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MOPS website: <http://newsmops.tse.com.tw>



## 2012 Annual Report

## 2012 Annual Report



### Spokesman

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Position: Vice President

TEL: (02) 2820-8166 Ext. 737

E-mail: [splan@sunnybank.com.tw](mailto:splan@sunnybank.com.tw)

### The Deputy Spokesman

Name: Kuo, Cheng-Hung

Position: Manager

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### Address and Telephone Number of Head Office and Branch Office

See P. 198~P.204 for details on "List of Head Office and Each Business Unit"

### Stock Transfer Agency

Name: Sunny Bank General Administration (Shareholders Section)

Address: 4F., No.88, Sec. 1, Shipai Rd., Beitou Dist., Taipei City 112, Taiwan (R.O.C.)

TEL: (02) 2820-8166 Ext. 575

Website: <http://www.sunnybank.com.tw>

### Credit Rating Institution

Titles: Taiwan Ratings Co., Ltd

Address: 49F., No.7, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)

TEL: (02) 8722-5800

Website: <http://www.taiwanratings.com/>

### Names of CPAs certifying financial statements of the most recent year

Name : Chen, Jie-Jhong, Wu, Yi-Chun

Business Office: Deloitte & Touche

Address : 12F., No.156, Sec. 3, Minsheng E. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)

TEL : (02) 2545-9988

Website : <http://www.deloitte.com.tw>

### Names of stock exchanges where foreign securities are listed and enquiry on the information of foreign securities: None

### Bank Website:

<http://www.sunnybank.com.tw>



**Steady, Proaction, Professional and  
Enthusiastic**

*2012 Annual Report*

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## **I. Letter to Shareholders**

- 1. The 2012 Operation Results**
- 2. Overview of 2013 Business Plan**
- 3. Future Development Strategies**
- 4. Effects of Environment Regarding External Competition, Legal Regulations and Overall Operations**
- 5. Credit Rating**



Dear shareholders,

First of all I would like to show my gratitude for the supports and caring of the shareholders of Sunny Bank. In the previous year, the global economy experienced financial difficulties and economic downfall in Eurozone, which gradually affected many core countries. The United States walked along the edge of fiscal cliff and the employment and economy hang low. In China, the economic growth started to slow down. These factors, among others, cooled off international trading and decelerated global economy.

In the financial market in Taiwan, banks' core profitability was difficult to improve because there were too many banks. In addition, the domestic demands for finance have been lingering low for a very long time. This, combined with the credit control policy of Central Bank in the last 2 years, contributed to the limited development of banks' financing business. Despite the challenges at hand, Sunny Bank was still optimistic in continuing to make adjustment of deposit and loaning structures and expanding business opportunity in order to improve overall profits. With the planning of HQ and the hard works of branch offices, Sunny Bank maintained steady paces and surpassed the annual budget targets with brilliant performance in every category of business index. The quality of bank's assets showed significant improvement.

Sunny Bank has been making profits month after month ever since surplus started to show in July 2009. The earnings of the bank after tax in 2011 was NT\$ 500,228,000 as CPA's auditing report shows. To ensure the same result for 2012, the Bank continues the efforts of reformation, such as moving business points in southern Taiwan to north, improvement of business environment for better service quality, constant employee training and talent incubation, recruitment of excellent managers, and intensification of internal auditing. With the supports of directors, supervisors and the hard work of fellow workers, Sunny Bank reached the balance of loss and gain in October 2012 and approved by CPAs, the Bank made a net profit of NT\$ 1,229,865,000 after tax in 2012, and the annual earning achievement reached 145.86%, indicating that the profitability of the Bank is stabilizing. Looking at the future, the Bank will continue to commit to the stable operations and maximizing the interests for all shareholders. The following are the brief presentation of 2012 operating results and 2013 business plan:

## 1. The 2012 Operation Results

### (1) Optimization of business channel, and creation of maximum operating value

To stay ahead of competitors and make the most out of the 96 branch offices throughout Taiwan for greater business



董事長 林彭郎

scale and extent, the Bank is strategically relocating several branches in order to exploit the advantage of nationwide banking business and focus banking opportunities in northern Taiwan. For example, the simple office at Liugui, Kaohsiung was relocated to the current location of Dongning simple office in Tainan City and renamed so in May 2012; on the same day, Dongning office was moved to Tucheng, New Taipei City and became "Tucheng Branch." The "Minzu Branch" in Kaohsiung City was relocated to Keelung city in June 2012 and renamed "Keelung Branch." The Dongning simple office and Qishan Branch were renovated in June 2012 with a grand opening. The Xiaogang Branch at Xiaogang, Kaohsiung moved to a new and large location at the same district to provide better financial service for local customers in a more spacious and comfortable environment. The Bank will continue to strengthen the value of channel, optimize branch locations, and further enhance the overall operating performance.

### (2) Business Plan and Operating Strategy Implementation Results

The Bank endeavored to improve asset quality and achieved significant performance in 2012. Our non-performing loans ratio lowered from 0.75% in the end of 2011 to 0.58% in the end of 2012, declining by 0.1%. Coverage also increased from 110.30% in the end of 2011 to 171.11% in the end of 2011, rising 60.81%. In business development, the deposits increased by approximately NT\$10.1 billion, while the total lending balance increased substantially by NT\$ 13 billion compared with 2011. Overall operating performance significantly improved.

Unit: NT\$1,000

Main Business Item	2012	2011	Growth Rate Compared to Last Year
Deposit (Year End Balance)	229,570,243	219,449,892	4.61%
Loan (Year End Balance)	191,868,809	178,841,054	7.28%
Financial Management Business Sales	18,777,038	19,590,627	-4.15%
Importing/Exporting Exchange (USD1,000)	2,136,336	1,994,655	7.10%
Trust Property Scale	36,771,214	35,360,981	3.99%
Equity Investment with Equity Method (Year End)	1,194,660	559,970	113.34%

### (3) Budget Execution

The Bank's deposit and loan balance both increased sharply in 2012. After-tax net loss income was NT \$1.23 billion.



#### (4) Financial Income/Expenditure and Profitability Analysis

The Bank's main financial income and expenditure and its profitability analysis are as follows:

Unit: NT\$1,000

Main Business Item	2012	2011	Compared to Last Year
Interest Profit	3,016,733	2,981,377	1.19%
Non-interest Profit (Loss)	919,309	498,539	84.40%
Total Net Profit	3,936,042	3,479,916	13.11%
Bad Debt Expenses	131,018	539,247	-75.70%
Operating Expenses	2,528,154	2,433,059	3.91%
Net Income Before Tax	1,276,870	507,610	151.55%
Net Income After Tax	1,229,865	500,228	145.86%
Earnings per Share Before Tax	1.00	0.40	150%
Earnings per Share After Tax	0.96	0.40	140%

Explanation:

1. The increase of net profits in 2012 other than interests was the result of the amortization of the loss from unlisted bad debts in 2011 and the increase in financial assets and net income from liabilities listed for profits and losses according to the changes in fair value.
2. Decrease of bad debt expenses in 2012 came from the collection of payments for bad debt expenses listed in previous years.

#### (5) Research and Development

To monitor the changes in domestic and international economic and financial situations, and respond to the needs of our business, our departments perform financial situation analysis on regular and ad hoc basis, and issue related research reports on development of banking industry, and provide all staff for market trends analysis and reference.

#### 2. Overview of 2013 Business Plan

The Bank will continue to provide customers in the future with quality based on the quality policy of "steady, proaction, professional, and Enthusiastic" as the foundation of sustainable management. Going forward, key focuses of business development are as follows:

##### (1) Expansion of business scale

The target growth of deposit for 2013 is set to be NT\$ 6.5 billion (NT dollars and foreign currencies combined), and NT\$ 5 billion for loan business (NT dollars and foreign currencies combined). To expand the size of both deposit and loan businesses, the Bank will be committed to improve the business capacity of branch offices and realize the strategies of service at client's front door and local penetration based on the spirit of service with smile in order to improve clients' satisfaction and expansion of client groups.

##### (2) Stabilization of capital and reduction of capital costs

The Bank will be committed to stabilize capital and reduce capital costs in order to support business development with steady stream of capitals in 2013. Also the Bank will work hard to increase the percentage of current deposits based on the steady deposit business, as to effectively lower the capital costs for better profits.

### **(3) Adjustment of lending structure**

For stable operations and to meet the policies of competent authority, the lending business strategy of 2013 switches to SME loans, peripheral products (such as foreign currency) and personal loans that are more profitable. For better risk management, the SME loans will be accompanied with immovable collaterals or credit guarantee fund in combination with second lien of immovable collaterals or provision of other valuable collaterals. Client screening will be enforced and efforts will be made to find out the exact business operation status of clients in order to secure the source payments and lower the overall lending risks.

### **(4) Improvement of asset quality**

The goal for non-performing loan ratio in 2013 is a decrease to less than 0.65% and coverage greater than 155% or more. Also, stricter control will be enforced on the quality of new loans in order to reduce the amount of overdue loans, while bad debts will be followed continuously to increase the retrieval of bad debts and improve the quality of assets.

### **(5) Maintenance of BIS ratio**

To meet the requirements of competent authority, improve the Bank's capital structure, fulfill the requirement of BIS (Bank for International Settlements) ratio increase annually as specified by BASEL III and achieve the 10.5% level (required by BASEL III by 2019) as soon as possible, the Bank will keep a close watch on the proportion of lending products in 2013 in order to achieve optimized risky asset portfolio. Also, efforts will be made to improve profitability, provide seasoned equity offerings and issue subordinated financial bonds to increase self-owned capitals and increase BIS ratio.

### **(6) Development of e-business**

e-Business is closely combined with virtually every trade of business. Bank has a big part in the e-commerce supply chain in terms of cash flow and helps create more added values. Therefore to increase competitiveness in the market, the Bank is planning to establish new version of online bank and mobile bank (APP) and install multimedia systems at branches to achieve the goals of business expansion, corporate image promotion and providing clients with whole new e-commerce experience. There is also a plan to upgrade the personal stamp comparison system in order to reduce operational risks and improve performance.

### **(7) Compliance with law and protection of clients' interests**

The Bank has established a dedicated response team according to the law and planning schedule. Currently the establishment of personal information management system and consumer protection system was completed and related control mechanism is established and corporate regulations revised in order to protect clients' interests.

### **(8) Renovation of business points**

To better exploit the values of branch offices and improve business performance, the Bank is considering the business performance of branch offices and the balanced overall layout of business regions and continuing the adjustment of distribution of branch offices throughout Taiwan. The plan is to relocate branch offices with complete functionality to metropolitan areas north of Taichung, allowing mutual complementary support and assistance between these offices. Also, the plan includes renovation of offices to create a comfortable banking environment and establish the image of professional banking institute, as to improve the overall business scale and performance. The branch office at Wanhua was established at the first half of 2013.

## **3. Effects of Environment Regarding External Competition, Legal Regulations and Overall Operations**

- (1) Continue to strength the operating infrastructure and improve the financial structure.
- (2) To maintain a fine deposit/loan ratio structure, which will enable a balanced development in the deposit and loan businesses.
- (3) Implement risk management, strengthen risk control, lending standards, and improve the quality of lending assets.

(4) Continue to integrate and reconfigure the branches to expand channel benefits.

- (5) Promote the International Financial Reporting Standards (IFRS) in compliance with the regulators, to develop financial management efficiency performance to effectively improve operational performance.
- (6) Actively promote staff on job training, draw up training program for professionals to improve manpower quality.
- (7) Deeply explore core businesses to enhance customer relations, expand customer base and contribution.

#### 4. Credit Rating

Taiwan Rating Co., Ltd. has rated the Bank as: “twBBB+/twA-2/Negative” in long-term and short-term credit rating on September 10, 2012.

#### 5. The Impact of the External Operating Environment, Legal and Regulatory Environment to the Bank's Overall Operating Environment

The global economy is coming back slowly but surely. However, the domestic financial environment still suffers from too many banks and the low demands for finance for a very long time. This, combined with the credit control policy of Central Bank in the last 2 years, contributed to the limited development of banks' financing business.

The Executive Yuan approved the “Plan for the development of financial business with characteristics of China and Taiwan” proposed by Financial Supervisory Commission and the “MOU for monetary clearing between China and Taiwan” proposed by Central Bank, which marked a new chapter for the financial society in China and Taiwan. In light of this, the Bank will continue the efforts in expanding foreign currency business, recruiting good hands specialized in international financing and diversifying the source of operating incomes. As the financial system and the laws and regulations will continue to be adjusted, the Bank has promptly drafted countermeasures in response to various changes by amending its internal rules and regulations or operating procedure to comply with legal and regulatory stipulations, and to strengthen the Bank's competitiveness by streamlining its policy according to the market and economic conditions.

Chairman

**LIN, PENG-LANG (with seal)**

President

**TING, WEI-HAO (with seal)**





## II. Bank Profile

1. Date of Registration
2. Company Overview



## 1. Date of Registration

Registration Date: September 1, 1997

Business Commencement Date: September 1, 1997

## 2. Company Overview

Previously known as “Yang Ming Shan Credit Cooperative”, the Bank was established on October 2, 1957. After 40 years of operation, it was approved and restructured to be a bank by the Ministry of Finance on April 28, 1997. Therefore, “Sunny Bank Corporation Ltd.” formally started its operations on September 1, 1997. Sunny Bank is among the first group of credit cooperatives being restructured to banks in accordance with the “Standards and Regulations for Reforming Credit Cooperatives to Commercial Banks” with an Order issued by the Ministry of Finance dated December 6, 1995 with File No. Tai-tsai-jung No. 84784492.

On April 16, 1998, our bank was accredited of the ISO-9002 information and quality system. We were the first accredited bank. On June 4, 1998, we held a press conference to announce this accreditation and address our quality policies for sustainable operation of “Steady, Proaction, Professional and Enthusiastic”. We have been endeavoring to advance ourselves, expand our services, increase branches to provide services to the public since the commencement of our business. In conformance with the governmental policies to dispose poorly managed financial institutions, Sunny Bank Co., Ltd. undertook the business of Yuan Lin Credit Cooperative, Chang Hua and Ping Tung 2nd Credit Cooperative respectively on September 15, 2001. On August 24, 2002, Sunny Bank Co., Ltd. took over the business of Tainan 5th Credit Cooperative. We successfully increased our branches by 21. On July 20, 2004, Sunny Bank Co., Ltd. was approved to expand its operational region and became a national bank. On November 26, 2005, Sunny Bank Co., Ltd. merged with Kao Shin Commercial Bank so as to integrate business and strengthen our competitiveness in the market by obtaining better competitive advantages, expanding business scale and range. The number of our branches increased from 62 to 96. To explore channel synergy of branches, the Bank cautiously plans its service locations. We established Luotong branch in September 2007 and broadened our service territory into Eastern Taiwan. Through regional complementary, and channel integration, the Bank will advance its market competitiveness and scale. The Bank plans to, through its service locations: Chupei, Chungsing and Changhua, Eastern Taoyuan and Nangang in 2010, Beitun in 2011 and Tucheng and Keelung in 2012, geographically exercise the mutually benefit in sales support and promotion and grasp the share of the regional market and utilize the operation scale in a short period of time.

To adapt to the rapid changes in the financial market and offer customers diversified financial services, the Bank not only bettered the operating capital, but also actively integrated itself into other financial areas and has reinvested in Sunny Securities Co., Ltd., Sunny Life Insurance Brokerage Co., Ltd., Sunny Property & Insurance Brokerage Co., Ltd., Sunny Assets Management Co., Ltd to act as an agent for various insurance products and engage in brokerage, trading and settlement of listed and over-the-counter stocks and the purchase, valuation or auction of financial claims. It is expected that we can expand our services, develop diverse business and provide comprehensive financial services on the existing connections and locations basis.

The Bank will continue to focus on business development, to strengthen the quality and quantity of loans, and continue to clean up distressed assets through reasonable assessment of expenditures, in order to minimize costs. We will raise capital adequacy ratio to strengthen financial and operational structure, improve customer service quality, enhance organizational effectiveness and effective active management and performance-oriented culture, and reach the goal of sustainable management.





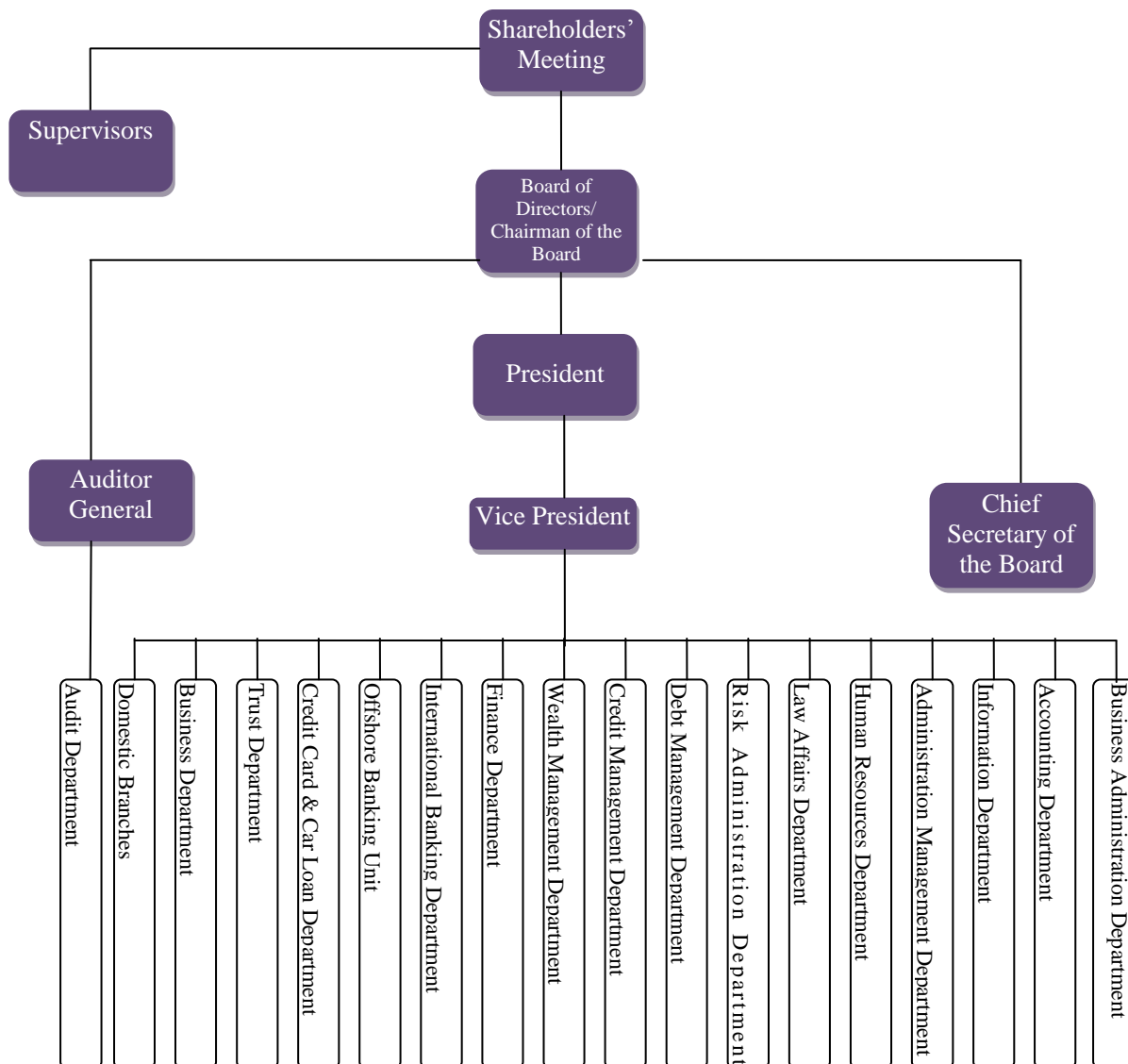
### III. Corporate Governance Report

1. Organization
2. Director, Supervisor, President, Vice President, Deputy Executive Vice President, and Heads of Departments and Branches
3. Corporate Governance Operations
4. CPA Information
5. Changes of CPA
6. Chairman, President, Financial or Accounting Managers, and those that have served in CPA or Affiliated Associated Business in Most Recent Year
7. Transfers, pledges and changes in stock shares
8. Information on the Relationships between the 10 Largest Shareholders as Given in Statement of Financial Accounting Standards No. 6.
9. Numbers of Shares in the Same Reinvested Enterprises Held by the Bank and its Directors, Supervisors, President, Vice Presidents, Assistant Vice Presidents, the Heads of Departments and Branches, and Enterprises Controlled Directly or Indirectly by the Bank, and Ratios of Consolidated Shareholding

## 1. Organization

### (1) Organization Chart

As of February 28, 2013



### (2) Major Business of Each Department

The Bank operates a headquarter and branches, and the headquarter is supported by the Business Administration Department, Accounting Department, Information Department, Administration Management Department, Human Resources Department, Law Affairs Department, Risk Administration Department, Debt Management Department, Credit Management Department, Wealth Management Department, Finance Department, International Banking Department, Offshore Banking Unit, Credit Card and Car Loan Department, Trust Department and Business Department; their major responsibilities are as follows:

- (1) Business Administration Department: Operating strategies, administration policy, operating development plans and the overall marketing campaign proposal development and performance evaluation.
- (2) Accounting Department: Operating budget compilation and review, approval and allocation, reconciliation and audit-related compilation, among other accounting management-related undertakings.
- (3) Information Department: Planning, drafting and management of the information business system and information operating system.
- (4) Administration Management Department: Word processing, file management, general management, capital expenditures, and renovation.
- (5) Human Resources Department: Staffing allocation, bank employee recruitment, hiring, appointment/dismissal, promotions, bank employees' local and foreign training and advanced study plans,

budget and execution-related measures.

- (6) Law Affairs Department: Legal affairs-related administrative planning, supervision and evaluation.
- (7) Risk Administration Department: The risk management policy, system, and mechanism's drafting, structuring and execution, as well as overall operating risk assessment, supervision, and control.
- (8) Debt Management Department: Loan review follow-up evaluation, overdue loan repayment collection, recourse debt collection, and pre-consultation's planning, supervision, and management.
- (9) Credit Management Department: The Bank-wide lending policy drafting (revising) and loan review operations' supervision and management.
- (10) Wealth Management Department: The wealth-management business's operating policy, business plan, operating objectives' drafting (revising) and management-related undertakings, related product research and development, marketing promotion, market research.
- (11) Finance Department: The NTD-denominated and foreign currency-denominated capital operation and management, and financial and investment management.
- (12) International Banking Department: The foreign exchange business's planning, promotion, and management.
- (13) Offshore Banking Unit: Manage international financial business.
- (14) Credit Card and Car Loan Department: The credit card product and car loan business' planning, promotion, and management.
- (15) Trust Department: The trust business' planning, promotion, and management.
- (16) Business Department: Operation of the deposit, exchange clearance, cashiering, representation, loan, foreign exchange, trust and money-management business processing.

The Bank also operates an audit division, which is charged with auditing the business, information, account administration, finance and various safekeeping goods on inventory. The audit division and the auditors are under the command and supervision of the Chief Auditor.

