

(English Translation of Financial Report Originally Issued In Chinese)

**JIH SUN INTERNATIONAL BANK LTD.
FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
AND
INDEPENDENT AUDITORS' REPORT**

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version of difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

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(English Translation)
JIH SUN INTERNATIONAL BANK LTD.

FINANCIAL STATEMENTS

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(English Translation)
Independent Auditors' Report

The Board of Directors
Jih Sun International Bank Ltd.

We have audited the accompanying balance sheets of Jih Sun International Bank Ltd. as of December 31, 2010 and 2009, 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 generally accepted auditing standards in the Republic of China and under the Rules Governing Auditing and Certification of Financial Statements of Financial Institutions by Certified Public Accountants. We were required to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement under those standards. Our audit work includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The assessments of the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation were also included in our audit. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jih Sun International Bank Ltd. as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, in conformity with the "Regulations Governing the Preparation of Financial Reports by Publicly Held Banks", the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", the related financial accounting standards of the "Business Entity Accounting Act" and of the "Regulation on Business Entity Accounting Handling" and generally accepted accounting principles in the Republic of China.

Jih Sun International Bank Ltd. has prepared consolidated financial statements for the years ended December 31, 2010 and 2009, on which we have expressed an unqualified opinion for reference.

KPMG
February 23, 2011
Taipei, Taiwan, R.O.C.

Note to Readers

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.

(English Translation of Financial Report Originally Issued In Chinese)
JIH SUN INTERNATIONAL BANK LTD.
BALANCE SHEETS
DECEMBER 31, 2010 AND 2009
(Expressed in Thousands of New Taiwan Dollars)

| | December 31, | | Change in % |
|---|-----------------------|--------------------|----------------|
| | 2010 Amount | 2009 Amount | |
| ASSETS : | | | |
| Cash and cash equivalents (Notes 2(D) and 4(A)) | \$ 2,334,484 | 2,955,368 | (21) |
| Due from the Central Bank and call loans to banks-net (Note 4(B)) | 35,460,920 | 40,844,637 | (13) |
| Financial assets measured at fair value through profit or loss – net (Notes 2 (E) (F) and 4(C)) | 23,787,876 | 3,663,226 | 549 |
| Securities purchased under resell agreements (Note 2(G), 4(D) and 5(B)) | 453,095 | - | - |
| Receivables—net (Notes 2(H)(I)(N) and 4(G) (H) and 5(B)) | 5,441,662 | 5,394,366 | 1 |
| Discounts and loans—net (Notes 2(I), 4(H) and 5(B)) | 128,721,950 | 125,873,517 | 2 |
| Available-for-sale financial assets—net (Notes 2(E) and 4(E)) | 2,102,179 | 2,409,684 | (13) |
| Held-to-maturity financial assets—net (Notes 2(E) and 4(F)) | 300,000 | - | - |
| Stock investments measured by equity method— net (Notes 2(I) and 4 (I)) | 47,533 | 29,885 | 59 |
| Other financial assets—net (Notes 2(E) and 4(K)) | 1,163,674 | 1,439,140 | (19) |
| Fixed assets – net (Notes 2(K) and 4(J)) | 4,237,973 | 4,402,647 | (4) |
| Intangible assets (Notes 2(L) and 4(L)) | 281,833 | 588,145 | (52) |
| Other assets—net (Notes 2(M)(N) and 4(K)(U)) | 1,417,853 | 1,647,947 | (14) |
| TOTAL ASSETS | \$ 205,751,032 | 189,248,562 | 9 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Liabilities : | | | |
| Deposits from the Central Bank and other banks (Notes 4(N)) | \$ 6,967,852 | 10,854,230 | (36) |
| Financial liabilities measured at fair value through profit or loss (Notes 2(F) and 4(M)) | 256,778 | 309,363 | (17) |
| Securities sold under repurchase agreements (Notes 2(G), 4(D) and 5(B)) | 384,973 | 157,500 | 144 |
| Payables (Notes 4(O) and 5(B)) | 2,299,169 | 2,386,677 | (4) |
| Deposits and remittances (Notes 4(P) and 5(B)) | 179,727,517 | 157,798,931 | 14 |
| Financial bonds payable (Notes 4(Q)) | 2,500,000 | 6,500,000 | (62) |
| Other financial liabilities | 109,828 | 75,600 | 45 |
| Other liabilities | 248,304 | 181,325 | 37 |
| Total Liabilities | 192,494,421 | 178,263,626 | 8 |
| Stockholders' Equity: | | | |
| Capital stocks(Note 4(S)) | 13,195,572 | 12,045,572 | 10 |
| Retained earnings (accumulated losses) (Note 4(T)(U)) | 49,154 | (968,888) | 105 |
| Unrealized gains (losses) on available-for-sale financial assets | 11,885 | (91,748) | 113 |
| Total stockholders' equity | 13,256,611 | 10,984,936 | 21 |
| Significant Commitments and Contingencies (Note 2 (P) and 7) | | | |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 205,751,032 | 189,248,562 | 9 |

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

(English Translation of Financial Report Originally Issued In Chinese)
JIH SUN INTERNATIONAL BANK LTD.
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(Expressed in Thousands of New Taiwan Dollars, Except for EPS)

| | <u>2010</u> | <u>2009</u> | Change in % | |
|--|---------------------|--------------------|-------------------|-------------------|
| | Amount | Amount | | |
| Revenues : | | | | |
| Interest incomes (Note 5(B)) | \$ 3,461,161 | 3,929,964 | (12) | |
| Less: Interest expenses (Note 5(B)) | 1,183,846 | 2,493,724 | (53) | |
| Net interest income | <u>2,277,315</u> | <u>1,436,240</u> | 59 | |
| Except for net interest income | | | | |
| Net service fee income | 985,363 | 811,069 | 21 | |
| (Loss) Gain on financial assets or liabilities measured at fair value through profit or loss-net (Note 4(C)(M)) | (155,777) | 44,398 | (451) | |
| Realized losses on available-for-sale financial assets | (75,804) | (148,987) | 49 | |
| Income from investment under the equity method (Note 4(I)) | 33,812 | 16,164 | 109 | |
| Net foreign exchange gains | 83,229 | 22,263 | 274 | |
| Reversal gain of impairment loss on assets-net | 159,182 | 15,167 | 950 | |
| Loss on disposal of foreclosed collaterals | (125,932) | (67,855) | (86) | |
| Recovered bad debts | 997,585 | 682,474 | 46 | |
| Others non-interest net income (loss) (Note 4(X) and 5(B)) | 17,217 | (290,340) | 106 | |
| Net Income | <u>4,196,190</u> | <u>2,520,593</u> | 66 | |
| Provision for loan losses (Note 4(H)) | 568,970 | 6,477,178 | (91) | |
| Operating Expenses (Note 5(B) and 10(A)) : | | | | |
| Personnel expenses | 1,361,469 | 1,306,679 | 4 | |
| Depreciation and amortization expenses | 478,196 | 658,747 | (27) | |
| Other operating and administrative expenses | 1,111,791 | 1,117,259 | - | |
| Total operating expenses | <u>2,951,456</u> | <u>3,082,685</u> | (4) | |
| Total Expenses | <u>3,520,426</u> | <u>9,559,863</u> | (63) | |
| Net Income (Loss) Before Tax | 675,764 | (7,039,270) | 110 | |
| Income Tax Benefit (Notes 2 (N) and 4(U)) | (342,278) | (161,334) | (112) | |
| Net Income (Loss) | <u>\$ 1,018,042</u> | <u>(6,877,936)</u> | 115 | |
| | <u>Before</u> | <u>After</u> | <u>Before</u> | <u>After</u> |
| EPS (Expressed in New Taiwan Dollars)(Notes 2 (Q) and 4(V)) | <u>income tax</u> | <u>income tax</u> | <u>income tax</u> | <u>income tax</u> |
| | \$ 0.52 | 0.79 | (9.31) | (9.09) |

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

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JIH SUN INTERNATIONAL BANK LTD.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(Expressed in Thousands of New Taiwan Dollars)

| | Capital Stock | Retained Earnings (Accumulated Losses) | Other adjustments to stockholders' equity Unrealized losses (gains) on available-for-sale financial assets | Total |
|---|----------------------|---|---|-------------------|
| Balance, January 1, 2009 | \$ 15,180,587 | (6,627,463) | (223,572) | 8,329,552 |
| Recover loss from capital | (12,536,511) | 12,536,511 | - | - |
| Increase capital with cash | 9,401,496 | - | - | 9,401,496 |
| Change in unrealized gains on available-for-sale financial assets | - | - | 131,824 | 131,824 |
| Net loss for 2009 | - | (6,877,936) | - | (6,877,936) |
| Balance, December 31, 2009 | 12,045,572 | (968,888) | (91,748) | 10,984,936 |
| Increase capital with cash | 1,150,000 | - | - | 1,150,000 |
| Changes in unrealized gains on available-for-sale financial assets | - | - | 103,633 | 103,633 |
| Net gain for 2010 | - | 1,018,042 | - | 1,018,042 |
| Balance, December 31, 2010 | \$ 13,195,572 | 49,154 | 11,885 | 13,256,611 |

Note: For the year ended December 31, 2010, the employee bonuses, directors' and supervisors' remuneration had been deducted from the statements of income, please refer to Note 4(T).

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

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JIH SUN INTERNATIONAL BANK LTD.
STATEMENTS OF CASH FLOWS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(Expressed in Thousands of New Taiwan Dollars)

| | <u>2010</u> | <u>2009</u> |
|--|---------------------|--------------------|
| Cash flows from operating activities : | | |
| Net income (loss) | \$ 1,018,042 | (6,877,936) |
| Adjustments to reconcile net income to net cash used in operating activities: | | |
| Depreciation | 162,630 | 213,862 |
| Amortization | 315,566 | 444,885 |
| Bad debt expense | 568,970 | 6,477,178 |
| Losses on disposal of foreclosed collaterals | 125,932 | 67,855 |
| Investment income recognized under equity method | (33,812) | (16,164) |
| Cash dividends received from investees accounted for under the equity method | 16,164 | 3,045 |
| Losses on asset retirement | 3,414 | 9,668 |
| Property and equipment transferred to expenses | 66 | 1,560 |
| Gains on disposal of property and equipment | (4,326) | (13) |
| Reversal gains of impairment loss on assets | (159,182) | (15,167) |
| Changes in operating assets and liabilities-net : | | |
| Changes in operating assets-net : | | |
| (Increase) Decrease in financial assets held for trading | (20,124,650) | 1,830,061 |
| Decrease (Increase) in available-for-sale financial assets | 411,138 | (2,119,641) |
| Increase in receivables | (145,046) | (715,092) |
| Changes in operating liabilities-net : | | |
| Decrease in financial liabilities held for trading | (52,585) | (212,397) |
| Decrease in payables | (87,508) | (549,113) |
| Net cash used in operating activities | <u>(17,985,187)</u> | <u>(1,457,409)</u> |
| Cash flows from investing activities : | | |
| Increase in held-to-maturity financial assets | (300,000) | - |
| Acquisition of property and equipment | (38,925) | (35,021) |
| Proceeds from disposal property and equipment | 33,845 | 617 |
| Acquisition of intangible assets | (1,284) | (44,434) |
| Proceeds from disposal foreclosed collaterals | 243,844 | 337,618 |
| Acquisition of foreclosed collaterals | - | (358) |
| Decrease in due from the Central Bank and call loans to banks | 5,383,717 | 20,092,319 |
| (Increase) Decrease in discounts and loans | (3,318,059) | 6,574,232 |
| (Increase) Decrease in securities purchased under resell agreements | (453,095) | 999,103 |
| Decrease in other financial assets | 273,508 | 72,183 |
| Decrease in other assets | 19,864 | 168,379 |
| Net cash provided by investing activities | <u>1,843,415</u> | <u>28,164,638</u> |

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JIH SUN INTERNATIONAL BANK LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(Expressed in Thousands of New Taiwan Dollars)

| | 2010 | 2009 |
|---|---------------------|---------------------|
| Cash flows from financing activities : | | |
| Repayment of financial debentures | \$ (4,000,000) | (500,000) |
| Increase in securities sold under repurchase agreements | 227,473 | 57,500 |
| Increase (Decrease) in other financial liabilities | 34,228 | (6,300) |
| Increase (Decrease) in other liabilities | 66,979 | (111,818) |
| Capital increase by cash | 1,150,000 | 9,401,496 |
| (Decrease) Increase in deposits from the Central Bank and other banks | (3,886,378) | 54,625 |
| Increase (decrease) in deposits and remittances | 21,928,586 | (38,836,002) |
| Net cash provided by (used in) financing activities | 15,520,888 | (29,940,499) |
| Net decrease in cash and cash equivalents | (620,884) | (3,233,270) |
| Cash and cash equivalents, Beginning of the year | 2,955,368 | 6,188,638 |
| Cash and cash equivalents, End of the year | \$ 2,334,484 | 2,955,368 |
| Supplemental disclosures of cash flow information : | | |
| Interest paid during the year | \$ 1,251,239 | 3,164,930 |
| Income taxes paid during the year | \$ 53,354 | 42,631 |

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

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JIH SUN INTERNATIONAL BANK LTD.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 AND 2009

(All amounts expressed in thousands of New Taiwan dollars, unless otherwise indicated)

1. OVERVIEW

Jih Sun International Bank Ltd. was founded and commenced its organization on June 25, 1990, originally as “Baodao Commercial Bank Ltd.” On August 10, 1991, by the Ministry of Finance Tai-Cai- Rong No. 801625754, the Company was authorized to operate as a commercial bank. As of February 1, 1992, its paid-in capital amounted to \$10,000,000 and its establishment of the Bank was approved on March 26, 1992. The operation of the Bank commenced on April 9, 1992. As of December 31, 2010, its outstanding capital stock amounted to \$13,195,572.

The main operations of the Bank include managing customers’ deposits, extending loans, acting as collection agent, and investing in government bond, stocks, short-term bills, securities, financial debentures, and other businesses approved by the competent authority of the Central Government. The trust business includes domestic and overseas fund purchases and sales entrusted by customers, employee investments and trust, etc.

On May 16, 2001, the shareholders of the Bank resolved during their meeting and changed its name to Jih Sun International Bank, Ltd., in order to expand business and promote the Bank’s image. Furthermore, in order to fully utilize the economic scale and operating synergies, the shareholders also resolved during their special meeting on December 14, 2001, to establish Jih Sun Financial Holding Co., Ltd. via a stock swap plan with Jih Sun Securities Co., Ltd. The conversion date of record was February 5, 2002.

The Bank's parent company and ultimate parent company are Jih Sun Financial Holding Co., Ltd. As of December 31, 2010 and 2009, the Bank had approximate 1,529 and 1,491 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Bank’s financial statements were prepared in accordance with the Rules Governing the Preparation of Financial Reports by Publicly Held Banks, the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Business Entity Accounting Act, the Regulation on Business Entity Accounting Handling and accounting principles generally accepted in the Republic of China.

The significant accounting policies were summarized as follows:

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JIH SUN INTERNATIONAL BANK LTD.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

(A) Accounting Estimation

In conformity with aforementioned guidelines, while the Bank prepares financial statement which in relation to bad debt allowance, depreciation of property and equipment, pension, asset impairment and guarantee reserve, etc., it has to use the reasonable estimated amount. The actual results may be differed from management's estimation because of the estimation was based on the uncertain situation.

(B) Assets Impairment

In accordance with SFAS No. 35, unless inapplicable, the recoverable amount (individual assets or cash generating units other than goodwill) of an asset is estimated and compared with the carrying amount whenever there is an indication that the asset may be impaired. An impairment loss is recognized when the recoverable amount is less than the carrying amount. For assets other than goodwill, reversal of impairment loss is recognized when the recoverable amount of the asset has increased from its prior-period estimation. The book 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.

(C) Foreign Currency Transactions

The non-derivative foreign currency transactions of the Bank are recorded at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling on the balance sheet date. Any resulting exchange differences are included in the income statement. Non-monetary assets and liabilities are measured in terms of historical cost in a foreign currency are translated into the functional currency using the rate of exchange at the date of the initial transaction. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency using the rate of exchange ruling at the balance sheet date. Any exchange differences resulting from fair value variation through profit and loss are included in the income statement, and exchange differences resulting from fair value variation through equity are accounted for under equity adjustments.

(D) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, checks for clearing, petty cash and due from other banks.

(E) Financial Instruments

Financial instruments held by the Bank are recorded on trading date. The financial instruments are initially recognized at fair value plus transaction costs, except for financial instruments held for trading purpose, which are initially recognized at fair value.

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JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Subsequent to their initial recognition, the financial instruments held or issued by the Bank are classified according to the purpose of holding or issuing as follows:

a. Financial assets carried at fair value through profit or loss:

Financial assets held for trading and financial assets designated as at fair value through profit or loss. Financial assets are classified as held for trading if they have been acquired principally for the purpose of selling or repurchasing in the near term. The derivative financial instruments held by the Bank, except for those designated as hedging instruments, are classified under this account. The financial assets such as the hybrid instrument which the main contract and embedded derivative should be separately identify but failed to separately revalue at acquiring date or at each balance sheet date, should be classified under this account.

b. Available-for-sale financial assets:

At each balance sheet date the fair value is remeasured and the resulting gain or loss from such remeasurement is recognized directly in equity. If there is objective evidence that an available-for-sale financial asset is impaired, the carrying amount of the asset is reduced and impairment loss is recognized. If in a subsequent period, the amount of the impairment loss decreases as available-for-sale shall not be reversed through profit or loss. A gain or loss on available-for-sale financial assets is recognized directly in equity until the financial assets are derecognized, at which time the cumulative gain or loss previously recognized in equity is charged to profit and loss.

c. Held-to-maturity financial assets:

The amortized cost, if there is objective evidence that a held-to-maturity financial asset is impaired, the carrying amount of the asset is reduced and impairment loss is recognized. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previous recognized impairment loss is reversed through the profit and loss. 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.

d. Financial assets carried at cost:

Equity instruments with no quoted market price and whose fair value cannot be reliably measured are stated at cost. If there is objective evidence that financial assets carried at cost is impaired, the carrying amount of the assets is reduced and impairment loss is recognized. However, the impairment losses may not be reversed subsequently.

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JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(F) Derivative Financial Instruments

a. Forwards

Foreign-denominated assets and liabilities of forwards are translated using exchange rates on the date of contract settlement. Gain or loss, due to exchange rate discrepancies at maturity, is accounted as earning or loss during the period. On the balance sheet date, unsettled positions are adjusted by the forward exchange rate of the remaining period of contracts, with differences caused thereby reflected as current exchange gains or losses.

Account receivables and payables arising from forward contracts, as shown above, are offset on the balance sheet date, with the difference reflected as assets or liabilities.

b. Non-delivery forward (NDF) contracts

Because there is no physical transfer of principal in non-delivery forward transactions, only memo entries of notional principals are made on the contract date. On the date of settlement, gains and losses from discrepancies between the spot and contract rates are accounted as gains or losses during the period. Unsettled positions on the balance sheet date are adjusted by the forward rates for the remaining contract period, with differences reflected as current exchange gains or losses.

c. Foreign currency swaps

Memo entries of notional principals are made on the contract date for foreign currency swaps. On the balance sheet date, account receivables and payables arising from forward contracts are offset on the balance sheet date, with the difference reflected as assets or liabilities. Prior to the contract maturity, the unrealized trading gain or loss is recognized as the discrepancy between the spot and the contract rate; on the contract settlement date, the realized trading gain or loss is recognized as the discrepancy between the spot and the contract rate.

d. Option

Only memo entries of notional principals are made on the contract date for options. Premium payment or collection, while buying or selling, is recognized as the account of call or put option. On the balance sheet date, the evaluation gain or loss is recognized as gain or loss arising from the difference of the market price. Gain or loss resulting from the exercise of options is recognized currently as transaction gain or loss.

e. Future

Only memo entries of notional principals are made on the contract date for futures. Premium is reflected as guarantee deposits paid or guarantee deposits received when paid or collected. On the balance sheet date, the evaluation gain or loss is recognized as gain or loss arising from the discrepancy between contract and market price. Gain or loss resulting from the exercise of options is recognized currently as transaction gain or loss.

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NOTES TO FINANCIAL STATEMENTS (CONT'D)

f. Interest rate swaps

As no principal amounts are exchanged for interest swaps upon settlement, the transactions are recorded in the memo account on the contract dates. For interest rate swap contracts used for trading purposes, the transaction gain or loss is recognized as the discrepancy between the present value of the future interest income and the current market price.

