



2011

Annual Report

Bank of Panhsin Head Office

Address: No.68, Sec. 2, Xianmin Blvd., Banqiao Dist., New Taipei City, Taiwan (R.O.C.)

Tel: (02)2962-9170

Website: www.bop.com.tw

Spokesman

Name: Fu-Chai Teng

Title: S.E.V.P.

Address: No.68, Sec. 2, Xianmin Blvd., Banqiao Dist., New Taipei City, Taiwan (R.O.C.)

Tel: (02)2962-9170

E-mail: 47406@bop.com.tw

Deputy Spokesman

Name: Chi-Hsun Chang

Title: E.V.P. & General Manager

Address: No.68, Sec. 2, Xianmin Blvd., Banqiao Dist., New Taipei City, Taiwan (R.O.C.)

Tel: (02)2962-9170

E-mail: 43009@bop.com.tw

Stock Registration Office

Name: Bank of Panhsin, General Affair Department

Address: 9F., No.330, Zhongzheng Rd., Banqiao Dist., New Taipei City, Taiwan (R.O.C.)

Tel: (02)2968-9199

Credit Rating Services Organization

Taiwan Ratings Corporation

Address: 49F, No.7, Sec.5, Xingyi Rd., Taipei City, Taiwan (R.O.C.)

Tel: (02)8722-5800

Website: www.taiwanratings.com

Certified Public Accountants for Financial Statements

KPMG Certified Public Accountants

Name of Accountants: Andrew Yu, Li Li Lu

Address: 68F, No.7, Sec. 5, Xingyi Rd., Taipei City, Taiwan (R.O.C.)

Tel: (02)8101-6666

Website: www.kpmg.com.tw

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Bank Overview

Bank of Panhsin (BOP) was founded on April 25, 1957, formerly known as the Panchiao Credit Cooperative (PCC), and has ever since kept its operating principle of “Customer First” in mind to pursuit in expanding its business scale at a steady pace. In order to cope with such a rapidly liberalized financial environment and in compliance with the article of “Standards and Methods for Reorganization of Credit Cooperative into Commercial Bank” announced in December 6, 1995, PCC had acquired the Kaohsiung Fifth Credit Cooperative on September 29, 1997, officially transformed into a commercial bank, and renamed BOP the following day. The business premise has thus broken out of Greater Taipei Area. BOP had also acquired the Chiayi First Credit Cooperative on March 7, 2005, the total branches have increased up to 47 (including OBU).

In order to offer competitive service to our customers, we have reallocated headquarters to Panhsin Twin Towers in New Banqiao Station Special Zone on March 17 2011. Hence, BOP will persist in retaining its management concepts of “Integrity, Practicality, and Innovation” to expand its operating scale, improve its asset quality, and ultimately maximize its profits. BOP is determined in pursuit of becoming a highly competitive comprehensive mid-sized commercial bank.

I 、Date of Incorporation

Panchiao Credit Cooperative(PCC) was founded on April 25, 1957, then transformed into a commercial bank and renamed Bank of Panhsin(BOP) on September 30, 1997.

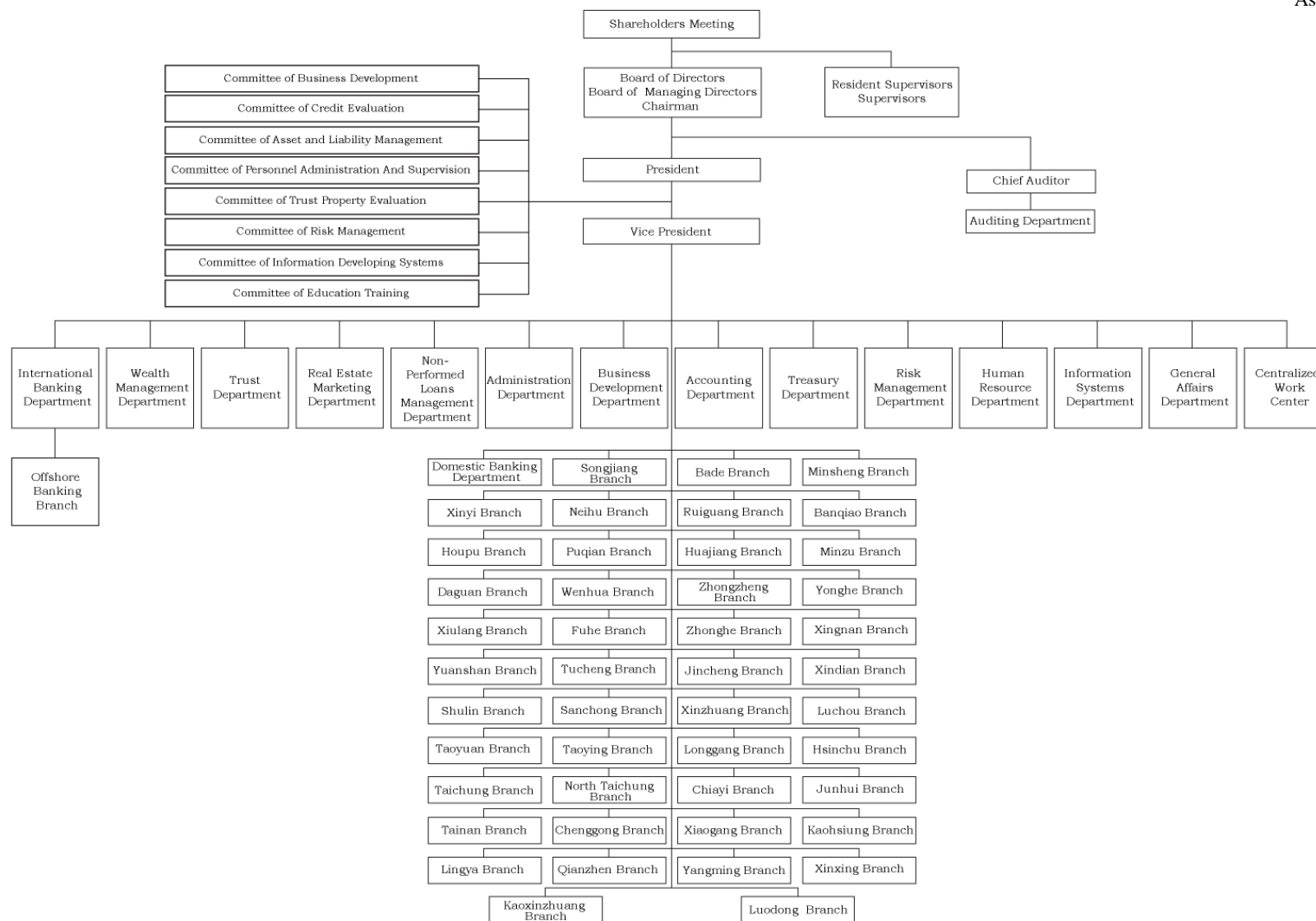
II 、Credit Rating

Rating Agency	Date	Long-Term	Short-Term	Outlook
Taiwan Ratings Co.	Dec. 13, 2011	twBBB-	twA-3	Stable

Corporate Governance

I、Organization Chart

As of Dec. 31, 2011



II 、Information on the Directors, Supervisors, President, Vice Presidents, Assistant Vice Presidents, and Major Managers

(I)Directors and Supervisors

As of Dec. 31, 2011

Position	Name	Date Appointed	Term Year	Date First Appointed	Shareholding When Elected		Current Shareholding		Shares Held by Spouse & Minor Children		Major Experience & Education	Current Positions In the BOP and Other Companies
					Shares	%	Shares	%	Shares	%		
Chairman	Ping-Hui Liu	Jul. 01, 2009	3	Dec. 27, 1996	27,772,606	2.91	65,772,606	6.88	69,542,397	7.28	Chihlee College of Business/ Chairman of PCC	Chairman of BOP/ Supervisor of San Light Construction Co., Ltd./ Supervisor of Shan Hui Construction Co., Ltd./ Supervisor of Yuan Qi Investment Co., Ltd.
Managing Director	San-Jyun Construction Co., Ltd. (Representative: Chung-Liang Chen)	Jul. 01, 2009	3	Jun. 20, 2006	12,421	-	12,421	-	-	-	KaiNan High School of Commerce and Industry/ Manager of BOP	-
Managing Director	Ming-Hsin Chiu	Jul. 01, 2009	3	Dec. 27, 1996	4,504,116	0.47	4,504,116	0.47	2,123,854	0.22	Ta-Tung Vocational High School/ Director of PCC	Director of Panhsin Asset Management Co., Ltd./ Director of Chin Huan Cho Development Co., Ltd.
Managing Director	Dao-Ming Kuo	Jul. 01, 2009	3	Dec. 27, 1996	7,213,572	0.75	7,213,572	0.75	2,000,677	0.21	MBA, Meijo University, Japan/ Director of PCC	Chairman of Panhsin Asset Management Co., Ltd./ Chairman of Aizia Enterprise Co., Ltd./ Chairman of Chao Neng Sheng Biotechnology Co., Ltd./ Supervisor of Ma Shang Fa International Industry Co., Ltd./ Chairman of Qing Yan Internation Co., Ltd./ Director of Jie Xiong Enterprise Co., Ltd.
Independent Managing Director	Fu-Yuan Chang	Jul. 01, 2009	3	Jun. 23, 2009	-	-	-	-	-	-	National Taipei College of Business/ Revenue Officer of Taipei National Tax Administration, Ministry of Finance	Director of Yong Cheng United Accounting Firm/ President of Yong Cheng Management Consultants Firm
Director	Jing-Bao-Di Co., Ltd. (Representative: Tong-Ren Lin)	Jul. 01, 2009	3	Jun. 20, 2006	(PS)1,000,000	0.10	1,000	-	-	-	Tamkang University/ E.V.P. of BOP	Director of Panhsin Insurance Broker Co., Ltd./ Chairman of Ya Guan Co., Ltd./ Chairman of Jing Bao Di Co., Ltd./ Director of Quo Ding Construction Co., Ltd./ Director of Hong Chun Construction Co., Ltd.
Director	San Light Construction Co., Ltd (Representative: Mei-Yun Liao)	Jul. 01, 2009	3	Jun. 20, 2006	3,012,421	0.32	3,012,421	0.32	-	-	Blessed Imelda's School/ Chairman of San Light Construction Co., Ltd.	Chairman of San Light Construction Co., Ltd./ Chairman of Shan Hui Construction Co., Ltd./ Chairman of San Jyun Construction Co., Ltd./ Director of Tian Lu Construction Co., Ltd./ Chairman of Yuan Qi Investment Co., Ltd./ Chairman of Da Shun Construction Co., Ltd.

Position	Name	Date Appointed	Term Year	Date First Appointed	Shareholding When Elected		Current Shareholding		Shares Held by Spouse & Minor Children		Major Experience & Education	Current Positions In the BOP and Other Companies
					Shares	%	Shares	%	Shares	%		
Director	Lin-Long Chien	Jul. 01, 2009	3	Dec. 27, 1996	6,620,919	0.69	7,141,567	0.75	1,305,057	0.14	Chihlee Institute of Technology/ Supervisor of PCC	Director of Panhsin Asset Management Co., Ltd./ Vice Chairman of He Ching Entertainment Co., Ltd./ Supervisor of Yi Gang Construction Co., Ltd./ Supervisor of Yong Zhen Construction Co., Ltd.
Director	Bai-Yuan Investment Co., Ltd. (Representative: Sheng- Hong Shao)	Jul. 01, 2009	3	Jun. 23, 2009	38,600,000	4.04	38,600,000	4.04	-	-	National Tam-Shui Vocational High School/ Director of PCC	Director & President of Bi Fu Constrution Co., Ltd.
Director	Han-Chia Construction Co., Ltd. (Representative: Ping-Huang Liu)	Jul. 01, 2009	3	Jun. 20, 2006	61,797	0.01	61,797	0.01	-	-	Chung-Yuan Christian University/ Director of PCC	Director of Panhsin Asset Management Co., Ltd./ Chairman of Hai Shan Da Di Construction Co., Ltd./ Chairman of Yi Chang Development Co., Ltd./ Chairman of Han Chia Construction Co., Ltd./ Director of Geng Shen Construction Co., Ltd./ Supervisor of Yong Tai Construction Enterprise Co., Ltd.
Director	Lai-Wei Liu	Jul. 01, 2009	3	Dec. 27, 1996	5,491,091	0.57	5,491,124	0.57	8,648,733	0.90	Ger-Jyh Senior High School/ Director of PCC	Chairman of Jin Annian Construction Co., Ltd./ Chairman of Jin Fu Construction Co., Ltd./ Chairman of Kao Do Construction Co., Ltd.
Director	Bai-Yuan Investment Co., Ltd. (Representative: An-Hsiung Chen)	Jul. 01, 2009	3	Jun. 23, 2009	38,600,000	4.04	38,600,000	4.04	-	-	National Chengchi University/ President of Taiwan Cooperative Bank	President of BOP
Director	Yuan-Qi Investment Co., Ltd. (Representative: Yi-Hsiung Chang)	Jul. 01, 2009	3	Jun. 23, 2009	34,425,750	3.60	34,425,750	3.60	-	-	Tamkang University/ President of Taiwan Land Bank	-
Director	Li-Wang Lu	Jul. 01, 2009	3	Dec. 27, 1996	7,451,075	0.78	7,451,075	0.78	3,578	-	Chih-Kwang Senior Vocational Business & Technology High School/ Director & Supervisor of PCC	Director of Mao Qi Construction Co., Ltd.
Director	San-Jyun Construction Co., Ltd. (Representative: Wan-Tu Yeh)	Jul. 01, 2009	3	Jun. 20, 2006	12,421	-	12,421	-	-	-	National Chengchi University / E.V.P. of Chang Hwa Bank	-
Independent Director	Ruei-Long Chen	Jul. 01, 2009	3	Jun. 23, 2009	-	-	-	-	-	-	National Chung Hsing University/ Chairman of Institute for Information Industry	Independent Director of E-Ton Solar Technology Co., Ltd.

Position	Name	Date Appointed	Term Year	Date First Appointed	Shareholding When Elected		Current Shareholding		Shares Held by Spouse & Minor Children		Major Experience & Education	Current Positions In the BOP and Other Companies
					Shares	%	Shares	%	Shares	%		
Independent Director	Sin-Yi Luo	Jul. 01, 2009	3	Jun. 23, 2009	-	-	-	-	-	-	National Chengchi University/ Sin-Yi Luo Law Firm	-
Independent Director	Yue-Siou Liao	Jul. 01, 2009	3	Jun. 23, 2009	-	-	-	-	-	-	Phd. of St. John's University/ Associate Professor of Chihlee Institute of Technology	-
Resident Supervisor	Chin-E Yeh	Jul. 01, 2009	3	Dec. 27, 1996	4,027,706	0.42	4,027,706	0.42	501,977	0.05	National Taipei High School of Commerce/ Chairman President of PCC	-
Supervisor	Fu-Jing Investment Co., Ltd. (Representative: Teng-Chun Chen)	Jul. 01, 2009	3	Jun. 20, 2006	33,493,872	3.50	33,393,872	3.49	-	-	KaiNan High School of Commerce and Industry/ E.V.P. of BOP	Supervisor of Panhsin Asset Management Co., Ltd.
Supervisor	Mao-Yang Chu	Jul. 01, 2009	3	Dec. 27, 1996	6,541,089	0.68	6,541,089	0.68	348,575	0.04	Yu Da High School of Commerce and Home Economics/ S.E.V.P. of PCC	Supervisor of Panhsin Insurance Broker Co., Ltd./ Chairman of Hong Tai Development Construction Co., Ltd./ Director of Pu Sheng Biotechnology Co., Ltd./ Chairman of Hong Xiang Development Construction Co., Ltd.
Supervisor	Shang-Che Chen	Jul. 01, 2009	3	Dec. 27, 1996	6,845,363	0.72	6,845,363	0.72	438,479	0.05	Chungyu Institute of Technology / Supervisor of PCC	Chairman of Fu Da Stationery Printing Co., Ltd.
Supervisor	Fu-Jing Investment Co., Ltd. (Representative: Hsien-Tse Chiu)	Jul. 01, 2009	3	Jun. 20, 2006	33,493,872	3.50	33,393,872	3.49	-	-	National Taipei High School of Commerce/ Supervisor of PCC	-

Note 1: Elected to hold the number of shares "column and" ownership "bar the Department of the issued share capital to re-election on June 23, 1998, the actual number of 955,790,000 shares (including preferred stock 100,000,000 shares) as a benchmark.

Note 2: Now holds the number of shares "column and" hold ratio "column ended Dec 31, 2011 of actual issued number of shares to 955,790,000 shares as the benchmark.

Note 3: San-Jyun Construction Co., Ltd. (Representative: Chia-Nan Fang) is retiring on Sep 30 , 2011.

(II) President, Vice Presidents and Major Managers

As of Mar. 31, 2012

Position	Name	Date Appointed	Shares Held		Shares Held by Spouse & Minor Children		Major Experience & Education
			Shares	%	Shares	%	
President	An-Hsiung Chen	Sept. 01, 2008	50,000	0.01	-	-	International Trade Dept., National Chengchi University/ President of Taiwan Cooperative Bank
S.E.V.P.	Jia-Nan Fang	Sept. 21, 2006	17,338,424	1.81	9,110,400	0.95	Economic Dept., Soochow University/ S.E.V.P. of BOP
S.E.V.P.	Fu-Chai Teng	Feb. 10, 2010	129,858	0.01	-	-	Business Administration Dept., National Chung Hsing University/ Chief Auditor of BOP
Chief Auditor	Rong-Kun Jhangjian	Feb. 10, 2010	47,278	-	-	-	Banking Dept., National Chengchi University/ S.E.V.P. of BOP
E.V.P.& G.M. of Business Development Dept.	Jhih-Wen Lin	Jan. 24, 2011	68,718	0.01	-	-	Business Administration Dept., Hsing-Wu College of Business/ Manager of BOP
E.V.P.& G.M. of Real Estate Marketing Dept.	Hsin-Mao Huang	Jan. 24, 2011	38,158	-	354	-	Accounting Dept., Fu-Jen Catholic University/ Manager of BOP
E.V.P.& G.M. of Human Resource Dept.	Chi-Hsun Chang	Oct. 01, 2006	55,812	0.01	-	-	Master of Economics Dept., National Taiwan University/ Manager of BOP
S.V.P.& G.M. of Administration Dept.	Shui-I Chang	Jan. 24, 2011	31,000	-	-	-	Master of Agricultural Economics Dept., National Taiwan University/ Senior Manager of Fuhwa Commercial Bank
S.V.P.& G.M. of Non-Performing Loans Management Dept.	Yu-Tze Yo	Jan. 24, 2011	4,000	-	-	-	International Trade Dept., Soochow University/ Manager of Chinatrust Commercial Bank
S.V.P.& G.M. of International Banking Dept. & Offshore Banking Branch	Shing-Fen Lin	Mar. 26, 2008	17,352	-	-	-	Master of International Finance Dept., Birmingham University/ Manager of BOP
S.V.P.& G.M. of Wealth Management Dept.	Hsue-Hsin Lin	May 02, 2007	2,401	-	-	-	International Trade Dept., Chinese Culture University / Manager of BOP
S.V.P.& G.M. of Trust Dept.	Jung-Tien Hsiao	May 02, 2007	-	-	-	-	Master of Economics Dept., National Taiwan University/ Manager of BOP
S.V.P.& G.M. of Treasury Dept.	Feng-Jung Lee	Apr. 02, 2007	20,244	-	-	-	Statistics Dept., National Cheng Kung University/ E.V.P. of IBTS
S.V.P.& G.M. of Risk Management Dept.	Shu-Nu Yang	Nov. 26, 2008	19,452	-	-	-	Master of International Monetary Finance Dept., Birmingham University/ Manager of BOP
S.V.P.& G.M. of Information Systems Dept.	Mao-Sen Kao	Jan. 01, 2009	89,719	0.01	5,639	-	Business Administration Dept., National Taipei College of Business/ Deputy Manager of BOP
S.V.P.& G.M. of General Affairs Dept.	A-Ren Lai	Feb. 01, 2010	45,467	-	89,635	0.01	Business Dept., Open Business College Affiliated With NTCB/ Manager of BOP
V.P.& G.M. of Centralized Work Center	Chun-Lian Lin	Jul. 26, 2010	16,000	-	-	-	Business Dept., S.S.V.S./ Deputy Manager of BOP
V.P.& G.M. of Accounting Dept.	Chiung-Chi Huang	Aug. 01, 2011	22,000	-	-	-	Accounting & Statistics Dept., National Taipei College of Business/ Deputy Manager of BOP
S.V.P.& G.M. of Domestic Banking Dept.	Jun-Wei Wang	Oct. 13, 2010	19,051	-	-	-	Business Administration Dept., Tam Shul College/ Manager of Wan Tong Commercial Bank

Position	Name	Date Appointed	Shares Held		Shares Held by Spouse & Minor Children		Major Experience & Education
			Shares	%	Shares	%	
S.V.P.& G.M. of Banqiao Branch	Wan-Ji Chen	Jan.19, 2012	112,414	0.01	29,491		Business Administration Dept., - Chihlee College of Business/ Manager of BOP
V.P.& G.M.of Houpu Branch	Wen-Chin Wang	Jan.19, 2012	25,837	-	-		Taipei Senior High School of - Commerce/ Manager of BOP
S.V.P.& G.M. of Yonghe Branch	De-Guo Lin	Apr.02, 2007	409,520	0.04	10,236		Banking & Insurance Dept., - Hsing-Wu College/ Manager of BOP
S.V.P.& G.M. of Puqian Branch	Chin-Lung Kuo	Apr. 02, 2007	77,000	0.01	16,724		International Trade Dept., - Chihlee College of Business/ Manager of BOP
S.V.P.& G.M.of Huajiang Branch	Lai-Wong Lin	Jan. 24, 2011	231,888	0.02	154,048	0.02	Accounting & Statistics Dept., National Taipei College of Business/ Manager of BOP
S.V.P.& G.M. of Minzu Branch	Hsi-Huang Chang	Jan.19, 2012	480,791	0.05	57,486	0.01	Business Dept., Khang-Hua Senior Commercial Vocational Continuation High School/ Manager of BOP
V.P.& G.M. of Zhonghe Branch	Fu-Shan Lyu	Apr. 02, 2007	382,262	0.04	28,667		Business Administration Dept., - Tamkang University/ Manager of BOP
S.V.P.& G.M.of Tucheng Branch	Yuan-Cyun Lai	Jan. 24, 2011	80,818	0.01	541		Business Administration Dept., - Chihlee Institute of Technology/ Manager of BOP
V.P.& G.M.of Wenhua Branch	Shu-Quan Wei	Jul. 26, 2010	60,080	0.01	3,578		Banking & Insurance Dept., National Taipei College of Business/ Deputy Manager of BOP
V.P.& G.M. of Daguan Branch	Ke-Long Wu	Jan.19, 2012	148,466	0.02	52,028	0.01	Business Administration Dept., Chihlee College of Business/ Manager of BOP
A.V.P.& G.M. of Xingnan Branch	Hui-Min Liu	Jul. 25, 2011	59,212	0.01	-		Business Dept., Open Business College Affiliated With NTCB/ Deputy Manager of BOP
V.P.& G.M.of Xinzhuang Branch	Shu-Min Liu	Jan. 24, 2011	17,000	-	-		Application Commercial Science Dept.,Open Business Bollege - Affiliated With National Taipei College of Business/ Deputy Manager of BOP
A.V.P.& G.M. of Xiulang Branch	Hsing-Yi Tsao	Jan.19, 2012	19,460	-	5,993		Master of Economics Dept., - Chinese Culture University/ Deputy Manager of BOP
V.P.& G.M. of Sanchong Branch	Jhao-Mao Kao	Jul. 25, 2011	17,352	-	-		Cooperative Economics Dept., National Chung Hsing University/ Deputy Manager of BOP
S.V.P.& G.M. of Yuanshan Branch	Hua-Yi Guo	Jan. 24, 2011	47,823	0.01	-		Business Dept., Yu-Dah High School of Commerce/ Deputy Manager of BOP
V.P.& G.M. of Shulin Branch	Yao-Tsung Liu	Apr. 01, 2008	20,000	-	-		National Hsinchu Commercial & - Vocational High School/ Manager of BOP
V.P.& G.M. of Jincheng Branch	Wun-Huei Chou	Aug. 27, 2009	15,000	-	-		Economic Dept., National Chung - Hsing University/ Deputy Manager of BOP
S.V.P.& G.M. of Xindian Branch	Wen-Chung Lai	Apr. 02, 2007	60,8128	0.01	-		Banking & Insurance Dept., - Tatung College of Business/ Manager of BOP
A.V.P.& G.M. of Zhongzheng Branch	Yi-Min Wang	Jul. 25, 2011	24,878	-	10,691		International Trade Dept., - Chihlee College of Business/ Deputy Manager of BOP
S.V.P.& G.M. of Luchou Branch	Wan-Yi Chou	Apr. 01, 2008	141,350	0.01	473		International Trade Dept., National Open Business College Affiliated With NTCB/ Manager of BOP

Position	Name	Date Appointed	Shares Held		Shares Held by Spouse & Minor Children		Major Experience & Education
			Shares	%	Shares	%	
V.P. & G.M. of Fuhe Branch	Kai-Ming Wu	Nov. 26, 2008	49,815	0.01	-	-	Accounting & Statistics Dept., - National Taipei College of Business/ Manager of BOP
A.V.P. & G.M. of Songjiang Branch	Xian-Cong Cheng	Jan. 24, 2011	8,000	-	-	-	Math Dept., Chung Yuan Christian University/ Deputy Manager of BOP
S.V.P. & G.M. of Xinyi Branch	Da-Hu Yu	Jul. 25, 2011	5,000	-	-	-	He-Sin EMBA, National Taiwan University/ Manager of BOP
S.V.P. & G.M. of Minsheng Branch	Mou Cheng	Apr. 01, 2008	20,244	-	-	-	Economics Dept., Fu-Jen Catholic University/ Manager of BOP
S.V.P. & G.M. of Bade Branch	Li-Cing Wei	Apr. 01, 2008	20,752	-	3,254	-	Business Administration Dept., Chihlee Institute of Technology/ Manager of BOP
S.V.P. & G.M. of Neihs Branch	Chao-Chun Lin	Jan. 19, 2012	10,000	-	-	-	Accounting Dept, Feng chia University/ Deputy Manager of BOP
V.P. & G.M. of Ruiguang Branch	Heng-Yu Chang	Nov. 29, 2010	10,000	-	-	-	Information Dept., Chinese Culture University/ Deputy Manager of BOP
S.V.P. & G.M. of Taoyuan Branch	Bo-Cheng Hsu	Feb. 01, 2010	32,000	-	-	-	Economics Dept., Chinese Culture University/ Deputy Manager of BOP
A.V.P. & G.M. of Taoying Branch	Yi-Chang Kao	Jul. 25, 2011	5,000	-	-	-	Information Management Dept., National Taipei College of Business/ Deputy Manager of BOP
V.P. & G.M. of Longgang Branch	Shih-Ming Lin	Feb. 02, 2009	21,040	-	-	-	Business Dept., YPU/ Manager of BOP
S.V.P. & G.M. of Hsinchu Branch	Ke-Han Liu	Jul. 26, 2010	31,531	-	744	-	Banking & Insurance Dept., Open Business College Affiliated With NTCB/ Manager of BOP
S.V.P. & G.M. of Taichung Branch	Yong-Lun Lee	Apr. 01, 2008	47,113	-	-	-	Business Administration Dept., Taichung College of Business/ Manager of BOP
V.P. & G.M. of North Taichung Branch	Rong-Si Hsu	Apr. 22, 2009	-	-	-	-	Business Dept., National Changhua Senior School of Commerce/ Deputy Manager of Chinese Bank
A.V.P. & G.M. of Chiayi Branch	Chih-Te Chen	Jan. 19, 2012	14,460	-	-	-	Global political Economy Dept., Tamkang University / Manager of BOP
A.V.P. & G.M. of Junhui Branch	Hung-Chang Chiang	Jan. 19, 2012	5,000	-	-	-	Financel Dept., Tatung Institute of Technology / Manager of BOP
S.V.P. & G.M. of Tainan Branch	Dun-Ren Lin	Mar. 03, 2010	10,000	-	-	-	Master of Graduate Institute of Business, Nation Chiayi University/ Vice President of Citybank
A.V.P. & G.M. of Chenggong Branch	Tsung-Che Tsai	Jul. 25, 2011	2,000	-	-	-	Business Administration Dept., National Chung Hsing University/ Manager of BOP
S.V.P. & G.M. of Lingya Branch	Chia-Ching Chang	Feb. 03, 2010	-	-	-	-	Business Administration Dept., Tunghai University/ Manager of BOP
A.V.P. & G.M. of Kaohsiung Branch	Shu-Zhen Lin	Dec. 01, 2005	11,820	-	-	-	Accounting & Statistics Dept., International College of Business/ Manager of BOP
V.P. & G.M. of Xiaogang Branch	Chin-Chuan Chiang	Jan. 21, 2008	27,852	-	-	-	Business Dept., National Open University/ Manager of BOP
V.P. & G.M. of Xinxing Branch	Ming-Kung Tsai	Aug. 03, 2011	-	-	-	-	Master of Graduate Institute of Business, Chaoyang University of Technology / Manager of yuantabank
A.V.P. & G.M. of Qianzhen Branch	Hsien-Chin Kuo	Jan. 19, 2012	10,000	-	-	-	Finance Dept., Shih Chien University/ Manager of BOP

Position	Name	Date Appointed	Shares Held		Shares Held by Spouse & Minor Children		Major Experience & Education
			Shares	%	Shares	%	
V.P.& G.M. of Yangming Branch	Jiunn-Fu Chen	Oct. 08, 2010	44,626	-	-	-	Business Dept., Kuo Chi Senior Vocational High School of Commerce and Technology/ Manager of BOP
A.V.P.& G.M. of Kaoxinzhuang Branch	Ta-Hui Tsai	Jan. 19, 2012	7,000	-	-	-	Business Dept., National Taiwan University/ Deputy Manager of BOP
V.P.& G.M. of Luodong Branch	Te-Wei Li	Jan. 19, 2012	17,352	-	-	-	Theatre Arts Dept., Chinese Culture University / Deputy Manager of BOP

Note : (PS) represents preferred stock. The percentage of shareholding only includes common stock.