## 2. Director, Supervisor, President, Vice President, Deputy Executive Vice President, and Heads of Departments and Branches

### (1) Directors and supervisors

As of December 31 2012

Position	Name	Date Elected	Term	Initial Elected Date	Holding at Election		Present Holding		Current Shares of Spouse and Minors		Holding Shares in Other Names		Education & Experience	Concurrent Positions at our Bank and Other Companies	Other Chief, Director or Supervisor as Spouse, Minors or any other Relatives within the second level relationships		
					Shares	Ratio %	Shares	Ratio %	Shares	Ratio %	Shares	Ratio %			Position	Name	Relationship
Chairman	Lin, Peng-Lang	06/11/2012	3 yrs	06/22/2009	31,041	---	31,041	---	82,933	0.01%	---	---	Vice President and President of Land Bank of Taiwan Chairman of The Farmers Bank of China Chairman of Agricultural Bank of Taiwan Chairman of Financial Asset Service Corporation Graduated from Graduate School	None	None	None	None
Managing Director	Chen, Sheng-Hung	06/11/2012	3 yrs	09/01/1997	7,179,892	0.56%	7,179,892	0.56%	3,232,655	0.25%	---	---	The 3rd to 7th Taipei City Councilor President Director of Yang Ming Shan Credit Union The 1st - 4th Chairman and 5th Managing Director of Sunny Bank The 4th & 5th legislator Graduated from University	Director of Chuan Yam Construction Co., Ltd. Chairman of Sunny Foundation Director of Sunny Bank Securities Co., Ltd.	Director	Chen, Chin-Chia	Brothers







Position	Name	Date Elected	Term	Initial Elected Date	Holding at Election		Present Holding		Current Shares of Spouse and Minors		Holding Shares in Other Names		Education & Experience	Concurrent Positions at our Bank and Other Companies	Other Chief, Director or Supervisor as Spouse, Minors or any other Relatives within the second level relationships		
					Shares	Ratio %	Shares	Ratio %	Shares	Ratio %	Shares	Ratio %			Position	Name	Relationship
Supervisor	Tsai, Wen-Hsiung	06/11/2012	3 yrs	09/01/1997	6,940,159	0.54%	6,940,159	0.54%	4,234,014	0.33%	---	---	C.P.A. of Chang Chi Union Accounting Office Supervisor of Yang Ming Shan Credit Union Director of Jui Hsiang Investment Co., Ltd. The 1st - 5th Supervisor of Sunny Bank Graduated from Graduate School	Director of Jui Hsiang Development Co., Ltd.	None	None	None
Supervisor	Lin, Chin-Lung	06/11/2012	3 yrs	05/19/2003	1,100,049	0.09%	1,225,049	0.10%	1,297,931	0.10%	---	---	Manager of Trust Department of Taipei Business Bank Manager of Business Department of Taipei Business Bank Vice President & President of Sunny Bank The 2nd-4th Director and 5th supervisor of Sunny Bank Graduated from University	---	None	None	None
Supervisor	Hsu, Wen-tung	06/11/2012	3 yrs	04/27/2011	2,708,398	0.21%	3,985,925	0.31%	1,370,858	0.11%	---	---	Director of General Chamber of Commerce of ROC Honor Chairman of Insurance Agency Association of ROC President of Huai De Insurance Agent Co., Ltd. Chairman of Land Bank Insurance Agent Co., Ltd. Chairman of Yangmingshan Tienlai Spring Resort Chairman of Hotel Royal Chiao Hsi Deputy Chairman of Delight Hotel Co., Ltd. Deputy Chairman of Tienlai Development Co., Ltd.	Person-in-charge of several resort hotels, person-in-charge of Chuen Fong Lou Restaurant, director of Huai De Insurance Agent Co., Ltd., director of Tienlai Enterprise Co., Ltd, director of Tienlai Development Co., Ltd., director of Delight Hotel Co., Ltd., supervisor of Taiwan Styrene Monomer Corp., director of Hua Wei Investment Co., Ltd., director of Huai De Investment Co., Ltd., director of Wan Lin International Development Co., Ltd., director of Tien Hsi Development Co., Ltd., Wu Feng Chih Enterprise Co., Ltd., deputy chairman of Yangmingshan Tienlai Spring Resort, director of Yangmingshan Investment Co., Ltd., director of Taipei World Trade Center International Trade Building Corporation, supervisor of Sunny Property & Insurance Brokerage Co., Ltd., supervisor of Sunny Life Insurance Brokerage Co., Ltd., Chairman of Land Bank Insurance Agent Co., Ltd.	None	None	None

## 2012 ANNUAL REPORT



Senior Vice President  
Cheng, Ming-Kun

Vice President  
Lin, Chih-Liang

Vice President  
Kuo, Chih-Hung

## Business Team



Vice President  
Chang, Chi-Ming

Vice President  
Chou, San-He

Auditor General  
Tseng, Yak-Te

## 1. Institutional Shareholders

- (1) Major Shareholders of Institutional Shareholders: None  
 (2) Main shareholder is a of major institutional shareholders: None

## 2. Professional Knowledge and Independence of Directors and Supervisors:

As of Dec 31 2012

Qualification  Name (Note 1)	5 years of experience and one of the following qualifications?			Independence Status (Note)										Number of other listed companies in which the individual is concurrently serving as an independent director
	An instructor or higher position in the field of commerce, law, finance, accounting, or other fields that meet company's need in a public or private college or university	A judge, public prosecutor, lawyer, certified public accountant, or other professional and technical specialist who has passed a national examination and has been awarded a certificate in a profession necessary for the business of the company	Previous experience in the area of commerce, law, finance or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10	
Lin, Peng-Lang			V	V		V	V	V	V	V	V	V	V	None
Chen, Sheng-Hung			V	V					V	V		V	V	None
Wu, Hsi-Hui			V	V		V	V	V	V	V	V	V	V	None
Liu, Chen-Sheng				V		V		V	V	V	V	V	V	None
Wu, Wen-Cheng		V	V	V	V	V	V	V	V	V	V	V	V	None
Chen, Chin-Chia				V		V		V	V	V		V	V	None
Chang, Wu-Ping				V			V	V	V	V	V	V	V	None
Ho, Shun-Cheng				V		V		V		V	V	V	V	None
Chen, Chin-Yi				V			V	V		V	V	V		None
Lin, Cheng-Yu				V				V	V	V	V	V	V	None
Chen, Chien-Yang	V			V		V	V	V	V	V	V	V		None
Chao, Fu-Tien			V	V		V		V		V	V	V	V	None
Hsieh, Yi-Tung						V	V	V	V	V	V	V	V	None
Chang, Ping-Chung				V	V	V	V	V	V	V	V	V	V	None
Liu, Hsiang-Tun		V	V	V	V	V	V	V	V	V	V	V	V	1
Tsai, Wen-Hsiung		V	V	V			V	V	V	V	V	V	V	None
Lin, Chin-Lung			V	V		V		V		V	V	V	V	None
Hsu, Wen-Tung				V		V		V		V	V	V		None

Note 1: For institutional shareholders, their representatives are presented.

Note 2: Please tick "V" in the box below for directors and supervisors that meet the following requirements during 2 years prior to job appointment or during term in office.

- (1) Not an employee of the Bank or any of its affiliates.

- (2) Not a director or supervisor of the Bank or its affiliates (this, however, is excepted for independent directors of the Bank, its parent company, or the subsidiary company where the Bank directly or indirectly holds more than 50% share of voting rights)
- (3) Not a natural-person shareholder holding more than 1% of the Bank's total issued stock under the name of one's own, spouse or minor children, nor is one of the Bank's top ten natural-person shareholders.
- (4) Not a spouse, relatives within the 2nd degree of kinship or lineal relative within 5th degree of kinship of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of the corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Bank or that holds shares ranking in the top five in holdings.
- (6) Not a director, supervisor, manager or shareholder holding 5% or more of the share, of a specified institution that has financial or business dealings with the Bank.
- (7) Not the head of, a partner, a director, supervisor, or manager or their respective spouse of a consulting firm, sole investor, partner, company or organization that has provided commercial, legal, financial and accounting services or consultancy to the Bank or its affiliates.
- (8) Not a spouse or relative within the 2nd degree of kinship within directors.
- (9) Not a person of any conditions defined in Article 30 of the Company Act.
- (10) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

## (2) President, Vice President, Deputy Executive Vice President, and Heads of Departments and Branches

As of Dec 31 2012

Position (note 1)	Name	Date Appointed	Present Holding		Current Shares of Spouse and Minors		Holding Shares with Other Names		Major Education & Experience	Concurrent Positions at our Bank and Other Companies	Other Managers as Spouse, Minors or any other Relatives within the second level relationships		
			Shares	Ratio %	Shares	Ratio %	Shares	Ratio %			Position	Name	Relation -ship
President	Ting, Wei-Hao	6/22/2009	40,000	---	60,000	---	---	---	Graduated from Department of Banking Insurance, Feng Chia University Currently Chairman of Sunny Bank Chairman of Bank of Taiwan Life Insurance Co., Ltd Acting Chairman and President of Agricultural Bank of Taiwan Vice President of The Farmers Bank of China Chief Secretary and Manager of Land Bank of Taiwan	---	None	None	None
Vice President	Cheng, Ming-Kun	08/03/2009	86,154	0.01	---	---	---	---	Graduated from Master of Business Administration, Feng Chia University Currently Senior Vice President of Sunny Bank Former manager of Debt Management Department, Land Bank of Taiwan	---	None	None	None
Vice President	Chou, San-Ho	06/22/2009	252,553	0.02	---	---	---	---	Graduated from Department of Economics, National Cheng Chi University Currently Vice President of Sunny Bank Former President of Business Administration Management Department	Director of Sunny Securities Co., Ltd., Chairman of Sunny International Leasing Co., Ltd.	None	None	None
Vice President	Lin, Chih-Liang	06/22/2009	462,567	0.04	---	---	---	---	Graduated from Department of Accounting, Feng Chia University Currently Vice President and former Acting President of Finance Management Department of Sunny Bank	Director of Sunny Securities Co., Ltd.	None	None	None
Vice	Chang,	06/22/2009	350,213	0.03	88,166	0.01	---	---	Graduated from	Director of	None	None	None



Position (note 1)	Name	Date Appointed	Present Holding		Current Shares of Spouse and Minors		Holding Shares with Other Names		Major Education & Experience	Concurrent Positions at our Bank and Other Companies	Other Managers as Spouse, Minors or any other Relatives within the second level relationships		
			Shares	Ratio %	Shares	Ratio %	Shares	Ratio %			Position	Name	Relation- ship
President	Chi-Ming								Department of Public Finance, National Cheng Chi University Currently Vice President and former President of Risk Administration Department of Sunny Bank	Sunny Securities Co., Ltd.			
Vice President	Kuo, Chih-Hung	06/22/2009	177,389	0.01	1,419	---	---	---	Graduated from Department of Business Administration, Tamsui Oxford College Currently Vice President and former Acting President of Individual Finance Management Department of Sunny Bank	Director of Sunny Securities Co., Ltd., supervisor of Sunny Assets Management Co., Ltd.	None	None	None
Auditor General	Tseng, Yak-Te	06/22/2009	387,862	0.03	44,120	---	---	---	Graduated from Department of Accounting & Statistics, Chung Yu Junior College of Business Currently the auditor general of Sunny Bank and former Manager of Audit Department	Supervisor of Sunny Securities Co., Ltd.	None	None	None
Chief Secretary	Wu, Jui-Hsiang	01/02/2003	42,367	---	---	---	---	---	Graduated from Department of Business Administration, National Chung Hsing University Currently Chief Secretary of Sunny Bank Formerly Researcher of Chairman Office, BankTaiwan Life Insurance Co., Ltd and President Secretary and Acting Auditor-General of Agricultural Bank of Taiwan	---	None	None	None
Assistant Vice President	Liu, Ming-Chieh	03/14/2007	467,044	0.04	234,450	0.02	---	---	Graduated from Department of Applied Business, Open University, National Taipei College of Business Current the assistant vice president of Business Department and former Manager of Financial Revenue, North 1st District	---	Manager	Liu, Ming-Che	Brothers
											Manager	Chen, Yao-Wen	Relative's by marriage
Assistant Vice President	Yu, Shih-Jung	03/14/2007	69,996	0.01	586	---	---	---	Graduated from Department of Commerce, Shih Hsin Professional School of Industry & Commerce Current assistant vice president of Chunghsin Branch and former Manager of Mucha Branch	---	None	None	None
Assistant Vice President	Chen, Yang-Yu	02/06/2010	15,714	---	---	---	---	---	Graduated from Graduate Institute of Department of Agricultural Economics, National Chung Hsing University Current assistance vice president of Taichung Branch and former Senior specialist of Taiwan Cooperative Bank	---	None	None	None
Assistant Vice President	Hsieh, Yi-Tung	11/26/2005	300,004	0.02	1,178,307	0.09	---	---	Graduated from Department of Accounting, Open University of Commerce Current assistant vice president of Chingnien Branch and former Assistant Vice President Mintsu Branch of Sunny Bank	---	None	None	None
Assistant Vice President	Huang, Hsien-Chang	02/06/2010	15,586	---	---	---	---	---	Graduated from Department of Agricultural	---	None	None	None

Position (note 1)	Name	Date Appointed	Present Holding		Current Shares of Spouse and Minors		Holding Shares with Other Names		Major Education & Experience	Concurrent Positions at our Bank and Other Companies	Other Managers as Spouse, Minors or any other Relatives within the second level relationships		
			Shares	Ratio %	Shares	Ratio %	Shares	Ratio %			Position	Name	Relation -ship
									Economics, National Taiwan University Current assistance vice president of Wenli Branch and former Manager of Xinxing Branch, Taiwan Cooperative Bank				
Assistant Vice President	Huang, Yen-C hun	03/14/2007	349,415	0.03	21,280	---	---	---	Graduated from Department of Banking, Tam kang University Current assistant vice president (former manager) of Information Department	---	None	None	None
Assistant Vice President	Wang, Ya-Hs un	06/22/2009	489,026	0.04	1,479	---	---	---	Graduated from Department of Accounting & Statistics, Tamsui Oxford College Assistant Vice President of Debt Management Department and former Assistant Vice President of Business Management Department	---	None	None	None
Assistant Vice President	Wang, Chien- Yi	04/01/2008	13,315	---	---	---	---	---	Graduated from Department of International Trade, Soochow University Current Assistant Vice President of Wealth Management Department of Sunny Bank Formerly manager of Canadian Branch of HSBC Taiwan	Director of Sunny Assets Management Co., Ltd	None	None	None
Assistant Vice President	Lin, Yi-Tsu n	08/01/2010	13,014	---	---	---	---	---	Graduated from Master of Business Administration, South Australia University Current assistant vice president of Credit Management Department Former Manager of Claims Management Center in Taipei County, Expert Commissioner of Claims Management Dept., Taiwan Cooperative Bank	---	None	None	None
Assistant Vice President	Chen, Cheng- Feng	02/06/2010	226,757	0.02	---	---	---	---	Graduated from International Trade, Chihlee Institute of Technology Current Assistant Vice President of Human Resources Department and Administration Management Department Former Assistant Vice President of Branch Operation Management Department	---	None	None	None
Manager	Chen, Yi-Hu an	04/23/1999	445,616	0.03	53,768	---	---	---	Graduated from Department of Comprehensive Commerce, Chu Hai High Commercial School Current manager of Shipai Branch and former manager of Luzhou Branch				
Manager	Chen, Kuo-H ung	09/15/2001	108,152	0.01	2,585	---	---	---	Graduated from Department of Comprehensive Commerce, Yu Da High School of Commerce and Home Economics Current manager of Beitou Branch and former Manager of Tianmu Branch	---	None	None	None
Manager	Yang, Chen- Sheng	11/09/2006	295,484	0.02	168,565	0.01	---	---	Graduated from Department of General Commerce, Song Shan High School of Commerce and Home Economics	---	None	None	None

Position (note 1)	Name	Date Appointed	Present Holding		Current Shares of Spouse and Minors		Holding Shares with Other Names		Major Education & Experience	Concurrent Positions at our Bank and Other Companies	Other Managers as Spouse, Minors or any other Relatives within the second level relationships		
			Shares	Ratio %	Shares	Ratio %	Shares	Ratio %			Position	Name	Relation- ship
									Current manager of Shilin Branch and former manager of Lanya Branch				
Manager	Wu, Chia-C heng	08/08/2002	278,930	0.02	4,159	---	---	---	Graduated from General Department of Tamkang High School Current manager of Datun Branch and former manager of Shechung Branch	---	None	None	None
Manager	Lu, Sheng- Yu	03/14/2005	107,345	0.01	---	---	---	---	Graduated from Department of Accounting, Feng Chia University Current manager of Chiantan Branch and former manager of Chunghsin Branch	---	None	None	None
Manager	Chiang , Tung- Sheng	07/01/2002	171,173	0.01	---	---	---	---	Graduated from Department of Business Administration, Takming College Current manager of Shetzi Branch and former manager of Taishan Branch	---	None	None	None
Manager	Chen, Yao-W en	07/01/2002	69,656	0.01	221,184	0.02	---	---	Graduated from Graduate Institute of Computer Science and Information Engineering, National Chung Cheng Univ. Current manager of Lanya Branch and former manager of Lungchiang Branch	---	Manager	Liu, Ming- Che	Relative s by marriag e
											Manager	Liu, Ming- Che	Relative s by marriag e
Manager	Lin, Kuo-H ung	07/07/2003	145,161	0.01	7,135	---	---	---	Graduated from Department of Business Administration, Feng Chia University Current Manager of Tienmu Branch and former manager of Luchou Branch	---	None	None	None
Manager	Li, Tai-Ju	12/01/2007	153,668	0.01	9,616	---	---	---	Graduated from General Department of Tamkang High School Current manager of Shechung Branch and former manager of Dongning Mini Branch	---	None	None	None
Manager	Kao, Chih-L i	03/01/2003	289,506	0.02	73,816	---	---	---	Studied in Department of Computer, Tamkang University Current manager of Chilin Branch and former manager of Sanchung Branch	---	None	None	None
Manager	Shen, Yu-Hsi ng	03/28/2008	10,689	---	---	---	---	---	Graduated from Department of International Trading, Tamsui Oxford College Current manager of Chengkung Branch and former assistant manager of Banciao Branch	---	None	None	None
Manager	Sung, Ping-P ing	03/14/2007	26,587	---	---	---	---	---	Graduated from Department of Business Administration, National Taipei College of Business Current manager of Credit Card and Car Loan Department and former assistant manager of Consuming Finance Business Department	---	None	None	None
Manager	Lung, Wan-L i	05/10/2007	10,917	---	---	---	---	---	Graduated from Department of Business Administration, Soochow University Current manager of Minsheng Branch Former Crediting manager of Shin Kong Bank	---	None	None	None

Position (note 1)	Name	Date Appointed	Present Holding		Current Shares of Spouse and Minors		Holding Shares with Other Names		Major Education & Experience	Concurrent Positions at our Bank and Other Companies	Other Managers as Spouse, Minors or any other Relatives within the second level relationships		
			Shares	Ratio %	Shares	Ratio %	Shares	Ratio %			Position	Name	Relation -ship
Manager	Liu, Ming- Che	02/01/2012	1,247,953	0.10	170,946	0.01	---	---	Graduated from Department of Banking Insurance, Open Business College Affiliated with National Taipei College of Business Current manager of Yenchi Branch and former assistant manager of credit management, Offshore Business Department	---	Manager	Liu, Ming- Chieh	Brother s
											Manager	Chen, Yao- Wen	Relative s by marriag e
Manager	Liu, Yen-H sing	12/24/2003	53,468	---	71,132	0.01	---	---	Graduated from Department of Accounting & Statistics, Chung Yu Junior College of Business Administration Current manager of Mucha Branch and former manager of Chunghsin Branch	---	None	None	None
Manager	Tsao, Chun-J ung	06/23/1995	352,613	0.03	244,205	0.02	---	---	Graduated from Department of Comprehensive Commerce, Shih Hsin Professional School of Industry & Commerce Current manager of Lungchiang Branch and former manager of Shilin Branch	---	None	None	None
Manager	Liu, Chung -Sen	10/01/2010	10,614	---	---	---	---	---	Graduated from master program of Department of Business Administration, Tamkang University Current manager of Nanking Branch, and former assistant manager of Changan Branch and Credit Management Department	---	None	None	None
Manager	Chien, Chih- Hsin	07/01/2002	125,138	0.01	26,474	---	---	---	Graduated from Department of Economics, Tamkang University Current manager of Chingmei Branch and former manager of Financial Revenue, North 3rd District and Yonghe Branch	---	None	None	None
Manager	Hu, Chi-Mi n	12/01/2009	99,082	0.01	51,148	---	---	---	Graduated from Department of Economics, Feng Chia University Current manager of Xinyi Branch and former assistant manager of Credit Auditing Department and Neihu Branch	---	None	None	None
Manager	Chen, Hsien- Chun	07/01/2002	82,411	0.01	---	---	---	---	Graduated from Business Administration Department, Takming University of Science and Technology Current manager of Chungho Branch and former manager of Chungli Branch	---	None	None	None
Manager	Lee, Ching- Cheng	08/15/2001	70,972	0.01	---	---	---	---	Graduated from Department of Business Administration, Fu Jen Catholic University Current manager (and former assistant manager) of Trust Department	---	None	None	None
Manager	Chen, Chi-Ch uan	10/16/2003	443,660	0.03	78,673	0.01	---	---	Graduated from Department of Finance, Ming Chuan University Current manager of Yunghe Branch and former manager of Xinyi Branch	---	None	None	None
Manager	Chen, Chih- Hao	05/03/2006	76,350	0.01	72,090	0.01	---	---	Graduated from Department of Comprehensive Commerce, Chu Hai High Commercial School Current manager of	---	None	None	None

Position (note 1)	Name	Date Appointed	Present Holding		Current Shares of Spouse and Minors		Holding Shares with Other Names		Major Education & Experience	Concurrent Positions at our Bank and Other Companies	Other Managers as Spouse, Minors or any other Relatives within the second level relationships		
			Shares	Ratio %	Shares	Ratio %	Shares	Ratio %			Position	Name	Relation -ship
									Luzhou Branch and former manager of Zhubei Branch and senior specialist of Credit Management Department				
Manager	Chu, Chia-Lung	08/11/2006	90,601	0.01	---	---	---	---	Graduated from Department of Cooperative Economics, National Chung Hsing University Current manager of Banciao Branch and former assistant manager of Wuku Branch	---	None	None	None
Manager	Chiu, Chuan-Mao	07/01/2002	163,646	0.01	---	---	---	---	Graduated from Department of Public Finance, National Taipei College of Business Current manager of Taishan Branch and former manager of Xizhou Branch	---	None	None	None
Manager	Chen, Chien-Liang	07/09/2010	133,787	0.01	101,06	0.01	---	---	Graduated from Department of Commercial Documentation, National Taipei College of Business Current manager of Shinhe Branch and former manager of Chingnien Branch	---	None	None	None
Manager	Chen, Kuo-Shun	04/18/2011	9,525	---	---	---	---	---	Graduated from Department of Applied Commerce, National Taipei College of Business Current manager of Xizhou Branch and former manager of assistant manager of Xinyi Branch and Credit Management Department	---	None	None	None
Manager	Tasi, Mei-Li	03/21/2011	17,790	---	---	---	---	---	Graduated from Department of French, Tamkang University Current manager of Guting Branch and former assistant manager of Xiyin Branch and Credit Management Department	---	None	None	None
Manager	Chen, Ching-Ti	02/08/2011	10,539	---	---	---	---	---	Graduated from Department of International Business, Tamkang University Current manager of Xinzhuang Branch and former assistant vice president of DBS Bank	---	None	None	None
Manager	Pan, Kuang-Chu	09/23/2004	53,940	---	31,480	---	---	---	Graduated from Department of Banking, Tamkang University Current manager of Sanchong Branch and former manager of Zhongli Branch	---	None	None	None
Manager	Chen, Hui-Ling	08/11/2006	353,722	0.03	---	---	---	---	Graduated from Department of Finance, National Taiwan University Current manager (and former assistant manager) of Finance Department Former officer of Corporate Financing Department and assistant manager Finance Department	---	None	None	None
Manager	Yang, Yi-Chen	12/01/2009	40,845	---	---	---	---	---	Graduated from Department of Comprehensive Commerce, Daojiang Commerce School Current manager of Shuanghe Branch and former assistant manager of Changan and Zhongxing Branch	---	None	None	None



Position (note 1)	Name	Date Appointed	Present Holding		Current Shares of Spouse and Minors		Holding Shares with Other Names		Major Education & Experience	Concurrent Positions at our Bank and Other Companies	Other Managers as Spouse, Minors or any other Relatives within the second level relationships		
			Shares	Ratio %	Shares	Ratio %	Shares	Ratio %			Position	Name	Relation -ship
Manager	Tsai, Chien-Li	07/18/2005	101,639	0.01	---	---	---	---	Graduated from Department of Industrial Engineering, Tung Hai University Current manager of Daye Branch and former manager of Chiayi Branch	---	None	None	None
Manager	Liu, Yi-Fan g	08/22/2011	9,880	0.01	---	---	---	---	Graduated from Department of Accounting and Statistics, National Taipei College of Business Current manager of Fuxing Branch and former assistant manager of Xinyi and Nanking Branches	---	None	None	None
Manager	Li, Hsu-C huan	03/06/2012	---	---	---	---	---	---	Graduated from Department of Economics, Chinese Culture University Current manager of Taoyuan Branch and former assistant vice president of Taoyuan, Hsinchu and Miaoli Debt Management Center, Taiwan Cooperative Bank	---	None	None	None
Manager	Hsieh, Yeh-H siang	05/01/2012	---	---	---	---	---	---	Graduated from Department of Statistics, National Taipei College of Business Current manager of Daan Branch Former manager of Yungchi Branch and researcher of North Region Center of Taiwan Cooperative Bank	---	None	None	None
Manager	Shih, Li-Yu	04/01/2010	4,756	---	---	---	---	---	Graduated from the Business School of National Taiwan University Current manager of Offshore Business Department and former senior manager of Foreign Department of Yuanta Bank and manager of Changan Branch	---	None	None	None
Manager	Shih, Bo-Fu	05/13/2010	13,114	---	---	---	---	---	Graduated from Department of Business Administration, Fen Jia University Current manager of Xindian Branch and former manager of Business Department, Land Bank of Taiwan	---	None	None	None
Manager	He, Chun- Liang	05/31/2010	46,577	---	136	---	---	---	Graduated from Department of Accounting, Tung Hai University Current manager of Xinfu Mini Branch and former assistant manager of Consumer Finance Department and Credit Management Department	---	None	None	None
Manager	Tu, Hua-H e	04/01/2010	10,614	---	---	---	---	---	Graduated from Master of Business Administration, National Chung Hsing University Current manager of Yuanlin Branch and former senior manager of Corporate Finance Central Business District, Taichung Branch, Makoto Bank	---	None	None	None
Manager	Ku, Tien-C hieh	09/30/2012	5,155	---	---	---	---	---	Graduated from Department of Business Administration of the Open University Affiliated to Taichung Institute of Commerce Current manager of Shetou Mini Branch	---	None	None	None