(G) Investment in Securities Purchased Under Resell Agreements and Liabilities for Securities Sold Under Repurchase Agreements

Securities purchased with a commitment to resell them at predetermined price are treated as financing transactions because the company has retained substantially all such risks and rewards during the transaction period. The difference between the purchase price and resell price is treated as interest revenue and recognized over the term of the agreement. On purchasing date, these agreements are recognized as the securities purchased under resell agreement.

Securities sold with a commitment to repurchase them at predetermined price are treated as financing transactions. The difference between the selling price and repurchase price is treated as interest expense and recognized over the term of the agreement. On selling date, these agreements are recognized as the securities sold under repurchase agreement.

(H) Accounts Receivable of Credit Card Transactions

Consumer loans to credit card holders are recognized by the amounts submitted from the shops, excluding unearned revenue. Interest income thereon is recognized on an accrual basis using the interest method.

(I) Allowance for Credit Losses - Provision and Written off

Adequate allowance for credit losses is provided by assessing the balance, at the end of the accounting period of loans, accounts receivable and non-accrual accounts according to the default risk of specific claims and the inherent risk of overall claims.

The Bank follows its internal rule of credit rating towards the individual liability or analysis of the each account, to evaluate the default risk of claims which after the consideration of the value of collaterals. Moreover, the Bank, in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrued Loans" issued by MOF, evaluates the non-credit extension of assets that depends on its characteristics. The Bank, in compliance with generally accepted accounting principles in the Republic of China, evaluates the possible default risk of claims base on the moderate principal and the holds adequacy loss reserve. The Bank classifies its normal credit assets in relation to the assets on and off balance sheet as "Category One." The remaining unsound credit assets shall be classified as "Category Two"- assets require special mention which based on the status of the loan collaterals and the length of time overdue. Assets that are substandard shall be classified as "Category Three," assets that are doubtful shall be classified as "Category Four," and assets for which there is loss shall be classified as "Category Five."

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NOTES TO FINANCIAL STATEMENTS (CONT'D)

The Bank evaluates credit assets on and off balance sheet in accordance with aforementioned regulation, and shall allocate sufficient loan loss provision and reserves against liability or guarantees, and also recorded under “credit loss expenses”. The minimum standard for loan loss provision shall be the sum of 2% of the balance of Category Two credit assets, 10% of the balance of Category Three credit assets, 50% of the balance of Category Four credit assets, and the full balance of Category Five credit assets. Allowance for guarantee reserve is provided for estimated credit losses on period-ended balances of guarantee items and receivables for commercial acceptances and also recorded under “credit loss expenses”.

Any non-performing loans or non-accrual loans, after subtracting the estimated recoverable portion that has one of the following characteristics shall be written off:

- a. The loan cannot be recovered in full or in part because the debtors have dissolved, gone into hiding, reached a settlement, declared bankruptcy, or for other reasons.
- b. The collateral and property of the primary/subordinate debtors have been appraised at a very low value or become insufficient to repay the loan after the subtraction of senior mortgages; or the execution cost approaches or possibly exceeds the amount that the bank might collect [from the debtor(s)] where there is no financial benefit in execution.
- c. The primary/subordinate debtor's collateral has failed to sell at successive auctions where the price of such collateral has been successively lowered, and there is no financial benefit to be derived from the bank’s taking possession of such collateral.
- d. More than two years have elapsed since the maturity date of the non-performing loans or non-accrual loans, and the efforts of collection have failed.

Any non-performing loans or non-accrual loans which were over due more than six months but less than two years, subtracting the estimated recoverable portion, could be written off after the efforts of collection have failed.

(J) Investments Under The Equity Method

Investee in which the Bank and its subsidiaries directly or indirectly, hold more than 20% of the outstanding stock with voting right, or hold less than 20% of outstanding stock with voting right but has significant influence over the investment are accounted for under the equity method.

Upon disposition, gain or loss on disposal of long-term equity investment is calculated based on the difference between selling price and book value. The remaining capital surplus arising from long-term equity investment is adjusted to profit or loss proportionate to sales proceeds.

(K) Fixed Assets, and Depreciation

Fixed Assets are stated at acquirable cost. Major additions, improvements, and replacements are capitalized, while maintenance and repairs are expensed currently.

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Depreciation is computed using the straight-line method over the durable life; improvement of the leasehold, in accordance with its duration of the rental agreement or use of the estimated shorter useful life, is computed using the average method of amortization. Fixed Assets still in use after their original estimated useful lives may be depreciated over their estimated remaining useful lives based on their residual value. Useful lives of major premises and equipment are as follows: buildings, 5 to 60 years; transportation and equipment, 5 years; other equipments, 3 to 5 years; leasehold improvements, 5 years.

Gain or loss on disposal of Fixed Assets is recognized as the other non-interest net income or loss.

(L) Intangible Assets

a. Computer software and operation right

The operation right of the Bank was resulted from the solely acquisition of the assets, liabilities and the operational value of the operational rights of branches from the trust department of Taiwan Land Development Corporation.

Effective from January 1, 2007, the Company adopted Statement of Financial Accounting Standards No. 37 (SFAS No. 37) "Intangible Assets". In accordance with SFAS No. 37, the intangible asset shall be measured initially at cost. Subsequently, an intangible asset shall be measured at its cost plus revaluation increment revalued in accordance with the laws, less any accumulated amortization and any accumulated impairment losses.

After the assessments, all intangible assets of the Bank have limited useful life. The amortization of the intangible assets was recognized as an expense on a straight-line basis over the estimated useful life of the assets; moreover, while the estimated useful life of the asset has impaired, the impairment test shall be undertaken.

The estimated useful life for the several intangible assets is as follows:

(a) Computer Software 5 years

(b) Operation Right 5 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least at each financial year-end. These changes shall be recognized as changes in accounting estimates.

b. Goodwill

The goodwill arises from merger or fair market value of net assets, the goodwill can be recognized when the purchase price is greater than fair market value of net assets. The goodwill arise from merger does not need to be amortized. However, impairment losses are recognized while the recoverable amount is less than the carrying amount. Impairment losses cannot be reversed once an impairment loss has been recognized.

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(M) Valuation Method of Foreclosed Collaterals

Foreclosed collaterals are stated at estimated net fair market value, and the difference between it and the nominal value of the original claim is reflected as bad debt loss. On the balance sheet date, if the foreclosed collaterals are still unsold, the net fair market value shall be reassessed, and the difference after reassessment is accounted for under impairment loss on assets if there is sufficient evidence indicating that the net fair market value is lower than the book value of foreclosed collaterals.

(N) Income Tax

The Bank adopts SFAS No. 22 "Income Taxes" for the purposes of making inter- and intra-period income tax allocation, to calculate its income tax. In accordance with SFAS NO.22 the discrepancy between the book value and tax basis of the asset and liability is recognized as deferred tax in relation to the appropriate tax rate of the expected reversal year. Moreover, the income tax effects from taxable temporary differences are recognized as deferred tax liabilities, while deductible temporary differences, prior-years' loss carry forward benefits, investment tax credits, and income tax credits are recognized as deferred tax assets but subject to management's judgment as to whether the realization is more likely than not.

The 10% surtax on undistributed earnings is recorded as current expense on the date of the annual stockholders' meeting held by the board of directors on behalf of shareholders for declaring the distribution of earnings.

For the year ended December 31, 2003, the Bank files a consolidated corporate income tax return with its parent company and Jih Sun Securities Co., Ltd. and Jih Sun International Insurance Agency Co., Ltd. In accordance with Interpretation (92) No.240 issued by the Accounting Research and Development Foundation on October 3, 2003, the Bank adopted a reasonable and systematic way of amortization to recognize a payable or receivable in relation to estimate the amount of income tax.

(O) Retirement Plan

The Bank has a defined benefit and contributory retirement plan for its employees. Under this plan, contribution is made annually to an independent pension fund at rates ranging from 4% to 8.5% of the employees monthly salary. In addition, the pension fund is independently managed by a Pension Fund Administration Committee.

The Bank contributes monthly no less than 2% of gross salary to the employee pension fund which is deposited into a designated depository account with the Bank of Taiwan (previously known as Central Trust of China). Pension funds will be offered to employees in accordance to number of year served in the company with two units per years. Those who work for longer than 15 years will be offered one unit a year. The highest they could receive would be 45 units. The units of less than 6 months will be counted as half year, those units which are longer than six months will be counted as one year.

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Effective from May 1, 1997, the Bank is covered by the Labor Standards Law and as such, its pension fund contribution conforms to the Labor Standards Law. The Labor Pension Act of R.O.C. (“the Act”), effective from July 1, 2005, adopts a defined contribution pension plan. In accordance with the Act, employees of the Bank (who were hired before July 1, 2005) may elect to be subject to either the Act and maintain their seniority before the enforcement of the Act, or the pension mechanism of the Labor Standards Law. Employees who are hired by the Bank after July 1, 2005, are required to be covered by the pension plan as defined by the Act. For employees subject to this Act, the Bank is required to make monthly cash contributions to the employees’ individual pension accounts at the rate of not less than 6% of the employees’ monthly wages and deposit the contribution in a personal retirement benefit account.

Net pension cost recognized in accordance with SFAS No. 18 includes the current service cost, interest cost, expected return on plan assets, gain or loss from curtailment or settlement, unrecognized net transition asset, and amortization of gain or loss on pension fund. Unrecognized net transition asset is amortized on straight-line basis over the expected average remaining service period, and gain or loss on pension fund is amortized on the average remaining service period.

(P) Commitments and Contingent Liabilities

If the losses from commitments and contingencies are deemed probable and the amount can be estimated reasonably, such amount of losses are recorded in the current period; otherwise, only the nature of commitments and contingencies are disclosed in the notes to financial statements.

(Q) Earnings Per Share (EPS)

EPS is calculated as dividing the net income (minus preferred stock dividends), by the weighted-average shares outstanding during the period. In the case of capital increase through capitalization of retained earnings and capital surplus, EPS is retrospectively adjusted. When the capital decreased against deficit losses, EPS also is retrospectively adjusted.

(R) Employee Bonuses, Directors’ and Supervisors’ Remuneration

Commencing from January 1, 2008, the Bank estimates the amount of employee bonuses and directors’ and supervisors’ remuneration according to Interpretation (96) No. 052 issued by the Accounting Research and Development Foundation and recognizes it as operating expenses. If later the actual allocation amount pursuant to a resolution of the Bank’s board of directors on behalf of shareholders is different from the estimated amount recognized in the financial statements, the difference is accounted for as changes in accounting estimates and recognized as profit or loss of the current period.

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3. REASONS FOR AND EFFECT OF ACCOUNTING CHANGES: None

4. SUMMARY OF MAJOR ACCOUNTS

(A) CASH AND CASH EQUIVALENTS

| | <u>December 31, 2010</u> | <u>December 31, 2009</u> |
|----------------------------|--------------------------|--------------------------|
| Cash on hand | \$ 1,020,886 | 993,418 |
| Petty cash | 2,570 | 2,545 |
| Checks for clearing | 296,771 | 227,370 |
| Foreign currencies on hand | 172,664 | 185,107 |
| Due from other banks | 841,593 | 1,546,928 |
| Total | <u>\$ 2,334,484</u> | <u>2,955,368</u> |

Checks for clearing consisted of checks deposited in the Bank after the checks clearing cut-off time.

(B) DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS - NET

| | <u>December 31, 2010</u> | <u>December 31, 2009</u> |
|---|--------------------------|--------------------------|
| Due from the Central Bank - general account | \$ 2,448,253 | 2,466,828 |
| Due from the Central Bank - deposit reserve | 4,802,878 | 4,141,643 |
| Financial center | 308,098 | 314,256 |
| Central Bank time deposits | 26,400,000 | 28,970,000 |
| Call loans to banks | 1,501,691 | 4,951,910 |
| Total | <u>\$ 35,460,920</u> | <u>40,844,637</u> |

Deposit reserve relates to reserve funds deposited in a designated account with the Central Bank, in accordance with the Banking Law, Article No. 42, "Adjustment and Examination of Bank Deposit Reserve."

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(C) FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS-NET

As of December 31, 2010 and 2009, the financial assets held for trading of the Bank were as follows:

| | <u>December 31, 2010</u> | <u>December 31, 2009</u> |
|-------------------------------------|--------------------------|--------------------------|
| Financial assets held for trading : | | |
| Government bonds | \$ 17,984,409 | 1,966,646 |
| Corporate bonds | 4,611,283 | 851,222 |
| Convertible Corporate bonds | 45,129 | 95,663 |
| Overseas bonds | 448,369 | 161,342 |
| Listed and O.T.C. stock | 80,675 | 125,909 |
| Beneficiary certificates | 342,967 | 99,590 |
| Derivatives financial instruments | 253,581 | 338,444 |
| Future guarantee deposits | 21,373 | 24,410 |
| Total | <u>\$ 23,787,876</u> | <u>3,663,226</u> |

There is no financial asset designated on initial recognition as one to be measured at fair value through profit or loss.

Please refer to Notes 6 for information with regard to the restricted financial assets held for trading shown above. Net realized gain (loss) on the financial assets held for trading of the Bank amounted to \$28,747 and \$(67,597), and net unrealized loss amounted to \$285,732 and \$155,687 in 2010 and 2009, respectively.

(D) SECURITIES PURCHASED/ SOLD UNDER RESELL/REPURCHASE AGREEMENTS

As of December 31, 2010 and 2009, the securities purchased/sold under resell/ repurchase agreements were as follows:

| | <u>December 31, 2010</u> | | |
|--|--------------------------|---|--|
| | <u>Amount</u> | <u>Due to resell/ repurchase term</u> | <u>Due to interest rate interval %</u> |
| Securities purchased under resell agreements | 453,095 | 2011/1/3 | 0.47-0.48 |
| Securities sold under repurchase agreements | (384,973) | 2011/1/4-2011/1/11 | 0.52-0.55 |

| | <u>December 31, 2009</u> | | |
|---|--------------------------|-------------------------------|--|
| | <u>Amount</u> | <u>Due to repurchase term</u> | <u>Due to interest rate interval %</u> |
| Securities sold under repurchase agreements | (157,500) | 2010/1/4 | 0.12-0.20 |

The trading objective of the securities under resell and repurchase agreements shown above, were the central government bonds and MBS.

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(E) AVAILABLE-FOR-SALE FINANCIAL ASSETS- NET

| | <u>December 31, 2010</u> | <u>December 31, 2009</u> |
|-------------------------|--------------------------|--------------------------|
| Government bonds | \$ 1,394,695 | 1,662,583 |
| Corporate bonds | 703,314 | 696,246 |
| Listed and O.T.C. stock | 4,170 | 50,855 |
| Total | <u>\$ 2,102,179</u> | <u>2,409,684</u> |

(F) HELD-TO-MATURITY FINANCIAL ASSETS – NET

| | <u>December 31, 2010</u> | <u>December 31, 2009</u> |
|-----------------|--------------------------|--------------------------|
| Corporate bonds | <u>\$ 300,000</u> | <u>-</u> |

(G) RECEIVABLES-NET

| | <u>December 31, 2010</u> | <u>December 31, 2009</u> |
|---|--------------------------|--------------------------|
| Accounts receivable for credit cards | \$ 1,425,323 | 1,876,675 |
| Notes receivable | 6,000 | 18,000 |
| Accounts receivable | 199,334 | 262,024 |
| Interest receivable | 436,673 | 260,302 |
| Acceptance receivable | 242,075 | 249,244 |
| Factoring receivables - without recourse | 878,954 | 198,420 |
| Other receivables - financial holdings | 1,430,028 | 1,036,958 |
| Other receivables | 245,206 | 125,739 |
| Receivable from long term government bonds | 200,000 | 200,000 |
| Receivable from government bonds held for trading | 96,273 | 889,744 |
| Receivable from pre-issuing trading bonds | 200,000 | 400,000 |
| Receivable from foreign currency marketable securities | 187,717 | - |
| Subtotal | <u>5,547,583</u> | <u>5,517,106</u> |
| Less: Allowance for bad debts | (105,921) | (122,740) |
| Total | <u>\$ 5,441,662</u> | <u>5,394,366</u> |

(H) DISCOUNTS AND LOANS- NET

| | <u>December 31, 2010</u> | <u>December 31, 2009</u> |
|-----------------------------------|--------------------------|--------------------------|
| Loans | \$ 128,187,719 | 124,704,434 |
| Export remittances | 1,689 | 95,177 |
| Non-accrual loans | 1,717,433 | 2,280,957 |
| Subtotal | <u>129,906,841</u> | <u>127,080,568</u> |
| Less: Allowance for credit losses | (1,184,891) | (1,207,051) |
| Total | <u>\$ 128,721,950</u> | <u>125,873,517</u> |

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- a. As of December 31, 2010 and 2009, the Bank's capital adequacy ratios were 9.44% and 8.64%, respectively, and there were no loans written-off without prior recourse.
- b. As of December 31, 2010 and 2009, the balance of bad debt allowance on loans and advances amounted to \$1,295,050 and \$1,334,049, respectively, and the changes in allowance for credit losses were as follows:

| <u>Year Ended December 31, 2010</u> | <u>Beginning Balance</u> | <u>Provision</u> | <u>Settlement</u> | <u>Recovery of bad debt</u> | <u>Amount written off</u> | <u>Reclassification</u> | <u>Adjustment for exchange rate fluctuation</u> | <u>Ending Balance</u> |
|---|--------------------------|------------------|-------------------|-----------------------------|---------------------------|-------------------------|---|-----------------------|
| Allowance for bad debts - account receivables | \$ 118,434 | 97,746 | - | 11,108 | (122,905) | (2,300) | (1,152) | 100,931 |
| Allowance for bad debts - other receivables | 4,306 | 4 | - | - | - | 706 | (26) | 4,990 |
| Allowance for credit losses - bills and discounts | 3,089 | - | - | - | - | (2,900) | (2) | 187 |
| Allowance for credit losses - short-term loans and overdrafts | 2,602 | 387 | (1,861) | - | (387) | 1,300 | (92) | 1,949 |
| Allowance for credit losses - short-term secured loans and overdrafts | 349 | - | - | - | - | - | - | 349 |
| Allowance for credit losses - medium-term loans | 918 | - | (295) | - | - | - | (21) | 602 |
| Allowance for credit losses - medium-term secured loans | 1,301 | - | - | - | - | (500) | - | 801 |
| Allowance for credit losses - long-term loans | 671 | - | - | - | - | - | - | 671 |
| Allowance for credit losses - long-term secured loans | 6,922 | - | - | - | - | - | - | 6,922 |
| Allowance for credit losses - non-accrual loans | 1,191,199 | 470,833 | (1,919) | 21,266 | (511,663) | 3,694 | - | 1,173,410 |
| Allowance for guarantee reserve | 4,258 | - | - | - | - | - | (20) | 4,238 |
| Total | <u>\$ 1,334,049</u> | <u>568,970</u> | <u>(4,075)</u> | <u>32,374</u> | <u>(634,955)</u> | <u>-</u> | <u>(1,313)</u> | <u>1,295,050</u> |

| <u>Year Ended December 31, 2009</u> | <u>Beginning Balance</u> | <u>Provision</u> | <u>Settlement</u> | <u>Amount written off</u> | <u>Reclassification</u> | <u>Adjustment for exchange rate fluctuation</u> | <u>Ending Balance</u> |
|---|--------------------------|------------------|-------------------|---------------------------|-------------------------|---|-----------------------|
| Allowance for bad debts - account receivables | \$ 89,670 | 279,976 | - | (251,212) | - | - | 118,434 |
| Allowance for bad debts - other receivables | 5,331 | 64 | - | (1,075) | - | (14) | 4,306 |
| Allowance for credit losses - bills and discounts | 3,091 | - | - | - | - | (2) | 3,089 |
| Allowance for credit losses - short-term loans and overdrafts | 182,393 | 3,096 | (1,356) | (3,096) | (178,389) | (46) | 2,602 |
| Allowance for credit losses - short-term secured loans and overdrafts | 1,360 | - | - | - | (1,011) | - | 349 |
| Allowance for credit losses - medium-term loans | 263,163 | - | (222) | - | (262,013) | (10) | 918 |
| Allowance for credit losses - medium-term secured loans | 7,022 | - | - | - | (5,721) | - | 1,301 |
| Allowance for credit losses - long-term loans | 16,743 | - | - | - | (16,072) | - | 671 |
| Allowance for credit losses - long-term secured loans | 84,634 | - | - | - | (77,712) | - | 6,922 |
| Allowance for credit losses - non-accrual loans | 1,469,187 | 6,194,042 | - | (7,013,453) | 540,918 | 505 | 1,191,199 |
| Allowance for guarantee reserve | 4,268 | - | - | - | - | (10) | 4,258 |
| Total | <u>\$ 2,126,862</u> | <u>6,477,178</u> | <u>(1,578)</u> | <u>(7,268,836)</u> | <u>-</u> | <u>423</u> | <u>1,334,049</u> |

- c. The Bank had recognized the non-accrual loan as the other loans and credit extensions which had been classified into non-accrual account. Loans which are overdue within six months from the due date should be classified into non-accrual account. The accrual of interest thereon is discontinued for internal purposes, whereas continues for external purposes. In addition, the interest accrual should be noted in each sub-account or through a memo entry. The accrued interest on overdue loans prior to reclassification into the "non-accrual loan" account should be combined with the principal and transferred into the "non-accrual loan" account. As of December 31, 2010 and 2009, the Bank's loans and advances without accruing interest amounted to \$1,695,966 and \$2,251,374, respectively.