III 、Status on Changes in Any Transfer of Equity Interests and Pledge of or Change in Equity Interests by Directors, Supervisors, Managerial Officers Whom Were Required to Declare Under Article 25, Note 3 of Banking Law

(I) Status on Changes in Equity Interest of Directors & Supervisors

Unit: Shares

Title	Name	Mar. 31, 2012		2011	
		Increments of Common Stock Held (Less)	Increments of Common Stock Pledged (Less)	Increments of Common Stock Held (Less)	Increments of Common Stock Pledged (Less)
Chairman	Ping-Hui Liu	-	-	38,000,000	43,050,000
Director	Lin-Long Chien	-	-	500,000	-
Director	Lai-Wei Liu	-	-	33	-
Representative of Corporate Director	Mei-Yun Liao	-	-	39,860,000	39,860,000
Representative of Corporate Director	Chung-Liang Chen	-	-	50,000	-
Director	Jing-Bao-Di Co., Ltd.	-	-	1,000	-
Director	Bai-Yuan Investment Co., Ltd.	-	-	-	24,000,000 (24,000,000)
Director	Yuan-Ci Investment Co., Ltd.	-	-	-	20,000,000 (20,000,000)
Required to Declare Under Article 25, Note 3 of Banking Law	Chao-Dong Liu	-	-	33,376	-
Representative of Corporate Director And President	An-Hsiung Chen	-	-	50,000	-
S.E.V.P.	Jia-Nan Fang	-	-	5,000	-
S.E.V.P.	Fu-Chai Teng	-	-	36,074	-
Chief Auditor	Rong-Kun Jhangjian	-	-	27,856	-
E.V.P.& G.M.	Jhih-Wen Lin	-	-	28,131	-
E.V.P.& G.M.	Hsin-Mao Huang	-	-	24,428	-
E.V.P.& G.M.	Chi-Hsun Chang	-	-	24,292	-
S.V.P.& G.M.	Shui-I Chang	-	-	31,000	-
S.V.P.& G.M.	Yu-Tze Yo	-	-	4,000	-
S.V.P.& G.M.	Shing-Fen Lin	-	-	17,352	-
S.V.P.& G.M.	Hsue-Hsin Lin	-	-	1,194	-
S.V.P.& G.M.	Feng-Jung Lee	-	-	20,244	-
S.V.P.& G.M.	Shu-Nu Yang	-	-	17,352	-
S.V.P.& G.M.	Mao-Sen Kao	-	-	27,700	-
S.V.P.& G.M.	A-Ren Lai	-	-	23,399	-
V.P.& G.M.	Chun-Lian Lin	-	-	15,000 (5,000)	-
V.P.& G.M.	Chiung-Chi Huang	-	-	2,000	-
S.V.P.& G.M.	Jun-Wei Wang	-	-	2,000	-
S.V.P.& G.M.	Wan-Ji Chen	-	-	1,000	-
V.P.& G.M.	Wen-Chin Wang	-	-	18,082	-
S.V.P.& G.M.	De-Guo Lin	-	-	10,000	-
S.V.P.& G.M.	Chin-Lung Kuo	-	-	5,403	-
S.V.P.& G.M.	Lai-Wong Lin	-	-	20,245	-
S.V.P.& G.M.	Hsi-Huang Chang	-	-	20,244	-
V.P.& G.M.	Fu-Shan Lyu	-	-	5,000	-
V.P.& G.M.	Shu-Quan Wei	-	-	17,353	-
V.P.& G.M.	Ke-Long Wu	-	-	6,139	-
A.V.P.& G.M.	Hui-Mei Liu	-	-	14,461	-
V.P.& G.M.	Shu-Min Liu	-	-	15,000	-
A.V.P.& G.M.	Hsing-Yi Tsao	-	-	14,460	-
V.P.& G.M.	Jhao-Mao Kao	-	-	17,352	-

S.V.P.& G.M.	Hua-Yi Guo	-	-	20,245	-
V.P.& G.M.	Yao-Tsung Liu	-	-	20,000	-
V.P.& G.M.	Wen-Huei Chou	-	-	10,000	-
S.V.P.& G.M.	Wen-Chung Lai	-	-	29,292	-
A.V.P.& G.M.	Yi-Min Wang	-	-	14,461	-
S.V.P.& G.M.	Wan-Yi Zhou	-	-	17,353	-
V.P.& G.M.	Kai-Ming Wu	-	-	3,000 (35,000)	-
A.V.P.& G.M.	Xian-Cong Cheng	-	-	8,000	-
S.V.P.& G.M.	Mou Cheng	-	-	20,244	-
S.V.P.& G.M.	Li-Cing Wei	-	-	10,000	-
V.P.& G.M.	Heng-Yu Chang	-	-	10,000	-
S.V.P.& G.M.	Bo-Cheng Hsu	-	-	22,000	-
A.V.P.& G.M.	Yi-Chang Kao	-	-	5,000	-
V.P.& G.M.	Shih-Ming Lin	-	-	12,000	-
S.V.P.& G.M.	Ke-Han Liu	-	-	20,245	-
S.V.P.& G.M.	Yong-Lun Lee	-	-	22,556	-
A.V.P.& G.M.	Hung-Chang Chiang	-	-	5,000	-
S.V.P.& G.M.	Dun-Ren Lin	-	-	10,000	-
A.V.P.& G.M.	Tsung-Che Tsai	-	-	2,000	-
A.V.P.& G.M.	Shu-Zhen Lin	-	-	2,780	-
V.P.& G.M.	Chin-Chuan Chiang	-	-	17,352	-
A.V.P.& G.M.	Hsien-Chin Kuo	-	-	7,000	-
V.P.& G.M.	Jiunn-Fu Chen	-	-	17,353	-
A.V.P.& G.M.	Ta-Hui Tsai	-	-	7,000	-
V.P.& G.M.	Te-Wei Li	-	-	17,352	-
A.V.P.& G.M.	Chao-Chun Lin	-	-	10,000	-
A.V.P.& G.M.	Chih-Te Chen	-	-	14,460	-

Note : Only common stock changes was listed, preferred stock matured on Jun. 23, 2011.

(II) Information on Transferring of Equity Interest (Common Stock)

As of Mar. 31, 2012

Name	Reason for Transferring	Transaction Date	Transaction Party	Declaration of Relationship Associated with Banks, Directors, and Supervisors According to Banking Law, Article 25 of Note 3	Shares	Trading Price (Dollar)
Ping-Hui Liu	Acquire	Sep. 14, 2011	King's Town Bank Trust property accounts	None	16,000,000	0.00
Mei-Yun Liao	Acquire	Sep. 14, 2011	King's Town Bank Trust property accounts	None	8,000,000	0.00
Chun-Lien Lin	Prosecuted	Oct. 11, 2011	Hao-Shen Yen	None	5,000	4.00
Kai-Ming Wu	Prosecuted	Jun. 24, 2011	Mei-Chih Chiu	None	5,000	10.00
Kai-Ming Wu	Prosecuted	Jun. 24, 2011	Mei-Kuei Chiu	None	12,000	10.00
Kai-Ming Wu	Prosecuted	Jun. 24, 2011	Mei-Hsing Chiu	None	10,000	10.00
Kai-Ming Wu	Prosecuted	Jun. 24, 2011	Mei-Chi Chiu	None	8,000	10.00

Note : Only common stock changes was listed, preferred stock matured on Jun. 23, 2011.

(III) Information on Pledging of Equity Interest (Common Stock) :

As of Mar. 31, 2012

Name	Reason for Pledging	Changing Date	Transaction Party	Declaration of Relationship Associated with Banks, Directors, and Supervisors According to Banking Law, Article 25 of Note 3	Shares	Pledging (Redeem) Price
Ping-Hui Liu	Pledging	Jul.28, 2011	Far Eastern International Bank	None	5,050,000	-
Ping-Hui Liu	Pledging	Sep.14, 2011	King's Town Bank	None	16,000,000	-
Ping-Hui Liu	Pledging	Sep.21, 2011	Union Bank of Taiwan	None	22,000,000	-
Mei-Yun Liao	Pledging	Sep.14, 2011	King's Town Bank	None	8,000,000	-
Mei-Yun Liao	Pledging	Sep.14, 2011	En Tie Bank	None	10,000,000	-
Mei-Yun Liao	Pledging	Sep.20, 2011	Yuanta Bank	None	10,860,000	-
Mei-Yun Liao	Pledging	Sep.21, 2011	Union Bank of Taiwan	None	11,000,000	-
Yuan-Ci Investment Co., Ltd.	Pledging	Dec.12, 2011	King's Town Bank	None	20,000,000	-
Yuan-Ci Investment Co., Ltd.	Redeem	Dec.12, 2011	Taiwan Shin Kong Bank	None	20,000,000	-
Bai-Yuan Investment Co., Ltd.	Pledging	Dec.12, 2011	King's Town Bank	None	24,000,000	-
Bai-Yuan Investment Co., Ltd.	Redeem	Dec.12, 2011	Taiwan Shin Kong Bank	None	24,000,000	-

Note : Only common stock changes was listed, preferred stock matured on Jun. 23, 2011.

IV 、Information on the Inter-Relations of the Bank's Top 10 Shareholders

As of Dec. 31, 2011

Name	Shares Held		Shares Held by Spouse & Minor Children		Top 10 Shareholders Inter-Relations According to SFAS No. 6	
	Shares	%	Shares	%	Name	Relation
Mei-Yun Liao	69,542,397	7.28	65,772,606	6.88	Yuan-Ci Investment Co., Ltd. Ping-Hui Liu	Chairman Spouse
Ping-Hui Liu	65,772,606	6.88	69,542,397	7.28	Yuan-Ci Investment Co., Ltd. Mei-Yun Liao	Director Spouse
Bai-Yuan Investment Co., Ltd. (Representative: Wei-Ren Liao)	38,600,000	4.04	-	-	-	-
Yuan-Ci Investment Co., Ltd. (Representative: Mei-Yun Liao)	34,425,750 69,542,397	3.60 7.28	- 65,772,606	- 6.88	Mei-Yun Liao Ping-Hui Liu	Chairman Director
Fu-Jing Investment Co., Ltd. (Representative: Wei-Ren Liao)	33,393,872	3.49	-	-	-	-
Jia-Nan Fang	17,338,424	1.81	9,110,400	0.95	Bi-Wan Chen	Spouse
Yun-Mao Construction Co., Ltd. (Representative: Chun-E Lin)	10,010,500	1.05	-	-	-	-
Mao-Li Investment Co., Ltd. (Representative: Chun-Yen Tsai)	10,000,000 6,530,452	1.05 0.68	-	-	-	-
Tong-Yi Lin	9,203,378	1.08	57,468	0.01	-	-
Bi-Wan Chen	9,110,400	1.06	17,343,424	1.81	Jia-Nan Fang	Spouse

V 、Status on Consolidated Shares Holding

As of Dec. 31, 2011

Reinvested Business	BOP Investment		Directors, supervisors, President, S.E.V.P., E.V.P., S.V.P. & G.M., in charge of various departments and branches and the Bank, directly or indirectly control the cause of the investment		General Investment	
	Shares	%	Shares	%	Shares	%
Taipei Credit Cooperative	100	27.03	-		100	27.03
Syun-Rueidu Development Co., Ltd.	4,940,000	1.86	-		4,940,000	1.86
Financial Information Service Co., Ltd.	5,118,750	1.14	-		5,118,750	1.14
Taiwan Depository & Clearing Co.	259,796	0.08	-		259,796	0.08
Sunny Asset Management Co., Ltd.	69,180	1.10	-		69,180	1.15
Panhsin Asset Management Co., Ltd.	5,000,000	29.41	12,000,000	70.59	17,000,000	100.00
Panhsin Insurance Broker Co., Ltd.	3,095,400	100.00			3,095,400	100.00

Note: In accordance with article 74, "Relationship to Reinvested Business", of Banking Law.

Funding Status

I、Shares & Dividends

(I) Source of Capital

Unit: Thousand Shares/NT\$ Thousand

Date	Issuing Price (NT\$)	Authorized Capital		Paid-in Capital		Note	
		Shares	Amount	Shares	Amount	Capital Source	Others
Sep. 1997	10	600,000	6,000,000	600,000	6,000,000	Note 1	-
Jun. 2005	10	819,800	8,198,000	819,800	8,198,000	Note 2	-
Jun. 2006	10	1,500,000	15,000,000	819,800	8,198,000	Note 3	-
Sep. 2006	10	1,500,000	15,000,000	855,790	8,557,900	Note 3	-
Dec. 2006	10	1,500,000	15,000,000	955,790	9,557,900	Note 4	-
May. 2011	10	1,500,000	1,500,000	1,055,790	1,055,790	Note 5	-
Jun. 2011	10	1,500,000	1,500,000	955,790	955,790	Note 5	-

Note 1: The Banqiao Credit Cooperative has transformed officially into a Commercial Bank.

Note 2: Retained earning transferred to capital of NT\$198,000 thousand on June 20, 2005 as reference date. Approval note of Jin-Guan-Yin (3) No.0940015799 had been granted from Financial Supervisory Commission (FSC) on June 24, 2005.

Issuance of preferred stock for cash totaled NT\$1,000,000 thousand on June 22, 2005 as reference date.

Issuance of common stock for cash totaled NT\$1,000,000 thousand on June 24, 2005 as reference date.

Approval note of Jin-Guan-Yin (3) No.0938011560 had been granted from FSC on September 10, 2004.

Note 3: A resolution has passed to amend bank's articles of incorporation and increased the authorized capital of up to NT\$15 billion in shareholders' meeting held on June 20, 2006.

Capital surplus transferred to capital of NT\$359,900 thousand on September 01, 2006 as reference date. Approval note of Jin-Guan-Yin (3) No.09500320330 had been granted from FSC on July 18, 2006.

Note 4: Issuance of common stock for cash totaled NT\$1,000,000 thousand on December 28, 2006 as reference date. Approval note of Jin-Guan-Yin (3) No.09500439170 had been granted from FSC on October 03, 2006, as well as Jin-Guan-Yin (3) No.0950150935 in November 14, 2006.

Note 5: Issuance of common stock for cash totaled NT\$1,000,000 thousand on May 06, 2011 as reference date. Approval note of Jin-Guan-Yin No.100016060 had been granted from FSC on May 04, 2011. Preferred stock shares of NT\$1,000,000,000 were due on 23 Jun 2011 and they had been redeemed by money obtained from the new shares issued on 6 May 2011.

Type	Item	Authorized Capital (Thousand Shares)			Note
		Shares Outstanding	Unissued Shares	Total	
Common Stock		955,790	544,210	1,500,000	Became a Public Offered Company on Nov. 14, 2006

(II) Shareholder Structure (Including Preferred Stock)

As of Dec. 31, 2011

Structure Quantity	Government Institutions	Financial Institutions	Domestic Institutions	Individuals	Foreign Institution & Foreigners	Total
Number of Shareholders	2	-	88	99,379	11	99,480
Number of Shares Held	677,677	-	143,698,693	810,455,226	958,404	955,790,000
Ratio of Share Holding (%)	0.07	-	15.03	84.80	0.10	100.00

(III) Distribution Breakdown of Shares Holding (Par Value of NT\$ 10)

As of Dec. 31, 2011

Shareholding Classifications	Number of Shareholders	Shares	Ratio (%)
1~999	74,320	25,211,651	2.63
1,000~5,000	13,468	39,816,491	4.16
5,001~10,000	2,608	17,191,456	1.80
10,001~15,000	2,001	24,780,433	2.49
15,001~20,000	455	7,804,984	0.82
20,001~ 30,000	4,020	94,118,679	9.85
30,001~ 50,000	731	27,448,459	2.87
50,001~100,000	1,330	82,018,741	8.58
100,001~200,000	248	32,642,323	3.42
200,001~400,000	127	36,399,775	3.81
400,001~600,000	42	21,211,127	2.22
600,001~800,000	42	28,732,160	3.01
800,001~1,000,000	24	21,798,251	2.28
1,000,001~	64	497,615,470	52.06
Total	99,480	955,790,000	100.00

(IV) Major Shareholders

As of Dec. 31, 2011

Major Shareholders	Item	Shares	Ratio (%)
	Mei-Yun Liao	69,542,397	7.28
	Ping-Hui Liu	65,772,606	6.88
	Bai-Yuan Investment Co., Ltd.	38,600,000	4.04
	Yuan-Ci Investment Co., Ltd.	34,425,750	3.60
	Fu-Jing Investment Co., Ltd.	33,393,872	3.49
	Jia-Nan Fang	17,343,424	1.81
	Yun-Mao Construction Co., Ltd	10,010,500	1.05
	Mao-Li Investment Co., Ltd.	10,000,000	1.05
	Tung-Yi Lin	9,203,378	0.96
	Bi-Wan Chen	9,110,400	0.95

II 、Status on the Issuance of Financial Debenture

Types	4 th (Term) Financial Debenture	5 th (Term) Financial Debenture	6 th (Term) Financial Debenture
Date & No. Approved By Authority	May 02, 2006 Jin-Guan-Yin (3) No. 09500173780	May 22, 2007 Jin-Guan-Yin (3) No. 09600204740	May 22, 2007 Jin-Guan-Yin (3) No. 09600204740
Date of Issuance	Jun.16, 2006	Jun.28, 2007	May 21, 2008
Par Value	NT\$100 thousand NT\$1,000 thousand NT\$10,000 thousand	NT\$10,000 thousand	NT\$100 thousand
Currency	NT\$		
Offering Price	Par Value		
Total Amount	NT\$1,680,000 thousand	NT\$520,000 thousand	NT\$239,000 thousand
Interest Rate	Fixed: 3.30% Floating: 1 Yr Term Deposit Rate from the Chunghwa Post plus 1.10%	Fixed: 3.50% Floating: 1 Yr Term Deposit Rate from the Chunghwa Post plus 1.20%	Fixed: 3.60% Floating: 1 Yr Term Deposit Rate from the Chunghwa Post plus 1.25%
Maturity	Term: 5 Years 8 Months Date of Maturity: Feb. 16, 2012	Term: 5.6 Years Date of Maturity: Dec. 28, 2012	Term: 6 Years Date of Maturity: May 21, 2014
Repayment Priority	Subordinate		
Certifying Financial Institute	Hua Nan Bills Finance Company	-	-
Repayment Method	Pay Off upon Maturity		
Unpaid Balance	-		
Paid-In Capital of Previous Year	NT\$8.198 billion (Including Preferred Stock)	NT\$9.558 billion (Including Preferred Stock)	NT\$9.558 billion (Including Preferred Stock)
Net Worth of Previous Year	NT\$8,933,840 thousand	NT\$9,207,032 thousand	NT\$9,596,140 thousand
Constraints	-		
Ratio of applied shares and prior shares outstanding to prior year's final net worth (%)	41.19%	45.62%	46.26%
Consider as Qualified Capital and its Tiers	Yes, Tier II		
Credit Rating Agency, Date of Rating, and Rating	-	-	Taiwan Ratings Co. Jun. 15, 2009 tw BB+

Types	7 th (Term) Financial Debenture	8 th (Term) Financial Debenture	9 th (Term) Financial Debenture
Date & No. Approved By Authority	Nov. 14, 2008 Jin-Guan-Yin (3) No. 09700438300	Nov. 14, 2008 Jin-Guan-Yin (3) No. 09700438300	Nov. 14, 2008 Jin-Guan-Yin (3) No. 09700438300
Date of Issuance	Dec. 25, 2008	Jun. 26, 2009	Oct. 22, 2009
Par Value	NT\$10,000 thousand		
Currency	NT\$		
Offering Price	Par Value		
Total Amount	NT\$280,000 thousand	NT\$370,000 thousand	NT\$350,000 thousand
Interest Rate	Fixed: 3.40%	Fixed: 3.00% Floating: 1 Yr Term Deposit Rate from the Chunghwa Post plus 1.70%	Fixed: 3.00% Floating: 1 Yr Term Deposit Rate from the Chunghwa Post plus 1.70%
Maturity	Term: 6.0 Years Date of Maturity: Dec. 25, 2014	Term: 6.0 Years Date of Maturity: Jun. 26, 2015	Term: 6.0 Years Date of Maturity: Oct. 22, 2015
Repayment Priority	Subordinate		
Certifying Financial Institute	-		
Repayment Method	Pay Off upon Maturity		
Unpaid Balance	-		
Paid-In Capital of Previous Year	NT\$9.558 billion (Including Preferred Stock)		
Net Worth of Previous Year	NT\$9,596,140 thousand	NT\$8,771,929 thousand	NT\$8,771,929 thousand
Constraints	The buyers and transferees are limited to banks, bill finance companies, trust enterprises, insurance companies, securities firms, specific persons who participate in capital consolidation plans, companies or funds whose total assets as recorded in the latest financial reports reviewed or perused by accountants exceed NT\$50 million, or trust property mentioned in a trust agreement concluded with a trust enterprise exceeds NT\$50 million.		
Ratio of applied shares and prior shares outstanding to prior year's final net worth (%)	49.18%	44.81%	44.33%
Consider as Qualified Capital and its Tiers	Yes, Tier II		
Credit Rating Agency, Date of Rating, and Rating	Taiwan Ratings Co. Jun. 15, 2009 tw BB+		

Types	10 th (Term) Financial Debenture	11 th (Term) Financial Debenture	12 th (Term) Financial Debenture
Date & No. Approved By Authority	Oct. 07, 2010 Jin-Guan-Yin-He No. 09900391970	Oct. 06, 2011 Jin-Guan-Yin-He No. 10000337280	Oct. 06, 2011 Jin-Guan-Yin-He No. 10000337280
Date of Issuance	Nov. 05, 2010	Dec. 02, 2011	Mar. 21, 2012
Par Value	NT\$10,000 thousand		
Currency	NT\$		
Offering Price	Par Value		
Total Amount	NT\$500,000 thousand	NT\$400,000 thousand	NT\$100,000 thousand
Interest Rate	Fixed: 3.25%	Fixed: 3.00%	Fixed: 3.00%
Maturity	Term: 6.0 Years Date of Maturity: Nov.05,2016	Term: 6.0 Years Date of Maturity: Dec.02,2017	Term: 6.0 Years Date of Maturity: Mar.21,2018
Repayment Priority	Subordinate		
Certifying Financial Institute	-		
Repayment Method	Pay Off upon Maturity		
Unpaid Balance	-		
Paid-In Capital of Previous Year	NT\$9.558 billion (Including Preferred Stock)	NT\$9.558 billion	NT\$9.558 billion
Net Worth of Previous Year	NT\$8,586,003 thousand	NT\$8,601,944 thousand	NT\$7,686,190 thousand
Constraints	(Same as 9th term)	The buyers and transferees are limited to banks, bill finance companies, trust enterprises, insurance companies, securities firms, specific persons who participate in capital consolidation plans.	
Ratio of applied shares and prior shares outstanding to prior year's final net worth (%)	45.88%	50.44%	35.07%
Consider as Qualified Capital and its Tiers	Yes, Tier II		
Credit Rating Agency, Date of Rating, and Rating	Taiwan Ratings Co. Oct. 29, 2010 tw BB+	Taiwan Ratings Co. Dec. 13, 2011 tw BB+	Taiwan Ratings Co. Mar. 15, 2012 tw BB+

Financial Status

I、Abbreviated Balance Sheet & Income Statement in the Past Five Years

(I) Abbreviated Balance Sheet

Unit: NT\$ Thousand

Item	Year	Financial Status in the Past Five Years				
		2011	2010	2009	2008	2007
Cash & Cash Equivalents						
Due from Central Bank & Placement to Other Banks		37,201,661	33,224,545	27,340,747	24,320,737	22,010,429
Financial Assets at Fair Value through Profit or Loss		1,009,623	690,083	701,332	1,361,684	1,608,335
Bills & Bonds Purchased under Agreements to Resell		-	-	-	-	-
Account Receivables		1,405,561	2,576,311	5,256,115	3,261,247	4,057,368
Loans & Advances		102,164,399	106,313,757	114,033,176	122,014,564	128,429,990
Available for Sale - Financial Assets		4,225,302	1,331,167	861,418	1,600,309	2,181,161
Long-term Investment under Equity Method		128,582	115,677	86,158	135,798	86,272
Other Financial Assets		1,067,074	467,658	700,693	1,443,293	458,587
Fixed Assets (Property & Equipment)		7,971,193	7,507,237	7,093,203	6,912,524	5,806,834
Intangible Assets		1,543,924	1,582,283	1,629,463	1,358,550	1,377,786
Other Assets		2,274,242	2,274,392	3,222,787	3,203,209	4,061,098
Total Assets		158,991,561	156,083,110	160,925,092	165,611,915	170,077,860
Deposits by Central Bank and Other Banks		1,315,248	1,450,176	3,835,415	5,074,878	9,214,476
Financial Liabilities at Fair Value through Profit or Loss		22,647	42,114	55,120	218,288	19,845
Bills & Bonds Sold under Agreements to Repurchase		-	-	-	325,725	358,254
Deposits & Remittances		142,643,324	139,340,821	142,004,002	144,287,739	144,198,797
Central Bank and Other Banks Financing, Financial Debentures Payable		4,339,000	3,939,000	3,888,600	4,719,000	4,200,000
Accrued Pension Liabilities		96,899	101,672	103,393	92,342	58,513
Other Liabilities		2,706,253	2,607,383	2,452,559	2,122,014	2,340,446
Total Liability	Before Distribution	151,123,371	147,481,166	152,339,089	156,839,986	160,390,331
	After Distribution	151,123,371	147,481,166	152,339,089	156,839,986	160,481,720
Capital Stock		9,557,900	9,557,900	9,557,900	9,557,900	9,557,900
Legal Reserve		-	-	-	-	-
Retained Earning	Before Distribution	(1,760,820)	(929,875)	(929,615)	(767,068)	190,343
	After Distribution	(1,760,820)	(929,875)	(929,615)	(767,068)	190,343
Unrealized Gain (Loss) on Financial Instruments		8,801	36,717	32,608	45,125	(29,345)
Accumulated Translation Adjustments		-	-	-	-	-
Other Adjustments to Shareholders Equity		62,309	(65,798)	(74,890)	(64,028)	(31,369)
Total Shareholders Equity	Before Distribution	7,868,190	8,601,944	8,586,003	8,771,929	9,687,529
	After Distribution	7,868,190	8,601,944	8,586,003	8,771,929	9,596,140

Note 1: The above-mentioned figures of after distribution were in accordance with the resolution of shareholders meeting the following year.

