557,242	300	-	300	100.00%	Subsidiary
SinoPac Property Insurance Agent Co., Ltd.	Taipei	Property insurance agent	100.00%	34,350	28,205	300	-	300	100.00%	Subsidiary
SinoPac Bancorp	California	Holding company	100.00%	6,043,165	-	7,800	-	7,800	100.00%	Note 2
Global Securities Finance Corporation	Taipei	Securities financing	2.63%	173,496	-	19,712	-	19,712	2.63%	
Taipei Foreign Exchange Inc.	Taipei	Foreign exchange market maker	3.43%	6,800	2,173	680	-	680	3.43%	Note 3
Taiwan Futures Exchange	Taipei	Futures exchange and settlement	1.07%	21,490	4,307	5,122	-	5,122	1.88%	Note 3
Fuh Hwa Securities Investment Trust Co., Ltd.	Taipei	Securities investment trust and consultant	4.63%	15,000	15,750	1,500	-	1,500	4.63%	Note 3
Financial Information Service Co., Ltd.	Taipei	Planning and developing the information system of across banking institution and managing the information web system	2.28%	91,000	11,375	10,238	-	10,238	2.28%	Note 3
Taiwan Asset Management Corporation	Taipei	Evaluating, auctioning, and managing for financial institutions' loan	0.28%	50,000	3,536	5,000	-	5,000	0.28%	Note 3
Mondex Taiwan Inc.	Taipei	Information process services	6.69%	2,435	-	395	-	395	6.69%	
Taiwan Financial Asset Service Co.	Taipei	Auction	5.88%	100,000	1,000	10,000	-	10,000	5.88%	Note 3
Sunny Asset Management Corp.	Taipei	Purchasing for financial institutions' loan assets	1.42%	164	112	85	-	85	1.42%	Note 3
Taiwan Depository and Clearing Co.	Taipei	Computerizing book-entry operation for securities	0.08%	4,639	309	2,344	-	2,344	0.75%	Note 3
<u>Nonfinancial related enterprise</u>										
Taiwan Television Enterprise, Ltd.	Taipei	Wireless television company	4.84%	20,983	-	13,923	-	13,923	4.96%	

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, 2011.

Note 2: During 2011, SinoPac Bancorp has issued 2,000 thousand additional preferred shares for cash to the Bank, the Bank has classified the investment as unquoted equity instruments.

Note 3: Investment gains are dividends income.

**TABLE 7-1****BANK SINOPAC****FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS  
DECEMBER 31, 2011 AND 2010  
(In Thousands of New Taiwan Dollars)**

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
<u>Held-for-trading financial assets</u>		
Negotiable certificates of deposit	\$ 17,005,311	\$ 10,000,751
Government bonds	3,110,307	211,182
Corporate bonds	2,935,051	1,133,565
Bank debentures	640,777	2,378,935
Beneficiary certificates	450,698	663,309
Listed stocks	31,171	1,243,551
Convertible bonds	20,381	185,861
Collateralized debt obligations	780	907
Depository receipts	-	9,625
Derivative financial assets		
Interest rate swaps	4,569,158	6,386,205
Forward contracts	2,101,499	1,699,603
Premium paid on option contracts	666,008	1,489,671
Cross-currency swap contracts	192,369	49,348
Currency swap contracts	167,422	48,486
Others	<u>24,036</u>	<u>12,068</u>
	<u>31,914,968</u>	<u>25,513,067</u>
<u>Financial assets designated at fair value through profit or loss</u>		
Convertible bonds	876,068	659,177
Corporate bonds	-	143,209
C equity interest in VISA Inc.	-	52,418
	<u>876,068</u>	<u>854,804</u>
Total of financial assets at fair value through profit or loss	<u>\$ 32,791,036</u>	<u>\$ 26,367,871</u>
<u>Held-for-trading financial liabilities</u>		
Investments in purchasable bonds-margin-trading short	\$ -	\$ 48,431
Derivative financial liabilities		
Interest rate swaps	4,583,328	6,313,255
Forward contracts	1,605,822	1,775,889
Premiums received on option contracts	812,661	1,227,884
Currency swap contract	144,792	38,521
Cross-currency swap contract	123,602	58,434
Others	<u>39,549</u>	<u>44,698</u>
	<u>\$ 7,309,754</u>	<u>\$ 9,507,112</u>

**TABLE 7-2****BANK SINOPAC**
**CONTRACT AMOUNTS OF OUTSTANDING DERIVATIVE TRANSACTIONS  
 DECEMBER 31, 2011 AND 2010  
 (In Thousands of New Taiwan Dollars)**

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Interest rate swap contracts	\$ 836,221,169	\$ 927,655,559
Currency swap contracts	379,929,660	259,918,558
Options		
Long position	146,307,870	166,846,144
Short position	145,337,961	168,807,115
Forward contracts		
Long position	5,310,071	9,500,346
Short position	3,381,876	5,987,591
Non-deliverable forward contracts		
Long position	270,945,746	84,219,334
Short position	270,144,366	83,325,708
Cross-currency swap contracts	8,590,579	3,625,728
Assets swap contracts	1,036,771	1,136,928
Credit default swap contracts	1,100,000	1,100,000
Equity-linked swap contracts	35,057	35,944
Commodity-linked swap contracts	273,825	117,561
Futures		
Interest rate futures short position	1,261,485	-
Equity futures short position	27,197	-
Credit linked swap contracts	1,100,000	2,100,000

**TABLE 7-3****BANK SINOPAC**
**AVAILABLE-FOR-SALE FINANCIAL ASSETS  
 DECEMBER 31, 2011 AND 2010  
 (In Thousands of New Taiwan Dollars)**

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Government bonds	\$ 12,213,236	\$ 14,228,089
Corporate bonds	8,245,565	6,313,989
Bank debentures	5,995,760	6,350,107
Commercial paper	5,024,470	4,794,788
Government sector bonds	606,109	591,497
Negotiable certificates of deposit	452,533	590,455
Listed stocks	62,959	214,118
	<u>\$ 32,600,632</u>	<u>\$ 33,083,043</u>

**TABLE 7-4****BANK SINOPAC****HELD-TO-MATURITY INVESTMENTS  
DECEMBER 31, 2011 AND 2010  
(In Thousands of New Taiwan Dollars)**

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Negotiable certificates of deposit	\$ 229,220,900	\$ 197,760,761
Corporate bonds	500,921	840,691
Government bonds	127,561	293,112
Bank debentures	25,974	100,029
Collateralized debt obligations	4,568	13,751
Floating rate notes	-	75,028
	<u>\$ 229,879,924</u>	<u>\$ 199,083,372</u>

**TABLE 7-5****BANK SINOPAC****OTHER FINANCIAL ASSETS  
DECEMBER 31, 2011 AND 2010  
(In Thousands of New Taiwan Dollars)**

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Unquoted equity instruments		
Oversea unlisted equity investments - preferred stock	\$ 6,043,165	\$ 4,578,625
Unlisted equity investments - common stock	488,507	488,507
	6,531,672	5,067,132
Less: Accumulated impairment	2,500	-
	<u>6,529,172</u>	<u>5,067,132</u>
Non-active market debt instruments		
Collateralized debt obligations	-	80,809
Mortgage backed securities	-	1,257
	<u>-</u>	<u>82,066</u>
Others		
Purchase of PEM instruments	3,772,340	3,881,214
Guarantee deposits	556,112	918,466
Nonperforming receivables transferred from other than loans	176,581	118,295
Guarantee of futures and options	121,150	158,284
Hedging derivative financial instruments	41,323	128,051
Short-term advancement	22,927	21,305
Exchange bills negotiated	362	47
	4,690,795	5,225,662
Less: Accumulated impairment	2,128,986	2,301,151
Allowance for credit losses	172,070	167,295
	<u>2,389,739</u>	<u>2,757,216</u>
	<u>\$ 8,918,911</u>	<u>\$ 7,906,414</u>

TABLE 7-6

## BANK SINOPAC

## BANK DEBENTURES

DECEMBER 31, 2011 AND 2010

(In Thousands of New Taiwan Dollars)

	December 31		Maturity Date	Rate
	2011	2010		
<u>Dominant bank debentures</u>				
Eighth dominant bank debentures issued in 2004	\$ -	\$ 516,284	2004.05.21-2011.05.21 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually with simple interest based on actual days.
Fifteenth dominant bank debentures issued in 2004	-	515,418	2004.07.13-2011.07.13 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Dominant bank debentures	-	<u>1,031,702</u>		
<u>Subdominant bank debentures</u>				
First subordinated bank debentures issued in 2008	1,441,040	1,495,909	2008.03.17-2013.09.17 Principal is repayable on maturity date.	Fixed interest rate of 3.05%, interest is paid annually.
Second subordinated bank debentures issued in 2008 (A)	4,498,825	4,498,486	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)	499,870	499,832	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	3,599,180	3,598,824	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	5,598,104	5,597,698	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)	2,199,293	2,199,101	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)	2,199,942	2,199,934	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)	3,098,603	3,100,000	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)	2,898,698	2,900,000	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	999,415	-	2011.03.11-2018.03.11 Principal is repayable on maturity date.	Fixed interest rate of 1.92%, interest is paid annually.

	December 31		Maturity Date	Rate
	2011	2010		
Second subordinated bank debentures issued in 2011 (A)	\$ 3,798,110	\$ -	2011.8.18-2018.8.18 Principal is repayable on maturity date.	Fixed interest rate of 1.95%, interest is paid annually.
Second subordinated bank debentures issued in 2011 (B)	2,998,481	-	2011.8.18-2021.8.18 Principal is repayable on maturity date.	Fixed interest rate of 2.18%, interest is paid annually.
Third subordinated bank debentures issued in 2011	3,198,282	-	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 2005	-	3,000,000	2005.12.31-2011.06.13 Principal is repayable on maturity date.	Index rate plus 0.35%. Interest rate is reset semiannually since the issuance date. Interest is paid semiannually.
Subdominant bank debentures	<u>37,027,843</u>	<u>29,089,784</u>		
	<u>\$37,027,843</u>	<u>\$30,121,486</u>		

**TABLE 7-7****BANK SINOPAC****DERIVATIVE FINANCIAL INSTRUMENT TRANSACTIONS****DECEMBER 31, 2011 AND 2010****(In Thousands of New Taiwan Dollars)**SinoPac Capital Ltd.

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

Financial Instruments	December 31			
	2011		2010	
	Contract (Notional) Amount	Fair Value	Contract (Notional) Amount	Fair Value
Currency swap contracts	\$ 874,817	\$ ( 41)	\$ 850,951	\$ ( 29)

**TABLE 8-1****BANK SINOPAC**
**STATEMENT OF CHANGES IN ALLOWANCE FOR CREDIT LOSS**  
**YEARS ENDED DECEMBER 31, 2011 AND 2010**  
**(In Thousands of New Taiwan Dollars)**

	Year Ended December 31, 2011							
	Discounts and Loans			Account Receivable	Provisions for Acceptance and Guarantees	Other Financial Assets	Other Assets	Total
	Specific Reserve	General Reserve	Subtotal					
Balance, January 1	\$ 1,698,079	\$ 3,544,161	\$ 5,242,240	\$ 637,723	\$ 28	\$ 167,295	\$ 723	\$ 6,048,009
Provision	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)	-	-
Result from change of effects 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>
	Year Ended December 31, 2010							
	Discounts and Loans			Account Receivable	Provisions for Acceptance and Guarantees	Other Financial Assets	Other Assets	Total
	Specific Reserve	General Reserve	Subtotal					
Balance, January 1	\$ 2,286,482	\$ 2,773,395	\$ 5,059,877	\$ 404,898	\$ 31	\$ 888,847	\$ 723	\$ 6,354,376
Provision	1,062,716	880,860	1,943,576	298,805	2	329,615	-	2,571,998
Write-off	(1,678,283)	-	(1,678,283)	(352,147)	-	(1,063,771)	-	(3,094,201)
Recovery of written-off credits	44,106	-	44,106	286,258	-	1,375	-	331,739
Reclassifications	110,649	(110,094)	555	-	-	(555)	-	-
Result from change of effects of exchange rate changes	(127,591)	-	(127,591)	(91)	(5)	16,362	-	(111,325)
Others	-	-	-	-	-	(4,578)	-	(4,578)
Balance, December 31	<u>\$ 1,698,079</u>	<u>\$ 3,544,161</u>	<u>\$ 5,242,240</u>	<u>\$ 637,723</u>	<u>\$ 28</u>	<u>\$ 167,295</u>	<u>\$ 723</u>	<u>\$ 6,048,009</u>

TABLE 8-2

## BANK SINOPAC

**OVERDUE LOANS AND RECEIVABLES  
DECEMBER 31, 2011 AND 2010  
(In Thousands of New Taiwan Dollars, %)**

Items		December 31, 2011					December 31, 2010				
		Non-performing Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)	Non-performing Loan (NPL)	Total Loans	NPL Ratio	Loan Loss Reserves (LLR)	Coverage Ratio
Corporate loan	Secured	\$ 1,460,531	\$142,940,674	1.02%	\$ 933,734	63.93%	\$ 1,076,035	\$131,448,092	0.82%	\$ 600,615	55.82%
	Unsecured	1,459,760	209,499,404	0.70%	2,900,478	198.70%	1,643,974	202,185,933	0.81%	2,480,146	150.86%
Consumer loan	Mortgage (Note 4)	420,190	352,617,379	0.12%	2,714,271	645.96%	770,544	351,853,530	0.22%	1,014,029	131.60%
	Cash card	460	42,583	1.08%	17,255	3,751.09%	383	55,302	0.69%	1,875	489.56%
	Micro credit (Note 5)	55,645	9,656,712	0.58%	554,659	996.78%	102,271	6,006,876	1.70%	1,098,140	1,073.76%
	Other (Note 6)										
	Secured	1,131	4,645,583	0.02%	35,759	3,161.72%	3,050	4,124,851	0.07%	47,435	1,555.25%
	Unsecured										
Total		3,397,717	719,402,335	0.47%	7,156,156	210.62%	3,596,257	695,674,584	0.52%	5,242,240	145.77%
		<b>Overdue Receivables</b>	<b>Account Receivables</b>	<b>Delinquency Ratio</b>	<b>Allowance for Credit Losses</b>	<b>Coverage Ratio</b>	<b>Overdue Receivables</b>	<b>Account Receivables</b>	<b>Delinquency Ratio</b>	<b>Allowance for Credit Losses</b>	<b>Coverage Ratio</b>
Credit card		69,612	18,118,724	0.38%	329,737	473.68%	106,080	16,338,069	0.65%	623,272	587.55%
Account receivable - factoring with no recourse (Note 7)		66,488	16,629,573	0.40%	60,094	90.38%	10,188	18,457,780	0.06%	10,188	100.00%
Excluded NPL as a result of debt consultation and loan agreements (Note 8)					14,446				18,739		
Excluded overdue receivables as a result of debt consultation and loan agreements (Note 8)					599,859				814,563		
Excluded NPL as a result of consumer debt clearance (Note 9)					9,454				12,166		
Excluded overdue receivables as a result of consumer debt clearance (Note 9)					822,526				826,740		

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

For Credit card business: Overdue receivables are regulated by the Banking Bureau dated July 6, 2005 (Ref. No. 0944000378).

Note 2: For loan business: NPL ratio = NPL/Total loans.

For Credit card business: Delinquency ratio = Overdue receivables/Account receivables.

Note 3: For loan business: Coverage ratio = LLR/NPL

For credit card business: Coverage ratio = Allowance for credit losses/Overdue receivables.

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

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

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

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

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

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

**TABLE 8-3****BANK SINOPAC****STATEMENT OF THE ALLOWANCES FOR POSSIBLE LOSSES ON LOANS AND RECEIVABLES ASSESSED FOR IMPAIRMENT.****DECEMBER 31, 2011 AND 2010****(In Thousands of New Taiwan Dollars)****Loans**

Items		Loans	Allowance for Possible Losses
With objective evidence of impairment	Individually assessed	\$ 2,834,259	\$ 377,212
	Collectively assessed	2,967,824	1,361,748
With no objective evidence of impairment	Collectively assessed	713,600,252	5,417,196

**Receivables**

Items			Receivables	Allowance for Possible Losses
With objective evidence of impairment	Individually assessed	Nonperforming receivables transferred from other than loans (Note 3)	\$ 110,407	\$ 104,150
		Credit card receivables	2,056,064	240,891
	Collectively assessed	Nonperforming receivables transferred from other than loans (Note 3)	66,174	52,852
With no objective evidence of impairment	Collectively assessed	Account receivable - factoring receivables	16,629,573	60,094
		Credit card receivables	16,062,660	88,846
		Accounts receivable - forfaiting	11,542,182	-
		Others	5,795,360	39,795

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

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

Note 3: Recorded as other financial assets.

TABLE 9

## BANK SINOPAC

**OPERATING SEGMENTS AND GEOGRAPHICAL INFORMATION**  
**YEARS ENDED DECEMBER 31, 2011 AND 2010**  
**(In Thousands of New Taiwan Dollars)**

## Segment revenues and results

		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	\$ 1,376,109	\$ 1,104,654	\$ 1,106,229	\$ 171,245	\$14,915,865	\$ (846,827)	\$14,069,038
	Interest revenue	14,201,265	1,524,668	4,293,991	1,709,629	1,501,505	252,556	23,483,614	333,982	23,817,596
	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	1,609,944	417,616	395,276	18,856	8,893,942	854,616	9,748,558
	Commission and fee revenues, net	2,190,406	572,133	(36,435)	222,633	36,931	838,066	3,823,734	271,686	4,095,420
	Others	772,831	231,584	393,219	29,581	(459,366)	2,015	969,864	31,518	1,001,382
	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	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 1)		-	-	-	-	-	-	-	-	-

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

## Geographical information

	Year Ended December 31, 2011				
	Domestic	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

## Segment revenues and results

		Year Ended December 31, 2010								
		Domestic Branches	Consumer Banking	Financial Transaction	Oversea Branches	United States Subsidiary	Others	Operating Segments	Non-operating Segments	Total
Income (loss)	Net interest	\$ 9,443,453	\$ 1,544,227	\$ 1,058,188	\$ 1,224,959	\$ 1,340,602	\$ 163,257	\$14,774,686	\$ (1,257,909)	\$ 13,516,777
	Interest revenue	12,140,835	1,712,154	2,594,150	1,494,185	2,071,551	205,547	20,218,422	154,282	20,372,704
	Revenue amount segments	1,889,276	(155,189)	(818,429)	(155,303)	-	(29,367)	730,988	(730,988)	-
	Interest expense	4,586,658	12,738	717,533	113,923	730,949	12,923	6,174,724	681,203	6,855,927
	Commission and fee revenues, net	2,951,882	572,409	(29,559)	175,950	65,853	830,920	4,567,455	17,763	4,585,218
	Others	498,420	110,117	294,089	(47,990)	(69,436)	910	786,110	599,526	1,385,636
	Net revenue (loss)	12,893,755	2,226,753	1,322,718	1,352,919	1,337,019	995,087	20,128,251	(640,620)	19,487,631
	Bad debt expense	659,999	321,540	-	840,987	2,380,195	14,494	4,217,215	748,690	4,965,905
	Operating expense	7,929,890	1,064,521	305,838	758,167	1,262,970	212,924	11,534,310	(499,558)	11,034,752
	Depreciation and amortization	161,200	12,674	5,135	39,183	55,533	12,332	286,057	257,179	543,236
	Income (loss) before income tax	4,303,866	840,692	1,016,880	(246,235)	(2,306,146)	767,669	4,376,726	(889,752)	3,486,974
	Income tax benefit (expense)	(840,190)	(144,224)	(145,579)	145,697	995,894	(115,121)	(103,523)	117,924	14,401
	Net income (loss)	3,463,676	696,468	871,301	(100,538)	(1,310,252)	652,548	4,273,203	(771,828)	3,501,375
		Domestic Branches	Consumer Banking	Financial Transaction	Oversea Branches	United States Subsidiary	Others	Operating Segments	Non-operating Segments	Total
Asset (Note 1)		-	-	-	-	-	-	-	-	-