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- d. For the years ended December 31, 2010 and 2009, the overdue interest and principal without accruing interest for loans and advances amounted to \$41,331 and \$88,279, respectively.

(I) STOCK INVESTMENTS MEASURED BY EQUITY METHOD- NET

| Name of invested company | December 31, 2010 | | December 31, 2009 | |
|------------------------------------|-------------------------|------------|-------------------------|------------|
| | Percentage of Ownership | Book value | Percentage of Ownership | Book value |
| Jih Sun Insurance Agency Co., Ltd. | 99.00 | \$47,533 | 99.00 | 29,885 |

Investment income recognized under the equity method for the years ended December 31, 2010 and 2009 were as follows:

| | 2010 | 2009 |
|------------------------------------|-----------|--------|
| Jih Sun Insurance Agency Co., Ltd. | \$ 33,812 | 16,164 |

(J) FIXED ASSETS-NET

| December 31, 2010 | Cost | Accumulated Depreciation | Net |
|--------------------------|--------------|--------------------------|-----------|
| Land | \$ 2,461,528 | - | 2,461,528 |
| Buildings | 2,327,944 | 767,108 | 1,560,836 |
| Transportation equipment | 4,379 | 4,194 | 185 |
| Other equipment | 1,064,403 | 965,127 | 99,276 |
| Leasehold improvements | 282,139 | 207,795 | 74,344 |
| Construction in progress | 9,102 | - | 9,102 |
| Prepayment for equipment | 32,702 | - | 32,702 |
| Total | \$ 6,182,197 | 1,944,224 | 4,237,973 |

| December 31, 2009 | Cost | Accumulated Depreciation | Net |
|--------------------------|--------------|--------------------------|-----------|
| Land | \$ 2,476,201 | - | 2,476,201 |
| Buildings | 2,349,780 | 712,407 | 1,637,373 |
| Transportation equipment | 4,468 | 4,209 | 259 |
| Other equipment | 1,084,322 | 934,859 | 149,463 |
| Leasehold improvements | 331,170 | 228,194 | 102,976 |
| Prepayment for equipment | 36,375 | - | 36,375 |
| Total | \$ 6,282,316 | 1,879,669 | 4,402,647 |

The property and equipments listed above were not pledged as collateral.

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(K) OTHER FINANCIAL ASSETS AND OTHER ASSETS- NET

| | <u>December 31, 2010</u> | <u>December 31, 2009</u> |
|---|--------------------------|--------------------------|
| Other Financial Assets- Net: | | |
| Financial assets carried at cost - net | \$ 491,260 | 612,475 |
| Short-term advances | 499,011 | 604,357 |
| Refundable deposits | 173,403 | 187,308 |
| Time deposit pledged | - | 35,000 |
| Total | <u>\$ 1,163,674</u> | <u>1,439,140</u> |
| Other Assets-Net: | | |
| Deferred income tax assets | \$ 4,453,748 | 5,828,720 |
| Less: Allowance for deferred income tax assets | <u>(4,453,748)</u> | <u>(5,828,720)</u> |
| Sub-total | - | - |
| Foreclosed collaterals | 1,268,464 | 1,638,240 |
| Less: Accumulated impairment loss - foreclosed collaterals | <u>(153,235)</u> | <u>(312,781)</u> |
| Foreclosed collaterals - net | <u>1,115,229</u> | <u>1,325,459</u> |
| Prepayments | 298,024 | 317,888 |
| Others | 4,600 | 4,600 |
| Total | <u>\$ 1,417,853</u> | <u>1,647,947</u> |

(L) INTANGIBLE ASSETS

For the years ended December 31, 2010 and 2009, the details of the intangible asset of original cost, accumulated amortization and retirement amounts are presented below:

| <u>Original cost and retirement</u> | <u>Goodwill</u> | <u>Operation right</u> | <u>Computer software</u> | <u>Total</u> |
|-------------------------------------|------------------|------------------------|--------------------------|------------------|
| Beginning balance-2009/1/1 | \$ 37,616 | 1,522,342 | 710,780 | 2,270,738 |
| Purchase | - | - | 117,886 | 117,886 |
| Retirement | - | - | (39,416) | (39,416) |
| Ending balance-2009/12/31 | <u>\$ 37,616</u> | <u>1,522,342</u> | <u>789,250</u> | <u>2,349,208</u> |
| Beginning balance-2010/1/1 | \$ 37,616 | 1,522,342 | 789,250 | 2,349,208 |
| Purchase | - | - | 9,254 | 9,254 |
| Retirement | - | - | (47,979) | (47,979) |
| Ending balance-2010/12/31 | <u>\$ 37,616</u> | <u>1,522,342</u> | <u>750,525</u> | <u>2,310,483</u> |

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| Amortization and Retirement | Goodwill | Operation right | Computer software | Total | |
|------------------------------------|-------------------|------------------------|--------------------------|--------------------------|--------------|
| Beginning balance-2009/1/1 | \$ (4,702) | (999,012) | (351,784) | (1,355,498) | |
| Amortization | - | (330,524) | (114,361) | (444,885) | |
| Retirement loss | - | - | 39,320 | 39,320 | |
| Ending balance-2009/12/31 | <u>\$ (4,702)</u> | <u>(1,329,536)</u> | <u>(426,825)</u> | <u>(1,761,063)</u> | |
| Beginning balance-2010/1/1 | \$ (4,702) | (1,329,536) | (426,825) | (1,761,063) | |
| Amortization | - | (192,806) | (122,760) | (315,566) | |
| Retirement loss | - | - | 47,979 | 47,979 | |
| Ending balance-2010/12/31 | <u>\$ (4,702)</u> | <u>(1,522,342)</u> | <u>(501,606)</u> | <u>(2,028,650)</u> | |
| | Book Value | Goodwill | Operation right | Computer software | Total |
| Beginning balance-2009/1/1 | \$ 32,914 | 523,330 | 358,996 | 915,240 | |
| Ending balance-2009/12/31 | <u>\$ 32,914</u> | <u>192,806</u> | <u>362,425</u> | <u>588,145</u> | |
| Beginning balance-2010/1/1 | \$ 32,914 | 192,806 | 362,425 | 588,145 | |
| Ending balance-2010/12/31 | <u>\$ 32,914</u> | <u>-</u> | <u>248,919</u> | <u>281,833</u> | |

For the years ended December 31, 2010 and 2009, intangible assets are amortized and accounted for under operating expenses amounting to \$315,566 and 444,885, respectively.

In the year 2002 the Bank merged with XinYing credit co-operative in Tainan County for the purchase price over the fair value of its identifiable net asset amounted to \$94,039. The goodwill was originally amortized over 60 months; however, after the 39th month of amortization, the goodwill is no longer amortized in accordance with Statement of Financial Accounting Standards (SFAS) No. 37, Section 92. The Bank implements goodwill impairment test annually.

For the year ended December 31, 2009, the computer software retirement of \$96 was accounted as the other non-interest loss.

(M) FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

| | <u>December 31, 2010</u> | <u>December 31, 2009</u> |
|----------------------------------|--------------------------|--------------------------|
| Derivative financial liabilities | <u>\$ 256,778</u> | <u>309,363</u> |

For the years ended December 31, 2010 and 2009, the net realized gains on financial liabilities held for trading amounted to \$47,461 and \$61,971, and the net unrealized gain amounted to \$53,747 and \$205,711, respectively.

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(N) DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS

| | <u>December 31, 2010</u> | <u>December 31, 2009</u> |
|---------------------------------|--------------------------|--------------------------|
| Deposits from Central Bank | \$ - | 6,815 |
| Deposits from other banks | 2,927,473 | 2,062,294 |
| Loan financing from other banks | - | 26,010 |
| Call loans from other banks | 525,000 | 320,300 |
| Post Office transfer deposits | 3,515,379 | 8,438,811 |
| Total | <u>\$ 6,967,852</u> | <u>10,854,230</u> |

(O) PAYABLES

| | <u>December 31, 2010</u> | <u>December 31, 2009</u> |
|--|--------------------------|--------------------------|
| Accounts payable | \$ 163,876 | 146,336 |
| Accrued expenses | 414,032 | 293,056 |
| Interest payable | 277,871 | 345,264 |
| Acceptances payable | 242,075 | 249,244 |
| Factoring payable | 10,796 | 25,048 |
| Collection payable | 33,246 | 35,186 |
| Notes payable for clearing payable | 296,771 | 227,370 |
| Payable from purchase of foreign currency marketable securities | 37,589 | - |
| Purchase trade government bond payable | 48,122 | 52,638 |
| Trading bonds payable - before issuance | 200,000 | 200,000 |
| Purchase of long term government bonds payables | 200,000 | 400,000 |
| Provision of structured notes compensation | 81,376 | 100,517 |
| Other payables | 293,415 | 312,018 |
| Total | <u>\$ 2,299,169</u> | <u>2,386,677</u> |

Pursuant to the Banking Union's result of appraisal of the controversies and the situation of individual case for the structured notes, the Bank estimated the provision of structured notes compensation was caused from agency for structured notes which issued by international corporations and had controversies. As of December 31, 2010 and 2009, the Bank accrued the provision of \$81,376 and 100,517, respectively, under the structured notes compensation.

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NOTES TO FINANCIAL STATEMENTS (CONT'D)

(P) DEPOSITS AND REMITTANCES

| | <u>December 31, 2010</u> | <u>December 31, 2009</u> |
|-------------------|--------------------------|--------------------------|
| Checking deposits | \$ 687,238 | 828,587 |
| Bank checks | 49,244 | 71,663 |
| Demand deposits | 19,598,718 | 18,459,766 |
| Time deposits | 54,911,918 | 32,373,131 |
| Savings deposits | 104,480,399 | 106,065,784 |
| Total | <u>\$ 179,727,517</u> | <u>157,798,931</u> |

As of December 31, 2010 and 2009, negotiable certificates of time deposits amounted to \$4,373,600 and \$201,300, respectively.

(Q) FINANCIAL NOTES PAYABLE

| | <u>December 31, 2010</u> | <u>December 31, 2009</u> |
|--------------------------------|--------------------------|--------------------------|
| Financial notes payable | \$ 2,500,000 | 6,500,000 |
| Less: Amortization of discount | - | - |
| Net | <u>\$ 2,500,000</u> | <u>6,500,000</u> |

a. On October 25, 2004, according to FSC, the Bank was allowed to issue senior financial debentures for the first period of 2004 which amounted to \$4,000,000. Terms and conditions of the issuance were as follows:

- (a) Issue price: At face value.
- (b) Issue period: From October 25, 2004, to April 25, 2010.
- (c) Interest rate: Fixed rate of 3.95%.
- (d) Interest accrual: Annual interest accrual and payments since the issued date.
- (e) Repayment of principal: Full repayment of principal at maturity.
- (f) Full repayment of principal upon maturity.

b. On July 5, 2005, according to FSC, the Bank was allowed to issue unsecured subordinated financial debentures for the first period of 2005 which amounted to \$2,000,000. Terms and conditions of the issuance were as follows:

- (a) Issue price: At face value.
- (b) Issue period: From July 5, 2005 to July 5, 2012.
- (c) Interest rate: Fixed rate of 2.93%.
- (d) Interest accrual: Annual interest accrual and payments since the issued date.

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- (e) Repayment of principal: Full repayment of principal at maturity.
- c. On April 3, 2007, according to FSC, the Bank was allowed to issue senior financial debentures for the first period of 2007 which amounted to \$1,000,000. Terms and conditions of the issuance were as follows:
- (a) Issue price: At face value.
- (b) Issue period: From April 3, 2007 to April 3, 2014
- (c) Interest rate: Fixed rate of 3.00%.
- (d) Interest accrual: Annual interest accrual and payments since the issued date.
- (e) Repayment of principal: Full repayment of principal at maturity.
- (f) During the third quarter of 2009, the amount of redemption in advance was \$ 500,000.

(R) RETIREMENT PLAN

Pursuant to the Labor Pension Act of the R.O.C, the Bank's contributes cash at the rate of 6% of gross salary of each employee to the Council of Labor Affairs. This contribution is recognized as pension expense for the current period.

During 2010 and 2009, the Bank's pension fund balance changes thereon were as follows:

| | For the years ended December 31, | |
|-------------------------------|---|---------------|
| | 2010 | 2009 |
| Beginning balance | \$ 28,129 | 32,111 |
| Add: Interest | 287 | 299 |
| Less: Current year's payments | (36) | (4,281) |
| Ending balance | \$ 28,380 | 28,129 |

Since May 1, 1997, the Bank had complied with the Labor Standards Law and the related changes in the pension fund within Bank of Taiwan were as follows:

| | For the years ended December 31, | |
|-----------------------------------|---|----------------|
| | 2010 | 2009 |
| Beginning balance | \$ 162,931 | 179,515 |
| Add: Current year's contributions | 8,338 | 9,437 |
| Interest | 2,817 | 1,142 |
| Less: Current year's payments | - | (27,163) |
| Ending balance | \$ 174,086 | 162,931 |

Effective April 15, 2001, the retirement fund account which deposits in the Bank was included in the pension fund assets and expressed on its fair value. As of December 31, 2010 and 2009, the pension fund amounted to \$153,860 and \$152,302, respectively.

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The Bank used to measure and estimate the assumption of projected benefit, the ending balance of the contribution and accrued pension fund liability were as follows:

| | For the years ended December 31, | |
|--|---|------------------|
| | 2010 | 2009 |
| Discount rate | 2.25% | 2.50% |
| Wages adjusted rate | 2.00% | 2.00% |
| Expected rate of return on plan assets | 2.00% | 2.50% |
| | 2010 | 2009 |
| Service cost | \$ 2,133 | 3,279 |
| Interest cost | 3,589 | 3,967 |
| Expected return on plan assets | (6,402) | (8,506) |
| Amortization of recognized net asset loss | (1,278) | (1,456) |
| Curtailment or Settlement | - | 8,625 |
| Net pension (benefit) cost | \$ (1,958) | 5,909 |
| Benefit Obligation | | |
| | 2010 | 2009 |
| Vested benefit obligation | \$ 3,958 | 3,802 |
| Non-vested benefit obligation | 133,955 | 107,750 |
| Accumulated benefit obligation | 137,913 | 111,552 |
| Effect of future salary increase | 57,003 | 48,027 |
| Projected benefit obligation | 194,916 | 159,579 |
| Fair value of pension assets | (327,946) | (315,233) |
| Funded status | (133,030) | (155,654) |
| Unamortized balance of unrecognized net transition asset | 2,556 | 3,833 |
| Unamortized loss on pension fund | (33,386) | (1,744) |
| Prepaid pension cost | \$ (163,860) | (153,565) |

As of December 31, 2010 and 2009, the vested benefit obligation of the Bank's retirement plan amounted to \$4,608 and 4,496, respectively.

Furthermore, according to the new Labor Pension Act of R.O.C, for the years ended December 31, 2010 and 2009, the deposits of labor pension expense amounted to \$52,089 and \$51,677, respectively.

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(S) CAPITAL STOCKS

The Bank's original authorized and paid-in capital stock were both \$10,000,000, and divided into 1,000,000 shares at \$10 par value per share. As of December 31, 2009, after subsequent new stocks issuance of capital increases over the years, the Bank's outstanding capital stock amounted to \$12,045,572 was divided into 1,204,557 shares. On May 22, 2009, during the shareholders' meeting, the Bank had resolved to recover losses from capital decrease amounted to \$12,536,511. Moreover, on May 21, 2009, the board of directors, on behalf of the shareholders, resolved to implement a capital increase through private placement at NT\$10 (dollars) per share by issuing 940,150 new shares. The cases of capital decrease and increase were approved by FSC, the date of the capital decrease was on June 23, 2009, the date of the capital increase was on June 24, 2009, and the Bank had completed the relevant registration process.

On February 26, 2010, the board of directors, on behalf of the shareholders, resolved to implement a capital increase at NT\$10 (dollars) per share by issuing 115,000 new shares amounted to \$1,150,000. The cases of capital increase were approved by FSC, the date of the capital increase was on March 31, 2010, and the Bank had completed the relevant registration process on April 15, 2010.

As of December 31, 2010, the Bank's paid-in capital for common stock was \$13,195,572, and divided into 1,319,557 shares.

(T) EARNINGS DISTRIBUTION

In accordance with the Bank's Articles of Incorporation, its net income after deduction of income tax and offset prior year cumulative losses shall be appropriated as legal reserve at 30%. The remainder, if any, shall be distributed to dividends. Based on the proportion of stock holding, the remaining earning, if any, is appropriated as stockholders' bonuses after the appropriation of director's remuneration and employee bonuses not less than 0.01%. Before the legal reserve balance reaches to total paid-in capital, cash dividends are limited to 15% of total paid-in capital. When the legal reserve balance reaches to total paid-in capital, the above restriction no longer applies. In compliance with Article No. 44 of the Banking Act, the ratio of the Bank's equity capital to its risk-based assets shall not be less than 8%, and distribution of stock dividends shall have first priority. If the annual earning after income tax is greater than NTD \$700,000, and the excess component of 70% shall be distributed as cash dividends.

For the year ended December 31, 2009, the Bank had accumulated losses; hence there was no earnings distribution, and the Bank didn't have to estimate the employee bonuses and the directors' and supervisors' remuneration for the year of 2009. For the year ended December 31, 2010, directors' remuneration and employee bonuses were estimated amounting to \$5,500 and \$369, respectively. However, if later the actual allocation amount pursuant to a resolution of the Bank's board of directors on behalf of shareholders is different from the estimated amount, the difference would be recognized as profit or loss during the next year.

The related information on directors' and supervisor's remuneration and employees' bonuses approved in stockholder's meeting could be found in the Market Observation Post System.

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(U) INCOME TAX

Pursuant to regulations stipulated by Tai-Cai-Shui No. 910458039 dated February 12, 2003, “Principles and regulations of profit-seeking businesses filing joint tax returns in accordance with Article 49 of the Financial Holding Company Law and Article 40 of Enterprise Merger Law”, while a financial holding company holds more than 90% of issued shares of a domestic subsidiary and holds for 12 months during a tax year. The company has to behalf of financial holding company as the obligatory tax payer and jointly filed income tax returns.

By adopting the principal of amortization of consolidated income tax, the joint filing of the tax returns of the Bank, Jih Sun Financial Holding Co., Ltd and its affiliate Jih Sun Securities Co., Ltd., Jih Sun International Insurance Agency Co., Ltd resulted in a lowered tax burden and brought tax saving efficiency. Moreover, the management efficiency was enhanced because of the individual company’s tax burden was fairly distributed.