Position (note 1)	Name	Date Appointed	Present Holding		Current Shares of Spouse and Minors		Holding Shares with Other Names		Major Education & Experience	Concurrent Positions at our Bank and Other Companies	Other Managers as Spouse, Minors or any other Relatives within the second level relationships		
			Shares	Ratio %	Shares	Ratio %	Shares	Ratio %			Position	Name	Relation- ship
									and former operation manager level 1 and assistant manager of Changhua Branches				
Manager	Chung, Min-Yuan	04/01/2009	48,886	---	21,017	---	---	---	Graduated from the Business School of National Taiwan University Current manager of Pingtung Branch and former assistant manager of Qishan and Kaohsiung Branches	---	None	None	None
Manager	Hsu, Chen-Yuan	11/26/2005	26,725	---	---	---	---	---	Graduated from Department of Economics, Feng Chia University Current manager of Zhongzheng Mini Branch and former manager of Tsiyu Mini Branch	---	None	None	None
Manager	Lee, Wen-Hui	09/20/2001	164,923	0.01	---	---	---	---	Graduated from Department of Cooperative Economics, Tamkang University Current manager of Xinpu Branch and former manager of Taipei Branch	---	None	None	None
Manager	Yu, Kuang-Lu	05/17/2004	42,887	---	---	---	---	---	Graduated from Department of International Trade, Tamkang University Current manager of Kaohsiung Branch and former manager of Zhongzheng Branch	---	None	None	None
Manager	Hsu, Pao-Yuan	02/01/2012	---	---	---	---	---	---	Graduated from Department of Accounting, Feng Chia University Current manager of Zhonghua Branch Former manager of Business Department, King's Town Bank	---	None	None	None
Manager	Chen Yung-Kuan	08/22/2011	12,168	---	---	---	---	---	Graduated from Department of Banking and Insurance, Feng Chia University Current manager of Chiayi Branch and former senior specialist of Taichung and Xiangshang Branches	---	None	None	None
Manager	Yang, Ying-Chung	02/23/2006	42,462	---	99,062	0.01	---	---	Graduated from Department of Accounting, National Chengchi University Current manager of Tainan Branch and former manager of Guanting Mini Branch	---	None	None	None
Manager	Yang, Pao-Kuei	08/30/2007	65,605	0.01	---	---	---	---	Graduated from Department of Applied Chemistry, Chia Nan College of Pharmacy & Science Current manager of Jiankang Branch and former manager of Jinhua Branch	---	None	None	None
Manager	Tu, A-Ching	02/10/2010	11,229	---	---	---	---	---	Graduated from Department of Commerce, Kai Nan High Commerce & Technology Professional School Current manager of Dongning Mini Branch and former manager of Gangshan Branch	---	None	None	None
Manager	Cheng, Yuen-Teh	02/10/2010	12,168	---	---	---	---	---	Graduated from Department of Banking Management, Tamsui Institute of Business Administration Current manager of Anshuen Branch and former expert commissioner, Auditing Department, King's Town Bank	---	None	None	None
Manager	Tseng, Chien-	08/08/2002	143,215	0.01	19,374	---	---	---	Graduated from Department of	---	None	None	None

Position (note 1)	Name	Date Appointed	Present Holding		Current Shares of Spouse and Minors		Holding Shares with Other Names		Major Education & Experience	Concurrent Positions at our Bank and Other Companies	Other Managers as Spouse, Minors or any other Relatives within the second level relationships		
			Shares	Ratio %	Shares	Ratio %	Shares	Ratio %			Position	Name	Relation -ship
	Chia								Economics, Chinese Culture University Current manager of Xihua Branch and former Manager of Consuming Financial Center, South 2nd District/Xihua Branch				
Manager	Tu, Yung-Yen	09/01/2012	9,315	---	---	---	---	---	Graduated from Department of Business Administration of the Open University Affiliated to Taichung Institute of Commerce Current manager of Hsinchu Branch and former manager of Zhubei Branch	---	None	None	None
Manager	Wu, Sheng-Yi	10/16/2009	12,726	---	---	---	---	---	Graduated from Department of Business Administration, Tung Hai University Current manager of Jingwu Branch and former manager of Nantun Branch and Beidou Branch of Farmers Bank of China	---	None	None	None
Manager	Chien, Shih-Yao	11/24/2012	---	---	---	---	---	---	Graduated from Graduate Institute of Finance, Economics and Business Decision, National Kaohsiung University of Applied Science Current manager of Tsoying Branch and former manager of Gangdu Branch of Citibank, Taiwan	---	None	None	None
Manager	Tsai, Kun-Chih	09/15/2001	178,293	0.01	234,173	0.02	---	---	EMBA, National Pingtung University of Science and Technology Current manager of Lingya Branch and former manager of Tsoying Branch	---	None	None	None
Manager	Huang, Fu-Li	03/21/2012	---	---	---	---	---	---	Graduated from Graduate Institute of Finance, National Chung Hsing University Current manager of Xiangshang Branch Former manager of Taiping and Wuri Branches, Taiwan Cooperative Bank	---	None	None	None
Manager	Huang, Chun-Hsiung	02/01/2012	---	---	---	---	---	---	Graduated from Department of Public Administration, National Chengchi University Current manager of Neihu Branch Former manager of Yuanlin Branch, Shanghai Commercial and Savings Bank	---	None	None	None
Manager	Huang, Cheng-Chin	12/17/2010	13,014	---	---	---	---	---	Graduated from Department of Land Economics, National Chengchi University Current manager of Zhongli Branch and former expert commissioner of 3 <sup>rd</sup> regional center of Land Bank of Taiwan	---	None	None	None
Manager	Chuan, Yung-Fu	07/01/2002	90,723	---	---	---	---	---	Graduated from Department of Accounting, Feng Chia University Current manager of Wugu Branch and former manager of Zhongxing Branch	---	None	None	None
Manager	Huang, Shou-Wen	08/30/2007	10,614	---	---	---	---	---	Graduated from Department of Business Administration, Chung Hua University Current manager of Linsen Branch and former senior specialist of Chungli Branch and Credit Management	---	None	None	None

Position (note 1)	Name	Date Appointed	Present Holding		Current Shares of Spouse and Minors		Holding Shares with Other Names		Major Education & Experience	Concurrent Positions at our Bank and Other Companies	Other Managers as Spouse, Minors or any other Relatives within the second level relationships		
			Shares	Ratio %	Shares	Ratio %	Shares	Ratio %			Position	Name	Relation -ship
									Department				
Manager	Chiu, Ming- Hua	03/25/2010	15,708	---	---	---	---	---	Graduated from Department of Business, National Open University Current manager of Xinxing Branch and former manager of small business department of Citibank, Taiwan	---	None	None	None
Manager	Liu, Min-H siang	11/26/2005	58,096	---	90,097	0.01	---	---	Graduated from Department of Finance, National Sun Yat-sen University Current manager of Sanfeng Branch and former manager of Haiguang Branch	---	None	None	None
Manager	Fu, Chia- Ming	02/21/2011	10,539	---	---	---	---	---	Graduated from Department of Business Administration, National Taichung University of Science and Technology Current manager of Siwei Branch and former business manager of south 2 <sup>nd</sup> center of Citibank, Taiwan	---	None	None	None
Manager	Tsuei, Ching- Chih	11/26/2005	26,959	---	180	---	---	---	Graduated from Department of Journalism, Chinese Culture University Current manager of Dagong Branch and former manager of Linyuan Mini Branch	---	None	None	None
Manager	Chung, Shu-Ju ng	04/03/2006	28,477	---	---	---	---	---	Graduated from Department of Business, National Taiwan University Current manager of Dashuen Branch and former manager of Kaohsiung Region Corporate Banking Center	---	None	None	None
Manager	Pan, Cheng- Jen	11/26/2005	222,914	0.02	243,938	0.02	---	---	Graduated from Department of International Trade, Cheng Shiu University Current manager of Haiguang Branch and former manager of Dagong Branch	---	None	None	None
Manager	Lu, Ha n-Kun	10/01/2002	296,567	0.02	157,780	0.01	---	---	Graduated from Department of Commerce, National Taiwan University, Current manager of Qianzhen Branch and former manager of Yungkang Branch and senior specialist of Wuchia Branch	---	None	None	None
Manager	Hsu, Chen- Huang	08/11/2006	82,453	0.01	---	---	---	---	Graduated from Department of Business Administration, Tamkang University Current manager of Pingdeng Branch and former assistant manager of Tsoying Branch	---	None	None	None
Manager	Hu, Chun- Wei	05/03/2006	98,455	0.01	---	---	---	---	Graduated from Department of German, Chinese Culture University Current manager of Xiaogang Branch and former assistant manager of Sanfeng Branch	---	None	None	None
Manager	Li, Chun- Yu	04/01/2009	20,769	---	---	---	---	---	Graduated from Department of Business Administration, Feng Chia University Current manager of Yuchang Branch and former assistant manager of Siwei Branch	---	None	None	None

Position (note 1)	Name	Date Appointed	Present Holding		Current Shares of Spouse and Minors		Holding Shares with Other Names		Major Education & Experience	Concurrent Positions at our Bank and Other Companies	Other Managers as Spouse, Minors or any other Relatives within the second level relationships		
			Shares	Ratio %	Shares	Ratio %	Shares	Ratio %			Position	Name	Relation -ship
Manager	Lin, Feng- Yuan	11/24/2012	---	---	---	---	---	---	Master degree in Department of Money and Banking, National Kaohsiung First University of Science and Technology Current manager of Jianguo Branch and former manager of Qianzhen Branch, HSBC Taiwan	---	None	None	None
Manager	Hsu, Chin- Ken	02/01/2012	84,522	0.01	19,027	---	---	---	Graduated from Department of Public Finance, Feng Chia University Current manager of Wujia Branch and former assistant manager of Debt Management Department	---	None	None	None
Manager	Hung, Jung-T sung	08/11/2006	79,644	0.01	---	---	---	---	Graduated from Department of Accounting, National Chung Hsing University Current manager of Dingli Branch and former manager of Debt Management Department Manager and Credit Auditing Department	---	None	None	None
Manager	Huang, Fu-Ch ang	03/01/2010	12,168	---	---	---	---	---	Graduated from Business Department, National Open University Current manager of Nanzi Branch and former manager of San Min Branch and Ping Tung Branch of Citibank Taiwan	---	None	None	None
Manager	Wu, Ming- Feng	04/18/2011	9,645	---	---	---	---	---	Graduated from Department of Business Administration, Soochow University Current manager of Qishan Branch and former manager of Meinong Mini Branch	---	None	None	None
Manager	Chiu, Lai-Fa	02/01/2012	53,783	---	9,060	---	---	---	Graduated from Department of Public Relations and Advertising, Shih Hsin University Current manager of Meinong Mini Branch and former assistant manager of Pingdeng Branch	---	None	None	None
Manager	Hung, Chien- Ming	04/01/2009	53,370	---	---	---	---	---	Graduated from Master of Commerce, National Kaohsiung First University of Science and Technology Current manager of Linyuan Mini Branch and former manager of Donggang Mini Branch	---	None	None	None
Manager	Tsai, Kang- Tsan	06/25/2012	---	---	---	---	---	---	Graduated from Department of International Trade, Feng Chia University Current manager of Gangshan Branch and former manager of Gangshan Branch, King's Town Bank	---	None	None	None
Manager	Lee, Hsu-C hang	07/09/2007	74,856	0.01	4,618	---	---	---	Graduated from Yung Ta Institute of Technology Current manager of Ligang Mini Branch and former manager of Zhongzheng Branch	---	None	None	None
Manager	Liu, Kuo-Y in	11/24/2012	14,279	---	60,000	---	---	---	Graduated from Department of Finance, Meiho University Current manager of Donggang Mini Branch and former assistant manager of Pingtung Branch	---	None	None	None
Manager	Huang, Po-Lu o	03/28/2012	---	---	---	---	---	---	Graduated from Department of Industrial Engineering and Management,	---	None	None	None



Position (note 1)	Name	Date Appointed	Present Holding		Current Shares of Spouse and Minors		Holding Shares with Other Names		Major Education & Experience	Concurrent Positions at our Bank and Other Companies	Other Managers as Spouse, Minors or any other Relatives within the second level relationships		
			Shares	Ratio %	Shares	Ratio %	Shares	Ratio %			Position	Name	Relation -ship
									Southren Taiwan College of Engineering and Commerce. Current manager of Yunkang Branch Former manager of Xinxing Branch, King's Town Bank				
Manager	Kou, Chien- Yun	05/07/2011	---	---	---	---	---	---	Graduated from Department of Statistics, National Chenchi University Current manager of Rende Branch and former expert commissioner of Debt Management Department of Taiwan Cooperative Bank	---	None	None	None
Manager	Chen, Chu-W en	07/09/2010	79,838	0.01	---	---	---	---	Graduated from Department of Business Administration, Fen Jia University Current manager of Guanghua Branch and former manager of Tung Ning Branch and assistant manager of Business Department	---	None	None	None
Manager	Tang, Ying- Kui	04/28/2003	130,467	0.01	24,736	---	---	---	Graduated from master program of Department of Finance, National Central University Current manager of Taipei Branch and former manager of Shipai and Nanjing Branch	---	None	None	None
Manager	Huang, Che-M ing	05/10/2011	72,507	0.01	57,982	---	---	---	Graduated from Department of Accounting, Yu Da University Current manager of Changan Branch and former manager of Xindian Mini Branch	---	None	None	None
Manager	Pang, Chih- Wen	02/01/2012	---	---	---	---	---	---	Graduated from EMBA, National Dong Hwa University Current manager of Luodong Branch Former manager of Sanchong Branch, HSBC Taiwan	---	None	None	None
Manager	Chen, Lung- Pan	11/22/2011	---	---	---	---	---	---	Graduated from Department of Administration, Open Business College Affiliated with National Chengchi University Current manager of Zhubei Branch, former research specialist of Taiwan Cooperative Bank	---	None	None	None
Manager	Ken, Yu-Ch uan	08/17/2011	81,715	0.01	---	---	---	---	Graduated from Department of Accounting and Statistics, Takming Junior College Current manager of Chongxin Branch and former assistant manager of Financial Revenue, North 2nd District and Chenggong Branch	---	None	None	None
Manager	Wu, Jung-C hi	04/09/2007	10,995	---	---	---	---	---	Graduated from Department of Economics, Fu Jen Catholic University Current manager of Changhua Branch and former manager of Huacheng Branch	---	None	None	None
Manager	Chen, Cheng- Yi	03/18/2005	79,741	0.01	---	---	---	---	Graduated from Department of Marine Engineering, National Kaohsiung Institute of Marine Technology Current manager of Eastern Taoyuan Branch and former manager of Zhongli Branch	---	None	None	None
Manager	Chen,	06/01/2010	13,114	---	---	---	---	---	Graduated from	---	None	None	None

Position (note 1)	Name	Date Appointed	Present Holding		Current Shares of Spouse and Minors		Holding Shares with Other Names		Major Education & Experience	Concurrent Positions at our Bank and Other Companies	Other Managers as Spouse, Minors or any other Relatives within the second level relationships		
			Shares	Ratio %	Shares	Ratio %	Shares	Ratio %			Position	Name	Relation -ship
	Kuan-Fu								Department of Business Administration, Tatung University Current manager of Nangang Branch and former expert commissioner/manager of Hsin Sheng Branch, Hua Nan Bank				
Manager	Chen, Yi Hsiu	12/01/2009	19,744	---	---	---	---	---	Graduated from Department of Business Administration, Fu Jen Catholic University Current manager of Beitun Branch and former manager of Shetou Mini Branch	---	None	None	None
Manager	Tseng, Chieh-Chang	07/18/2005	71,387	0.01	---	---	---	---	Graduated from Department of Banking and Finance, Takming University of Science and Technology Current manager of Tucheng Branch and former manager of Yenching Branch and senior specialist of Credit Management Department	---	None	None	None
Manager	Lin, Chih-Chiang	08/22/2011	72,495	0.01	---	---	---	---	Graduated from Department of International Trade, Chungyu Institute of Technology Current manager of Keelung Branch and former assistant manager of Credit Management Department and Business Administration Department	---	None	None	None
Manager	Yang, Lien-Tse	12/02/1999	352,956	0.03	411,253	0.03	---	---	Graduated from Department of Accounting, Graduate School of Soochow University (On-job Training Courses) Current manager of Risk Management Department and former manager of Accounting Section, Business Department	---	None	None	None
Manager	Chen, Che-Wen	03/14/2007	140,312	0.01					Graduated from Department of Naval Architecture Engineering, National Taiwan University Current manager (and former assistant manager) of Information Department	---	None	None	None
Manager	Lee, Yu-Sheng	07/25/2002	142,430	0.01	---	---	---	---	Graduated from Department of Economics, Chinese Culture University Current manager of Debt Management Department and former manager of Jingmei Branch	Director of of Sunny Assets Management Co., Ltd	None	None	None
Manager	Kuo, Cheng-Hon	02/06/2010	93,457	0.01	---	---	---	---	Graduated from Graduate School of National Central University Current manager of Business Administration Department and former assistant manager of Lanya Branch and Business Administration Department	---	None	None	None
Manager	Kan, Wu-Cheng	12/01/2006	55,165	---	---	---	---	---	Graduated from Department of International Trade, Soochow University Current manager of Credit Auditing Department and former manager of Corporate Finance Department	Director of Sunny International Leasing Co., Ltd.	None	None	None
Manager	Liu,	02/06/2010	16,516	---	121,436	0.01	---	---	Graduated from	Supervisor of	None	None	None

Position (note 1)	Name	Date Appointed	Present Holding		Current Shares of Spouse and Minors		Holding Shares with Other Names		Major Education & Experience	Concurrent Positions at our Bank and Other Companies	Other Managers as Spouse, Minors or any other Relatives within the second level relationships		
			Shares	Ratio %	Shares	Ratio %	Shares	Ratio %			Position	Name	Relation -ship
	Tsung-Hsiun								Graduate School of Financial Information, National Kaohsiung University of Applied Science Current manager of Accounting Department and former assistant manager of Business Administration Department and Accounting Department	Sunny International Leasing Co., Ltd.			
Manager	Li, Wen-K uang	02/16/2010	84,313	0.01	14,257	---	---	---	Graduated from Department of Law, Soochow University Current manager of Legal Affairs Department and former assistant manager of Administration Management Department and Law Affairs Department	---	None	None	None

Note 1: The information to be revealed shall include that of president, vice presidents, assistant vice presidents and the heads of department and branch office, including those who are at a position equivalent to president, vice president or assistant vice president.

Note 2: For the experience related to current position, in case that the person concerned had a previous job in the CPA's office during the period revealed above, the job title and job description shall be provided.

### (3) Remuneration Paid to Directors, Supervisors, President and Vice Presidents in 2012

#### (1) Remuneration to Director (including Independent Directors)

As of Dec 31 2012

Unit: NT\$ 1,000

Position	Name	Remuneration to Directors								Remuneration Received by Director Who are also Employees												Ratio of total remuneration (A+B+C+D+E+F+G) to net income (%)		Other Remuneration		
		Remuneration (A)		Pension (B)		Supervisor's apportion of surplus (C)		Business Affairs Expense (D)		Ratio of total remuneration (A+B+C+D) to net income (%)		Compensation, Bonus and Special Disbursement (E)		Pension (F)		Employee Bonus from apportion to surplus (G)				Employee Share Subscription Warrants (H)						
		Sunny Bank	All Companies included in the consolidated report	Sunny Bank	All Companies included in the consolidated report	Sunny Bank	All Companies included in the consolidated report	Sunny Bank	All Companies included in the consolidated report	Sunny Bank	All Companies included in the consolidated report	Sunny Bank	All Companies included in the consolidated report	Sunny Bank	All Companies included in the consolidated report	Sunny Bank	All Companies included in the consolidated report	Sunny Bank		All Companies included in the consolidated report		Sunny Bank	All Companies included in the consolidated report		Sunny Bank	All Companies included in the consolidated report
																		Cash Dividend	Stock Bonuses	Cash Dividend	Stock Bonuses					
Chairman	Lin, Peng-Lang (note 1)																									
Managing Director	Fu Li Yang Investment Co., Ltd. Representative: Chen, Sheng-Hung (note 2)																									
	Chen, Sheng-Hung (note 1)																									
	Liu, Chen-Sheng (note 1)																									
Managing Director	Wu, Hsi-Hui (note 2)																									
Independent Managing Director	Wu, Wen-Cheng (note 1)																									
Director	Fu Li Yang Investment Co., Ltd. Representative: Chen, Chien-Yang (note 2)																									
	Chen, Chien-Yang (note 1)																									
	Yu Suan Co., Ltd. Representative: Chen, Chin-Yi (note 2)	21,192	23,60	---	---	---	---	---	307	1.72% (note 3)	1.94% (note 3)	2,023	2,023	---	---	---	---	---	---	---	---	---	---	---	1.89% (note 3)	2.11% (note 3)
Director	Chen, Chin-Yi (note 1)																									
Director	Chang, Wu-Ping (note 2)																									
Director	Ho, Shun-Cheng (note 1)																									
Director	Lin, Cheng-Yu (note 1)																									
Director	Chao, Fu-Tien (note 1)																									
Director	Hsieh, Yi-Tung (note 1)																									
Independent Director	Liu, Hsiang-Tun (note 1)																									
Independent Director	Chang, Chun-Huai (note 1)																									
Independent Director	Chiang, Chun-Huai (note 2)																									
Director	Po Yun Enterprise Co., Ltd. Representative: Chen, Chin-Chia (note 2)	420	420	---	---	---	---	---	---	0.03% (note 3)	0.03% (note 3)	0.03% (note 3)	---	---	---	---	---	---	---	---	---	---	---	0.03% (note 3)	0.03% (note 3)	---
Director	Chen, Chin-Chia (note 1)	420	420	---	---	---	---	---	---	0.03% (note 3)	0.03% (note 3)	0.03% (note 3)	---	---	---	---	---	---	---	---	---	---	0.03% (note 3)	0.03% (note 3)	---	

Note 1: Election of directors and supervisors in 2012; 6<sup>th</sup> directors assuming positions on June 11 2012.Note 2: Election of directors and supervisors in 2012; 5<sup>th</sup> directors leaving on June 11 2012.

Note 3: The Bank net income after tax of Sunny Bank is NT\$ 1,229,865,000 and consolidated net income after tax is NT\$ 1,229,959,000 in 2012.

## Remuneration Bracket

Unit: NT\$ 1,000

Range of Remuneration to Directors	Director's Name			
	Total Amount of the First 4 (A+B+C+D)		Total Amount of the First 7 (A+B+C+D+E+F+G)	
	Sunny Bank	All Companies included in the Consolidated Report	Sunny Bank	All Companies included in the Consolidated Report
Less than NT\$2,000,000	All of directors but Chairman, Lin, Peng-Lang	All of directors but Chairman, Lin, Peng-Lang and Director, Chen Chin-Yi	All of directors but Chairman, Lin, Peng-Lang and Director, Hsieh, Yi-Tung	All of directors but Chairman, Lin, Peng-Lang, Director, Hsieh Yi-Tung and Director, Chen, Chin-Yi
NT\$2,000,000 (Included) ~ NT\$5,000,000	-	Director, Chen, Chin-Yi	Director, Hsieh, Yi-Tung	Director, Hsieh, Yi-Tung and Director, Chen, Chin-Yi
NT\$5,000,000 (Included) ~ NT\$10,000,000	-	-	-	-
NT\$10,000,000 (Included) ~ NT\$15,000,000	Chairman, Lin, Peng-Lang	Chairman, Lin, Peng-Lang	Chairman, Lin, Peng-Lang	Chairman, Lin, Peng-Lang
NT\$15,000,000 (Included) ~ NT\$30,000,000	-	-	-	-
NT\$30,000,000 (Included) ~ NT\$50,000,000	-	-	-	-
NT\$50,000,000 (Included) ~ NT\$100,000,000	-	-	-	-
Over NT\$100,000,000	-	-	-	-
Total	22,032	24,748	24,055	26,771

## 2. Remuneration to Supervisors

As of Dec 31 2012

Unit: NT\$ 1,000

Position	Name	Remuneration to Supervisors								Ratio of total remuneration (A+B+C+D) to net Income (%)		Other Remuneration
		Remuneration (A)		Pension (B)		Supervisor's apportion of surplus (C)		Business Affairs Expense (D)				
		Sunny Bank	All Companies included in the consolidated report	Sunny Bank	All Companies included in the consolidated report	Sunny Bank	All Companies included in the consolidated report	Sunny Bank	All Companies included in the consolidated report	Sunny Bank	All Companies included in the consolidated report	
Managing supervisor	Chang, Wu-Ping (note 1)	3,480	4,315	-	-	-	-	-	165	0.28% (note 2)	0.36% (note 2)	-
Supervisor	Wu, Ching-Huei (note 1)											
Supervisor	Tsai, Wen-Hsiung (note 1)											
Supervisor	Hsu Hung Technology Co., Ltd. Representative: Hsu, Wen-tung											
Supervisor	Hsu, Wen-tung (note 1)											

Note 1: Election of directors and supervisors in 2012; 6<sup>th</sup> directors assuming positions on June 11 2012.Note 2: Election of directors and supervisors in 2012; 5<sup>th</sup> directors leaving on June 11 2012.