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

## Geographical information

	Year Ended December 31, 2010				
	Domestic	USA	Hong Kong and Macau	Adjustments and Elimination	Total
Income of clients outside the Bank and its subsidiaries	\$ 17,144,299	\$ 1,647,667	\$ 695,665	\$ -	\$ 19,487,631
Income from other departments	(737,752)	(1,634)	1,908	737,478	-
Net revenue	16,406,547	1,646,033	697,573	737,478	19,487,631
Income (loss) before income tax	5,844,850	(2,379,029)	21,153	-	3,486,974
Identifiable assets	1,022,177,499	58,813,917	64,896,312	-	1,145,887,728

### 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, 2011 and 2010, 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's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements of Financial Institutions by Certified Public Accountants, 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, 2011 and 2010, 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 23, 2012

#### 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, 2011 AND 2010  
(In Thousands of New Taiwan Dollars, Except Par Value)

	2011	2010	%
	Amount	Amount	
<b>ASSETS</b>			
CASH AND CASH EQUIVALENTS (Note 4)	\$ 18,012,075	\$ 11,425,452	58
DUE FROM THE CENTRAL BANK AND OTHER BANKS (Note 5)	82,753,425	84,493,342	( 2)
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2, 6, 28 and 29)	33,437,176	27,283,956	23
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 2, 7 and 28)	3,080,168	1,152,479	167
ACCOUNTS, INTEREST AND OTHER RECEIVABLES, NET (Notes 2, 3, 8, 27 and 28)	51,939,318	41,872,770	24
DISCOUNTS AND LOANS, NET (Notes 2, 3, 9, 28 and 29)	732,363,961	716,169,447	2
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 2, 7, 10 and 29)	37,085,376	38,193,924	( 3)
HELD-TO-MATURITY INVESTMENTS (Notes 2, 11 and 29)	233,697,727	200,564,991	17
OTHER FINANCIAL ASSETS, NET (Notes 2, 3, 12 and 28)			
Unquoted equity instruments	1,641,455	1,665,439	( 1)
Non-active market debt instruments	-	82,066	( 100)
Others	3,622,635	3,898,781	( 7)
Other financial assets, net	5,264,090	5,646,286	( 7)
PROPERTIES (Notes 2, 13 and 28)			
Cost and revaluation increment			
Land	5,435,254	4,772,041	14
Buildings	4,862,996	4,788,130	2
Computer and machinery equipment	4,937,818	5,035,945	( 2)
Transportation equipment	6,002	5,880	2
Total cost	15,242,070	14,601,996	4
Less: Accumulated depreciation	6,117,029	6,027,396	1
Prepayments for equipment and construction in progress	9,125,041	8,574,600	6
Net properties	476,862	374,331	27
Net properties	9,601,903	8,948,931	7
INTANGIBLE ASSETS (Notes 2 and 14)	1,457,004	1,471,806	( 1)
OTHER ASSETS (Notes 2, 15 and 27)	6,842,184	8,664,344	( 21)
TOTAL	\$ 1,215,534,407	\$ 1,145,887,728	6

The accompanying notes are an integral part of the consolidated financial statements.  
(With Deloitte & Touche audit report dated March 23, 2012)

	2011	2010	%
	Amount	Amount	
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
CALL LOANS AND DUE TO BANKS (Note 16)	\$ 66,374,829	\$ 64,798,201	2
SHORT-TERM BORROWINGS (Notes 17 and 28)	899,480	927,034	( 3)
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2, 6 and 28)	7,308,944	9,507,112	( 23)
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE (Notes 2, 7 and 28)	7,071,871	3,067,453	131
ACCOUNTS, INTEREST AND OTHER PAYABLES (Notes 2, 18 and 28)	20,169,513	14,670,729	37
DEPOSITS AND REMITTANCES (Notes 19 and 28)	994,056,325	934,476,778	6
BANK DEBENTURES (Notes 2 and 20)	37,027,843	30,121,486	23
OTHER FINANCIAL LIABILITIES (Notes 2, 21 and 28)	7,847,122	19,189,269	( 59)
OTHER LIABILITIES (Notes 2, 22, 26 and 27)	4,233,632	3,174,194	33
Total liabilities	1,144,989,559	1,079,932,256	6
<b>STOCKHOLDERS' EQUITY</b>			
Capital stock, \$10 par value, authorized 8,000,000 thousand shares; issued and outstanding 5,257,447 thousand shares in 2011 and 4,955,047 thousand shares in 2010	52,574,469	49,550,469	6
Capital surplus			
Additional paid-in capital from share issuance in excess of par	1,884,561	1,128,561	67
Capital surplus from business combination	8,076,524	8,076,524	-
Others	1,733	1,733	-
Total capital surplus	9,962,818	9,206,818	8
Retained earnings			
Legal reserve	4,411,447	3,361,034	31
Special reserve	367,188	282,977	30
Unappropriated earnings	2,463,651	3,501,375	( 30)
Total retained earnings	7,242,286	7,145,386	1
Other adjustment			
Cumulative translation adjustments	( 215,609)	( 220,752)	( 2)
Unrealized gains on available-for-sale financial assets	153,096	215,383	( 29)
Unrealized losses on cash flow hedge	( 42,506)	( 26,185)	62
Net loss not recognized as pension cost	( 865,593)	( 945,801)	( 8)
Unrealized revaluation increment on land	1,735,887	1,030,154	69
Total other adjustment	765,275	52,799	1,349
Total stockholders' equity	70,544,848	65,955,472	7
<b>TOTAL</b>	<b>\$ 1,215,534,407</b>	<b>\$ 1,145,887,728</b>	<b>6</b>



## BANK SINOPAC AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2011 AND 2010  
(In Thousands of New Taiwan Dollars)

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Consolidated income	\$ 2,463,651	\$ 3,501,375
Adjustments to reconcile consolidated income to net cash used in operating activities		
Depreciation and amortization	519,940	569,698
Amortization of premium or discount of financial assets	77,523	84,133
Amortization of premium or discount of bank debentures	2,215	1,452
Provision for credit and trading losses	3,422,543	4,973,388
(Reversal gains) impairment losses on assets	( 62,600)	457,306
Gains from disposal financial assets designated at fair value through profit or loss	( 11,767)	( 11,857)
Unrealized losses on financial assets designated at fair value through profit or loss	19,287	1,146
Realized gains from available-for-sale financial assets	( 10,378)	( 88,628)
(Gains from) losses on disposal unquoted equity instruments	( 22,316)	377
(Gains from) losses on sale and retirement of properties, idle and leased assets	( 78,195)	8,695
Losses on disposal of collaterals assumed, net	22,760	30,105
Accrued pension cost	( 64,998)	116,123
Deferred income tax	615,051	( 789,506)
Increase in held-for-trading financial assets	( 6,314,667)	( 10,209,372)
(Decrease) increase in held-for-trading financial liabilities	( 2,198,168)	870,105
(Increase) decrease in accounts, interest and other receivables	( 10,140,054)	7,440,832
Increase (decrease) in accounts, interest and other payables	5,860,831	( 10,990,405)
Net cash used in operating activities	( 5,899,342)	( 4,035,033)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease (increase) in due from the Central Bank and other banks	1,739,917	( 2,807,492)
Increase in securities purchased under agreements to resell	( 1,927,689)	( 1,152,479)
Acquisition of financial assets designated at fair value through profit or loss	( 885,321)	-
Proceeds from sale of financial assets designated at fair value through profit or loss	1,039,248	1,139,246
Proceeds from sale of non-active market debt instruments	82,066	16,536
Increase in discounts and loans	( 19,892,305)	( 26,701,740)
Acquisition of properties	( 505,853)	( 366,218)
Proceeds from sale of properties, idle and leased assets	12,336	2,594,304
Acquisition of available-for-sale financial assets	( 434,172,131)	( 396,449,834)
Proceeds from sale of available-for-sale financial assets	435,146,550	397,126,052
Acquisition of held-to-maturity investments	( 1,161,120,584)	( 768,521,592)
Proceeds from matured held-to-maturity investments	1,127,960,915	693,743,975
Acquisition of unquoted equity instruments	( 190,348)	( 81,848)
Proceeds from unquoted equity instruments	191,438	51,398
Proceeds from sale of collaterals assumed	1,114,572	143,749
Decrease (increase) in other financial assets	422,151	( 210,183)
Decrease in other assets	151,855	507,811
Net cash used in investing activities	( 50,833,183)	( 100,968,315)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in call loans and due to banks	1,576,628	19,994,194
Increase in securities sold under agreements to repurchase	4,004,418	1,469,408
Increase in deposits and remittances	59,577,439	70,767,538
(Decrease) increase in short-term borrowings	( 27,554)	280,029
Bank debentures issued	10,994,030	6,000,000
Repayment of bank debentures on maturity	( 4,000,000)	( 2,900,000)
(Decrease) increase in other financial liabilities	( 11,316,849)	1,308,851
Increase (decrease) in other liabilities	1,010,296	( 133,557)
Proceeds from the private placement of common stocks	3,780,000	1,665,000
Cash dividend	( 2,450,962)	-
Net cash provided by financing activities	63,147,446	98,451,463
EFFECTS OF CHANGES IN EXCHANGE RATE	171,702	74,521
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,586,623	( 6,477,364)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	11,425,452	17,902,816
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 18,012,075	\$ 11,425,452
<b>SUPPLEMENTAL INFORMATION</b>		
Interest paid	\$ 9,345,787	\$ 7,040,158
Income tax paid	\$ 208,124	\$ 263,089
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Dividends payable	\$ -	\$ 1,435,025

The accompanying notes are an integral part of the consolidated financial statements.  
(With Deloitte & Touche audit report dated March 23, 2012)

## BANK SINOPAC AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2011 AND 2010  
(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, 2010	4,821,847	\$ 48,218,469	\$ 795,561	\$ 8,076,524	\$ 1,733	\$ 8,873,818
Appropriation of 2009 earnings						
Legal reserve	-	-	-	-	-	-
Cash dividends - \$0.16235 per share	-	-	-	-	-	-
Bonus to stockholder - \$0.13525 per share	-	-	-	-	-	-
Private placement of common stocks	133,200	1,332,000	333,000	-	-	333,000
Net income for the year ended December 31, 2010	-	-	-	-	-	-
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, 2010	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

The accompanying notes are an integral part of the consolidated financial statements.  
(With Deloitte & Touche audit report dated March 23, 2012)

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)	
\$ 2,746,023	\$ 282,977	\$ 2,050,036	\$ 5,079,036	\$( 66,530)	\$( 31,203)	\$ 22,130	\$( 766,159)	\$ 1,030,154	\$ 62,359,715
615,011	-	( 615,011)	-	-	-	-	-	-	-
-	-	( 782,833)	( 782,833)	-	-	-	-	-	( 782,833)
-	-	( 652,192)	( 652,192)	-	-	-	-	-	( 652,192)
-	-	-	-	-	-	-	-	-	1,665,000
-	-	3,501,375	3,501,375	-	-	-	-	-	3,501,375
-	-	-	-	-	246,586	-	-	-	246,586
-	-	-	-	-	-	( 48,315)	-	-	( 48,315)
-	-	-	-	-	-	-	( 179,642)	-	( 179,642)
-	-	-	-	( 154,222)	-	-	-	-	( 154,222)
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
<u>\$ 4,411,447</u>	<u>\$ 367,188</u>	<u>\$ 2,463,651</u>	<u>\$ 7,242,286</u>	<u>\$( 215,609)</u>	<u>\$ 153,096</u>	<u>\$( 42,506)</u>	<u>\$( 865,593)</u>	<u>\$ 1,735,887</u>	<u>\$ 70,544,848</u>

## BANK SINOPAC AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010  
(In Thousands of New Taiwan Dollars, Unless Otherwise Stated)

## 1. ORGANIZATION AND OPERATIONS

**Organization**

August 8, 1991	Bank SinoPac (the "Bank") obtained government approval to incorporate.
January 28, 1992	The Bank started operations.
May 9, 2002	The Bank swap shares with SinoPac Securities Corporation and SinoPac Securities Co., Ltd. (the "SPS") to established SinoPac Financial Holdings Company Limited (the "SPH"), a financial holding company, resulting in the Bank become an unlisted wholly owned subsidiary of SPH.
December 26, 2005	SPH finished the merger with International Bank of Taipei Co., Ltd. (IBT), through a 100% share swap.
May 8, 2006	The boards of directors of IBT resolved to transfer credit card business and related assets and liabilities to SinoPac Card Services Co., Ltd. ("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 7.

As of December 31, 2011 and 2010, the Bank and its subsidiaries had a total of 5,338 and 4,997 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 inter-company 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 accounts are translated at the spot rate as of the balance sheet date; the stockholders' equity accounts except the beginning balance of retained earnings are translated at the historical rate. The beginning balance of the retained earnings is translated equally as the ending balance of the aforementioned year. Dividends are translated at the spot rate as of the declaration date; the revenue and expense accounts are translated at the weighted average rate. Exchange differences arising from the translation of the consolidation financial statements of foreign operations are recognized as a separate component of shareholders' equity. Such exchange differences are recognized in profit or loss in the year in which the foreign operations are disposed of.

Non-derivative foreign currencies are translated into New Taiwan dollars using the rate of the trading date. Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, are recognized in the income statement. Unrealized exchange differences on non-monetary financial assets (e.g. investments in equity instruments) are a component of the change in their entire fair value. For non-monetary financial investments, which are classified as available-for-sale, unrealized exchange differences are recorded directly in equity. For non-monetary financial assets classified as held for trading, unrealized exchange differences are recognized in the income statement. For non-monetary financial assets classified as unquoted equity investments are measured at the rate of trading date.

For equity-method investees with foreign-currency financial statements, monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rates on balance sheet date. Foreign-currency income and expenses are translated using the average exchange rate for the period. Translation differences net of income tax are recorded as "cumulative translation adjustments" under stockholders' equity.

### **Accounting Estimates**

In determining the fair value of certain financial instruments, allowance for credit losses, depreciation 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 those estimates.

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

Fair value are determined as follows: (a) listed stocks and GreTai Securities Market (GTSM) stocks - closing prices as of the balance sheet date; (b) beneficiary certificates (open-end funds) - net asset values as of the balance sheet date; (c) bonds - period-end reference prices published by the GTSM; (d) for the Bank and its subsidiaries debentures issued overseas and the overseas bonds-period-end reference prices published by Bloomberg, calculated by Internal model or provided by counterparty and (e) the financial instruments without active markets, fair value is determined by the price provided by counterparty.

Financial instruments at fair value through profit or loss consist of any financial asset and liability that is designated on initial recognition as one to be measured at fair value with fair value changes in profit or loss and financial assets and liabilities which should be classified as held for trading. Those instruments are required to be recognized at fair value and to be measured at fair value through profit or loss as of the balance sheet date. The Bank and its subsidiaries use trade date accounting when recording related transactions, except for bonds, for which settlement date accounting is used.

A derivative that does not meet the criteria for hedge accounting is classified as a financial asset or a financial liability held for trading. If the fair value of the derivative is positive, the derivative is recognized as a financial asset; otherwise, the derivative is recognized as a financial liability.

Any financial asset and any financial liability may be designated as financial instruments at fair value through profit or loss to eliminate measurement anomalies for items that provide a natural offset of each other. Applying the fair value option eliminates accounting measurement mismatch for items that naturally offset each other or eliminates the burden of separating embedded derivatives that are not considered to be closely related to the host contract pertaining to a hybrid instrument. The Bank and its subsidiaries designated hybrid instruments as financial assets and liabilities at financial assets or liabilities at fair value through profit or loss because embedded derivatives are not separated from the host contract in a hybrid instrument. Besides, the set of financial assets, financial liabilities or the combination of both managed by the Bank and its subsidiaries' risk management policies and investment strategies will be designated as financial instruments at fair value through profit or loss.

### **Available-for-sale Financial Assets**

Available-for-sale financial assets are initially measured at fair value plus transaction costs that are directly attributed to the acquisition. Unrealized gains or losses on available-for-sale financial assets are reported in equity attributed to the Bank 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 and loss for the period. The Bank and its subsidiaries use trade date accounting when recording related transactions, except for bonds, for which settlement date accounting is used.

Cash dividends are recognized on the ex-dividend date. Cash dividends received a year after investment acquisition is recognized as income, otherwise as a reduction of the carrying value of the investments. The effective interest rate method of amortization and accretion is used; the straight line method is used if there is no significant difference.

If an available-for-sale financial asset is determined to be impaired, the accumulative unrealized loss previously recognized in

equity attributable to the Bank and its subsidiaries' shareholders is recognized as impairment loss and reported in income statement. For equity investments, loss reversal is adjusted to the equity attributable to the Bank and its subsidiaries' stockholders. For debt investments, loss reversal is credited to current income.

### **Held-to-maturity Investments**

Held-to-maturity investments are carried at amortized cost using the effective interest method; otherwise the straight line method can be used if there is no significant difference. At initial recognition, the costs of the financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition. The net profit and loss of the held-to-maturity investments for the period is reported in income statement when the financial assets are derecognized, impaired or amortized. The Bank and its subsidiaries use trade date accounting when recording related transactions, except for bonds, for which settlement date accounting is used.

If a held-to-maturity financial asset is determined to be impaired, the impairment loss is recognized and reported in income statement. Loss reversal is credited to current income and should not be more than the carrying amount had the impairment not been recognized.

### **Hedge Accounting**

In order to qualify as a hedge, a derivative must effectively reduce any risk inherent in the hedged item from potential movements in interest rates, exchange rates and market values. Changes in the fair value or cash flow of the derivative must be highly correlated with changes in the fair value or cash flow of the underlying hedged item over the life of the hedged contract. At the inception of the hedge, there must be formal designation and documentation of the hedging relationship, the Bank 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 entity will assess the hedging instrument's effectiveness.

A fair value hedge that meets the entire hedge accounting criteria is accounted for as follows:

- a. The gain or loss from re-measuring the hedging instrument at fair value (for a derivative hedging instrument) or the foreign currency component of its carrying amount (for a non-derivative hedging instrument) is recognized immediately in profit or loss, and
- b. The carrying amount of the hedged item is adjusted through profit or loss for the corresponding gain or loss attributable to the hedged risk.

A cash flow hedge that meets the entire hedge accounting criteria is accounted for as follows:

- a. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in stockholders' equity. The amount recognized in stockholders' equity is recognized in profit or loss in the same year or years during which the hedged forecast transaction or an asset or liability arising from the hedged forecast transaction affects profit or loss.
- b. If all or a portion of a loss recognized in stockholders' equity is not expected to be recovered in the future, the amount that is not expected to be recovered is reclassified into profit or loss.

### **Unquoted Equity Instruments**

Investments in equity instruments without quoted market prices in an active market and whose fair value cannot be reliably measured are measured at their original cost. If there is objective evidence that the asset is impaired, an impairment loss is recognized and a reversal of the impairment loss is prohibited.

### **Non-active Market Debt Instruments**

Non-active market debt instruments are those which do not have quoted market prices in an active market, and whose fair value cannot be reliably measured. Non-active market debt instruments are carried at amortized cost. The accounting treatment for such debt instruments is similar to that for held-to maturity investments except for the absence of restriction or the timing of their disposal.

## Nonperforming Loans

Under guidelines issued by the Banking Bureau of Financial Supervisory Commission (the Banking Bureau), the balance of loans and other credits extended by the Bank and its subsidiaries and the related accrued interest thereon are classified as nonperforming when the loan is overdue and shall be authorized by a resolution passed by the board of directors.

Nonperforming loans reclassified from loans are classified as discounts and loans; otherwise, they are classified as other financial assets.

### Allowance for Credit Losses and Provision for Losses on Guarantees

The Bank and its subsidiaries assess the collectability on the balances of discounts and loans, accounts receivables, interest receivables, other receivables, and other financial assets, as well as guarantees and acceptances as of the balance sheet date.

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

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

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

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

Pursuant to "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Nonaccrual Loans" (the "Regulations") issued by the Banking Bureau, the Bank evaluates credit losses on the basis of the estimated collectability. In accordance with the Regulations stated above, the credit assets divided into different classes subject to normal assets, assets that require special mentioned, assets that are substandard, assets that are doubtful, and assets for which there is loss.

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

However, effective January 1, 2011, the minimum provisions for possible losses should be the sum of 0.5% of the outstanding balance of normal on and off balance sheet credit assets (excluding assets that represent claims against an ROC government agency) and the foregoing provisions for unsound credit assets. The minimum loan loss provision and reserves against liability on guarantees of normal credit assets shall be allocated sufficiently within three years of the execution of the amendment. Under Financial Supervisory Commission (FSC) guidelines from No. 10010006830, the minimum allowance for credit losses and provision for losses on guarantees shall be more than 1%.