According to the amendment of the Income Tax Act on May 27, 2009, the highest income tax rate has been changed from 25% to 20% since 2010. According to the Income Tax Act amended on June 15, 2010, the highest income tax rate has been changed from 20% to 17% since 2010. Hence, the statutory income tax rate for 2010 and 2009 were 17% and 25%, respectively and the Company calculated the basic tax amount in accordance with the Income Basic Tax Act.

| | <u>2010</u> | <u>2009</u> |
|--|---------------------|------------------|
| Current income tax expense | \$ - | 783 |
| Income tax benefit resulting from tax incentives | (262,403) | (347,337) |
| Under-estimation of prior years’ expenses | 7,380 | 132,145 |
| Difference of prior year’s taxable income assessed by tax authority from joint filing of tax | (87,255) | 53,075 |
| Income tax benefit | <u>\$ (342,278)</u> | <u>(161,334)</u> |

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- a. For the years ended December 31, 2010 and 2009, the net income before tax in the Bank's statements of income, in accordance with the rule of tax rate calculation, the difference of calculation income tax and income tax benefit were as follows:

| | <u>2010</u> | <u>2009</u> |
|--|---------------------|------------------|
| Income tax calculated on net income (loss) before tax | \$ 114,880 | (1,759,818) |
| Effect on income tax of adjusting items: | | |
| Tax exempt securities transaction loss | 2,114 | 33,017 |
| Loss from government and corporate bond transactions | 10,097 | 14,301 |
| Tax separately levied on marketable securities tax | - | (1,053) |
| Tax separately levied on marketable securities transaction | - | 783 |
| Investment income under equity method | (5,748) | (4,041) |
| Gain on domestic investment interests - net | (8,053) | (7,308) |
| Loss on land transactions - net | 12,051 | 13,341 |
| Tax exempt OBU income | (42,677) | (8,633) |
| Deferred income tax assets adjustment | (88,876) | 1,887,111 |
| Difference in allowance for credit loss exceeding the prescribed limit | (8,989) | (148,307) |
| Gain on market upswing of foreclosed collaterals | (27,123) | (7,530) |
| Unrealized exchange loss - net | 2,825 | 3,118 |
| Unrealized derivative instruments loss (gain) - net | 39,437 | (12,506) |
| Under-estimation of prior years' expenses | 7,380 | 132,145 |
| Difference of prior year's taxable income assessed by tax authority from joint filing of tax | (87,255) | 53,075 |
| Other | 62 | (1,692) |
| Subtotal | <u>(79,875)</u> | <u>186,003</u> |
| Income tax benefit from jointly filed tax return | <u>(262,403)</u> | <u>(347,337)</u> |
| Income tax benefit | <u>\$ (342,278)</u> | <u>(161,334)</u> |

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- b. As of December 31, 2010 and 2009, details of temporary differences between financial and tax reporting purposes which resulted in deferred income tax assets and liabilities, operating loss carryforwards, and income tax deductions were as follows:

| | December 31, 2010 | | December 31, 2009 | |
|-----------------------------------|-------------------|-------------|-------------------|-------------|
| | Amount | Tax effect | Amount | Tax effect |
| Deferred income tax assets: | | | | |
| Operating loss carryforwards | \$26,362,376 | 4,481,604 | 28,428,813 | 5,685,763 |
| Investment tax credits | - | - | 329,557 | 68,866 |
| Amortization non-performing loans | - | - | 524,016 | 104,804 |
| Allowance valuation | (26,198,516) | (4,453,748) | (29,128,821) | (5,828,720) |
| Subtotal | 163,860 | 27,856 | 153,565 | 30,713 |
| Deferred income tax liabilities: | | | | |
| Pension expense | 163,860 | 27,856 | 153,565 | 30,713 |
| Deferred income tax assets-net | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> |

- c. The tax authorities have assessed the Bank's income tax returns through 2005. According to R.O.C. Income Tax Act, the Bank will be levied on income tax, with the authorization of Tax Authority, losses can be carried forward to offset the net taxable income of the current year from the previous ten years' losses. As of December 31, 2010, the Bank's unused operating loss carryforwards and expiration year were as follows:

| Year loss incurred | Year of expiration | Amount |
|--------------------|--------------------|----------------------|
| 2005(Authorized) | 2015 | \$ 3,077,741 |
| 2006(Applied) | 2016 | 4,923,031 |
| 2007(Applied) | 2017 | 5,143,977 |
| 2008(Applied) | 2018 | 5,172,567 |
| 2009(Applied) | 2019 | 8,045,060 |
| Total | | <u>\$ 26,362,376</u> |

- d. Details of Integrated Income Tax were as follows:

| | December 31, 2010 | December 31, 2009 |
|---|-------------------------|----------------------|
| Earning prior to December 31, 1997 | \$ - | - |
| Earning after January 1, 1998 | 49,154 | (968,888) |
| | <u>\$ 49,154</u> | <u>(968,888)</u> |
| The Amount of the Imputation Credit Account | <u>\$ 416,637</u> | <u>389,142</u> |
| | <u>2010 (Estimated)</u> | <u>2009 (Actual)</u> |
| The rate of the imputation credit on distributed earnings | <u>20.48%</u> | <u>-</u> |

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- e. For the year ended December 31, 2003, the different amount of income tax of \$36,627 had been decided by National Tax Administration. The Bank had accrued this tax shortage. However, the Bank was unsatisfied with some items of the decision by National Tax Administration, like goodwill resulted from mergence with Xinyin Credit Co-operative Co. and amortization of premium on long-term bonds, so the Bank filed an administrative appeal for different amount of income tax resulted from these items amounted to \$25,857.
- f. For the year ended December 31, 2004, the different amount of income tax of \$15,904 had been decided by National Tax Administration. The Bank had accrued this tax shortage. However, the Bank was unsatisfied with some items of the decision by National Tax Administration, like amortization of premium on long term bonds, so the Bank filed an administrative appeal for different amount of income tax resulted from these items amounted to \$8,462.
- g. For the year ended December 31, 2005, the different amount of income tax of \$41,698 had been decided by National Tax Administration. The Bank had accrued this tax shortage. However, the Bank was unsatisfied with some items of the decision by National Tax Administration, like goodwill resulted from mergence with Xinying Credit Co-operative Co., operation rights resulted from acquisition of the trust department of Taiwan Land Development Trust Ltd. and amortization of premium on long-term bonds, so the Bank filed an administrative appeal for different amount of income tax resulted from these items amounted to \$41,698.

(V) Earnings (loss) per share

For the year ended December 31, 2010 and 2009, the Bank's basic earnings (loss) per share was as follows:

| | <u>2010</u> | | <u>2009</u> | |
|--|-------------------|------------------|--------------------|--------------------|
| | <u>Before tax</u> | <u>After tax</u> | <u>Before tax</u> | <u>After tax</u> |
| Basic earnings (loss) per share : | | | | |
| Net income (loss) | <u>\$ 675,764</u> | <u>1,018,042</u> | <u>(7,039,270)</u> | <u>(6,877,936)</u> |
| The weighted-average number of shares outstanding (in thousands shares) | <u>1,291,201</u> | <u>1,291,201</u> | <u>756,376</u> | <u>756,376</u> |
| Basic EPS (in NT Dallars) (in thousand shares) | <u>\$ 0.52</u> | <u>0.79</u> | <u>(9.31)</u> | <u>(9.09)</u> |

The Bank is an investee owned 100% by Jih Sun Financial Holding Co., Ltd, the Bank did not adopt the method of distributing stocks for employee bonus. No diluted EPS have been presented for the year ended December 31, 2010, because there is no potential common shares would influence the weighted-average number of shares outstanding.

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(W) FINANCIAL INSTRUMENTS

a. Fair Value of Financial Instruments

| <u>Non-derivative financial instruments</u> | <u>December 31, 2010</u> | |
|--|--------------------------|-------------------|
| | <u>Book Value</u> | <u>Fair Value</u> |
| Financial Assets: | | |
| Cash and cash equivalents | \$ 2,334,484 | 2,334,484 |
| Due from the Central Bank and call loans to banks | 35,460,920 | 35,460,920 |
| Financial assets measured at fair value through profit or loss - net | 23,512,922 | 23,512,922 |
| Securities purchased under resell agreements | 453,095 | 453,095 |
| Receivables - net | 5,441,662 | 5,441,662 |
| Discounts and loans - net | 128,721,950 | 128,721,950 |
| Available-for-sale financial assets - net | 2,102,179 | 2,102,179 |
| Held-to-maturity financial assets - net | 300,000 | 300,000 |
| Other financial assets - net | 1,163,674 | 1,163,674 |

| <u>Non-derivative financial instruments</u> | <u>December 31, 2010</u> | |
|--|--------------------------|-------------------|
| | <u>Book Value</u> | <u>Fair Value</u> |
| Financial Liabilities: | | |
| Deposits from the Central Bank and other banks | \$ 6,967,852 | 6,967,852 |
| Securities sold under repurchase agreements | 384,973 | 384,973 |
| Payables | 2,299,169 | 2,299,169 |
| Deposits and remittances | 179,727,517 | 179,727,517 |
| Financial bonds payable | 2,500,000 | 2,500,000 |
| Other financial liabilities | 109,828 | 109,828 |

| <u>Non-derivative financial instruments</u> | <u>December 31, 2009</u> | |
|--|--------------------------|-------------------|
| | <u>Book Value</u> | <u>Fair Value</u> |
| Financial Assets: | | |
| Cash and Cash Equivalents | \$ 2,955,368 | 2,955,368 |
| Due from the Central Bank and call loans to banks | 40,844,637 | 40,844,637 |
| Financial assets measured at fair value through profit or loss - net | 3,300,372 | 3,300,372 |
| Receivables - net | 5,394,366 | 5,394,366 |
| Discounts and loans - net | 125,873,517 | 125,873,517 |
| Available-for-sale financial assets - net | 2,409,684 | 2,409,684 |
| Other financial assets - net | 1,439,140 | 1,439,140 |

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| Non-derivative financial instruments | December 31, 2009 | |
|--|--------------------------|-------------------|
| | Book Value | Fair Value |
| Financial Liabilities: | | |
| Deposits from the Central Bank and other banks | \$ 10,854,230 | 10,854,230 |
| Securities sold under repurchase agreements | 157,500 | 157,500 |
| Payables | 2,386,677 | 2,386,677 |
| Deposits and remittances | 157,798,931 | 157,798,931 |
| Financial bonds payable | 6,500,000 | 6,500,000 |
| Other financial liabilities | 75,600 | 75,600 |

| Derivative financial instruments | December 31, 2010 | | December 31, 2009 | |
|---|--------------------------|-------------------|--------------------------|-------------------|
| | Nominal Principal | Fair Value | Nominal Principal | Fair Value |
| Financial Assets: | | | | |
| Forward contracts | \$ 1,117,846 | 11,711 | 519,569 | 8,902 |
| Futures | - | 21,373 | - | 24,410 |
| SWAP | 1,086,320 | 36,618 | 957,710 | 20,433 |
| Currency option | 182,614 | 1,604 | 25,624 | 73 |
| Interest rate instruments | 21,600,000 | 203,648 | 22,500,000 | 309,036 |
| Cash and cash equivalents | | | | |
| Forward contracts | \$ 73,843 | 1,794 | 255,387 | 4,356 |
| SWAP | 4,259,532 | 61,325 | 2,342,039 | 13,736 |
| Currency option | 182,614 | 1,604 | 25,624 | 73 |
| Interest rate instruments | 21,600,000 | 192,055 | 22,500,000 | 291,198 |

b. Methods and assumptions used by the Bank for fair value evaluation of financial instruments were as follows:

- (1) Fair value of short-term financial instruments is estimated by their book value on balance sheet date. Since these instruments have short-term maturities, the book value is adopted as a reasonable basis in estimating the fair value. The method is applied to cash and cash equivalents, receivables, payables and deposits from other banks.
- (2) If quoted market price is available in the market for notes and securities, the market price will be the fair value. However, if quoted market price is unavailable, the other evaluation of financial information or the book value will be the fair value.
- (3) Fair value of long-term liabilities is estimated by the present value of expected future cash flows. The discounting rate is based on rates of equivalent loans which the Bank can acquire the similar term (close to maturity date) of interest rate.

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- (4) Fair value of derivative financial instruments is established by the amount of cash to be paid or to be received, assuming that the contract will be terminated on the balance sheet date. In general, it includes unrealized gains or losses on outstanding contracts of the current period and included into the current period of profit and loss statement. Most of the Bank's fair value of derivative financial instruments has reference reports from financial institutions.
- c. The fair value of the financial instruments of the Bank, which were based on quoted market price or determined by using certain valuation techniques were as follows:

| | Based on quoted market prices | Determined value by using valuation techniques |
|---|--|---|
| | December 31, 2010 | December 31, 2010 |
| Non-derivative Financial instruments | | |
| Assets | | |
| Cash and cash equivalents | \$ - | 2,334,484 |
| Due from the Central Bank and call loans to banks | - | 35,460,920 |
| Financial assets measured at fair value through profit or loss - net | 23,512,922 | - |
| Securities purchased under resell agreements | - | 453,095 |
| Receivables - net | - | 5,441,662 |
| Discounts and loans - net | - | 128,721,950 |
| Available-for-sale financial assets - net | 2,102,179 | - |
| Held-to-maturity financial assets- net | - | 300,000 |
| Other financial assets - net | - | 1,163,674 |
| Non-derivative Financial instruments | | |
| Liabilities | | |
| Deposits from the Central Bank and other banks | - | 6,967,852 |
| Securities sold under repurchase agreements | - | 384,973 |
| Payables | - | 2,299,169 |
| Deposits and remittances | - | 179,727,517 |
| Financial bonds payable | - | 2,500,000 |
| Other financial liabilities | - | 109,828 |
| Derivative Financial instruments | | |
| Assets | | |
| Forward contracts | - | 11,711 |
| Futures | 21,373 | - |
| SWAP | 36,618 | - |
| Currency options | - | 1,604 |
| Interest rate instruments | - | 203,648 |
| Liabilities | | |
| Forward contracts | - | 1,794 |
| SWAP | 61,325 | - |
| Currency options | - | 1,604 |
| Interest rate instruments | - | 192,055 |

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| | <u>Based on quoted market prices</u> | <u>Determined value by using valuation techniques</u> |
|---|--|---|
| | <u>December 31, 2009</u> | <u>December 31, 2009</u> |
| <u>Non-derivative Financial instruments</u> | | |
| Assets | | |
| Cash and cash equivalents | \$ - | 2,955,368 |
| Due from the Central Bank and call loans to banks | - | 40,844,637 |
| Financial assets measured at fair value through profit or loss - net | 3,300,372 | - |
| Receivables - net | - | 5,394,366 |
| Discounts and loans - net | - | 125,873,517 |
| Available-for-sale financial assets - net | 2,409,684 | - |
| Other financial assets - net | - | 1,439,140 |
| <u>Non-derivative Financial instruments</u> | | |
| Liabilities | | |
| Deposits from the Central Bank and other banks | - | 10,854,230 |
| Securities sold under repurchase agreements | - | 157,500 |
| Payables | - | 2,386,677 |
| Deposits and remittances | - | 157,798,931 |
| Financial bonds payable | - | 6,500,000 |
| Other financial liabilities | - | 75,600 |
| <u>Derivative Financial instruments</u> | | |
| Assets | | |
| Forward contracts | - | 8,902 |
| Futures | 24,410 | - |
| SWAP | 20,433 | - |
| Currency options | - | 73 |
| Interest rate instruments | - | 309,036 |
| Liabilities | | |
| Forward contracts | - | 4,356 |
| SWAP | 13,736 | - |
| Currency options | - | 73 |
| Interest rate instruments | - | 291,198 |

- d. For the years ended December 31, 2010 and 2009, the current evaluation loss and gain arising from the fair value evaluation of financial instruments by using quoted market prices amounted to loss of \$231,505 and gain of \$28,651, respectively. The loss and gain arising from using valuation techniques method to determine the changes of the fair value were loss of \$480 and gain of \$21,373, respectively.

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- e. For the years ended December 31, 2010 and 2009, the interest income arising from financial assets and liabilities which were not carried at fair value through profit or loss by the Bank amounted \$3,061,186 and \$3,776,337, respectively. Interest expense was amounted \$1,183,846 and \$2,493,724, respectively. For the years ended December 31, 2010 and 2009, the available-for-sale financial asset was recognized directly by the Bank as an adjustment item under shareholders' equity adjusted item amounted gain of \$27,829 and loss of \$17,163, respectively; realized losses resulting from such adjustments were recognized in current profit or loss on available-for-sale financial assets amounting to \$75,804 and \$148,987, respectively.
- f. Financial risk information
- (a) Market risk

The bank internally recognizes, measures, controls and manages for market risk, in addition to the traditional position authorize quota, loss or income limitation quota, risk index quota (i.e.: Greeks, PVBP, DV01.....). Using the methods of VaR (Value at Risk) to estimate position's exposure. VaR is estimated for the most probable loss resulting form the market price changes at special period and confidence level.

A. The recognition of Market risk: Risk factors of market risk estimation models include Interest, FX, Equity, and Commodity etc.

B. The measure of Market risk:

(a) VaR (Value at Risk)

The estimation of bank's VaR of market risk is as follows:

Model: mainly according to Monte Carlo simulations model, with option to use the Variance- covariance matrices model or historical simulations model.

Method: using EWMA to estimate fluctuation rate.

Frequency: update market data every day, with consideration of different market price factor, and calculate ten days(one-side) VaR with 99% confidence level.

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VaR for the fourth quarter ended 2010 (2010.10.1~2010.12.31) was as follows:
(a hundred million)

| 99% C.L 10 days (VaR) | Season average | Season high | Season low |
|------------------------|----------------|-------------|------------|
| Exchange instrument | 0.137 | 0.263 | 0.117 |
| Interest instrument | 0.442 | 0.487 | 0.382 |
| Equity instrument | 0.125 | 0.048 | 0.194 |
| Distribution effective | (0.232) | (0.196) | (0.328) |
| VaR | 0.472 | 0.602 | 0.365 |
| 99% C.L 1 day (VaR) | Season average | Season high | Season low |
| Exchange instrument | 0.044 | 0.084 | 0.037 |
| Interest instrument | 0.140 | 0.155 | 0.121 |
| Equity instrument | 0.041 | 0.016 | 0.062 |
| Distribution effective | (0.074) | (0.063) | (0.103) |
| VaR | 0.151 | 0.192 | 0.117 |

VaR for the fourth quarter ended 2009 (2009.10.1~2009.12.31) was as follows:
(a hundred million)

| 99% C.L 10 days (VaR) | Season average | Season high | Season low |
|------------------------|----------------|-------------|------------|
| Exchange instrument | 0.194 | 0.487 | 0.075 |
| Interest instrument | 0.139 | 0.139 | 0.075 |
| Equity instrument | 0.182 | 0.259 | 0.130 |
| Distribution effective | (0.239) | (0.351) | (0.131) |
| VaR | 0.276 | 0.533 | 0.149 |
| 99% C.L 1 day (VaR) | Season average | Season high | Season low |
| Exchange instrument | 0.061 | 0.156 | 0.024 |
| Interest instrument | 0.044 | 0.044 | 0.024 |
| Equity instrument | 0.060 | 0.086 | 0.043 |
| Distribution effective | (0.076) | (0.115) | (0.043) |
| VaR | 0.089 | 0.171 | 0.048 |

C. The control of market risk

The Bank will use the budgeted earnings of the RAROC(Risk-adjusted Return of Capital) to calculate, the ten days VaR quota with 99% confidence level and submit to the risk management commission and the board of directors of the Jih Sun Holdings Company and the board of directors of the Bank for approval.

D. The management of market risk

The Bank recognizes, measures, controls and manages market risk internally, in addition to traditional position authorize quota, loss or income limitation quota, risk index quota (i.e.: Greeks, PVBP, DV01.....) and follows the guidance of the Jih Sun Holdings Co. Whether the ten days VaR quota with 99% confidence level is over limit or not, if over limit, business unit needs to comply with the follow-up procedure.

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(b) Credit Risk

| | December 31, 2010 | | December 31, 2009 | |
|---|-------------------|---------------------------------|-------------------|---------------------------------|
| | Book Value | Maximum exposure to credit risk | Book Value | Maximum exposure to credit risk |
| Non-derivative financial instruments | | | | |
| Financial assets measured at fair value through profit or loss- net | 23,512,922 | 23,512,922 | 3,300,372 | 3,300,372 |
| Securities purchased under resell agreements | 453,095 | 453,095 | - | - |
| Receivables - net | 5,441,662 | 5,441,662 | 5,394,366 | 5,394,366 |
| Discounts and loans -net | 128,721,950 | 128,721,950 | 125,873,517 | 125,873,517 |
| Available-for-sale financial assets-net | 2,102,179 | 2,102,179 | 2,409,684 | 2,409,684 |
| Held-to-maturity financial assets | 300,000 | 300,000 | - | - |
| Other financial assets- net | 1,163,674 | 1,163,674 | 1,439,140 | 1,439,140 |
| | | | | |
| | December 31, 2010 | | December 31, 2009 | |
| Derivative Financial instruments | Nominal principal | Maximum exposure to credit risk | Nominal principal | Maximum exposure to credit risk |
| Forward contract | \$ 1,117,846 | 11,711 | \$ 519,569 | 8,902 |
| Futures | - | 21,373 | - | 24,410 |
| SWAP | 1,086,320 | 36,618 | 957,710 | 20,433 |
| Currency options | 182,614 | 1,604 | 25,624 | 73 |
| Interest rate instruments | 21,600,000 | 203,648 | 22,500,000 | 309,036 |

The amount of credit risk of the Bank was referred to contracts with positive fair value on balance sheet date. It represents that the Bank would suffer maximum losses, if all counterparties were defaulted. However, if the counter-parties are the Bank's customers, the procedure of credit reference and credit extension of the counter-parties will be deliberately evaluated before entering into any transactions. After the credit limits have been given, the Bank will deal with the counterparties within the limits, and according to the counterparties' credit condition, the Bank will ask for the appropriate collaterals, if necessary. Moreover, if the counter-parties are the other banks, the Bank will give the credit limits and deal within the limits which in accordance with the counterparties' world ranking and credit rating. Therefore, the Bank considers the possibility of counterparties' default will be low.