Note 3: The Bank net income after tax of Sunny Bank is NT\$ 1,229,865,000 and consolidated net income after tax is NT\$ 1,229,959,000 in 2012.

## Remuneration Bracket

Unit: NT\$ 1,000

Range of Remuneration to Supervisors	Name of Supervisors	
	Sum of A,B,C and D (A+B+C+D)	
	Sunny Bank	All Companies included in the consolidated report
Less than NT\$2,000,000	All of supervisors listed above	All of supervisors listed above
NT\$2,000,000 (Included) ~ NT\$5,000,000 (not included)	-	-
NT\$5,000,000 (Included) ~ NT\$10,000,000 (not included)	-	-
NT\$10,000,000 (Included) ~ NT\$15,000,000 (not included)	-	-
NT\$15,000,000 (Included) ~ NT\$30,000,000 (not included)	-	-
NT\$30,000,000 (Included) ~ NT\$50,000,000 (not included)	-	-
NT\$50,000,000 (Included) ~ NT\$100,000,000 (not included)	-	-
Over NT\$100,000,000	-	-
Total	3,480	4,480

## 3. Remuneration to President and Vice Presidents

As of Dec 31 2012

Unit: NT\$ 1,000

Position	Name	Remuneration (A)		Pension(B)		Bonus and Special Disbursement (C)		Employee bonus from apportion of surplus (D)				Total to profit after Taxation (%)		Stock Option Amount		Other Remuneration
		Sunny Bank	All Companies included in the consolidated report	Sunny Bank	All Companies included in the consolidated report	Sunny Bank	All Companies included in the consolidated report	Sunny Bank		All Companies included in the consolidated report		Sunny Bank	All Companies included in the consolidated report	Sunny Bank	All Companies included in the consolidated report	
								Cash Dividend	Stock Bonuses	Cash Dividend	Stock Bonuses					
President	Ting, Wei-Hao	16,778	16,778	-	-	6,143	6,198	-	-	-	-	1.86% (note)	1.87% (note)	-	-	-
Senior Vice President	Cheng, Ming-Kun															
Vice President	Lin, Chih-Liang															
Vice President	Chou, San-Ho															
Vice President	Chang, Chi-Ming															
Vice President	Kuo, Chih-Hung															
General Auditor	Tseng, Yao-Te															

Note: The Bank net income after tax of Sunny Bank is NT\$ 1,229,865,000 and consolidated net income after tax is NT\$ 1,229,959,000 in 2012.



## Remuneration Bracket

Unit: NT\$ 1,000

Range of Remuneration to President and Vice Presidents	Name of President and Vice Presidents	
	Sunny Bank	All Companies included in the consolidated report
Less than NT\$2,000,000	-	-
NT\$2,000,000 (Included) ~ NT\$5,000,000 (not included)	All of President and Vice Presidents listed above	All of President and Vice Presidents listed above
NT\$5,000,000 (Included) ~ NT\$10,000,000 (not included)	-	-
NT\$10,000,000 (Included) ~ NT\$15,000,000 (not included)	-	-
NT\$15,000,000 (Included) ~ NT\$30,000,000 (not included)	-	-
NT\$30,000,000 (Included) ~ NT\$50,000,000 (not included)	-	-
NT\$50,000,000 (Included) ~ NT\$100,000,000 (not included)	-	-
Over NT\$100,000,000	-	-
Total	22,921	22,976

4. Name of Managers to Whom Employee's Bonuses Are Paid and the Distribution of Bonuses: None

**(4) Analysis on the ratio of the total remunerations paid to the Bank Directors, Supervisors, President and Vice Presidents in the most recent two years to the after-tax net income, and description of remuneration payment policy, criteria and combination, process to determine remunerations and connection to business performance**

1. Analysis on the ratio of the total remunerations paid to the Bank Directors, Supervisors, President and Vice Presidents in the most recent two years to the after-tax net income

By comparing the total remunerations paid to the Bank Directors, Supervisors, President and Vice Presidents in 2012 and 2011, no significant difference is observed. However, the ratios display a descending trend due to the increased profits in 2012.

In %

Position \ Ratio (note)	2012	2011
Directors	1.96	4.88
Supervisors	0.28	0.52
President and Vice Presidents	1.86	4.34

Note: This ratio is the total remunerations paid/after-tax net income of the year.

2. Policy, standard and combination of remuneration paid, and setting procedures of remuneration correlation with the operational performance

The remunerations for directors and supervisors are determined in the board meeting which is authorized by the shareholders' meeting in commensuration with industry payout standards, as stipulated in Article 40 of the Bank's Article of Incorporation. The board of directors may determined a fixed amount as the remunerations to independent directors which will not exceed the highest remuneration range standard set forth in the Bank's Manager Payroll Rules. The independent directors will not participate in the distribution of the Bank's earnings. The foresaid two categories of remunerations and wages for all ranks of employees on the president of the following shall be dispensed regardless of whether the company reports earnings or deficit.

### 3. Corporate Governance Operation

#### (1) The Operation of Board of Directors:

During 2012, the Board of Directors held 10 meetings. The attendance of directors and supervisors is as follows:

Title	Name	Attendance ( Presence) in Person	Attendance By Proxy	Attendance (Presence) Rate (%)	Remarks
Chairman	Lin, Peng-Lang	10	---	100%	Reelected
Managing Director	Representative of Fu Li Yang Investment Co., Ltd.: Chen, Sheng-Hung	5	---	100%	Leaving on June 11 2012
Managing Director	Chen, Sheng-Hung	5	---	100%	Elected on June 11 2012
Managing Director	Liu, Chen-Sheng	9	---	90%	Reelected
Managing Director	Wu, Hsi-Hui	---	---	---	Leaving on June 11 2012
Independent Managing Director	Wu, Wen-Cheng	10	---	100%	Reelected
Director	Representative of Fu Li Yang Investment Co., Ltd.: Chen, Chien-Yang	5	---	100%	Leaving on June 11 2012
Director	Chen, Chien-Yang	5	---	100%	Elected on June 11 2012
Director	Representative of Po Yun Enterprise Co., Ltd.: Chen, Chin-Chia	2	---	40%	Leaving on June 11 2012
Director	Chen, Chin-Chia	1	---	20%	Elected on June 11 2012
Director	Representative of Yi Suan Co., Ltd.: Chen, Chin-Yi	5	---	100%	Leaving on June 11 2012
Director	Chen, Chin-Yi	5	---	100%	Elected on June 11 2012
Director	Chang, Wu-Ping	4	---	80%	Leaving on June 11 2012
Director	Ho, Shun-Cheng	10	---	100%	Reelected
Director	Lin, Cheng-Yu	9	---	100%	Reelected
Director	Chao, Fu-Tien	10	---	100%	Reelected
Director	Hsieh, Yi-Tung	10	---	100%	Reelected
Independent Director	Liu, Hsiang-Tun	10	---	100%	Reelected
Independent Director	Chang, Ping-Chung	5	---	100%	Elected on June 11 2012
Independent Director	Chiang, Chun-Hui	5	---	100%	Leaving on June 11 2012
Managing Supervisor	Chang, Wu-Ping	3	---	60%	Elected on June 11 2012
Supervisor	Wu, Hsi-Hui	1	---	20%	Leaving on June 11 2012
Supervisor	Tsai, Wen-Hsiung	9	---	90%	Reelected
Supervisor	Lin, Chin-Lung	10	---	100%	Reelected

Title	Name	Attendance ( Presence) in Person	Attendance By Proxy	Attendance (Presence) Rate (%)	Remarks
Supervisor	Representative of Hsu Hung Technology Co., Ltd.: Hsu, Wen-Tung	5	---	100%	Leaving on June 11 2012
Supervisor	Hsu, Wen-Tung	4	---	80%	Elected on June 11 2012
Other Noticeable Particulars:					
1. Dates of Board of Directors meetings, the term, content of the resolution, opinions of all independent directors and the responses of the company to opinions should be specified for particulars regulated in Article 14-3 of Securities and Exchange Act and resolutions, in Board of Directors meetings, with opposition or qualified opinions from independent directors: None 2. For the implementation of the directors' avoidance from any involving resolution, directors' names, the content of the resolution, reasons for interest avoidance and the voting participation should be included:					
Date	Term/ Order	Name of Director	Content of the Resolution	Reasons for Avoidance	The voting participation
01/16/2012	20 <sup>th</sup> meeting of the 5 <sup>th</sup> term	Hsieh, Yi-Tung	Adjustment of managing staff of the Bank	Personal interests involved	Discussion and voting avoided
04/16/2012	23 <sup>h</sup> meeting of the 5 <sup>th</sup> term	Chen, Sheng-Hung; Liu, Chen-Sheng; Ho, Shun-Cheng; Chang, Wu-Ping; Chen, Chin-Yi; Lin, Cheng-Yu; and Chen, Chien-Yang	Donation by the Bank to Sunny Culture and Education Foundation	Transaction to interested parties regulated in The Banking Act.	Discussion and voting avoided
04/16/2012	23 <sup>th</sup> meeting of the 5 <sup>th</sup> term	Wu, Wen-Cheng and Liu, Hsiang-Tun	Nomination of independent directors for the Bank's 2012 board of directors	Personal interests involved	Discussion and voting avoided
06/19/2012	2 <sup>nd</sup> meeting of the 6 <sup>th</sup> term	Chen, Sheng-Hung	Credit granting cases submitted by Credit Granting and Investment Commission of the Bank.	Loans to interested parties regulated in The Banking Act.	Discussion and voting avoided
06/19/2012	2 <sup>nd</sup> meeting of the 6 <sup>th</sup> term	Chen, Sheng-Hung	Employment renewal as a managing director of the Bank's board of directors	Personal interests involved	Discussion and voting avoided
06/19/2012	2 <sup>nd</sup> meeting of the 6 <sup>th</sup> term	Managing directors and directors	Approval of remunerations paid to directors and supervisors	Personal interests involved	Discussion and voting avoided
06/19/2012	2 <sup>nd</sup> meeting of the 6 <sup>th</sup> term	Lin, Peng-Lang	Approval of remunerations paid to the chairman	Personal interests involved	Discussion and voting avoided
08/21/2012	3 <sup>rd</sup> meeting of the 6 <sup>th</sup> term	Chang, Ping-Chung	Credit granting cases submitted by Credit Granting and Investment Commission of the Bank.	Loans to interested parties regulated in The Banking Act.	Discussion and voting avoided
11/23/2012	4 <sup>th</sup> meeting of the 6 <sup>th</sup> term	Chen, Sheng-Hung	Credit granting cases submitted by Credit Granting and Investment Commission of the Bank.	Loans to interested parties regulated in The Banking Act.	Discussion and voting avoided
3. Goals (such as establishing the auditing commissions or raising the information transparency) and execution to strengthen the Board of Directors during the year and the latest year: None.					

## (2) The Participation of Supervisors in the Operation of Board of Directors

During 2012, the Board of Directors held 10 meetings. The attendance is as follows:

Title	Name	No. of attendances	Actual attendance %	Remark
Managing Supervisor	Chang, Ping-Chung	3	60%	Elected on June 11 2012
Supervisor	Wu, Hsi-Hui	1	20%	Elected on June 11 2012
Supervisor	Tsai, Wen-Hsiung	9	90%	Reelected
Supervisor	Lin, Chin-Lung	10	100%	Reelected
Supervisor	Representative of Hsu Hung Technology Co., Ltd.: Hsu, Wen-Tung	5	100%	Leaving on June 11 2012
Supervisor	Hsu, Wen-Tung	4	80%	Elected on June 11 2012

### Other Noticeable Particulars:

- The constitution of supervisors and responsibilities:
  - The communication of supervisors with bank employees and shareholders: None
  - The communication of supervisors with internal auditing supervisors and accountants: None
- The date, term/order, contents of issues and decisions of the board meetings regarding the opinions of the supervisors who participated in the board meetings, and the Bank's handling on the opinion of the supervisors: none.
  - 24<sup>th</sup> meeting of the 5<sup>th</sup> term on April 4, 2011  
 Opinion of supervisor Lin, Chin-Lung: the number of blank checks issued should depend on the transactions of client and return percentage of these checks as a major consideration.  
 Board decision: further investigate is advised regarding the issuing.
  - 3<sup>rd</sup> meeting of the 6<sup>th</sup> term on August 21, 2011  
 Opinion of supervisor Hsu, Wen-Tung: the Bank is planning to establish a financing and leasing company in China based on the leasing company established under the Bank. It is prudent to have a management team established for the needs of business operations and management.  
 Board decision: the selection of the team members shall be based on integrity and quality.

## (3) Disclosure information in accordance with Corporate Governance Best-Practice Principles for Banks:

For detail, please refer to the Bank's official website: <http://www.sunnybank.com.tw>

#### (4) Corporate Governance Execution Status and Deviations from “Corporate Governance Best-Practice Principles for The Banking Industry”:

Item	Operation	Deviations from “Corporate Governance Best-Practice Principles for The Banking Industry” and reasons
1. Structure of the Bank equity & shareholder’s right (1) The response of the Bank to shareholders’ recommendation or dispute (2) The Bank keeps track of the major shareholders and their ultimate controller. (3) The way that the Bank set up the risk control mechanism and the firewall with its affiliated businesses.	(1) Stocks Affairs Section is set up under Administration Management Department for shareholders’ related affairs. Communication channel is smooth. (2) Stock Services Section under Administration Management Department is in charge of monitoring shareholding of shareholders. (3) Policies and procedures are established.	(1) Article 19 of the said regulation is fully complied. (2) Article 27 of the said regulation is fully complied. (3) The said regulation is fully satisfied.
2. The formation and the responsibility of the Board of Directors (1) The establishment of independent directors (2) Periodic evaluation on the independence of certified public accountants(CPA)	(1) 2 independent director and an independent managing directors were established in the Bank’s board of directors. (2) The CPA engaged by the Bank each year are to meet the critical criterion of professionalism, responsibility and independence, and are required to submit a filing for motioning by the board when processing financial and taxation authentication.	(1) Article 31 of the said regulation is fully complied. (2) The said regulation is fully satisfied.
3. Establish a communication channel with stakeholders.	Smooth communication channels have been established as regulated.	The said regulation is fully satisfied.
4. Information disclosure (1) The Bank sets up a website to disclose financial status and company governance information. (2) Other information disclosure methods adopted by the Bank (i.e. establishing the English website, collect and disclose bank’s information by personnel in charge, implement the Spokesman system and posting the process of the conferences with institutional investors on the Bank website)	The Bank website: <a href="http://www.sunnybank.com.tw">http://www.sunnybank.com.tw</a> , which discloses financial status and company governance information.	The said regulation is fully satisfied.
5. The establishment of committees, such as Nomination Committee or Remuneration Committee	Nomination Committee or Remuneration Committee has not yet been set up.	The Bank will follow the regulations for Corporate Governance Best-Practice Principles and establish various committees in the future.

Item	Operation	Deviations from “Corporate Governance Best-Practice Principles for The Banking Industry” and reasons
6.	Please state the cause and the difference of the corporate governance from Corporate Governance Best-Practice Principles for Banks: Corporate Governance Best-Practice Principles are met	
7.	<p>Please state the system and practices that the Bank adopts for social responsibilities of bank (i.e. Labor rights, employee benefits, investor relationship, stakeholders’ rights, directors and supervisors’ efforts in further studies, risk and customer management policies, risk measurement standard execution and the purchase of liability insurance for directors and supervisors):</p> <p>(1) Employees’ interests:</p> <p>1. Employees are provided with labor insurance, health insurance and group insurance.</p> <p>2. Meetings are held on a regular basis between employers and employees to maintain an open channel of communications.</p> <p>3. Work principles are established and modified according to the changes in laws, labor agreement or management system: work principles are provided at the Bank’s internal website for employees’ access after submitted to the bureaus of labor affairs of local governments.</p> <p>(2) Care to employees:</p> <p>1. Free physical checkups for employees on a regular basis.</p> <p>2. “Employee welfare committee” is established as legally required in order to provide employee welfare; such as birthday gift bonus, bonus for Chinese Lunar New Year, Dragon Boat Festival and Moon Festival and subsidies for weddings, funerals, emergencies, accidents, and club activities.</p> <p>(3) Continuous education of directors and supervisors: the Bank continues to keep the directors and supervisors up to date about amendment of regulations regarding company governance and helps directors and supervisors arrange for education courses.</p> <p>(4) Risk management policy and risk measurement standard execution: To structure professional and complete risk management, the Bank has launched loan review division, risk management division, and claims management division, in charge of loan review process on loan cases, including country risk, market risk, operational risk, and credit risk as well as debt collection and management to perform professional and complete risk management.</p> <p>In an effort to standardize the operating procedures and hedge the operational risks, the Bank has drafted operating manuals and compiled relevant regulations and rules for various operations, and has notified in writing to all units, with which to enforce executing the internal control and the internal audit system.</p> <p>(5) Client policy execution: the Bank establishes units responsible for consumer consultation services, and sets up channels for clients’ complaints to handle consumer needs and to protect consumer’s rights.</p> <p>(6) The purchase of liability insurance on behalf of directors and supervisors: the Bank has not purchased liability insurance for directors and supervisors.</p> <p>(7) Donations to political parties, stakeholders and charity groups: the Bank made 2 donations of more than NT\$ 500,000 in 2012: 1. NT\$ 1 million donated to Small and Medium Enterprise Fund Management Committee as the Bank agreed to join the “SME Financing Service Platform Project” in order to improve the control over credit auditing and load offering to corporations; and 2. NT\$1.5 million donated to Sunny Culture and Education Foundation to support its efforts in various social welfare activities.</p>	
8.	In case of the company self-assessment report or report from any other professional institution appointed to assess company operation, self-assessment/appointed evaluation results, deficiencies/recommendations should be stated: None	

**(5) The makeup and responsibility of a remuneration committee, and the state of its implementation: None**



## (6) Performance of social responsibilities:

Items	Status
<p>1. Promotion of the implementation of corporate governance</p> <p>(1) The Bank sets up corporate social responsibility policy or system, and reviews the effectiveness of implementation.</p> <p>(2) The bank sets up unit to promote corporate social responsibility operation.</p> <p>(3) The bank conducts regular business ethics education and training for directors, supervisors and employees, and in combination with the employee performance appraisal system, establishes clear and effective reward and punishment system.</p>	<p>(1) Not yet established.</p> <p>(2) Not yet established.</p> <p>(3) The bank has conducted business ethics education and training for employees on a regular basis, and included integrity in the employee performance appraisal system</p>
<p>2. Development of sustainable environment</p> <p>(1) The Bank is committed to enhancing the efficiency of resource use, and uses recycled materials to lower impact on the environment.</p> <p>(2) The bank establishes appropriate environmental management system according to industry characteristics.</p> <p>(3) The bank establishes environmental management units or personnel dedicated to protecting the environment.</p> <p>(4) The bank notes that climate change impact on operating activities, and develop bank carbon emissions and greenhouse gas reduction strategy.</p>	<p>(1) Single-sided paper recycling boxes are set up in copy rooms to encourage double-sided copies and save paper.</p> <p>(2) Regulations of use are established in the offices and activity areas. In addition to no smoking, the indoor temperature is set at 26°C to save air-conditioning; at the same time garbage sorting and reduction are enforced.</p> <p>(3) General service staff is established for managing and maintaining environment.</p> <p>(4) The Bank has gradually installed the T5 energy saving lamp to achieve carbon reduction.</p>
<p>3. Maintain of social welfare</p> <p>(1) The bank complies with labor laws and internationally accepted basic labor rights principles, protects the legitimate interests of employees, and establishes appropriate management practices and procedures.</p> <p>(2) The bank offers employees safe and healthy working environment, and provides safety and health education on a regular basis.</p> <p>(3) The Bank establishes a mechanism of communicating with employees regularly, and keeps employees informed in a reasonable manner of any possible business operation changes that may impose major impacts.</p> <p>(4) The Bank sets up and publicizes consumer rights policy, and provides transparent and effective consumer complaint procedures for its products and services.</p> <p>(5) The bank and its suppliers work together to enhance corporate social responsibility.</p> <p>(6) The bank participates in community development and charity activities through commercial events, in-kind donations, volunteer services, business or other free professional services.</p>	<p>(1) the Bank has established rules regarding employees care and complaints handling, and conducts regular staff communication meetings</p> <p>(2) The Bank provides regular physical examinations.</p> <p>(3) The Bank holds regular employer and employee meetings to maintain an open communication channel, and the Bank's major operation policies are announced in forms of internal newsletter, weekly assembly and real-time document distribution system.</p> <p>(4) The bank sets up customer service direct line on the website to provide consumers with complaints channel.</p> <p>(5) No such a plan so far.</p> <p>(6) The Bank is very active in participating in charity and cultural events; for example, the "Dream come true program for children in remote areas" where materials are provided to 240 children to make their dreams come true; the "dream workshop of building blocks" where 120 children from North Regional Child Support Center and Lehuo Children's Home were invited to go to Lego Show to inspire their creativity.</p>
<p>4. Enhancement of information disclosure</p> <p>(1) The way that the bank discloses information of relevance and reliability regarding corporate social responsibility.</p> <p>(2) The preparation of the corporate social responsibility report to disclose how the Bank promotes corporate social responsibility.</p>	<p>(1) The bank sets up a link in the website to disclose corporate social responsibilities.</p> <p>(2) Not prepared yet.</p>
<p>5. Please specify the difference between operations and code of practice if the bank sets up corporate social responsibility codes of practice according to "Listed Companies Corporate Social Responsibility Codes of Practice": None</p>	
<p>6. Other important information to help understand operation of corporate social responsibility (such as environmental protection, community involvement, social contributions, social services, social welfare, consumer rights, human rights, security and health as well as other social responsibility activities and measures to adopt the system and measures, and status of implementation): By upholding its consistent philosophy of giving back to the society in a bid to honor its corporate stewardship, the Bank upholds its business commitment by acting fulfilling its "Corporate citizenship" role. The Bank dedicates corporate stewardship to the society and contributes toward charity institutes or activities as part of efforts in fulfilling the Bank's social responsibilities. For example, the Bank made a donation to the Liver Disease Prevention and Control Foundation to support the liver disease screening at remote areas; and a donation to the Consumers' Foundation to support their efforts in protecting the interests of general consumers and continue to play a role of good communicator.</p>	
<p>7. It should be stated if the banking products or corporate social responsibility report passes the verification standard of the relevant agencies: None</p>	

Note: Non-listed banks do not have to fill the column of "causes and differences from listed company corporate social responsibility codes of practice".

## (7) Implement integrity of operation and measures Adopted

Items	Implementation Status
<p>1. Establishment of policy and scheme of business integrity</p> <p>(1) The Bank has included business integrity policy as well as realization of such a policy by the board of directors and management level in company regulations and documents disclosed.</p> <p>(2) The status of any program established to prevent infringement of integrity and the operations of the SOP, code of conduct and educational training in such a program.</p> <p>(3) Measures taken to prevent bribes or illegal political donations against dishonest business activities of high risk within the Bank's business scope when the program against dishonest conducts was established.</p>	<p>(1) The policy of business integrity is not included in the Bank's regulations, but the measures regarding the realization of business integrity will be put in place according to the Bank's governance progress.</p> <p>(2) The Bank has developed work principles for employees to prevent any dishonest conduct. A system for searching for stakeholders was established so that the conditions will not be better than those for others of the same category when having transactions with stakeholders. Also, it was specified that major financial transactions with stakeholders shall be submitted to the board of directors for approval. Lectures were given at the orientation of new recruits regarding the work ethics of bankers, integrity principles and relevant laws and regulations as an effort to prevent dishonest conducts.</p> <p>(3) It is specified in the Bank's work principles that employees are not allowed to exploit the Bank's resources in one's own favor or for one's own benefits. It is also specified that every purchase shall be reported for approval according to authorization and meets relevant laws and Bank's SOPs provided in the Bank's "Rules governing the purchase of supplies, equipment and materials" and the "Rules for purchases and expenses."</p>
<p>2. Realization of honest business</p> <p>(1) Transaction with those who have history of dishonest conducts shall be avoided in the Bank's business activities, and honest conduct conditions are to be included in commercial contracts.</p> <p>(2) Establishment of dedicated (or part-time) department promoting corporate integrity and the supervision of board of directors</p> <p>(3) Establishment of policy preventing conflict of interests and provision of proper statement channels.</p> <p>(4) Operations of effective accounting and internal control systems established for realization of business integrity and the status of auditing performed by internal auditors.</p>	<p>(1) Suppliers of transaction or purchase are checked using the stakeholder inquiry system if they are stakeholders. Their companies' authenticity is double-checked through Dept. of Commerce, Ministry of Economic Affairs. Suppliers' transaction histories are verified to ensure the business integrity of those whom the Bank does business with.</p> <p>(2) The Bank has not yet established a dedicated (or part-time) department promoting corporate integrity, and such a department will be developed according to applicable laws and the Bank's governance progress.</p> <p>(3) In case that a director causes the Bank's interests compromised due to his/her personal interests or those of the corporate person he/she represents, the director may make a statement and answer questions but shall not join the discussion and voting. He/she shall stay away from the discussion and voting and shall not vote on the behalf of any other director.</p> <p>(4) The Bank has rigorous accounting system and dedicated accounting department. The financial statement is reviewed by certified CPA to ensure that the financial information provided is correct. A manual of internal control is established to unify SOPs and prevent operation risks. Business manuals and chapters are developed for each item of business and distributed to the departments and branches of the Bank for realization. Internal audits are performed on the implementation results.</p>
<p>3. Operations of reporting channel established by the Bank and the punishment and appealing system for violation of business integrity</p>	<p>The Bank has a HR review panel and the Department of Auditing Management, as well as an open channel for fault plat reporting and appealing. Also, review meetings are held from time to time on merits and demerits based on the work principles of the Bank.</p>
<p>4. Enhancement of information disclosure</p> <p>(1) Website established by the Bank to disclose information of business integrity.</p> <p>(2) How the Bank discloses other information (e.g. establishment of website in English, designated persons in charge of collecting and disclosing information on the Bank's website)</p>	<p>(1) The integrity principles, applicable laws and regulations and work principles that all employees are required to follow are posted at the document system of the Bank's internal website, and announced to all fellow workers when there is any change.</p> <p>(2) None</p>

Note: Non-listed banks do not have to fill the column of "causes and differences from listed company corporate social responsibility codes of practice".