For FENB, the allowance for loan losses is maintained at a level considered adequate to provide for losses that are inherent in the loan portfolio at the balance sheet date. The adequacy of the allowance is determined by management based upon a periodic audit of the loan portfolio, consideration of 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, additional declines in the local economy or rising interest rates may result in increasing losses that cannot reasonably be predicted at this time.

Write-offs of loans falling under the Banking Bureau guidelines, upon approval by the board of directors, are offset against the recorded allowance for credit losses. Recovery of loans written off on the current year is recorded as reverse of allowance whereas recovery of loans written off on the previous years is recorded as other revenue.

### **Repurchase and Reverse Repurchase Transactions**

Securities purchased under agreements to resell (reverse repurchase) agreements and securities sold under agreements to repurchase are generally treated as collateralized financing transactions. Interest earned on reverse repurchase agreements or interest incurred on repurchase agreements is recognized as interest income or interest expense over the life of each agreement.

### **Impairment of Assets**

SFAS No. 35 requires the impairment review on long-term investments accounted for by the equity method and properties to be made on each balance sheet date. If assets or the relevant cash-generating units (CGUs) are deemed impaired, then the Bank 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 by the revised asset/CGUs carrying amount (net of accumulated impairment), less its salvage value, on a systematic basis over its remaining service life. If asset impairment loss (excluding goodwill) is reversed, the increase in the carrying amount resulting from reversal is credited to current income. However, loss reversal should not be more than the carrying amount (net of depreciation) had the impairment not been recognized. An impairment loss on a revalued asset is recognized directly against capital surplus from revaluation for the asset to the same asset. A reversal of an impairment loss on a revalued asset is credited directly to capital surplus from revaluation under the heading capital surplus from revaluation. However, to the extent that an impairment loss on the same revalued asset was previously recognized as profit or loss, a reversal of that impairment loss is also recognized as profit or loss.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstance indicate goodwill impairment. Impairment is recorded if the book value exceeds value in use. The increase in the recoverable amount of goodwill in the period following the recognition of an impairment loss is likely to be an increase in internally generated goodwill rather than the reversal of the impairment loss recognized for the acquired goodwill. Thus, a reversal of an impairment loss on goodwill is prohibited.

### **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. Improvement of lease assets, 3 years, only if lease service life getting short than 3 years, calculate in service life of lease. For assets still in use beyond their original estimated useful lives, further depreciation is calculated on the basis of any remaining salvage value and the estimated additional useful lives.

### **Intangible Assets**

The Bank and its subsidiaries' computer software are amortized on the straight-line basis over 3 to 15 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 realizable value as of the balance sheet date, and the resulting loss is charged to current loss.

## Pension

Pension expense under defined benefit pension plan is determined on the basis of actuarial calculations. Pension under defined contribution pension plan is expensed during the period when the employees rendered their services.

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

## Income Tax

Inter-period income tax allocation is applied, in which tax effects of deductible temporary differences unused loss carry forward and unused investment tax credits are recognized as deferred income tax assets, and those of taxable temporary differences are recognized as deferred income tax liabilities. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized.

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

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

Income tax (10%) on inappropriate earnings is recorded as income tax in the year when the stockholders resolve the appropriation of the earnings.

SPH adopted the linked-tax system for income tax filings with its qualified subsidiaries, including the Bank and its subsidiaries. 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 is an integral part of the effective interest rate.

Unearned commissions and fees are service charge for irrevocable loan commitments and handling fee of FENB which is considered as unearned revenue and were 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 to non-performing loans that are transferred to non-performing loans. The interest revenue on those loans/credits is recognized upon collection.

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

Service fees are recorded as revenue upon receipt or substantial completion of activities involved in the earnings process.

Interest income on revolving credit card receivables and cash advance is recognized on an accrual basis. Service fee income is recognized when service is rendered. Annual fee income is the member fee received from card members and is recognized when card members fail to meet the criteria for annual fee exemption; provision for allowance is estimated using past experience and is recognized as a deduction from annual fee income within the year the annual fee income is recognized.

## Contingencies

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

## Reclassifications

Certain accounts as of and for the year ended December 31, 2010 have been reclassified to conform to the financial statement presentation as of and for the year ended December 31, 2011.

### 3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

#### Financial Instruments

On January 1, 2011, the Bank and its subsidiaries adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." The main revisions includes (1) finance lease receivables are now covered by SFAS No. 34; (2) the scope of the applicability of SFAS No. 34 to insurance contracts is amended; (3) loans and receivables originated by the Bank 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." For this accounting change, the Bank and its subsidiaries restated the segment information as of and for the year ended December 31, 2010 to conform to the disclosures as of and for the year ended December 31, 2011.

### 4. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2011</u>	<u>2010</u>
Cash on hand	\$ 5,982,845	\$ 5,969,107
Due from other banks	6,870,784	3,799,484
Notes and checks in clearing	<u>5,158,446</u>	<u>1,656,861</u>
	<u>\$ 18,012,075</u>	<u>\$ 11,425,452</u>

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

	<u>December 31</u>	
	<u>2011</u>	<u>2010</u>
Call loans to banks	\$ 40,733,389	\$ 38,061,140
Due from Central Bank - checking account	16,120,145	14,808,266
Deposit reserve - demand account	23,781,812	22,599,236
Deposit reserve - foreign currency	136,305	102,032
Balance at US Federal Reserve Bank	<u>1,981,774</u>	<u>8,922,668</u>
	<u>\$ 82,753,425</u>	<u>\$ 84,493,342</u>

Under a directive issued by the Central Bank of the ROC, NTD-denominated deposit reserves are determined monthly at prescribed rates on average balances of customers' NTD-denominated deposits. Deposit reserve - demand account can not be withdrawn momentarily, except for adjusting the deposit reserve account monthly. In addition, the foreign-currency deposit reserves are determined at prescribed rates on balances of additional foreign-currency deposits. The foreign-currency deposit reserves may be withdrawn momentarily and are no interest earning.

### 6. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Related information regarding financial instruments at fair value through profit or loss for the years ended December 31, 2011 and 2010 please refer to Table 9-1.

	<u>December 31</u>	
	<u>2011</u>	<u>2010</u>
Held for trading financial assets	\$ 31,914,884	\$ 25,600,217
Financial assets designated at fair value through profit or loss	<u>1,522,292</u>	<u>1,683,739</u>
	<u>\$ 33,437,176</u>	<u>\$ 27,283,956</u>
Held for trading financial liabilities	<u>\$ 7,308,944</u>	<u>\$ 9,507,112</u>

The Bank and its subsidiaries engage in derivative transactions mainly for accommodating customers' needs and managing its exposure positions. The contract amounts (notional amounts) of the outstanding derivative transactions please refer to Table 9-2. 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, 2011 and 2010 were as follows:

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Held for trading financial assets and liabilities		
Realized (losses) gains	\$ (244,713)	\$ 230,796
Valuation gains	<u>222,501</u>	<u>188,833</u>
	<u>(22,212)</u>	<u>419,629</u>
Financial assets and liabilities designated at fair value through profit or loss		
Realized gains	11,767	11,857
Valuation losses	<u>(19,287)</u>	<u>(1,146)</u>
	<u>(7,520)</u>	<u>10,711</u>
	<u>\$ (29,732)</u>	<u>\$ 430,340</u>

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

As of December 31, 2011 and 2010, securities were purchased under agreements to resell at \$3,081,182 and \$1,153,100 in January 2012 and January 2011, respectively.

As of December 31, 2011 and 2010, securities were sold under agreements to repurchase at \$7,075,742 and \$3,067,827 between January and March 2012 and between January and March 2011, respectively.

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

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
<b>Financial Assets</b>		
Available-for-sale	\$ 7,071,871	\$ 3,067,453

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

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Credit card receivable	\$ 18,118,724	\$ 16,338,069
Accounts receivable - factoring	16,629,573	18,457,780
Accounts receivable - forfaiting	11,542,182	2,131,517
Acceptances	2,079,326	2,443,659
Interest receivable and revenue receivable	1,820,803	1,343,045
Receivables from adopting the linked-tax system of income tax (Note 27)	1,167,569	1,420,328
Receivable from loan sale	378,555	-
Accounts receivable and notes receivable	198,567	108,728
Others	<u>433,645</u>	<u>267,367</u>
	52,368,944	42,510,493
Less: Allowance for credit losses	<u>429,626</u>	<u>637,723</u>
	<u>\$ 51,939,318</u>	<u>\$ 41,872,770</u>

For the details of and changes in allowance for credit losses of accounts receivables, please refer to Table 10-1. The statement of the allowance for possible losses on receivables assessed for impairment, please refer to Table 10-3.

The credit card receivables as of December 31, 2011 and 2010 referred to credit cardholders who completed consultation with the Bank on debt repayment, with credit card receivables amounted to \$1,824,716 and \$2,127,049, respectively.

**9. DISCOUNTS AND LOANS, NET**

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Negotiations	\$ 2,100,703	\$ 1,567,377
Overdrafts	8,112	9,518
Secured overdrafts	580,451	740,873
Accounts receivable - financing	2,342,299	2,497,175
Short-term loans	95,816,079	95,217,366
Short-term secured loans	60,970,625	60,927,376
Medium-term loans	111,672,555	101,461,387
Medium-term secured loans	95,188,962	88,344,455
Long-term loans	14,278,514	14,782,603
Long-term secured loans	355,146,568	353,356,942
Nonperforming loans transferred from loans	<u>3,541,440</u>	<u>4,911,622</u>
	741,646,308	723,816,694
Allowance for credit losses	(9,021,594)	(7,624,323)
Premium or discount on discounts and loans	(263,860)	(31,666)
Adjustment of hedge valuation	<u>3,107</u>	<u>8,742</u>
	<u>\$ 732,363,961</u>	<u>\$ 716,169,447</u>

As of December 31, 2011 and 2010, the balances of nonaccrual interest loans were \$3,718,021 and \$5,029,917, respectively. The unrecognized interest revenues on nonaccrual interest loans amounted to \$141,187 and \$256,296, for the years ended December 31, 2011 and 2010, respectively.

For the years ended December 31, 2011 and 2010, the Bank and its subsidiaries had not written off credits for which legal proceedings had not been initiated.

The details of and changes in allowance for credit losses of discounts and loans, please refer to Table 10-1. The statement of the allowance for possible losses on discounts and loans assessed for impairment, please refer to Table 10-3.

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

Related information regarding available-for-sale financial assets please refer to Table 9-3.

**11. HELD-TO-MATURITY INVESTMENTS**

Related information regarding held-to-maturity financial assets please refer to Table 9-4.

**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 cost. Investments in debt instruments without quoted prices in an active market and with fixed or determinable payments are carried at amortized cost using the effective interest method.

Related information regarding other financial assets please refer to Table 9-5.

The Bank was delegated by professional investors to sell investment products of PEM GROUP amounting to US\$146,000 thousand in private placement, which was allowed under Hong Kong's regulations. The Court appointed permanent receiver for all assets that belong to, are being managed by, or in the possession of or control of PEM GROUP and any of their subsidiaries and affiliates. If the products aforementioned fail to repay at maturity due to deceptive underlying assets, the Bank will buy back those products at the price of initial payment deducted the distribution and redemption. As far, the Bank investigates internally and externally, delegates the lawyer and informs the related investors simultaneously to solve the problem. In accordance with aforementioned principle, the board of directors have resolved on December 24, 2010 to comply with the Courts' appointment of the PEM GROUP receiver to take the insurance policies at the price of approximately US\$40.4 million, and impairment losses amounting to US\$11,152 thousand has been charged. As of December 31, 2011, US\$70,287 thousand of the accumulated impairment losses has been set aside. The receiver has transferred portion of insurance policies to the Trustee established jointly by the banks intended to hold insurance policies as of March 7, 2011. And the Bank has submitted the result to the authorities.

**13. PROPERTIES**

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Cost and revaluation increment	\$ 15,242,070	\$ 14,601,996
Accumulated depreciation		
Buildings	2,151,692	1,996,771
Computer and machinery equipment	3,961,760	4,027,978
Transportation equipment	<u>3,577</u>	<u>2,647</u>
	<u>6,117,029</u>	<u>6,027,396</u>
Advances on acquisitions of equipment and construction in progress	<u>476,862</u>	<u>374,331</u>
Net properties	<u>\$ 9,601,903</u>	<u>\$ 8,948,931</u>

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

The Bank revalued its land, which approved by the board of directors on October 21, 2011 and resulted in total revaluation increments of \$867,127. 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 ARDF of ROC, the Bank did not book the land value increment tax reserve amounting to \$555,910 since the land was not revalued when both banks merged on November 13, 2006. After the Bank revalued its land on October 21, 2011, the amount of \$152,639 which the Bank did not book according the interpretation (94) 349 was recognized as reserve for land value increment tax.

**14. INTANGIBLE ASSETS**

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Goodwill	\$ 1,365,094	\$ 1,346,746
Computer software	83,128	103,086
Core deposit intangible	<u>8,782</u>	<u>21,974</u>
	<u>\$ 1,457,004</u>	<u>\$ 1,471,806</u>

Goodwill include (1) the excess of purchase price over the fair market value of SinoPac Card Services \$876,717 when the SPH acquired SinoPac Card Services, and (2) on August 15, 1997, Bank SinoPac acquired FENB through SinoPac Bancorp and the acquisition was accounted for using the purchase method of accounting. The assets and liabilities of FENB were revalued to reflect the estimated fair market value as of the date of acquisition. The excess of purchase price over the fair market value of the net tangible assets acquired US\$16,123 was recorded as goodwill. Since January 1, 2006, the Bank applied SFAS No. 35, which requires the impairment review on goodwill annually or more frequently if events or changes in circumstance indicate goodwill impairment.

In assessing goodwill for impairment, the Bank considers the credit card department as a cash generating unit and estimates the recoverable amount by its value in use. The Bank uses the department's actual profitability and estimated salvage value as a key assumption to predict future cash flows in order to calculate its value in use. Under the going-concern assumption, the Bank predicts the net cash flows provided by its operating activities in the next 5 years and uses its parent company's weighted average 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, 2011 and 2010.

**15. OTHER ASSETS**

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Deferred income tax assets (Note 27)	\$ 3,422,502	\$ 4,240,579
Rental properties, net	1,228,590	1,311,083
Idle assets, net	643,217	442,559

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Prepayment	\$ 355,116	\$ 833,077
Deferred pension cost	244,245	271,385
Temporary payment	242,395	45,231
Collateral assumed, net of accumulated impairment \$128,186 and \$184,739	233,661	1,082,595
Precious metals - gold	206,761	-
Land value increment tax	34,792	34,792
Others	<u>230,905</u>	<u>403,043</u>
	<u>\$ 6,842,184</u>	<u>\$ 8,664,344</u>

**16. CALL LOANS AND DUE TO BANKS**

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Call loans	\$ 54,376,919	\$ 45,788,575
Redeposit from the directorate general of postal remittance	11,806,420	18,877,255
Due to banks	<u>191,490</u>	<u>132,371</u>
	<u>\$ 66,374,829</u>	<u>\$ 64,798,201</u>

**17. SHORT-TERM BORROWINGS**

As of December 31, 2011 and 2010, short-term borrowings had the last maturity dates in April 2012 and April 2011, with interest rates 1.32278%-2.05% and 1.3%-1.68906%, respectively.

**18. ACCOUNTS, INTEREST AND OTHER PAYABLES**

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Accounts payable - factoring	\$ 5,777,254	\$ 4,348,201
Notes and checks in clearing	5,704,407	2,011,424
Acceptance payable	2,079,326	2,443,659
Accrued expense	1,939,879	1,845,139
Interest payable	1,822,676	1,419,905
Dividends payable (Note 23)	1,435,025	1,435,025
Remittance payable	509,756	208,281
Tax payable	377,470	290,317
Receipts under custody payable	97,705	105,122
Accounts payable	85,239	252,242
Others	<u>340,776</u>	<u>311,414</u>
	<u>\$ 20,169,513</u>	<u>\$ 14,670,729</u>

**19. DEPOSITS AND REMITTANCES**

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Checking	\$ 18,561,671	\$ 18,621,883
Demand	179,322,566	167,458,498
Savings - demand	226,313,234	230,455,689
Time	327,538,318	298,146,759
Negotiable certificates of deposit	26,592,200	23,438,700
Savings - time	215,151,937	195,867,743
Inward remittances	496,482	408,616
Outward remittances	<u>77,809</u>	<u>78,890</u>
	994,054,217	934,476,778
Adjustment of hedge valuation	<u>2,108</u>	<u>-</u>
	<u>\$ 994,056,325</u>	<u>\$ 934,476,778</u>

## 20. BANK DEBENTURES

To raise capital for its financial operation and to increase its capital adequacy ratio, the Bank obtained approval to issue subordinate bank debentures. The related information please refers to Table 9-6.

## 21. OTHER FINANCIAL LIABILITIES

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Principal of structured products	\$ 7,165,848	\$ 15,252,479
Appropriated loan fund from the government	399,990	427,859
Guarantee deposit received	226,965	261,920
Hedging derivative financial liabilities	54,319	40,291
FHLB term advance	-	3,206,720
	<u>\$ 7,847,122</u>	<u>\$ 19,189,269</u>

## 22. OTHER LIABILITIES

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Accrued pension cost (Note 26)	\$ 1,456,487	\$ 1,601,693
Temporary receipt	1,361,900	543,007
Reserve of land value increment tax	591,993	430,599
Advanced receipt	303,262	255,452
Reserve for losses on guarantees	237,184	67,120
Precious metals - gold	185,362	-
Deferred income tax liabilities (Note 27)	46,555	99,455
Others	50,889	176,868
	<u>\$ 4,233,632</u>	<u>\$ 3,174,194</u>

## 23. STOCKHOLDERS' EQUITY

### a. Capital stocks

To handle the Group's capital more efficiently, the board of directors of the Bank resolved to raise capital in private placement on August 20, 2010, amounting to \$1.665 billion, with 133,200 thousand shares, par value at \$10, and issue price at \$12.5. And the Bank set August 31, 2010 as the effective date of capitalization.

To handle the Group's capital more efficiently, increase the Bank's Tier-1 capital and broaden the business scale, the board of directors resolved to raise capital in private placement amounting to \$3.78 billion on June 24, 2011, with 302,400 thousand shares, par value at \$10, and issue price at \$12.5. And the Bank set June 30, 2011 as the effective date of capitalization.

### b. Capital surplus

Under related regulations, capital surplus may only be used to offset a deficit. However, capital surplus from shares issued in excess of par value (including additional paid-in capital from issuance of common stock, issuance of shares for combinations and treasury stock transactions) and donations may be transferred to common stock on the basis of the percentage of shares held by the stockholders. Any capital surplus transferred to common stock should be within a certain percentage prescribed by law. Under the revised Company Law issued on January 4, 2012, the aforementioned capital surplus also may be distributed in cash. The capital surplus from long-term equity investments under equity method may not be used for any purpose.

### c. Special reserve

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

## d. Appropriation of earnings and dividend policy

The Bank's Articles of Incorporation provide that the Bank may declare dividends or make other distributions from earnings after it has:

- 1) Deducted any deficit of prior years;
- 2) Paid all outstanding taxes;
- 3) Set aside 30% of remaining earnings as legal reserve;
- 4) Set aside any special reserve or retained earnings allocated at its option;
- 5) Allocated stockholders' dividends;
- 6) Allocated at least 2.5% of the remaining earnings which allocated stockholders' dividends as employee bonus.

To comply with the Bank's globalization strategy, strengthen its market position, integrate its diversified business operation and be a major local bank, the Bank has adopted the "Balanced Dividend Policy". Under this policy, dividends available for distribution are determined by referring to its capital adequacy ratio (CAR). Cash dividends may be declared if the Bank's CAR is above 10% and stock dividends may be declared if the CAR is equal to or less than 10%. However, the Bank may make discretionary cash distribution even if the CAR is below 10%, if approved at the stockholders' meeting, for the purpose of maintaining the cash dividends at a certain level in any given year.

Cash dividends and cash bonus are paid when approved by the stockholders, while the distribution of stock dividends requires the additional approval of the authorities.