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Information on concentrations of credit risk

Concentrations of credit risk exist when counter-parties to financial instrument transactions are individuals or groups engaged in similar activities with similar economic characteristics, which would impair their ability to meet contractual obligations under negative economic or other conditions. In relation to Jin Sun International Bank, there is no significant concentration of credit risk in terms of a single client, a party to a transaction, or clients located in nearby regions, except for clients being in one single industry with similar industrial characteristics. Jin Sun International Bank's contracts with concentration of credit risk were as follows:

| Type of industries | December 31, 2010 | | December 31, 2009 | |
|----------------------------|--------------------------|--|--------------------------|--|
| | Book Value | Maximum exposure to credit risk | Book Value | Maximum exposure to credit risk |
| Manufacturing industries | \$ 19,070,524 | 19,070,524 | 18,285,486 | 18,285,486 |
| Financial industries | 3,124,856 | 3,124,856 | 1,949,357 | 1,949,357 |
| Construction industries | 4,903,239 | 4,903,239 | 187,674 | 187,674 |
| Other | 102,808,222 | 102,808,222 | 106,658,051 | 106,658,051 |
| Total | \$129,906,841 | 129,906,841 | 127,080,568 | 127,080,568 |
| Geographic location | | | | |
| Domestic | \$ 120,632,825 | 120,632,825 | 119,442,700 | 119,442,700 |
| Other | 9,274,016 | 9,274,016 | 7,637,868 | 7,637,868 |
| Total | \$129,906,841 | 129,906,841 | 127,080,568 | 127,080,568 |

Financial instruments with off-balance-sheet credit risk

Since the Bank provides loans and issues credit cards, it has substantial credit commitments, most of which are confined to one year. The interest rate interval of the credit extension is between 0.04% and 20%, and the maximum interest rate of credit card is up to 19.99%. Furthermore, the Bank provides guarantee endorsements, and commercial letters of credit as a guarantee for clients' obligations to third parties. These guarantee agreements are usually for one year period and the maturity date doesn't concentrate on the specific time.

The contract amounts of financial instruments with off-balance-sheet credit risk were as follows:

| | December 31, 2010 | December 31, 2009 |
|--|--------------------------|--------------------------|
| Loans commitments | \$ 12,393,192 | 13,082,267 |
| Credit card commitments | 51,127,576 | 54,072,026 |
| Guarantees and commercial letter of credit | 2,567,935 | 3,046,566 |
| | \$ 66,088,703 | 70,200,859 |

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As of December 31, 2010 and 2009, unused loans commitments were \$12,393,192 and \$13,082,267, respectively and unused credit card commitments were \$50,064,090 and \$52,636,117, respectively.

Since these financial instruments are not settled prior to maturity, the contract amount does not represent cash outflow in the future; that is, demand for cash in the future is lower than the contract amount. If lines of credit are reached and collateral or other guarantees are completely worthless, credit risk is equivalent to the contract amount, which is the maximum possible loss.

However, prior to providing loans, guarantee endorsements, and commercial letters of credit, the Bank performs a strict credit review. The strategy of the Bank is to require for sufficient collaterals from some of the specific customers before making payment of the approved loans. The loans with collaterals to total amount of loans are 71.47%, approximately. The holding guarantee rate of guarantee endorsements and commercial letters of credit is between 0 to 100%, and average rate is 35.95%, approximately. The collaterals for the loan, guarantee endorsements, and commercial letters of credit, are cash, inventory, current securities or other assets.

While the customers default, the bank will execute the right of collaterals and other guarantees.

Collateral is not required for credit card loans. Nonetheless, the Bank evaluates periodically the credit of cardholders and adjusts cardholders' credit limits if necessary.

(c) Liquidity Risk

Since notional principals of derivative financial instruments, rather than the amounts actually paid or received, are generally used to calculate payables or receivables of parties to transactions, amounts settled are generally lower than notional principals. Since derivative financial instruments held by the Bank are denominated in major currencies with active trading and reverse transactions are readily available to offset positions, liquidity risk is deemed to be low. By evaluating the market value regularly, the Bank can control the future cash flow, hence the risk is low.

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The evaluation of the Jin Sun International Bank's liquidity ability which the Bank adapts the appropriate way of classification, in accordance with the characteristics of asset and liability, to undertake the due analysis, and the analysis was as follows:

| Financial instrument | December 31, 2010 | | | |
|---|----------------------|------------------------|-------------------------|------------------------|
| | Under 1 month | | Over 1 month to 3 month | |
| | Amount | Possible Refund Amount | Amount | Possible Refund Amount |
| Asset : | | | | |
| Cash and cash equivalents | \$ 2,334,484 | 2,334,484 | - | - |
| Due from the Central Bank and call loans to banks | 25,295,570 | 25,295,570 | 4,561,355 | 4,561,355 |
| Financial assets held for trading | 427,929 | 427,929 | 21,635 | 21,635 |
| Receivables (excluding allowance for bad debts) | 1,727,422 | 1,727,422 | 501,919 | 501,919 |
| Available-for-sale financial assets - net | 12,390 | 12,390 | - | - |
| Securities purchased under resell agreements | 453,095 | 453,095 | - | - |
| Loans (excluding non-accrual loans and allowance for credit losses) | 10,109,939 | 10,109,939 | 9,550,678 | 9,550,678 |
| Other financial assets - net | 10,872 | 10,872 | 83,029 | 83,029 |
| Total | \$ 40,371,701 | 40,371,701 | 14,718,616 | 14,718,616 |
| Liabilities : | | | | |
| Deposits from the Central Bank and other banks | \$ 1,577,885 | 1,577,885 | 865,592 | 865,592 |
| Financial liabilities held for trading | 256,778 | 256,778 | - | - |
| Securities sold under repurchase agreement | 384,973 | 384,973 | - | - |
| Payables | 1,360,537 | 1,360,537 | 350,790 | 350,790 |
| Deposits and remittances | 29,052,577 | 29,052,577 | 20,370,611 | 20,370,611 |
| Financial bonds payable | - | - | - | - |
| Other financial liabilities | 52,930 | 52,930 | - | - |
| Total | \$ 32,685,680 | 32,685,680 | 21,586,993 | 21,586,993 |
| Net currency gap | \$ 7,686,021 | 7,686,021 | (6,868,377) | (6,868,377) |

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| Financial instrument | December 31, 2010 | | | |
|---|------------------------|------------------------|-----------------------|------------------------|
| | Over 3 month to 1 year | | Over 1 year to 2 year | |
| | Amount | Possible Refund Amount | Amount | Possible Refund Amount |
| Asset : | | | | |
| Cash and cash equivalents | \$ - | - | - | - |
| Due from the Central Bank and call loans to banks | 4,128,705 | 4,128,705 | 1,475,290 | 1,475,290 |
| Financial assets held for trading | 573,242 | 573,242 | 320,573 | 320,573 |
| Receivables (excluding allowance for bad debts) | 1,760,610 | 1,760,610 | 1,470,383 | 1,470,383 |
| Available-for-sale financial assets - net | 151,621 | 151,621 | - | - |
| Securities purchased under resell agreements | - | - | - | - |
| Loans (excluding non-accrual loans and allowance for credit losses) | 17,364,541 | 17,364,541 | 4,753,566 | 4,753,566 |
| Held-to-maturity financial assets | - | - | - | - |
| Held-to-maturity financial assets - net | - | - | - | - |
| Other financial assets - net | 389,196 | 389,196 | 12,862 | 12,862 |
| Total | <u>\$ 24,367,915</u> | <u>24,367,915</u> | <u>8,032,674</u> | <u>8,032,674</u> |
| Liabilities : | | | | |
| Deposits from the Central Bank and other banks | \$ 3,238,560 | 3,238,560 | 1,285,815 | 1,285,815 |
| Financial liabilities held for trading | - | - | - | - |
| Securities sold under repurchase agreement | - | - | - | - |
| Payables | 537,086 | 537,086 | 50,756 | 50,756 |
| Deposits and remittances | 79,031,420 | 79,031,420 | 51,234,032 | 51,234,032 |
| Financial bonds payable | - | - | 2,000,000 | 2,000,000 |
| Other financial liabilities | 3,070 | 3,070 | 9,538 | 9,538 |
| Total | <u>\$ 82,810,136</u> | <u>82,810,136</u> | <u>54,580,141</u> | <u>54,580,141</u> |
| Net currency gap | <u>\$ (58,442,221)</u> | <u>(58,442,221)</u> | <u>(46,547,467)</u> | <u>(46,547,467)</u> |

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| Financial instrument | December 31, 2010 | | | |
|---|-----------------------|------------------------|-----------------------|------------------------|
| | Over 2 year to 3 year | | Over 3 year to 4 year | |
| | Amount | Possible Refund Amount | Amount | Possible Refund Amount |
| Asset : | | | | |
| Cash and cash equivalents | \$ - | - | - | - |
| Due from the Central Bank and call loans to banks | - | - | - | - |
| Financial assets held for trading | 6,222,718 | 6,222,718 | 4,473,149 | 4,473,149 |
| Receivables (excluding allowance for bad debts) | 29,083 | 29,083 | 29,083 | 29,083 |
| Available-for-sale financial assets - net | - | - | 549,493 | 549,493 |
| Securities purchased under resell agreements | - | - | - | - |
| Loans (excluding non-accrual loans and allowance for credit losses) | 10,011,057 | 10,011,057 | 1,668,409 | 1,668,409 |
| Held-to-maturity financial assets | - | - | - | - |
| Held-to-maturity financial assets - net | - | - | - | - |
| Other financial assets - net | 7,746 | 7,746 | 5,374 | 5,374 |
| Total | <u>\$ 16,270,604</u> | <u>16,270,604</u> | <u>6,725,508</u> | <u>6,725,508</u> |
| Liabilities : | | | | |
| Deposits from the Central Bank and other banks | \$ - | - | - | - |
| Financial liabilities held for trading | - | - | - | - |
| Securities sold under repurchase agreement | - | - | - | - |
| Payables | - | - | - | - |
| Deposits and remittances | 38,877 | 38,877 | - | - |
| Financial bonds payable | 500,000 | 500,000 | - | - |
| Other financial liabilities | 11,600 | 11,600 | 11,600 | 11,600 |
| Total | <u>\$ 550,477</u> | <u>550,477</u> | <u>11,600</u> | <u>11,600</u> |
| Net currency gap | <u>\$ 15,720,127</u> | <u>15,720,127</u> | <u>6,713,908</u> | <u>6,713,908</u> |

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| Financial instrument | December 31, 2010 | | | |
|--|------------------------------|---------------------------------------|--------------------|---------------------------------------|
| | Over 4 year to 5 year | | Over 5 year | |
| | Amount | Possible Refund Amount | Amount | Possible Refund Amount |
| Asset : | | | | |
| Cash and cash equivalents | \$ - | - | - | - |
| Due from the Central Bank and call loans to banks | - | - | - | - |
| Financial assets held for trading | 9,070,007 | 9,070,007 | 2,678,623 | 2,678,623 |
| Receivables (excluding allowance for bad debts) | 29,083 | 29,083 | - | - |
| Available-for-sale financial assets - net | - | - | 1,388,675 | 1,388,675 |
| Securities purchased under resell agreements | - | - | - | - |
| Loans (excluding non-accrual loans and allowance for credit losses) | 4,365,293 | 4,365,293 | 72,083,358 | 72,083,358 |
| Held-to-maturity financial assets - net | 300,000 | 300,000 | - | - |
| Other financial assets - net | 6,963 | 6,963 | 647,632 | 647,632 |
| Total | \$ 13,771,346 | 13,771,346 | 76,798,288 | 76,798,288 |
| Liabilities : | | | | |
| Deposits from the Central Bank and other | \$ - | - | - | - |
| Financial liabilities held for trading | - | - | - | - |
| Securities sold under repurchase agreement | - | - | - | - |
| Payables | - | - | - | - |
| Deposits and remittances | - | - | - | - |
| Financial bonds payable | - | - | - | - |
| Other financial liabilities | 10,800 | 10,800 | 10,290 | 10,290 |
| Total | \$ 10,800 | 10,800 | 10,290 | 10,290 |
| Net currency gap | \$ 13,760,546 | 13,760,546 | 76,787,998 | 76,787,998 |

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NOTES TO FINANCIAL STATEMENTS (CONT'D)

| Financial instrument | December 31, 2010 | |
|--|-----------------------|---------------------------|
| | Total | |
| | Amount | Possible Refund Amount |
| Asset : | | |
| Cash and cash equivalents | \$ 2,334,484 | 2,334,484 |
| Due from the Central Bank and call loans to banks | 35,460,920 | 35,460,920 |
| Financial assets held for trading | 23,787,876 | 23,787,876 |
| Receivables (excluding allowance for bad debts) | 5,547,583 | 5,547,583 |
| Available-for-sale financial assets - net | 2,102,179 | 2,102,179 |
| Securities purchased under resell agreements | 453,095 | 453,095 |
| Loans (excluding non-accrual loans and allowance for credit losses) | 129,906,841 | 129,906,841 |
| Held-to-maturity financial assets - net | 300,000 | 300,000 |
| Other financial assets - net | 1,163,674 | 1,163,674 |
| Total | \$ 201,056,652 | 201,056,652 |
| Liabilities : | | |
| Deposits from the Central Bank and other banks | \$ 6,967,852 | 6,967,852 |
| Financial liabilities held for trading | 256,778 | 256,778 |
| Securities sold under repurchase agreement | 384,973 | 384,973 |
| Payables | 2,299,169 | 2,299,169 |
| Deposits and remittances | 179,727,517 | 179,727,517 |
| Financial bonds payable | 2,500,000 | 2,500,000 |
| Other financial liabilities | 109,828 | 109,828 |
| Total | \$ 192,246,117 | 192,246,117 |
| Net currency gap | \$ 8,810,535 | 8,810,535 |

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| Financial instrument | December 31, 2009 | | | |
|---|----------------------|------------------------|-------------------------|------------------------|
| | Under 1 month | | Over 1 month to 3 month | |
| | Amount | Possible Refund Amount | Amount | Possible Refund Amount |
| Asset : | | | | |
| Cash and cash equivalents | \$ 2,955,368 | 2,955,368 | - | - |
| Due from the Central Bank and call loans to banks | 32,724,697 | 32,724,697 | 4,174,126 | 4,174,126 |
| Financial assets held for trading | 507,844 | 507,844 | - | - |
| Receivables (excluding allowance for bad debts) | 2,727,843 | 2,727,843 | 352,333 | 352,333 |
| Available-for-sale financial assets - net | 39,383 | 39,383 | - | - |
| Loans (excluding non-accrual loans and allowance for credit losses) | 8,426,356 | 8,426,356 | 9,315,486 | 9,315,486 |
| Other financial assets - net | 10,092 | 10,092 | 100,541 | 100,541 |
| Total | <u>\$ 47,391,583</u> | <u>\$47,391,583</u> | <u>13,942,486</u> | <u>13,942,486</u> |
| Liabilities : | | | | |
| Deposits from the Central Bank and other banks | \$ 1,158,554 | 1,158,554 | 1,147,467 | 1,147,467 |
| Financial liabilities held for trading | 309,363 | 309,363 | - | - |
| Securities sold under repurchase agreement | 157,500 | 157,500 | - | - |
| Payables | 1,640,618 | 1,640,618 | 208,768 | 208,768 |
| Deposits and remittances | 20,377,567 | 20,377,567 | 18,260,094 | 18,260,094 |
| Financial bonds payable | - | - | - | - |
| Other financial liabilities | - | - | - | - |
| Total | <u>\$ 23,643,602</u> | <u>23,643,602</u> | <u>19,616,329</u> | <u>19,616,329</u> |
| Net currency gap | <u>\$ 23,747,981</u> | <u>23,747,981</u> | <u>(5,673,843)</u> | <u>(5,673,843)</u> |

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| Financial instrument | December 31, 2009 | | | |
|---|------------------------|------------------------|-----------------------|------------------------|
| | Over 3 month to 1 year | | Over 1 year to 2 year | |
| | Amount | Possible Refund Amount | Amount | Possible Refund Amount |
| Asset : | | | | |
| Cash and cash equivalents | \$ - | - | - | - |
| Due from the Central Bank and call loans to banks | 2,371,474 | 2,371,474 | 1,574,340 | 1,574,340 |
| Financial assets held for trading | 1,139,045 | 1,139,045 | 1,024,641 | 1,024,641 |
| Receivables (excluding allowance for bad debts) | 1,248,472 | 1,248,472 | 1,097,438 | 1,097,438 |
| Available-for-sale financial assets | - | - | - | - |
| Loans (excluding non-accrual loans and allowance for credit losses) | 11,101,896 | 11,101,896 | 4,595,620 | 4,595,620 |
| Other financial assets | 471,903 | 471,903 | 11,380 | 11,380 |
| Total | \$ 16,332,790 | 16,332,790 | 8,303,419 | 8,303,419 |
| Liabilities : | | | | |
| Deposits from the Central Bank and other banks | \$ 8,225,604 | 8,225,604 | 322,605 | 322,605 |
| Financial liabilities held for trading | - | - | - | - |
| Securities sold under repurchase agreement | - | - | - | - |
| Payables | 445,118 | 445,118 | 92,173 | 92,173 |
| Deposits and remittances | 63,425,210 | 63,425,210 | 55,714,607 | 55,714,607 |
| Financial bonds payable | 4,000,000 | 4,000,000 | - | - |
| Other financial liabilities | 3,150 | 3,150 | 9,600 | 9,600 |
| Total | \$ 76,099,082 | 76,099,082 | 56,138,985 | 56,138,985 |
| Net currency gap | \$ (59,766,292) | (59,766,292) | (47,835,566) | (47,835,566) |

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JIH SUN INTERNATIONAL BANK LTD.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

| Financial instrument | December 31, 2009 | | | |
|---|----------------------|------------------------|----------------------|------------------------|
| | Over 2 year to 3year | | Over 3 year to 4year | |
| | Amount | Possible Refund Amount | Amount | Possible Refund Amount |
| Asset : | | | | |
| Cash and cash equivalents | \$ - | - | - | - |
| Due from the Central Bank and call loans to banks | - | - | - | - |
| Financial assets held for trading | 344,277 | 344,277 | 397,773 | 397,773 |
| Receivables (excluding allowance for bad debts) | 30,340 | 30,340 | 30,340 | 30,340 |
| Available-for-sale financial assets - net | 149,872 | 149,872 | 375,131 | 375,131 |
| Loans (excluding non-accrual loans and allowance for credit losses) | 5,542,935 | 5,542,935 | 9,765,199 | 9,765,199 |
| Other financial assets - net | 13,320 | 13,320 | 41,021 | 41,021 |
| Total | \$ 6,080,744 | 6,080,744 | 10,609,464 | 10,609,464 |
| Liabilities : | | | | |
| Deposits from the Central Bank and other banks | \$ - | - | - | - |
| Financial liabilities held for trading | - | - | - | - |
| Securities sold under repurchase agreement | - | - | - | - |
| Payables | - | - | - | - |
| Deposits and remittances | 21,453 | 21,453 | - | - |
| Financial bonds payable | 2,000,000 | 2,000,000 | - | - |
| Other financial liabilities | 14,100 | 14,100 | 14,100 | 14,100 |
| Total | \$ 2,035,553 | \$ 2,035,553 | 14,100 | 14,100 |
| Net currency gap | \$ 4,045,191 | 4,045,191 | 10,595,364 | 10,595,364 |

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NOTES TO FINANCIAL STATEMENTS (CONT'D)

| Financial instrument | December 31, 2009 | | | |
|---|-----------------------|------------------------|-------------------|------------------------|
| | Over 4 year to 5 year | | Over 5 year | |
| | Amount | Possible Refund Amount | Amount | Possible Refund Amount |
| Asset : | | | | |
| Cash and cash equivalents | \$ - | - | - | - |
| Due from the Central Bank and call loans to banks | - | - | - | - |
| Financial assets held for trading | 249,646 | 249,646 | - | - |
| Receivables (excluding allowance for bad debts) | 30,340 | 30,340 | - | - |
| Available-for-sale financial assets - net | 970,283 | 970,283 | 875,015 | 875,015 |
| Loans (excluding non-accrual loans and allowance for credit losses) | 1,513,353 | 1,513,353 | 74,538,766 | 74,538,766 |
| Other financial assets - net | 5,374 | 5,374 | 785,509 | 785,509 |
| Total | <u>\$ 2,768,996</u> | <u>2,768,996</u> | <u>76,199,290</u> | <u>76,199,290</u> |
| Liabilities : | | | | |
| Deposits from the Central Bank and other banks | \$ - | - | - | - |
| Financial liabilities held for trading | - | - | - | - |
| Securities sold under repurchase agreement | - | - | - | - |
| Payables | - | - | - | - |
| Deposits and remittances | - | - | - | - |
| Financial bonds payable | 500,000 | 500,000 | - | - |
| Other financial liabilities | 14,100 | 14,100 | 20,550 | 20,550 |
| Total | <u>\$ 514,100</u> | <u>514,100</u> | <u>20,550</u> | <u>20,550</u> |
| Net currency gap | <u>\$ 2,254,896</u> | <u>2,254,896</u> | <u>76,178,740</u> | <u>76,178,740</u> |

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NOTES TO FINANCIAL STATEMENTS (CONT'D)

| Financial instrument | December 31, 2009 | |
|--|-----------------------|---------------------------|
| | Total | |
| | Amount | Possible Refund Amount |
| Asset : | | |
| Cash and cash equivalents | \$ 2,955,368 | 2,955,368 |
| Due from the Central Bank and call loans to banks | 40,844,637 | 40,844,637 |
| Financial assets held for trading | 3,663,226 | 3,663,226 |
| Receivables (excluding allowance for bad debts) | 5,517,106 | 5,517,106 |
| Available-for-sale financial assets - net | 2,409,684 | 2,409,684 |
| Loans (excluding non-accrual loans and allowance for credit losses) | 124,799,611 | 124,799,611 |
| Other financial assets - net | 1,439,140 | 1,439,140 |
| Total | <u>\$ 181,628,772</u> | <u>181,628,772</u> |
| Liabilities : | | |
| Deposits from the Central Bank and other banks | \$ 10,854,230 | 10,854,230 |
| Financial liabilities held for trading | 309,363 | 309,363 |
| Securities sold under repurchase agreement | 157,500 | 157,500 |
| Payables | 2,386,677 | 2,386,677 |
| Deposits and remittances | 157,798,931 | 157,798,931 |
| Financial bonds payable | 6,500,000 | 6,500,000 |
| Other financial liabilities | 75,600 | 75,600 |
| Total | <u>\$ 178,082,301</u> | <u>178,082,301</u> |
| Net currency gap | <u>\$ 3,546,471</u> | <u>3,546,471</u> |

(d) Cash flow risk and fair value risk arising from interest rate fluctuation:

In considering the possibility of future cash flow risk arising from floating-interest-rate assets and liabilities due to market interest rate fluctuation, the Bank entered into interest rate swap transactions to hedge against the cash flow risk arising from market interest rate fluctuation.