## (8) The inquiry for corporate governance guidelines and regulations: None

## (9) Other important information to help understand corporate governance implementation: None

## (10) Internal control execution discloses the following:

### 1. Statement of Internal Control

#### Statement for the Internal Control System of Sunny Bank Co., Ltd.

The internal control system of Sunny Bank Co., Ltd. from January 1, 2012 to December 31, 2012 was established in compliance with “the Implementation Rules for Bank Internal Audit and Internal Control System” to establish internal control system and implement risk management and audited by an independent auditing department which reports to the board of the directors and supervisors regularly (the Bank that operates concurrently securities business. For bank’s securities business, the Bank determines if the design and implementation of the internal control system are effective based on the criteria provided in the “Guidelines for the Establishment of Internal Control Systems by Securities and Futures Related Organizations,” which had been promulgated by the Financial Supervisory Commission’s Securities and Futures Bureau). After careful evaluation, the Bank believes that except for items enumerated on the attached sheet, the Bank’s internal control system and compliance with applicable law and regulations have been effective for the year stated. This Statement shall become a major part of the annual report and prospectus of the Bank and be made public. Any false representation or concealment in this Statement shall be subjected to legal consequences as stipulated in Articles 20, 32, 171 and 174 of the Securities & Exchange Act.)

Sincerely yours,

Financial Supervisory Commission

Declarer

Chairman: Lin, Peng-Lang (with seal & signature)

President: Ting, Wei-Hao (with seal & signature)

General Auditor: Tseng, Yao-Te (with seal & signature)

Compliance Officer of the Head Office: Li, Wen-Kuang (with seal & signature)



The block contains four rows of handwritten signatures in blue ink, each followed by a red square seal. The signatures are: 林彭郎 (Lin Peng-Lang), 丁偉豪 (Ding Wei-Hao), 曾耀德 (Tseng Yao-Te), and 李文光 (Li Wen-Kuang). The seals are red ink stamps, likely official seals of the individuals.

The Twenty Seventh Day of February, 2013

# Practices to Be Improved and Corrective Procedures in the Internal Control System

December 31, 2012

Items to be improved	Improvement	Estimated date of improvement
None	None	None

## 2. CPA's audited internal control report

### CPA Review Report

To Sunny Bank:

According to Section 1 of Article 28 in "Enforcement Regulations for Bank Internal Audit Control System" issued by Financial Supervisory Commission, "While annual report of banking industry is audited by CPA, banks should authorize CPA to review internal control system, and express opinions on the accuracy of reports filed with the regulators, implementation of internal control and compliance head systems, and the appropriateness of provision for allowance for doubtful accounts.

The CPA is authorized by Sunny Bank to perform the above matters of 2012, and enclose the attached document regarding audit scope, audit basis, audit procedures and audit results based on Article 31 of the same rule.

The review report is only for the reference purpose of Sunny Bank and financial regulators, and is not for other purposes or dispatched to other persons.

Deloitte & Touche

CPA Chen, Chung-Chieh (with seal and signature)



陳杰忠

The Seventh Day of March, 2013

### **(11) Illegality and punishment during the past two years, major drawbacks and the correction:**

1. The Bank's responsible person or any of its employees who is prosecuted for illegal conducts related to the Bank's businesses:
  - (1) A teller of Qingnian Branch, Lin, ○○ (resigned), was prosecuted by prosecutor for violation of the Banking Act of the Republic of China in May 2011
  - (2) A teller of Xihua Branch, Chang ○○ (resigned), was prosecuted by prosecutor for breach of trust in August 2012.
2. Fines imposed by the Executive Yuan's Financial Supervisory Committee as a punishment for violating laws and regulations: None
3. Punishments by the Financial Supervisory Committee, Executive Yuan, in relation to Article 61-1 of the Banking Act of The Republic of China: None
4. Necessary disclosure of nature and amount of loss as a result of fraud, major random incidents (major incidents including fraud, theft, appropriation and theft of assets, falsified transactions, document and security forgery, taking kickbacks, natural disaster loss, loss caused by external forces, hacker attacks, theft of information, and disclosure of business secrets and client information), or failure to comply with the instructions for the Maintenance of Safety by Financial Institutions, as a result of which individual or accumulated losses for the year amounted to NT\$50 million or more: None
5. Other items to be disclosed under the instructions of the Financial Supervisory Commission, Executive Yuan: None

### **(12) Important Resolutions of the Shareholders' Meeting and the Board Meeting during 2012 and the period up to the annual report publication date:**

1. Shareholders' meeting  
The following were resolved in the 2012 shareholders' meeting held on June 11, 2012:
  - (1) Amendment of partial articles of the Bank's regulations;
  - (2) Amendment of partial articles of the Rules governing the election of board directors and supervisors of Sunny Bank;
  - (3) Amendment of partial articles of the Asset acquisition or disposal procedure; and
  - (4) Election of the Bank's board directors and supervisors.
2. Board of directors
  - (1) Resolution of the 20<sup>th</sup> board meeting on January 16, 2012: the issuance of NT\$ 2 billion worth of subordinated financial debentures.
  - (2) Resolutions of the 21<sup>st</sup> board meeting of the 5<sup>th</sup> term on March 21, 2012:
    - A. Initiation of car loans and amendment of "credit authorization amount table of Sunny Bank;"
    - B. Amendment of partial articles of the Bank's regulations; and
    - C. Election of the 6<sup>th</sup> term of board directors and supervisors; it was determined to elect 3 independent directors.
  - (3) Resolutions of the 22<sup>nd</sup> board meeting of the 5<sup>th</sup> term on April 5, 2012:
    - A. Relocation of Xiaogang Branch;
    - B. Amendment of partial articles of the Bank's regulations; and
    - C. Amendment of partial articles of the Rules governing the election of board directors and supervisors of Sunny Bank.
  - (4) Resolution of the 23<sup>rd</sup> board meeting on April 16, 2012: Wu, Wen-Cheng, Liu, Hsiang-Tun and Chang, Ping-Chung were nominated for independent directors.
  - (5) Resolutions of the 24<sup>th</sup> board meeting of the 5<sup>th</sup> term on April 24, 2012:
    - A. Amendment of partial articles of the Bank's regulations; and
    - B. Amendment of partial articles of the Asset acquisition or disposal procedure
  - (6) Resolution of the 1<sup>st</sup> board meeting of the 6<sup>th</sup> term on June 11, 2012: directors Chen, Sheng-hung, Lin, Peng-Lang, Liu, Cheng-Sheng and independent director Wu, Cheng-Wen were elected as the Bank's 6<sup>th</sup> term of managing directors. Mr. Lin, Peng-Lang was elected by the managing directors as the Bank's 6<sup>th</sup> board chairman.
  - (7) Resolution of the 2<sup>nd</sup> board meeting of the 6<sup>th</sup> term on June 19, 2012: initiation of RMB business in the Offshore Banking Unit.



- (8) Resolution of the 3rd board meeting of the 6th term on August 21, 2012: establishment of a leasing company of 100% reinvestment based on which an application was submitted to the competent authority for the approval of establishing a financing and leasing company in China.
- (9) Resolutions of the 4th board meeting of the 6th term on November 23, 2012:
- Issuance of NT\$ 1.5 billion worth of subordinated financial debentures.
  - Issuance of 60 million shares of common stock as part of capital increased by cash at NT\$10/share, totaling NT\$ 600 million in 2013.
- (10) Resolution of the 5th board meeting of the 6th term on December 20, 2012:
- Relocation and renaming of Guanghai Branch into Wanhua Branch; and
  - Amendment of partial articles of the Bank's Rules of procedure for the board of directors.
- (13) **The major content of record of written statements for any dissenting opinions from directors or supervisors regarding important resolutions of the Board in 2012 and the period up to the annual report publication date: None**
- (14) **The summary of resignation and discharging of people related to the Financial Report (including Chairman, President, Accounting Supervisors and Auditing Supervisors) during 2012 and the Current Year up to Publication Date of Annual Reports: None**

#### 4. CPA Information:

##### CPA Fees Information for 2012

C.P.A. Office	C.P.A. Name		Auditing Period	Remark
Deloitte & Touche	Chen, Chie-Chung	Chen, Chao-Feng	January 2012 to August 2012	---
	Chen, Chie-Chung	Wu, Yi-Chun	September 2012 to December 2012	Change of CPA due to internal adjustment of CPA firm

Unit: NT\$ 1,000

Amount \ Item		Audit Fee	Non-audit Fee	Total
1	Less than NT\$2,000,000		V	
2	NT\$2,000,000 ~ NT\$4,000,000	V		V
3	NT\$4,000,000 ~ NT\$6,000,000			
4	NT\$6,000,000 ~ NT\$8,000,000			
5	NT\$8,000,000 ~ NT\$10,000,000			
6	Over NT\$10,000,000			

Unit: NT\$ 1,000

CPA Firm	Name of CPA	Audit Fee	Non-audit Fee					CPA Audit Period	Remarks
			System Design	Company Registration	Human Resources	Others	Subtotal		
Deloitte & Touche	Chen, Chao-Feng	\$2,216	---	---	---	\$1,154	\$1,154	January-August 2012	1. Change of CPA in the current year due to internal work allocation and arrangement in CPA firm. 2. Non-audit fee includes review of prospectus, annual report, and meeting agenda, audit on bad debt table of total write-off amount of the same customer over NT\$ 50 million, and IFRS introduction service.
	Wu, Yi-Chun							September-December 2012	
	Chen, Chie-Chung								

## 5. Changes of CPA:

### (1) Information regarding previous CPA

Date of Change	September 2012		
Reason of change and statement	Following Deloitte & Touche’s internal work allocation and arrangement in 2012, the certified public accountants have been changed from CPAs Chen, Chie-Chung and Chen, Chao-Feng to Chen, Chie-Chung and Wu, Yi-Chun.		
Description that the appointer or CPA terminates or refuses the appointment	Person involved	CPA	Appointer
	Status		
	Termination of appointment		
	Rejection of appointment		
Opinions and reasons of audit report other than issuing “no preserved opinion” in the latest two years.	Due to sale of distressed assets of the Bank to asset management company in 2007 and 2006, the loss is deferred and amortized in 5 years according to “The Financial Institutions Merger Act”, and it did not comply with GAAP. Therefore, an audit report with “preserved opinion” was issued for each of 2011.		
Different opinions from the Bank	Yes		Accounting principles or practice
			Discloser of financial reports
			Audit scope or procedures
			Others
	None	V	
	Description	None	
Other disclosures (disclose based on Point 4, Item 1, Paragraph 5, Article 10 in the guidance)	None		

## (2) Information regarding the incumbent CPA

CPA Firm	Deloitte & Touche
CPA Name	CPA Wu, Yi-Chun
Date of Appointment	September 2012
Before appointment, accounting treatment or accounting principles of certain transactions as well as matters and results of opinion consultation on financial reporting	Not applicable
Successive accountants' written opinion of different views from the former accountants	Not applicable

(3) The former CPAs' response letter to matters stated under Sub-paragraph 1, 2 and 3, Paragraph 5 of Article 10 of the criteria: None

6. **Chairman, President, Financial or Accounting Managers, and those that have served in CPA or Affiliated Associated Business in Most Recent Year: None**
7. **Transfers, pledges and changes in stock shares held by directors, supervisors, managers and those who are required to declare shareholdings as per Article 11 of the Regulations Governing A Same Person or Same Concerned Party Holding the Issued Shares with Voting Rights over a Particular Ratio of a Bank in 2012 and up to the day the financial statement is printed**

## (1) Changes in shareholdings

Title	Name	2012		As of February 28, 2013	
		Increase/Decrease of shareholdings	Increase/Decrease of pledged shares	Increase/Decrease of shareholdings	Increase/Decrease of pledged shares
Chairman	Lin, Peng-Lang	---	---	---	---
Managing Director	Chen, Sheng-Hung	---	---	---	---
Managing Director	Liu, Cheng-Sheng	---	---	---	---
Independent Managing Director	Wu, Wen-Cheng	---	---	---	---
Independent Managing Director	Liu, Hsiang-Tun	---	---	---	---
Independent Managing Director	Chang, Ping-Chung	---	---	---	---
Director	Chen, Chin-Yi	1,015,000	---	---	---
Director	Ho, Shun-Cheng	---	---	---	---
Director	Lin, Cheng-Yu	---	---	---	---

Title	Name	2012		As of February 28, 2013	
		Increase/Decrease of shareholdings	Increase/Decrease of pledged shares	Increase/Decrease of shareholdings	Increase/Decrease of pledged shares
Director	Chao, Fu-Tien	---	---	---	---
Director	Hsieh, Yi-Tung (Note 3)	---	---	---	---
Director	Chen, Chien-Yang	50,000	---	---	---
Director	Chen, Chin-Chia	---	200,000	---	---
Managing supervisor	Chang, Wu-Ping	200,000	---	---	---
Supervisor	Tsai, Wen-Hsiung	-220,000	---	---	---
Supervisor	Lin, Chin-Lung	125,000	---	---	---
Supervisor	Wu, Ching-Hui	---	---	---	---
Supervisor	Hsu, Wen-tung	1,433,365	---	---	---
President	Ting, Wei-Hao	---	---	---	---
Vice President	Lin, Chih-Liang	---	---	---	---
Vice President	Chang, Chi-Ming	---	---	---	---
Vice President	Kuo, Chih-Hung	---	---	---	---
Auditor General	Tseng, Yak-Te	---			
Chief Secretary	Wu, Jui-Hsiang	---	---	---	---
Assistant Vice President	Liu, Ming-Chieh	---	---	---	---
Assistant Vice President	Yu, Shih-Jung	---	---	---	---
Assistant Vice President	Chen, Yang-Yu	---	---	---	---
Assistant Vice President	Hsieh, Yi-Tung	---	---	---	---
Assistant Vice President	Huang, Hsien-Chang	---	---	---	---
Assistant Vice President	Huang, Yen-Chun	---	---	---	---
Assistant	Wang, Ya-Hsun	---	---	---	---

Title	Name	2012		As of February 28, 2013	
		Increase/Decrease of shareholdings	Increase/Decrease of pledged shares	Increase/Decrease of shareholdings	Increase/Decrease of pledged shares
Vice President					
Assistant Vice President	Wang, Chien-Yi	---	---	---	---
Assistant Vice President	Lin, Yi-Tsun	---	---	---	---
Assistant Vice President	Chen, Cheng-Feng	---	---	---	---
Manager	Chen, Yi-Huan	---			
Manager	Chen, Kuo-Hung	---	---	---	---
Manager	Yang, Chen-Sheng	---	---	---	---
Manager	Wu, Chia-Cheng	---	---	---	---
Manager	Lu, Sheng-Yu	---	---	---	---
Manager	Chiang, Tung-Sheng	---	---	---	---
Manager	Chen, Yao-Wen	---	---	---	---
Manager	Lin, Kuo-Hung	---	---	---	---
Manager	Li, Tai-Ju	---	---	---	---
Manager	Kao, Chih-Li	---	---	150,000	---
Manager	Shen, Yu-Hsing	---	---	---	---
Manager	Sung, Ping-Ping	---	---	---	---
Manager	Lung, Wan-Li	---	---	---	---
Manager	Liu, Ming-Che	---	---	---	---
Manager	Liu, Yen-Hsing	---	---	---	---
Manager	Tsao, Chun-Jung	---	---	---	---
Manager	Liu, Chung-Sen	---	---	---	---
Manager	Chien, Chih-Hsin	---	---	---	---
Manager	Hu, Chi-Min	---	---	---	---
Manager	Chen, Hsien-Chun	---	---	---	---
Manager	Lee, Ching-Cheng	---	---	---	---
Manager	Chen, Chi-Chuan	1,787	---	---	---
Manager	Chen, Chih-Hao	---	---	---	---
Manager	Chu, Chia-Lung	---	---	---	---
Manager	Chiu, Chuan-Mao	---	---	---	---
Manager	Chen, Chien-Liang (note 1)	---	---	---	---
Manager	Chen, Kuo-Shun	---	---	---	---
Manager	Tsai, Mei-Li	---	---	---	---

Title	Name	2012		As of February 28, 2013	
		Increase/Decrease of shareholdings	Increase/Decrease of pledged shares	Increase/Decrease of shareholdings	Increase/Decrease of pledged shares
Manager	Chen, Ching-Ti	---	---	---	---
Manager	Pan, Kuang-Chu	---	---	---	---
Manager	Chen, Hui-Ling (Note 3)	---	---	---	---
Manager	Yang, Yi-Chen	---	---	---	---
Manager	Tsai, Chien-Li	---	---	---	---
Manager	Liu, Yi-Fang	---	---	---	---
Manager	Li, Hsu-Chuan	---	---	---	---
Manager	Hsieh, Yeh-Yang	---	---	---	---
Manager	Shih, Li-Yu (note 1)	---	---	---	---
Manager	Shih, Bo-Fu	---	---	---	---
Manager	Ho, Chun-Liang	---	---	---	---
Manager	Tu, Hua-He	---	---	---	---
Manager	Ku, Tien-Chie	---	---	---	---
Manager	Chung, Min-Yuan	---	---	---	---
Manager	Hsu, Chen-Huang	---	---	---	---
Manager	Lee, Wen-Hui	---	---	---	---
Manager	Yu, Kuang-Lu	---	---	---	---
Manager	Hsu, Pao-Yuan	---	---	---	---
Manager	Chen Yung-Kuan	---	---	---	---
Manager	Yang, Ying-Chung	---	---	---	---
Manager	Yang, Pao-Kuei	---	---	---	---
Manager	Tu, A-Ching	---	---	---	---
Manager	Cheng, Yuen-Teh	---	---	---	---
Manager	Tseng, Chien-Chia	---	---	---	---
Manager	Tu, Yung-Yen	---	---	---	---
Manager	Wu, Sheng-Yi	---	---	---	---
Manager	Chien, Shih-Yao	---	---	---	---
Manager	Tsai, Kun-Chih	---	---	---	---
Manager	Huang, Fu-Li	---	---	---	---
Manager	Huang, Chun-Hsiung (Note 1)	---	---	---	---
Manager	Huang, Cheng-Chin	---	---	---	---
Manager	Chuang, Yung-Fu	---	---	---	---
Manager	Huang, Shou-Wem	---	---	---	---
Manager	Chiu, Ming-Hua	---	---	---	---
Manager	Chiu, Ming-Hua	---	---	---	---
Manager	Liu, Min-Hsiang	---	---	---	---
Manager	Fu, Chia-Ming	---	---	---	---
Manager	Tsui, Ching-Chih	---	---	---	---
Manager	Chung, Shu-Jung	---	---	---	---

Title	Name	2012		As of February 28, 2013	
		Increase/Decrease of shareholdings	Increase/Decrease of pledged shares	Increase/Decrease of shareholdings	Increase/Decrease of pledged shares
Manager	Pan, Cheng-Jen	---	---	---	---
Manager	Lu, Han-Kun	---	---	---	---
Manager	Hsu, Chen-Huang	---	---	---	---
Manager	Hu, Chun-Wei	---	---	---	---
Manager	Lin, Feng-Yuan	---	---	---	---
Manager	Hsu, Chin-Ken	---	---	---	---
Manager	Hung, Jung-Tsung	---	---	---	---
Manager	Huang, Fu-Chang	---	---	---	---
Manager	Wu, Ming-Feng	---	---	---	---
Manager	Chiu, Lai-Fa	---	---	---	---
Manager	Hung, Chien-Ming	---	---	---	---
Manager	Tsai, Kang-Tsan	---	---	---	---
Manager	Kou, Chien-Yun	---	---	---	---
Manager	Li, Hsu-Chang	---	---	---	---
Manager	Liu, Kuo-Yin	---	---	---	---
Manager	Huang, Po-Luo	---	---	---	---
Manager	Kuo, Chien-Yun	---	---	---	---
Manager	Chen, Chu-Wen	---	---	---	---
Manager	Tang, Ying-Kuang	---	---	---	---
Manager	Huang, Che-Ming	---	---	---	---
Manager	Chen, Cheng-Yi	---	---	---	---
Manager	Pang, Chih-Wen	---	---	---	---
Manager	Chen, Lung-Pan	---	---	---	---
Manager	Ken, Yu-Chuan	---	---	---	---
Manager	Wu, Jung-Chi	---	---	---	---
Manager	Chen, Cheng-Yi	---	---	---	---
Manager	Chen, Kuan-Fu	---	---	---	---
Manager	Chen, Yi-Hsu	---	---	---	---
Manager	Tseng, Chie-Chang	---	---	---	---
Manager	Lin, Chih-Chiang	---	---	---	---
Manager	Yang, Lien-Tse	---	---	---	---
Manager	Li, Yu-Sheng	---	---	---	---
Manager	Kuo, Cheng-Hung	---	---	---	---
Manager	Kan, Cheng-Wu	---	---	---	---
Manager	Liu, Tsung-Hsun (Note 3)	---	---	---	---
Manager	Li, Wen-Kuang	---	---	---	---
Manager	Juan, Chien-Chung (Note 2)	---	---	---	---
Manager	Wang, Lien-Ta (Note 2)	---	---	---	---



Title	Name	2012		As of February 28, 2013	
		Increase/Decrease of shareholdings	Increase/Decrease of pledged shares	Increase/Decrease of shareholdings	Increase/Decrease of pledged shares
Manager	Wei, Chun-Chih (Note 2)	---	---	---	---
Manager	Wu, Kuo-Mao (Note 2)	---	---	---	---
Manager	Chou, Chih-Wei (Note 2)	---	---	---	---
Manager	Ho, Li-Wei (Note 2)	---	---	---	---
Manager	Huang, Chi-Wei (Note 2)	---	---	---	---
Manager	Chen, Cheng-Hsian (Note 2)	---	---	---	---
---	◎ Sunny Culture and Education Foundation	---	---	---	---
---	◎ Chuang Yang Construction Co., Ltd.	---	---	---	---
---	◎ Hsueh, Ling	---	---	---	---
---	◎ Chen, Chin-Liang	---	---	---	---
---	◎ Chen, Chin-Chung	---	---	---	---
---	◎ Chen, Chin-Fu	---	---	---	---
---	◎ Chen, Li-Fen	---	---	---	---
---	◎ Hsueh, Tsung-Tai	---	---	---	---
---	◎ Ho, Li-Wei	---	---	---	---
---	◎ Chen, Ya-Yi	---	---	---	---
---	◎ Ho, Chih-Wei	---	---	---	---
---	◎ Li, Pei-Yu	---	---	---	---
---	◎ Chen, Yu-Li	---	---	---	---

Note 1: Manager Chen, Chien-Liang ceased his appointment on January 29, 2013, Huang, Chun-Hsiung on January 31, 2013, and Shih, Li-Yu on February 23, 2013.

Note 2: Manager Wang, Lien-Ta accepted his appointment on January 29, 2013, Chou, Chih-Wei on January 29, 2013, Ho, Li-Wei on January 29, 2013, Juan, Chien-Chung on January 29, 2013, Wei, Chun-Chih on January 29, 2013, Wu, Kuo-Mao on January 29, 2013, Huang, Chi-Wei on January 29, 2013, and Chen, Cheng-Hsien on February 23, 2013.

Note 3: Director Hsieh, Yi-Tung is also Assistant Vice President. Manager Chen Hui-Ling is also the head of Finance Department. Manager Liu Tsung-Hsiun is also the head of Accounting Department.