The Bank accrued bonus to employees of \$13,000 and \$17,435 for the years ended December 31, 2011 and 2010, respectively. The Bank accrued bonus to remuneration to directors of \$10,400 and \$13,948 for the years ended December 31, 2011 and 2010, 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.

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

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 Company's paid-in capital, the excess may be transferred to capital or distributed in cash. In addition, the Banking Law provides that, before the balance of the reserve reaches the aggregate par value of the outstanding capital stock, annual cash dividends, remuneration to directors and supervisors, and bonus to employees should not exceed 15% of the aggregate par value of the outstanding capital stock of the Bank.

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

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

On June 24, 2011 and June 25, 2010, the board of directors which execute the rights and functions of the stockholders' meeting resolved the appropriation of earnings for 2010 and 2009 as follows:

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

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

In accordance with FSC guideline No. 09900146911, cash dividends and bonus to stockholders for 2009 amounting to \$1,435,025 shall not be remitted to the parent company until the land transferred to SPL from the Bank is disposed and the gain is realized.

The appropriations of earnings for 2011 had been proposed in the board of directors on March 23, 2012. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 739,095	
Cash dividends	1,204,556	\$0.22911420
Bonus to stockholders	520,000	0.09890732

The appropriations of earnings will be resolved by the board of directors which execute the rights and functions of the stockholder's meeting in 2012.

The related information regarding the proposed and resolved appropriation of earnings is available on the Market Observation Post System (M.O.P.S.) website of the Taiwan Stock Exchange.

e. Unrealized gains or losses on financial instruments

The movements of unrealized gains or losses on available-for-sale financial assets for the years ended December 31, 2011 and 2010, respectively, were summarized as follow:

	<b>Years Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Balance, January 1	\$ 215,383	\$ (31,203)
Recognized in stockholders' equity	(51,909)	335,214
Transferred to profit or loss	<u>(10,378)</u>	<u>(88,628)</u>
Balance, December 31	<u>\$ 153,096</u>	<u>\$ 215,383</u>

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

	<b>Years Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Balance, January 1	\$ (26,185)	\$ 22,130
Recognized in stockholders' equity	(16,321)	(48,315)
Transferred to profit or loss	<u>-</u>	<u>-</u>
Balance, December 31	<u>\$ (42,506)</u>	<u>\$ (26,185)</u>

f. Earnings per share

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

	<b>Numerator (Amounts)</b>		<b>Denominator (Shares in Thousands)</b>	<b>EPS (NT\$)</b>	
	<b>Pretax</b>	<b>After Tax</b>		<b>Pretax</b>	<b>After Tax</b>
<u>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>

	Numerator (Amounts)		Denominator (Shares in Thousands)	EPS (NTS)	
	Pretax	After Tax		Pretax	After Tax
<u>Year ended December 31, 2010</u>					
Basic EPS					
Net income attributable to parent company's common stockholders	<u>\$ 3,486,974</u>	<u>\$ 3,501,375</u>	<u>4,866,369</u>	<u>\$ 0.72</u>	<u>\$ 0.72</u>

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

	Years Ended December 31	
	2011	2010
Commissions and fees revenues	\$ 4,775,440	\$ 5,250,593
Commissions and fees expenses	<u>(680,020)</u>	<u>(665,375)</u>
	<u>\$ 4,095,420</u>	<u>\$ 4,585,218</u>

**25. OPERATING EXPENSES**

	Years Ended December 31	
	2011	2010
Personnel expenses		
Salaries and wages	\$ 5,604,139	\$ 5,461,767
Pension	546,812	505,644
Labor insurance and national health insurance	372,608	342,404
Others	<u>434,377</u>	<u>437,675</u>
	6,957,936	6,747,490
Depreciation	425,730	466,729
Amortization	62,812	76,507
Others	<u>4,552,402</u>	<u>3,744,026</u>
	<u>\$ 11,998,880</u>	<u>\$ 11,034,752</u>

**26. PENSION**

Since July 1, 2005, for those employees who still choose to be subject to the Labor Standard Law, the Bank makes monthly contributions, equal to 4% of employee salaries, to the severance payment fund. If the employees quit willingly, they still can receive the severance payment based on the severance payment criteria. On November 13, 2006, for those employees who joined the Bank owing to the merger and still choose to be subject to the Labor Standard Law, the Bank made monthly contributions, equal to 4% of employee salaries, to the severance payment fund excluding those who are eligible for promoted or enforced retirement project. If the employees quit willingly, they still can receive the severance payment based on the severance payment criteria.

For those employees who choose to be subject to the Labor Pension Act, the Bank ceases to contribute into severance payment fund. The amount of the cumulative contributions generated before applying the Labor Pension Act is summed up in the balance at that month and retained in the severance payment fund. The employees will receive the severance payment based on the severance payment criteria when they quit willingly.

For the Bank's employees who choose the pension mechanism regulated by the Labor Standard Law, the retirement payments shall be paid to employees on the basis of the following standards: (i) a lump sum payment of retirement payments equal to two base units shall be paid for each year of service; (ii) provided that each year of service exceeding fifteen years shall be entitled to only one base unit of wage; (iii) and that the maximum payment shall be forty-five base units. Any fraction of a year of over 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 applied defined contribution plan regulated by Labor Pension Act after July 1, 2005. Under this Act, the Bank contributed 6% of the employee salaries to the Labor Insurance Administration (according to this Act, the contribution rate by the employer to the Labor Pension Fund per month shall not be less than 6% of the employee's monthly wages).

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 expense under the defined contribution pension plan were \$174,854 and \$155,972 for the years ended December 31, 2011 and 2010, respectively. For the years ended December 31, 2011 and 2010, the pension expense amounted to \$371,958 and \$349,672, respectively, which were contributed to personal pension accounts.

Information related to 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:

	<b>Years Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Service cost	\$ 131,922	\$ 144,544
Interest cost	134,117	115,669
Expected return on pension fund assets	(48,869)	(43,142)
Net amortization and deferral	<u>154,788</u>	<u>132,601</u>
Net pension cost	<u>\$ 371,958</u>	<u>\$ 349,672</u>

b. The reconciliations of the funded status of the plan and accrued pension cost as of December 31, 2011 and 2010 were as follows:

	<b>Years Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Benefit obligation		
Vested benefit obligation	\$ 1,903,126	\$ 1,496,412
Nonvested benefit obligation	<u>2,210,596</u>	<u>2,434,938</u>
Accumulated benefit obligation	4,113,722	3,931,350
Additional benefit based on future salaries	<u>1,093,788</u>	<u>2,080,752</u>
Projected benefit obligation	5,207,510	6,012,102
Fair value of plan assets	<u>(2,657,235)</u>	<u>(2,329,657)</u>
Funded status	2,550,275	3,682,445
Unamortized prior service cost	(244,245)	(271,385)
Unamortized pension loss	(1,959,382)	(3,026,553)
Additional accrued pension liability	<u>1,109,839</u>	<u>1,217,186</u>
Accrued pension cost	<u>\$ 1,456,487</u>	<u>\$ 1,601,693</u>

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
c. Vested benefit	<u>\$ 2,778,164</u>	<u>\$ 2,311,809</u>

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
d. Actuarial assumptions		
1) Discount rate used in determining present value	2.00%	2.25%
2) Future salary increase rate	1.75%	3.00%
3) Expected rate of return on plan assets	2.00%	2.00%

## 27. INCOME TAX

Under a directive issued by the Ministry of Finance, a financial holding company and its domestic subsidiaries which over 90% of shares issued were held by the financial holding company for 12 months within the same tax year, may choose to adopt the linked tax system for income tax filings. Thus, SinoPac Financial Holdings Company Limited adopted the linked-tax system for income tax filings with its qualified subsidiaries since 2003.

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

	<b>Years Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Current income tax payable	\$ 664,048	\$ 231,869
Separation taxes	-	31,534
Deferred income taxes	615,051	(789,506)
Overseas income taxes over limitation	-	9,763
Adjustment for prior years tax	12,778	4,409
Effect of tax law changes on deferred income tax	-	472,811
Others	<u>(11,111)</u>	<u>24,719</u>
Income tax expense (benefit)	<u>\$ 1,280,766</u>	<u>\$ (14,401)</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 (losses) at statutory rate and current income tax payable:

	<b>Years Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Tax on pretax income (losses) at statutory rate	\$ 100,831	\$ (112,413)
Add (deduct) tax effects of:		
Tax-exempt income	2,685	(32,199)
Permanent difference	(267,642)	(214,561)
Temporary difference	1,268,773	1,155,604
Loss carryforwards used	(433,500)	(586,751)
Loss carryforwards	-	64,112
Others	<u>(7,099)</u>	<u>(41,923)</u>
Current income tax payable	<u>\$ 664,048</u>	<u>\$ 231,869</u>

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

- 1) Under Article 10 of the Statute for Industrial Innovation (SII) passed by the Legislative Yuan in April 2010, a profit-seeking enterprise may deduct up to 15% of its research and development expenditures from its income tax payable for the fiscal year in which these expenditures are incurred, but this deduction should not exceed 30% of the income tax payable for that fiscal year. This incentive took effect from January 1, 2010 and is effective till December 31, 2019. The assessment calculated by the Bank on December 31, 2010 has no income tax credits.
- 2) In May 2010, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduces a profit-seeking enterprise's income tax rate from 20% to 17%, effective January 1, 2010.

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

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
<u>Deferred income tax assets</u>		
Loss carryforward	\$ 1,431,752	\$ 1,876,136
Deferred pension cost	222,239	228,674
Deferred service charges	(58,743)	(92,638)
Deferred provisions	1,408,726	1,170,936
Unrealized loss or gain on foreign exchange and revaluation of financial instrument, net	286,096	237,609
Loss carryforward of overseas subsidiary	1,206,457	690,772
Investment loss under the equity method	311,647	-
Others	308,923	155,590
Valuation allowance	<u>(1,694,595)</u>	<u>(26,500)</u>
Deferred income tax assets, net	<u>\$ 3,422,502</u>	<u>\$ 4,240,579</u>

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
<u>Deferred income tax liabilities</u>		
Investment income under the equity method	\$ -	\$ (52,900)
Others	<u>(46,555)</u>	<u>(46,555)</u>
Deferred income tax liabilities, net	<u>\$ (46,555)</u>	<u>\$ (99,455)</u>

The unused loss carryforward as of December 31, 2011 were as follows:

<b>Deficit Year</b>	<b>The Last Year of Claiming Deductible Loss</b>	<b>Amount</b>
2007	2017	\$ 733,450
2008	2018	6,166,540
2009	2019	<u>1,522,078</u>
		<u>\$ 8,422,068</u>

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

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Receivables from related parties	<u>\$ 1,167,569</u>	<u>\$ 1,420,328</u>

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

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
<u>Balance of ICA</u>		
The Bank	\$ 1,924,606	\$ 2,494,373
SinoPac Life Insurance Agent	84,996	82,351
SinoPac Property Insurance Agent	2,863	3,674
	<b>2011</b>	<b>2010</b>
<u>The 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 Law, when the unappropriated earnings generated on or after January 1, 1998 are distributed, stockholders will get imputation credits based on the imputed tax credit ratio as of the dividend declaration date, therefore there would be differences between the imputed tax credit ratio as of 2011 and the tax credit ratio applied to stockholders actually.

When the unappropriated earnings are distributed, stockholders will get imputation credits based on the imputed tax credit ratio as of the dividend declaration date, therefore there would be differences between the imputed tax credit ratio as of 2011 and the tax credit ratio applied to stockholders actually.

g. As of December 31, 2011, the unappropriated earnings generated before January 1, 1997 was \$8,758, which was recorded as capital surplus owing to merger of IBT.

Under the Income Tax Law, when the unappropriated earnings generated on or after January 1, 1998 are distributed, stockholders will get imputation credits based on the imputed tax credit ratio as of the dividend declaration date; however, for the unappropriated earnings generated before January 1, 1997, no imputation credit will be allocated to stockholders.

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

i. The situation of examined income tax returns for subsidiaries:

	<b>Examined Year</b>
SinoPac Life Insurance Agent	2009
SinoPac Property Insurance Agent	2009

## 28. RELATED-PARTY TRANSACTIONS

In addition to the disclosure in other notes to the financial statement, relationship with the Bank and its subsidiaries and significant transactions, as well as the subsidiaries' related-party transactions are summarized as follows:

a. Related parties

<b>Name</b>	<b>Relationship with the Bank</b>
SinoPac Financial Holdings Company Limited (SPH)	Parent company of the Bank
SinoPac Securities Corporation (SinoPac Securities)	Subsidiary of SPH
SinoPac Call Center Co., Ltd. (SinoPac Call Center)	Subsidiary of SPH
SinoPac Venture Capital Co., Ltd. (SinoPac Venture Capital)	Subsidiary of SPH
SinoPac Leasing Corporation (SPL)	Subsidiary of SPH
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
BoardTek Electronics Corp. (BoardTek Electronics)	Affiliate of the SPH's director
Yung An Leasing Corporation (Yung An Leasing)	Affiliate of the SPH's director
SinoPac Capital (Asia) Ltd.	Affiliate of SinoPac Securities
SinoPac Securities (Asia) Ltd.	Affiliate of SinoPac Securities
Taiwan Genome Sciences, Inc.	Affiliate of the SPH's director
SinoPac Futures Corporation (SinoPac Futures)	Subsidiary of SinoPac Securities
E Ink Holdings Co., Ltd. (E Ink Holdings)	Affiliate of the SPH's director
Rung-Tzung Investment Corp. (Rung-Tzung Investment)	Affiliate of the second-degree of kinship of the director of SinoPac Securities
Ho, Shou Chuan	President of SPH
Chen Hsu, Yu Rong	The second-degree of kinship of the director of SPPIA
Lin Xu, Li Hong	The spouse of SinoPac Securities' director
Lee, Jhong Lan	The second-degree of kinship of the director of SinoPac Securities (Europe) Ltd.
Huang, Shiou Jyuan	The director of SinoPac Securities Investment Service Corporation
Wu, Jian Hong	Manager of SinoPac Securities
Chang, Ping Chou	Manager of SinoPac Securities
Guo, Kai Wei	Manager of the Bank
Zhong, Dau Cheng	Manager of the Bank
Jhuo, Shu Lin	Manager of the Bank
Ji, Ying Huei	Manager of the Bank
Liang, Ya Zi	Manager of the Bank
Chang, Jia Jyun	Manager of the Bank
Lin, Jian Ying	Manager of the Bank
Yu, Xiu Zhong	Manager of the Bank
Guo, Ling Ling	Manager of the Bank
Wang, Mei Ling	Manager of the Bank
Lai, Li Ru	Manager of the Bank
Deng, Ai Hua	Manager of the Bank
Chang, Zhen Ming	Manager of the Bank
Huang, Wei Ming	Manager of the Bank
Others	The Bank's directors, supervisors, managers and their relatives, department chiefs, the investees accounted for by the equity method and their subsidiaries, and the investees of SPH's other subsidiaries, etc.

## b. Significant transactions between the Bank and the related parties

## 1) Derivative financial instruments

	<b>December 31, 2011</b>				
	<b>Contract (Notional) Amount</b>	<b>Contract Period</b>	<b>Valuation Gains or Losses</b>	<b>Balance Sheet</b>	
				<b>Account</b>	<b>Balance</b>
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

	<b>December 31, 2010</b>				
	<b>Contract (Notional) Amount</b>	<b>Contract Period</b>	<b>Valuation Gains or Losses</b>	<b>Balance Sheet</b>	
				<b>Account</b>	<b>Balance</b>
Currency swap contracts					
Grand Capital	\$ 317,497	2010.11.4- 2011.1.11	\$ 50	Financial assets at fair value through profit or loss	\$ 50
Interest rate swap contracts					
SinoPac Securities	15,850,000	2007.1.3- 2015.10.12	40,409	Financial assets at fair value through profit or loss	139,588
SinoPac Securities	20,515,000	2008.1.24- 2015.12.28	(62,827)	Financial liabilities at fair value through profit or loss	202,671
Forward contracts					
Grand Capital	106,405	2010.11.26- 2011.2.25	10	Financial assets at fair value through profit or loss	10
E Ink Holdings	233,216	2010.12.30- 2011.5.3	109	Financial assets at fair value through profit or loss	109

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

As of December 31, 2011 and 2010, other receivables from related parties amounted to \$33,129 and \$5,442, respectively. As of December 31, 2011 and 2010, other payables to related parties amounted to \$19,499 and \$17,353, respectively.

The Bank's dividends payable to SPH amounted to \$1,435,025 as of December 31, 2011 and 2010, respectively.

As of December 31, 2011 and 2010, the Bank's estimated receivables resulting from the adoption of the linked-tax system amounted to \$1,167,569 and \$1,420,328, respectively.

## 3) Loans

Year Ended December 31, 2011					
	December 31, 2011 Balance	Highest Balance	% of Total	Interest/ Fee Rates (%)	Interest Revenue
Loans	\$ 6,484,630	\$ 8,286,241	0.89	1.2-6.85	\$ 135,602

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	46	\$ 18,284	\$ 14,509	V	-	None	Yes
Households mortgages	234	1,687,060	1,526,109	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
	Chen Hsu, Yu, Rong	4,665	4,309	V	-	Real estate	Yes
	Yu, Xiu Zhong	4,255	-	V	-	Certificate of deposit	Yes
	Huang, Shiou Jyuan	3,251	-	V	-	Certificate of deposit	Yes
	Wu, Jian Hong	3,000	3,000	V	-	Securities	Yes
	Jhuo, Shu Lin	909	364	V	-	Certificate of deposit	Yes
	Lee, Jhong Lan	800	620	V	-	Movable	Yes
	Chang, Jia Jyun	750	750	V	-	Certificate of deposit	Yes
	Ji, Ying Huei	82	-	V	-	Certificate of deposit	Yes
	Wang, Mei Ling	41	-	V	-	Certificate of deposit	Yes
	Lin Xu, Li Hong	29	-	V	-	Certificate of deposit	Yes
	Guo, Ling Ling	28	-	V	-	Certificate of deposit	Yes
	Others	1,677	1,480	V	-	Certificate of deposit	Yes
	Others subtotal	<u>6,580,897</u>	<u>4,994,012</u>				
		<u>\$ 8,286,241</u>	<u>\$ 6,484,630</u>				

## Year Ended December 31, 2010

	December 31, 2010 Balance	Highest Balance	% of Total	Interest/ Fee Rates (%)	Interest Revenue
Loans	\$ 5,293,477	\$ 7,871,802	0.74	0.7-6.58	\$ 151,121

## December 31, 2010

Category	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collaterals	Is the Transaction at Arm's Length Commercial Term
Employees consuming loan	34	\$ 15,829	\$ 12,626	V	-	None	Yes
Households mortgages	226	1,571,988	1,250,512	V	-	Real estate	Yes
Others:	SPL	3,005,000	2,158,000	V	-	Real estate and movable	Yes
	Grand Capital	1,289,460	1,163,544	V	-	Movable	Yes
	SinoPac Capital (Asia) Ltd.	985,531	-	V	-	Movable	Yes
	BoardTek Electronics	410,354	305,554	V	-	Real estate	Yes
	Rung-Tzung Investment	246,672	200,000	V	-	Real estate	Yes
	Yung An Leasing	198,800	198,800	V	-	Real estate	Yes
	SinoPac Securities	125,000	-	V	-	Securities	Yes
	Taiwan Genome Sciences, Inc.	9,500	-	V	-	Real estate	Yes
	Chen Hsu, Yu Rong	6,370	4,441	V	-	Real estate	Yes
	Jhuo, Shu Lin	4,214	-	V	-	Certificate of deposit	Yes
	Lai, Li Ru	982	-	V	-	Certificate of deposit	Yes
	Chang, Zhen Ming	865	-	V	-	Certificate of deposit	Yes
	Liang, Ya Zi	397	-	V	-	Certificate of deposit	Yes
	Lin Xu, Li Hong	320	-	V	-	Certificate of deposit	Yes
	Huang, Wei Ming	299	-	V	-	Certificate of deposit	Yes
	Chang, Ping Chou	125	-	V	-	Certificate of deposit	Yes
	Lin, Jian Ying	47	-	V	-	Certificate of deposit	Yes
	Zhong, Dau Cheng	22	-	V	-	Certificate of deposit	Yes
	Huang, Shiou Jyuan	17	-	V	-	Certificate of deposit	Yes
	Guo, Kai Wei	5	-	V	-	Certificate of deposit	Yes
	Deng, Ai Hua	5	-	V	-	Certificate of deposit	Yes
	Others subtotal	<u>6,283,985</u>	<u>4,030,339</u>				
		<u>\$ 7,871,802</u>	<u>\$ 5,293,477</u>				

## 4) Guarantees

December 31, 2011

Related Party	The Highest Balance in Current Period	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.