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A. Information on expected interest rate reset date and maturity date

As of December 31, 2010 and 2009, the reset and maturity dates were not affected by the contract date. The interest rate risk exposures on assets and liabilities were shown below. The financial assets and liabilities which held on the Bank were presented at book value allocated to time bands by reference to the earlier of the next interest rate reset date or maturity date (whichever earlier).

| Financial instrument | December 31, 2010 | | | | | |
|---|------------------------|-------------------|---------------------|---------------------|-------------------|--------------------|
| | 0-30 days | 31-90 days | 91-180 days | 181 days-1 year | Over 1 year | Total |
| Assets: | | | | | | |
| Due from the Central Bank, bank deposit and call loans to banks | \$ 27,914,733 | 3,600,000 | 2,300,000 | - | - | 33,814,733 |
| Financial assets held for trading | 448,368 | 17,235 | - | 694,871 | 21,883,707 | 23,044,181 |
| Securities purchased under resell agreements | 453,095 | - | - | - | - | 453,095 |
| Available-for-sale financial assets | - | - | - | - | 2,098,009 | 2,098,009 |
| Held-to-maturity financial assets | - | - | - | - | 300,000 | 300,000 |
| Loans (excluding non-accrual loans) | 110,145,055 | 6,470,933 | 3,336,730 | 2,517,425 | 5,719,265 | 128,189,408 |
| Short-term advances | 499,011 | - | - | - | - | 499,011 |
| Total | <u>\$139,460,262</u> | <u>10,088,168</u> | <u>5,636,730</u> | <u>3,212,296</u> | <u>30,000,981</u> | <u>188,398,437</u> |
| Liabilities: | | | | | | |
| Deposits from the Central Bank and other banks | 6,953,477 | - | - | - | - | 6,953,477 |
| Securities sold under repurchase agreement | 384,973 | - | - | - | - | 384,973 |
| Deposits and remittances | 150,991,056 | 7,726,455 | 5,031,499 | 14,159,580 | 1,082,445 | 178,991,035 |
| Financial bonds payable | - | - | - | - | 2,500,000 | 2,500,000 |
| Other financial liabilities | 52,930 | - | - | - | - | 52,930 |
| Total | <u>\$158,382,436</u> | <u>7,726,455</u> | <u>5,031,499</u> | <u>14,159,580</u> | <u>3,582,445</u> | <u>188,882,415</u> |
| Interest sensitive gap | <u>\$ (18,922,174)</u> | <u>2,361,713</u> | <u>605,231</u> | <u>(10,947,284)</u> | <u>26,418,536</u> | <u>(483,978)</u> |
| December 31, 2009 | | | | | | |
| Financial instrument | 0-30 days | 31-90 days | 91-180 days | 181 days-1 year | Over 1 year | Total |
| Assets: | | | | | | |
| Due from the Central Bank, bank deposit and call loans to banks | \$ 34,419,737 | 3,685,000 | 1,820,000 | - | - | 39,924,737 |
| Financial assets held for trading | - | - | 626,760 | 490,494 | 1,861,981 | 2,979,235 |
| Available-for-sale financial assets | - | - | - | - | 2,358,829 | 2,358,829 |
| Loans (excluding non-accrual loans) | 106,551,085 | 4,838,327 | 1,365,676 | 2,088,723 | 9,955,800 | 124,799,611 |
| Short-term advances | 604,357 | - | - | - | - | 604,357 |
| Total | <u>\$141,575,179</u> | <u>8,523,327</u> | <u>3,812,436</u> | <u>2,579,217</u> | <u>14,176,610</u> | <u>170,666,769</u> |
| Liabilities: | | | | | | |
| Deposits from the Central Bank and other banks | \$ 10,843,909 | - | - | - | - | 10,843,909 |
| Securities sold under repurchase agreement | 157,500 | - | - | - | - | 157,500 |
| Deposits and remittances | 120,150,834 | 8,816,631 | 10,923,540 | 14,998,174 | 2,009,502 | 156,898,681 |
| Financial bonds payable | - | - | 4,000,000 | - | 2,500,000 | 6,500,000 |
| Total | <u>\$131,152,243</u> | <u>8,816,631</u> | <u>14,923,540</u> | <u>14,998,174</u> | <u>4,509,502</u> | <u>174,400,090</u> |
| Interest sensitive gap | <u>\$ 10,422,936</u> | <u>(293,304)</u> | <u>(11,111,104)</u> | <u>(12,418,957)</u> | <u>9,667,108</u> | <u>(3,733,321)</u> |

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B. Effective interest rates (excluding financial assets held for trading)

As of December 31, 2010 and 2009, the effective interest rate of financial instruments held or issued by the Bank were as follows:

| <u>Financial instrument item</u> | <u>December 31, 2010</u> | <u>December 31, 2009</u> |
|---|------------------------------|------------------------------|
| Due from the Central Bank, bank deposit and call loans to banks | 0.62 | 0.49 |
| Securities purchased under resell agreements | 0.33 | 0.13 |
| Available-for-sale financial assets | 1.35 | 1.16 |
| Held-to-maturity financial assets | 1.82 | - |
| Discounts and loans | 2.08 | 2.43 |
| Deposits from the Central Bank and others banks | 0.68 | 1.34 |
| Securities sold under repurchase agreement | 0.33 | 0.10 |
| Financial bonds payable | 3.29 | 3.58 |
| Deposits and remittances | 0.56 | 1.10 |

g. Risk control and exposure quantity

General pattern disclosure

(a) The principles of risk management

- A. By adapting the scientific risk management system, the Bank analyzes risk with deliberation and objectivity in order to achieve reasonable return.
- B. By adapting the efficient risk management framework, the Bank allows each enterprise unit to carry out daily management operation, and set up the risk management segment to provide periodic risk management report for the board of directors in order to control risk timely and efficiently. If significant risk exposure has occurred, and damaged financial, business situation and also the people who obey the act, an appropriate solution shall be undertook and reported to the board of directors.
- C. By adapting the integral risk management system, the Bank can control financial holding parent company's and its subsidiary's capital adequacy which in accordance with financial holding parent companies' and its subsidiary's business scale, credit risk, market risk, operation risk, and future operation tendency. Moreover, the Bank can undertake various kinds of investment allocations and establish several kinds of supervision in relation to overall risk exposure of the parent company.

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- (b) The characteristics of the risk management system
- A. Timely: The system shall be able to provide early warning report in order to deal and avoid the possible risk occurring during the decision procedure of the financial holding parent company and its subsidiaries.
 - B. Effectively: In order to maintain the efficiency of the risk management system, the financial holding parent company and its subsidiaries shall establish appropriate risk management procedure, supervision and emergent plan.
- (c) The risk management system shall be able to recognize and control relevant risk at least as follows:
- A. Investment risk: The system shall be able to disclose the significant risk and benefit analysis in relation to the use of short-term capital and long-term investment.
 - (a) Use of short term capital: According to market risk.
 - (b) Long-term investment:
 - 1. The control right of the investment risk management: Disclosure of the investee company's rules, financial structure, ability to pay off its debts and relevant risk disclosure.
 - 2. The non-control right of the investment risk management: Disclosure of the investee company's performance and the situation of corporation govern.
 - 3. The national risk management: The disclosure of the political risk and economical situation in the invested nation or area, and establish relevant management index in order to draw up related strategy.
 - B. Assets and liabilities risk: Deposit, loans and asset allocations are the main business and function for financial institution, therefore the Bank will need to face the un-balanced structure between the duration of the long-term and short-term investment of the assets and liabilities. Moreover, the Bank suffers from liquidity risk and interest rate risk which was induced by the potential rate variance.
 - (a) Liquidity risk: The Bank shall establish deficient liquidity analysis, conclude a management target, and set up limited amount for index, in order to draw up a corresponding strategy which can be used to prevent illiquidity from occurring, except for meeting the competent authority's requirement of the relevant preparation rules and the lowest liquidity rate.

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- (b) Structured interest rate risk: To draw up interest sensitive balance sheet, set up interest sensitive deficiency analysis, conclude management target and set up limited amount for index, in order to draw up corresponding strategies and reduce the level of interest rate exposure.
- C. Market risk: Due to active involvement in operating financial instruments and expansion of the business, the Bank usually faces the variation of market factors (such as interest rate, stock price and exchange rate, etc.) Therefore, establishing scientific method and market risk management system, determining a management target and setting up limited amount for index shall be considered in order to evaluate the level of risk exposure efficiently.
- D. Credit risk: Due to active involvement in operating financial instruments or expansion of credit extension business, the Bank faces the insolvency of credit risk of the counter-parties and customers who may be damage or financial deterioration. Therefore, the Bank shall establish consistent evaluation method of asset quality and classification, calculation and control of great amount exposure, and provision of allowance for losses and reserve, periodically. Moreover, the Bank shall monitor and collect the credit information of all counter-parties and customers of credit extension, which should be in compliance with the credit extension policy, carrying out the principle of credit rating system and diversification of assets, in order to reduce the default and concentration risk.
- E. Operational risk (including law risk): The direct risk was caused by the internal business, transaction and use of information interactively. The activities that the financial holding parent company and its subsidiaries undertook will lead the internal issues, such as inappropriate system, personnel negligence, inappropriate supervision and system malfunction, etc; or the indirect risk was caused by the external issues, such as deception, dispute about customers and products and business litigation. Hence, the Bank shall regularly or irregularly survey the internal operative handbook, operating procedures, information system of security protection, the plan of dealing with emergency. Each process point to revise the system and fix all potential loss determines the duty of each employee clearly. While an event occurs, the quality and the related losses of impact shall be recorded properly, and the operative units have to be fully responsible for the information of collection, analysis and conclusion, and establishment of management index in order to decrease the repeated risk.

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- h. Pursuant to Article 17 of the Enforcement Rules of the Trust Enterprise Act, the balance sheets and income statements of trust accounts were as follows:

TRUST BALANCE SHEETS

| Trust Assets | December 31, 2010 | December 31, 2009 |
|---|--------------------------|--------------------------|
| Cash in Bank | \$ 358,768 | 411,331 |
| Bonds | 2,565,314 | 3,994,037 |
| Stocks | 2,196,613 | 1,883,385 |
| Funds | 20,936,701 | 19,918,138 |
| Real Estate-net | | |
| Land of the principal | 3,548,811 | 2,007,419 |
| Principal house and building | 141,469 | 113,755 |
| Construction in progress of the principal | 1,051,329 | 731,747 |
| Monetary obligation of trust | - | 260,000 |
| Securities in custody | 518,531 | 1,065,821 |
| Other assets | 940 | 53,973 |
| Total Trust Assets | \$ 31,318,476 | 30,439,606 |
| Trust Liabilities | December 31, 2010 | December 31, 2009 |
| Other Liabilities | 2,281 | 3,105 |
| Unearned Revenue | 20 | 348 |
| Payable for securities in custody | 518,531 | 1,065,821 |
| Trust Capital | | |
| Monetry trust | 23,767,011 | 24,176,810 |
| Securities trust | 2,074,213 | 1,773,465 |
| Real estate trust | 4,958,721 | 3,163,480 |
| Monetry obligation and real right of pledge trust | - | 260,030 |
| Reserves and accumulated losses | | |
| The principal adds up to the profit and loss | (737,215) | 1,040,135 |
| Net income for the period | 734,914 | (1,043,588) |
| Total Trust Liabilities | \$ 31,318,476 | 30,439,606 |

The trust property list is displayed in the detail of assets above.

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TRUST INCOME STATEMENTS

| | <u>2010</u> | <u>2009</u> |
|-----------------------------------|-------------------|--------------------|
| Trust revenues | | |
| Principal interest income | \$ 888 | 1,826 |
| Principal rent income | 18,537 | 16,054 |
| Principal cash dividend | 594,345 | 553,047 |
| Gain on sale of properties | 991,444 | 578,511 |
| Trust expenses | | |
| Principal administration expenses | 76,802 | 80,840 |
| Principal tax expenses | 1,533 | 4,889 |
| Principal interest expenses | 35 | 40 |
| Loss on sale of properties | 791,664 | 2,106,788 |
| Other principal expenses | 8 | 405 |
| Principal income tax expenses | 258 | 64 |
| Net income | <u>\$ 734,914</u> | <u>(1,043,588)</u> |

(X) OTHERS NON-INTEREST NET INCOME (LOSS)

| <u>Item</u> | <u>2010</u> | <u>2009</u> |
|--|------------------|------------------|
| Gain on financial assets carried at cost-net | \$ 52,176 | 27,922 |
| Lease revenue-operating assets | 30,746 | 26,922 |
| Gain on sale of property and equipment | 4,326 | 13 |
| Losses on asset retirement | (3,414) | (9,668) |
| Others | (66,617) | (335,529) |
| | <u>\$ 17,217</u> | <u>(290,340)</u> |

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5. RELATED-PARTY TRANSACTIONS

(A) Names of related parties and relationship with the Bank

| <u>Name of Related Party</u> | <u>Relationship with the Bank</u> |
|--|---|
| Jih Sun Financial Holding Co., Ltd. | Parent company of the Bank |
| Jih Sun Insurance Agency Co., Ltd. | An investee company carried under the equity method |
| Jih Sun Securities Co., Ltd. | Wholly owned by the same parent company |
| Jih Sun Futures Co., Ltd. | An investee company carried under the equity method by Jih Sun Securities Co., Ltd. |
| Jih Sun Managed Futures Co., Ltd. | An investee company carried under the equity method by Jih Sun Securities Co., Ltd. (had completed the liquidation procedure in August 2010) |
| Jih Sun Securities Investment Consulting Co., Ltd. | An investee company carried under the equity method by Jih Sun Securities Co., Ltd. |
| Jih Sun International Insurance Agency Co., Ltd. | An investee company evaluated under the equity method by Parent company of the Bank |
| Jih Sun Securities Investment Trust Co., Ltd. | Related party in substance |
| Other related parties | The Bank's directors, supervisors, general manager's spouses, relatives within second degree of kinship and chief officers from each departments (including branches) |

(B) Material transactions with related parties:

(a) Deposits

| <u>Name of Related Party</u> | <u>Ending Balance</u> | <u>Maximum Balance</u> | <u>Interest Revenue</u> | <u>Interest Interval %</u> |
|--|-----------------------|------------------------|-------------------------|----------------------------|
| For the year ended December 31, 2010 | | | | |
| Jih Sun Securities Co., Ltd. | \$ 364,043 | 5,226,194 | 737 | 0-1.70% |
| Jih Sun Insurance Agency Co., Ltd. | 75,902 | 81,142 | 64 | 0-0.12% |
| Jih Sun Financial Holding Co., Ltd. | 17,016 | 1,207,608 | 38 | 0-0.12% |
| Jih Sun Securities Investment Consulting Co., Ltd. | 76,387 | 76,775 | 212 | 0-0.74% |
| Jih Sun Futures Co., Ltd. | 2,493,522 | 2,934,718 | 23,438 | 0-1.70% |
| Jih Sun Securities Investment Trust Co., Ltd. | 64,869 | 206,907 | 788 | 0-2.73% |
| Others | 406,213 | 595,619 | 1,098 | 0-4.75% |
| Total | <u>\$ 3,497,952</u> | | <u>26,375</u> | |

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| <u>Name of Related Party</u> | <u>Ending Balance</u> | <u>Maximum Balance</u> | <u>Interest Revenue</u> | <u>Interest Interval %</u> |
|---|---------------------------|----------------------------|-----------------------------|--------------------------------|
| For the year ended December 31, 2009 | | | | |
| Jih Sun Securities Co., Ltd. | \$ 243,023 | 6,197,596 | 8,661 | 0-2.71% |
| Jih Sun Insurance Agency Co., Ltd. | 67,531 | 68,460 | 41 | 0-0.10% |
| Jih Sun Financial Holding Co., Ltd. | 44,985 | 10,237,239 | 1,974 | 0-0.10% |
| Jih Sun Securities Investment Consulting Co., Ltd. | 76,245 | 77,411 | 604 | 0-2.71% |
| Jih Sun Futures Co., Ltd. | 2,912,271 | 6,075,402 | 58,529 | 0-2.70% |
| Jih Sun Managed Futures Co., Ltd | 1 | 154,909 | 1,824 | 0-2.71% |
| Jih Sun Securities Investment Trust Co., Ltd. | 79,072 | 245,876 | 1,783 | 0-2.73% |
| Others | 362,261 | 659,918 | 1,246 | 0-7.95% |
| Total | <u>\$ 3,785,389</u> | | <u>74,662</u> | |

The above interest rates on deposits are substantially the same as for comparable transactions with no-related parties.

(b) Rental contract

1. Leased

For the years ended December 31, 2010 and 2009, the leased condition of the offices from the related party was as follows:

| | <u>2010</u> | | <u>2009</u> | |
|--|---------------------------|----------------|---------------------------|----------------|
| | <u>Rental expense</u> | <u>Deposit</u> | <u>Rental expense</u> | <u>Deposit</u> |
| Jih Sun Securities Co., Ltd. | \$ 15,572 | 3,146 | 17,726 | 4,158 |
| Jih Sun Securities Investment Trust Co., Ltd. | 3,696 | 924 | 3,696 | 924 |
| | <u>\$ 19,268</u> | <u>4,070</u> | <u>21,422</u> | <u>5,082</u> |

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2. Rental

For the years ended December 31, 2010 and 2009, the rental condition of the offices to the related party was as follows:

| | 2010 | | 2009 | |
|---|------------------|--------------|---------------|--------------|
| | Rental income | Deposit | Rental income | Deposit |
| Jih Sun Securities Co., Ltd. | \$ 11,952 | 1,905 | 10,551 | 2,005 |
| Jih Sun Securities Investment Trust Co., Ltd | 29 | - | 353 | 88 |
| Jih Sun Futures Co., Ltd. | 271 | 45 | 45 | 45 |
| Jih Sun Insurance Agency Co., Ltd | 936 | - | - | - |
| Jih Sun International Insurance Agency Co., Ltd | 113 | - | - | - |
| | \$ 13,301 | 1,950 | 10,949 | 2,138 |

(c) Loan

| December 31, 2010 | | | | | | | |
|------------------------------|------------------------------|----------------|----------------|--------------|---------------|-------------|--|
| Classification | Amount or Related Party Name | Maxium balance | Ending balance | Agreement | | Collateral | Terms of trade different or not with non-related party |
| | | | | Normal loans | Overdue loans | | |
| Employee consumption loan | 2 | 2,514 | 2,015 | 2,015 | - | Deposit | none |
| Personal house mortgaed loan | 25 | 146,861 | 123,570 | 123,570 | - | Real estate | none |

| December 31, 2009 | | | | | | | |
|------------------------------|------------------------------|----------------|----------------|--------------|---------------|-------------|--|
| Classification | Amount or Related Party Name | Maxium balance | Ending balance | Agreement | | Collateral | Terms of trade different or not with non-related party |
| | | | | Normal loans | Overdue loans | | |
| Employee consumption loan | 3 | 1,493 | 480 | 480 | - | Deposit | none |
| Personal house mortgaed loan | 23 | 102,762 | 89,980 | 89,980 | - | Real estate | none |

As of August 19, 2010 and September 9, 2009, the Bank's guaranteed line of credit to Jih Sun Securities Co., Ltd. amounted to \$1,200,000 and \$800,000, respectively. As of December 31, 2010 and 2009, the other loan balance was \$0.