Note 2: The financial figures above have all been audited and certified by CPA.

(II) Abbreviated Income Statement

Unit: NT\$ Thousand

Item	Year	Financial Status in the Past Five Years				
		2011	2010	2009	2008	2007
Net Interest Income		1,903,951	1,856,235	1,177,033	1,935,351	2,401,566
Net Non-interest Income		456,504	310,820	1,845,187	(1,248)	667,613
Bad Debt Expense for Margin Loans		1,404,338	15,674	1,843,147	801,523	423,639
Operating Expense		1,955,795	1,836,361	1,808,610	2,089,736	1,970,765
Income from Continuing Operation before Tax		(999,678)	315,020	(629,537)	(957,156)	674,775
Income from Continuing Operation after Tax		(833,950)	2,740	(162,547)	(866,022)	534,682
Income from discontinued Operation (After Tax)		-	-	-	-	-
Extraordinary Loss (Net after Tax)		-	-	-	-	-
Cumulative Effects Due to Changes in the Accounting Principles (Net After Tax)		-	-	-	-	-
Earning		(833,950)	2,740	(162,547)	(866,022)	534,682
EPS (Loss)		(0.94)	(0.05)	(0.24)	(1.06)	0.57

Note 1: The financial figures above have all been audited and certified by CPA.

Note 2: EPS (Loss), calculated with weighted average of shares adjusted for the current year.

II 、Financial Analysis in the Past Five Years

Unit: NT\$ Thousand

Item	Year	Financial Status in the Past Five Years				
		2011	2010	2009	2008	2007
Operation Capability	Loan to Deposit Ratio (%)	73	77	83	86	90
	NPL Ratio (%)	1.16	1.68	3.83	4.59	3.32
	Interest Expense to Average Deposit Outstanding (%)	0.79	0.72	1.18	2.08	1.89
	Interest Income to Average Loan Outstanding (%)	2.66	2.49	2.44	3.84	3.78
	Total Asset Turnover Ratio (Time)	0.01	0.01	0.02	0.01	0.02
	Average Revenue per Employee	1,924	1,704	2,357	1,436	2,104
	Average Income per Employee	(680)	2	(127)	(643)	366
Profitability	Return on Tier 1 Capital (%)	(14)	5	(10)	(14)	10
	ROA (%)	(0.53)	0.00	(0.1)	(0.52)	0.30
	ROE (%)	(10.13)	0.03	(2)	(9)	6
	Net Income Ratio (%)	(35.33)	0.13	(5)	(45)	17
	EPS (Dollar)	(0.94)	(0.05)	(0.24)	(1.06)	0.57
Financial Structure	Liability to Total Asset	95	94	95	95	94
	Fixed Asset to Shareholders' Equity	101	87	83	79	60
Growth	Asset Growth (%)	2	(3)	(3)	(3)	(11)
	Profitability Growth (%)	(417)	150	(Note 8)	(242)	(Note 8)
Cash Flows	Cash Flow (%)	46	135	(Note 9)	20	(Note 9)
	Cash Flow to Dividends & Expenditures (%)	104	92	84	139	177
	Cash Flow Reinvestment Ratio (%)	(Note 10)	(Note 9)	(Note 9)	(Note 10)	(Note 9)
Liquidity Reserve Ratio (%)		22	17	13	12	10
Related Parties' Secured Lending Outstanding		1,754,535	1,498,259	1,436,666	2,230,613	1,406,062
Related Parties' Secured Lending Outstanding to Total Lending Outstanding (%)		1.65	1.36	1.17	1.74	1.04
Operating Scale	Market Share of Asset (%)	0.35	0.36	0.39	0.41	0.44
	Market Share of Net Worth (%)	0.30	0.35	0.37	0.41	0.45
	Market Share of Deposit (%)	0.45	0.46	0.49	0.53	0.57
	Market Share of Loan (%)	0.50	0.54	0.63	0.67	0.72

Note 1: The financial figures above have all been audited and certified by CPA.

Note 2: Calculation methods:

1: Operating Capability

- (1) Loan to Deposit Ratio = Total Deposits / Total Loans
- (2) NPL = Total non-Performing Loans / Total Loans
- (3) Interest Expense to Average Deposit Outstanding = Total Interest Expense / Average Deposits
- (4) Interest Income to Average Loan Outstanding = Total Interest Income / Average Loans Outstanding
- (5) Total Asset Turnover = Net Operating Income / Total Assets
- (6) Average Revenue per Employee = Net Operating income / Number of Employees
- (7) Average Income per Employee = After-tax Profit / Number of Employees

2: Profitability

- (1) Return on Tier I Capital = Before-tax Income / Average Total Amount of Tier I Capital
- (2) Return on Asset = After-tax Income / Average Total Assets
- (3) Return on Equity = After-tax Income / Average Net Shareholder Equity
- (4) Net Income Total Revenue = After-tax Income / Net Income on Operations
- (5) Earning Per Share=(After-tax Profit Preferred Stocks Dividends)/ Weighted Average of Shares Outstanding (Note 4)

3: Financial Structure

- (1) Liability to Total Asset = Total Liabilities (Note 3) / Total Assets

(2) Fixed Asset to Shareholders' Equity = Fixed Asset / Shareholders' Equity

4: Growth Rate

(1) Asset Growth = (Total Assets of Current Year - Total Assets of Previous Year) / Total Assets of Previous Year

(2) Profitability Growth = (Pre-tax Profit of Current Year - Pre-tax Profit of Previous Year) / Pre-tax Profit of Previous Year

5: Cash Flow (Note 7)

(1) Cash Flow = Net Operating Cash Flow / (Placement \$ Advance to Other Banks + Commercial Paper Payable + Financial Assets at Fair Value through Profit or Loss + Bills & Bonds Purchased under Agreements to Resell + Payables of Maturity with One Year)

(2) Cash Flow to Dividends & Expenditures = Net Operating Cash Flow in the Past Five Years / (Capital Expenditures + Cash Dividends) in the past five years

(3) Cash Flow Reinvestment Ratio = Net operating cash flow / Net investment cash flow

6: Liquidity Reserve Ratio = Liquid Assets required by Central Bank / Liabilities for which the Liquid Reserves are allocated

7: Operating Scale

(1) Market Share of Asset = Total assets / Total assets of financial institution allowed to engage in the deposits and loan business (Note 5)

(2) Market Share of Net Worth = Net worth / Total net worth of financial institutions allowed to engage in the deposits and loan business (Note 5)

(3) Market Share of Deposit = Total deposits / Total deposits of financial institutions allowed to engage in the deposit and loan business (Note 5)

(4) Market Share of Loan = Total loans / Total loans of financial institution allowed to engage in the deposit and loan business (Note 5)

Note 3: Total liabilities exclude guaranteed liability reserves, reserve for losses on bonds and bills dealing, reserve for contract violation losses, and reserve for accidental losses.

Note 4: The following items should be considered when calculating the earnings per share in the aforementioned items.

1. Calculation shall be based on weighted average number of shares but not on the number of shares issued as of year-end.
2. For any cash increment or treasury share transaction, period of circulation shall be considered in calculating the weighted average number of shares.
3. Whenever capital increment is carried out via transfer of profit or legal reserve, retroactive adjustment shall be carried out in accordance with the ratio of increment when calculating earnings per share for past years and for six-month periods with no need to consider the time of issuance for the capital increment.
4. If the preferred stock is a non-convertible, cumulative preferred stock, the stock dividend for the current year (whether released or not) should be deducted from after-tax net profit or added to after-tax net loss.
5. When there is an after-tax net profit, the dividend on preferred stocks that are not cumulative stock should be deducted from after-tax net profit; in cases of loss, no adjustment is necessary.

Note 5: Financial institutions that can engage in the deposit and loan business include domestic banks, Taiwan branches of foreign banks, credit cooperatives, the credit departments of farmers' and fishermen's associations, and trust investment companies.

Note 6: Net Income total revenue refers to the sum of interest income and non-interest income.

Note 7: The following items should be considered when analyzing the cash flows

1. Net operating cash flow represents the net cash inflows from operating activities
2. Capital expenditures represents the yearly cash outflows from capital investment
3. Cash dividends include dividends from common & preferred stocks
4. Fixed asset represents total fixed asset before accumulated depreciations

Note 8: Not expressed due to negative base point.

Note 9: Not expressed due to negative cash flow from operating activity.

Note 10: Not expressed due to negative cash flow from investment activity.

III 、Capital Adequacy Analysis in the Past Five Years

(I) Parent Company

Unit: NT\$ Thousand

Year			2011	2010	2009	2008	2007	
Item								
Equity Capital	Tier 1 Capital	Common Stock	9,557,900	8,557,900	8,557,900	8,557,900	8,557,900	
		Perpetual, Non-Cumulative Preferred Stock	-	-	-	-	-	
		Non-Matured, Non-Cumulative Subordinated Debenture	-	-	-	-	-	
		Capital in Advance	-	-	-	-	-	
		Legal Reserve (Excluding Legal Reserve for Fixed Asset Appreciation)	-	-	-	-	-	
		Legal Earning Reserve	-	-	-	57,103	-	
		Special Earning Reserve	-	-	-	29,345	-	
		Cumulative Earning	-	-	-	-	190,343	
		Minor Interests	-	-	-	-	-	
		Other Shareholders Equity	(54,763)	(74,502)	(75,933)	(64,363)	(70,823)	
		Less: Goodwill	1,316,159	1,316,159	1,316,159	1,316,159	1,316,159	
		Less: Loss from Unamortized NPL Sold	-	-	-	-	-	
		Less: Capital Deduction Item	988,055	575,548	788,666	714,168	308,196	
		Total Tier 1 Capital	7,198,928	6,591,691	6,377,143	6,549,658	7,053,065	
	Tier 2 Capital	Perpetual, Cumulative Preferred Stock	-	-	-	-	-	
		Non-matured, Cumulative Subordinated Debentures	-	-	-	-	-	
		Legal Reserve for Fixed Asset Appreciation	114,308	-	-	-	-	
		45% of Unrealized Gain of Available for Sale Financial Asset	5,204	20,439	15,143	20,457	4,549	
		Convertible Bond	-	-	-	-	-	
		Operation Reserve & Bad Debt Account	-	-	-	-	323,219	
		Long-term Subordinated Debentures	1,439,600	1,827,400	2,015,200	1,928,920	2,249,920	
		Non-perpetual Preferred Stock	-	-	200,000	400,000	600,000	
		Sum of (Perpetual, Non-Cumulative Preferred Stock + Non-Mature, Non-Cumulative Subordinated Financial Debenture) Surpassed 15% of Tier 1 Capital	-	-	-	-	-	
		Less: Capital Deduction Item	988,055	575,545	788,668	714,169	308,196	
		Total Tier 2 Capital	571,057	1,272,294	1,441,676	1,635,208	2,869,492	
		Tier 3 Capital	Short-term Subordinated Debentures	-	-	-	-	-
			Non-Perpetual Preferred Stock	-	-	-	-	-
			Total Tier 3 Capital	-	-	-	-	-
	Equity Capital		7,769,985	7,863,985	7,818,818	8,184,866	9,922,557	
	Risk-Weighted Asset	Credit Risk	Standardized Approach	86,188,342	85,283,584	95,141,805	101,016,756	105,634,318
Internal Rating-Based Approach			-	-	-	-	-	
Asset Securitization			331,678	344,985	347,071	291,982	481,144	
Operation Risk		Basic Indicator Approach	3,799,288	4,180,063	5,363,938	6,354,825	6,447,375	
		Standardized / Alternative Approach	-	-	-	-	-	
		Advanced Measurement Approach	-	-	-	-	-	
Market Risk		Standardized Approach	2,493,700	1,901,863	924,825	1,111,138	1,796,063	
		Internal Models Approach	-	-	-	-	-	
CAR (%)		8.37	8.57	7.68	7.52	8.68		
Tier 1 Capital to Risk-Weighted Asset (%)		7.76	7.19	6.27	6.02	6.17		
Tier 2 Capital to Risk-Weighted Asset (%)		0.62	1.39	1.42	1.50	2.51		
Tier 3 Capital to Risk-Weighted Asset (%)		-	-	-	-	-		
Common Stock to Total Asset (%)		6.01	5.48	5.32	5.17	5.03		

(II) Consolidated Company

Unit: NT\$ Thousand

Year			2011	2010	2009	2008	2007	
Item								
Equity Capital	Tier 1 Capital	Common Stock	9,557,900	8,557,900	8,557,900	8,557,900	8,557,900	
		Perpetual, Non-Cumulative Preferred Stock	-	-	-	-	-	
		Non-matured, Non-Cumulative Subordinated Debenture	-	-	-	-	-	
		Capital in Advance	-	-	-	-	-	
		Legal Reserve (Excluding Legal Reserve for Fixed Asset Appreciation)	-	-	-	-	-	
		Legal Earning Reserve	-	-	-	57,103	-	
		Special Earning Reserve	5	-	-	29,345	-	
		Cumulative Earning	-	-	-	-	190,343	
		Minor Interests	-	-	-	-	-	
		Other Shareholders Equity	(54,763)	(74,502)	(75,933)	(64,363)	(70,823)	
		Less: Goodwill	1,316,159	1,316,159	1,316,159	1,316,159	1,316,159	
		Less: Loss from Unamortized NPL Sold	-	-	-	-	-	
		Less: Capital Deduction Item	923,765	517,709	745,588	646,270	265,061	
		Total Tier 1 Capital	7,263,218	6,649,530	6,420,221	6,617,556	7,096,200	
	Tier 2 Capital	Perpetual, Cumulative Preferred Stock	-	-	-	-	-	
		Non-Matured, Cumulative Subordinated Debentures	-	-	-	-	-	
		Legal Reserve for Fixed Asset Appreciation	114,308	-	-	-	-	
		45% of Unrealized Gain of Available for Sale Financial Asset	5,204	20,439	15,143	20,457	4,549	
		Convertible Bond	-	-	-	-	-	
		Operation Reserve & Bad Debt Account	-	-	-	-	323,219	
		Long-Term Subordinated Debentures	1,439,600	1,827,400	2,015,200	1,928,920	2,249,920	
		Non-Perpetual Preferred Stock	-	-	200,000	400,000	600,000	
		Sum of (Perpetual, Non-Cumulative Preferred Stock, & Non-mature, Non-Cumulative Subordinated Financial Debenture) Surpassed 15% of Tier 1 Capital	-	-	-	-	-	
		Less: Capital Deduction Item	923,765	517,708	745,588	646,269	265,059	
		Total Tier 2 Capital	635,347	1,330,131	1,484,756	1,703,108	2,912,629	
		Tier 3 Capital	Short-Term Subordinated Debentures	-	-	-	-	-
			Non-Perpetual Preferred Stock	-	-	-	-	-
			Total Tier 3 Capital	-	-	-	-	-
	Equity Capital		7,898,565	7,895,565	7,904,977	8,320,664	10,008,829	
	Risk-weighted Asset	Credit Risk	Standardized Approach	86,219,196	85,474,503	95,189,251	100,935,783	105,573,282
			Internal Rating-Based Approach	-	-	-	-	-
			Securitization Framework	331,678	344,985	347,071	291,982	481,144
Operation Risk		Basic Indicator Approach	3,799,288	4,180,063	5,363,938	6,354,825	6,493,000	
		Standardized / Alternative Approach	-	-	-	-	-	
		Advanced Measurement Approach	-	-	-	-	-	
Market Risk		Standardized Approach	2,493,700	1,901,863	924,825	1,111,138	1,796,063	
		Internal Model-Based Approach	-	-	-	-	-	
CAR (%)			8.51	8.68	7.76	7.66	8.75	
Tier 1 Capital to Risk-Weighted Asset (%)			7.82	7.24	6.31	6.09	6.21	
Tier 2 Capital to Risk-Weighted Asset (%)			0.68	1.45	1.46	1.57	2.55	
Tier 3 Capital to Risk-Weighted Asset (%)			-	-	-	-	-	
Common Stock to Total Asset (%)			6.01	5.48	5.32	5.17	5.03	

Note 1: The financial figures above have all been audited and certified by CPA.

Note 2: The financial figures have been adjusted by Basel II after the year of 2006.

Note 3: Calculation Methods:

(1) Equity Capital = Tier 1 Capital + Tier 2 Capital + Tier 3 Capital

(2) Risk-Weighted Asset = Credit Risk-Weighted Assets + Required Capital for (Operation Risk +Market Risk) × 12.5

(3) Capital Adequacy Ratio = Equity Capital / Total Risk-Weighted Assets

(4) Tier 1(or 2,3) capital to risk-weighted Asset ratio = Tier 1(or 2,3) capital / Total risk-weighted assets

(5) Common Stock to Total Asset = Common Stock / Total Assets

BANK OF PANHSIN

Financial Statements

December 31, 2011 and 2010

(With Independent Auditors' Report Thereon)

**Address: No. 68, Sec. 2, Xianmin Blvd., Banqiao Distr., New Taipei City,
Taiwan, R.O.C.**

Tel: (02)2962-9170

Independent Auditors' Report

The Board of Directors

Bank of Panhsin:

We have audited the accompanying balance sheets of Bank of Panhsin 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'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 Regulations Governing Auditing and Certification of Financial Statements of Financial Institutions by Certified Public Accountants and Republic of China generally accepted auditing standards. Those standards and regulations 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 in the first paragraph present fairly, in all material respects, the financial position of Bank of Panhsin 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 the Guidelines Governing the Preparation of Financial Reports by Banks, and Republic of China generally accepted accounting principles.

Bank of Panhsin has prepared consolidated financial statements for itself and its subsidiaries as of and for the years ended December 31, 2011 and 2010, on which we have expressed an unqualified opinion.

KPMG

March 21, 2012

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with the 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.

The auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

Bank of Panhsin

Balance Sheets

December 31, 2011 and 2010

(Expressed in thousands of New Taiwan dollars, except for par value)

	2011	2010	Change %		2011	2010	Change %
Assets				Liabilities and Stockholders' Equity			
Cash and cash equivalents (note 4)	\$ 3,773,972	2,847,108	33	Deposits by Central Bank and other banks (note 16)	\$ 1,315,248	1,450,176	(9)
Due from Central Bank and placement to other banks (note 5)	33,427,689	30,377,437	10	Financial liabilities at fair value through profit or loss (notes 6 and 23)	22,647	42,114	(46)
Financial assets at fair value through profit or loss, net (notes 6, 23 and 25)	1,009,623	690,083	46	Notes and accounts payable	2,510,950	2,463,968	2
Accounts receivable, net (notes 9, 10, 20 and 24)	1,405,561	2,576,311	(45)	Deposits and remittances (notes 17 and 24)	142,643,324	139,340,821	2
Loans and advances to customers (notes 10 and 24)	102,164,399	106,313,757	(4)	Subordinated financial debentures (notes 18 and 24)	4,339,000	3,939,000	10
Available-for-sale financial assets, net (notes 7 and 25)	4,225,302	1,331,167	217	Accrued pension liabilities (note 19)	96,899	101,672	(5)
Held-to-maturity financial assets (note 8)	718,181	106,921	572	Other financial liabilities	28,043	24,806	13
Long-term investments under equity method, net (note 11)	128,581	115,677	11	Other liabilities	<u>167,260</u>	<u>118,609</u>	41
Other financial assets, net (notes 11, 24, 25 and 26)	348,893	360,737	(3)	Total liabilities	<u>151,123,371</u>	<u>147,481,166</u>	2
Property and equipment, net (notes 12 and 24)	7,971,193	7,507,237	6	Stockholders' Equity (notes 7, 19 and 21):			
Goodwill and intangible assets (note 13)	1,543,924	1,582,283	(2)	Share capital:			
Other assets:				Common stock of \$10 par value per share; authorized 1,500,000 thousand shares and issued 955,790 and 855,790 thousand shares in 2011 and 2010, respectively	9,557,900	8,557,900	12
Other asstes (notes 14 and 15)	1,223,950	1,393,250	(12)	Preferred stock of \$10 par value per share; cumulative but non-participating; authorized and issued 100,000 thousand shares in 2010	<u>-</u>	<u>1,000,000</u>	(100)
Deferred income tax assets (note 20)	<u>1,050,293</u>	<u>881,142</u>	19		<u>9,557,900</u>	<u>9,557,900</u>	-
	2,274,243	2,274,392	-	Retained earnings:			
				Special reserve	5	-	-
				Accumulated deficits	<u>(1,760,825)</u>	<u>(926,875)</u>	(90)
					<u>(1,760,820)</u>	<u>(926,875)</u>	(90)
				Other adjustments to stockholders' equity:			
				Unrealized revaluation increment	114,308	-	-
				Unrealized gain on available-for-sale	8,801	36,717	(76)
				Net loss from unrecognized pension cost	<u>(51,999)</u>	<u>(65,798)</u>	21
					<u>71,110</u>	<u>(29,081)</u>	345
				Total stockholders' equity	7,868,190	8,601,944	(9)
				Commitments and contingencies (notes 14, 21, 23 and 26)			
Total Assets	<u>\$ 158,991,561</u>	<u>156,083,110</u>	2	Total Liabilities and Stockholders' Equity	<u>\$ 158,991,561</u>	<u>156,083,110</u>	2

See accompanying notes to financial statements.

Bank of Panhsin
Statements of Income

For the years ended December 31, 2011 and 2010
(expressed in thousands of New Taiwan dollars, except for earnings per share)

	2011	2010	Change %
Interest income (notes 6 and 24)	\$ 3,141,001	2,981,056	5
Less: Interest expense (note 24)	<u>1,237,050</u>	<u>1,124,821</u>	10
Net interest income	1,903,951	1,856,235	3
Non-interest income:			
Fees and commission income, net (note 24)	307,979	409,241	(25)
Gain (loss) on financial instruments at fair value through profit or loss (notes 6 and 23)	(7,949)	134,664	(106)
Realized gain on available-for-sale financial assets (note 7)	48,631	65,712	(26)
Investment income under the equity method, net	57,704	50,419	14
Foreign exchange gain (loss), net	61,116	(69,615)	188
Asset impairment loss	(23,973)	(231,797)	90
Other non-interest income (loss), net (notes 12, 14, 15, 24 and 29)	<u>12,996</u>	<u>(47,804)</u>	127
Net revenue	<u>2,360,455</u>	<u>2,167,055</u>	9
Bad debt expenses (note 10)	<u>1,404,338</u>	<u>15,674</u>	8,860
Operating expenses:			
Personnel costs (notes 19 and 29)	1,043,302	1,084,668	(4)
Depreciation and amortization (notes 12 and 29)	138,938	155,106	(10)
Other general and administrative expenses (note 24)	<u>773,555</u>	<u>596,587</u>	30
	<u>1,955,795</u>	<u>1,836,361</u>	7
Gain (loss) from continuing operations before income tax	(999,678)	315,020	(417)
Income tax expense (benefit) (note 20)	<u>(165,728)</u>	<u>312,280</u>	(153)
Net income (loss)	<u><u>\$ (833,950)</u></u>	<u><u>2,740</u></u>	(30,536)
	Before tax	After tax	Before tax
Basic earnings (deficits) per share (note 22)	<u><u>\$ (1.12)</u></u>	<u><u>(0.94)</u></u>	<u><u>0.32</u></u>
			<u><u>(0.05)</u></u>

See accompanying notes to financial statements.