December 31, 2010

Related Party	The Highest Balance in Current Period	Ending Balance	Provision	Rates	Type of Collaterals	Note
SinoPac Securities	\$ 2,000	\$ 2,000	\$ -	0.3%	Certificate of deposit	
Others	2,685	580	-	1.50%-1.71%	None	Note

Note: The guarantees are employees consuming loans.

## 5) Properties transaction

Properties with book value of \$5,357 were purchased from SinoPac Call Center in January 2011, and \$2,051 were purchased from Intellisys Corporation in October 2011. Above transactions did not generate any gains or losses.

## 6) Securities purchased under agreements to resell

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

2010

	December 31, 2010		Year Ended
	Face Amount	Carrying Amount	December 31, 2010
			Interest Revenue
SinoPac Capital (Asia) Ltd.	\$ 944,233	\$ 849,555	\$ 1,980

## 7) Securities sold under agreements to repurchase

2011

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

2010

	December 31, 2010		Year Ended
	Face Amount	Carrying Amount	December 31, 2010
Ho, Shou Chuan	\$ 180,000	\$ 180,834	\$ 392
Others	-	-	79

## 8) Guarantee deposits

	Ending Balance		% of Total	
	December 31		December 31	
	2011	2010	2011	2010
SinoPac Futures	\$ 32,140	\$ 32,067	5.64%	3.45%
SPL	10,344	11,414	1.82%	1.23%

## 9) Guarantee deposits received

	Ending Balance		% of Total	
	December 31		December 31	
	2011	2010	2011	2010
SinoPac Securities	\$ 2,868	\$ 2,648	1.26%	1.01%
SPL	1,474	1,474	0.65%	0.56%
SinoPac Call Center	594	1,170	0.26%	0.45%
Intellisys Corporation	76	-	0.03%	-

## 10) Short-term borrowings

	Ending Balance	% of Total	Interest Rate (%)	Interest Expense	% of Total
<u>Year ended December 31, 2010</u>					
Grand Capital	\$ -	-	-	\$ 3,978	0.06%

## 11) Deposits

	Ending Balance	% of Total	Interest Rate (%)	Interest Expense	% of Total
<u>Year ended December 31, 2011</u>					
SinoPac Securities	\$ 3,964,629	0.40%	0-1.35	\$ 23,125	0.24%
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	0.06%
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	1.92%

Year ended December 31, 2010

SinoPac Securities	4,805,791	0.51%	0-1.13	12,641	0.18%
SinoPac Securities (Asia) Ltd.	1,126,784	0.12%	0-1.5	2,515	0.04%
SinoPac Venture Capital	1,009,820	0.11%	0.02-0.12	1,140	0.02%
SinoPac Futures	985,304	0.11%	0.12-0.82	4,199	0.06%
E Ink Holdings	427,935	0.05%	0.01-0.11	534	0.01%
Others	7,436,381	0.80%	0-13	74,783	1.09%

## 12) Revenues and expenses

	Amount		% of Total	
	Years Ended December 31		Years Ended December 31	
	2011	2010	2011	2010
Commissions and fees revenues	\$ 44,708	\$ 37,861	0.94%	0.72%
Commissions and fees expenses	3,701	50,932	0.54%	7.65%
Gains from unquoted equity instruments	4,616	3,062	(5.45%)	(16.01%)
Other revenues	4,374	4,451	(5.17%)	(23.28%)
Marketing expense	13,313	8,264	0.29%	0.22%
Professional advisory charges	182,379	157,916	4.01%	4.22%
Office expense	15,828	20,094	0.35%	0.54%
Other operating expense	6,444	29,500	0.14%	0.79%

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, 2011 and 2010 amounted to \$182,777 and \$183,132, respectively.

## 13) Lease

## a) The Bank as a lessee

Lessor	Other operating expense		Lease Term	Payment Frequency
	Years Ended December 31			
	2011	2010		
SPL	\$ 125,887	\$ 123,579	February 2020	Rentals paid monthly

## b) The Bank as a lessor

Lessee	Rental Income		Lease Term	Payment Frequency
	Years Ended December 31			
	2011	2010		
SinoPac Securities	\$ 19,454	\$ 19,587	November 2016	Rentals received monthly
SinoPac Securities Investment Trust	13,872	13,872	September 2017	Rentals received monthly
SPL	5,922	5,892	July 2016	Rentals received monthly
SinoPac Call Center	3,081	6,717	September 2014	Rentals received monthly
Intellisys Corporation	2,351	3,336	September 2014	Rentals received monthly

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

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

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	
	2011	2010
Salary and compensation	\$ 136,348	\$ 151,460
Business-conducting expense	<u>9,783</u>	<u>9,288</u>
	<u>\$ 146,131</u>	<u>\$ 160,748</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, 2011 and 2010 are summarized as follows:

Restricted Assets	Object	December 31		Purposes
		2011	2010	
Financial assets at fair value through profit or loss	Negotiable certificate of deposits	\$ 5,001,988	\$ -	Pledged with the Central Bank under the foreign exchange
Discounts and loans	Loans	7,047,092	4,909,197	Pledged with the Federal Reserve Bank and the Federal Home Loan Bank under the discount window program
Available for sale financial assets	Government bonds	555,699	539,718	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
Available for sale financial assets	GSE bonds	-	320,184	Pledged with the Federal Home Loan Bank as loans guarantee
Held-to-maturity investments	GSE bonds and municipal bonds	437,960	1,481,619	Pledged with the Federal Reserve Bank and Federal Home Loan Bank as loans, foreign exchange, and deposits guarantee
Held-to-maturity investments	Negotiable certificate of deposits	151,450	145,761	Pledged in accordance with requirements of the California Department of Financial Institutions
Held-to-maturity investments	Government bonds	97,400	187,545	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
2012	\$ 387,728
2013	257,235
2014	196,236
2015	161,015
2016	113,011

Rentals for the years beyond 2017 amount to \$150,513, the present value of which is about \$137,119 as discounted at the Bank's one-year time deposit rate of 1.35% on December 31, 2011.

### b. Equipment purchase contract

The Bank had entered into contracts to buy computer equipment and office equipment for \$931,200 of which \$484,801 had already been paid as of December 31, 2011.

- c. The Securities and Futures Investors Protection Center (SFIPC) was filing a lawsuit against the Bank and SPL's subsidiary, Grand Capital, in the ground that Procomp Informatics Ltd. provided deposit US\$10,000 thousand with the Bank's Shisung Branch (formally Sungshan Branch) and limited the usage as a condition for short-term loan to Addie International Limited granted by SPL and for helping Yeh, Sue-Fei and Procomp Informatics Ltd. processing irregular trading and appropriating the aforementioned limited deposit for fictitious sales. Finally the Bank directly took compensation from Procomp Informatics Ltd.'s account, causing Procomp's damage. And the Bank was suspected of misleading investors by providing unreal confirmations for conceal with the limited deposit of the Procomp and window-dressing its financial statements. The SFIPC filed additional lawsuit against the Bank, SPL and all other parties related to Procomp Informatics Ltd. for involving liability \$41.7 hundred millions to pay compensation. The Shihlin District Court rejected the SFIPC's lawsuit against the Bank on March 11, 2008. SFIPC has filed an appeal. The Bank has entered a plea on such charges and the case is under trying in the Taiwan High Court.
- d. The SFIPC is believed by investors to be filing a lawsuit against the Bank in the ground that National Aerospace Fasteners Corporation provided an accounts receivable - factoring with the Bank's Tunpei Branch and recorded the substantially loan transaction as an accounts receivable financing activity to window-dress its financial position which the investors made their investing decision based on. The SFIPC files lawsuit against the Bank and all other parties for compensation \$5.7 hundred millions. The Bank has entered a plea on such charges and the case is under trying in the Taipei District Court.
- e. The FSC imposed a disciplinary, FSC (6) 09480115211, at December 23, 2005 for restraining the Bank from developing new clients of accounts receivable factoring activities (except for authorized limit of original clients) in the period of January to June 2006, due to believing the Bank accommodated client to increase bank deposit falsely for window dressing the clients' financial reports and not in accordance with regular transaction. Additionally, the FSC believed the Bank not sufficiently disclosed the restricted deposit for CPA confirmation. After appealing to Sepreme Administrative Court and filing an administrative appeal, the Supreme Administrative Court had entered a final judgment against the Bank on October 13, 2011.

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

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

	Years Ended December 31			
	2011		2010	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Due from the Central Bank and other banks	\$ 32,305,957	0.54	\$ 28,844,192	0.46
Call loans to banks	32,069,459	0.95	40,577,322	0.55
Financial assets at fair value through profit or loss	35,133,664	1.20	11,377,607	1.57
Securities purchased under agreements to resell	2,037,934	0.86	447,723	0.60
Available-for-sale financial assets	42,602,237	1.88	38,394,662	2.00
Discounts and loans	736,546,563	2.28	716,062,745	2.11
Accounts receivable - factoring	9,173,201	1.43	10,108,943	1.24
Credit card receivable	10,077,089	12.93	10,911,492	14.04
Held-to-maturity investments	205,975,901	0.88	154,954,083	0.72
Other financial assets	219,200	0.49	1,345,294	2.47
<u>Interest-bearing liabilities</u>				
Due to the Central Bank and other banks	17,018,548	1.32	20,251,695	1.09
Call loans	43,152,085	0.80	28,915,813	0.48
Securities sold under agreements to repurchase	6,383,518	0.60	5,231,048	0.27
Demand deposits	176,905,665	0.17	160,469,218	0.15
Savings - demand deposits	228,803,593	0.41	220,359,187	0.36
Time deposits	310,321,937	0.95	296,300,310	0.73
Savings - time deposits	203,082,257	1.23	183,026,392	1.03
Negotiable certificates of deposit	28,006,016	0.79	26,874,832	0.42
Bank debentures	31,648,607	2.09	25,881,274	2.06
Other financial liabilities	3,404,107	3.87	5,142,709	4.53

## 32. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments

	December 31			
	2011		2010	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<u>Financial assets</u>				
Other short-term financial assets	\$ 154,617,417	\$ 154,617,417	\$ 137,520,408	\$ 137,520,408
Financial assets at fair value through profit or loss	33,437,176	33,437,176	27,283,956	27,283,956
Discounts and loans	732,363,961	732,363,961	716,169,447	716,169,447
Available-for-sale financial assets	37,085,376	37,085,376	38,193,924	38,193,924
Held-to-maturity investments	233,697,727	233,773,911	200,564,991	200,613,989
Unquoted equity instruments	1,641,455	-	1,665,439	-
Non-active market debt instruments	-	-	82,066	79,634
Other financial assets	3,622,635	3,622,635	3,898,781	3,898,781
<u>Financial liabilities</u>				
Other short-term financial liabilities	\$ 94,138,223	\$ 94,138,223	\$ 83,173,100	\$ 83,173,100
Financial liabilities at fair value through profit or loss	7,308,944	7,308,944	9,507,112	9,507,112
Deposits and remittances	994,056,325	994,056,325	934,476,778	934,476,778
Bank debentures	37,207,843	37,666,805	30,121,486	30,528,056
Other financial liabilities	7,847,122	7,847,122	19,189,269	19,189,269

### 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, due to the statutory limitations (right and obligation), tax receivables, tax linked receivables, and tax payable have been excluded from the estimation approach.
- 2) For financial investments at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, bank debentures, and hedged derivative financial instruments, fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Bank's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using available indirect data and appropriate valuation methodologies.

Forward contracts' and interest rate swap contracts' fair values are based on estimates using present value techniques. Options' fair value is based on estimates using Black & Scholes model.

Fair value of forward contracts is estimated based on the forward rates provided by Reuters.

Fair value of structured instruments are provided by the counter parties. All outstanding contracts are based on match basis and market risks will be offset.

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

- 3) Discounts and loans, deposits and other financial liabilities are interest-earning assets and interest-bearing liabilities. Thus, their carrying amounts represent fair values. Fair value of nonperforming loans is based on the carrying amount, which is net of allowance for credit losses.
- 4) Unquoted equity instruments are investments in unquoted shares, which have no quoted price in an active market and entail an unreasonable high cost to obtain verifiable fair value. Therefore, no fair value is presented. And non-active market debt instruments used estimated value as its fair value.

- 5) Fair values of refundable guarantee deposits, guarantee deposits received and purchase of PEM instruments are estimated at their carrying amounts since such deposits do not have specific due dates.
- c. Interest revenue of financial assets and liabilities other than those at fair value through profit or loss amounted to \$21,653,663 and \$19,167,348, respectively, for the years ended December 31, 2011 and 2010. Interest expense of financial assets and liabilities other than those at fair value through profit or loss amounted to \$7,648,324 and \$5,798,544, respectively, for the years ended December 31, 2011 and 2010, respectively.
- d. Financial risk information
- 1) Market risk

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

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

	Quoted Market Prices		Fair Value Based on Estimates	
	December 31		December 31	
	2011	2010	2011	2010
<u>Financial assets</u>				
Financial assets at fair value through profit or loss	\$ 6,061,101	\$ 24,874,565	\$ 27,376,075	\$ 2,409,391
Available-for-sale financial assets	14,748,788	36,195,135	22,336,588	1,998,789
Held-to-maturity investments	3,892,993	200,613,989	229,880,918	-
Other financial assets - non-active market debt instruments	-	-	-	79,634
<u>Financial liabilities</u>				
Financial liabilities at fair value through profit or loss	1,682	9,212,138	7,307,262	294,974
Bank debentures	36,225,765	28,000,445	1,441,040	2,527,611

The fair value hierarchy of the Bank and its subsidiaries' financial instruments as of December 31, 2011 was as follows:

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 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 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. According to SFAS No. 34, active markets are markets with all of the following conditions:

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

Note 4: Level 3 valuation applies to 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, 2011**  
(In Thousands of New Taiwan Dollars)

Name	Beginning Balance	Valuation Gain/Loss Reflected in Income Statement or in Shareholders' Equity	Increase		Decrease		Foreign Exchange Rate Effect	Ending Balance
			Purchase/ Issued	Transfer into Level 3	Disposed/ Sold	Transfer Out of Level 3		
<u>Non-derivative instruments</u>								
Financial assets at fair value through profit or loss Held for trading financial assets	\$ 907	\$ 255,259	\$ 387,051	\$ 40,766	\$ 318,983	\$ -	\$ 12,018	\$ 377,018
Financial assets designated at fair value through profit or loss	-	(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 at fair value through profit or loss	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, 2011**  
(In Thousands of New Taiwan Dollars)

Name	Beginning Balance	Valuation Gain/Loss Reflected in Income Statement or in Shareholders' Equity	Increase		Decrease		Foreign Exchange Rate Effect	Ending Balance
			Purchase/ Issued	Transfer into Level 3	Disposed/ Sold	Transfer Out of Level 3		
<u>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 sets up independent risk management team to control the market risk, and to carry the market risk management policy out, including organization frame, responsibility and management process; also set clear market risk regulation and limits. Each sub-risk management team reviews limits by monitoring and managing risk exposures under the respective supervision and reports to head office management team timely.

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

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

## 2) Credit risk

The Bank is exposed to credit risk in the event of default on contracts by counter-parties. The Bank makes credit commitments and issues financial guarantees and standby letters of credit only after careful evaluation of customers' credit worthiness. On the basis of the result of the credit evaluation, the Bank may require collaterals before drawings are made against the credit facilities. As of December 31, 2011 and 2010, ratios of secured loans to total loans were 68.18% and 68.70%, respectively. Ratio of secured financial guarantees and standby letters of credits were between 21.64% and 23.39%. 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	
	2011	2010
Off-balance-sheet credit risk		
Credit card commitments	\$ 209,633,194	\$ 175,223,135
Financial guarantees and standby letter of credit	20,126,523	20,046,031
Undrawn loan commitments	20,001,245	22,967,707

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

Credit Risk Profile by Counterparty	December 31	
	2011	2010
Consumer	\$ 380,463,194	\$ 378,249,511
Private sector	298,304,610	277,306,412
Government - government owned business	<u>40,811,112</u>	<u>40,236,956</u>
	<u>\$ 719,578,916</u>	<u>\$ 695,792,879</u>

Credit Risk Profile by Industry Sector	December 31	
	2011	2010
Electricity industry	\$ 71,735,252	\$ 63,307,145
Wholesale trade and retail business	56,525,275	44,865,134
Material and supplies	<u>44,531,919</u>	<u>42,569,608</u>
	<u>\$ 172,792,446</u>	<u>\$ 150,741,887</u>

Credit Risk Profile by Region	December 31	
	2011	2010
Domestic area	\$ 637,048,486	\$ 633,894,811
Asia	41,202,366	31,597,590
North America	<u>27,165,647</u>	<u>21,412,377</u>
	<u>\$ 705,416,499</u>	<u>\$ 686,904,778</u>

## 3) Liquidity risk

As of December 31, 2011 and 2010, the liquidity reserve ratio was 33.35% and 31.51%, respectively. The Bank has sufficient capital and working capital to execute all the obligation of contract and has no liquidity risk.

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

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

## The Bank

	December 31, 2011						Total
	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due Between One Year and Seven Years	Due After Seven Years	
<b>Assets</b>							
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>
<b>Liabilities</b>							
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 (Note)	122,968,851	140,126,550	210,204,335	169,613,960	327,352,402	-	970,266,098
Bank debentures	41,323	-	-	-	33,986,520	3,000,000	37,027,843
Hedged derivative financial liabilities	-	-	-	3,107	51,212	-	54,319
	<u>190,194,402</u>	<u>157,275,159</u>	<u>213,541,722</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>\$ 107,018,924</u>	<u>\$ 4,446,120</u>	<u>\$ (149,758,265)</u>	<u>\$ (95,093,771)</u>	<u>\$ (155,424,224)</u>	<u>\$ 343,164,588</u>	<u>\$ 54,353,372</u>
	December 31, 2010						
	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due Between One Year and Seven Years	Due After Seven Years	Total
<b>Assets</b>							
Cash and cash equivalents	\$ 10,719,584	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,719,584
Due from the Central Bank and other banks	67,314,572	2,819,995	5,152,961	-	-	-	75,287,528
Financial assets at fair value through profit or loss	23,358,361	387,393	2,443,315	178,267	535	-	26,367,871
Securities purchased under agreements to resell	1,152,479	-	-	-	-	-	1,152,479
Receivables	19,711,647	10,755,308	2,016,643	1,126,902	8,737,983	-	42,348,483
Discounts and loans	55,728,291	58,005,673	35,245,292	32,335,156	162,335,500	352,024,672	695,674,584
Available-for-sale financial assets	6,900,593	1,285,100	482,815	2,686,784	21,433,428	294,323	33,083,043
Held-to-maturity investments	116,705,568	41,943,817	11,554,547	28,339,063	515,379	24,998	199,083,372
Non-active market debt instruments	-	-	80,809	-	-	1,257	82,066
Hedged derivative financial assets	-	-	16,284	15,418	96,349	-	128,051
	<u>301,591,095</u>	<u>115,197,286</u>	<u>56,992,666</u>	<u>64,681,590</u>	<u>193,119,174</u>	<u>352,345,250</u>	<u>1,083,927,061</u>

	December 31, 2010						
	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due Between One Year and Seven Years	Due After Seven Years	Total
<b>Liabilities</b>							
Call loans and due to banks	36,880,937	12,572,343	1,650,990	13,483,507	-	-	64,587,777
Financial liabilities at fair value through profit or loss	6,662,958	385,427	151,948	2,305,533	1,246	-	9,507,112
Securities sold under agreements to repurchase	3,016,860	50,593	-	-	-	-	3,067,453
Payables	7,155,412	3,350,724	1,143,841	2,014,902	244,119	-	13,908,998
Deposits and remittances (Note)	136,749,610	149,180,566	157,908,041	149,692,443	322,437,212	-	915,967,872
Bank debentures	128,051	-	3,500,000	500,000	25,993,435	-	30,121,486
Hedged derivative financial liabilities	-	-	-	-	40,291	-	40,291
	<u>190,593,828</u>	<u>165,539,653</u>	<u>164,354,820</u>	<u>167,996,385</u>	<u>348,716,303</u>	-	<u>1,037,200,989</u>
Net liquidity gap	<u>\$110,997,267</u>	<u>\$(50,342,367)</u>	<u>\$(107,362,154)</u>	<u>\$(103,314,795)</u>	<u>\$(155,597,129)</u>	<u>\$352,345,250</u>	<u>\$46,726,072</u>

Note: Included the principal of structured products.