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As of December 31, 2010 and 2009, there were no overdue loans from the related parties. Allowance for bad debts is estimated in accordance with the accounting policy of the Bank. In relation to the related-party credit policy, the Bank follows the requirements under Articles 32, 33, 33-1, 33-2, 33-4, 33-5 of the Banking Act, and does not provide credit loans without collaterals. For collateralized loans, the collaterals shall consist of full guarantees, and the terms (including interest rate, collateral and its related appraisal, guarantor requirement, loan term, repayment method of principal and interest, etc.) must not be superior to the other parties for similar types of loan. Financing provided to the same related party, which individually or cumulatively amounts to \$100,000 or 1% of the Bank's net worth, whichever is lower, must be presented to the Board of Directors and Supervisors for deliberation. Moreover, the meeting must be attended by more than two-thirds of the directors and approved by more than three-fourths of the directors in attendance. The terms and conditions of loans to related parties are not superior to those given to non-related parties.

(d) Property transaction

For the year ended December 31, 2009, the Bank sold a batch of property which its book value was \$13 to Jih Sun Securities Co., Ltd for \$13, and the gain on sale was \$0.

(e) Others

1. For the years ended December 31, 2010 and 2009, the Bank and the related parties operated bonds and short term bills under repurchase/resell agreements. Ending balance, generated interest revenue and interest expense were as follows:

Bonds purchased under resell agreements:

| | 2010 | | 2009 | |
|------------------------------|------------------|----------------|------------------|----------------|
| | Interest revenue | Ending balance | Interest revenue | Ending balance |
| Jih Sun Securities Co., Ltd. | \$ 63 | - | 108 | - |

Bonds sold under repurchase agreements:

| | 2010 | | 2009 | |
|------------------------------|-------------------|----------------|-------------------|----------------|
| | Interest expenses | Ending balance | Interest expenses | Ending balance |
| Jih Sun Securities Co., Ltd. | \$ - | - | 74 | - |

2. Tax refund receivable from joint filing of tax

| | December 31, 2010 | | December 31, 2009 | |
|------------------------------------|-------------------|-------|-------------------|-------|
| | Amount | % | Amount | % |
| Jih Sun Financial Holding Co., Ltd | \$1,430,028 | 25.78 | 1,036,958 | 18.80 |

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3. The other receivables from the related parties

| <u>Related party</u> | <u>December 31, 2010</u> | <u>December 31, 2009</u> |
|---|--------------------------|--------------------------|
| <u>Other receivables</u> | | |
| Jih Sun Insurance Agency Co., Ltd. | \$ 51,769 | 46,029 |
| Jih Sun International Insurance Agency Co., Ltd | 283 | 446 |
| Jih Sun Securities Investment Trust Co., Ltd. | 15 | - |

| <u>Related party</u> | <u>December 31, 2010</u> | <u>December 31, 2009</u> |
|--|--------------------------|--------------------------|
| <u>Other payables</u> | | |
| Jih Sun Securities Co., Ltd. | \$ 18,591 | 16,924 |
| Jih Sun Securities Investment Consulting Co., Ltd. | 250 | - |

4. The details of the other transactions with Jih Sun Securities Co., Ltd. were as follows:

| | <u>2010</u> | <u>2009</u> |
|---|-------------|-------------|
| Brokerage fee | \$ 1,183 | 3,513 |
| Stock agent fee | 720 | 720 |
| Trust and other commissions service fee | 670 | 601 |
| Joint marketing revenue | 146 | 190 |
| Joint marketing fee | 743 | 654 |
| Site usage fee (Note) | 202,918 | 164,169 |

Note: The Bank acts as an agent of Jih Sun Securities Co., Ltd. to pay for the site usage fee to deal with trading securities for customers.

5. The Bank paid guarantee deposits to Jih Sun Futures Co., Ltd. for investment in futures transactions. The details of the transaction were as follows:

| | <u>2010</u> | <u>2009</u> |
|--------------------------------------|-------------|-------------|
| Brokerage fee | \$ 132 | - |
| Interest income of gurantee deposits | 10 | - |

6. For the years ended December 31, 2010 and 2009, the Bank paid for software service fee to Jih Sun Futures Co., Ltd. amounted to \$26 and \$1,197, respectively. As of December 31, 2010 and 2009, software service fee payable to Jih Sun Futures Co., Ltd. amounted to \$5 and \$0, respectively.

7. For the years ended December 31, 2010 and 2009, the bank sold fund bonus for Jih Sun Securities Investment Trust Co., Ltd. amounted to \$2,698 and \$4,646, respectively.

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8. For the years ended December 31, 2010 and 2009, the commission revenue that the bank acted as an agent to promote Jih Sun Insurance Agency Co., Ltd amounted to \$273,865 and \$253,932, respectively.
9. For the years ended December 31, 2010 and 2009, the bank promoted insurance for Jih Sun International Insurance Agency Co., Ltd and the commission revenue amounted to \$2,521 and \$4,316, respectively.
10. For the years ended December 31, 2010 and 2009, the Bank paid consulting fees for Jih Sun Securities Investment Consulting Co., Ltd. amounted to \$3,250 and \$750, respectively.
11. For the year ended December 31, 2009, the Bank acquired several equipments from Jih Sun Financial Holding Co., Ltd. amounted to \$73.

(C) Salary information for main management

For the years ended December 31, 2010 and 2009, the Bank's directors, supervisors, general managers and vice general managers were as follows:

| | <u>2010</u> | <u>2009</u> |
|------------------------------|------------------|---------------|
| Salaries | \$ 24,922 | 37,097 |
| Bonus and special allowances | 8,257 | 11,783 |
| Business executive expenses | 1,200 | 1,480 |
| Employee bonuses | 1 | |
| Total | <u>\$ 34,380</u> | <u>50,360</u> |

6. PLEDGED ASSETS:

Unit: in Thousands of New Taiwan Dollar

| Assets | Type of securities | December 31, 2010 | December 31, 2009 | Purpose of collateral |
|--|--------------------|-------------------|-------------------|--|
| Financial assets measured at fair value through profit or loss | Government bonds | \$ 33,400 | 35,400 | Deposited court guarantee |
| | Government bonds | 50,000 | 50,000 | Guarantee of bills dealer |
| | Government bonds | 50,000 | - | Trust fund reserve for compensation |
| | Government bonds | - | 50,000 | Trust fund reserve |
| | Government bonds | 65,000 | - | Agent of tax guarantee collection |
| Available for sale financial assets | Government bond | 120,400 | - | Deposits for National Credit Card Center |
| Other financial assets | NCD | - | 35,000 | Tax collection deposited in Central Bank |
| Total | | \$ 318,800 | 170,400 | |

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NOTES TO FINANCIAL STATEMENTS (CONT'D)

7. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

(A) Major commitments and contingencies:

| | December 31, 2010 | December 31, 2009 |
|--|--------------------------|--------------------------|
| Acted as an agent for various collections | \$ 256,935 | 226,098 |
| Entrusted with the sale of U.S dollar traveler's checks | 51,761 | 64,843 |
| Handled several guarantees (including joint handling of foreign exchange transactions) | 1,563,999 | 2,553,832 |
| Outstanding bank acceptance liabilities | 242,075 | 249,244 |
| Letters of credit | 1,003,936 | 492,734 |
| Acted as custodian of post-dated checks for its clients (excluding next day's checks for clearing) | 10,452,592 | 9,271,821 |
| Loans commitment | 12,393,192 | 13,082,267 |
| Credit card commitments | 51,127,576 | 54,072,026 |
| Total | \$ 77,092,066 | 80,012,865 |

(B) For the years ended December 31 2010 and 2009, the Bank had contracted but not yet paid for equipment purchase and office renovations which were approximately amounted to \$23,480 and \$6,760, respectively. As of December 31, 2010 and 2009, \$14,098 and \$2,692 are yet to be paid, respectively. The remaining amount is paying in progress continuously.

(C) As of December 31, 2010, the rental payable for lease of the Bank's operating site for the oncoming five years will be as follows:

| Period | Amount |
|-----------------------|-------------------|
| 1.1.2011 ~ 12.31.2011 | \$ 161,947 |
| 1.1.2012 ~ 12.31.2012 | 110,738 |
| 1.1.2013 ~ 12.31.2013 | 65,220 |
| 1.1.2014 ~ 12.31.2014 | 39,446 |
| 1.1.2015 ~ 12.31.2015 | 17,792 |
| Total | \$ 395,143 |

(D) According to SFAS No. 28 "Financial Disclosures for Financial Institutions", major commitments and contingencies required to be disclosed by the Bank are as follows:

- a. All of the Bank's credit extension commitments can be cancelled by the accelerated terms. Therefore, as of December 31, 2010 and 2009, the Bank had no non-cancelable credit extension commitments and credit commitments that require significant payment to be canceled.
- b. As of December 31, 2010 and 2009, the Bank had direct credit guarantees consisting of general guaranteed bonds (corporate bonds) which amounted to \$322,014 and \$41,888, respectively, and guarantee letters for financial guarantees of loans and securities (commercial papers), which amounted to \$410,000 and \$1,707,000, respectively.

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- c. As of December 31, 2010 and 2009, the Bank had performance bonds of \$729,458 and \$799,820, respectively and guarantee letters issued for specified transactions were \$831,985 and \$804,944, respectively.
- (E) Due to the fact that the Bank was acting as the guarantor of Tan-Tai Construction Company, Taipei City Hydraulic Engineering Office issued a claim against the Bank. As of January 21, 2008, the Bank is sentenced to pay for Tan-Tai Construction Company, \$30,637, in accordance with Taipei District Court. The Bank did not agree with the sentence and decided to appeal the case to a higher court through the attorney. Moreover, in accordance with the Taiwan High Court (97) Chong-Shang-Zi No. 121, the Bank had no responsibilities to pay for the guarantees. However, Taipei City Hydraulic Engineering Office did not agree with the judgment and decided to appeal the case to the Supreme Court of the Republic of China. The Supreme Court has judged that the Bank is liable for the amount of \$32,036 and the amount had already been accrued. The Bank is not satisfied with the judgment and decided to appeal the case to Supreme Court.
- (F) The non-litigant Mr. Yang forged signature on the withdrawal slip of the Bank's customer, Mr. Lai, and Mr. Lai has demanded the Bank to be liable for the damage and to discharge the obligation. As of April 14, 2010, the Court has considered all fact relevant and believed that the Bank has not exercised the due care of a good administrator for signature verification. The Bank is sentenced to pay for the damage of \$2,272 and interest incurred, and the amount had already been accrued. However, the Bank did not agree with the aforesaid judgment and decided to appeal the case to the Taiwan High Court.
- (G) Standard International Co., Ltd, the trust beneficial transferee indicted the Bank in August 2010, claiming that although the Bank signed the trust contract before transference took place, the Bank has not followed the arrangement in the real estate trust contract, in which the Bank had not paid the construction fee on time based on the work progress. The contract stated that the Bank is responsible for managing, operating, disposing and income generation of the trust assets. Hence, the Bank is asked to pay for the damage of \$9,370 and the interest incurred of \$13,441. The case is currently under the process of Taipei District Court. The Bank defended that the rights and obligations of the plaintiff should remain the same state as the original transferee, and Standard International Co., Ltd. should absorb the additional cost and bear the risk of not fully compensated; hence, the Bank should not be liable for the damage.

8. SIGNIFICANT CATASTROPHIC LOSS: NONE

9. SIGNIFICANT SUBSEQUENT EVENTS: NONE

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10. OTHERS

(A) The Company's personnel, depreciation, depletion, and amortization expenses were as follows:

| Nature | Function | 2010 | | 2009 | |
|--------------------------|----------|--------------------|-----------|--------------------|-----------|
| | | Operating Expenses | | Operating Expenses | |
| Personnel Expense | | | | | |
| Salaries and Wages | | \$ | 1,186,100 | | 1,128,946 |
| Insurance expenses | | | 86,455 | | 82,927 |
| Pension Expenses | | | 50,131 | | 57,586 |
| Other Personnel Expenses | | | 38,783 | | 37,220 |
| Depreciation Expenses | | | 162,630 | | 213,862 |
| Amortization Expenses | | | 315,566 | | 444,885 |

(B) Pursuant to SFAS No. 28 "Disclosures in the Financial Statement of Banks," additional information disclosed by the Bank was as follows:

a. Quality of loans asset, concentrations of credit risk and other related information:

(1) Asset quality

Unit: in Thousands of New Taiwan Dollars, %

| Business/Project | | December 31, 2010 | | | | |
|--|-----------------------|-------------------|-------------------|----------------------------|-------------------------|--|
| | | Overdue loans | Total loan amount | Non-performing loans ratio | Allowance for bad debts | Coverage rate of allowance for bad debts |
| Corporate finance | Guarantee | 1,476,978 | 27,534,465 | 5.36% | 484,828 | 32.83% |
| | Non-Guarantee | 462,442 | 33,815,453 | 1.37% | 394,416 | 85.29% |
| Consumer finance | Residential mortgages | 190,121 | 54,290,106 | 0.35% | 77,462 | 40.74% |
| | Cash cards | - | - | -% | - | -% |
| | Small credit loan | 49,404 | 1,045,174 | 4.73% | 53,461 | 108.21% |
| | Other | Guarantee | 31,309 | 11,017,100 | 0.28% | 8,819 |
| Non-Guarantee | | 66,812 | 2,204,543 | 3.03% | 165,905 | 248.32% |
| Total Loan business | | 2,277,066 | 129,906,841 | 1.75% | 1,184,891 | 52.04% |
| | | Overdue accounts | Receivables | Overdue accounts rate | Allowance for bad debts | Coverage rate of allowance for bad debts |
| Credit card business | | 9,728 | 1,924,335 | 0.51% | 16,741 | 172.09% |
| Factoring receivables - without recourse | | - | 878,954 | -% | - | -% |

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| Business/Project | | December 31, 2009 | | | | |
|--|-----------------------|-------------------|-------------------|----------------------------|-------------------------|--|
| | | Overdue loans | Total loan amount | Non-performing loans ratio | Allowance for bad debts | Coverage rate of allowance for bad debts |
| Corporate finance | Guarantee | 1,048,072 | 26,256,687 | 3.99% | 310,144 | 29.59% |
| | Non-Guarantee | 641,848 | 31,518,547 | 2.04% | 339,387 | 52.88% |
| Consumer finance | Residential mortgages | 570,002 | 58,512,929 | 0.97% | 167,691 | 29.42% |
| | Cash cards | - | - | -% | - | -% |
| | Small credit loan | 107,107 | 1,762,521 | 6.08% | 160,437 | 149.79% |
| | Other | Guarantee | 16,878 | 6,189,552 | 0.27% | 5,115 |
| Non-Guarantee | | 142,169 | 2,840,332 | 5.01% | 224,277 | 157.75% |
| Total Loan business | | 2,526,076 | 127,080,568 | 1.99% | 1,207,051 | 47.78% |
| | | Overdue accounts | Receivables | Overdue accounts rate | Allowance for bad debts | Coverage rate of allowance for bad debts |
| Credit card business | | 28,182 | 2,481,031 | 1.14% | 30,792 | 109.26% |
| Factoring receivables - without recourse | | - | 198,420 | -% | - | -% |

Note 1: Non-performing loans represent the amount of overdue loans as reported in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans." The credit card overdue loans represent the amount of overdue loans as reported in accordance with Jin-Kuan-Yin-(4)-Zi No. 0944000378, dated July 6, 2005.

Note 2: Non-performing loans ratio = Non-performing loans ÷ total loans; Credit card delinquency ratio = Overdue receivables ÷ balance of receivables.

Note 3: Coverage ratio of allowance for bad debts = allowance for credit losses ÷ non-performing loans; Coverage ratio for credit card = allowance for credit losses ÷ overdue receivables.

Note 4: For residential mortgage loans, a borrower provides his/her (or spouse's or minor child's) house as collateral in full and pledges it to the financial institution for the purpose of obtaining funds to purchase property and to construct or repair a house.

Note 5: Microcredit loans are defined by Jin-Kuan-Yin-(4)-Zi No. 09440010950, dated December 19, 2005, and they do not include credit cards or cash cards.

Note 6: Others in consumer finance are secured and unsecured consumer loans other than residential mortgage loans, cash cards, and microcredit loans, and do not include credit cards.

Note 7: In accordance with Jin-Kuan-Yin-(5)-Zi No. 094000494, dated July 19, 2005, the amounts of without-recourse factoring will be classified as overdue receivables within three months from the date that suppliers or insurance companies resolve not to compensate the loss.

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Note 8: Supplemental disclosures:

Unit: In Thousands of New Taiwan Dollars, %

| | December 31, 2010 | | December 31, 2009 | |
|--|---|---|---|---|
| | Loans may be exempted from reporting as a non-performing loan | Receivables may be exempted from reporting as overdue receivables | Loans may be exempted from reporting as a non-performing loan | Receivables may be exempted from reporting as overdue receivables |
| Pursuant to a contract under a debt Negotiation plan (Note A) | 164,903 | 202,032 | 199,049 | 252,008 |
| Pursuant to a contract under a debt liquidation plan and a debt relief plan (Note B) | 87,513 | 16,363 | 77,725 | 26,290 |
| Total | 252,416 | 218,395 | 276,774 | 278,298 |

Note A: In accordance with Jin-Kuan-Yin-(1)-Zi No. 09510001270, dated April 25, 2006, a bank is required to make supplemental disclosure reporting credit information which was approved under the “Debt Coordination Mechanism of Unsecured Consumer Debts by the Bankers Association of the R.O.C”.

Note B: In accordance with Jin-Kuan-Yin-(1)-Zi No. 09700318940, dated September 15, 2008, a bank is required to make supplemental disclosure reporting credit information once debtors apply for pre-negotiation, relief and liquidation under the “Consumer Debt Clearance Act.”

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(2) Concentration of credit extensions

Unit: In Thousands of New Taiwan Dollars, %

| December 31,2010 | | | |
|------------------|---|---------------|--|
| Rank | Enterprise group | Credit amount | Credit amount to shareholders' equity ratio(%) |
| 1 | A GROUP- Petroleum and Coal Products Manufacturing | 3,981,039 | 30.03% |
| 2 | B GROUP-Liquid Crystal Panel and Components Manufacturing | 2,222,681 | 16.77% |
| 3 | C GROUP-Telecommunications | 1,841,928 | 13.89% |
| 4 | D GROUP-Monitors and Terminals Manufacturing | 1,501,036 | 11.32% |
| 5 | E GROUP-Short-term Accommodation Services | 1,286,187 | 9.70% |
| 6 | F GROUP-Financial Holdings | 1,274,694 | 9.62% |
| 7 | G GROUP-Other Retail Sale in General Merchandise Stores | 1,090,813 | 8.23% |
| 8 | H GROUP-Electronic Equipment Components Wholesale Trade | 1,071,828 | 8.09% |
| 9 | I GROUP-Steel Rolling and Extruding | 991,544 | 7.48% |
| 10 | J GROUP-Other Retail Sale in General Merchandise Stores | 855,520 | 6.45% |

| December 31,2009 | | | |
|------------------|---|---------------|--|
| Rank | Enterprise group | Credit amount | Credit amount to shareholders' equity ratio(%) |
| 1 | A GROUP- Petroleum and Coal Products Manufacturing | 3,916,801 | 35.66% |
| 2 | B GROUP-Telecommunications | 2,086,199 | 18.99% |
| 3 | C GROUP-Liquid Crystal Panel and Components Manufacturing | 1,800,571 | 16.39% |
| 4 | D GROUP-Liquid Crystal Panel and Components Manufacturing | 1,636,240 | 14.90% |
| 5 | E GROUP-Short-term Accommodation Services | 1,114,360 | 10.14% |
| 6 | F GROUP-Short-term Accommodation Services | 933,111 | 8.49% |
| 7 | G GROUP-Other Retail Sale in General Merchandise Stores | 929,761 | 8.46% |
| 8 | H GROUP-Liquid Crystal Panel and Components Manufacturing | 912,923 | 8.31% |
| 9 | I GROUP-Printed Circuit Assembly Manufacturing | 911,889 | 8.30% |
| 10 | J GROUP-Man-made Fibers Manufacturing | 843,910 | 7.68% |

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Note 1: The chart ranks the top ten enterprise groups other than government or stated-owned enterprises according to the total outstanding loan balance of the enterprise group.