Bank of Panhsin
Statements of Changes in Stockholders' Equity
For the years ended December 31, 2011 and 2010
(expressed in thousands of New Taiwan dollars)

	Share capital		Retained earnings		Unrealized revaluation increment	Other adjustments	Net loss from unrecognized pension cost	Total
	Common stock	Preferred stock	Special reserve	Unappropriated earnings (accumulated deficits)		Unrealized gain (loss) on available-for-sale financial assets		
Balance at January 1, 2010	\$ 8,557,900	1,000,000	-	(929,615)	-	32,608	(74,890)	8,586,003
Net gain for 2010	-	-	-	2,740	-	-	-	2,740
Reversal of net loss from unrecognized pension cost	-	-	-	-	-	-	9,092	9,092
Reversal of unrealized gain on available-for-sale financial assets (note 7)	-	-	-	-	-	4,109	-	4,109
Balance at December 31, 2010	8,557,900	1,000,000	-	(926,875)	-	36,717	(65,798)	8,601,944
Issuance of common stock for cash (note 21)	1,000,000	-	-	-	-	-	-	1,000,000
Redemption of Preferred Stock	-	(1,000,000)	-	-	-	-	-	(1,000,000)
Net loss for 2011	-	-	-	(833,950)	-	-	-	(833,950)
Change in unrealized revaluation increment	-	-	-	-	114,308	-	-	114,308
Net income from unrecognized pension cost	-	-	-	-	-	-	13,799	13,799
Recognition of unrealized gain on available-for-sale financial assets (note 7)	-	-	-	-	-	(27,916)	-	(27,916)
Trading loss reserve reclassified as special reserve	-	-	5	-	-	-	-	5
Balance at December 31, 2011	\$ 9,557,900	-	5	(1,760,825)	114,308	8,801	(51,999)	7,868,190

See accompanying notes to financial statements.

Bank of Panhsin
Statements of Cash Flows

For the years ended December 31, 2011 and 2010
(expressed in thousands of New Taiwan dollars)

	2011	2010
Cash flow from operating activities:		
Net income (loss)	\$ (833,950)	2,740
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	71,469	81,002
Amortization	68,326	75,564
Bad debt expenses	1,404,338	15,674
Provision of (reserve for) trading losses	-	(2,554)
Gain on sale of available-for-sale financial assets, net	(48,631)	(65,712)
Amortization of bonds premium	4,972	90
Gain on disposal of foreclosed assets	15,988	(1,542)
Investment loss (income) under the equity method	(57,704)	(50,419)
Cash dividends from investees under the equity method	44,800	20,900
Gain on disposal of property and equipment, net	(4,273)	(31,934)
Prepayments for equipment changed into expense	79	210
Impairment loss on foreclosed assets	23,973	231,797
Decrease (increase) in deferred income tax assets	(169,151)	312,280
Loss on disposal of non-operating assets	-	116,095
Decrease (increase) in financial assets at fair value through profit or loss	(319,540)	11,249
Decrease (increase) in accounts receivable	953,332	661,697
Decrease (increase) in other financial assets	11,844	(34,336)
Increase (decrease) in financial liabilities at fair value through profit or loss	(19,467)	(13,006)
Increase in accounts payable and other liabilities	46,982	150,885
Increase in accrued pension liabilities	3,601	127
Net cash provided by operating activities	<u>1,196,988</u>	<u>1,480,807</u>
Cash flow from investing activities:		
Acquisition of available-for-sale financial assets	(3,723,086)	(896,234)
Proceeds from disposal of available-for-sale financial assets	849,666	496,306
Acquisition of held-to-maturity financial assets	(616,232)	(107,011)
Acquisition of property and equipment	(419,223)	(552,249)
Proceeds from disposal of property and equipment	64,251	1,967,521
Increase in foreclosed assets	-	(5,062)
Proceeds from disposal of foreclosed assets	86,290	419,198
Increase in due from Central Bank and placement to other banks	(3,050,252)	(5,621,365)
Decrease in loans and advances to customers	2,962,455	7,842,822
Increase in other assets	(27,634)	(27,386)
Proceeds from disposal of investees under cost method	-	268,197
Increase in property investment	-	(11,583)
Net cash provided by investing activities	<u>(3,873,765)</u>	<u>3,773,154</u>
Cash flow from financing activities:		
Issuance of subordinated financial debentures	400,000	500,000
Decrease in subordinated financial debentures	-	(449,600)
Increase in other financial liabilities	3,237	24,806
Increase (decrease) in other liabilities	32,829	(18,314)
Issuance of common stock	1,000,000	-
Redemption of Preferred Stock	(1,000,000)	-
Decrease in deposits by Central Bank and other banks	(134,928)	(2,385,239)
Increase (decrease) in deposits and remittances	3,302,503	(2,663,181)
Net cash used in financing activities	<u>3,603,641</u>	<u>(4,991,528)</u>
Net increase (decrease) in cash and cash equivalents	926,864	262,433
Cash and cash equivalents at beginning of year	2,847,108	2,584,675
Cash and cash equivalents at end of year	<u><u>\$ 3,773,972</u></u>	<u><u>2,847,108</u></u>
Supplementary disclosure of cash flow:		
Cash payments of interest	<u><u>\$ 1,210,733</u></u>	<u><u>1,148,736</u></u>
Cash payments of income tax	<u><u>\$ 21,152</u></u>	<u><u>16,300</u></u>
Investing and financing activities not affecting cash flows:		
Reconciliation of cash received from disposal of foreclosed assets:		
Proceeds from disposal of property and equipment	\$ 64,251	72,591
Increase (decrease) in accounts receivable — disposal of property and equipment	-	1,894,930
Cash revivable of disposal of property and equipment	<u><u>\$ 64,251</u></u>	<u><u>1,967,521</u></u>

See accompanying notes to financial statements.

BANK OF PANHSIN

Notes to Financial Statements

December 31, 2011 and 2010

(expressed in thousands of New Taiwan dollars, unless otherwise specified)

(1) Organization and Business Scope

Bank of Panhsin (the Bank), formerly named "Pan Chiao Credit Cooperative", was founded on April 25, 1957. Pursuant to an approval granted by the Ministry of Finance, the Bank was re-incorporated as a commercial bank on July 8, 1997, and completed the acquisition of "The 5th Credit Cooperative of Kaohsiung" on September 29, 1997. The Bank obtained a banking license authorized by the Ministry of Finance to operate as a commercial bank on September 30, 1997. In October 1999, the Bank received its trust license from the Ministry of Finance and started operations on November 26 of the same year with capital of \$100 million. On November 27, 2002, the Bank was authorized by the Ministry of Finance to establish an International Banking Department, which started operations on July 7, 2003. Furthermore, the Bank completed the acquisition of "The 1st Credit Cooperative of Chiayi" on March 6, 2005.

The Bank was established pursuant to the Banking Law to engage in:

- 1) all commercial banking operations allowed by the Banking Law;
- 2) savings operations;
- 3) trust operations;
- 4) credit card operations;
- 5) trading in government bonds and other debt securities; and
- 6) other operations as authorized by the relevant central authority.

On November 14, 2006, the Bank was approved by the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan to offer its shares publicly.

As of December 31, 2011 and 2010, the number of the Bank's employees was 1,228 and 1,270, respectively.

(Continued)

BANK OF PANHSIN**Notes to Financial Statements****(2) Summary of Significant Accounting Policies**

The financial statements of the Bank are presented in the local currency and in Chinese. These financial statements have been translated into English. The translated information is consistent with the Chinese version of the Bank's financial statements from which it is derived.

The financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language financial statements, the Chinese version shall prevail.

The financial statements of the Bank are prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Banks, the Business Entity Accounting Act, the Regulation on Business Entity Accounting Handling, and ROC generally accepted accounting principles. The financial statements are prepared primarily on a historical cost basis except as otherwise specified in the following accounting policies. The preparation of financial statements in conformity with related regulations requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. Actual results could differ from these estimates. A summary of significant accounting policies and the measurement basis used in preparing the financial statements is as follows:

1) Basis of preparation

The financial statements include the accounts of the head office, branches and offshore banking unit. All intra-office balances and transactions have been eliminated in the preparation of the financial statements.

The Bank, for internal management purposes, should maintain separate accounts and prepare separate sets of financial statements for the entrusted funds managed by the Bank. All the entrusted assets are booked to a memo account.

2) Foreign currency transactions

Except for accounts in its Offshore Banking Unit that are maintained in US dollars, accounts in all other departments are maintained in New Taiwan dollars. For those transactions denominated in foreign currencies, assets and liabilities are recorded in their original foreign currencies, and all income and expense accounts denominated in original foreign currencies are translated into New Taiwan dollars at daily closing exchange rates. At the balance sheet date, the financial statement amounts in all foreign currencies are translated into New Taiwan dollars at exchange rates assigned on that date. Differences from translation are recorded as gains or losses for the current period.

3) Cash and cash equivalents

The Bank considers cash and due from banks as cash and cash equivalents.

4) Financial instruments at fair value through profit or loss

The Bank accounts for financial assets in accordance with Statement of Financial Accounting Standards (SFAS) No. 34 "Financial Instruments: Recognition and Measurement".

(Continued)

BANK OF PANHSIN**Notes to Financial Statements**

Financial assets whose changes in fair value are recognized in profit or loss include debt securities, beneficiary certificates, equity shares and derivative instruments held or issued by the Bank. These financial assets can be classified into two subcategories: financial assets held for trading purposes and financial assets designated at fair value. Financial assets held for trading purposes are acquired or held principally for the purpose of selling or repurchasing them in the near term.

The Bank recognizes the purchases or sales of stocks, funds and beneficiary certificates using trade-date accounting and of other financial assets using settlement-date accounting. These financial instruments are initially recognized at fair value plus acquisition or issuance cost.

Financial instruments with fair value changes recognized in profit or loss should be measured at fair value. The fair value of an asset is the amount at which the asset could be purchased or sold in a current arm's-length transaction between willing parties. A quoted market price, if available, in an active market is the best evidence of fair value. The fair value of listed or OTC stocks is the market closing price of the last transaction day. The market price of open-end funds is the net asset value on balance sheet date. The fair value of local bonds is represented by the OTC's quoted market price of the last transaction day of the bonds. However if a quoted market price is not available, fair value should be estimated using the information available in the circumstances or estimated using pricing models. Estimation of fair value is usually based on recent trading prices of such financial instruments and supplemented by related valuation techniques available.

The realized and unrealized gain or loss on financial instruments at fair value through profit or loss whose changes in fair value are recognized in the income statement. Interest income (expense) and cash dividends received during the holding period are recorded under the accounts of "interest income (expense)" and "gain (loss) on financial instruments at fair value through profit or loss", respectively. Cash dividends are recognized as income on the ex-dividend date or when the board approves the cash dividends. Stock dividends are not recognized as income but treated as increases in the number of shares held.

5) Available-for-sale financial assets

The Bank adopted SFAS No. 34 "Financial Instruments: Recognition and Measurement". Except for stocks, funds, and beneficiary certificates which use transaction-date accounting, the Bank recognizes the purchase or sale of the financial assets by using settlement-date accounting. These financial instruments are initially recognized at fair value, and the amount recognized includes acquisition or issuance cost.

Available-for-sale financial assets are subsequently remeasured at fair value, and the changes therein are recognized in the shareholders' equity adjustment account. Fair value is based on the quoted market price or estimated amount if the quoted market price is not available. Interest income and cash dividends are recorded under "interest income" and "realized gain on available-for-sale financial assets", respectively. Cash dividends are recognized as income on the ex-dividend date or when the board approves the cash dividends. Cash dividends received are deducted from the amount invested in the same year. Stock dividends are not recognized as income but treated as increases in the number of shares held.

(Continued)

BANK OF PANHSIN**Notes to Financial Statements**

When there is any indication of impairment in the value of available-for-sale financial assets, the impairment loss should be recognized in the income statement. The impairment losses recognized in the income statement on debt instruments classified as available-for-sale are reversed through the income statement if the fair value of such debt instruments increases in a subsequent period. When available-for-sale financial assets are sold, cumulative gains or losses previously recognized in equity are recognized in the income statement.

Held-to-maturity financial assets are measured at amortized cost using the effective interest method. If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. If, in a subsequent period, the amount of the impairment loss decreases and the decrease is clearly attributable to an event which occurred after the impairment loss was recognized, the previously recognized impairment loss is reversed to the extent of the decrease. The reversal may not result in a carrying amount of the financial asset that exceeds the amortized cost that would have been determined if no impairment loss had been recognized.

6) Held-to-maturity financial assets

Held-to-maturity financial assets are recorded at amortized cost. Impairment loss is recognized when there is objective evidence of impairment. If the impairment loss subsequently decreases and the decrease is objectively related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit and loss. The carrying value after the reversal should not exceed the realizable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized.

7) Derivative financial instruments

Derivative financial instruments are foreign exchange forward contracts, currency swaps, interest rate swaps, and options, which are entered into by the Bank in foreign exchange, interest rate, and capital markets. Derivative financial instruments are for trading purposes except those accounted for under hedge accounting. Trading purposes include market creation, customer services, trading and other relevant arbitrage.

Derivative financial instruments held for trading purposes are evaluated at fair value. Changes in fair value are recorded as current period income or loss. Fair value is the amount at which the asset could be purchased or sold in a current arm's-length transaction between willing parties. A quoted market price, if available, in an active market is the best evidence of fair value; however, if a quoted market price is not available, fair value should be estimated using the information available in the circumstances or using pricing models. Estimation of fair value is usually based on recent trading prices of similar financial instruments and supplemented by related valuation techniques available.

An embedded derivative financial instrument is split from the host contract and accounted for as a separate derivative if the embedded derivative financial instrument meets the definition specified in the Statements of Financial Accounting Standards. The host contract, depending on whether or not it is a financial instrument, is recognized according to the related Statements of Financial Accounting Standards.

(Continued)

BANK OF PANHSIN**Notes to Financial Statements**

Derivative assets and liabilities arising from different transactions are only offset if the transactions are with the same counterparty, a legal right of offset exists, and the parties intend to settle the cash flows on a net basis.

8) Loans and receivables

Credit terms are decided by the term to maturity of loans. The loan period of short term loans is within one year, the loan period of medium term loans is one to seven years, and the loan period of long term loans is more than seven years. Loans with pledged assets are recorded as secured loans.

Principal or interest overdue over three months is categorized as overdue accounts. In addition, when principal or interest has not been paid for over six months, the said principal and interest are transferred to non-performing loans. When this occurs, interest will only be calculated and booked to the memo accounts accordingly.

9) Provision of allowance for doubtful accounts

Under the definition of loans and receivables in SFAS No. 34, objective evidence should be identified first to reveal the occurrence of any impairment. If objective evidence reveals that individually significant financial assets have been impaired, its impairment should be individually assessed. If objective evidence reveals that individual or collective impairment have occurred for financial assets that are not individually significant, its impairment should be collectively assessed. If no objective evidence of impairment exists for an individually assessed financial asset, it should be included in a set of financial assets with similar credit risk characteristics and collectively assessed for impairment. Individually assessed financial assets that have already recognized, or continued to recognize, impairment are not required to be collectively assessed.

If there is objective evidence that impairment loss on financial assets have occurred, the amount of loss is recognized and measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. When impairment occurs, the carrying amount of the asset is lowered through the allowance account, and the amount of loss is recognized as bad debt expense in the current period. When calculating the impairment amount, the estimation of future cash flows includes the recoverable amount of collateral and related insurance.

The aforementioned objective evidence includes the following:

1. Significant financial difficulty of the issuer or obligor;
2. A breach of contract, such as a default or delinquency in interest or principal payments;
3. The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
4. It becoming probable that the borrower will enter bankruptcy or other financial is reorganization;
5. The disappearance of an active market for the financial asset because of the issuer's financial difficulties;
6. Adverse changes in the payment status of the borrower; and

(Continued)

BANK OF PANHSIN**Notes to Financial Statements**

7. Changes in national or regional economic conditions that correlate with the occurrence of defaults on the assets.

As of December 31, 2010, all loans are recorded initially as the actual amount lent out and reported at their outstanding principal balances net of any provisions for doubtful accounts. An allowance for doubtful accounts is determined by an evaluation of the collectibility of loans, receivables, and advance accounts. Doubtful accounts are written off when the possibility of recovery is remote.

Starting July 1, 1999, the Bank has to provide 3% of operating revenue as allowance for bad debt to speed up the write-off of default accounts. This allowance should be provided until the Bank's overdue accounts ratio has dropped to lower than 1%. The aforementioned allowance is recognized under bad-debt expense and allowance for bad debt expense accounts.

Reserves for guarantees are appropriately provided based on "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans".

10) Long-term investments under equity method

Long-term investments are accounted for under the equity method when the percentage of ownership exceeds 20%, or is less than 20% with significant influence over the investee.

When the Bank disposes of long-term investment accounted for under the equity method, the difference between the cost and the selling price at the disposal date is recorded in gain (loss) on disposal of long-term equity investment. If there is any capital surplus arising from long-term investment under the equity method, such capital surplus is transferred to current income or loss by the percentage of disposal.

Investments in which the Bank has controlling interests are consolidated into the Bank's consolidated financial statements in accordance with Statement of Financial Accounting Standards No. 7 (SFAS 7) "Consolidated Financial Statements".

11) Other financial assets

Holdings of unlisted or non-OTC stocks over which the Bank does not have significant influence are classified as financial assets stated at cost. Since the fair value cannot be obtained, these financial assets are measured at cost. If there is any objective evidence of impairment in the value of the financial assets stated at cost, an impairment loss is recognized in the income statement accordingly. This impairment loss cannot be reversed.

Cash dividends from the aforementioned financial assets stated at cost are recorded under "other non-interest income, net". Stock dividends are not recognized as income but treated as increases in the number of shares held. In addition, if fair value is available and reliably measurable, the aforementioned financial assets should be evaluated by using fair value and reclassified as "available-for-sale financial assets".

Other investments are originally held for strategic investments in cooperatives and credit unions. On disposition, paid-in capital is to be refunded, and gain or loss is recognized when it occurs. The profits on investments are based on the cost and recorded under non-interest income, net. Distributed earnings are recorded as gains on investment.

(Continued)

BANK OF PANHSIN**Notes to Financial Statements****12) Property and equipment, and related depreciation**

Property and equipment are stated at acquisition cost. Interest expense on the acquisition of assets is capitalized and classified under appropriate categories of property and equipment. Major renewals and betterments of property and equipment are capitalized, while maintenance and repairs are expensed.

Apart from land, depreciation is calculated on a straight line basis over the estimated useful lives of the respective assets. In addition, the salvage value is amortized over the estimated remaining useful life of an asset. Gains or losses on the disposal of property and equipment are recorded as non operating income or loss.

The Bank adopted Accounting Research and Development Foundation Interpretation (97) Ji-Mi-Zih 340. In accordance with the interpretation, asset useful life, depreciation method, and residual value should be evaluated at the end of the year, and any changes shall be accounted for as changes in accounting estimates.

The estimated useful lives of property and equipment are as follows:

Building	3~60 years
Equipment	3~7 years
Transportation equipment	3~11 years
Other equipment	3~16 years
Leasehold improvement	1~11 years

13) Intangible assets — goodwill

Goodwill arose on the acquisition of "The 5th Credit Cooperative of Kaohsiung" and "The 1st Credit Cooperative of Chiayi". It was recognized as the purchase price less the market value of tangible assets obtained, and classified as an intangible asset. Goodwill previously was amortized over 20 years and 5 years, respectively, on a straight-line basis. Starting in 2006, in accordance with the newly revised SFAS No. 1 "Conceptual Framework for Financial Accounting and Preparation of Financial Statements", goodwill shall not be amortized.

14) Other intangible assets

Computer software is recorded at acquisition cost and amortized over three to eight years.

15) Other assets — non-operating assets

Property and equipment leased out under operating leases are reclassified as non-operating assets. Depreciation is provided on a straight-line basis over the estimated useful lives of the leased-out assets, and is recorded as a non-interest expense or income, net.

Idle assets are transferred to other assets based on the lower of net realizable value or carrying value, and the current depreciation is recorded under "other non-interest income or loss". The balance is based on the lower of their carrying value or recoverable amount.

(Continued)

BANK OF PANHSIN**Notes to Financial Statements****16) Other assets — foreclosed assets**

Foreclosed assets are stated at their net realizable value. Any difference from the original value of the loans is recognized as bad debts. Losses or gains on the disposal of foreclosed assets are recorded as other non-interest expense or income, net.

17) Asset impairment

The Bank adopted Statement of Financial Accounting Standards No. 35 (SFAS 35) "Impairment of Assets". In accordance with SFAS 35, the Bank assesses at each balance sheet date whether there is any indication that an asset other than goodwill may have been impaired. If any such indication exists, the Bank estimates the recoverable amount of the asset and recognizes impairment loss for an asset whose carrying value is higher than the recoverable amount. The Bank assesses the cash generating unit of goodwill on an annual basis and recognizes an impairment loss on the carrying value in excess of the recoverable amount.

The Bank reverses the impairment loss recognized in prior periods for assets other than goodwill if there is any indication that the impairment loss recognized no longer exists or has decreased. The carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

An impairment loss recognized for goodwill cannot be reversed.

18) Deposits by banks and deposits and remittances

Deposits are recorded at the contracted principal amount or the expected value on maturity. Negotiable certificates of deposit are issued at par value, and principal and accrued interest are paid on the maturity date.

19) Subordinated financial debentures

The Bank issued subordinated financial debentures at par with lump-sum payment at maturity, and the interest expenses are computed and recorded at par value multiplied by the stated interest rate every month. The annual fee paid to the OTC is recognized as operating expense.

20) Other liability — reserve for securities trading losses

According to the Rules Governing Securities Firms, 10% of the excess of securities trading gains over losses must be provided as a reserve on a monthly basis, until the accumulated balance of such reserve reaches \$200 million. Such reserve can only be used to offset the loss from securities trading.

The aforementioned reserve for trading losses is recognized as charged to other non-interest expense or income, net and other liability — reserve for securities trading losses.

Effective from January 11, 2011, the Financial Supervisory Commission revoked the above two regulations after the amended Jin Kuan Cheng Chuan No. 0990073857 and Jin Kuan Cheng Chi No. 1000000289 were issued.

(Continued)

BANK OF PANHSIN**Notes to Financial Statements**

As of December 31, 2010, the amount of trading loss reserve which securities firms and futures commission merchants had made provision for should be reclassified as special reserve. The special reserve can only be used to offset a deficit or when it reaches 50% of total paid in capital, of which 50% can be capitalized.

21) Pension plan

The Bank has defined benefit pension plans for engaged managers and all regular employees, respectively. In accordance with the pension plans, benefit payments are provided based on the number of service years and the average salary of the qualified managers or employees six months prior to their retirement. For the engaged managers, the Bank deposits a certain percentage of the monthly gross salary payment with the Hou Pu Branch of the Bank in a retirement fund account. As for the employees, in accordance with the ROC Labor Standards Law, a retirement fund was set up with Bank of Taiwan with a monthly contribution of a certain percentage of the gross salary payment.

For the defined benefit pension plans, the measurement date for the completion of the actuarial assessment was the end of each fiscal year. The amount of the accumulated benefit obligation over pension plan assets is recognized as minimum pension liability on the reporting date. Furthermore, the Bank recognized net pension cost, which included service costs, interest costs, expected returns on plan assets, and the amortization of the net transition obligation, in accordance with the retirement plan's actuarial assessment. The initial net pension cost and unrecognized net transition obligation are amortized by using the straight line method over 15 and 27 years for engaged managers and regular employees, respectively.

Minimum pension liability usually occurs due to the existence of unrecognized prior service cost and unrecognized transitional net assets or net benefit obligation. If the amount of minimum pension liability does not exceed the sum of unrecognized prior service cost and unrecognized transitional net assets or net benefit obligation, then the difference would be charged to the deferred pension cost account; otherwise, the difference shall be charged to the account net loss not yet recognized as net pension cost. Deferred pension cost is classified as an intangible asset; net loss from unrecognized net pension cost is classified as a reduction of stockholders' equity.

The Labor Pension Act (the New System) is now in effect. Under the New System, the Bank has an obligation to contribute no less than 6% of monthly paid salary to the pension accounts in the Labor Insurance Bureau individually owned by the Bank's existing employees who chose to join the New System and the employees hired after the effective date. The amounts deposited are charged to current operations.

22) Recognition of revenue

Interest revenue, fees and commissions are recognized as income on an accrual basis.

(Continued)

BANK OF PANHSIN**Notes to Financial Statements****23) Employees' bonuses and directors' and supervisors' remuneration**

Employees' bonuses and directors' and supervisors' remuneration, are accounted for by Interpretation No. (96)Ji-Mi-Zhi 52 issued by the Accounting Research and Development Foundation. The Bank should estimate the amount of employees' bonuses and directors' and supervisors' remuneration according to the Interpretation and recognize it as operating expenses. Differences between the amounts approved in the shareholders' meeting and recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss.

24) Income tax

Income tax is estimated based on the accounting income. Deferred income tax is determined based on temporary differences between the financial statements and tax basis of assets and liabilities, using enacted tax rates in effect during the years in which the differences are expected to reverse. The income tax effects due to taxable temporary differences are recognized as deferred income tax liabilities. The income tax effects due to deductible temporary differences, loss carryforwards, and income tax credits are recognized as deferred income tax assets. The realization of deferred income tax assets is evaluated, and a valuation allowance is recognized accordingly.

The 10% surtax on unappropriated earnings is recorded as expense in the year the stockholders approve the distribution of earnings.

Effective January 1, 2006, the Income Basic Tax Act has been applied to the calculation of the Bank's basic income tax. In accordance with the new act, basic income tax is calculated as one-tenth of the basic income. Basic income is calculated by using regular taxable income plus add-back items, such as tax-exempt income from securities and futures transactions. When the calculated regular tax amount is less than the basic tax amount, the Bank is required to pay the basic tax amount.