#### FENB

(In Thousands of U.S. Dollars)

	December 31, 2011						
	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due Between One Year and Seven Years	Due After Seven Years	Total
Assets	\$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>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>

	December 31, 2010						
	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due Between One Year and Seven Years	Due After Seven Years	Total
Assets	\$439,391	\$ 66,092	\$101,646	\$124,345	\$588,118	\$128,850	\$1,448,442
Liabilities	<u>657,645</u>	<u>101,111</u>	<u>253,193</u>	<u>158,926</u>	<u>49,050</u>	-	<u>1,219,925</u>
Net liquidity gap	<u>\$(218,254)</u>	<u>\$(35,019)</u>	<u>\$(151,547)</u>	<u>\$(34,581)</u>	<u>\$539,068</u>	<u>\$128,850</u>	<u>\$228,517</u>

#### 4) Foreign exchange rate risk

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

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

	December 31, 2011			December 31, 2010		
	U.S. Dollars	Exchange Rate	New Taiwan Dollars	U.S. Dollars	Exchange Rate	New Taiwan Dollars
<u>Assets</u>						
Cash and cash equivalents	\$ 101,449	30.29	\$3,072,890	\$ 84,023	29.152	\$2,449,438
Due from the Central Bank and other banks	848,993	30.29	25,715,998	1,148,287	29.152	33,474,863
Financial assets at fair value through profit or loss	441,341	30.29	13,368,219	665,176	29.152	19,391,211
Securities purchased under agreements to resell	43,143	30.29	1,306,801	37,886	29.152	1,104,453
Receivables, net	967,217	30.29	29,297,003	724,800	29.152	21,129,370
Discounts and loans, net	4,627,084	30.29	140,154,374	4,236,810	29.152	123,511,485
Available-for-sale financial assets	259,421	30.29	7,857,862	274,775	29.152	8,010,241
Held-to-maturity investments	132,050	30.29	3,999,795	57,153	29.152	1,666,124
Other financial assets, net						
Unquoted equity instruments	37,149	30.29	1,125,243	39,374	29.152	1,147,831
Non-active market debt instruments	-	30.29	-	2,772	29.152	80,809
Other financial assets	98,248	30.29	2,975,932	98,323	29.152	2,866,312
Intangible assets	16,588	30.29	502,451	17,100	29.152	498,499
Other assets	64,446	30.29	1,952,069	114,709	29.152	3,343,997
<u>Liabilities</u>						
Due to the Central Bank and other banks	1,490,112	30.29	45,135,492	1,206,078	29.152	35,159,586
Financial liabilities at fair value through profit or loss	428,461	30.29	12,978,084	477,386	29.152	13,916,757
Payables	267,807	30.29	8,111,874	200,452	29.152	5,843,577
Deposits and remittances	5,316,190	30.29	161,027,395	5,332,221	29.152	155,444,907
Other financial liabilities	70,100	30.29	2,123,329	157,381	29.152	4,587,971

## 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 of the interest of the Bank and FENB debentures, fixed rate loans and fixed rate deposit may fluctuate according to the change of market rate. The Bank and FENB evaluated the risk may be significant, and hedged by interest rate swap and cross-currency swap contracts.

Hedged Items	Hedging Instruments	December 31			
		2011		2010	
		Notion Amount	Fair Value	Notion Amount	Fair Value
Bank debentures	Interest rate swap	\$ 1,400,000	\$ 41,323	\$ 1,400,000	\$ 96,349
	Cross currency swap	-	-	1,000,000	31,702
Fixed rate loans	Interest rate swap	134,123	(3,107)	141,919	(8,742)
Fixed rate deposits	Interest rate swap	240,821	2,108	-	-

## f. Cash flow hedge

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

Hedged Items	Hedging Instruments	December 31			
		2011		2010	
		Notion Amount	Fair Value	Notion Amount	Fair Value
Bank debentures	Interest rate swap	\$ 3,600,000	\$ (51,212)	\$ 3,600,000	\$ (31,549)

## 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, 2011 and 2010 were as follows:

	December 31			
	2011		2010	
	Amount	%	Amount	%
Natural person	\$ 380,463,405	51.30	\$ 378,251,712	52.26
Manufacturing	178,314,140	24.04	164,761,001	22.76
Wholesale trade and retail business	69,160,262	9.33	55,595,377	7.68
Construction and real estate	54,221,451	7.31	62,558,093	8.64
Government owned business	41,387,975	5.58	40,825,148	5.64

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

## a. Statement of capital adequacy

## Capital Adequacy

Analysis Items		December 31, 2011		December 31, 2010	
		Standalone	Consolidation	Standalone	Consolidation
Eligible capital	Tier 1 capital	\$59,365,922	\$63,862,362	\$55,343,189	\$60,084,898
	Tier 2 capital	28,878,423	34,329,809	18,770,866	24,584,690
	Tier 3 capital	-	-	-	-
	Eligible capital	88,244,345	98,192,171	74,114,055	84,669,588

Analysis Items		Year	December 31, 2011		December 31, 2010	
			Standalone	Consolidation	Standalone	Consolidation
Risk-weighted assets	Credit risk	Standardized approach	616,247,958	645,639,452	573,241,752	605,474,979
		Internal rating - based approach	-	-	-	-
		Securitization	914	559,267	286,211	812,726
	Operational risk	Basic indicator approach	30,050,610	36,394,452	26,013,713	31,791,225
		Standardized approach/alternative standardized approach	-	-	-	-
		Advanced measurement approach	-	-	-	-
	Market risk	Standardized approach	18,188,885	18,171,185	23,193,160	23,483,560
		Internal models approach	-	-	-	-
	Total risk-weighted assets		664,488,367	700,764,356	622,734,836	661,562,490
	Capital adequacy rate		13.28%	14.01%	11.90%	12.80%
Tier 1 risk - based capital ratio		8.93%	9.11%	8.89%	9.08%	
Tier 2 risk - based capital ratio		4.35%	4.90%	3.01%	3.72%	
Tier 3 risk - based capital ratio		-	-	-	-	
Ratios of common stockholders' equity to total assets		4.45%	4.33%	4.48%	4.32%	
Leverage ratio		5.22%	5.42%	5.30%	5.47%	

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

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

Note 3: The formula:

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

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

#### b. Asset quality

The overdue loans and receivables information please refer to Table 10-2.

## c. Maturity analysis of assets and liabilities

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

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

**Maturity Analysis of Assets and Liabilities**  
**December 31, 2010**

(In Thousands of New Taiwan Dollars)

	Total	The Amount of Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Main capital inflow on maturity	\$1,030,091,195	\$283,229,450	\$107,231,626	\$ 50,842,700	\$ 62,875,354	\$525,912,065
Main capital outflow on maturity	1,046,936,915	179,917,469	151,193,270	147,666,839	177,040,261	391,119,076
Gap	(16,845,720)	103,311,981	(43,961,644)	(96,824,139)	(114,164,907)	134,792,989

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, 2010**

(In Thousands of U.S. Dollars)

	Total	The Amount of Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Main capital inflow on maturity	\$ 10,228,006	\$ 4,074,129	\$ 1,785,942	\$ 1,255,606	\$ 695,044	\$ 2,417,285
Main capital outflow on maturity	10,157,520	4,823,018	1,617,138	814,395	469,240	2,433,729
Gap	70,486	(748,889)	168,804	441,211	225,804	(16,444)

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

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

d. Profitability

(%)

Items	Year Ended December 31, 2011	Year Ended December 31, 2010	
	Return on total assets		
	Before income tax	0.24	0.41
	After income tax	0.22	0.33
Return on net worth			
	Before income tax	3.97	6.80
	After income tax	3.61	5.46
Profit margin	15.35	21.13	

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, 2011 and 2010.

e. Interest rate sensitivity information

**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%

**Interest Rate Sensitivity  
December 31, 2010**

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-rate sensitive assets	\$718,744,753	\$ 23,992,534	\$ 53,180,435	\$ 58,321,712	\$854,239,434
Interest-rate sensitive liabilities	380,102,084	372,965,474	48,432,914	18,834,629	820,335,101
Interest-rate sensitive gap	338,642,669	(348,972,940)	4,747,521	39,487,083	33,904,333
Net worth					67,173,893
Ratio of interest-rate sensitive assets to liabilities					104.13%
Ratio of interest-rate sensitive gap to net worth					50.47%

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

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

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

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

**Interest Rate Sensitivity  
December 31, 2011**

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

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-rate sensitive assets	\$ 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%)

**Interest Rate Sensitivity  
December 31, 2010**

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

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-rate sensitive assets	\$ 4,695,772	\$ 184,876	\$ 173,594	\$ 185,571	\$ 5,239,813
Interest-rate sensitive liabilities	2,567,962	2,657,158	185,024	411	5,410,555
Interest-rate sensitive gap	2,127,810	(2,472,282)	(11,430)	185,160	(170,742)
Net worth					58,114
Ratio of interest-rate sensitive assets to liabilities					96.84%
Ratio of interest-rate sensitive gap to net worth					(293.81%)

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

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

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

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

## f. Concentration of credit extensions

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 (LCD and its components manufacturing)	\$14,355,828	21.77%
2	B Group (Plastics)	14,272,371	21.64%
3	C Group (LCD and its components manufacturing)	12,219,170	18.53%
4	D Group (Computer and peripheral equipment)	7,916,648	12.00%
5	E Group (Computer and peripheral equipment)	5,933,193	9.00%
6	F Group (Retail sale of cosmetics in specialized stores)	5,358,503	8.12%
7	G Group (CATV)	4,751,461	7.20%
8	H Group (Finance and lease)	4,618,464	7.00%
9	I Group (LCD and its components manufacturing)	4,023,044	6.10%
10	J Group (Metal product)	2,523,957	3.83%

December 31, 2010

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	Industry Category (Note 2)	Total Credit Consists of Loans (Note 3)	Percentage of Net Worth (%) (Note 4)
1	A Group (Optoelectronic)	\$12,243,659	19.63%
2	B Group (Plastics)	12,003,656	19.25%
3	C Group (Computer and peripheral equipment)	8,397,467	13.47%
4	D Group (Manufacture of monitors and terminals)	7,471,722	11.98%
5	E Group (Computer and peripheral equipment)	6,482,937	10.40%
6	F Group (Wholesale of general merchandise)	5,765,269	9.25%
7	G Group (Real estate development activities)	5,524,505	8.86%
8	H Group (Computer and peripheral equipment)	4,789,832	7.68%
9	I Group (Finance and lease)	3,653,192	5.86%
10	J Group (LCD and its components manufacturing)	3,229,970	5.18%

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

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

Note 3: Total credit consists of loans were totalized each credit (included import bill negotiated, export bill negotiated, discounts, overdrafts, short-term loans, short-term secured loans, marginal receivables, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, and nonperforming loans), exchange bills negotiated, accounts receivable - without recourse factoring, acceptances receivable, and grantees issued.

Note 4: Net worth of previous year end.

### 36. TRUST BUSINESS UNDER THE TRUST LAW

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

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

#### Balance Sheets of Trust Accounts December 31, 2011 and 2010

(In Thousands of New Taiwan Dollars)

	December 31					
	2011			2010		
	Other Trust Business	Financial Assets and Real Estate Trust Plan	Total	Other Trust Business	Financial Assets and Real Estate Trust Plan	Total
<u>Trust assets</u>						
Bank deposits	\$ 2,699,582	\$ -	\$ 2,699,582	\$ 4,311,477	\$ 1,436,727	\$ 5,748,204
Bonds	2,633,025	-	2,633,025	12,135,070	-	12,135,070
Stocks	5,746,650	-	5,746,650	7,250,904	-	7,250,904
Funds	111,451,569	-	111,451,569	118,769,084	-	118,769,084
Securities lent	1,188,055	-	1,188,055	230,811	-	230,811
Receivables	9,301	-	9,301	2,036	49	2,085
Prepayments	12	49	61	10	13,919	13,929
Real estate						
Land	5,945,769	-	5,945,769	7,599,707	3,538,574	11,138,281
Buildings	111,039	-	111,039	3,102,906	1,364,856	4,467,762
Construction in process	3,753,650	-	3,753,650	2,935,274	-	2,935,274
Securities under custody	67,235,920	-	67,235,920	79,358,442	-	79,358,442
Other assets	-	-	-	-	27,311	27,311
Total trust assets	<u>\$200,774,572</u>	<u>\$ 49</u>	<u>\$200,774,621</u>	<u>\$235,695,721</u>	<u>\$ 6,381,436</u>	<u>\$242,077,157</u>
<u>Trust liabilities</u>						
Payables	\$ 2,226	\$ -	\$ 2,226	\$ 344	\$ 1,597	\$ 1,941
Advance receipts	-	-	-	-	5,760	5,760
Other liabilities	-	-	-	-	1,667,749	1,667,749
Payable on securities under custody	67,235,920	-	67,235,920	79,358,442	-	79,358,442
Trust capital	132,994,919	11,806	133,006,725	154,003,923	3,489,469	157,493,392
Reserves and cumulative earnings						
Reserves	-	22,312	22,312	-	32,872	32,872
Net income	(37,791)	(22,815)	(60,606)	853,180	96,942	950,122
Cumulative earnings	2,333,012	720,559	3,053,571	2,148,753	623,617	2,772,370
Deferred amount	(1,753,714)	(731,813)	(2,485,527)	(668,921)	-	(668,921)
Unrealized revaluation increment on land	-	-	-	-	463,430	463,430
Total trust liabilities	<u>\$200,774,572</u>	<u>\$ 49</u>	<u>\$200,774,621</u>	<u>\$235,695,721</u>	<u>\$ 6,381,436</u>	<u>\$242,077,157</u>

**Trust Income Statement**  
**Years Ended December 31, 2011 and 2010**

(In Thousands of New Taiwan Dollars)

	Years Ended December 31					
	2011			2010		
	Other Trust Business	Financial Assets and Real Estate Trust Plan	Total	Other Trust Business	Financial Assets and Real Estate Trust Plan	Total
Trust income						
Interest income	\$ 37,364	\$ 479	\$ 37,843	\$ 234,737	\$ 17,778	\$ 252,515
Rental income	-	-	-	-	201,184	201,184
Borrowed securities income	21,639	-	21,639	2,292	-	2,292
Cash dividend income	303,931	-	303,931	408,040	-	408,040
Gains from beneficiary certificates	185	-	185	217	-	217
Realized investment income	28,234	-	28,234	283,298	-	283,298
Unrealized investment income	-	-	-	14,771	-	14,771
Total trust income	<u>391,353</u>	<u>479</u>	<u>391,832</u>	<u>943,355</u>	<u>218,962</u>	<u>1,162,317</u>
Trust expense						
Trust administrative expenses	9,553	105	9,658	6,680	1,556	8,236
Tax expenses	3,721	-	3,721	23,431	12,497	35,928
Interest expenses	-	22,869	22,869	-	103,866	103,866
OTC expenses	-	75	75	-	956	956
Service expenses	-	231	231	-	1,249	1,249
Realized investment loss	72,602	-	72,602	59,714	-	59,714
Unrealized investment loss	342,792	-	342,792	-	-	-
Others	476	14	490	350	1,896	2,246
Total trust expense	<u>429,144</u>	<u>23,294</u>	<u>452,438</u>	<u>90,175</u>	<u>122,020</u>	<u>212,195</u>
Income (loss) before income tax	(37,791)	(22,815)	(60,606)	853,180	96,942	950,122
Income tax expense	-	-	-	-	-	-
Net income (loss)	<u>\$ (37,791)</u>	<u>\$ (22,815)</u>	<u>\$ (60,606)</u>	<u>\$ 853,180</u>	<u>\$ 96,942</u>	<u>\$ 950,122</u>

**Trust Properties of Trust Accounts**  
**December 31, 2011 and 2010**

(In Thousands of New Taiwan Dollars)

Investment Portfolio	December 31			
	2011		2010	
	Book Value	Note	Book Value	Note
Bank deposits	\$ 2,699,582		\$ 5,748,204	
Bonds	2,633,025		12,135,070	
Stocks	5,746,650		7,250,904	
Funds	111,451,569		118,769,084	
Securities lent	1,188,055		230,811	
Asset pool of financial asset securitization	-		-	
Asset pool of real estate securitization	-		4,903,430	
Real estate				
Land	5,945,769		7,599,707	
Buildings	111,039		3,102,906	
Construction in process	3,753,650		2,935,274	
Securities under custody	<u>67,235,920</u>		<u>79,358,442</u>	
Total	<u>\$ 200,765,259</u>		<u>\$ 242,033,832</u>	

- b. The contents of operations of the trust business under the Trust Law please refer to Note 1.
- 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, 2011 and 2010, the Bank charged SinoPac Securities for \$3,170 and \$3,907, respectively, as marketing and opening accounts. The rental fee the Bank has charged SinoPac Securities for the years ended December 31, 2011 and 2010 were \$3,270 and \$2,419, respectively. The rental fee the Bank paid to SinoPac Securities were \$674 and \$523, respectively for the years ended December 31, 2011 and 2010. The Bank has charged SinoPac Securities a total of \$3,766 and \$134 for the years ended December 31, 2011 and 2010 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 making's resource allocation and department performance review, the Bank and its subsidiaries has divided the business segments based on the services and products provided, excluding subsidiary accounted for under the equity method. The accounting standards and policies aforementioned in Note 2 applies to all of the business segments in accordance to accounting standard No. 41 "Operating Segments", the Bank and its subsidiaries reports the following.

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

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

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

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

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

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

a. For information regarding business segment revenue, operating results and assets, please refer to Table 11.

b. The Bank is operating in three principal geographical areas - Domestic, USA, and Hong Kong and Macao. For information regarding clients outside the Bank business segment revenue and geographical information assets, please refer to Table 11.

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

Under Rule No. 0990004943 issued by the Financial Supervisory Commission (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 is the projection decision-making committees. The main contents of the plan, anticipated schedule and status of execution as of December 31, 2011 were as follows:

<b>Contents of Plan</b>	<b>Responsible Department</b>	<b>Status of Execution</b>
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) Comparison and analysis of the differences between current accounting policies and IFRSs	Administration division, human resource division, commodity division, risk management division, accounting division	Finished
4) Complete the identification of consolidated entities under IFRSs	Accounting division	Finished
5) Evaluated potential effect on adoption of IFRS 1” First-time Adoption of International Financial Reporting Standards”	Administration division, human resource division, commodity division, risk management division, accounting division	Finished
6) Assessment of related IT system to identify possible adjustments	Administration division, human resource division, commodity division, risk management division, accounting division, IT division	Finished
7) Assessment of related internal controls to identify possible adjustments	Administration division, human resource division, commodity division, risk management division, accounting division	Finished
8) Determining IFRSs accounting policies	Administration division, human resource division, commodity division, risk management division, accounting division	Finished
9) Determining the exemptions chosen of IFRS 1” First-time Adoption of International Financial Reporting Standards”	Administration division, human resource division, commodity division, accounting division	Finished
10) Complete the preparation of opening IFRS statement of financial position	Accounting division	In progress according to the plan
11) Complete the preparation of comparative 2012 IFRSs financial information	Accounting division	In progress according to the plan
12) Complete modification of internal control (including financial report process and relevant IT systems)	Administration division, human resource division, commodity division, risk management division, accounting division, IT division, internal audit division	In progress according to the plan

b. As of December 31, 2011, the Bank had assessed the material differences, shown below, between the existing accounting policies and the accounting policies to be adopted under IFRSs:

<b>Accounting Issues</b>	<b>Description of Differences</b>
Employee preferential interest deposits	Under Article 28 of Criteria Governing the Preparation of Financial Reports by Public Bank, the excess preferential interest the Bank offers to the employees according to the employment arrangement or internal guideline should be recognized as post employee benefits at the date when employees retired.
Evaluation of provision	A provision should be recognized when and only when (1) an entity has a present obligation as a result of a past event; and (2) it is possible that an outflow of resources embodying economic benefits will be required to settle the obligation. The provision accrued based on fee revenue should be reversed under IFRSs.