Note 2: Enterprise group is as defined in Article 6 of the “Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings.”

Note 3: The total outstanding credit amount is the sum of the balances of all loan types (including import and export bill negotiations, loans, overdrafts short/medium/long-term secured and unsecured loans, receivables from securities lending, and non-accrual loans), bills purchased, without-recourse factoring, acceptances receivable, and guarantees receivable.

- b. Average amount and current period average interest rate of interest-earning assets and interest-bearing liabilities were as follows:

| | December 31, 2010 | | December 31, 2009 | |
|------------------------------|-------------------|------------------|-------------------|------------------|
| | Average amount | Average rate (%) | Average amount | Average rate (%) |
| Interest-earning assets | \$ 181,826,973 | 1.87 | 186,704,891 | 1.98 |
| Interest-bearing liabilities | 181,725,459 | 0.62 | 189,264,132 | 1.20 |

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c. Interest rate sensitivity information

Interest rate sensitive assets and liabilities analysis sheet(NTD)

| Unit: in Thousands of New Taiwan Dollars; % | | | | | |
|--|--------------------------|----------------------------|--------------------------------|-------------|-------------|
| ITEM | 1-90 days (inclusive) | 91-180 days (inclusive) | 181 days-1 year (inclusive) | Over 1 year | Total |
| Interest rate sensitive assets | \$ 140,825,322 | 2,626,660 | 1,406,472 | 26,977,864 | 171,836,318 |
| Interest rate sensitive liabilities | 91,448,164 | 67,275,633 | 13,189,963 | 3,569,727 | 175,483,487 |
| Interest sensitivity gap | 49,377,158 | (64,648,973) | (11,783,491) | 23,408,137 | (3,647,169) |
| Net value | | | | | 12,907,130 |
| Interest-rate-sensitive asset to interest rate sensitive liability ratio | | | | | 97.92 |
| Interest rate sensitivity gap to net value ratio | | | | | (28.26) |

Note 1: Listed amounts of the head office, domestic branches, offshore banking unit and overseas branches (excluding foreign currency amounts) are denominated in NTD.

Note 2: Interest-rate-sensitive assets and liabilities are determined by the revenue or cost of various rates spreads between interest-earning assets and interest-bearing liabilities.

Note 3: Interest rate sensitivity gap = Interest-rate-sensitive assets – Interest-rate-sensitive liabilities

Note 4: Ratio of interest-rate-sensitive assets to liabilities = Interest-rate-sensitive assets ÷ Interest rate-sensitive liabilities (denominated in NTD).

Interest rate sensitive assets and liabilities analysis sheet(USD)

| Unit: in Thousands of US Dollars; % | | | | | |
|--|--------------------------|----------------------------|-------------------------------|-------------|---------|
| ITEM | 1-90 days (inclusive) | 91-180 days (inclusive) | 181days-1 year (inclusive) | Over 1 year | Total |
| Interest rate sensitive assets | \$ 238,123 | 85,948 | 59,465 | 66,404 | 449,940 |
| Interest rate sensitive liabilities | 129,246 | 198,739 | 25,981 | 417 | 354,383 |
| Interest sensitivity gap | 108,877 | (112,791) | 33,484 | 65,987 | 95,557 |
| Net value | | | | | 11,821 |
| Interest-rate-sensitive asset to interest rate sensitive liability ratio | | | | | 126.96 |
| Interest rate sensitivity gap to net value ratio | | | | | 808.37 |

Note 1: Listed amounts of the head office, domestic branches, offshore banking unit and overseas branches are denominated in USD.

Note 2: Interest-rate-sensitive assets and liabilities are determined by the revenue or cost of various rates spreads between interest-earning assets and interest-bearing liabilities.

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

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

d. Main Foreign Currency Net Position

(1) Net positions in foreign currencies:

| <u>Foreign Currency Amount</u> | <u>December 31, 2010</u> | | <u>December 31, 2009</u> | |
|--------------------------------|--------------------------|------------|--------------------------|------------|
| | <u>Currency</u> | <u>NTD</u> | <u>Currency</u> | <u>NTD</u> |
| | 1. USD | 283,163 | 1. USD | 543,951 |
| | 2. JPY | 13,203 | 2. EUR | (78,078) |
| | 3. CNY | 3,411 | 3. GBP | (58,914) |
| | 4. HKD | (1,209) | 4. JPY | 31,110 |
| | 4. AUD | (723) | 5. CNY | 3,230 |

(2) Financial assets and liabilities of positions in foreign currencies:

| | <u>December 31, 2010</u> | | | <u>December 31, 2009</u> | | |
|----------------------------------|--------------------------------|------------------|-------------------|--------------------------------|------------------|-------------------|
| | <u>Foreign currency amount</u> | <u>Spot rate</u> | <u>NTD amount</u> | <u>Foreign currency amount</u> | <u>Spot rate</u> | <u>NTD amount</u> |
| <u>Financial assets</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| AUD | 24,209 | 30.9400 | 749,038 | 34,046 | 28.8200 | 981,196 |
| EUR | 19,475 | 40.5800 | 790,286 | 14,938 | 46.1700 | 689,703 |
| GBP | 2,494 | 47.0600 | 117,373 | 2,705 | 51.6800 | 139,778 |
| HKD | 30,241 | 3.9060 | 118,122 | 112,587 | 4.1300 | 464,983 |
| JPY | 1,268,399 | 0.3734 | 473,620 | 783,765 | 0.3475 | 272,358 |
| NZD | 11,346 | 23.5100 | 266,755 | 12,997 | 23.2800 | 302,567 |
| USD | 462,217 | 30.3680 | 14,036,615 | 335,228 | 32.0300 | 10,737,345 |
| ZAR | 46,396 | 4.5800 | 212,495 | 57,833 | 4.3500 | 251,573 |
| Others (note) | | | 123,257 | | | 95,927 |
| <u>Non-Monetary items</u> | | | | | | |
| Others (note) | | | 22,581 | | | 24,522 |

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| | December 31, 2010 | | | December 31, 2009 | | |
|------------------------------|-------------------------------|--------------|---------------|-------------------------------|--------------|---------------|
| | Foreign currency amount | Spot rate | NTD amount | Foreign currency amount | Spot rate | NTD amount |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| AUD | 23,150 | 30.9400 | 716,252 | 33,722 | 28.8200 | 971,867 |
| EUR | 19,567 | 40.5800 | 794,031 | 15,207 | 46.1700 | 702,108 |
| GBP | 2,528 | 47.0600 | 118,958 | 2,726 | 51.6800 | 140,864 |
| HKD | 131,746 | 3.9060 | 514,600 | 112,883 | 4.1300 | 466,209 |
| JPY | 853,986 | 0.3734 | 318,879 | 796,546 | 0.3475 | 276,800 |
| NZD | 11,250 | 23.5100 | 264,491 | 12,533 | 23.2800 | 291,769 |
| USD | 358,955 | 30.3680 | 10,900,735 | 284,766 | 32.0300 | 9,121,042 |
| ZAR | 46,303 | 4.5800 | 212,066 | 57,367 | 4.3500 | 249,547 |
| Others (note) | | | 95,600 | | | 92,241 |
| Non-Monetary Items | | | | | | |
| Others (note) | | | 1,322 | | | 127 |

Note: Other Currencies that are less than to NTD 100 million are disclosed together.

e. Profitability and maturity analysis of assets and liabilities:

(1) Profitability:

Unit: %

| Item | December 31, 2010 | December 31, 2009 |
|-------------------------------------|-------------------|-------------------|
| Return on assets ratio (Before tax) | 0.34 | (3.38) |
| Return on assets ratio (After tax) | 0.52 | (3.31) |
| Return on equity ratio (Before tax) | 5.58 | (72.89) |
| Return on equity ratio (After tax) | 8.40 | (71.22) |
| Net income ratio | 24.26 | (272.87) |

Note 1: Return on assets ratio = Net income (loss) before/after income tax ÷ average total assets.

Note 2: Return on equity ratio = Net income (loss) before/after income tax ÷ average total equity.

Note 3: Net income ratio = Net income after income tax ÷ Net revenue.

Note 4: Net income (loss) before/after tax represents accumulated income (loss) of the current year.

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(2) Maturity analysis of assets and liabilities:

Structure analysis of New Taiwan Dollars time to maturity

| Financial instrument | Total | Remaining amount and time to maturity | | | | |
|-----------------------------------|----------------|--|--------------|--------------|-----------------|-------------|
| | | 1-30 days | 31-90 days | 91-180 days | 181 days-1 year | Over 1 year |
| | | Unit: in Thousands of New Taiwan Dollars | | | | |
| Major capital inflow at maturity | \$ 193,494,910 | 60,542,809 | 12,786,670 | 9,159,765 | 12,817,890 | 98,187,776 |
| Major capital outflow at maturity | 234,573,676 | 23,802,497 | 25,018,317 | 32,892,475 | 66,512,759 | 86,347,628 |
| Gap | (41,078,766) | 36,740,312 | (12,231,647) | (23,732,710) | (53,694,869) | 11,840,148 |

Note: Listed amounts of the head office and domestic branches (excluding foreign currency amounts) are denominated in NTD.

Structure analysis of US Dollars time to maturity

| Financial instrument | Total | Remaining amount and time to maturity | | | | |
|-----------------------------------|------------|---------------------------------------|------------|-------------|-----------------|-------------|
| | | 1-30 days | 31-90 days | 91-180 days | 181 days-1 year | Over 1 year |
| | | Unit: in Thousands of U.S. Dollars | | | | |
| Major capital inflow at maturity | \$ 532,685 | 174,283 | 119,618 | 97,537 | 71,151 | 70,096 |
| Major capital outflow at maturity | 649,171 | 296,502 | 75,395 | 69,956 | 117,862 | 89,456 |
| Gap | (116,486) | (122,219) | 44,223 | 27,581 | (46,711) | (19,360) |

Note1: Listed amounts of the head office and domestic branches, offshore banking unit and overseas branches are denominated in U.S. dollars. The amounts were listed by book value except for additional statement. Non-recorded amount shall not be listed. (For example: planning to issue negotiable certificates of deposit, bonds or stocks.)

Note 2: The supplementary disclosure of information shall be provided, if the overseas assets accounts for more than 10% to the total assets.

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f. Special matters:

| | Description and amount |
|--|---|
| Within one year, a person in charge of the business or an employee who violated the law in the course of business, and resulting in an indictment by the prosecutor. | <ol style="list-style-type: none">1. The ex-manager of northern Taiwan division, Mr. Tzeng, has been sued by the Bank for forgery and fraud. Taipei District Criminal Court sentenced Mr. Tzeng to imprisonment for 5 years and a fine of \$20,000 NTD on March 26, 2010 because he abused his power as a manager to obtain illegal benefits and causing damage to the Bank. This sentence had been upheld by The High Court on August 19, 2010. The Bank also filed a civil suit against Mr. Tseng, asking for compensation in the amounts of NTD \$123,235 and USD \$2,448. This lawsuit is still pending in Taipei District Court.2. The current employee in Sanchong branch, Mr. Yang, has been accused by the Bank of forgery. Mr. Yang allegedly used counterfeit stamps to forge illegal timecards for ex-employees. The Banciao District prosecutor has charged Mr. Yang with forgery through summary judgement on August 5, 2010. |
| Within one year, any fine was levied by governmental authority for violations of the related regulation. | <ol style="list-style-type: none">1. According to Ruling letter no. 09960003730 of Financial Supervisory Commission(FSC), Executive Yuan, dated August 19, 2010, commanded the Bank to pay a fine of \$5,000 due to violation of Article 45-1 No.1 and 2 of the Banking Act. for not maintaining sufficient loan provision, failed to list all non-performing loans and the missing of credit extension files.2. According to Ruling letter no. 09960003740 of FSC, Executive Yuan, dated August 19, 2010, commanded the Bank to pay a fine of \$2,000 due to violation of Article 33-3 of Banking Act. for conducting unsecured credit extension to a natural person. |

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| | Description and amount |
|---|--|
| | 3. According to Ruling letter no. 09900515511 of FSC, Executive Yuan, dated December 21, 2010, commanded the representative of the Bank to pay a fine of \$240 due to violation of Article 26-3 No.8 of Securities and Exchange Act. and Article 3-2 Regulations Governing Procedure for Board of Directors Meetings of Public Companies. The Bank was fined because of failing to notify each director and supervisor 7 days in advance of calling the Board of Directors meeting during September and October, 2009. |
| Within one year, any deficiency for which an official reprimand was issued by governmental authority. | None |
| Within one year, in accordance with Article 61-1 of the Banking Act, the items were executed by governmental authority. | <ol style="list-style-type: none">1. According to Ruling Letter No. 09900073380 of FSC, dated March 23, 2010, Ping-Jia-She-Hua structured notes conducted by the Bank had impeded the sound business operation and was in violation of the Banking Act, Article 61-1NO.1. Hence, FSC punished and commanded the Bank to stop conducting trust business for three months.2. According to Ruling Letter No. 09900339730 of FSC, dated October 5, 2010, the Bank was rectified because of its violation against the Banking Act, Article 61-1 No. 1. The former employee, Mr. Hsu, embezzled the cash from ATM and his behavior already impeded the sound business operation of the Bank; hence, FSC ordered the Bank to dismiss his duty based on the Banking Act, Article 61-1 No.3. |

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| | Description and amount |
|---|--|
| | 3. According to Ruling Letter No. 09900230250 of FSC, dated October 11, 2010, the Bank violated Article 3 of Insurance Salesman Rules and No.6-1 of Reminder of Bank, Insurance Company, Insurance Agent Company or Insurance Broker Company for the insurance related business. The Bank was penalized based on the Banking Act, Article 61-1 No. 1 because some insurance agents and brokers working for the Bank are not qualified. |
| Within one year, the individual or aggregated loss exceeded NT\$50 million dollars, resulted from employee corruption, significant contingent events, or failure to follow the "Guidelines for the Security Maintenance of Financial Institutions". | None |
| Others | None |

- (C) The income and expenses arising from the joint marketing operation and information interoperability amongst the Financial Holding Company's subsidiaries were allocated as follows:

The joint marketing income and expenses between the Bank and Jih Sun Securities Co., Ltd., except for the rental was paid form fixed amount which was based on negotiation, the other operating expense was in accordance with the proportion of the actual usages. For the years ended December 31, 2010 and 2009, the Bank is to receive joint marketing income of \$146 and \$190 and pay the expenses of \$743 and \$654, respectively.

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(D) Capital adequacy:

Unit: %

| Period | | | | |
|---|----------------------------|---|-------------------|----------------|
| Analysis Item | | December 31, 2010 | December 31, 2009 | |
| Eligible Capital | Tier 1 capital | 10,629,586 | 9,109,973 | |
| | Tier 2 capital | 496,070 | 934,198 | |
| | Tier 3 capital | - | - | |
| | Eligible Capital | 11,125,656 | 10,044,171 | |
| Risk-weighted assets | Credit risks | Standardized approach | 106,928,839 | 106,296,447 |
| | | Internal rating-based approach | - | - |
| | | Securitization | 89,676 | - |
| | Operation Risk | Basic indicator approach | 7,066,331 | 8,149,038 |
| | | Standardized approach/ Alternative standard approach | - | - |
| | | Advanced measurement approach | - | - |
| | Market risk | Standardized approach | 3,794,646 | 1,850,802 |
| | | Internal model approach | - | - |
| | Total weighted risk assets | | \$ 117,879,492 | \$ 116,296,287 |
| | Capital adequacy ratio | | 9.44% | 8.64% |
| Tier 1 capital / Risk-weighted assets ratio | | 9.02% | 7.83% | |
| Tier 2 capital / Risk-weighted assets ratio | | 0.42% | 0.80% | |
| Tier 3 capital / Risk-weighted assets ratio | | - % | - % | |
| Common stock equity/ Total assets ratio | | 6.41% | 6.36% | |
| Leverage ratio | | 5.45% | 4.46% | |

Note 1: The eligible capital and risk-weighted assets shall be filled out in accordance with “Regulations Governing the Capital Adequacy Ratio of Banks” and “The calculation instructions and forms of bank’s capital and risky asset”.

Note 2: The annual statement shall be filled out with the capital adequacy ratio of the current and previous period. The half yearly statement not only shall disclose the capital adequacy ratio of the current and previous period, but also the capital adequacy ratio of the previous year.

Note 3: The calculation formula of the index should be presented as followed:

- (a) Eligible Capital = Tier 1 capital+ Tier 2 capital + Tier 3 capital
- (b) Total amount risk-assets weighted = credit risks risk- weighted assets+ appropriate proportion of (operation risk+ market risk) *12.5
- (c) Capital adequacy ratio= Eligible Capital/total amount of risk-weighted asset
- (d) Tier 1 capital to risk-weighted assets ratio=Tier 1 capital/ total amount of risk-weighted asset
- (e) Tier 2 capital to risk-weighted assets ratio =Tier 2 capital/ total amount of risk-weighted asset

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- (f) Tier 3 capital to risk-weighted assets ratio = Tier 3 capital/ total amount of risk-weighted asset
- (g) Common stock equity to total assets ratio = Common stock equity/ Total assets
- (h) Leverage ratio = Tier 1 capital/ Average asset after adjustment (Average asset minus Tier 1 capital “Goodwill”, “loss on sale unamortized NPL” and the deductible amount from the Tier 1 capital in accordance with “The calculation instructions and forms of bank’s capital and risky asset”)

Note 4: The table does not need to be disclosed on the first and third quarter of financial report.

11. DISCLOSURES REQUIRED

(A) Related information on significant transactions:

- a. Cumulative purchase or sale of the same investee’s capital stock up to \$300,000 or 10% of paid-in capital: none
- b. Acquisition of real estate up to \$300,000 or 10% of paid-in capital: none.
- c. Disposal of real estate up to \$300,000 or 10% of paid-in capital: none.
- d. Discount on commission fees for transaction with related parties up to \$5,000: none.
- e. Receivables from related parties up to \$300,000 or 10% of paid-in capital: please referring to note 4 (G) and note 5 (B).
- f. Transaction information on NPL disposition: none.
- g. Financial assets securitization rules: none.
- h. Other significant transactions that may have substantial influence upon the decisions made by financial statement users: none.

(B) Related information on investee companies:

- a. Names and locations of, and relevant information on, investees:

| Names of investee company | Address | Main business scope | Shareholding ratio | Carrying Value | Investment gain (loss) recognized | Aggregate shareholding of the Company and its subsidiaries | | | | Remark |
|------------------------------------|---|---------------------|--------------------|----------------|-----------------------------------|--|------------------------|------------------|--------------------|--------|
| | | | | | | No. of shares | No. of proforma shares | Total | | |
| | | | | | | | | Number of shares | Shareholding ratio | |
| Jih Sun Insurance Agency Co., Ltd. | 8F., No.85, 87, Sec. 2, Nanjing E. Rd., Taipei City | Insurance Agency | 99% | 47,533 | 33,812 | 297,000 | - | 297,000 | 99% | - |

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- b. Loans to others or individuals: none.
- c. Endorsements and guarantees for others: none.
- d. Marketable securities held as of December 31, 2010: none.
- e. Cumulative purchases or sales of the same investee's capital stock up to \$300,000 or 10% of paid-in capital: none.
- f. Acquisition of real estate up to \$300,000 or 10% of paid-in capital: none.
- g. Disposal of real estate up to \$300,000 or 10% of paid-in capital: none.
- h. Discount on commission fees for transaction with related parties up to \$5,000: none.
- i. Receivables from related parties up to \$300,000 or 10% of paid-in capital: none.
- j. Financial derivative transaction: none.
- k. Information on NPL disposal transaction: none.
- l. Types of securitization instruments approved to be issued pursuant to financial assets securitization rules or real estate securitization rules and other relevant information: none.
- m. Other significant transactions that may have substantial influence upon the decisions made by financial statement users: none.

12. Business Segment Financial Information:

- (A) Disclosure of financial information of industry segment:

The Bank primarily engages in the activities of financing. The Bank, in accordance with Article No. 3 of the Banking Act, mainly operates general deposits, loans, collections, government bond investment, stocks, short term securities, financial debentures, and foreign exchange transactions.

- (B) Geographic and Export sales information:

The Bank does not have any overseas operating unit. The area of business operations is only in Taiwan, and there is no any income from export sales.

- (C) Information on major customers:

No single client represented 10% or more of the Company's operating revenues during the year.