25) Earnings (deficits) per share of common stock

Earnings (deficits) per share are computed by dividing net income (loss) divided by the weighted-average number of issued shares of common stock outstanding during the year. The increase in issuance of stock dividends from retained earnings or capital surplus or the decrease in stock by offsetting accumulated deficits is adjusted retroactively. Furthermore, if the designated date of record for a stock dividend is proposed before publishing the financial statements, the earnings per common share are adjusted retroactively. If there is cumulative preferred stock outstanding, preferred stock dividends shall be deducted from net income whether or not dividends are declared.

Stock-based employee bonuses not yet approved by the shareholders' meeting are regarded as potential common stock. The Bank has to disclose basic earnings per share and diluted earnings per share if the increase in potential common stock would dilute earnings per share; otherwise, the Bank only needs to disclose basic earnings per share. The calculation of diluted earnings per share should consider the effect on net income and outstanding potential common stock.

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

26) Operating segments

Effective January 1, 2011, the Bank adopted SFAS No. 41 “Operating Segments”. In accordance with SFAS No. 41, an operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Bank). The segment’s operating results are reviewed regularly by the Bank’s chief operating decision maker to make decisions pertaining to the allocation of resources to the segment and to assess its performance for which discrete financial information is available. Please refer to the consolidated financial statements for segment information.

(3) Reasons for and Effects of Accounting Changes

Effective January 1, 2011, the Bank adopted the third amendment of SFAS No. 34 “Financial Instruments: Recognition and Measurement.” In accordance with SFAS No. 34, loans and receivables should apply the guidelines on recognition, subsequent evaluation, and impairment in SFAS No. 34. The troubled debt restructuring and negotiated debt instruments with new contracts and modification of terms were also in accordance with the third amendment of SFAS No. 34 effective January 1, 2011. Please refer to Notes 4(D) and (E) for more information. For the year ended December 31, 2011, such changes in accounting principle did not have any impact on the Bank’s net income.

Effective January 1, 2011, the Bank adopted SFAS No. 41 “Operating Segments”. In accordance with SFAS No. 41, an entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. The Bank determines and presents operating segments based on the information that is internally provided to the chief operating decision maker. This standard supersedes SFAS No. 20 “Segment Reporting”. For the year ended December 31, 2011, such changes in accounting principle did not have any impact on the Bank’s net income. Please refer to the consolidated financial statements for segment information.

(4) Cash and Cash Equivalents

As of December 31, 2011 and 2010, cash and cash equivalents were as follows:

	2011	2010
Cash	\$ 1,242,579	1,230,555
Negotiable instruments for clearing	1,230,616	512,097
Deposits with other banks	1,300,777	1,104,456
	<u>\$ 3,773,972</u>	<u>2,847,108</u>

As of December 31, 2011 and 2010, composite banking insurance amounted to \$172,400 both.

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

(5) Due from Central Bank and Placement to Other Banks

As of December 31, 2011 and 2010, due from Central Bank and placement to other banks were as follows:

	2011	2010
Deposit reserve:		
Deposit reserve — checking account	\$ 3,035,360	3,279,739
Deposit reserve — demand account	3,903,889	3,746,294
ATM settlement account	<u>150,662</u>	<u>150,342</u>
	7,089,911	7,176,375
Certificates of deposit	24,600,000	22,100,000
Placement to other banks	<u>1,737,778</u>	<u>1,101,062</u>
	<u>\$ 33,427,689</u>	<u>30,377,437</u>

Deposit reserve is calculated based on the monthly average balance of the various types of deposits, using specific reserve ratios as promulgated by the Central Bank of the Republic of China (CBC) and the reserve for deposits — settlement account of Bank of Taiwan. There is no interest bearing on the reserve for deposits — checking account. The reserve for deposits — demand account is placed with the CBC and its usage is restricted only when the monthly reserve requirement is adjusted.

(6) Financial Assets and Liabilities at Fair Value through Profit or Loss

As of December 31, 2011 and 2010, financial assets and liabilities at fair value through profit or loss were as follows:

	2011	2010
Trading assets:		
Equity securities	\$ -	43,208
Interest rate-related instruments	706,433	-
Beneficiary certificates	15,641	205,197
Derivatives	<u>5,555</u>	<u>11,303</u>
	727,629	259,708
Financial assets designated at fair value:		
Credit-linked notes	<u>281,994</u>	<u>430,375</u>
	<u>\$ 1,009,623</u>	<u>690,083</u>
	2011	2010
Trading liabilities:		
Derivatives	<u>\$ 22,647</u>	<u>42,114</u>

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Notes to Financial Statements

For the years ended December 31, 2011 and 2010, net gain (loss) on financial assets and financial liabilities at fair value through profit or loss were as follows:

	2011	2010
Net gain (loss) on valuation and disposal of trading assets:		
Interest rate-related instruments	\$ 4,215	(2,528)
Equity securities	(2,374)	3,777
Beneficiary certificates	(6,760)	8,610
Derivatives	(8,839)	77,366
	<u>(13,758)</u>	<u>87,225</u>
Dividend income	1,700	534
Other interest income	-	717
	<u>1,700</u>	<u>1,251</u>
	<u>\$ (12,058)</u>	<u>88,476</u>
	2011	2010

Financial assets designated at fair value:

Credit-linked notes	<u>\$ (12,258)</u>	<u>33,096</u>
	2011	2010

Net gain on valuation and disposal of trading liabilities:

Derivatives	<u>\$ 16,367</u>	<u>13,809</u>
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Please refer to note 25 for the financial assets at fair value through profit or loss under pledge.

(7) Available-for-sale Financial Assets

As of December 31, 2011 and 2010, available-for-sale financial assets were as follows:

	Cost after amortization	2011 Assessment adjustment	Fair value
Interest rate-related instruments			
Government bonds	\$ 3,017,784	3,502	3,021,286
Corporate bonds	<u>1,198,717</u>	<u>5,299</u>	<u>1,204,016</u>
	<u>\$ 4,216,501</u>	<u>8,801</u>	<u>4,225,302</u>

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Notes to Financial Statements

	Cost after amortization	2010 Assessment adjustment	Fair value
Interest rate-related instruments			
Government bonds	\$ 810,203	(3,192)	807,011
Equity securities	425,915	34,389	460,304
Beneficiary securities	58,332	5,520	63,852
	<u>\$ 1,294,450</u>	<u>36,717</u>	<u>1,331,167</u>

For the years ended December 31, 2011 and 2010, movements of unrealized gain on available-for-sale financial assets were as follows:

	2011	2010
Beginning balance	\$ 36,717	32,608
Add: unrealized gain recognized in the period	20,715	69,821
Less: realized loss on disposal in the period	48,631	65,712
Ending balance	<u>\$ 8,801</u>	<u>36,717</u>

Please refer to note 25 for the available-for-sale financial assets under pledge.

(8) Held-to-maturity Financial Assets

	Percentage of ownership	December 31, 2011		Percentage of ownership	December 31, 2010	
		Face value	Amount		Face value	Amount
Government bonds	-	\$ 200,000	219,304	-	100,000	106,921
Corporate bonds	-	500,000	498,877	-	-	-
		<u>\$ 700,000</u>	<u>718,181</u>		<u>100,000</u>	<u>106,921</u>

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Notes to Financial Statements

(9) Accounts Receivable, Net

As of December 31, 2011 and 2010, accounts receivable, net, were as follows:

	2011	2010
Interest receivable	\$ 211,173	168,135
Accounts receivable	26,853	28,272
Notes receivable — PANHSIN AMC	874,145	1,274,625
Spot exchange receivable	437,768	843,628
Income tax receivable	53,825	69,795
Acceptance receivable	271,758	472,108
Other receivable — other	84,543	72,843
	1,960,065	2,929,406
Less: allowance for bad and doubtful accounts — notes receivable — PANHSIN AMC	548,400	330,965
allowance for bad and doubtful accounts — other receivable	6,104	22,130
	<u>\$ 1,405,561</u>	<u>2,576,311</u>

As of December 31, 2011 and 2010, receivables assessed for impairment under SFAS No. 34 were as follows:

Items		December 31, 2011	
		Receivables	Allowance for credit losses
With objective evidence of impairment	Individual assessment	880,249	554,504
	Collective assessment	-	-
Without objective evidence of impairment	Collective assessment	1,079,816	-
Total		1,960,065	554,504

(Continued)

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Notes to Financial Statements

(10) Loans and Advances to Customers

As of December 31, 2011 and 2010, details of loans and advances to customers were as follows:

	2011	2010
Remittance and discounts for exports	\$ 91,167	100,630
Short-term loans, overdrafts, and bills purchased	12,376,889	10,285,341
Short-term secured loans and overdrafts	10,645,202	12,090,073
Medium-term loans	11,113,123	11,664,190
Medium-term secured loans	20,434,576	19,262,893
Long-term loans	1,198,722	1,290,989
Long-term secured loans	46,745,064	51,013,563
Non-performing loans	1,129,156	1,702,557
Subtotal	103,733,899	107,410,236
Less: allowance for bad and doubtful accounts	1,569,500	1,096,479
	\$ 102,164,399	106,313,757

As of December 31, 2011 and 2010, receivables assessed for impairment under SFAS No. 34 were as follows:

Items		December 31, 2010	
		Loans	Allowance for credit losses
With objective evidence of impairment	Individual assessment	1,124,821	771,807
	Collective assessment	597,804	259,920
Without objective evidence of impairment	Collective assessment	102,011,274	537,773
Total		103,733,899	1,569,500

Movements of allowance for bad and doubtful accounts for the years ended December 31, 2011 and 2010, were as follows:

	2011	2010
Beginning balance	\$ 1,449,574	3,605,104
Add: provision for doubtful accounts	1,528,974	92,142
Less: write-off	854,544	2,247,672
Ending balance	\$ 2,124,004	1,449,574

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Notes to Financial Statements

As of December 31, 2011 and 2010, details of allowance for bad and doubtful accounts were as follows:

	2011	2010
Loans and advances (excluding non-performing loans)	\$ 104,000	18,208
Non-performing loans	1,465,500	1,078,271
Accounts receivable and others	554,504	353,095
	<u>\$ 2,124,004</u>	<u>1,449,574</u>

For the years ended December 31, 2011 and 2010, the provision for bad debt expenses was \$1,528,974 and \$92,142, respectively. For the years ended December 31, 2011 and 2010, the amounts collected after write-off were \$124,636 and \$76,468, respectively. For the years ended December 31, 2011 and 2010, the bad debt expenses net of the aforementioned collection after write-off were \$1,404,338 and \$15,674, respectively.

For the years ended December 31, 2011 and 2010, the amounts of allowance for bad and doubtful accounts generated from 3% of operating revenues were \$102,156 and \$101,294, respectively.

As of December 31, 2011 and 2010, loans and advances not accruing interest were \$1,129,156 and \$1,713,729, respectively. For the years ended December 31, 2011 and 2010, interest receivable not accrued was \$99,334 and \$201,167, respectively.

As of December 31, 2011 and 2010, loans classified by geographical region were as follows:

	2011	2010
Domestic	\$ 100,260,263	104,088,268
Overseas	3,473,636	3,321,968
	<u>\$ 103,733,899</u>	<u>107,410,236</u>

As of December 31, 2011 and 2010, loans classified by industry were as follows:

	2011	2010
Manufacturing	\$ 9,689,361	8,690,536
General commercial	29,375,099	24,585,330
Construction	1,803,907	2,590,861
Private	59,359,017	68,162,405
Others	3,506,515	3,381,104
	<u>\$ 103,733,899</u>	<u>107,410,236</u>

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Notes to Financial Statements

As of December 31, 2011 and 2010, asset quality was as follows:

Period			2011					
			Overdue loan amount	Loan balance	Overdue ratio	Allowance for bad debts	Cover rate	
Product	Corporate Banking		Secured	165,548	26,936,618	0.61 %	196,913	118.95 %
			Unsecured	515,973	23,281,292	2.22 %	1,098,815	212.96 %
Consumer Banking	Mortgage		310,684	33,705,547	0.92 %	87,764	28.25 %	
	Cash card		-	-	- %	-	- %	
	Credit loan		110,616	1,503,869	7.36 %	122,812	111.03 %	
	Others	Secured	92,435	17,463,771	0.53 %	54,988	59.49 %	
		Unsecured	9,518	842,802	1.13 %	8,208	86.24 %	
Total			1,204,774	103,733,899	1.16 %	1,569,500	130.27 %	
			Overdue	Account receivables	Overdue ratio	Allowance for bad debts	Cover rate	
Credit card			-	-	- %	-	- %	
Without-recourse factoring			-	-	- %	-	- %	

Period			2010					
			Overdue loan amount	Loan balance	Overdue ratio	Allowance for bad debts	Cover rate	
Product	Corporate Banking		Secured	221,078	25,971,491	0.85 %	161,306	72.96 %
			Unsecured	793,130	21,389,541	3.71 %	704,526	88.83 %
Consumer Banking	Mortgage		432,885	29,259,888	1.48 %	84,299	19.47 %	
	Cash card		-	-	- %	-	- %	
	Credit loan		105,449	2,266,457	4.65 %	69,540	65.95 %	
	Others	Secured	229,233	27,599,800	0.83 %	71,969	31.40 %	
		Unsecured	21,173	923,059	2.29 %	4,839	22.85 %	
Total			1,802,948	107,410,236	1.68 %	1,096,479	60.82 %	
			Overdue	Account receivables	Overdue ratio	Allowance for bad debts	Cover rate	
Credit card			-	-	- %	-	- %	
Without-recourse factoring			-	-	- %	-	- %	

(Continued)

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Notes to Financial Statements

The amount of excluded overdue loan and overdue receivables

	December 31, 2011		December 31, 2010	
	Excluded overdue loan amount	Excluded overdue receivable	Excluded overdue loan amount	Excluded overdue receivable
Loan balance subject to troubled debt restructure agreements as defined by the Bankers' Association of the Republic of China	288,265	-	371,125	-
Loan balance subject to troubled debt restructure agreements as defined by the Securities and Futures Bureau of the Financial Supervisory Commission	63,338	-	70,551	-
Total	351,603	-	441,676	-

(11) Long-term Investments under Equity Method and Other Investments

As of December 31, 2011 and 2010, details of long-term investments under equity method and other investments were as follows:

	Percentage of ownership	2011		Percentage of ownership	2010	
		Investment cost	Amount		Investment cost	Amount
Equity method:						
Panhsin Insurance Broker Co., Ltd.	100.00	\$ 20,100	112,134	100.00	20,100	92,91
Panhsin Asset Management Co., Ltd.	29.41	50,000	16,447	29.41	50,000	22,76
		<u>\$ 70,100</u>	<u>128,581</u>		<u>70,100</u>	<u>115,67</u>
Financial assets stated at cost:						
Xin-Rui-Du Development Co., Ltd.	1.86	\$ 4,940	4,940	1.86	4,940	4,94
Tsai-Jin Information Co., Ltd.	1.14	45,500	45,500	1.14	45,500	45,50
Taipei County Credit Cooperative Union	-	10	10	-	10	1
Taiwan Depository & Clearing Corporation	0.08	6,345	6,345	0.08	6,345	6,34

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Notes to Financial Statements

	Percentage of ownership	2011		Percentage of ownership	2010	
		Investment cost	Amount		Investment cost	Amount
Taiwan High Speed Rail Corporation — preferred shares	0.01	\$ 10,000	10,000	0.01	10,000	10,000
Yang Guang Asset Management Company	1.15	692	692	1.15	692	692
		<u>67,487</u>	<u>67,487</u>		<u>67,487</u>	<u>67,487</u>
Less: accumulated impairment loss		-	4,940		-	4,940
		<u><u>\$ 67,487</u></u>	<u><u>62,547</u></u>		<u><u>67,487</u></u>	<u><u>62,547</u></u>

For the years ended December 31, 2011 and 2010, movements of accumulated impairment loss on financial assets stated at cost were as follows:

	2011	2010
Beginning balance	\$ 4,940	4,940
Add: provision	-	-
Ending balance	<u><u>\$ 4,940</u></u>	<u><u>4,940</u></u>

For the year ended December 31, 2010, the Bank sold 38,429 thousand shares of Taiwan Cooperative Bills Finance Co., Ltd. to Taiwan Cooperative Bank. The proceeds from disposal of investees under cost method were \$268,197 and the Bank recorded a disposal loss of \$116,095 under other non-interest income (loss), net.

The investee PANHSIN AMC is accounted for under the equity method, and it increased its capital by cash injection on December 31, 2010. After injection, the ownership percentage decreased because the Bank did not subscribe the new shares proportionally.

The financial assets stated at cost (under other financial assets) were accounted for by the cost method since there was no quoted market price and estimates of fair values were not available.

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Notes to Financial Statements

(12) Property and Equipment

As of December 31, 2011 and 2010, property and equipment were as follows:

	2011	2010
Cost:		
Land	\$ 3,233,288	3,192,166
Revaluation Increment-Land	130,135	-
Buildings	983,737	932,104
Equipment	412,324	416,393
Transportation equipment	110,391	100,959
Other equipment	89,608	91,513
Leasehold improvement	130,530	128,231
Subtotal	5,090,013	4,861,366
Less: accumulated depreciation	779,313	750,018
	4,310,700	4,111,348
Construction in progress and prepayments for equipment	3,660,493	3,395,889
	<u>\$ 7,971,193</u>	<u>7,507,237</u>

For the years 2011 and 2010, the movement of accumulated depreciation was as follows:

	2011	2010
Beginning balance	\$ 750,018	695,343
Add: depreciation	70,612	79,542
Less: disposal	32,821	24,867
reclassification	8,496	-
Ending balance	<u>\$ 779,313</u>	<u>750,018</u>

The Bank processes the revaluation in accordance with the relevant regulations. The following are the net amount after the accumulated revalued appreciation or diminution of preparation of land value-added tax included in the shareholder's equity as of December 31, 2011 and 2010. It has been included in the amount of shareholder's equity which amounted to \$114,308 and \$0, respectively.

	2011	2010
Land revaluation appreciation	\$ 130,135	-
Less: preparation of land value-added tax	(15,827)	-
Ending balance	<u>\$ 114,308</u>	<u>-</u>

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Notes to Financial Statements

(13) Intangible Assets—Goodwill

As of December 31, 2011 and 2010, intangible assets—goodwill were as follows:

	2011	2010
Original cost	\$ 1,385,817	1,385,817
Less: accumulated impairment loss	<u>69,658</u>	<u>69,658</u>
	<u>\$ 1,316,159</u>	<u>1,316,159</u>

For the years ended December 31, 2011 and 2010, the movement of goodwill was as follows:

	2011	2010
Beginning balance	\$ 1,385,817	1,385,817
Increase	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 1,385,817</u>	<u>1,385,817</u>

For the years ended December 31, 2011 and 2010, the movement of accumulated impairment loss was as follows:

	2011	2010
Beginning balance	\$ 69,658	69,658
Add: provision	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 69,658</u>	<u>69,658</u>

(14) Other Assets—Non-operating Assets

As of December 31, 2011 and 2010, other assets—non-operating assets were as follows:

	2011	2010
Leased-out assets, net	\$ 114,005	186,461
Land in progress	<u>42,351</u>	<u>30,100</u>
	<u>\$ 156,356</u>	<u>216,561</u>

The depreciation expense for leased out assets was \$857 and \$1,460 in 2011 and 2010, respectively. These depreciation expenses were recorded under other non-interest income, net.

The major terms of the lease contracts are as follows:

- 1) Contract period is for 1 to 3 years.
- 2) The lessee has usage rights during the leasehold period. The leased assets cannot be mortgaged, securitized, sub-leased or disposed of in any manner without prior written consent from the Bank.

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Notes to Financial Statements

On May 25, 2010, the Bank and Panhsin Asset Management Co., Ltd. (Panhsin AMC) entered into a contract to build office buildings on lands owned by the Bank and Panhsin AMC. Lands located at No. 694, No. 696, No. 696-1, No. 696-2, No. 671-1, No. 713-1, and No. 717, Zhongxian Section, Banquiao District, New Taipei City were provided by the Bank; No. 717, Zhongxiao Section, New Taipei City and No. 125, No. 132, Jieshou Section, New Taipei City were provided by Panhsin AMC. The abovementioned lands provided by the Bank were recorded under other assets—non-operating assets. As of December 31, 2011 the project is under constriction.

(15) Other Assets—Foreclosed Assets

As of December 31, 2011 and 2010, other assets—foreclosed assets were as follows:

	2011	2010
Foreclosed assets	\$ 1,149,619	1,295,428
Less: accumulated impairment loss	<u>168,049</u>	<u>187,340</u>
	<u>\$ 981,570</u>	<u>1,108,088</u>

For the years ended December 31, 2011 and 2010, the movement of accumulated impairment loss was as follows:

	2011	2010
Beginning balance	\$ 187,340	219,290
Add: Reserve	23,973	231,797
Less: write-off	<u>43,264</u>	<u>263,747</u>
Ending balance	<u>\$ 168,049</u>	<u>187,340</u>

The net gain (loss) on disposal of foreclosed assets was \$(15,988) and \$1,542 in 2011 and 2010, respectively, recorded under other non-interest income.

As of December 31, 2011, of the foreclosed assets held by the Bank, the amounts related to Xin Rui-du and Annan Star (Cao Hu Section, Annan District, Tainan City) were \$632,994 and \$193,014, respectively. Measures taken by the Banks were as follows:

1) Xin Rui-du Court Case

1. The loan to Xin Rui-du was renewed by the Bank after the original loan provided by the 5th Credit Cooperative of Kaohsiung matured. The foreclosed assets from Xin Rui-du were assumed by the Bank since the Bank was unable to find a buyer for the property through Court auction and other means without anticipating great losses. The difficulties encountered by the Bank from selling the assets were because Su Huei Jen, a major owner of Xin Rui-du, was involved in a political scandal that was highly publicized and scrutinized by the media, and Xin Rui-du owed huge construction payables. In addition, the property was seized and exploited by a third party. The Bank regained control of the property and employed 24-hour surveillance and security fences to ensure public safety.

(Continued)

BANK OF PANHSIN**Notes to Financial Statements**

2. The foreclosed land was classified as industrial and commercial land. The Bank was entitled to ownership of the property, but the development rights of the property were separated from the ownership rights and granted to Xin Rui-du. Through undertaking legal action, the Bank was appointed as the liquidator of Xin Rui-du after Xin Rui-du annulled its business registration. The Bank publicly auctioned the development rights. The Bank applied to the Industrial Development Bureau of the Ministry of Economic Affairs to gain entitlement to the development rights in aid of selling the property, but until now, the alteration of the development rights entitlement has not been approved.
 3. Since the construction was suspended, the Kaohsiung City Government had the right to return the property to its original classification (agricultural areas and agricultural areas level A construction site). If the area of the property resumes its original classification, the Kaohsiung City Government will require the Bank to restore the land to its original condition. All donations made by the Bank to the government in respect of the Xin Rui-du case was nonrefundable.
- 2) Annan Star (No. 116, 210-3, Cao Hu Section, Annan District, Tainan City)
1. The property was classified as aqua-cultural land and was a part of the 5th Credit Cooperative of Kaohsiung project. The Bank anticipated huge losses in disposing the property since the market selling price was low and the property was currently occupied by a third party, thus increasing the complexity of disposing of the property.
 2. After assuming the property, the Bank undertook legal proceedings to eliminate third-party usage and communicated with construction companies and restoration companies to explore the possibility of changing the aqua-cultural land to construction land and launching a construction project to increase the economic value of the land.
 3. After various valuations, for Phase I of the project, the Bank donated part of the land for public facility use and the remaining property, No. 116 and 210-3, will be used for construction.
 4. The Bank entered into a co-construction project named “Annan Star” with Panhsin Asset Management Co., Ltd. (PANHSIN AMC) to promote 103 commercial store and home properties with a total minimal revenue of \$667,176. The estimated book value of the property will be recovered if all properties are sold.
 5. Progress in construction: the Bank obtained the usage rights of the property and decided to subdivide the land. On December 31, 2011, 86 units have been sold and the right had been transferred.
 6. Process in sale: Before the end of May, 2009, the commission by Da Fong Fu Company which has a total sales of 17 units since June, 2009 was replaced by Panhsin AMC who is responsible for the field sales which total to 69 units and the accumulated amount of 86 units have been sold with a total revenue of \$509,154.
- 3) Annan Star (No. 116-5, 136, 210, Cao Hu Section, Annan District, Tainan City)
- The of land was sold to third parties, and the project was settled in June 2010.

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Notes to Financial Statements

4) Annan Star (No. 145, Cao Hu Section, Annan District, Tainan City)

The property was another development area, and the project has been authorized by the Tainan City Government. After establishing the preparatory committee, the Bank will estimate if participate the development project.

(16) Deposits by Central Bank and Other Banks

As of December 31, 2011 and 2010, deposits by the Central Bank and other banks were as follows:

	2011	2010
Deposits by other banks	\$ 541,412	750,536
Call loans from banks-credit	74,196	-
Deposits transferred from Post Office	699,640	699,640
	<u>\$ 1,315,248</u>	<u>1,450,176</u>

(17) Deposits and Remittances

As of December 31, 2011 and 2010, deposits and remittances were as follows:

	2011	2010
Checking account	\$ 1,732,782	1,439,877
Demand deposits	20,263,314	15,998,448
Time deposits	16,049,166	15,895,287
Negotiable certificates of deposit	1,561,200	3,238,300
Foreign currency time deposits	3,486,884	3,659,489
Savings accounts:		
Demand deposits	33,912,715	33,555,326
Staff deposits	903,071	890,824
Installment savings deposits	106,869	109,174
Non-interest-drawing time savings deposits	15,969,894	19,075,649
Interest-drawing savings deposits	48,630,976	45,467,604
Remittances	26,453	10,843
	<u>\$ 142,643,324</u>	<u>139,340,821</u>

As of December 31, 2011 and 2010, the maturity dates for the above time deposits and savings, except for demand savings deposits, were between one month and one year.