- c. The Bank 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 Securities Issuers 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.

#### 40. ADDITIONAL DISCLOSURES

- a. and b. Following are the additional disclosures required by the Securities and Futures Bureau for the Bank and investees:

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

**TABLE 1****BANK SINOPAC AND INVESTEES****MARKETABLE SECURITIES HELD****DECEMBER 31, 2011****(In Thousands of New Taiwan Dollars or Shares)**

Name of Holding Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	December 31, 2011				Note
				Shares/Units/ Face Amount	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
SinoPac Bancorp	<u>Stock</u> Far East National Bank	Subsidiary	Equity investments - equity method and unquoted equity investments	8,070	\$ 8,829,078	100%	\$ 8,829,078	Note 2
	Far East Capital, LLC	Subsidiary	Equity investments - equity method	-	21,125	100%	21,125	Note 2
SinoPac Capital Limited (H.K.)	<u>Stock</u> SinoPac Capital (B.V.I.) Ltd.	Subsidiary	Equity investments - equity method	4,450	32,328	100%	49,734	Note 2
	SinoPac Insurance Brokers Ltd.	Subsidiary	Equity investments - equity method	100	1,169	100%	141,235	Note 2
SinoPac Capital (B.V.I.) Ltd.	<u>Fund</u> China Enterprise Capital	-	Unquoted equity investments	0.020	30,215	-	30,215	Note 3
	<u>Stock</u> RSP Information Service Company Limited	Subsidiary	Equity investments - equity method	1,000	3,883	100%	4,533	Note 2
SinoPac Property Insurance Agent Co., Ltd.	<u>Bond</u> Government bond 88-3	-	Guarantee deposits	600	630	-	761	Pledge
	SinoPac Life Insurance Agent Co., Ltd.	<u>Bond</u> Government bond 88-3	-	Guarantee deposits	600	629	-	761

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

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

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

**TABLE 2****BANK SINOPAC AND INVESTEES****ACQUIRED AND DISPOSED OF INVESTEE INVESTMENT AT COST OR PRICES OF AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL****(MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF, AT COST OR PRICES OF AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL)****YEAR ENDED DECEMBER 31, 2011****(In Thousands of New Taiwan Dollars or Shares, Unless Otherwise Stated)**

Company Name	Type and Name of Marketable Securities	Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Units	Amount	Units	Amount	Units	Amount	Carrying Value	Gain on Disposal	Units	Amount
Bank SinoPac	<u>Stock</u> SinoPac Bancorp	Unquoted equity investments	-	Subsidiary of the Bank	5,800	\$ 4,578,625	2,000	\$ 1,464,540	-	\$ -	\$ -	\$ -	7,800	\$6,043,165
SinoPac Bancorp	Far East National Bank	Investment in subsidiaries	-	Overseas affiliate of the Bank	6,070	US\$ 308,893 thousand	2,000	US\$ 50,000 thousand	-	-	-	-	8,070	US\$ 358,893 thousand

**TABLE 3****BANK SINOPAC AND INVESTEES**

**DISPOSAL OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL  
YEAR ENDED DECEMBER 31, 2011  
(In Thousands of New Taiwan Dollars)**

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

**TABLE 4****BANK SINOPAC AND INVESTEES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL  
DECEMBER 31, 2011  
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Bank SinoPac	SinoPac Financial Holdings Company Limited	The parent company of the Bank	\$ 1,167,783 (Note)	-	\$ -	-	\$ -	\$ -

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

TABLE 5

## BANK SINOPAC AND INVESTEES

**TRADING INFORMATION - SALE OF NONPERFORMING LOANS**  
**YEAR ENDED DECEMBER 31, 2011**  
**(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>							
March 25, 2011	Spiegel Development, Inc.	Commercial secured loans	\$ 20,900	\$ 25,837	\$ 4,937	-	None
April 28, 2011	Merrill Lynch International	Commercial secured loans	44,859	45,950	1,091	-	None
April 29, 2011	Merrill Lynch Credit Products, LLC	Commercial secured loans	109,589	149,057	39,468	-	None
<u>FENB</u>							
January 26, 2011	Spiegel Development, Inc.	Commercial secured loans	147,694	122,675	(25,019)	-	None
February 22, 2011	West Valley Asset Management, LLC	Commercial secured loans	61,428	56,370	(5,058)	-	None
February 24, 2011	Leslie Becher	Commercial secured loans	3,817	4,331	514	-	None
March 23, 2011	S. P. Villas, LLC	Commercial secured loans	17,053	25,837	8,784	-	None
April 13, 2011	Oliver McMillan Mgmt. Services, Inc.	Commercial secured loans	77,270	96,534	19,264	-	None
May 5, 2011	Nikki Investments, LLC	Commercial secured loans	15,175	15,418	243	-	None
May 12, 2011	115 Sanchez Investors, LLC	Commercial secured loans	10,056	12,207	2,151	-	None
June 3, 2011	Asset Foreclosure Service, Inc.	Commercial secured loans	12,177	12,177	-	-	None
June 6, 2011	O-M Equities 1, LLC	Commercial secured loans	29,987	26,110	(3,877)	-	None
June 17, 2011	SVP SIMI, LLC	Commercial secured loans	63,912	64,306	394	-	None
June 21, 2011	C & D Cycle Enterprise LLC	Commercial secured loans	58,641	59,974	1,333	-	None
June 28, 2011	JASSAS Capital, LLC	Commercial secured loans	19,810	19,295	(515)	-	None
June 30, 2011	Asset Foreclosure Service, Inc.	Commercial secured loans	122,826	131,398	8,572	-	None
July 1, 2011	SVP SIMI, LLC	Commercial secured loans	99,442	82,419	(17,023)	-	None
July 8, 2011	SST Investments, LLC	Commercial secured loans	22,505	22,869	364	-	None
August 18, 2011	Kearny FE 1, LLC	Commercial secured loans	814,074	814,074	-	-	None
August 18, 2011	Kearny FE 1, LLC	Commercial none secured loans	-	1,424	1,424	-	None
September 28, 2011	MB MONTCLAIR, LLC	Commercial secured loans	62,307	62,307	-	-	None
September 29, 2011	RCB Equities #4, LLC	Commercial secured loans	277,093	287,664	10,571	-	None
October 5, 2011	CCIG Properties, LLC	Commercial secured loans	19,991	39,377	19,386	-	None
October 11, 2011	366 Development, LLC	Commercial secured loans	10,147	10,147	-	-	None
November 1, 2011	RCB Equities #5, LLC	Commercial secured loans	43,133	43,133	-	-	None
November 4, 2011	Miracle Day Investments, LLC	Commercial secured loans	48,282	48,282	-	-	None
November 4, 2011	Arvind Ved	Commercial secured loans	15,236	18,931	3,695	-	None
November 10, 2011	RCB Equities #5, LLC	Commercial secured loans	110,377	138,001	27,624	-	None
November 22, 2011	SDLT Investments VI, LLC	Commercial secured loans	23,838	29,654	5,816	-	None
November 30, 2011	R Squared Asset Group, LLC	Commercial secured loans	97,806	163,990	66,184	-	None
December 6, 2011	80 Alantie LLC	Commercial secured loans	30,441	36,136	5,695	-	None
December 6, 2011	Piercy Road Investors, LLC	Commercial secured loans	49,070	49,070	-	-	None
December 8, 2011	TRI Invest, LLC	Commercial secured loans	9,632	9,693	61	-	None
December 16, 2011	Penn Equities, LLC	Commercial secured loans	127,127	139,273	12,146	-	None
December 27, 2011	Nelson Investors, LLC	Commercial secured loans	25,413	25,413	-	-	None

Date	Counter-parties	Loans	Carrying Amount (Note)	Selling Price (Note)	Gain or (Loss) on Disposal	Attachment	Relation
December 28, 2011	Spiegel Development, Inc.	Commercial secured loans	\$ 163,475	\$ 181,013	\$ 17,538	-	None
December 31, 2011	Orton Development, Inc.	Commercial secured loans	57,430	39,014	(18,416)	-	None
December 31, 2011	Miracle Day Investments, LLC and Dayco Funding Corp.	Commercial secured loans	7,179	7,239	60	-	None
December 31, 2011	KJSRR LLC.	Commercial secured loans	37,832	51,190	13,358	-	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 rate of balance sheet date.

TABLE 6

## BANK SINOPAC AND INVESTEEES

**INFORMATION ON INVESTED ENTERPRISES  
YEAR ENDED DECEMBER 31, 2011  
(In Thousands of New Taiwan Dollars or Shares)**

Investee Company	Location	Main Businesses and Products	Percentage of Ownership	Carrying Amount	Investment Gains (Loss)	Consolidated Investment				Note
						Shares	Imitated Shares	Total		
								Shares	Percentage of Ownership	
<b>Financial related enterprise</b>										
SinoPac Bancorp	California	Holding company	100.00%	\$ 2,680,845	\$(2,189,954)	20	-	20	100.00%	Subsidiary
SinoPac Capital Limited (H.K.)	Hong Kong	Credit and investment service	100.00%	1,241,505	46,943	229,998	-	229,998	100.00%	Subsidiary
SinoPac Life Insurance Agent Co., Ltd.	Taipei	Life insurance agent	100.00%	612,839	557,242	300	-	300	100.00%	Subsidiary
SinoPac Property Insurance Agent Co., Ltd.	Taipei	Property insurance agent	100.00%	34,350	28,205	300	-	300	100.00%	Subsidiary
SinoPac Bancorp	California	Holding company	100.00%	6,043,165	-	7,800	-	7,800	100.00%	Note 2
Global Securities Finance Corporation	Taipei	Securities financing	2.63%	173,496	-	19,712	-	19,712	2.63%	
Taipei Foreign Exchange Inc.	Taipei	Foreign exchange market maker	3.43%	6,800	2,173	680	-	680	3.43%	Note 3
Taiwan Futures Exchange	Taipei	Futures exchange and settlement	1.07%	21,490	4,307	5,122	-	5,122	1.88%	Note 3
Fuh Hwa Securities Investment Trust Co., Ltd.	Taipei	Securities investment trust and consultant	4.63%	15,000	15,750	1,500	-	1,500	4.63%	Note 3
Financial Information Service Co., Ltd.	Taipei	Planning and developing the information system of across banking institution and managing the information web system	2.28%	91,000	11,375	10,238	-	10,238	2.28%	Note 3
Taiwan Asset Management Corporation	Taipei	Evaluating, auctioning, and managing for financial institutions' loan	0.28%	50,000	3,536	5,000	-	5,000	0.28%	Note 3
Mondex Taiwan Inc.	Taipei	Information process services	6.69%	2,435	-	395	-	395	6.69%	
Taiwan Financial Asset Service Co.	Taipei	Auction	5.88%	100,000	1,000	10,000	-	10,000	5.88%	Note 3
Sunny Asset Management Corp.	Taipei	Purchasing for financial institutions' loan assets	1.42%	164	112	85	-	85	1.42%	Note 3
Taiwan Depository and Clearing Co.	Taipei	Computerizing book-entry operation for securities	0.08%	4,639	309	2,344	-	2,344	0.75%	Note 3
<b>Nonfinancial related enterprise</b>										
Taiwan Television Enterprise, Ltd.	Taipei	Wireless television company	4.84%	20,983	-	13,923	-	13,923	4.96%	

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, 2011.

Note 2: During 2011, SinoPac Bancorp has issued 2,000 thousand additional preferred shares for cash to the Bank, the Bank has classified the investment as unquoted equity instruments.

Note 3: Investment gains are dividends income.

TABLE 7

## BANK SINOPAC AND INVESTEES

CONSOLIDATED ENTITIES  
DECEMBER 31, 2011

Investor Company	Subsidiaries	Main Businesses	Percentage of Ownership				Note
			No.	December 31, 2011	No.	December 31, 2010	
Bank SinoPac	Bank SinoPac	Commercial bank	1	100%	1	100%	As of December 31, 2011, 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.
	SinoPac Bancorp	Stock holding	2	100%	2	100%	SinoPac Bancorp established in June 1997. In order to strengthen the capital structure and improve competitive advantage, the board of directors resolved to acquire the preferred stocks of SinoPac Bancorp on January 8, 2010, with US\$25 per share, US\$45,000 thousand in total. The board of directors resolved to further increase cash investment of preferred stocks of SinoPac Bancorp by the maximum amount of US\$200,000 thousand at \$25 per share on April 23, 2010 and June 24, 2010, respectively. In addition, the bank further acquired the preferred stocks of SinoPac Bancorp on July 27, 2010, September 23, 2010, December 10, 2010, March 30, 2011 and June 28, 2011 amounting to US\$30,000 thousand, \$40,000 thousand, \$30,000 thousand, \$30,000 thousand and \$20,000 thousand, respectively.
	SinoPac Capital Limited (H.K.)	Credit and investment service	3	100%	3	100%	SinoPac Capital Limited was established in Hong Kong 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. ("SinoPac Property Insurance Agent") and IBT Property Insurance Agent Co., Ltd. ("IBT Property Insurance Agent") 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 is November 13, 2006.

Investor Company	Subsidiaries	Main Businesses	Percentage of Ownership				Note
			No.	December 31, 2011	No.	December 31, 2010	
SinoPac Bancorp	Far East National Bank	Commercial bank	6	100%	6	100%	Far East National Bank was incorporated in December 1974. Bank SinoPac acquired Far East National Bank (FENB), through SinoPac Bancorp, by purchasing 100% of its shares on August 15, 1997. FENB is a commercial bank was established in Los Angeles which mainly engaged in the business of deposit taking and loan. As of December 31, 2011, FENB had 10 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.
	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 8****BANK SINOPAC AND INVESTEEES**
**RELATED PARTIES TRANSACTIONS  
YEARS ENDED DECEMBER 31, 2011 AND 2010  
(In Thousands of New Taiwan Dollars)**

2011

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)
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	Other net revenues	3,454	Note 4	0.02%
		SinoPac Bancorp and subsidiaries	1	Commission and fee expense	2,236	Note 4	0.01%
		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	-

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	
		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	Commissions and fee revenues	4	Note 4	-
		SinoPac Capital (H.K.) Limited and subsidiaries	1	Other net revenues	909	Note 4	-
		SinoPac Capital (H.K.) Limited and subsidiaries	1	Interest expense	261	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	Commissions and fee revenues	265,029	Note 4	1.38%
		SinoPac Life Insurance Agent	1	Other net revenues	3,420	Note 4	0.02%
		SinoPac Life Insurance Agent	1	Interest expense	1,579	Note 4	0.01%
		SinoPac Property Insurance Agent	1	Accounts, interest and other receivables, net	3,464	Note 4	-
		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	Commissions and fee revenues	12,932	Note 4	0.07%
		SinoPac Property Insurance Agent	1	Other net revenues	485	Note 4	-
		SinoPac Property Insurance Agent	1	Interest expense	326	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	Commissions and fee revenues	3,567	Note 4	0.02%
		Bank SinoPac	2	Interest expense	121	Note 4	-
		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	Commissions and fee revenues	814	Note 4	-
		Bank SinoPac	2	Interest expense	3,274	Note 4	0.02%
		Bank SinoPac	2	Commission and fee expense	3	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%
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	-

2010

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)
0	Bank SinoPac	SinoPac Bancorp and subsidiaries	1	Cash and cash equivalents	\$ 32,592	Note 4	-
		SinoPac Bancorp and subsidiaries	1	Accounts, interest and other receivables, net	2,990	Note 4	-
		SinoPac Bancorp and subsidiaries	1	Discounts and loans, net	38,128	Note 4	-
		SinoPac Bancorp and subsidiaries	1	Deposits and remittances	6,733	Note 4	-
		SinoPac Bancorp and subsidiaries	1	Interest revenue	946	Note 4	-
		SinoPac Bancorp and subsidiaries	1	Other net revenues	3,724	Note 4	0.02%
		SinoPac Bancorp and subsidiaries	1	Interest expense	1,007	Note 4	0.01%
		SinoPac Bancorp and subsidiaries	1	Others operating expenses	535	Note 4	-
		SinoPac Capital Limited (H.K.) and subsidiaries	1	Financial instruments at fair value through profit or loss	633	Note 4	-
		SinoPac Capital Limited (H.K.) and subsidiaries	1	Accounts, interest and other receivables, net	187	Note 4	-
		SinoPac Capital Limited (H.K.) and subsidiaries	1	Accounts, interest and other payables	221	Note 4	-
		SinoPac Capital Limited (H.K.) and subsidiaries	1	Deposits and remittances	213,053	Note 4	0.02%
		SinoPac Capital Limited (H.K.) and subsidiaries	1	Interest revenue	2,996	Note 4	0.02%
		SinoPac Capital Limited (H.K.) and subsidiaries	1	Commissions and fee revenues	17	Note 4	-
		SinoPac Capital Limited (H.K.) and subsidiaries	1	Other net revenues	2,931	Note 4	0.02%
		SinoPac Capital Limited (H.K.) and subsidiaries	1	Interest expense	533	Note 4	-
		SinoPac Capital Limited (H.K.) and subsidiaries	1	Others operating expenses	854	Note 4	-
		SinoPac Life Insurance Agent	1	Accounts, interest and other receivables, net	99	Note 4	-
		SinoPac Life Insurance Agent	1	Accounts, interest and other payables	44	Note 4	-
		SinoPac Life Insurance Agent	1	Deposits and remittances	667,187	Note 4	0.06%
		SinoPac Life Insurance Agent	1	Commissions and fee revenues	16	Note 4	-
		SinoPac Life Insurance Agent	1	Other net revenues	1,980	Note 4	0.01%
		SinoPac Life Insurance Agent	1	Interest expense	1,987	Note 4	0.01%
SinoPac Property Insurance Agent	1	Accounts, interest and other receivables, net	16	Note 4	-		
SinoPac Property Insurance Agent	1	Accounts, interest and other payables	20	Note 4	-		
SinoPac Property Insurance Agent	1	Deposits and remittances	40,049	Note 4	-		
SinoPac Property Insurance Agent	1	Other net revenues	270	Note 4	-		
SinoPac Property Insurance Agent	1	Interest expense	500	Note 4	-		
1	SinoPac Bancorp and subsidiaries	Bank SinoPac	2	Cash and cash equivalents	6,733	Note 4	-
		Bank SinoPac	2	Accounts, interest and other payables	875	Note 4	-
		Bank SinoPac	2	Deposits and remittances	34,707	Note 4	-
		Bank SinoPac	2	Long-term borrowings	38,128	Note 4	-
		Bank SinoPac	2	Interest revenue	3	Note 4	-
		Bank SinoPac	2	Commissions and fee revenues	535	Note 4	-
		Bank SinoPac	2	Gains from financial assets and liabilities at fair value through profit or loss	1,004	Note 4	0.01%
		Bank SinoPac	2	Interest expense	946	Note 4	-
		Bank SinoPac	2	Others operating expenses	3,724	Note 4	0.02%
		SinoPac Capital Limited (H.K.) and subsidiaries	3	Accounts, interest and other payables	375	Note 4	-
SinoPac Capital Limited (H.K.) and subsidiaries	3	Others operating expenses	407	Note 4	-		
2	SinoPac Capital Limited (H.K.) and subsidiaries	Bank SinoPac	2	Cash and cash equivalents	213,053	Note 4	0.02%
		Bank SinoPac	2	Financial instruments at fair value through profit or loss	633	Note 4	-
		Bank SinoPac	2	Accounts, interest and other receivables, net	221	Note 4	-
		Bank SinoPac	2	Accounts, interest and other payables	187	Note 4	-
		Bank SinoPac	2	Interest revenue	533	Note 4	-
		Bank SinoPac	2	Commissions and fee revenues	854	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)
		Bank SinoPac	2	Interest expense	\$ 2,996	Note 4	0.02%
		Bank SinoPac	2	Commissions and fee expense	14	Note 4	-
		Bank SinoPac	2	Others operating expenses	2,934	Note 4	0.02%
		SinoPac Bancorp and subsidiaries	3	Accounts, interest and other receivables, net	375	Note 4	-
		SinoPac Bancorp and subsidiaries	3	Commissions and fee revenues	407	Note 4	-
3	SinoPac Life Insurance Agent	Bank SinoPac	2	Cash and cash equivalents	667,187	Note 4	0.06%
		Bank SinoPac	2	Accounts, interest and other receivables, net	44	Note 4	-
		Bank SinoPac	2	Accounts, interest and other payables	99	Note 4	-
		Bank SinoPac	2	Interest revenue	1,987	Note 4	0.01%
		Bank SinoPac	2	Commissions and fee expense	16	Note 4	-
		Bank SinoPac	2	Others operating expenses	1,980	Note 4	0.01%
4	SinoPac Property Insurance Agent	Bank SinoPac	2	Cash and cash equivalents	40,049	Note 4	-
		Bank SinoPac	2	Accounts, interest and other receivables, net	20	Note 4	-
		Bank SinoPac	2	Accounts, interest and other payables	16	Note 4	-
		Bank SinoPac	2	Interest revenue	500	Note 4	-
		Bank SinoPac	2	Others operating expenses	270	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 9-2****BANK SINOPAC AND SUBSIDIARIES****THE CONTRACT AMOUNTS OF OUTSTANDING DERIVATIVE TRANSACTIONS  
DECEMBER 31, 2011 AND 2010  
(In Thousands of New Taiwan Dollars)**