Note 4: Shareholders marked with “◎” are required to file their equity holdings in accordance with Article 11 of the Regulations Governing A Same Person or Same Concerned Party Holding the Issued Shares with Voting Rights over a Particular Ratio of a Bank.

## (2) Transfer of shareholdings

Unit: NT\$

Name (note 1)	Reason for transfer (note 2)	Date of transaction	The other party of transaction	Relationship between the other party of transaction and directors, supervisors, managers and those who are required to declare shareholdings as per Article 11 of the Regulations Governing A Same Person or Same Concerned Party Holding the Issued Shares with Voting Rights over a Particular Ratio of a Bank	No. of shares	Price of transaction
Tsai, Wen-Hsiung	Gift	Jan 16 2012	Tsai, Ting-Ruei	Father and son	-220,000	9.13

Note 1: the name of directors, supervisors, managers and those who are required to declare shareholdings as per Article 11 of the Regulations Governing A Same Person or Same Concerned Party Holding the Issued Shares with Voting Rights over a Particular Ratio of a Bank

Note 2: Acquisition or disposal.

## (3) Pledge of shareholdings

Name (note 1)	Reason for pledge (note 2)	Date of change	The other party of transaction	Relationship between the other party of transaction and directors, supervisors, managers and those who are required to declare shareholdings as per Article 11 of the Regulations Governing A Same Person or Same Concerned Party Holding the Issued Shares with Voting Rights over a Particular Ratio of a Bank	No. of shares	Price of pledge (redemption)
Chen, Chin-Chia	Pledge	Mar 19, 2012	Chailease Finance Co., Ltd.	The same person and his/her spouse, and blood relative of 2 <sup>nd</sup> -degree or higher	2,000,000	---
Po Yun Enterprise Co., Ltd.	Redem ption	Mar 20, 2012	Chailease Finance Co., Ltd.	The same person and his/her spouse, and blood relative of 2 <sup>nd</sup> -degree or higher who holds 1/3 or more of the issued shares with voting rights of a company	4,000,000	---

Note 1: the name of directors, supervisors, managers and those who are required to declare shareholdings as per Article 11 of the Regulations Governing A Same Person or Same Concerned Party Holding the Issued Shares with Voting Rights over a Particular Ratio of a Bank

Note 2: Pledge or redemption.

## 8. Information on the Relationships between the 10 Largest Shareholders as Given in Statement of Financial Accounting Standard No.6

As of Dec 31 2012

Unit: Share, %

Name (Note 1)	Shareholding		Shareholding by Spouse and Minors		Shareholding entitled to other name		10 largest shareholders and related parties as defined under the Statement of Financial Accounting Standards No. 6		Remark
	Share	% (Note 2)	Share	% (Note 2)	Share	% (Note 2)	Title or Name	Relationship	
Fu Li Yang Investment Co., Ltd.:	82,952,766	6.51	---	---	---	---	Chuanang Yang Construction Co., Ltd.	Controlled by the same person	---
Chuan Yang Construction Co.,Ltd.	69,644,262	5.46	---	---	---	---	Fu Li Yang Investment Co., Ltd.	Controlled by the same person	---
Sheng Yang Construction Co.,Ltd.	39,935,150	3.13	---	---	---	---	---	---	---
Hai Wang Printing Co., Ltd.	34,500,000	2.71	---	---	---	---	---	---	---
The First Insurance Co., Ltd.	32,969,136	2.59	---	---	---	---	---	---	---
Farglory Life	18,400,691	1.44	---	---	---	---	---	---	---

Name (Note 1)	Shareholding		Shareholding by Spouse and Minors		Shareholding entitled to other name		10 largest shareholders and related parties as defined under the Statement of Financial Accounting Standards No. 6		Remark
	Share	% (Note 2)	Share	% (Note 2)	Share	% (Note 2)	Title or Name	Relationship	
Insurance Co., Ltd.									
Hua Wei Investment Co., Ltd.	12,600,000	0.99	---	---	---	---	---	---	---
Sunny Culture & Education Foundation	11,662,995	0.91	---	---	---	---	---	---	---
Kuo Hua Life Insurance Co., Ltd.	11,101,039	0.87	---	---	---	---	---	---	---
Chen, Chin-Yi	10,069,876	0.79	---	---	---	---	---	---	---

Note 1: The top 10 shareholders are listed. For shareholders as legal person, the name of the shareholder and its representative(s) shall be listed.

Note 2: The shareholding percentage is the percentage of shares under the name of a shareholder, his/her spouse, minors or other name(s).

Note 3: For the shareholders disclosed in the list (including natural and legal persons), the relationship between one another shall be revealed.

## 9. Numbers of Shares in the Same Reinvested Enterprises Held by the Bank and its Directors and Supervisors, President, Vice Presidents, Assistant Vice Presidents, the Heads of Departments and Branches, and Enterprises Controlled Directly or Indirectly by the Bank, and Ratios of Omnibus Shareholding

As of Dec 31 2012

Unit: Share, %

Invested Enterprises (Note 1)	The Bank's Investment		The Investment Subsidiaries Directly or Indirectly Controlled and by the Bank, its Directors, Supervisors, President, Vice Presidents, Assistant Vice Presidents, the Heads of Departments and Branches		Omnibus Investment	
	Share	%	Share	%	Share	%
Sunny Securities Co., Ltd.	49,554,943	89.72	---	---	49,554,943	98.72
Sunny Life Insurance Brokerage Co., Ltd.	2,100,000	39.99	3,150,000	60.00	5,250,000	99.99
Sunny Property Insurance Agent Co., Ltd	121,000	20.00	484,000	80.00	605,000	100.000
Gold Sunny Assets Management Co., Ltd.	5,000,000	100.00	---	---	5,000,000	100.00
Sunny International Leasing Co., Ltd.	60,000,000	100.00	---	---	60,000,000	100.00
Financial Information Service Co., Ltd.	10,881,000	2.42	---	---	10,881,000	2.42
Taiwan Financial Asset Service Corp.	5,000,000	2.94	---	---	5,000,000	2.94
Taiwan Depository And Clearing Corp.	932,022	0.29	---	---	932,022	0.29
Sunlight Asset Management Ltd.	66,587	1.11	0	0.00	66,587	1.11

Note: Investment pursuant to Article 74 of The Banking Act.



## **IV. Capital Raising**

- 1. Capital and Shares**
- 2. Financial Debentures**
- 3. Preferred Shares**
- 4. Oversea Depositary Receipts**
- 5. Employee Stock Warrants**
- 6. Merging or Entrusted for Other Financial Institutions**
- 7. Fund Utilization Plans**



## 1. Capital and Shares

### (1) Source of Capital

#### 1. Source of Capital

Unit: 1,000 shares, NT\$1,000

Year/month	Par value	Authorized Capital Stock		Paid-in Capital		Remark	
		Shares	Amount	Shares	Amount	Sources of Capital Stock	Other
Sep 1997	NT\$ 10	270,000	2,700,000	270,000	2,700,000	Original operative money of Yang Ming Shan Credit Union	Note 1
Nov 1998	NT\$ 13	300,000	3,000,000	300,000	3,000,000	Description 1	Note 2
Nov 1999	NT\$ 13	380,000	3,800,000	380,000	3,800,000	Description 2	Note 3
Dec 2000	NT\$ 13	470,000	4,700,000	470,000	4,700,000	Description 3	Note 4
Oct 2001	NT\$ 10	535,800	5,358,000	535,800	5,358,000	Description 4	Note 5
Oct 2002	NT\$ 10	616,170	6,161,700	616,170	6,161,700	Description 5	Note 6
Oct 2003	NT\$ 10	820,000	8,200,000	706,158	7,061,579	Description 6	Note 7
Dec 2004	---	820,000	8,200,000	820,000	8,200,000	Description 7	Note 8
Sep 2005	NT\$ 10	1,200,000	12,000,000	891,078	8,910,783	Description 8	Note 9
Nov 2005	---	1,200,000	12,000,000	1,091,526	10,915,265	Description 9	Note 10
Jul 2006	NT\$ 10	2,000,000	20,000,000	1,243,928	12,439,281	Description 10	Note 11
Sep 2009	---	2,000,000	20,000,000	1,224,973	12,249,730	Description 11	Note 12
Apr 2011	NT\$ 10	2,000,000	20,000,000	1,224,973	12,749,730	Description 12	Note 13

Description 1: Capital increase by cash 192,060,160 dollars; surplus and employee's reward transferred to common stock 107,939,840 dollars.

Description 2: Capital increase by cash 290,000,000 dollars; Retained earnings transferred to common stock 210,000,000 dollars; capital surplus transferred to common stock 300,000,000 dollars.

Description 3: Capital increase by cash 216,000,000 dollars; Retained earnings transferred to common stock 304,000,000 dollars; capital surplus transferred to common stock 380,000,000 dollars.

Description 4: Retained earnings transferred to common stock 188,000,000 dollars; capital surplus transferred to common stock 470,000,000 dollars.

Description 5: Retained earnings transferred to common stock 267,900,000 dollars; capital surplus transferred to common stock 535,800,000 dollars.

Description 6: Capital increase by cash 300,000,000 dollars; Retained earnings transferred to common stock (inclusive of employee's reward transferred to common stock) 476,644,590 dollars; Capital surplus transferred to common stock 123,234,000 dollars.

Description 7: Capital increase by cash 519,331,710 dollars; Retained earnings transferred to common stock (inclusive of employee's reward transferred to common stock) 619,089,700 dollars.

Description 8: Retained earnings transferred to common stock (inclusive employee's reward transferred to common stock) 710,782,970 dollars.

Description 9: New stock issuance of 2,004,482,070 dollars for merging of Kao Shin Bank.

Description 10: Capital increase by cash 1,084,734,960 dollars; Retained earnings transferred to common stock (inclusive of employee's reward transferred to common stock) 439,281,340 dollars.

Description 11: The cancellation of buyback on contesting shareholders' shares totaling 18,955,153 shares, and a capital deduction of 189,551,530 dollars.

Description 12: Capital increase by cash 500,000,000 dollars.

Note 1: Approved to change system in accordance with the Letter issued by the Ministry of Finance with File No. (86)-tai-tsai-jung No. 86620211 dated April 28, 1997.

Note 2: Approved in accordance with the Letter issued by the Ministry of Finance with File No. (87)-tai-tsai-jung No. 87178088 dated June 17, 1998 and the Letter issued by the Securities & Futures Institute with File No. (87)-tai-tsai-cheng-(I) No. 57355 dated July 18, 1998.

Note 3: Approved in accordance with the Letter issued by the Ministry of Finance with File No. (88)-tai-tsai-jung No. 88202536 dated June 14, 1999 and the Letter issued by the Securities & Futures Institute with File No. (88)-tai-tsai-cheng-(I) No. 62206 dated July 7, 1999.

Note 4: Approved in accordance with the Letter issued by the Ministry of Finance with File No. Tai-tsai-jung-(III) No. 89748888 dated September 29, 2000 and the Letter issued by the Securities & Futures Institute with File No. (89)-tai-tsai-cheng-(I) No. 83770 dated October 11, 2000.

Note 5: Approved in accordance with the Letter issued by the Ministry of Finance with File No. Tai-tsai-jung-(III) No. 90222235 dated June 6, 2001 and the Letter issued by the Securities & Futures Institute with File No. (90)-tai-tsai-cheng-(I) No. 142157 dated July 2, 2001.

Note 6: Approved in accordance with the Letter issued by the Ministry of Finance with File No. Tai-tsai-jung-(III) No. 918011284 dated July 16, 2002 and the Letter issued by the Securities & Futures Institute with File No. Tai-tsai-cheng-(I) No. 910143731 dated August 7, 2002.

Note 7: Approved in accordance with the Letter issued by the Ministry of Finance with File No. Tai-tsai-jung-(III) No. 928011126 dated July 18, 2003 and the Letter issued by the Securities & Futures Institute with File No. Tai-tsai-cheng-(I) No. 920138589 dated August 25, 2003.

Note 8: Approved in accordance with the Letter issued by the Financial Supervisory Commission, Executive Yuan with File No. Chin-kuan-yin-(III) No. 0938011367 dated August 2, 2004 and the Letter with File No. Chin-kuan-cheng-(I) No. 0930138039 dated August 30, 2004.

Note 9: Approved in accordance with the Letter issued by the Financial Supervisory Commission, Executive Yuan with File No. Chin-kuan-cheng-(I) No. 0940134178 dated August 26, 2005.

Note 10: Approved in accordance with the Letter issued by the Financial Supervisory Commission, Executive Yuan with File No. Chin-kuan-yin-(III) No. 0943001624 dated November 4, 2005 and the Letter with File No. Chin-kuan-cheng-(I) No. 0940152434 dated November 21, 2005.

Note 11: Approved in accordance with the Letter issued by the Financial Supervisory Commission, Executive Yuan with File No. Chin-kuan-cheng-(I) No. 0950131432 dated July 26, 2006.

Note 12: Approved in accordance with the Letter issued by the Financial Supervisory Commission, Executive Yuan with File No. Chin-kuan-yin-he No. 09800402650 dated September 7, 2009.

Note 13: Approved in accordance with the Letter issued by the Financial Supervisory Commission, Executive Yuan with File No. Chin-kuan-cheng-fa No. 1000006220 dated March 18, 2011.

Unit: shares

Stock Type	Authorized Capital Stock			Remark
	Outstanding stock (Note)	Un-issued shares	Total	
Common Stock	1,274,552,922	725,027,019	2,000,000,000	Non-Listed & OTC Bank Stock

Note: Not including the 420,059 shares of stocks of the parent companies that were held by the subsidiaries, which are considered as treasury stocks.

## 2. Information about the Shelf Registration System

Unit: shares

Current Security Type	Expected issuance		Actual issuance		Purpose and expected benefit of issued shares	Expected issuance date	Note
	Total shares	Amount approved	Shares	Price			
Common Stock	2,000,000,000	20,000,000,000	1,224,972,981	NT\$10	Supplement operation fund	---	---

## (2) Structure of Shareholders

As of Dec 31 2012

Shareholder Structure	Government Institutions	Financial Institutions	Other Corporations	Individuals	Foreign Institutions & Foreigners	Total
No. of persons	2	1	146	126,010	5	126,164
Shareholding	1,077,470	431	339,898,790	933,993,000	3,290	1,274,972,981
%	0.08%	---	26.66%	73.26%	---	100.00%

## (3) Equity Distribution

Par value: NT\$ 10

As of Dec 31 2012

Grades	No. of Shareholders	Shareholdings	Shareholding %
1 to 999	73,087	20,661,090	1.62%
1,000 to 5,000	44,489	91,937,900	7.20%
5,001 to 10,000	2,622	18,667,841	1.46%
10,001 to 15,000	801	9,952,540	0.78%
15,001 to 20,000	634	11,194,608	0.88%
20,001 to 30,000	814	20,772,416	1.63%
30,001 to 50,000	996	39,808,873	3.12%
50,001 to 100,000	1,213	89,332,964	7.01%
100,001 to 200,000	712	101,433,037	7.96%
200,001 to 400,000	451	125,713,983	9.86%
400,001 to 600,000	125	60,811,493	4.77%
600,001 to 800,000	64	45,800,207	3.51%
800,001 to 1,000,000	33	29,797,372	2.34%
Over 1,000,001	123	610,188,657	47.86%
Total	126,164	1,274,972,981	100.00%



**(4) List of Major Shareholders**

As of Dec 31 2012

List of Major Shareholders	Share holdings	Share holding %
Fu Li Yang Investment Co., Ltd.	82,952,766	6.51%
Chuan Yang Construction Co., Ltd.	69,644,262	5.46%
Sheng Yang Construction Co., Ltd.	39,935,150	3.13%
Hai Wang Printing Co., Ltd.	34,500,000	2.71%
The First Insurance Co., Ltd.	32,969,136	2.59%
Farglory Life Insurance Co., Ltd.	18,400,691	1.44%
Hua Wei Investment Co., Ltd.	12,600,000	0.99%
Sunny Culture & Education Foundation	11,662,995	0.91%
Kuo Hua Life Insurance Co., Ltd.	11,101,039	0.87%
Chen, Chin-Yi	10,069,876	0.79%

Note: Shareholders with over 1% of shares or those among top 10 shareholders are listed.

**(5) Market price, net worth, earnings, and dividend data for the most recent 2 years**

Unit: NT\$1,000, 1,000 shares

Item		Year	2012	2011	As of Feb 28 2013
Price/share	Maximum		Note 1	Note 1	Note 1
	Minimum		Note 1	Note 1	Note 1
	Average		Note 1	Note 1	Note 1
Net worth/share	Before distribution		10.17	9.20	10.21
	After distribution		10.17	9.20	10.21
Earnings/share	Weighted average no. of shares		1,274,553	1,258,526	1,274,553
	Earnings/share		0.96	0.40	0.19
Dividend/share	Cash dividend		---	---	---
	Free distribution	Earnings distribution	---	---	---
		Capital surplus distribution	---	---	---
	Unpaid dividend		---	---	---
Analysis on investment returns	P/E		Note 1	Note 1	Note 1
	Price/dividend yield		Note 1	Note 1	Note 1
	Cash dividend yield		Note 1	Note 1	Note 1

Note 1: It is not applicable since the Bank is not a public or OTC listed company.

Note 2: The financial statements are developed in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and Regulations Governing the Preparation of Financial Reports by Securities Firms, as well as the International Financial Reporting Standards (IFRSs), International Accounting Standards (IATs), comments and announcements of comment accepted by the Fiscal Supervision Commission, which will be started in 2013.



## **(6) Dividend policy and execution**

In the event of earning at the end of fiscal year, the said earnings should be used to pay tax and compensate the loss from previous years. Also, 30% of legal reserve is provisioned unless legal reserve has reached total paid-in capital. Special reserve may be retained next according to actual needs. The remainder should be distributed as follows:

- a. Directors, Supervisors reward 1.5%
- b. Employees' bonus 3%
- c. Shareholder dividend 95.5%

Cash earnings distribution of the above legal reserve not reaching total paid in capital shall not exceed 15% of total capital.

To solidify the financial structure and reach capital adequacy, the Bank will distribute dividends according to the capital budgeting of the Bank and distribute stock dividends for keeping capital. When surplus is seen according to the capital budgeting and the BIS rate is higher than the requirement of the authority, cash dividends may be distributed partially and cannot be lower 10% of the total dividends. Stock dividends may be distributed instead of the cash dividends to be distributed that are not higher than NT\$0.1.

## **(7) Effect of the proposed free distribution on operation results and EPS**

Effect of the proposed free distribution on operation results and EPS is negligible.

## **(8) Employees' Bonus and Remunerations for Directors and Supervisors**

1. The amount or criteria of employee's bonus and remunerations for directors and supervisors according to the Articles of the Bank. 30% of legal reserve will be appropriated after tax and reimbursement of previous loss in case surplus is shown in annual final accounts. The above statement is not applicable when the legal reserve reaches paid-up capital. In addition, the Bank shall make special reserve whenever it is necessary. The rest surplus shall be appropriated according to the following percentages:

- (a) Director/supervisor reward 1.5%
- (b) Employees' bonus 3%
- (c) Shareholder dividend 95.5%

2. Basis for estimating the 2011 employee bonuses and the amount of remunerations of the directors and supervisors, basis for calculating the share count in distributing share bonus, and the accounting processing for differential arisen from the actual amount distributed:

The estimation of the employee bonuses and the directors and supervisors' remunerations is zero. Although earnings were posted for 2011, the Bank must compensate the loss from previous years. Hence no allocations have been made for the employee bonuses and the directors/supervisors' remunerations. The estimation of the employee bonuses and the directors and supervisors' remunerations are made on the basis of the probable amount of distribution according to the past experience. In case of any change on the day of resolution in the shareholders' meeting, the change will be accounted for based on accounting estimation and entered in account in the year resolved by the shareholders' meeting.

3. Employee's bonus distribution passed by the Board of Directors

No Bank earnings are distributed for 2012. No employee stock bonus and directors/supervisors reward are distributed.

4. The state of the actual distribution of the previous years' employee bonuses and the directors/supervisors' remunerations (including the distributed share count, amount and share price), complete with a description of the differential, reason and state of processing on any differential to the recognized employee bonuses and directors/supervisors' remunerations: None

## **(9) Shares Repurchased by the Bank: None**

## 2. The Issuance of Financial Debentures

Types of Subordinated Financial Debentures	The First Type A Bond Subordinated Financial Debentures in 2007 ( Private Placement)	The First Type B Bond Subordinated Financial Debentures in 2007 ( Private Placement)
Approval date and number of central competent authority	FSC approval letter: Jin-Kuan-Yin-(3)-Zi No. 09500549820	FSC approval letter: Jin-Kuan-Yin-(3)-Zi No. 09500549820
Date of issue	April 9 2007	April 9 2007
Par Value	NT\$ 10,000,000	NT\$ 10,000,000
Site of issue and operations	Republic of China	Republic of China
Currency	New Taiwan Dollar	New Taiwan Dollar
Offering Price	Issued at the bond par value	Issued at the bond par value
Total amount	NT\$ 1,800,000,000	NT\$ 1,100,000,000
Interest Rate	At single interest rate of APR 3% with annual payment	Floating interest rates according to the listed floating interest rates of general deposit for one-year CD in Bank of Taiwan plus 0.60% single tactical interest, with a quarterly resetting and annual interest payment.
Maturity	7 years from April 9, 2007 to April 9 2014	7 years from April 9, 2007 to April 9 2014
Repayment Priority	The bond claims (including principal and interest)'s Repayment priority is only better than the bank's shareholder's surplus property distribution, and less than the bank's general creditors.	The bond claims (including principal and interest)'s Repayment priority is only better than the bank's shareholder's surplus property distribution, and less than the bank's general creditors.
Guarantee agency	None	None
Trustee	None	None
Underwriting agencies	None (sold by Sunny Bank)	None (sold by Sunny Bank)
Certifying lawyers	Hsueh, Sung-Yu	Hsueh, Sung-Yu
CPA	C.P.A. Shao, Chih-Ming, Deloitte & Touche Taiwan	C.P.A. Shao, Chih-Ming, Deloitte & Touche Taiwan
Certifying Financial Institution	None	None
Repayment method	Total payback upon deadline	Total payback upon deadline
Unpaid balance	NT\$ 1,800,000,000	NT\$ 1,100,000,000
Paid-In Capital of Previous Year	NT\$ 12,439,281,340	NT\$ 12,439,281,340
Net Worth of Previous Year	NT\$ 13,811,120,055	NT\$ 13,811,120,055
Compliance cases	Normal	Normal
Redemption or prepayment terms	None	None
Conversion and exchange conditions	None	None
Restrictive clauses	Subordinated Financial Debentures	Subordinated Financial Debentures
Fund operation plan	Access to a stable middle and long-term source of operating funds to improve the bank's capital structure.	Access to a stable middle and long-term source of operating funds to improve the bank's capital structure.
Ratio of Applied Shares and Prior Shares Outstanding to Prior Year's Final Net Worth (%)	27.51%	35.48%
Considered as Qualified Capital and Its Tiers	Tier 2	Tier 2
Credit rating agency names, assessment date and its credit rating (Note)	Taiwan Rating Co., Ltd. Assessment Date: September 10, 2012 Credit rating: twBBB+ Outlook: negative	Taiwan Rating Co., Ltd. Assessment Date: September 10, 2012 Credit rating: twBBB+ Outlook: negative

Types of Subordinated Financial Debentures	The Second Type A Bond Subordinated Financial Debentures in 2007 ( Private Placement)	The Second Type B Bond Subordinated Financial Debentures in 2007
Approval date and number of central competent authority	FSC approval letter: Jin-Kuan-Yin-(3)-Zi No. 09500549820	FSC approval letter: Jin-Kuan-Yin-(3)-Zi No. 09500549820
Date of issue	November 16 2007	November 16 2007
Par Value	NT\$ 100,000	NT\$ 100,000
Site of issue and operations	Republic of China	Republic of China
Currency	New Taiwan Dollar	New Taiwan Dollar
Offering Price	Issued at the bond par value	Issued at the bond par value
Total amount	NT\$ 203,500,000	NT\$ 101,000,000
Interest Rate	At single interest rate of APR 3.6% with annual payment	Floating interest rates according to the listed floating interest rates of general deposit for one-year CD in Bank of Taiwan plus 0.75% single tactical interest, with a quarterly resetting and annual interest payment.
Maturity	5 years and 6 months, From November 16, 2007 to May 16, 2013	5 years and 6 months, From November 16, 2007 to May 16, 2013
Repayment Priority	The bond claims (including principal and interest)'s Repayment priority is only better than the bank's shareholder's surplus property distribution, and less than the bank's general creditors.	The bond claims (including principal and interest)'s Repayment priority is only better than the bank's shareholder's surplus property distribution, and less than the bank's general creditors.
Guarantee agency	None	None
Trustee	None	None
Underwriting agencies	None (sold by Sunny Bank)	None (sold by Sunny Bank)
Certifying lawyers	Hsueh, Sung-Yu	Hsueh, Sung-Yu
CPA	C.P.A. Shao, Chih-Ming, Deloitte & Touche Taiwan	C.P.A. Shao, Chih-Ming, Deloitte & Touche Taiwan
Certifying Financial Institution	None	None
Repayment method	Total payback upon deadline	Total payback upon deadline
Unpaid balance	NT\$ 203,500,000	NT\$ 101,000,000
Paid-In Capital of Previous Year	NT\$ 12,439,281,340	NT\$ 12,439,281,340
Net Worth of Previous Year	NT\$ 13,811,120,055	NT\$ 13,811,120,055
Compliance cases	Normal	Normal
Redemption or prepayment terms	None	None
Conversion and exchange conditions	None	None
Restrictive clauses	Subordinated Financial Debentures	Subordinated Financial Debentures
Fund operation plan	Access to a stable middle and long-term source of operating funds to improve the bank's capital structure.	Access to a stable middle and long-term source of operating funds to improve the bank's capital structure.
Ratio of Applied Shares and Prior Shares Outstanding to Prior Year's Final Net Worth (%)	36.95%	37.68%
Considered as Qualified Capital and Its Tiers	Tier 2	Tier 2
Credit rating agency names, assessment date and its credit rating (Note)	Taiwan Rating Co., Ltd. Assessment Date: September 10, 2012 Credit rating: twBBB+ Outlook: Negative	Taiwan Rating Co., Ltd. Assessment Date: September 10, 2012 Credit rating: twBBB+ Outlook: Negative