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Notes to Financial Statements

(18) Subordinate Financial Debentures

As of December 31, 2011 and 2010, subordinate financial debentures were as follows:

	2011	2010
Subordinate financial debentures	<u>\$ 4,339,000</u>	<u>3,939,000</u>

In order to improve the capital structure and promote the regulatory capital adequacy ratio, the board of directors of the Bank resolved the issuance of subordinate financial debentures on July 24, 2003. The issuing of subordinate financial debentures was approved by the Bureau of Monetary Affairs in Ministry of Finance Ruling Tai Tsai Rong No. 0920041600 on September 3, 2003. The Bank issued the first series of the subordinate financial debentures on December 16, 2003, January 7, 2004, and September 1, 2004, and the period of the debentures was five years and six months. The total amount was \$2,000,000, which was also the par value. In addition, the first series of subordinate financial debentures matured on June 16 and July 7, 2009 and March 31, 2010, respectively. The details were as follows:

	The first series of the subordinate financial debentures in 2003	The first series of the subordinate financial debentures in 2004 (1st issuance)	The first series of the subordinate financial debentures in 2004 (2nd issuance)
Par value	\$ 1,158,600	391,800	449,600
Stated interest rate			
Fixed	3.00%	3.00%	3.25%
Floating	Floating interest rate plus 1.25% of Chunghwa Post Co., Ltd. stated one-year time savings deposit rate (note 1)	Floating interest rate plus 1.25% of Chunghwa Post Co., Ltd. stated one-year time savings deposit rate (note 1)	Floating interest rate plus 1.25% of Chunghwa Post Co., Ltd. stated one-year time savings deposit rate (note 1)
Period	Five years and six months	Five years and six months	Five years and six months
Interest payment date	Payable every half-year	Payable every half-year	Payable every half-year
Terms of principal repayment	Repaid at maturity	Repaid at maturity	Repaid at maturity
Issued price	Priced at face value at issue date	Priced at face value at issue date	Priced at face value at issue date

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BANK OF PANHSIN**Notes to Financial Statements**

The board of directors of the Bank resolved the issuance of subordinate financial debentures on December 21, 2005. The issuance of subordinate financial debentures was approved by the Financial Supervisory Commission, Executive Yuan, in Ruling Jin Guan Yin No. 09500173780 on May 2, 2006. The Bank issued the first series of the subordinate financial debentures on June 16, 2006, and the period of the debentures was five years and eight months. The total amount was \$1,680,000, which was also the par value. The details were as follows:

**The first series of the
subordinate financial
debentures in 2006**

Par value	\$ 1,680,000
Stated interest rate	
Fixed	3.30%
Floating	Floating interest rate plus 1.10% of Chunghwa Post Co., Ltd. stated one-year time savings deposit rate (note 2)
Period	Five years and eight months
Interest payment date	Payable every year
Terms of principal repayment	Repaid at maturity
Issued price	Priced at face value at issue date

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BANK OF PANHSIN

Notes to Financial Statements

The board of directors of the Bank resolved the issuance of subordinate financial debentures on April 18, 2007. The issuance of subordinate financial debentures was approved by the Financial Supervisory Commission, Executive Yuan, in Ruling Jin Guan Yin No. 09600204740 on May 22, 2007. The Bank issued the first series of the subordinate financial debentures on June 28, 2007, and the period of the debentures was five years and six months. The total amount was \$520,000, which was also the par value. The details were as follows:

**The first series of the
subordinate financial
debentures in 2007**

Par value	\$ 520,000
Stated interest rate	
Fixed	3.50%
Floating	Floating interest rate plus 1.20% of Chunghwa Post Co., Ltd. stated one-year time savings deposit rate (note 1)
Period	Five years and six months
Interest payment date	Payable every half-year
Terms of principal repayment	Repaid at maturity
Issued price	Priced at face value at issue date

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

The board of directors of the Bank resolved the issuance of subordinate financial debentures on April 16, 2008. The issuance of subordinate financial debentures was approved by the Financial Supervisory Commission, Executive Yuan, in Ruling Jin Guan Yin No. 09600204740 on May 22, 2007. The Bank issued the first series of the subordinate financial debentures on May 21, 2008, and the period of the debentures was six years. The total amount was \$239,000, which was also the par value. The details were as follows:

**The first series of the
subordinate financial
debentures in 2008**

Par value	\$ 239,000
Stated interest rate	
Fixed	3.60%
Floating	Floating interest rate plus 1.25% of Chunghwa Post Co., Ltd. stated one-year time savings deposit rate (note 1)
Period	Six years
Interest payment date	Payable every half-year
Terms of principal repayment	Repaid at maturity
Issued price	Priced at face value at issue date

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

The board of directors of the Bank resolved the issuance of subordinate financial debentures on October 15, 2008. The issuance of subordinate financial debentures was approved by the Financial Supervisory Commission, Executive Yuan, in Ruling Jin Guan Yin No. 09700438300 on November 14, 2008. The Bank issued the second series of the subordinate financial debentures on December 25, 2008, June 26, 2009, and October 22, 2009, and the period of the debentures was six years. The total amount was \$1,000,000, which was also the par value. The details were as follows:

	The second series of the subordinate financial debentures in 2008	The first series of the subordinate financial debentures in 2009	The second series of the subordinate financial debentures in 2009
Par value	\$ 280,000	370,000	350,000
Stated interest rate			
Fixed	3.40%	3.00%	3.00%
Floating	-	Floating interest rate plus 1.70% of Chunghwa Post Co., Ltd. stated one-year time savings deposit rate (note 1)	Floating interest rate plus 1.70% of Chunghwa Post Co., Ltd. stated one-year time savings deposit rate (note 1)
Period	Six years	Six years	Six years
Interest payment date	Payable every half-year	Payable every half-year	Payable every half-year
Terms of principal repayment	Repaid at maturity	Repaid at maturity	Repaid at maturity
Issued price	Priced at face value at issue date	Priced at face value at issue date	Priced at face value at issue date

(Continued)

BANK OF PANHSIN**Notes to Financial Statements**

The board of directors of the Bank resolved the issuance of subordinate financial debentures on September 15, 2010. The issuance of subordinate financial debentures was approved by the Financial Supervisory Commission, Executive Yuan, in Ruling Jin Guan Yin No. 09900391970 on October 7, 2010. The Bank issued the first series of the subordinate financial debentures on November 5, 2010, and the duration of the debentures was six years. The issuance was recorded at par value of \$500,000. The details were as follows:

**The first series of the
subordinate financial
debentures in 2010**

Par value	\$	500,000
Stated interest rate		
Fixed		3.25%
Period	Six years	
Interest payment date	Payable every year	
Terms of principal repayment	Repaid at maturity	
Issued price	Priced at face value at issue date	

Note 1: The stated interest rates are recalculated every half-year, two business days prior to the effective date.

Note 2: The stated interest rates are recalculated every year, two business days prior to the effective date.

(Continued)

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Notes to Financial Statements

The board of directors of the Bank resolved the issuance of subordinate financial debentures on July 20, 2011. The issuance of subordinate financial debentures was approved by the Financial Supervisory Commission, Executive Yuan, in Ruling Jin Guan Yin No. 1000337280 on October 6, 2011. The Bank issued the first series of the subordinate financial debentures on December 2, 2011, and the duration of the debentures was six years. The issuance was recorded at par value of \$400,000. The details were as follows:

**The first series of the
subordinate financial
debentures in 2011**

Par value	\$	400,000
Stated interest rate		
Fixed		3.00%
Period	Six years	
Interest payment date	Payable every year	
Terms of principal repayment	Repaid at maturity	
Issued price	Priced at face value at issue date	

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

(19) Pension

In accordance with the pension plan, the Bank deposited an amount equal to 8% and 9.64% of the monthly gross salary payment in a retirement fund account for managers and employees, respectively, in 2011 and 2010. Furthermore, in accordance with the New System, from July 1, 2005, the Bank deposited in the Bureau of Labor Insurance an additional amount equal to 6% of the monthly gross salary payment for employees who chose the New System. The measurement dates of the actuarial valuation were December 31, 2011 and 2010. As of December 31, 2011 and 2010, the reconciliation of the funded status and accrued pension liabilities was as follows:

	2011		2010	
	Managers	Regular employees	Managers	Regular employees
Benefit obligation:				
Vested benefit obligation	\$ (69,927)	(81,123)	(73,395)	(65,947)
Non-vested benefit obligation	(26,825)	(352,792)	(25,923)	(359,121)
Accumulated benefit obligation	(96,752)	(433,915)	(99,318)	(425,068)
Additional benefits based on future salaries	(8,377)	(52,283)	(17,801)	(120,790)
Projected benefit obligation (PBO)	(105,129)	(486,198)	(117,119)	(545,858)
Fair value of plan assets	41,530	392,238	30,465	392,249
Funded status	(63,599)	(93,960)	(86,654)	(153,609)
Unrecognized net transitional benefit obligation (assets)	(301)	91,174	(599)	98,187
Unrecognized pension loss (gain)	60,677	(26,222)	84,198	29,847
Additional minimum pension liability	(51,999)	(12,669)	(65,798)	(7,244)
Accrued pension liabilities	<u>\$ (55,222)</u>	<u>(41,677)</u>	<u>(68,853)</u>	<u>(32,819)</u>
Vested benefit	<u>\$ 90,285</u>	<u>99,047</u>	<u>94,198</u>	<u>79,342</u>

For the years ended December 31, 2011 and 2010, the components of net pension cost were as follows:

	2011		2010	
	Managers	Regular employees	Managers	Regular employees
Service cost	\$ 2,272	11,784	2,474	10,818
Interest cost	2,004	9,467	2,326	9,949
Actual return on plan assets	(78)	(4,746)	(53)	(6,530)
Amortization	6,957	4,878	6,420	4,342
Net pension cost	<u>\$ 11,155</u>	<u>21,383</u>	<u>11,167</u>	<u>18,579</u>

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

Actuarial assumptions for the years 2011 and 2010 were as follows:

	2011		2010	
	Managers	Regular employees	Managers	Regular employees
Discount rate	1.88%	2.00%	1.75%	1.75%
Rate of increase in futures compensation	1.00%	1.00%	2.00%	2.00%
Rate of projected return on plan assets	0.25%	2.00%	0.25%	1.75%

As of December 31, 2011 and 2010, the balance of the pension funds deposits with the Bank's Hou Pu Branch for managers was \$41,530 and \$30,279, respectively.

For the years ended December 31, 2011 and 2010, net pension cost was as follows:

	2011	2010
Defined benefit pension plan	\$ 32,538	29,746
Defined contribution pension plan	35,702	34,796
	<u>\$ 68,240</u>	<u>64,542</u>

(20) Income Tax

The Bank is subject to a maximum income tax rate of 17% for the years ended December 31, 2011 and 2010 and the Income Basic Tax Act has been applied to the calculation of the Bank's basic income tax. The components of income tax expense for the years ended December 31, 2011 and 2010, were as follows:

	2011	2010
Income tax expense	\$ 3,423	-
Deferred income tax (benefit) expense	(169,151)	312,280
Income tax (benefit) expense	<u>\$ (165,728)</u>	<u>312,280</u>

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

The differences between the expected income tax at the statutory income tax rate and the income tax expense as reported in the accompanying financial statements for the years ended December 31, 2011 and 2010, were as follows:

	2011	2010
Income tax at statutory rate	\$ (169,945)	53,553
Income of OBU exempt from tax	(6,754)	(14,753)
Investment income from long-term investment under equity method	(9,810)	(8,571)
Dealing gain from securities trading, net	(3,071)	(6,147)
Dividend income	(4,926)	(5,719)
Gain on sale of land, net	5,176	28,803
Loss on financial assets disposal at cost value	-	19,736
Provision for (reversal of) valuation loss (gain) on financial assets at fair value through profit or loss	441	(1,903)
Adjustment of prior year's impairment loss on foreclosed assets	-	(992)
Adjustment of prior year's allowance for bad and doubtful accounts	-	50,789
Reversal of reserve for other losses	-	237
Reversal of reserve (provision) for securities trading losses	-	(434)
Unused carryforward	12,831	-
Adjustment and expiration of prior year's loss carryforwards	7,972	16,820
Adjustment of prior year's tax	3,423	-
Adjustment and expiration of prior year's investment tax credit	1,875	4,230
Effect of change income tax rate	-	178,898
Provision for (reversal of) allowance for deferred income tax assets	(3,000)	(2,312)
Other	60	45
Income tax expense (benefit)	<u>\$ (165,728)</u>	<u>312,280</u>

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

For the years ended December 31, 2011 and 2010, the major components of deferred income tax benefit were as follows:

	2011	2010
Decrease in allowance for bad and doubtful debts in excess of tax limitation	\$ (118,878)	339,879
Provision for impairment loss on foreclosed assets	3,273	6,080
Amortization of goodwill	25,053	25,944
Amortization of impairment loss on goodwill	-	1,315
Adjustment of prior year's impairment loss on foreclosed assets	-	(992)
Unfounded pension expense	(612)	(37)
Provision for valuation loss on financial assets at fair value through profit or loss	(994)	(5,646)
Adjustment of prior year's allowance for bad and doubtful accounts	-	50,789
Utilization of (addition to) loss carryforwards	(83,840)	(302,688)
Adjustment and expiration of prior year's loss carryforwards	7,972	16,820
Adjustment and expiration of prior year's investment tax credit	1,875	4,230
Reversal of allowance for deferred income tax assets	(3,000)	(2,312)
Deferred income tax resulting from change in income tax rate	-	178,898
Deferred income tax expense (benefit)	<u>\$ (169,151)</u>	<u>312,280</u>

As of December 31, 2011 and 2010, the deferred income tax assets (liabilities) were as follows:

	2011	2010
Deferred income tax assets	\$ 1,136,671	945,552
Valuation allowance — deferred income tax assets	<u>(6,688)</u>	<u>(9,688)</u>
Net deferred income tax assets	1,129,983	935,864
Deferred income tax liabilities	<u>(79,690)</u>	<u>(54,722)</u>
Deferred income tax assets, net	<u>\$ 1,050,293</u>	<u>881,142</u>

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Notes to Financial Statements

As of December 31, 2011 and 2010, the components of deferred income tax assets (liabilities), including temporary differences, loss carryforwards, and tax credits, and the respective income tax effect for each component were as follows:

	2011		2010	
	Amount	Income tax effect	Amount	Income tax effect
Deferred income tax assets (liabilities):				
Valuation loss (gain) on financial assets at fair value through profit or loss	\$ 5,353	909	(497)	(85)
Pension costs in excess of tax limitation	100,199	17,034	96,598	16,422
Allowance for bad and doubtful debts in excess of tax limitation	1,059,543	180,122	360,260	61,244
Allowance for loss on decline in net realizable value of foreclosed assets	164,276	27,927	183,528	31,200
Amortization of goodwill in excess of tax limitation	(468,767)	(79,690)	(321,395)	(54,637)
Loss carryforwards	5,317,709	904,012	4,871,432	828,144
Investment tax credit — staff training costs	6,667	6,667	8,542	8,542
		<u>\$ 1,056,981</u>		<u>890,830</u>

As of December 31, 2011 and 2010, the components of income tax receivable (recorded under accounts receivable, net) were as follows:

	2011	2010
Income tax expense	\$ 3,423	-
Income tax receivable of prior years	(32,673)	(53,495)
Withheld income tax	(21,152)	(16,300)
Adjustment of prior year's income tax receivable	(3,423)	-
Income tax receivable	<u>\$ (53,825)</u>	<u>(69,795)</u>

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Notes to Financial Statements

The ROC Income Tax Act previously stated that net losses could be carried forward for five consecutive years to reduce taxable income. Following the amendment of the Income Tax Act announced in January 2009, assessed net losses can be carried forward for ten consecutive years to reduce taxable income; therefore, the unused assessed net loss in 2003 can be carried forward to 2013. As December 31, 2011, the amount of losses and the year of expiry were as follows:

Year of loss	2011	Year of expiry
2003	\$ 815,800	2013
2004	193,119	2014
2005	389,438	2015
2007	415,855	2017
2009	1,276,706	2019
2010	1,733,618	2020
2011	<u>486,763</u>	2021
	<u>\$ 5,311,299</u>	

Pursuant to the R.O.C. Statute for Upgrading Industries, the Bank's unused investment tax credit — staff training costs as of December 31, 2011, was as follows:

Year incurred	2011	Year of expiry
2008	\$ 2,856	2012
2009	<u>3,811</u>	2013
	<u>\$ 6,667</u>	

The ROC income tax authorities have examined the Bank's income tax returns filed before re-incorporation for all years through 1997. Income tax returns filed after re-incorporation have been examined for all years through 2008.

As of December 31, 2011 and 2010, the information related to the imputation credit account (ICA) was as follows:

	2011	2010
Balance of ICA	<u>\$ 69,505</u>	<u>53,679</u>

Because the Bank had accumulated deficits, the imputation tax credit ratio of earnings distributed in 2011 and 2010 is 0%.

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Notes to Financial Statements

The unappropriated earnings (accumulated deficits) as of December 31, 2011 and 2010, were as follows:

	2011	2010
Year 1998 and after	\$ <u>(1,760,825)</u>	<u>(926,875)</u>

As of December 31, 2011, legal reserves were all provided for by earnings after 1998.

(21) Stockholders' Equity

1) Capital surplus

According to the ROC Company Act, realized capital surplus can be capitalized and transferred to share capital after offsetting accumulated deficits. Capital surplus should not be used for distribution of cash dividends. Realized capital surplus mentioned above includes the proceeds received in excess of the par value of common stock issued and any amounts donated to the Bank.

2) Restrictions on legal reserve and appropriation of retained earnings

According to the Company's articles of incorporation, any annual earnings of the Company shall first be used to pay income tax and offset any deficits, after which 30% of the remaining earnings shall be provided as legal reserve, and then special reserve shall also be provided. Afterwards, dividends for preferred stock shall be distributed. Distribution of the remaining earnings shall then be as follows:

1. Stockholders' dividends proposed by the board of directors shall be decided in the stockholders' meeting;
2. 5% as directors' and supervisors' remuneration; and
3. 5% as employees' bonuses.

As of December 31, 2011, the Bank's accumulated unpaid preferred dividend for year 2008 to 2010 and 2011 was \$157,500, thousand.

As of December 31, 2010, the Bank's accumulated unpaid preferred dividend for year 2009 and 2008 were \$90,000, thousand.

According to the ROC Company Act, prior to the Bank's setting aside an accumulated legal reserve equalling the amount of the total share capital, this reserve can only be used to offset an accumulated deficit and cannot be distributed as cash dividends. However, one-half of the legal reserve can be converted to share capital when it reaches an amount equals to one-half of the issued share capital upon approval by the Bank's stockholders. According to the amended ROC Company Act, when the legal reserve has exceeded 25% of the Company's paid-in capital and the Company did not have any deficit, the excess may be transferred to the capital or it can be distributed in cash based on the resolution of the shareholders' meeting. In addition, in pursuant to the ROC Banking Law, the Bank cannot distribute cash dividends exceeding 15% of total share capital until the legal reserve reaches an amount equal to total share capital.

(Continued)

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Notes to Financial Statements

As the Bank had a net loss for the years ended December 31, 2011 and 2010, the Bank did not estimate employees' bonuses and supervisors' remuneration.

On May 24, 2011 and June 15, 2010, the stockholders' meeting decided not to distribute the surplus because of the net loss for the year ended December 31, 2010 and 2009.

(22) Earnings (deficits) per Share

For the years ended December 31, 2011 and 2010, the basic earnings (deficits) per share of the Bank were as follows (expressed in thousands of shares):

	2011		2010	
	Pre-tax	After tax	Pre-tax	After tax
Loss before cumulative effect of changes in accounting principle	\$ (999,678)	(833,950)	315,020	2,740
Less: dividends on preferred stock	(22,500)	(22,500)	(45,000)	(45,000)
Net loss attributable to common stockholders	<u>\$ (1,022,178)</u>	<u>(856,450)</u>	<u>270,020</u>	<u>(42,260)</u>
Weighted-average outstanding shares	<u>910,037</u>	<u>910,037</u>	<u>855,790</u>	<u>855,790</u>
Basic deficits per share (expressed in New Taiwan dollars)	<u>\$ (1.12)</u>	<u>(0.94)</u>	<u>0.32</u>	<u>(0.05)</u>

(23) Disclosure of Financial Instruments

1) Fair value information on financial assets

The Bank's methods and assumptions for estimating the fair value of financial instruments were as follows:

1. The book value of the financial instruments which have a short maturity period will be considered as their fair value. This assumption is used in evaluating the following accounts: cash and cash equivalents, due from Central Bank and placement to other banks, receivables, other financial assets (not including financial assets stated at cost), deposits by Central Bank and other banks, financial liabilities at fair value through profit or loss, bills and bonds sold under repurchase agreements, payables, bonds payable, other financial liabilities, and some components of other liabilities.
2. Fair values of financial instruments are the quoted market price if the instruments are actively traded on the market. If quoted market price is unavailable, the fair value is determined based on certain valuation techniques. The estimates and assumptions of the valuation techniques adopted by the Bank are identical to those adopted by other market participants. The discount rates the Bank uses are identical to those return rates of financial instruments with the same conditions, including the credit status of the debtor, the remaining periods of contracted interest based on fixed interest rates, the remaining periods of paying off principal, and currency used.

(Continued)

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Notes to Financial Statements

Among the derivative instruments, stock options embedded in convertible corporate bonds and credit-linked notes are evaluated by the prices offered by counterparties; forward contracts, currency swaps, currency and interest rate swaps, and interest rate swaps are evaluated by the rates of the Reuters system by discounting future cash flows to their present values.

3. The interest on net loans and advances to customers is based on floating rates. Thus, the book value is the fair value.
 4. Other assets—foreclosed assets and leased-out assets are stated at their net realizable value and are evaluated for accumulated impairment loss on the balance sheet date. Thus, the book value is the fair value.
 5. Most deposits and remittances mature in less than one year; even those which mature in more than one year are mostly based on floating rates. Thus, the book value is the fair value.
 6. Most of the off-balance-sheet financial assets, such as commitments and guarantees, mature in less than one year, so the contract amount is the fair value.
- 2) As of December 31, 2011, except for fair value based on the quoted market price, the evaluated fair values of the Bank's financial assets and liabilities were as follows:

	2011	2010
Trading assets:		
Derivatives	\$ 5,555	11,303
Financial assets designated at fair value:		
Credit-linked notes	281,994	430,375
	<u>\$ 287,549</u>	<u>441,678</u>
Trading liabilities:		
Derivatives	<u>\$ 22,647</u>	<u>42,114</u>

- 3) For the years ended December 31, 2011 and 2010, the Bank recognized a loss of \$4,730 and a gain of \$124,271, respectively, on financial instruments evaluated by using valuation techniques.
- 4) A summary of derivative instrument contracts not yet mature as of December 31, 2011 and 2010, is as follows:

		2011	
	Notional amount	Gain	Fair value Loss
Credit-linked notes	\$ 302,900	-	15,923
Forward Exchange Agreement	130,983	389	1,529
Cross-currency swaps	1,202,364	5,166	5,195
	<u>\$ 1,636,247</u>	<u>5,555</u>	<u>22,647</u>

(Continued)

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Notes to Financial Statements

		2010	
	Notional amount	Fair value Gain	Loss
Credit-linked notes	\$ 390,684	-	28,692
Cross-currency swaps	1,223,806	11,303	13,422
	\$ 1,614,490	11,303	42,114

5)

1. Fair value hierarchy information of financial instruments

		December 31, 2011			
Fair value measurement for a financial instruments	Total	Level 1	Level 2	Level 3	
Non-Derivative Financial Instruments					
Assets					
Financial assets measured at fair value through profit or loss	\$ -	-	-	-	
Financial assets held for trading					
Investment in stocks	706,433	706,433	-	-	
Others	15,641	15,641	-	-	
Financial assets designated at fair value	281,994	-	-	281,994	
Available-for-sale financial assets					
Investment in stock	4,225,302	3,682,816	542,486	-	
Derivative Financial Instruments					
Assets					
Financial assets measured at fair value through profit or loss	5,555	-	5,555	-	
Liabilities					
Financial liabilities measured at fair value through profit or loss	22,647	-	6,724	15,923	

(Continued)

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Notes to Financial Statements

2. Statement of changes in financial assets which were classified to Level 3 based on fair value measurement

December 31, 2011							
Items	Beginning balance	Amount recognized in current net income or stockholders'	Purchase or issue	Transfer in of Level 3	Current decrease	Sale, disposal, or settlement	Transfer out of Level 3
Financial liabilities							
measured at fair value							
through profit or loss							
Foreign securities	\$ 430,375	(18,839)	-	-	(129,542)	-	281,994

3. Statement of changes in financial liabilities which were classified to Level 3 based on fair value measurement

December 31, 2011							
Items	Beginning balance	Amount recognized in current net income or stockholders'	Purchase or issue	Transfer in of Level 3	Current decrease	Sale, disposal, or settlement	Transfer out of Level 3
Financial liabilities							
measured at fair value							
through profit or loss							
Exchange rate options	\$ 28,693	(12,770)	-	-	-	-	15,923

Note 1: Fair value measurement for a financial instrument classified in Level 1 is determined as the quoted price for an identical financial instrument in an active market. In accordance with the fifth paragraph of SFAS No. 34 "Financial Instruments: Recognition and Measurement", the definition of active market has all of the following conditions: (1) the products traded in the market are homogeneous, (2) willing parties are available anytime in the market, and (3) price information is available for the public.

Note 2: Fair value measurement for a financial instrument classified in Level 2 is determined as the observable price other than quoted price in an active market including an observable input obtained in an active market, either directly (i.e., as prices) or indirectly (i.e., derived from prices). The examples of observable price are as follows:

(1) The quoted price for an identical financial instrument in an active market is the fair value from the market transaction prices for an identical financial instrument. An identical financial instrument should be determined by its characteristics and terms of transaction. The fair value of a financial instrument has to be adjusted according to the observable market price of the identical financial instrument. The reasons for adjustments include time lag of the occurring market transaction prices for an identical financial instrument (the quoted prices do not represent fair value at the measurement date), the difference in transaction terms for financial instruments, transaction prices involving related parties, and the correlation between the observable transaction prices of identical financial instruments and the market prices of held financial instruments.

(2) The quoted market price of the same or identical financial instruments in an inactive market.

(3) The fair value is estimated on the basis of the results of a valuation technique, and the market inputs used (i.e., interest rate, yield curve, and fluctuation rate) are based on obtainable data from the market (an observable input means an input can be derived from market data and can reflect the expectation of market participants when the inputs were used in evaluating the prices of financial instruments).

(4) A majority of inputs are derived from observable market data, or the input correlation can be tested based on observable market data.

Note 3: Input for a fair value measurement for a financial instrument classified in Level 3 is not based on obtainable data from the market (an unobservable input, such as volatility for a share option derived from the share's historical prices, as it does not generally represent current market expectations about future volatility).

6) Policy for managing financial risk and risk information

The Bank set up a risk management policy approved by the board of directors to control risk effectively. The chief executive officer of the centre is in charge of all activities to maximize and maintain profit for stockholders.