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Interest rate swap contracts	\$ 836,221,169	\$ 927,655,559
Currency swap contracts	378,372,554	259,067,608
Options		
Long position	146,307,870	166,846,144
Short position	145,337,961	168,807,115
Forward contracts		
Long position	5,384,036	9,674,977
Short position	3,381,876	5,989,399
Non-deliverable forward contracts		
Long position	270,945,746	84,219,334
Short position	270,144,366	83,325,708
Cross-currency swap contracts	8,590,579	3,625,728
Assets swap contracts	1,036,771	1,136,928
Credit default swap contracts	1,100,000	1,100,000
Equity-linked swap contracts	35,057	35,944
Commodity-linked swap contracts	273,825	117,561
Futures		
Interest rate futures short position	1,261,485	-
Equity futures short position	27,197	-
Credit linked swap contracts	1,100,000	2,100,000

**TABLE 9-3****BANK SINOPAC AND SUBSIDIARIES****AVAILABLE-FOR-SALE FINANCIAL ASSETS  
DECEMBER 31, 2011 AND 2010  
(In Thousands of New Taiwan Dollars)**

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Government bonds	\$ 12,213,236	\$ 14,228,089
Corporate bonds	8,245,565	6,313,989
Bank debentures	5,995,760	6,350,107
Commercial papers	5,024,470	4,794,788
GSE debentures	4,434,805	5,018,094
Government sector bonds	606,109	591,497
Negotiable certificate of deposit	452,533	590,455
Listed stock	62,959	214,118
Collateralized debt obligations	49,939	92,787
	<u>\$ 37,085,376</u>	<u>\$ 38,193,924</u>

**TABLE 9-4****BANK SINOPAC AND SUBSIDIARIES****HELD-TO-MATURITY FINANCIAL ASSETS  
DECEMBER 31, 2011 AND 2010  
(In Thousands of New Taiwan Dollars)**

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Negotiable certificate of deposit	\$ 229,220,900	\$ 197,760,761
GSE debentures	2,896,637	839,296
Municipal bonds	618,267	642,323
Corporate bonds	500,921	840,691
Assets backed securities	302,899	-
Government bonds	127,561	293,112
Bank debentures	25,974	100,029
Collateralized debt obligations	4,568	13,751
Floating rate notes	-	75,028
	<u>\$ 233,697,727</u>	<u>\$ 200,564,991</u>

**TABLE9-5****BANK SINOPAC AND SUBSIDIARIES****OTHER FINANCIAL ASSETS  
DECEMBER 31, 2011 AND 2010  
(In Thousands of New Taiwan Dollars)**

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Unquote equity instruments		
Unlisted equity investments	\$ 1,131,964	\$ 1,123,945
Beneficiary certificates	511,991	541,494
	1,643,955	1,665,439
Less: Accumulated impairment	2,500	-
	<u>1,641,455</u>	<u>1,665,439</u>
Non-active market debt instruments		
Collateralized debt obligations	-	80,809
Mortgage backed securities	-	1,257
	-	<u>82,066</u>
Others		
Purchase of PEM instruments	3,772,340	3,881,214
Cash surrender-officer life insurance	1,217,152	1,129,944
Guarantee deposits	569,748	930,087
Nonperforming receivables transferred from other than loans	176,581	118,295
Guarantee of futures and options	121,150	158,284
Hedged derivative financial instruments	43,431	128,051
Short-term advancement	22,927	21,305
Exchange bills negotiated	362	47
	5,923,691	6,367,227
Less: Accumulated impairment	2,128,986	2,301,151
Allowance for credit losses	172,070	167,295
	<u>3,622,635</u>	<u>3,898,781</u>
	<u>\$ 5,264,090</u>	<u>\$ 5,646,286</u>

TABLE 9-6

## BANK SINOPAC AND SUBSIDIARIES

**BANK DEBENTURES**  
**DECEMBER 31, 2011 AND 2010**  
**(In Thousands of New Taiwan Dollars)**

	December 31		Maturity Date	Rate
	2011	2010		
<u>Dominant bank debentures</u>				
Eighth dominant bank debentures issued in 2004	\$ -	\$ 516,284	2004.05.21-2011.05.21 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually with simple interest based on actual days.
Fifteenth dominant bank debentures issued in 2004	-	515,418	2004.07.13-2011.07.13 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Dominant bank debentures	-	<u>1,031,702</u>		
<u>Subdominant bank debentures</u>				
First subordinated bank debentures issued in 2008	1,441,040	1,495,909	2008.03.17-2013.09.17 Principal is repayable on maturity date.	Fixed interest rate of 3.05%, interest is paid annually.
Second subordinated bank debentures issued in 2008 (A)	4,498,825	4,498,486	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)	499,870	499,832	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	3,599,180	3,598,824	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	5,598,104	5,597,698	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)	2,199,293	2,199,101	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)	2,199,942	2,199,934	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)	3,098,603	3,100,000	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)	2,898,698	2,900,000	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	999,415	-	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)	3,798,110	-	2011.8.18-2018.8.18 Principal is repayable on maturity date.	Fixed interest rate of 1.95%, interest is paid annually.
Second subordinated bank debentures issued in 2011 (B)	2,998,481	-	2011.8.18-2021.8.18 Principal is repayable on maturity date.	Fixed interest rate of 2.18%, interest is paid annually.

	December 31		Maturity Date	Rate
	2011	2010		
Third subordinated bank debentures issued in 2011	\$ 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 2005	-	3,000,000	2005.12.13-2011.06.13 Principal is repayable on maturity date.	Index rate plus 0.35%. Interest rate is reset semiannually since the issuance date. Interest is paid semiannually.
Subdominant bank debentures	<u>37,027,843</u>	<u>29,089,784</u>		
	<u>\$37,027,843</u>	<u>\$30,121,486</u>		

**TABLE 9-7****BANK SINOPAC AND SUBSIDIARIES**
**THE DERIVATIVE FINANCIAL INSTRUMENT TRANSACTIONS  
DECEMBER 31, 2011 AND 2010  
(In Thousands of New Taiwan Dollars)**
SinoPac Capital Limited

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

Financial Instruments	December 31			
	2011		2010	
	Contract (Notional) Amount	Fair Value	Contract (Notional) Amount	Fair Value
Currency swap contracts	\$ 874,817	\$ (41)	\$ 850,951	\$ (29)

**TABLE 10-1****BANK SINOPAC AND SUBSIDIARIES**
**STATEMENT OF CHANGES IN ALLOWANCE FOR CREDIT LOSSES  
YEARS ENDED DECEMBER 31, 2011 AND 2010  
(In Thousands of New Taiwan Dollars)**

	Year Ended December 31, 2011							
	Discounts and Loans			Account Receivable	Provisions for		Other Assets	Total
	Specific Reserve	General Reserve	Subtotal		Acceptance and Guarantees	Other Financial Assets		
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)	-	-
Result from change of foreign exchange rate	<u>53,301</u>	<u>112,015</u>	<u>165,316</u>	<u>6</u>	<u>5,739</u>	<u>(1,000)</u>	<u>-</u>	<u>170,061</u>
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>

Year Ended December 31, 2010

	Discounts and Loans			Account Receivable	Provisions for		Other Assets	Total
	Specific Reserve	General Reserve	Subtotal		Acceptance and Guarantees	Financial Assets		
Balance, January 1	\$ 2,286,482	\$ 4,783,196	\$ 7,069,678	\$ 404,898	\$ 41,716	\$ 888,847	\$ 723	\$ 8,405,862
Provision	1,062,716	3,243,136	4,305,852	298,805	31,633	329,615	-	4,965,905
Write-off	(1,678,283)	(1,767,067)	(3,445,350)	(352,147)	-	(1,063,771)	-	(4,861,268)
Recovery of written-off credits	44,106	142,787	186,893	286,258	-	1,375	-	474,526
Reclassifications	110,649	(110,094)	555	-	-	(555)	-	-
Result from change of foreign exchange rate	(127,591)	(365,714)	(493,305)	(91)	(6,229)	16,362	-	(483,263)
Others	-	-	-	-	-	(4,578)	-	(4,578)
Balance, December 31	<u>\$ 1,698,079</u>	<u>\$ 5,926,244</u>	<u>\$ 7,624,323</u>	<u>\$ 637,723</u>	<u>\$ 67,120</u>	<u>\$ 167,295</u>	<u>\$ 723</u>	<u>\$ 8,497,184</u>

TABLE 10-2

## BANK SINOPAC

**OVERDUE LOANS AND RECEIVABLES  
DECEMBER 31, 2011 AND 2010**  
(In Thousands of New Taiwan Dollars, %)

Items	December 31, 2011					December 31, 2010				
	Non-performing Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)	Non-performing Loan (NPL)	Total Loans	NPL Ratio	Loan Loss Reserves (LLR)	Coverage Ratio
Corporate loan										
Secured	\$ 1,460,531	\$142,940,674	1.02%	\$ 933,734	63.93%	\$ 1,076,035	\$131,448,092	0.82%	\$ 600,615	55.82%
Unsecured	1,459,760	209,499,404	0.70%	2,900,478	198.70%	1,643,974	202,185,933	0.81%	2,480,146	150.86%
Consumer loan										
Mortgage (Note 4)	420,190	352,617,379	0.12%	2,714,271	645.96%	770,544	351,853,530	0.22%	1,014,029	131.60%
Cash card	460	42,583	1.08%	17,255	3,751.09%	383	55,302	0.69%	1,875	489.56%
Micro credit (Note 5)	55,645	9,656,712	0.58%	554,659	996.78%	102,271	6,006,876	1.70%	1,098,140	1,073.76%
Other (Note 6)										
Secured	1,131	4,645,583	0.02%	35,759	3,161.72%	3,050	4,124,851	0.07%	47,435	1,555.25%
Unsecured										
Total	3,397,717	719,402,335	0.47%	7,156,156	210.62%	3,596,257	695,674,584	0.52%	5,242,240	145.77%
	<b>Overdue Receivables</b>	<b>Account Receivables</b>	<b>Delinquency Ratio</b>	<b>Allowance for Credit Losses</b>	<b>Coverage Ratio</b>	<b>Overdue Receivables</b>	<b>Account Receivables</b>	<b>Delinquency Ratio</b>	<b>Allowance for Credit Losses</b>	<b>Coverage Ratio</b>
Credit card	69,612	18,118,724	0.38%	329,737	473.68%	106,080	16,338,069	0.65%	623,272	587.55%
Account receivable - factoring with no recourse (Note 7)	66,488	16,629,573	0.40%	60,094	90.38%	10,188	18,457,780	0.06%	10,188	100.00%
Excluded NPL as a result of debt consultation and loan agreements (Note 8)			14,446					18,739		
Excluded overdue receivables as a result of debt consultation and loan agreements (Note 8)			599,859					814,563		
Excluded NPL as a result of consumer debt clearance (Note 9)			9,454					12,166		
Excluded overdue receivables as a result of consumer debt clearance (Note 9)			822,526					826,740		

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

For Credit card business: Overdue receivables are regulated by the Banking Bureau dated July 6, 2005 (Ref. No. 0944000378).

Note 2: For loan business: NPL ratio = NPL/Total loans.

For Credit card business: Delinquency ratio = Overdue receivables/Account receivables.

Note 3: For loan business: Coverage ratio = LLR/NPL

For credit card business: Coverage ratio = Allowance for credit losses/Overdue receivables.

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

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

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

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

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

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

**TABLE 10-3**

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

**DECEMBER 31, 2011 AND 2010**

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

**Loans**

Items		Loans	Allowance for Possible Losses
With objective evidence of impairment	Individually assessed	\$ 2,938,333	\$ 404,715
	Collectively assessed	5,394,003	1,416,024
With no objective evidence of impairment	Collectively assessed	733,313,972	7,200,855

**Receivables**

Items			Receivables	Allowance for Possible Losses
With objective evidence of impairment	Individually assessed	Nonperforming receivables transferred from other than loans (Note 3)	\$ 110,407	\$ 104,150
		Credit card receivables	2,056,064	240,891
	Collectively assessed	Nonperforming receivables transferred from other than loans (Note 3)	66,174	52,852
With no objective evidence of impairment	Collectively assessed	Account receivable - factoring receivables	16,629,573	60,094
		Credit card receivables	16,062,660	88,846
		Accounts receivable - forfaiting	11,542,182	-
		Others	5,795,360	39,795

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

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

Note 3: Recorded as other financial assets.

TABLE 11

## BANK SINOPAC

**OPERATING SEGMENTS AND GEOGRAPHICAL INFORMATION**  
**YEARS ENDED DECEMBER 31, 2011 AND 2010**  
**(In Thousands of New Taiwan Dollars)**

## Segment revenues and results

		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	\$ 1,376,109	\$ 1,104,654	\$ 1,106,229	\$ 171,245	\$14,915,865	\$ (846,827)	\$14,069,038
	Interest revenue	14,201,265	1,524,668	4,293,991	1,709,629	1,501,505	252,556	23,483,614	333,982	23,817,596
	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	1,609,944	417,616	395,276	18,856	8,893,942	854,616	9,748,558
	Commission and fee revenues, net	2,190,406	572,133	(36,435)	222,633	36,931	838,066	3,823,734	271,686	4,095,420
	Others	772,831	231,584	393,219	29,581	(459,366)	2,015	969,864	31,518	1,001,382
	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	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	(39,010)	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 1)		-	-	-	-	-	-	-	-	-

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

## Geographical information

	Year Ended December 31, 2011				
	Domestic	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

### Segment revenues and results

		Year Ended December 31, 2010								
		Domestic Branches	Consumer Banking	Financial Transaction	Oversea Branches	United States Subsidiary	Others	Operating Segments	Non-operating Segments	Total
Income (loss)	Net interest	\$ 9,443,453	\$ 1,544,227	\$ 1,058,188	\$ 1,224,959	\$ 1,340,602	\$ 163,257	\$14,774,686	\$ (1,257,90)	\$ 13,516,777
	Interest revenue	12,140,835	1,712,154	2,594,150	1,494,185	2,071,551	205,547	20,218,422	154,282	20,372,704
	Revenue amount segments	1,889,276	(155,189)	(818,429)	(155,303)	-	(29,367)	730,988	(730,988)	-
	Interest expense	4,586,658	12,738	717,533	113,923	730,949	12,923	6,174,724	681,203	6,855,927
	Commission and fee revenues, net	2,951,882	572,409	(29,559)	175,950	65,853	830,920	4,567,455	17,763	4,585,218
	Others	498,420	110,117	294,089	(47,990)	(69,436)	910	786,110	599,526	1,385,636
	Net revenue (loss)	12,893,755	2,226,753	1,322,718	1,352,919	1,337,019	995,087	20,128,251	(640,620)	19,487,631
	Bad debt expense	659,999	321,540	-	840,987	2,380,195	14,494	4,217,215	748,690	4,965,905
	Operating expense	7,929,890	1,064,521	305,838	758,167	1,262,970	212,924	11,534,310	(499,558)	11,034,752
	Depreciation and amortization	161,200	12,674	5,135	39,183	55,533	12,332	286,057	257,179	543,236
	Income (loss) before income tax	4,303,866	840,692	1,016,880	(246,235)	(2,30,146)	767,669	4,376,72	(889,752)	3,486,974
	Income tax benefit (expense)	(840,190)	(144,224)	(145,579)	145,697	995,894	(115,121)	(103,523)	117,924	14,401
	Net income (loss)	3,463,676	696,468	871,301	(100,538)	(1,310,25)	652,548	4,273,203	(771,828)	3,501,375
		Domestic Branches	Consumer Banking	Financial Transaction	Oversea Branches	United States Subsidiary	Others	Operating Segments	Non-operating Segments	Total
Asset (Note 1)		-	-	-	-	-	-	-	-	-

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

### Geographical information

	Year Ended December 31, 2010				
	Domestic	USA	Hong Kong and Macau	Adjustments and Elimination	Total
Income of clients outside the Bank and its subsidiaries	\$ 17,144,299	\$ 1,647,667	\$ 695,665	\$ -	\$ 19,487,631
Income from other departments	(737,752)	(1,634)	1,908	737,478	-
Net revenue	16,406,547	1,646,033	697,573	737,478	19,487,631
Income (loss) before income tax	5,844,850	(2,379,029)	21,153	-	3,486,974
Identifiable assets	1,022,177,499	58,813,917	64,896,312	-	1,145,887,728

# Domestic Major Economic Indicators

In US\$ millions

Items	2011	2010	2009	2008	2007	
<b>National income</b>						
GDP	466,881	430,149	377,529	400,132	393,134	
GDP per capital (in US\$)	20,139	18,588	16,359	17,399	17,154	
Economic growth rate (GDP)	4.04%	10.72%	(1.81%)	0.73%	5.98%	
<b>Foreign trade</b>						
Export	308,325	274,601	203,675	255,629	246,677	
Import	281,438	251,236	174,371	240,448	219,252	
Trade surplus	26,820	23,365	29,304	15,181	27,425	
<b>Price indexes</b>						
Consumer price Index	1.42%	0.96%	(0.87%)	3.53%	1.80%	
Wholesale price Index	4.32%	5.46%	(8.74%)	5.15%	6.47%	
<b>Money supply</b>						
Annual growth in M <sub>2</sub>	5.83%	4.53%	7.45%	2.71%	4.16%	
Annual growth in M <sub>1b</sub>	7.16%	14.93%	16.54%	(2.94%)	6.44%	
Annual growth in M <sub>1a</sub>	8.08%	14.51%	13.37%	0.97%	6.80%	
<b>Key interest rates (end of period)</b>						
<b>Rates of central bank</b>						
Discounted rate	1.875%	1.625%	1.25%	2.00%	3.375%	
Rate on accommodations with collateral	2.250%	2.000%	1.625%	2.375%	3.750%	
<b>Interbank call loan market</b>						
Weighted average of overnight	0.405%	0.250%	0.107%	0.492%	2.083%	
<b>Stock market</b>						
Weighted Stock Index (TAIEX)	Average	8,155.79	7,949.63	6,459.56	7,024.06	8,509.56
	Year-end	7,072.08	8,972.50	8,188.11	4,591.22	8,506.28
Daily average trading value*	106.06	112.43	118.25	104.88	133.78	
<b>Foreign exchange</b>						
Foreign exchange reserve	385,547	382,005	348,198	291,707	270,311	
Exchange rate (NT\$/US\$)	Average	29.475	31.628	33.045	31.543	32.836
	Year-end	30.290	30.368	32.030	32.860	32.443
Balance of payment	6,239	40,173	54,126	26,274	(4,020)	
<b>Others</b>						
Industrial production index	5.03%	26.93%	(8.08%)	(1.78%)	7.77%	
Unemployment rate	4.39%	5.21%	5.85%	4.14%	3.91%	
Growth rate of investment in private sector	(2.35%)	33.84%	(18.15%)	(15.58%)	1.36%	
<b>Population</b>	23,224,912	23,162,123	23,119,772	23,037,031	22,958,360	

\* (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 : 10F, 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.**

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