Types of Subordinated Financial Debentures	The Third Type A Bond Subordinated Financial Debentures in 2007	The Third Type B Bond Subordinated Financial Debentures in 2007
Approval date and number of central competent authority	FSC approval letter: Jin-Kuan-Yin-(3)-Zi No. 09500549820	FSC approval letter: Jin-Kuan-Yin-(3)-Zi No. 09500549820
Date of issue	December 26 2007	December 26 2007
Par Value	NT\$ 100,000	NT\$ 100,000
Site of issue and operations	Republic of China	Republic of China
Currency	New Taiwan Dollar	New Taiwan Dollar
Offering Price	Issued at the bond par value	Issued at the bond par value
Total amount	NT\$ 261,000,000	NT\$ 43,900,000
Interest Rate	At single interest rate of APR 3.8% with annual payment	Floating interest rates according to the listed floating interest rates of general deposit for one-year CD in Bank of Taiwan plus 0.95% single tactical interest, with a quarterly resetting and annual interest payment.
Maturity	6 years and 2 months from December 26 2007 to February 26 2014	6 years and 2 months from December 26 2007 to February 26 2014
Repayment Priority	The bond claims (including principal and interest)'s Repayment priority is only better than the bank's shareholder's surplus property distribution, and less than the bank's general creditors.	The bond claims (including principal and interest)'s Repayment priority is only better than the bank's shareholder's surplus property distribution, and less than the bank's general creditors.
Guarantee agency	None	None
Trustee	None	None
Underwriting agencies	None (sold by Sunny Bank)	None (sold by Sunny Bank)
Certifying lawyers	Hsueh, Sung-Yu	Hsueh, Sung-Yu
CPA	C.P.A. Shao, Chih-Ming, Deloitte & Touche Taiwan	C.P.A. Shao, Chih-Ming, Deloitte & Touche Taiwan
Certifying Financial Institution	None	None
Repayment method	Total payback upon deadline	Total payback upon deadline
Unpaid balance	NT\$ 261,000,000	NT\$ 43,900,000
Paid-In Capital of Previous Year	NT\$ 12,439,281,340	NT\$ 12,439,281,340
Net Worth of Previous Year	NT\$ 13,811,120,055	NT\$ 13,811,120,055
Compliance cases	Normal	Normal
Redemption or prepayment terms	None	None
Conversion and exchange conditions	None	None
Restrictive clauses	Subordinated Financial Debentures	Subordinated Financial Debentures
Fund operation plan	Access to a stable middle and long-term source of operating funds to improve the bank's capital structure.	Access to a stable middle and long-term source of operating funds to improve the bank's capital structure.
Ratio of Applied Shares and Prior Shares Outstanding to Prior Year's Final Net Worth (%)	39.57%	39.89%
Considered as Qualified Capital and Its Tiers	Tier 2	Tier 2
Credit rating agency names, assessment date and its credit rating (Note)	Taiwan Rating Co., Ltd. Assessment Date: September 10, 2012 Credit rating: twBBB+ Outlook: Negative	Taiwan Rating Co., Ltd. Assessment Date: September 10, 2012 Credit rating: twBBB+ Outlook: Negative

Types of Subordinated Financial Debentures	The First Bond Subordinated Financial Debentures in 2009	The First Type A Bond Subordinated Financial Debentures in 2009
Approval date and number of central competent authority	FSC approval letter: Jin-Kuan-Yin-(3)-Zi No. 09800208270	FSC approval letter: Jin-Kuan-Yin-(3)-Zi No. 09800208270
Date of issue	June 15 2009	April 30 2010
Par Value	NT\$ 10,000,000	NT\$ 10,000,000
Site of issue and operations	Republic of China	Republic of China
Currency	New Taiwan Dollar	New Taiwan Dollar
Offering Price	Issued at the bond par value	Issued at the bond par value
Total amount	NT\$ 500,000,000	NT\$ 570,000,000
Interest Rate	At single interest rate of APR 3% with annual payment	At single interest rate of APR 3.25% with annual payment
Maturity	5 years and 7 months from June 15 2009 to January 15 2015	7 years from April 30 2010 to April 30 2017
Repayment Priority	The bond claims (including principal and interest)'s Repayment priority is only better than the bank's shareholder's surplus property distribution, and less than the bank's general creditors.	The bond claims (including principal and interest)'s Repayment priority is only better than the bank's shareholder's surplus property distribution, and less than the bank's general creditors.
Guarantee agency	None	None
Trustee	None	None
Underwriting agencies	None (sold by Sunny Bank)	None (sold by Sunny Bank)
Certifying lawyers	Hsueh, Sung-Yu	Hsueh, Sung-Yu
CPA	C.P.A. Shao, Chih-Ming, Deloitte & Touche Taiwan	C.P.A. Lin, Hsiu-Luan, Deloitte & Touche Taiwan
Certifying Financial Institution	None	None
Repayment method	Total payback upon deadline	Total payback upon deadline
Unpaid balance	NT\$ 500,000,000	NT\$ 570,000,000
Paid-In Capital of Previous Year	NT\$ 12,439,281,340	NT\$ 12,249,729,810
Net Worth of Previous Year	NT\$ 10,629,528,858	NT\$ 10,325,996,649
Compliance cases	Normal	Normal
Redemption or prepayment terms	None	None
Conversion and exchange conditions	None	None
Restrictive clauses	Subordinated Financial Debentures	Subordinated Financial Debentures
Fund operation plan	Access to a stable middle and long-term source of operating funds to improve the bank's capital structure.	Access to a stable middle and long-term source of operating funds to improve the bank's capital structure.
Ratio of Applied Shares and Prior Shares Outstanding to Prior Year's Final Net Worth (%)	56.53%	63.72%
Considered as Qualified Capital and Its Tiers	Tier 2	Tier 2
Credit rating agency names, assessment date and its credit rating (Note)	Taiwan Rating Co., Ltd. Assessment Date: September 10, 2012 Credit rating: twBBB+ Outlook: Negative	Taiwan Rating Co., Ltd. Assessment Date: September 10, 2012 Credit rating: twBBB+ Outlook: Negative

Types of Subordinated Financial Debentures	The First Type B Bond Subordinated Financial Debentures in 2010	The First Type A Bond Subordinated Financial Debentures in 2010
Approval date and number of central competent authority	FSC approval letter: Jin-Kuan-Yin-He-(3)-Zi No. 09800208270	FSC approval letter: Jin-Kuan-Yin-He-(3)-Zi No. 09900358410
Date of issue	April 30 2010	October 29 2010
Par Value	NT\$ 10,000,000	NT\$ 10,000,000
Site of issue and operations	Republic of China	Republic of China
Currency	New Taiwan Dollar	New Taiwan Dollar
Offering Price	Issued at the bond par value	Issued at the bond par value
Total amount	NT\$ 230,000,000	NT\$ 500,000,000
Interest Rate	Floating interest rates according to the listed floating interest rates of general deposit for one-year CD in Bank of Taiwan plus 1.83% single tactical interest, with a quarterly resetting and annual interest payment.	At single interest rate of APR 3.25% with annual payment
Maturity	7 years from April 30 2010 to April 30 2017	7 years from October 29 2010 to October 29 2017
Repayment Priority	The bond claims (including principal and interest)'s Repayment priority is only better than the bank's shareholder's surplus property distribution, and less than the bank's general creditors.	The bond claims (including principal and interest)'s Repayment priority is only better than the bank's shareholder's surplus property distribution, and less than the bank's general creditors.
Guarantee agency	None	None
Trustee	None	None
Underwriting agencies	None (sold by Sunny Bank)	None (sold by Sunny Bank)
Certifying lawyers	Hsueh, Sung-Yu	Hsueh, Sung-Yu
CPA	C.P.A. Lin, Hsiu-Luan, Deloitte & Touche Taiwan	C.P.A. Lin, Hsiu-Luan, Deloitte & Touche Taiwan
Certifying Financial Institution	None	None
Repayment method	Total payback upon deadline	Total payback upon deadline
Unpaid balance	NT\$ 230,000,000	NT\$ 500,000,000
Paid-In Capital of Previous Year	NT\$ 12,249,729,810	NT\$ 12,249,729,810
Net Worth of Previous Year	NT\$ 10,325,996,649	NT\$ 10,325,996,649
Compliance cases	Normal	Normal
Redemption or prepayment terms	None	None
Conversion and exchange conditions	None	None
Restrictive clauses	Subordinated Financial Debentures	Subordinated Financial Debentures
Fund operation plan	Access to a stable middle and long-term source of operating funds to improve the bank's capital structure.	Access to a stable middle and long-term source of operating funds to improve the bank's capital structure.
Ratio of Applied Shares and Prior Shares Outstanding to Prior Year's Final Net Worth (%)	65.94%	70.79%
Considered as Qualified Capital and Its Tiers	Tier 2	Tier 2
Credit rating agency names, assessment date and its credit rating (Note)	Taiwan Rating Co., Ltd. Assessment Date: September 10, 2012 Credit rating: twBBB+ Outlook: Negative	Taiwan Rating Co., Ltd. Assessment Date: September 10, 2012 Credit rating: twBBB+ Outlook: Negative



Types of Subordinated Financial Debentures	The Second Type B Bond Subordinated Financial Debentures in 2010	The Third Bond Subordinated Financial Debentures in 2010
Approval date and number of central competent authority	FSC approval letter: Jin-Kuan-Yin-He-(3)-Zi No. 09900358410	FSC approval letter: Jin-Kuan-Yin-He-(3)-Zi No. 09900358410
Date of issue	October 29 2010	November 11 2010
Par Value	NT\$ 10,000,000	NT\$ 10,000,000
Site of issue and operations	Republic of China	Republic of China
Currency	New Taiwan Dollar	New Taiwan Dollar
Offering Price	Issued at the bond par value	Issued at the bond par value
Total amount	NT\$ 300,000,000	NT\$ 400,000,000
Interest Rate	Floating interest rates according to the listed floating interest rates of general deposit for one-year CD in Bank of Taiwan plus 1.71% single tactical interest, with a quarterly resetting and annual interest payment.	At single interest rate of APR 3.25% with annual payment
Maturity	7 years from October 29 2010 to October 29 2017	6 years and 11 months from November 11 2010 to October 11 2017
Repayment Priority	The bond claims (including principal and interest)'s Repayment priority is only better than the bank's shareholder's surplus property distribution, and less than the bank's general creditors.	The bond claims (including principal and interest)'s Repayment priority is only better than the bank's shareholder's surplus property distribution, and less than the bank's general creditors.
Guarantee agency	None	None
Trustee	None	None
Underwriting agencies	None (sold by Sunny Bank)	None (sold by Sunny Bank)
Certifying lawyers	Hsueh, Sung-Yu	Hsueh, Sung-Yu
CPA	C.P.A. Lin, Hsiu-Luan, Deloitte & Touche Taiwan	C.P.A. Lin, Hsiu-Luan, Deloitte & Touche Taiwan
Certifying Financial Institution	None	None
Repayment method	Total payback upon deadline	Total payback upon deadline
Unpaid balance	NT\$ 300,000,000	NT\$ 400,000,000
Paid-In Capital of Previous Year	NT\$ 12,249,729,810	NT\$ 12,249,729,810
Net Worth of Previous Year	NT\$ 10,325,996,649	NT\$ 10,325,996,649
Compliance cases	Normal	Normal
Redemption or prepayment terms	None	None
Conversion and exchange conditions	None	None
Restrictive clauses	Subordinated Financial Debentures	Subordinated Financial Debentures
Fund operation plan	Access to a stable middle and long-term source of operating funds to improve the bank's capital structure.	Access to a stable middle and long-term source of operating funds to improve the bank's capital structure.
Ratio of Applied Shares and Prior Shares Outstanding to Prior Year's Final Net Worth (%)	73.69%	77.57%
Considered as Qualified Capital and Its Tiers	Tier 2	Tier 2
Credit rating agency names, assessment date and its credit rating (Note)	Taiwan Rating Co., Ltd. Assessment Date: September 10, 2012 Credit rating: twBBB+ Outlook: Negative	Taiwan Rating Co., Ltd. Assessment Date: September 10, 2012 Credit rating: twBBB+ Outlook: Negative



Types of Subordinated Financial Debentures	The First Type A Bond Subordinated Financial Debentures in 2011	The First Type B Bond Subordinated Financial Debentures in 2011
Approval date and number of central competent authority	FSC approval letter: Jin-Kuan-Yin-He-(3)-Zi No. 10000161450	FSC approval letter: Jin-Kuan-Yin-He-(3)-Zi No. 10000161450
Date of issue	June 27 2011	June 27 2011
Par Value	NT\$ 10,000,000	NT\$ 10,000,000
Site of issue and operations	Republic of China	Republic of China
Currency	New Taiwan Dollar	New Taiwan Dollar
Offering Price	Issued at the bond par value	Issued at the bond par value
Total amount	NT\$ 100,000,000	NT\$ 500,000,000
Interest Rate	At single interest rate of APR 2.85% with annual payment	Floating interest rates according to the listed floating interest rates of general deposit for one-year CD in Bank of Taiwan plus 1.25% single tactical interest, with a quarterly resetting and annual interest payment.
Maturity	7 years from June 27 2011 to June 27 2018	7 years from June 27 2011 to June 27 2018
Repayment Priority	The bond claims (including principal and interest)'s Repayment priority is only better than the bank's shareholder's surplus property distribution, and less than the bank's general creditors.	The bond claims (including principal and interest)'s Repayment priority is only better than the bank's shareholder's surplus property distribution, and less than the bank's general creditors.
Guarantee agency	None	None
Trustee	None	None
Underwriting agencies	None (sold by Sunny Bank)	None (sold by Sunny Bank)
Certifying lawyers	Hsueh, Sung-Yu	Hsueh, Sung-Yu
CPA	C.P.A. Shao, Chih-Ming, Deloitte & Touche Taiwan	C.P.A. Shao, Chih-Ming, Deloitte & Touche Taiwan
Certifying Financial Institution	None	None
Repayment method	Total payback upon deadline	Total payback upon deadline
Unpaid balance	NT\$ 100,000,000	NT\$ 500,000,000
Paid-In Capital of Previous Year	NT\$ 12,249,729,810	NT\$ 12,249,729,810
Net Worth of Previous Year	NT\$ 11,343,831,589	NT\$ 11,343,831,589
Compliance cases	Normal	Normal
Redemption or prepayment terms	None	None
Conversion and exchange conditions	None	None
Restrictive clauses	Subordinated Financial Debentures	Subordinated Financial Debentures
Fund operation plan	Access to a stable middle and long-term source of operating funds to improve the bank's capital structure.	Access to a stable middle and long-term source of operating funds to improve the bank's capital structure.
Ratio of Applied Shares and Prior Shares Outstanding to Prior Year's Final Net Worth (%)	71.49%	75.89%
Considered as Qualified Capital and Its Tiers	Tier 2	Tier 2
Credit rating agency names, assessment date and its credit rating (Note)	Taiwan Rating Co., Ltd. Assessment Date: September 10, 2012 Credit rating: twBBB+ Outlook: Negative	Taiwan Rating Co., Ltd. Assessment Date: September 10, 2012 Credit rating: twBBB+ Outlook: Negative

Types of Subordinated Financial Debentures	The Second Bond Subordinated Financial Debentures in 2011	The First Type A Bond Subordinated Financial Debentures in 2012
Approval date and number of central competent authority	FSC approval letter: Jin-Kuan-Yin-He-(3)-Zi No. 10000161450	FSC approval letter: Jin-Kuan-Yin-He-(3)-Zi No. 10100148670
Date of issue	September 30 2011	May 30 2012
Par Value	NT\$ 10,000,000	NT\$ 10,000,000
Site of issue and operations	Republic of China	Republic of China
Currency	New Taiwan Dollar	New Taiwan Dollar
Offering Price	Issued at the bond par value	Issued at the bond par value
Total amount	NT\$ 200,000,000	NT\$ 500,000,000
Interest Rate	Floating interest rates according to the listed floating interest rates of general deposit for one-year CD in Bank of Taiwan plus 1.71% single tactical interest, with a quarterly resetting and annual interest payment.	At single interest rate of APR 2.45% with annual payment
Maturity	7 years from September 30 2011 to September 30 2018	7 years from May 30 2012 to May 30 2019
Repayment Priority	The bond claims (including principal and interest)'s Repayment priority is only better than the bank's shareholder's surplus property distribution, and less than the bank's general creditors.	The bond claims (including principal and interest)'s Repayment priority is only better than the bank's shareholder's surplus property distribution, and less than the bank's general creditors.
Guarantee agency	None	None
Trustee	None	None
Underwriting agencies	None (sold by Sunny Bank)	None (sold by Sunny Bank)
Certifying lawyers	Hsueh, Sung-Yu	Hsueh, Sung-Yu
CPA	C.P.A. Chen, Chie-Chung, Deloitte & Touche Taiwan	C.P.A. Chen, Chie-Chung, Deloitte & Touche Taiwan
Certifying Financial Institution	None	None
Repayment method	Total payback upon deadline	Total payback upon deadline
Unpaid balance	NT\$ 200,000,000	NT\$ 500,000,000
Paid-In Capital of Previous Year	NT\$ 12,249,729,810	NT\$ 12,249,729,810
Net Worth of Previous Year	NT\$ 11,343,831,589	NT\$ 11,721,518,419
Compliance cases	Normal	Normal
Redemption or prepayment terms	None	None
Conversion and exchange conditions	None	None
Restrictive clauses	Subordinated Financial Debentures	Subordinated Financial Debentures
Fund operation plan	Access to a stable middle and long-term source of operating funds to improve the bank's capital structure.	Access to a stable middle and long-term source of operating funds to improve the bank's capital structure.
Ratio of Applied Shares and Prior Shares Outstanding to Prior Year's Final Net Worth (%)	60.03%	62.36%
Considered as Qualified Capital and Its Tiers	Tier 2	Tier 2
Credit rating agency names, assessment date and its credit rating (Note)	Taiwan Rating Co., Ltd. Assessment Date: September 10, 2012 Credit rating: twBBB+ Outlook: Negative	Taiwan Rating Co., Ltd. Assessment Date: September 10, 2012 Credit rating: twBBB+ Outlook: Negative

Types of Subordinated Financial Debentures	The First Type B Bond Subordinated Financial Debentures in 2012	The Second Type A Bond Subordinated Financial Debentures in 2012
Approval date and number of central competent authority	FSC approval letter: Jin-Kuan-Yin-He-(3)-Zi No. 10100148670	FSC approval letter: Jin-Kuan-Yin-He-(3)-Zi No. 10100148670
Date of issue	May 30 2012	June 29 2012
Par Value	NT\$ 10,000,000	NT\$ 10,000,000
Site of issue and operations	Republic of China	Republic of China
Currency	New Taiwan Dollar	New Taiwan Dollar
Offering Price	Issued at the bond par value	Issued at the bond par value
Total amount	NT\$ 600,000,000	NT\$ 200,000,000
Interest Rate	Floating interest rates according to the listed floating interest rates of general deposit for one-year CD in Bank of Taiwan plus 0.97% single tactical interest, with a quarterly resetting and annual interest payment.	At single interest rate of APR 2.45% with annual payment
Maturity	7 years from May 30 2012 to May 30 2019	6 years and 11 months from June 29 2012 to May 29 2019
Repayment Priority	The bond claims (including principal and interest)'s Repayment priority is only better than the bank's shareholder's surplus property distribution, and less than the bank's general creditors.	The bond claims (including principal and interest)'s Repayment priority is only better than the bank's shareholder's surplus property distribution, and less than the bank's general creditors.
Guarantee agency	None	None
Trustee	None	None
Underwriting agencies	None (sold by Sunny Bank)	None (sold by Sunny Bank)
Certifying lawyers	Hsueh, Sung-Yu	Hsueh, Sung-Yu
CPA	C.P.A. Chen, Chie-Chung, Deloitte & Touche Taiwan	C.P.A. Chen, Chie-Chung, Deloitte & Touche Taiwan
Certifying Financial Institution	None	None
Repayment method	Total payback upon deadline	Total payback upon deadline
Unpaid balance	NT\$ 600,000,000	NT\$ 200,000,000
Paid-In Capital of Previous Year	NT\$ 12,249,729,810	NT\$ 12,249,729,810
Net Worth of Previous Year	NT\$ 11,721,518,419	NT\$ 11,729,518,419
Compliance cases	Normal	Normal
Redemption or prepayment terms	None	None
Conversion and exchange conditions	None	None
Restrictive clauses	Subordinated Financial Debentures	Subordinated Financial Debentures
Fund operation plan	Access to a stable middle and long-term source of operating funds to improve the bank's capital structure.	Access to a stable middle and long-term source of operating funds to improve the bank's capital structure.
Ratio of Applied Shares and Prior Shares Outstanding to Prior Year's Final Net Worth (%)	67.48%	69.18%
Considered as Qualified Capital and Its Tiers	Tier 2	Tier 2
Credit rating agency names, assessment date and its credit rating (Note)	Taiwan Rating Co., Ltd. Assessment Date: September 10, 2012 Credit rating: twBBB+ Outlook: Negative	Taiwan Rating Co., Ltd. Assessment Date: September 10, 2012 Credit rating: twBBB+ Outlook: Negative

Note: This is the long term credit rating that Taiwan Credit Company recently granted to the bank.

3. Preferred Shares Status: None
4. Depositary Receipts Status: None
5. Employee Stock Option Status: None
6. Merges & transfers to other financial institutions: None
7. Fund operation plan implementation case: None



## **V. Operation Overview**

- 1. Contents of Business**
- 2. The Employee Profile**
- 3. Corporate Responsibility and Ethical Behavior**
- 4. Information Equipment**
- 5. Relationships of Labors and Employer**
- 6. Important Contracts/Agreements**
- 7. Transactions of Securitized Commodity**

## 1. Contents of Business

### (1) Businesses Content

#### 1. Main Business

##### (1) Deposit Business

As of the end of 2012, the bank reports a total deposit balance at NT\$229.570 billion, up by 10.124 billion compared with NT\$219.446 billion reported at the end of 2011, of which the flexible deposits accounts for 39.09% of the total deposit balance, and the time deposits accounts for 60.91% of the total deposit balance.

##### (2) Credit Business

The total balance of loans issued accumulates to NT\$191.869 billion as of the end of 2012, increased by NT\$13,028 billion compared with NT\$178.841 billion reported at the end of 2011.

For the quality of loan products and assets, the nonperforming loan percentage is 0.58% at the end of 2012, decreased by 0.17% from 0.75% at the end of 2011. The coverage is 171.11% at the end of 2012, increased by 60.81% compared with 110.30% at the end of 2011.