The Bank follows a risk management policy and strives to quantify, assess, and then manage risks in order to price risks and to obtain the optimal capital allocation.

(Continued)

BANK OF PANHSIN**Notes to Financial Statements**

The risks the Bank encountered were as follows:

1. Market risk

Market risk means changes such as in interest rates, exchange rates, and the prices of equity securities and instruments which may result in a loss for the Bank, either on or off the balance sheet. The Bank has set up a market risk management standard. Through the market management system, the Bank is able to evaluate and control each part of the market risk.

The Bank owns government bonds and negotiable certificates of deposit (recorded under available-for-sale financial assets). The fair value of fixed-rate government bond investment will be affected by a change in market rate. A 1% increase in market rate will decrease the fair value of bond investment by \$220,492 thousand.

The Bank engages in foreign currency transactions which give rise to foreign currency assets and liabilities. Therefore, changes in exchange rates will affect the fair value of the net position on foreign currencies. For assets denominated in USD, appreciation of the NTD by 0.1 against the USD will cause a loss of NT\$1,810 thousand.

2. Credit risk

Credit risk is the risk that borrowers and counter-parties will not be able to fulfil contracts. The Bank has set up a credit risk management standard which is able to evaluate and control possible credit risk resulting from business operations by establishing and implementing a management structure.

Financial instruments issued by or held by the Bank may cause loss if counter-parties are not able to fulfil contracts. The amount of the Bank's credit risk is equal to the financial instruments which remain positive on the balance sheet date. The Bank conducts a cautious credit assessment before qualifying loans and guarantees. Loans with collateral amounted to 75% of the total amount of loans in 2011. In order to obtain credit lines from the Bank, borrowers and guarantors are asked to provide collateral such as cash, fixed assets, securities with liquidity, and other assets. Furthermore, in order to reduce credit risk, the Bank follows certain credit policies and negotiates credit limits with counter-parties. In addition, the Bank signs master netting agreements with the counter-parties to reduce credit risk.

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Notes to Financial Statements

Concentration of credit risk refers to the significant concentration of credit risks from all financial instruments, whether the risks are from an individual counter-party or group of counter-parties. Group concentration of credit risk exists if a number of counter-parties are engaged in similar activities or activities in the same region, or have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. There is no significant concentration of credit risk from counter-parties of the Bank's financial instruments. The related information can be found in note 10 to the financial statements and as follows:

(a) Information on concentration of credit risk is listed below.

(in thousands, %)

December 31, 2011			
Rank	Group Company	Outstanding loan	% of net worth
1	Hung Kuo	2,039,900	25.90%
2	Jion Yuan	1,190,998	15.12%
3	Yem Chio	930,000	11.81%
4	Bau Shing	891,780	11.32%
5	Chiau Wei	887,608	11.27%
6	He Wang	765,800	9.72%
7	E United Group	764,125	9.70%
8	Chiuan Yang	720,000	9.14%
9	Jin hong Jhuang Enterpricse	712,500	9.05%
10	Duen Yang	682,000	8.66%
	Total	9,584,711	

December 31, 2010			
Rank	Group Company	Outstanding loan	% of net worth
1	Yan Jou	1,030,000	11.97%
2	Fu Jiu ding	906,000	10.53%
3	R Sheng Sheng	847,350	9.85%
4	Bau Shing	824,000	9.58%
5	Chiau Wei	750,800	8.73%
6	Jin Hong Jhuang Eaterprise	735,000	8.54%
7	He Wang	700,000	8.14%
8	Duen Yang	600,567	6.98%
9	Chiuan Yang	569,000	6.61%
10	Sun Ray Company	560,745	6.52%
	Total	7,523,462	

(Continued)

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Notes to Financial Statements

- (b) As of December 31, 2011 and 2010, the unused contractual amount of financial instruments with off-balance-sheet credit risk was as follows:

	2011	2010
Unused lines of credit	<u>\$ 3,398,126</u>	<u>3,995,550</u>
Other guarantees	<u>\$ 2,660,766</u>	<u>2,464,006</u>
Unused L/C balance	<u>\$ 903,703</u>	<u>1,288,929</u>

3. Liquidity risk

Liquidity risks include market and capital risks. Market risk is the risk that market prices will encounter obvious changes. Capital risk is the risk that a responsibility cannot be fulfilled because of being unable to convert assets into cash or acquire enough cash. The Bank's risk management approach starts with managing the daily payment queue and forecasting cash flows. It then covers tactical liquidity risk management dealing with access to unsecured funding sources. The Bank's cash flows are monitored by the treasury department on a daily basis to ensure the Bank's access to liquidity.

To control risk effectively, support and respect from management are essential in addition to the factors mentioned above. Under the full support of management, the risk management system of the Bank has been established. It has resulted in improving management efficiency, and the results are gradually becoming more evident.

The Bank controls the transaction risks of financial instruments by adopting a credit approval policy, position limitations, stop-loss point setting, and a management control process. In addition, the Bank maintains adequate current assets, and utilizes money market and foreign exchange market instruments to support its future cash flow requirements.

As of December 31, 2011, the liquidity reserve ratio was 20.27%; the bank has enough operating capital to fulfil all contractual obligations. Thus, there is no significant liquidity risk.

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Notes to Financial Statements

As of December 31, 2011 and 2010, the duration analysis of assets and liabilities was as follows:

Duration analysis in New Taiwan dollars

2011						
	Total	Aging for remaining period until expiration				
		Day 1 to day 30	Day 31 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 year
Capital provided	\$ 150,123,579	26,895,405	15,214,119	11,702,213	14,457,833	81,854,009
Capital used	163,549,393	12,333,133	19,332,841	22,470,695	52,697,794	56,714,930
Spreads	(13,425,814)	14,562,272	(4,118,722)	(10,768,482)	(38,239,961)	25,139,079

2010						
	Total	Aging for remaining period until expiration				
		Day 1 to day 30	Day 31 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 year
Capital provided	\$ 147,726,788	31,260,248	8,788,122	8,867,222	16,593,371	82,217,825
Capital used	159,984,010	11,293,498	18,341,370	21,781,059	53,507,057	55,061,026
Spreads	(12,257,222)	19,966,750	(9,553,248)	(12,913,837)	(36,913,686)	27,156,799

Duration analysis in US dollars

2011						
	Total	Aging for remaining period until expiration				
		Day 1 to day 30	Day 31 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 years
Capital provided	\$ 269,497	105,393	60,643	43,693	22,144	37,624
Capital used	242,747	70,407	39,064	31,598	46,305	55,373
Spreads	26,750	34,986	21,579	12,095	(24,161)	(17,749)

2010						
	Total	Aging for remaining period until expiration				
		Day 1 to day 30	Day 31 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 years
Capital provided	\$ 363,175	213,159	51,503	35,489	22,972	40,052
Capital used	226,862	84,546	36,059	28,063	44,258	33,936
Spreads	136,313	128,613	15,444	7,426	(21,286)	6,116

(Continued)

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Notes to Financial Statements

4. Cash flow risk arising from interest rate change

The analysis of ratios of interest-rate-sensitive currency held by the Bank as of December 31, 2011 and 2010, is as follows:

Risk sensitivity analysis in New Taiwan dollars

2011					
Item	Day 1 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 years	Total
Interest-rate-sensitive assets	\$ 120,630,252	2,599,883	797,008	7,389,349	131,416,492
Interest-rate-sensitive liabilities	52,238,582	58,692,867	22,536,366	5,464,716	138,932,531
Interest-rate-sensitive spreads	68,391,670	(56,092,984)	(21,739,358)	1,924,633	(7,516,039)
Interest-rate-sensitive equity, net					7,874,920
Ratio of interest-rate-sensitive assets to liabilities (%)					94.59
Ratio of interest-rate-sensitive spreads to net equity (%)					(95.44)

2010					
Item	Day 1 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 years	Total
Interest-rate-sensitive assets	\$ 122,674,702	615,921	703,434	3,417,311	127,411,368
Interest-rate-sensitive liabilities	50,398,144	54,676,438	24,111,438	7,198,926	136,384,946
Interest-rate-sensitive spreads	72,276,558	(54,060,517)	(23,408,004)	(3,781,615)	(8,973,578)
Interest-rate-sensitive equity, net					8,601,944
Ratio of interest-rate-sensitive assets to liabilities (%)					93.42
Ratio of interest-rate-sensitive spreads to net equity (%)					(104.32)

(Continued)

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Notes to Financial Statements

Risk sensitivity analysis in US dollars

2011					
Item	Day 1 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 years	Total
Interest-rate-sensitive assets	\$ 207,058	41,678	1,347	4,502	254,585
Interest-rate-sensitive liabilities	179,578	16,948	21,001	208	217,735
Interest-rate-sensitive spreads	27,480	24,730	(19,654)	4,294	36,850
Interest-rate-sensitive equity, net					1,312
Ratio of interest-rate-sensitive assets to liabilities (%)					116.92
Ratio of interest-rate-sensitive spreads to net equity (%)					2,808.69

2010					
Item	Day 1 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 years	Total
Interest-rate-sensitive assets	\$ 192,083	20,359	4,837	4,348	221,627
Interest-rate-sensitive liabilities	150,081	16,649	22,258	10	188,998
Interest-rate-sensitive spreads	42,002	3,710	(17,421)	4,338	32,629
Interest-rate-sensitive equity, net					2,858
Ratio of interest-rate-sensitive assets to liabilities (%)					117.26
Ratio of interest-rate-sensitive spreads to net equity (%)					1,141.67

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Notes to Financial Statements

Information regarding effective interest rates for financial instruments (not including financial assets at fair value through profit or loss) issued by or held by the Bank as of December 31, 2011 and 2010, was as follows:

Item	2011	
	New Taiwan dollars	US dollars
Available-for-sale financial assets:		
Government bonds	1.050% ~ 1.97%	-
Corporate bonds	1.320% ~ 1.42%	-
Held-to-maturity financial assets:		
Government bonds	1.100% ~ 1.13%	
Corporate bonds	1.50%	
Loans and advances to customers		
Overdrafts and secured overdrafts	3.65% ~ 4.65%	-
Short-term loans	2.50% ~ 3.05%	0.96% ~ 5.86%
Short-term secured loans	2.90% ~ 3.02%	1.81% ~ 5.86%
Medium-term loans	2.96% ~ 3.24%	0.10% ~ 9.00%
Medium-term secured loans	2.89% ~ 3.01%	0.96% ~ 5.05%
Long-term loans	3.11% ~ 3.32%	-
Long-term secured loans	2.21% ~ 2.42%	-
Subordinated financial debentures	2.70% ~ 3.84%	-
Deposits		
Demand deposits	0.09% ~ 0.12%	0.00% ~ 0.02%
Time deposits	0.79% ~ 1.15%	0.20% ~ 1.35%
Demand savings deposits	0.10% ~ 0.12%	-
Negotiable certificates of deposit	0.58% ~ 0.81%	-
Time savings deposits	1.06% ~ 1.27%	-

(Continued)

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Notes to Financial Statements

Item	2010	
	New Taiwan dollars	US dollars
Available-for-sale financial assets:		
Government bonds	1.125% ~ 7.10%	-
Held-to-maturity financial assets:		
Government bonds	3.14%	-
Loans and advances to customers		
Overdrafts and secured overdrafts	3.39% ~ 4.42%	-
Short-term loans	2.69% ~ 3.24%	0.75% ~ 6.05%
Short-term secured loans	2.89% ~ 3.03%	1.55% ~ 6.05%
Medium-term loans	2.96% ~ 3.03%	1.21% ~ 5.18%
Medium-term secured loans	2.70% ~ 2.90%	1.80%
Long-term loans	3.17% ~ 3.28%	-
Long-term secured loans	1.95% ~ 2.21%	-
Subordinated financial debentures	2.10% ~ 3.60%	-
Deposits		
Demand deposits	0.09% ~ 0.10%	0.00% ~ 0.02%
Time deposits	0.67% ~ 0.96%	0.01% ~ 1.10%
Demand savings deposits	0.10% ~ 0.27%	-
Time savings deposits	0.96% ~ 1.12%	-
Negotiable certificates of deposit	0.76% ~ 0.85%	-

5. Operational risk

Operational risk can be defined as the risk of monetary losses resulting from inadequate or failed internal processes, people, and systems or from external events. The Bank implements monitoring systems for operational risk exposures and losses for major business lines. Risk management policies and procedures for controlling or mitigating operational risk are in place and enforced through regular internal auditing.

6. Legal risk

Legal risk arises from the possibility that an entity may not be able to follow regulations issued by the government and may not be able to enforce a contract against another party. Legal risk arises from possible risk of loss due to an unenforceable contract or an "ultra vires" act of a counterparty. Legal risk involves the potential illegality of the contract, as well as the possibility that the other party entered into the contract without proper authority. The legal affairs department of the Bank is responsible for providing professional legal consulting and review services for internal regulations and all trading contracts, and making sure that the Bank follows the financial regulations and operational regulations.

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Notes to Financial Statements

(24) Related-party Transactions

1) Name and relationship of related party

Name	Relationship
Directors and supervisor (individual)	The individual directors and supervisor of the Bank, and their spouses, close relatives, etc.
President, general manager, managers, etc.	The president, general manager, and their spouses, close relatives, etc.
The major individual stockholders of the Bank	The top ten major stockholders; stockholdings more than 1%
Panhsin Insurance Broker Co., Ltd.	Investee controlled by the Bank
Panhsin Asset Management Co., Ltd.	Investee controlled by the Bank
Ta-Shun Construction Co., Ltd., etc.	The Bank's chairman's spouse is the chairman of Ta-Shun Construction Co., Ltd.
Ta-Wang Construction Co., Ltd.	The Bank's chairman is the of Ta-Wang Construction Co., Ltd.
San-Jun Construction Co., Ltd.	The Bank's chairman is the director of San Jun Construction Co., Ltd.
Shan-Hwei Building Co., Ltd.	The Bank's chairman's spouse is the director of Shan-Hwei Construction Co., Ltd.

2) Significant transactions with related parties

1. Deposits

Name	2011		Interest rate (%)
	Ending balance	Percentage of deposits (%)	
Deposits by each related party not over 1% of total deposits	\$ <u>589,599</u>	<u>0.41</u>	0.09~6.91

Name	2010		Interest rate (%)
	Ending balance	Percentage of deposits (%)	
Deposits by each related party not over 1% of total deposits	\$ <u>518,210</u>	<u>0.37</u>	0~6.73

For the years ended December 31, 2011 and 2010, apart from an interest rate limit on staff demand savings deposits of 6.660% to 6.910% and 6.530% to 6.730%, respectively, the interest rates and other terms provided to the above related parties were the same as the terms offered to the general public.

For the years ended December 31, 2011 and 2010, interest expense paid on the above deposits were \$5,034 and \$5,280, respectively.

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Notes to Financial Statements

2. Loans

Unit: thousand dollars

2011							
Type of loan	Number of accounts or name of related party	Maximum during the period	Ending balance	Repayment		Collateral	Difference between terms and conditions offered to the accounts and to the general public
				On-time	Overdue		
Employee credit loan	11	15,023	13,714	13,714	-	None	None
Mortgage	4	8,714	8,020	8,020	-	None	None
Others	Shan-Hwei Building Co., Ltd.	300,000	-	-	-	Real estate	None
	Kao Chao Mao	6,700	4,500	4,500	-	Real estate	None
	Chiu Yue Shuan	400	-	-	-	Real estate	None
	You Da Hu	5,000	5,000	5,000	-	Real estate	None
	Jiang Jin Quan	69	40	40	-	None	None
	Chen Shou Hui	3,295	1,563	1,563	-	Real estate	None
	Liu Bing Hui	86,000	86,000	86,000	-	Real estate	None
	Chen Tsung Liang	6,000	-	-	-	Real estate	None
	Kao Dai Ming	114,000	5,700	5,700	-	Real estate	None
	Lian Chia Peng	10,000	10,000	10,000	-	Real estate	None
	Liao Ke Huang	7,700	7,700	7,700	-	Real estate	None
	Chien Lin Lung	8,000	8,000	8,000	-	Real estate	None
	Lin Lai Wang	6,000	4,845	4,845	-	Real estate	None
	Liao Rong Chuan	11,687	7,480	7,480	-	Real estate	None
	Wu Kai Ming	1,440	1,307	1,307	-	Real estate	None
	Wang Yi Ming	2,249	1,947	1,947	-	Real estate	None
	Lu Fu Shan	3,184	1,578	1,578	-	Real estate	None
	Huang Hsin Mao	8,159	7,793	7,793	-	Real estate	None
	Kao Hua Yi	419	384	384	-	Real estate	None
	Chiu Chao Hui Fang	4,000	-	-	-	Real estate	None
	Ku Lin Mei Hui	24,000	12,000	12,000	-	Real estate	None
Others	Yeh Kuo Li Tu	32,256	18,352	18,352	-	Real estate	None
	Yang Mei Ju	60,368	29,625	29,625	-	Real estate	None
	Liao Mei Yun	104,500	96,000	96,000	-	Real estate	None
	Kao Yi Zhang	3,049	2,100	2,100	-	Real estate	None
	Liao Lin su Siang	453	357	357	-	Real estate	None
	Li Yuang Lun	300	-	-	-	Real estate	None
	Lai Wen Cheng	125	-	-	-	Real estate	None

(Continued)

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Notes to Financial Statements

2010							
Type of loan	Number of accounts or name of related party	Maximum during the period	Ending balance	Repayment		Collateral	Difference between terms and conditions offered to the accounts and to the general public
				On-time	Overdue		
Employee credit loan	16	19,231	3,551	3,551	-	None	None
Mortgage	1	1,800	1,690	1,690	-	Real estate	None
Others	Wang Guo-Tai	4,490	4,381	4,381	-	Real estate	None
	Jiang Jin Quan	97	69	69	-	Real estate	None
	Wu Ke Long	7,500	7,500	7,500	-	Real estate	None
	Wu Kai Ming	1,572	1,440	1,440	-	Real estate	None
	Lu Fu Shan	4,056	3,184	3,184	-	Real estate	None
	Lin Kuang Di	6,777	4,977	4,977	-	Real estate	None
	Lin Lai Wang	8,300	4,500	4,500	-	Real estate	None
	Chiu Yue Shuan	400	400	400	-	Real estate	None
	Chiu Chao Hui Fang	4,000	2,000	2,000	-	Real estate	None
	Kao Chao Mao	2,500	2,200	2,200	-	Real estate	None
	Ku Lin Mei Hui	24,000	12,000	12,000	-	Real estate	None
	Kao Hua Yi	455	419	419	-	Real estate	None
	Kao Dai Ming	114,000	57,000	57,000	-	Real estate	None
	Chen Tsung Liang	4,000	-	-	-	None	None
	Huang Hsin Mao	9,495	8,159	8,159	-	Real estate	None
	Yang Mei Ju	58,979	25,862	25,862	-	Real estate	None
Others	Yeh Kuo Li Tu	32,662	18,756	18,756	-	Real estate	None
	Liao Ke Huang	7,700	7,700	7,700	-	Real estate	None
	Liao Lin su Siang	701	453	453	-	Real estate	None
	Liao Mei Yun	104,500	96,000	96,000	-	Real estate	None
	Lian Chia Peng	10,000	10,000	10,000	-	Real estate	None
	Liao Rong Chuan	13,205	11,687	11,687	-	Real estate	None
	Liu Bing Hui	86,000	86,000	86,000	-	Real estate	None
	Xiao Rong Dian	657	-	-	-	Real estate	None
	Lai Wen Cheng	247	124	124	-	Real estate	None
	Chien Lin Lung	3,060	-	-	-	Real estate	None

For the years ended December 31, 2011 and 2010, loans to related parties were under the same terms as those to other customers.

For the years ended December 31, 2011 and 2010, interest income recognized for the above loans was \$9,014 and \$3,891, respectively.

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Notes to Financial Statements

3. Rental revenue

The details of office rentals by the Bank to a related party for operating purposes are as follows:

Name	Building	Period	Rental Revenue	
			2011	2010
Panhsin Insurance Broker	Zhongzheng Rd., Pan-chiao City, No. 330	January 1, 2008 ~December 31, 2011	\$ 762	762
Panhsin Asset Management	Zhongzheng Rd., Pan-chiao City, No. 330	January 6, 2009 ~January 5, 2014	144	144
			<u>\$ 906</u>	<u>906</u>

4. Leases

For operating purposes, the bank leased the office premises for some branches from related parties for the years ended December 31, 2011 and 2010, as follows:

Name	Usage	Deposit	Rental expenses	
			2011	2010
Ta-Wang Construction Co., Ltd.	Yuan-Shan Branch	\$ 750	3,007	3,007
Ta-Shun Construction Co., Ltd.	Corporate Banking Credit Department and Operation Department Office	Note	96	1,112
Tien-Mao Construction Co., Ltd.	"	Note	53	636
			<u>\$ 750</u>	<u>3,156</u>
				<u>4,755</u>

Note: No such transaction since February 2011.

The above deposit paid to related parties was recorded in the other financial assets account.

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Notes to Financial Statements

5. Property transactions

On April 24, 2007, the Bank entered into contracts with Panhsin Asset Management Co., Ltd. to sell foreclosed assets for \$125,600. As of December 31, 2007, the titles to the abovesaid assets had all been transferred. Proceeds not yet received were \$100,479, recorded under accounts receivable—notes receivable. The Bank obtained an appraisal report from real estate appraisers, and the appraised amount was \$142,781.

In addition, on December 27, 2006, the Bank entered into contracts with Panhsin Asset Management Co., Ltd. to sell foreclosed assets for \$550,000. As of December 31, 2011, the titles to the abovesaid assets had all been transferred. Proceeds not yet received were \$440,000, recorded under accounts receivable—notes receivable. The Bank obtained an appraisal report from real estate appraisers, and the appraised amount was \$486,117.

On March 10, 2011, the Bank entered into an order for the purchase of land and building, the total order amount was \$108,016. On April 20, 2011, the Bank has transferred ownership, and left no unpaid amount.

6. Sale of non-performing loans

Counter-party: Panhsin Asset Management Co., Ltd. Disposal date: December 26, 2007

Loan components			Loan amount	Book value	Share price
Corporate	Secured		206,247	180,578	171,517
	Unsecured		541,784	500,134	336,245
Consumer	Secured	Mortgage	2,055,339	1,223,629	867,119
		Car loan	-	-	-
		Others	-	-	-
	Unsecured	Credit card	-	-	-
		Cash card	279	234	17
		Credit loan	1,706	1,570	102
		Other	-	-	-
Total			2,805,355	1,906,145	1,375,000

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Notes to Financial Statements

Counter-party: Panhsin Asset Management Co., Ltd.

Disposal date: July 26, 2006

Loan components			Loan amount	Book value	Share price
Corporate	Secured		-	-	-
	Unsecured		-	-	-
Consumer	Secured	Mortgage	2,050,625	1,835,421	1,501,310
		Car loan	-	-	-
		Others	-	-	-
	Unsecured	Credit card	-	-	-
		Cash card	2,908	2,738	139
		Credit loan	1,196	1,127	57
		Other	-	-	-
Total			2,054,729	1,839,286	1,501,506

On December 26, 2007, the Bank entered into contracts with Panhsin Asset Management Co., Ltd. (Panhsin AMC) to sell non-performing loans at the price of \$1,375,000. The price was determined according to the assessment report made by certified public accountants. The assessed value ranged from \$948,087 to \$1,377,414. The term of payment was that Panhsin AMC has to make the first payment (5% of the contract price) upon signing the contract. Within three months after the transfer of loans, the second payment (15% of the contract price) should be paid. The remaining proceeds should be paid in full by Panhsin AMC three years after the signing of the contract. However, if there have been any buy-backs due to defaults within one months after settlement, the defaults would be deducted from the second payment. On December 26, 2007, and February 22, April 29, May 16, July 11 and August 19 of 2008, since the debtors made agreements with the Bank before the Bank could settle with Panhsin AMC, \$24,487 was bought back by the Bank, reducing the contract price to \$1,350,513 as of December 31, 2011 and 2010. In 2011 and 2010 were \$1,168,759 both, of the price had been received. As of December 31, 2011 and 2010, proceeds not yet received were \$181,754 both, recorded under accounts receivable — other.

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Notes to Financial Statements

In addition, on July 26, 2006, the Bank entered into contracts with Panhsin AMC to sell non-performing loans at the price of \$1,501,506. The price was determined according to the assessment report made by certified public accountants. The assessed value ranged from \$1,086,224 to \$1,481,799. The method of payment was that Panhsin AMC has to pay 10% of the contract price upon the signing of the contract. Three months after the transfer of loans, 70% of the contract price should be paid (the second proceeds). The remaining proceeds should be paid in full by Panhsin AMC on July 20, 2007, one year after the signing of the contract. However, if there have been any buy-backs due to defaults, they would be deducted from the remaining proceeds. On July 26, August 29, and September 21 of 2006, March 14 of 2007, and June 2 of 2008, the debtors made agreements with the Bank before the Bank could settle with Panhsin AMC. As of December 31, 2011, \$212,257, had been bought back by the Bank, reducing the contract price to \$1,289,249. The transfer of loans was completed on November, 2006; moreover, the remaining proceeds amounting to \$300,301 were paid by Panhsin AMC's post-dated check dated July 20, 2007. In addition, Panhsin AMC signed an agreement with the Bank on November 15, 2006, to postpone the payment of the remaining contract price to November 10, 2008. As of the due date, Panhsin AMC did not have sufficient funds in its checking account to cover the checks for the second and remaining proceeds, and the Bank agreed that Panhsin AMC could postpone the payment for one year. As of December 31, 2011 and 2010, \$1,036,858 and \$636,378, respectively, had been paid. As of December 31, 2011 and 2010, proceeds not yet received were \$252,391 and \$652,871, respectively, recorded under accounts receivable — notes.

7. Other

For the years ended December 31, 2011 and 2010, the details of the Bank's selling a series of subordinated financial debentures to related parties were as follows:

Related party	Highest balance	2011		
		Ending balance	Interest rate (%)	Interest expense
Directors, supervisors, and main stockholders	\$ 800	<u>600</u>	2.37~2.59	<u>16</u>

Related party	Highest balance	2010		
		Ending balance	Interest rate (%)	Interest expense
Directors, supervisors, and main stockholders	\$ 800	<u>800</u>	2.25	<u>16</u>

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Notes to Financial Statements

- 3) For the years ended December 31, 2011 and 2010, the details of the Bank's payments to the main managers were as follows:

		2011	2010
Salaries	\$	30,438	30,143
Cash awards and special allowances		9,396	6,919
Business expense		6,226	6,454

(25) Pledged Assets

As of December 31, 2011 and 2010, pledged assets were as follows:

Pledged Assets	Pledged for		Book Value	
			2011	2010
Government bonds (recorded as available-for-sale financial assets)	Reserve for trust business	\$	50,261	51,713
Government bonds (recorded as available-for-sale financial assets)	Provisional seizure		49,555	34,683
	Operating deposits for trading bills		50,261	51,713
	Operating deposits for trading bonds		10,052	10,343
Time deposit (recorded as other financial assets)	Deposits for tax administration ministry of finance		100,000	100,000
Bank deposit (recorded as other financial assets)	Settlement deposits for bonds		7,400	7,400
	Deposits for lawsuits		34,222	31,936
	Reserve for derivative instruments		87,841	91,104
			\$ 389,592	378,892

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

- 1) The Bank provided the Central Bank of China with government bonds as reserve for its trust custodian business.
- 2) For executing provisional seizure of debtors' properties, the Bank provided pledged assets to the court.
- 3) Operating deposits for trading bills were deposited with the Central Bank of China for the Bank's securities dealing business.
- 4) Operating deposits for trading bonds were deposited with the GreTai Securities Market for the Bank's treasury sales business. Furthermore, a reserve for trading losses has been set up to conform to securities regulations.
- 5) An overdraft guarantee was deposited with the Central Bank of China as an overnight overdraft guarantee for the transfer of funds among banks.
- 6) Deposits for foreign exchange and reserve for derivative were deposited with counter-parties for the Bank's derivative transactions.

(26) Commitments and Contingent Liabilities

- 1) As of December 31, 2011 and 2010, the Bank had the following construction in progress and significant purchase agreements:

2011

	Contract price	Unpaid portion of contract price
Significant purchase agreements:		
Software system	\$ 57,406	34,248
Head Office building construction	3,746,081	426,697
	\$ 3,803,487	460,945

2010

	Contract price	Unpaid portion of contract price
Significant purchase agreements:		
Software system	\$ 18,600	13,330
Head Office building construction	3,659,254	426,697
	\$ 3,677,854	440,027

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

2) Operating leases

The Bank has entered into certain operating leases for its branches. As of December 31, 2011, estimated future lease contract commitments were as follows:

Fiscal Year	Amount
2012	\$ 91,195
2013	85,537
2014	66,901
2015	129,170
After 2016	<u>52,199</u>
	<u>\$ 425,002</u>

Furthermore, the Bank's guarantee deposit for operating leases was \$18,764 and \$19,751 on December 31, 2011 and 2010, respectively. It has been recorded as other financial assets.

3) Other

As of December 31, 2011 and 2010, the other commitments and contingent liabilities was as follows:

	2011	2010
Consignment collection for others	\$ 8,759,253	7,602,879
Consignment released and loans for others	1,118,380	684,808
Collateral held as performance bond	81,963	414,613
Traveller's checks held for consignment sale	13,294	11,356
Custodial securities	50,000	50,000
Trust assets	<u>28,986,871</u>	<u>28,043,340</u>
	<u>\$ 39,009,761</u>	<u>36,806,996</u>
Lines of credit provided but not used	<u>\$ 3,398,126</u>	<u>3,995,550</u>
Guarantees	<u>\$ 2,660,766</u>	<u>2,464,006</u>
Letters of credit issued but not yet presented	<u>\$ 903,703</u>	<u>1,288,929</u>
Credit default swap sold	<u>\$ 302,900</u>	<u>390,684</u>

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

- 4) In accordance with local regulations, disclosure of accounts in the balance sheet and a summary of trust asset items for trust business are as follows:

Trust balance sheet

December 31, 2011

Trust assets		Trust liabilities	
Bank deposits	\$ 1,569,330	Trust capital — monetary trust	16,308,054
Investment in funds	15,383,468	Trust capital — real estate	11,344,562
Investment in bonds	380,000	Trust capital — monetary loans and guaranteed assets	844,518
Investment in loans	844,500	Trust capital — securities trust	341,143
Land	7,294,365	Trust capital — right of land trust	204,152
Building	262,651	Net income	469,547
Construction in progress	3,048,405	Unappropriated earnings	(525,105)
Right of land	204,152		
Total trust assets	<u>\$ 28,986,871</u>	Total trust liabilities	<u>\$ 28,986,871</u>

Trust balance sheet

December 31, 2010

Trust assets		Trust liabilities	
Bank deposits	\$ 1,179,467	Trust capital — monetary trust	16,443,178
Investment in funds	15,739,306	Trust capital — real estate	9,972,832
Investment in bonds	460,000	Trust capital — monetary loans and guaranteed assets	1,065,783
Investment in loans	1,044,958	Trust capital — securities trust	424,132
Land	6,235,594	Trust capital-right of land trust	204,152
Building	284,829	Net income	640,806
Construction in progress	2,895,034	Unappropriated earnings	(707,543)
Right of Land	204,152		
Total trust assets	<u>\$ 28,043,340</u>	Total trust liabilities	<u>\$ 28,043,340</u>

(Continued)

BANK OF PANHSIN
Notes to Financial Statements

Trust income statement
For the years ended December 31, 2011 and 2010

	2011	2010
Trust revenue:		
Interest revenue	\$ 13,714	14,546
Realized investment gain — funds	208,855	386,545
Cash dividends revenue	570,567	493,766
	<u>793,136</u>	<u>894,857</u>
Trust expenses:		
Management expenses	10,581	13,820
Realized investment loss — funds	311,661	238,554
Other expenses	3	243
	<u>322,245</u>	<u>252,617</u>
Net income (loss) before income tax	470,891	642,240
Income tax expense	1,344	1,434
Net income (loss) after income tax	<u><u>\$ 469,547</u></u>	<u><u>640,806</u></u>

Summary of trust asset items
December 31, 2011

Item	Amount
Bank deposits	\$ 1,569,330
Investment in funds	15,383,468
Bonds	380,000
Investment in common stocks	844,500
Land	7,294,365
Building	262,651
Construction in progress	3,048,405
Right of land	204,152
	<u><u>\$ 28,986,871</u></u>

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

Schedule of investment for trust business

December 31, 2010

Item	Amount
Bank deposits	\$ 1,179,467
Investment in funds	15,739,306
Investment in bonds	460,000
Investment in loans	1,044,958
Land	6,235,594
Building	284,829
Construction in progress	2,895,034
Right of land	204,152
	<u>\$ 28,043,340</u>

(27) Significant Disaster Loss: none.

(28) Subsequent Events: none.

(29) Others

1) Personnel costs, depreciation, depletion, and amortization

Function Accounts	For the year 2011			For the year 2010		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Personnel costs:						
Salaries	-	875,310	875,310	-	919,422	919,422
Labor and health insurance	-	73,363	73,363	-	69,802	69,802
Pension	-	68,240	68,240	-	64,542	64,542
Other employment	-	26,389	26,389	-	30,902	30,902
Depreciation	-	70,612	70,612	-	79,542	79,542
Depletion	-	-	-	-	-	-
Amortization	-	68,326	68,326	-	75,564	75,564

Furthermore, the depreciation expense for leased-out assets was \$857 and \$1,460 in 2011 and 2010, respectively, and was recorded under other non-interest income, net.

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

2) In accordance with SFAS No. 28, the disclosures are as follows:

1. Information on interest-bearing assets and liabilities

	December 31, 2011		December 31, 2010	
	Average amount	Average rate (%)	Average amount	Average rate (%)
Assets:				
Cash due from banks	\$ 976,871	0.57	609,059	0.15
Due from Central Bank and placement to other banks	27,588,982	0.80	24,674,062	0.63
Financial assets at fair value through profit or loss	787,517	0.75	793,582	1.60
Loans and advances to customers	107,182,961	2.66	110,576,646	2.49
Available-for-sale financial assets	1,604,333	1.39	595,572	2.64
Held to maturity financial assets	399,209	1.29	4,984	1.14
Bills and bonds purchased under agreements to resell	-	-	1,370	0.36
Liabilities:				
Due to banks	1,593,552	1.11	2,730,323	1.19
Bills and bonds sold under agreements to repurchase	134,710	0.41	17,801	0.05
Demand deposits	17,462,626	0.10	14,013,186	0.12
Time deposits	19,655,806	0.93	22,534,569	1.03
Negotiable time deposits	2,874,595	0.75	2,891,473	1.09
Demand savings deposits	34,727,673	0.36	33,830,362	0.45
Time savings deposits	65,028,306	1.17	66,931,060	1.36
Financial debentures	3,971,877	2.84	3,589,757	3.62

(Continued)

BANK OF PANHSIN
Notes to Financial Statements

2. Major foreign currency position, net

Major foreign currency	December 31, 2011		December 31, 2010	
	Amount in foreign currency	Amount in New Taiwan dollars	Amount in foreign currency	Amount in New Taiwan dollars
USD	5,202	157,498	3,017	91,645
JPY	44,315	17,317	48,130	17,997
CNY	3,377	16,239	1,671	7,700
CHF	181	5,843	116	3,771
SGD	174	4,067	394	9,328

3. Profitability

Unit: %

Items		2011	2010
Return on assets	Before income tax	(0.63)	0.20
	After income tax	(0.53)	-
Return on net equity	Before income tax	(12.14)	3.67
	After income tax	(10.13)	0.03
Net income to operating revenue ratio		(35.33)	0.13

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

3) The details of the Bank's significant foreign currency assets and liabilities were as follows:

	December 31, 2011			December 31, 2010		
	Foreign currency (thousand dollars)	Exchange rate	New Taiwan dollars	Foreign currency (thousand dollars)	Exchange rate	New Taiwan dollars
Financial assets:						
Monetary item						
USD	191,157	30.290	5,790,153	180,293	30.368	5,475,125
EUR	2,593	39.2013	101,652	1,926	40.5716	78,140
JPY	548,701	0.390587	214,315	1,014,427	0.3735	378,872
AUD	5,000	30.7595	153,797	5,000	30.9237	154,619
HKD	1,925	3.8985	7,506	2,908	3.9069	11,361
Financial liabilities:						
Monetary item						
USD	215,768	30.290	6,535,604	189,269	30.368	5,747,710
EUR	4,207	39.201318	164,908	5,802	40.5716	235,411
JPY	172,086	0.390587	67,215	141,373	0.3735	52,801
HKD	20,585	3.8985	80,250	31,808	3.9069	124,271
AUD	10,449	30.7595	321,400	10,713	30.9237	331,276
GBP	1,738	46.7496	81,255	1,912	47.0491	89,972
CAD	32	32.2268	1,047	1,051	30.4014	31,957
NZD	3,434	23.4051	80,375	7,455	23.4927	175,143
ZAR	40,931	3.7386	153,026	22,838	4.5791	164,577
CHF	964	29.6844	28,621	-	-	-

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

4) Capital adequacy ratio

The capital adequacy ratios of the Bank are disclosed below:

Item			Period-end	December 31, 2011	December 31, 2010
Self-owned capital	Tier 1 Capital			7,198,928	6,591,691
	Tier 2 Capital			571,057	1,272,294
	Tier 3 Capital			-	-
	Capital			7,769,985	7,863,985
Risk-weighted assets	Credit risk	Standardized approach		86,188,342	85,283,584
		Internal-rating-based approach		-	-
		Secularizations		331,678	344,985
	Operational risk	Basic indicator approach		3,799,288	4,180,063
		Standardized approach / alternative approach		-	-
		Advanced measurement approach		-	-
	Market risk	Standardized approach		2,493,700	1,901,863
		Internal model approach		-	-
	Risk-weighted assets			92,813,008	91,710,495
Capital adequacy ratio				8.37%	8.57%
Tier 1 capital / risk-weighted assets				7.76%	7.19%
Tier 2 capital / risk-weighted assets				0.61%	1.38%
Tier 3 capital / risk-weighted assets				- %	- %
Common stock / total assets (note)				6.01%	5.48%
Leverage ratio				4.61%	4.19%

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

The capital adequacy ratios of the Bank and its subsidiaries are disclosed below:

Item			Period-end	December 31, 2011	December 31, 2010
Self-owned capital	Tier 1 Capital			7,263,218	6,649,530
	Tier 2 Capital			635,347	1,330,131
	Tier 3 Capital			-	-
	Capital			7,898,565	7,979,661
Risk-weighted assets	Credit risk	Standardized approach		86,219,271	85,474,503
		Internal-rating-based approach		-	-
		Secularizations		331,678	344,985
	Operational risk	Basic indicator approach		3,799,288	4,180,063
		Standardized approach / alternative approach		-	-
		Advanced measurement approach		-	-
	Market risk	Standardized approach		2,493,700	1,901,863
		Internal model approach		-	-
	Risk-weighted assets				92,843,937
Capital adequacy ratio				8.51%	8.68%
Tier 1 capital / risk-weighted assets				7.82%	7.24%
Tier 2 capital / risk-weighted assets				0.69%	1.44%
Tier 3 capital / risk-weighted assets				- %	- %
Common stock / total assets (note)				6.02%	5.48%
Leverage ratio				4.65%	4.19%

- 5) For 14 years, after the bank has merged with “The 5th Credit Cooperative of Kaohsiung” since September 1997, there were some disputes between the Bank's directors and supervisors, but eventually, everything was settled. The shares of \$86,687 was paid according to the content of the reconciliation letter which was recorded under operating expense, and the letter was sent to the Kaohsiung City Government Bureau of Finance on January 3, 2012 to file for nullification. Therefore, the financial statement did not require any adjustment.

(30) Other Disclosure Items

- 1) Related information on material transaction items:
 1. Information regarding long-term equity investment for which the purchase or sale amount for the period exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.
 2. Information on the acquisition of real estate for which the purchase amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

3. Information on the disposal of real estate for which the sale amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.
4. Information regarding discounted processing fees on transactions with related parties for which the amount exceeded NT\$5 million: none.
5. Information regarding receivables from related parties for which the amount exceeded NT\$300 million or 10% of the Bank's paid-in capital:

Name of company which has the receivables	Counter-party	Relationship with the Bank	Year-end amount	Turnover rate	Overdue receivables from related party		Receivables from related party subsequent to the opinion date	Allowance for bad debt allowance provided
					Amount	Handling method		
The Bank	Panhsin AMC	Subsidiary	\$ 874,145 (Note)	-	-	-	-	330,965

Note: Recorded under accounts receivable — notes receivable, net.

6. Information regarding selling non-performing loans for which the amount exceeded NT\$5 billion: none.
7. Information for issuance of beneficiary certificates approved by the ROC Financial Asset Securitization Law and Real Estate Securitization Law: none.
8. Other significant transactions that might influence the decision-making of financial statement users: none.

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

2) Information on long-term equity investments:

1. Information on investees' name, location, etc.:

Name of investee	Investee location	Investee's operation	Percentage of ownership	Book value of investments	Gain (loss) recognized during the period	Holdings				Remark
						Number of shares	Pro forma number of shares	Total		
								Shares	Percentage	
Panhsin Insurance Broker Co., Ltd.	11F, No 330, Zhongzheng Rd., Panchiao City, Taipei County	Insurance agency	100.00 %	112,134	64,019	3,095	-	3,095	100 %	subsidiary
Panhsin Asset Management Co., Ltd.	9F, No. 330, Zhongzheng Rd., Panchiao City, Taipei County	Purchasing non-performing loans	29.41 %	16,447	(6,315)	17,000	-	17,000	100 %	subsidiary

2. Lending to other parties: none.

3. Guarantees and endorsements for other parties: none.

4. Information regarding securities held as of December 31, 2011:

Name of company which holds securities	Category and name of security	Relationship between issuer of security and the Company	Amount name	Year-end				Remarks
				Number of shares	Book value	Percentage of shares	Market value	
Panhsin Insurance Broker Co., Ltd.	Stock: Panhsin Asset Management Co., Ltd.	Investee accounted for under the equity method	Long-term investment under equity method	12,000	39,477	70.59	39,477	

5. Information regarding securities for which the purchase or sale amount for the period exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.

6. Information on the acquisition of real estate for which the purchase amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.

7. Information on the disposal of real estate for which the sale amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.

8. Information regarding discounted processing fees on transactions with related parties for which the amount exceeded NT\$5 million: none.

9. Information regarding receivables from related parties for which the amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.

10. Information regarding trading in derivative instruments: none.

11. Information regarding selling non-performing loans: none.

12. Information for issuance of beneficiary certificates approved by the ROC Financial Asset Securitization Law and Real Estate Securitization Law: none.

13. Other significant transactions that might influence the decision-making of financial statement users: none.

BANK OF PANHSIN
Notes to Financial Statements

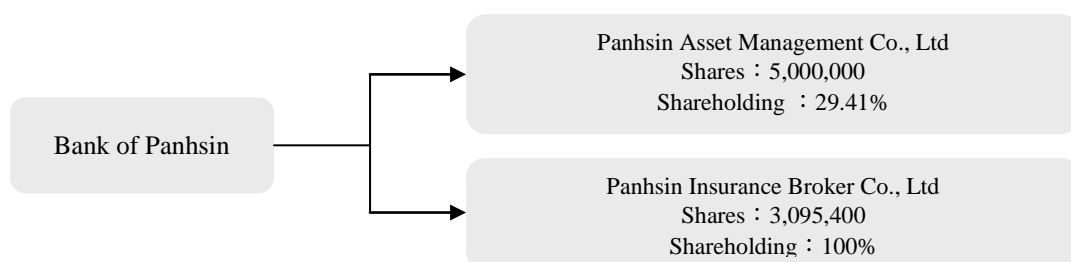
(31) Operating Segment Information

Please refer to the consolidated financial statements for segment financial information.

Related Information on the Bank's Subsidiaries

I 、Relationship Chart

As of Dec. 31, 2011



II 、Profile of Subsidiaries

As of Dec. 31, 2011

Unit: NT\$ Thousand

Name of Subsidiary	Date of Establishment	Address	Paid-In Capital	Major Business Scope
Panhsin Asset Management Co., Ltd	Jun. 02, 2005	9F, No.330 Zhongzheng Rd., Banqiao Dist., New Taipei City	170,000	Acquisition of Non-Performing Asset
Panhsin Insurance Broker Co., Ltd	Oct. 19, 2004	11F, No.330 Zhongzheng Rd., Banqiao Dist., New Taipei City	30,954	Insurance Broker

III 、Information on Directors, Supervisors and President of Subsidiaries

As of Dec. 31, 2011

Name of Subsidiary	Title	Name or Representative	Shares Held	
			Shares	Ratio (%)
Panhsin Asset Management Co., Ltd	Chairman	Dao-Ming Kuo (Representative of BOP)	5,000,000	29.41
	Director	Ming-Hsin Chiu (Representative of BOP)		
	Director	Lin-Long Chien (Representative of BOP)		
	Director	Jia-Nan Fang (Representative of BOP)		
	Director	Ping-Huang Liu (Representative of BOP)		
	Supervisor	Teng-Chum Chen (Representative of BOP)		
	President	Chien-Chung Chao	-	-
Panhsin Insurance Broker Co., Ltd	Chairman	Wan-De Xiao (Representative of BOP)	3,095,400	100.00
	Director	Tong-Ren Lin (Representative of BOP)		
	Director	Jia-Nan Fang (Representative of BOP)		
	Supervisor	Mao-Yang Chu (Representative of BOP)		
	President	Chan-Wu Chao	-	-

IV 、Operation Status of Subsidiaries

Unit: NT\$ Thousand

Name of Subsidiary	Capital	Total Asset	Total Liability	Equity	Operating Income	Operating Revenue	Current Profit	EPS (Dollar)
Panhsin Asset Management Co., Ltd	170,000	949,903	893,979	55,924	(17,997)	(39,346)	(21,471)	(1.26)
Panhsin Insurance Broker Co., Ltd	30,954	127,508	15,375	112,133	102,711	95,336	64,019	20.68

Directory of Head Office & Branches

Units	Address	Telephone	Fax
Head Office	No.68, Sec.2, Xianmin Blvd., Banqiao Dist., New Taipei City	(02)29629170	(02)29572011
International Banking Department	27F., No.68, Sec.2, Xianmin Blvd., Banqiao Dist., New Taipei City	(02)29629170	(02)89646006
Offshore Banking Branch	27F., No.68, Sec.2, Xianmin Blvd., Banqiao Dist., New Taipei City	(02)29629170	(02)89646006
Trust Department	15F., No.330, Zhongzheng Rd., Banqiao Dist., New Taipei City	(02)29658689	(02)29658755
Domestic Banking Department	No.68, Sec.2, Xianmin Blvd., Banqiao Dist., New Taipei City	(02)89514488	(02)29519399
Banqiao Branch	No.11, Sec.1, Wenhua Rd., Banqiao Dist., New Taipei City	(02)29689101	(02)29665807
Houpu Branch	No.65, Chengdu St., Banqiao Dist., New Taipei City	(02)29629121	(02)29560201
Yonghe Branch	No.12, Renai Rd., Yonghe Dist., New Taipei City	(02)29299481	(02)29210495
Puqian Branch	No.38, Sec.2, Sanmin Rd., Banqiao Dist., New Taipei City	(02)29629106	(02)29541499
Huajiang Branch	No.382, Sec.2, Wenhua Rd., Banqiao Dist., New Taipei City	(02)22529101	(02)22520108
Minzu Branch	No.339, Hansheng E. Rd., Banqiao Dist., New Taipei City	(02)29629111	(02)29581242
Zhonghe Branch	No.232, Zhonghe Rd., Zhonghe Dist., New Taipei City	(02)22498756	(02)22497418
Tucheng Branch	No.289, Sec.1, Zhongyang Rd., Tucheng Dist., New Taipei City	(02)22629119	(02)22654536
Wenhua Branch	No.261, Sec.1, Wenhua Rd., Banqiao Dist., New Taipei City	(02)22587777	(02)22593584
Daguan Branch	No.155, Sec.2, Daguan Rd., Banqiao Dist., New Taipei City	(02)22756566	(02)22752574
Xingnan Branch	No.338, Jingxin St., Zhonghe Dist., New Taipei City	(02)29459366	(02)29458495
Xinzhuang Branch	No.719, Xingfu Rd., Xinzhuang Dist., New Taipei City	(02)29906699	(02)29900433
Xiulang Branch	No.118, Dehe Rd., Yonghe Dist., New Taipei City	(02)29417966	(02)29498035
Sanchong Branch	No.35, Sec.4, Chongyang Rd., Sanchong Dist., New Taipei City	(02)89839966	(02)29871976
Yuanshan Branch	No.753, Zhongzheng Rd., Zhonghe Dist., New Taipei City	(02)22259199	(02)22260657
Shulin Branch	No.58, Zhenqian St., Shulin Dist., New Taipei City	(02)86755666	(02)86755656
Jincheng Branch	No.91, Sec.3, Jincheng Rd., Tucheng Dist., New Taipei City	(02)82615666	(02)22709241
Xindian Branch	No.60, Minquan Rd., Xindian Dist., New Taipei City	(02)89113377	(02)89113661
Zhongzheng Branch	No.330, Zhongzheng Rd., Banqiao Dist., New Taipei City	(02)89658998	(02)89682156
Luchou Branch	No.258, Minzu Rd., Luchou Dist., New Taipei City	(02)82850666	(02)82835789
Fuhe Branch	No.45, Yongzhen Rd., Yonghe Dist., New Taipei City	(02)89211919	(02)89213377

Units	Address	Telephone	Fax
Songjiang Branch	No.122, Songjiang Rd., Zhongshan Dist., Taipei City	(02)25429999	(02)25311707
Xinyi Branch	No.127, Sec.2, Keelung Rd., Xinyi Dist., Taipei City	(02)27329999	(02)27334900
Minsheng Branch	No.133-1, Sec.3, Minsheng E. Rd., Songshan Dist., Taipei City	(02)87129966	(02)27120222
Bade Branch	No.360, Sec.2, Bade Rd., Songshan Dist., Taipei City	(02)27528833	(02)27405959
Neihu Branch	No.163, Sec.4, Chenggong Rd., Neihu Dist., Taipei City	(02)87919999	(02)87919899
Ruiguang Branch	No.633、635, Ruiguang Rd., Neihu Dist., Taipei City	(02)26560188	(02)26560166
Taoyuan Branch	No.360, Yongan Rd., Taoyuan City, Taoyuan County	(03)3398777	(03)3396362
Taoying Branch	No.102, Taoying Rd., Taoyuan City, Taoyuan County	(03)3758999	(03)3660551
Longgang Branch	No.78, Longdong Rd., Zhongli City, Taoyuan County	(03)4657799	(03)4655511
Hsinchu Branch	No.56, Zihciang S. Rd., Jhubei City, Hsinchu County	(03)6581588	(03)6580189
Taichung Branch	No.556, Sec. 1, Wunsin Rd., Nantun Dist., Taichung City	(04)23267799	(04)23266029
North Taichung Branch	No.186, Sec. 4, Wunsin Rd., North Dist., Taichung City	(04)22961798	(04)22961885
Chiayi Branch	No.298, Zhongshan Rd., West Dist., Chiayi City	(05)2279045	(05)2291649
Junhui Branch	No.360, Wufong S. Rd., East Dist., Chiayi City	(05)2300778	(05)2300780
Tainan Branch	No.189, Chongming Rd., East Dist., Tainan City	(06)3368799	(06)3361287
Chenggong Branch	No.457, Chenggong Rd., West Central Dist., Tainan City	(06)2113999	(06)2112388
Kaohsiung Branch	No.148, Wufu 4th Rd., Yancheng Dist., Kaohsiung City	(07)5518270	(07)5618881
Xiaogang Branch	No.213, Erling Rd., Siaogang Dist., Kaohsiung City	(07)8011161	(07)8018565
Xinxing Branch	No.65, Zhongzheng 4th Rd., Xinxing Dist., Kaohsiung City	(07)2413168	(07)2514088
Qianzhen Branch	No.421, Rueilong Rd., Qianzhen Dist., Kaohsiung City	(07)7513176	(07)7513380
Lingya Branch	No.10, Linsen 2nd Rd., Lingya Dist., Kaohsiung City	(07)3337177	(07)3311363
Yangming Branch	No.178, Jyuemin Rd., Sanmin Dist., Kaohsiung City	(07)3865111	(07)3828199
Kaoxinzhuang Branch	No.485, Xinzhuangzai Rd., Zuoying Dist., Kaohsiung City	(07)3412621	(07)3416142
Luodong Branch	No.119, Gongzheng Rd., Luodong Township, Yilan County	(03)9568866	(03)9557199