Unit: NT\$1,000

Item	Balance at the end of 2012	Balance at the end of 2011	Annual growth
Deposits	229,570,243	219,446,379	4.61%
Loans	191,868,809	178,841,054	7.28%

#### Deposit Balance Comparison

Unit: NT\$1,000

Year Deposit type	2012		2011	
	Balance at the end of year	%	Balance at the end of year	%
Checking deposits	3,124,362	1.36%	2,614,759	1.19%
Current deposits	23,322,705	10.16%	22,036,379	10.04%
Current deposits – foreign currency	3,941,148	1.72%	3,561,520	1.52%
Current savings deposits	58,652,599	25.55%	55,169,520	25.14%
Current savings deposits – employees	708,213	0.31%	635,807	0.29%
Time deposits	39,937,465	17.39%	35,916,415	16.37%
Time deposits – foreign currency	4,355,506	1.90%	3,072,656	1.40%
Negotiable certificates of deposit	4,404,700	1.92%	5,086,800	2.32%
Time savings deposits	91,123,545	39.69%	91,192,516	41.56%
Public treasury deposits	---	---	160,251	0.07%
Total	229,570,243	100.00%	219,446,379	100.00%

## Loan Balance Comparison

Unit: NT\$1,000

Year Deposit type	2012		2011	
	Balance at the end of year	%	Balance at the end of year	%
Short-term loans	15,255,629	7.95%	15,000,305	8.39%
Short-term secured loans	30,095,387	15.69%	25,814,460	14.43%
Medium-term loans	16,068,327	8.37%	13,291,537	7.43%
Medium-term secured loans	39,808,287	20.75%	30,364,099	16.98%
Long-term loans	3,134,297	1.63%	3,775,215	2.11%
Long-term secured loans	86,479,742	45.07%	89,349,923	49.96%
Overdue receivables	951,492	0.50%	1,191,524	0.67%
Bills purchased	75,648	0.04%	53,991	0.03%
total	191,868,809	100.00%	178,841,054	100.00%

**(3) Foreign Exchange Business**

The United States is bothered by financial issues such as budget sequestration that has been postponed and debt ceiling. The economy in Eurozone is still hanging low, and Japanese yen depreciates dramatically. These are some of the factors that increase the tension in global economy. Close attention is required on possible impacts to the importing and exporting of Taiwan. For domestic needs, surveys conducted by domestic institutions suggest the expectation for economy is improved and business revenues have been increasing steadily for several months. However, the overall salaries in average do not increase accordingly, the vitality in stock market is not improving, and the government is putting out budget cuts. These are the factors that have influence on the expansion of general consumption. Overall, the economic prospect in 2013 is still a challenge, but it is cautiously expected to go up.

Balance for foreign exchange deposit (including OBU) at the end of 2012 was US\$284.749 million, or an increase of US\$65.722 million from US\$219.027 million at the end of 2011 with a growth of 30.01%. Balance for foreign exchange loan (including OBU) at the end of 2012 was US\$245.234 million, or an increase of US\$54.977 million from US\$190.257 million at the end of 2011, up by 28.90%.

For the volume of foreign exchange business, 2012 import/export and exchange service were US\$363.934 million and US\$1,722.402 million, respectively, totaling US\$2,136.336 million, an increase of US\$141.681 million from US\$1,994.655 million at the end of 2011.

Unit: USD1,000: %

Item	2012	2011	Growth
Foreign Exchange Deposit (Balance)	284,749	219,027	30.01%
Foreign Exchange Loan (Balance)	245,234	190,257	28.90%
Import/Export	363,934	399,166	-8.83%
Exchange Service	1,772,402	1,595,489	11.09%
Exchange profits (NT\$1,000)	279,474	191,570	45.89%



**(4) Credit Card:**

- A. The accumulated number of credit cards issued is 500,027 by the end of 2012, an increase by 10,003 cards compared to 490,024 in 2011. The number of valid cards in circulation is 31,702, an increase by 2,276 cards compared to 29,426 in 2011.
- B. Consumption amount: credit card consumption during 2012 amounted to NT\$ 2,235.008 million, an increase of NT\$299.806 million compared to NT\$448.569 million in 2011.
- C. Revolving Credit Balance: The revolving credit balance at the end of 2012 is NT\$ 377.174 million, a decrease by NT\$ 71.395 million compared to NT\$ 448.569 million in 2010.

## Credit card comparison

Unit: cards, NT\$1,000

Business \ Year	2012	2011
Accumulated no. of cards issued (cards)	500,027	490,024
Accumulated no. of valid cards in circulation (cards)	31,702	29,426
Consumption amount (NT\$1,000)	2,235,008	1,935,202
Revolving credit balance (NT\$1,000)	377,174	448,569

**(5) E-Banking Business**

Unit: NT\$1,000

	2012		2011	
	Total Withdrawal Amount	Total Transfer Transaction	Total Withdrawal Amount	Total Transfer Transaction
Physical ATM transactions	23,569,651	1,422,995	24,155,242	1,422,617
Online ATM transactions	---	46,874	---	46,859
Online banking	---	318,371	---	274,470
Telephone banking	---	284,840	---	301,986
Mobile banking	---	---	---	---

**(6) Wealth Management Business**

The product strategy is centered on the idea of “steady.” The Wealth Department hand-picks several financial products every quarter as the star products for marketing, and offers suggestions to clients when to go in and out depending on how the market goes and what change to be expected. In addition, the Bank is always looking for opportunities to work with major international and domestic financial consultants to introduce new financial products to clients, thus allowing a wider spectrum of financial choices to maximize return on investments. The state of various product sales, revenue and change are as depicted in the table below:

Unit: NT\$1,000

Product \ Year	2012		2011		Yearly Increment	
	Sales	Revenue	Sales	Revenue	Sales	Revenue
Mutual fund	6,509,472	165,339	8,838,874	199,639	-2,329,402	-34,300
Insurance	12,267,566	247,946	10,751,753	144,353	1,515,81.	103,593
Total	18,777,038	413,285	19,590,627	343,992	-813,590	69,293

Note: Domestic bond funds are excluded.



**(7) Trust Business**

- A. The trust business balance up to the end of 2012 is NT\$ 36.771 billion, increased by NT\$ 1.410 billion or 3.99% compared to NT\$ 35.361 billion at the end of 2011.
- B. Other affiliated businesses: up to the end of 2012, operating bonds accumulate to NT\$ 405 million, increased by NT\$ 260 million or 179.31% compared to NT\$145 million at the end of 2011. The balance of discretionary trust assets by the end of 2011 was NT\$ 23.610 million, which was redeemed in full in 2012. The amount of certification in 2012 is NT\$2,062.440 million, decreased by NT\$7,090.225 million or -77.47% compared to NT\$9,152.665 million in 2011.

Trust business comparison

Business	Year	Balance of 2012	Balance of 2011
Investments in domestic and offshore funds through a non-discretionary trust of money agreement		21,037,939	21,245,071
Other trusts of money		1,597,878	1,051,464
Custody of Securities Investment and Trust Funds		4,779,593	5,322,938
Trust of money (total)		27,415,410	27,619,473
Trust of real estate		8,383,167	6,768,871
Trust of securities		972,637	972,637
Total balance of trusted property (total)		36,771,214	35,360,981
Other affiliated businesses			
Custody of operating bonds		405,000	145,000
Certification		2,062,440	9,152,665
Discretionary trust		---	23,610

**(8) Investment Business**

Securities Trade in 2011 and 2012

Unit: NT\$1,000

Item	2012	2011	Increase/decrease
Gain (loss) on bonds	-377	7,838	-8,215
Gain (loss) on stocks	10,882	-47,854	58,736
Gain (loss) on beneficiary certificates	37,547	-16,315	53,862
Gain (loss) on short-term commercial papers	4,908	1,313	3,595
Gain (loss) on valuation	22,909	13,040	9,869
Stock dividends	20,383	13,269	7,114
Total	96,252	-28,709	124,961

The list above clearly shows that the Bank made a profit of NT\$96.252 million in 2012 but a loss of NT\$28.709 million in 2011 in terms of securities trades. The details of the gain/loss are described below:

- A. Gain (loss) on bonds: this is the capital gain (loss) on bonds issued by governments. The Bank made a profit of NT\$7.838 million in 2011 but a loss of NT\$0.377 million in 2012.
- B. Gain (loss) on stocks: this is the profit (loss) made from buying and selling stocks of public and OTC companies. The Bank lost NT\$47.854 million in 2011 and made a profit of NT\$10.882 million in 2012. The 21.18% drop of the weighted stock index in 2011 due to European debt crisis resulted in a loss of NT\$47.854 million. The stock index increased by 8.87% in 2012, and a profit of NT\$10.882 million was resulted.
- C. Gain (loss) on beneficiary certificates: this is the profit (loss) made from buying and selling funds. The impact of European debt crisis in 2011 led to a loss of NT\$16.315 million; the refinement of fund portfolio in 2012 resulted in a profit of NT\$37.547 million.
- D. Gain (loss) on short-term commercial papers: this is the gain from buying and selling short-term commercial papers (including CP2, NCD, BA, TB and ABCP). The Bank made a gain of NT\$13.151 million and NT\$41.397 million in 2011 and 2012, respectively, in terms of interests and a gain of NT\$1.313 million and NT\$4.908 million, respectively, from selling these papers. The transaction of short-term commercial papers increased dramatically in 2011 and the Bank participated in the bidding of non-guarantee commercial paper issued by several government-owned corporations. By making a profit out of the price difference between buying and selling commercial papers, the gain on short-term papers increased by NT\$3.595 million in 2012 compared to 2011.
- E. Gain (loss) on valuation: this is the gain (loss) on valuation of securities according to market prices. The gain on valuation was NT\$13.040 million in 2011 as the repayment of matured bonds and sales of stocks and beneficiary certificates in 2011, and the foregoing part that was loss on valuation was converted to loss of sales. The gain on valuation in 2012 was NT\$ 22.909 million. The increase of valuation came from beneficiary certificates because major countries still maintain an easy money policy, the yield rate of US bonds is still hanging low and the Bank's holdings consist mainly of bond funds.
- F. Stock dividends: these are the cash dividends distributed by public and OTC companies, including NT\$13.269 million in 2011 and NT\$20.383 million in 2012.

It is clear from the above that for the incomes from securities trading, the Bank lost NT\$47.854 million in stock trades and NT\$16.315 million in beneficiary in 2011 certificates due to European debt crisis. The gain on valuation was NT\$13.040 million as the repayment of matured bonds and sales of stocks and beneficiary certificates in 2011, and the foregoing part that was loss on valuation was converted to loss of sales. The net loss of the year was NT\$28.709 million in total. The weighted stock index increased by 8.87% in 2012 despite the impacts from European debt crisis, fiscal cliff in the US and the securities transactions income tax, thus resulting in a profit of NT\$10.882 million from stock trading and NT\$37.547 million from beneficiary certificates. The gain on valuation in 2012 was NT\$ 22.909 million. The increase of valuation came from beneficiary certificates. The net profit of the year was NT\$96.252 million.

## 2. State of weighing and change of the main operational assets to the total assets

Unit: NT\$1,000

Main Business	2012		2011	
	Amount	Asset %	Amount	Asset %
Total Assets	264,512,596	100.00%	249,646,302	100.00%
Discount and Loan - Net Amount	189,949,281	71.81%	177,345,283	71.04%
Due from CBC and Lend to Banks	45,096,739	17.05%	49,164,964	19.69%
Cash	5,486,874	2.07%	5,028,349	2.02%
Total Liabilities	251,555,157	95.10%	237,732,643	95.30%
Deposit and Remittance	229,574,788	86.79%	219,449,892	87.97%
Financial Bonds Payable	8,109,400	3.07%	6,809,400	2.73%
Due to CBC & Banks	8,166,220	3.09%	7,311,459	2.93%

Note: The asset and liability categories enlisted in the table pertain to the amounts and ratios of the top three categories to the total assets

### 3. State of weighing and change of the various operating income to the net earnings

Unit: NT\$1,000

Item	2012		2011	
	Amount	%	Amount	%
Interest Net Profit	3,016,733	76.64%	2,981,377	85.67%
Commission Net Profit	647,698	16.46%	589,164	16.93%
Others	271,611	6.90%	-90,625	-2.60%
Total Net Profit	3,936,042	100.00%	3,479,916	100.00%

## (2) 2013 Operation Plan

### 1. Deposit Business

The bank has the 2013 average deposit balance objective set to NT\$233.2 billion, of which demand deposit increases NT\$2.5 billion, and time deposit increases NT\$4.0 billion.

### 2. Loan Business

The Bank's NTD loan business may focus on both profitability and guarantee of claims provided that Article 72-2 of the Banking Act and the proportion control of competent authority. The business targets in 2013 are still to fully secured mortgage for small and medium enterprises and credit loans, retrieval of call loans and expansion of high-yield short and medium-term mortgages and credit loans in small amount (credit loans with collaterals within the net valuation of property).

#### (1) Implementation of auditing measures and project undertaking

- A. For the auditing on the internal operation and management performance in 2013, the short and medium-term secured working capitals for mortgage are included.
- B. The "10 billion loan promotion project" is launched. An incentive program is provided for this project and its promotion will be intensified for the development of new clients.
- C. The "Business starting loan for young entrepreneurs" is established as a supporting effort to the Small and Medium Enterprise Administration, Ministry of Economic Affairs.

#### (2) The loan credit risk control will be intensified. Clients with sufficient credit capability will be selected based on the "principles for the acceptance of small and medium enterprise loan applications." Credit check at loan application, field survey and credit tracking after a loan is granted will be realized.

### 3. Foreign Exchange Business

- (1) OBU business of RMB: the Bank's application for RMB OBU business was approved by the competent authority on August 10, 2012. The RMB business was officially online on December 27, 2013 for the development of RMB business and preparation for RMB DBU business as soon as the competent authority gives the green light.
- (2) RMB DBU business in full scale: the Central Bank relaxed the RMB business limitations. For cross-border RMB trades and for a natural person to buy and sell RMBs through bank accounts, it is required to go to an RMB clearance bank in Taiwan for closing transaction. Therefore, the Bank applied an RMB account at the Taipei Branch of Bank of China, which was approved on February 5, 2013. As a result, the Bank started the RMB business on February 6, 2013 as a DBU.
- (3) Joining RTGS (as a domestic real-time settlement system for foreign currency): for better service for clients and as a supporting effort for the establishment of foreign currency settlement system by Central Bank, the Bank proposed to join the domestic USD settlement platform of Financial Information Service Co., Ltd. and the system was online officially on May 1, 2013. This not only simplifies the process of

remittance settlement and shortens the foreign currency transaction time, but also reduces the operating costs. The first stage of this settlement system is the domestic RTGS for USD, and the scope will cover RMB in the second half of 2013, making the settlement of RMB in and outside of Taiwan more convenient and time saving.

- (4) Application for designated foreign exchange units in full scale: to meet the specifications of the Department of Foreign Exchange, Central Bank on the case receipt by non-designated foreign exchange units, the Bank submitted the application to the Central Bank to upgrade 68 non-designated foreign exchange units into designated foreign exchange units in addition to the 18 designated foreign exchange units and 10 mini branches that the Bank currently has, and all of them were approved by the Central Bank. After a series of training courses and practical training, all the designated units were open for business this year. This not only meets the criteria set by the Central Bank and reduces the time for mails and documents to travel back and forth and the operating costs, but also improves the efficiency of foreign exchange operations.

#### **4. Credit Card Business**

The objective the Bank established for credit products in 2013 still focuses on providing service for existing clients of the Bank. The direction of business is to provide service for the Bank's clients first and continue to look to expand strategic alliance with more service providers before pursuing improvement on overall consumption amounts, percentage of effective cards and commission incomes. The Bank is also aiming to increase the percentage of clients holding a credit card issued by the Bank. In addition to encourage new clients to apply for credit cards, mortgage clients are chosen as the primary target. Also, the Bank is working to improve marketing functions on existing client groups.

Multiple credit card encouragement activities are arranged based on holidays, seasons and specific clients' needs, including:

- (1) Provision of multiple installment payments for consumption or bills;
- (2) Incentives to encourage mortgage clients to use the Bank's credit cards;
- (3) Provision of extra bonuses to customers for exchange of products;
- (4) Gifts for new cardholders who spent a certain amount on the first use of credit cards; and
- (5) Better gifts to encourage more spending from customers with usually low spending behaviors.

#### **5. Electronic Banking**

New version of online bank and mobile bank (App) are established and multimedia systems installed at business offices to provide a new experience of e-business for clients and to achieve the goal of business campaign and image improvement. In supporting the government's electronic banking policy, the Bank is working to strengthen the chipset banking card's spending debit business and the Banking Association's nationwide tax (bills) payment service by offering the clients with more convenient and swift services.

#### **6. Wealth Management Business**

Looking to the future, in order to improve the size and scope of the Bank's wealth management business as well as intensify clients' loyalty and cohesion, the Bank will provide investment symposiums, strategic alliance, financial diagnosis and promotion in small areas to include the family members of existing clients in the Bank's clientele. Professional training will be provided to financial advisors in stages to improve their professional literacy and knowledge. It is hoped to provide better professional financial and wealth management service and in turn increase the Bank's visibility in the market and the business spectrum.

#### **7. Trust Business**

- (1) Real Estate Trust Business:

- A. Trust Development: To continue developing the land trust, site building financing trust and other related peripheral business, coordinated with land development loans in a variety of real estate development trust business.
- B. Pre-sale home payment trust: as requested by competent authority and for trust clients developed by the Bank, the pre-sale home payment trust is promoted for the protection of clients' interests.
- C. Trust Management: Upon putting the management-oriented properties on a trust account, the lessee deposits the rental charge directly into the designated trust account for management and utilization. (If the

property is the Bank's collateral, the rental can be the source of payback.

(2) Money Trust

- A. Real Estate Transaction Security Trust: Coordinated with the real estate mortgage business for promoting real estate transaction payment security trust and related peripheral operations.
- B. Prepayment trust: in addition to cash gift voucher trust business, the Bank intends to promote prepayment trust for credit card trading gift vouchers and transfer transaction gift vouchers. Credit card issuing banks, gift voucher issuing firms and voucher issuing system providers are brought together to develop a joint marketing platform for the satisfaction of different trust needs of clients.
- C. Specific money trust: the accounting automation of fund business will be enhanced to reduce effectively manual operation costs and risks, improve the service interface and user interface of fund system and satisfy customer satisfaction.

## 8. Investment Business

- (1) Staffing plan: staffing adjustment, increase and replenishing will be in place to improve the function and operation of investment team.
- (2) Plan for short-term capital maneuver and applications:
  - A. To keep securities at low level and transfer short-term capitals to CD at the Central Bank increase income;
  - B. To plat active in the bidding of non-guaranteed commercial papers and increase transactions in secondary market in order to improve income; and
  - C. To expand the breadth of transaction partners in order to improve the performance of capital maneuver.
- (3) To cooperate with other business partners for business development.

## (3) Market Analysis

### 1. Analysis on Area of the Banking Service Operations

The global economy is slowly coming back. However, the domestic financial environment has been suffering from too many banks in Taiwan for a very long time and the weak demands for capitals. Plus, the Central Bank tightened its grip on the mortgage policy in the real estate market. All of these compress the room for development of loan business for banks directly and indirectly. As the financial liberation and internationalization, foreign banks are allowed to establish offices in Taiwan and merging is encouraged. Therefore, local banks are feeling the pressure from these foreign counterparts as they come to Taiwan with their resource and innovation provided by their parent corporations, system technology and new way of thinking and start building close business relation with local clients, while providing local businesses with international financial service based on their offshore offices and platforms across their corporations. The "Plan for the development of financial business with characteristics of China and Taiwan" proposed by Financial Supervisory Commission and the "MOU for monetary clearing between China and Taiwan" proposed by Central Bank, both approved by the Executive Yuan on September 6, 2012, marked a new chapter for the financial society in China and Taiwan and facilitated new business opportunities.

### 2. The state of future market supply and demand, and growth potential

#### (1) The Supply Side

According to the CBC statistics, as of the end of January, 2012, the number of financial institutions (including domestic banks, business banks, foreign bank branches in Taiwan, credit cooperatives, credit departments of farmers' and fishermen's associations, Department of Savings & Remittance of Chunghwa Post Co., trust investment companies, and life insurance companies) totaled 427, with 6,034 branches.

It is difficult to improve the status of slimmer interest spread as interest rates are still lingering below sea level, and price competition becomes more intense among homogeneous domestic banks. Domestic government-owned and private financial institutions continue to undertake organizational adjustments, pay more attention to improving the financial structure, and strengthen risk control management, and new product launch and marketing activities also increased substantially.

#### (2) The Demand Side

The booming of Internet and development of 3C products (e.g. smart phones and tablet computers) have

made e-commerce bond closely with all aspects of business. The important role of cash flow played by banks in the industrial chain of e-commerce helps create greater added values. As a result, the key point to the business needs of domestic banking is the service need related to electronic banking, including electronic service ranging from mobile payment, integral investment suggestions, tax planning to investment products.

With a steady deregulation in the cross-strait financial policy, there is an opportunity for local banks to expand their presence across the Taiwan Strait by setting up subsidiaries, representative offices, or offshore business units to expand the business exchange. Therefore, it becomes the Bank's need to find appropriate overseas business locations and increase the percentage of offshore profits.

### (3) Growth Potential

For stable operations and to meet the policies of competent authority, the lending business strategy switches to SME loans, peripheral products (such as foreign currency) and personal loans that are more profitable through the widening of interest difference. The transformation lowers indirectly the threshold and cost for companies to acquire capitals, which is beneficial to corporate businesses and rising of economy. For better risk management, the SME loans will be accompanied with immovable collaterals or credit guarantee fund in combination with second lien of immovable collaterals or provision of other valuable collaterals. Client screening will be enforced and efforts will be made to find out the exact business operation status of clients in order to secure the source payments and lower the overall lending risks.

## 3. The Competitive Niches, Advantages and Disadvantages for Development and Solutions.

### (1) The Competitive Niches

- A. A network of a total 96 domestic branches, mainly located in metropolitan Taipei and Kaohsiung.
- B. Good locations, friendly and efficient services and smooth interaction with customers.
- C. Vying for a stable operating foundation, the bank also actively seeks to promote corporate banking, consumer banking, wealth management, foreign exchange, trust, among other services, with which to continue improving its financial structure and excelling its service efficiency.
- D. The bank has installed professional financial consultants (FCs) at its branch offices to offer a comprehensive one-stop shopping for a diverse range of professional financial services for maximum synergy in cross marketing.

### (2) Advantages and Disadvantages for Outlooks

#### A. Advantages

- a. The overall financial environment has become more and more sound. The authorities are open to and encouraging research and development of new types of financial products.
- b. The concept of investment has rooted in people's mind and the concept of trust has also formed gradually.
- c. With gradually open cross-strait financial business and internationalization policy, the government continues loosening up limitations on business and regulations, which will help develop the overall structure of financial industry.
- d. As the bank's asset quality continues to improve, operational development will become more sound.

#### B. Disadvantages

- a. With the phenomenon of an over-competing banking industry less likely to eliminate in a short time, sending the sale of a host of financial products to become a price war. The bank, relying primarily on the conventional deposit and lending service, may be kept from expanding the profit differential to excel the operating revenue.
- b. The diversified capital raising modes and a rising weighing on direct financing is likely to suppress the conventional bank's lending business promotion and profitability.
- c. Foreign banks increase their presence in Taiwan and are posing a threat to local banks' wealth management service and the profit niche of the local medium and small businesses' banking market.
- d. When faced with financial holding companies' striking strategic alliance with insurers and securities operators with their economies of scale and distribution advantage, by actively venturing into the cross-strait financial markets and global services through the diverse product contents and the resource-sharing mode, it creates an enormous pressure for medium and small banks to promote their operations.

### (3) Solutions



- A. By expanding the scope of foreign exchange business and recruiting good hands specialized in international finance to diversify the sources of business income.
- B. By continuing to inject resources, stepping up new financial product research and development to offer the client with differentiated quality service in a bid to curtail negative pricing competition.
- C. By reshuffling the branch outlets and developing new marketing distribution venues to fully excel the bank's distribution advantage of operating 96 business outlets island-wide.
- D. By utilizing the bank's existing operating foundation to actively excel the overall marketing functionalities to deep-root the business banking and foreign exchange service, and by fully expanding into the consumer banking services and wealth management domains.
- E. By continuing with organizational reform, and excelling the bank employees' proficiency to strengthen the bank's competitiveness, and by enforcing a service-first philosophy to strength the customer-bank relationship.
- F. By improving security codes and system performance of online banking for the transaction security of our clients and by developing next generation mobile banking business for stronger market competitiveness.

#### **(4) Research of Financial Products and Business Development:**

##### **1. Size and profit/loss of major financial products and business units added in the recent two years and the period up to the annual report publication date.**

###### **(1) Major financial products**

In order to provide faster and more convenient foreign currency service, the Bank has established 86 branches (no including mini branches) into designated foreign exchange units up to the end of 2012. These branches are expected to be upgraded as business expands in order to accelerate the development of the Bank's foreign currency business. The RMB OBU business started on December 27, 2012.

The Bank started car loan business on May 11, 2012 to provide for personal or corporate capital needs to buy vehicles or personal financing with cars as collaterals. Car loan products are provided to new cars, used cars and financing with cars in order to expand the Bank's product lines and increase profits.

(2) Business units added: the Credit Card Business Department is renamed Credit Card and Car Loan Department in charge of business planning, development and management of credit card products and car loans.

##### **2. Research and development spending and future research development plan in the recent two years**

The existing function of designated foreign currency units are divided into 4 levels for better internal control and business promotion. To improve the foreign currency business capacity of business units, it is planned to start the designated foreign currency unit business in 2013 depending on levels, as to improve the professional ability of staff in foreign currency in a step-by-step manner. Another plan is to request the approval of the Central Bank for upgrade of online banking functions in 2013, including settlement of purchase/sale at NT\$500,000 or more, online issuing of L/C, etc., in order to add more human touch in the Bank's foreign currency business and in turn make clients more willing to have business with the Bank.

The Bank issued titanium cards in Apr 2011 exclusively for clients with high assets and consumption amounts in order to satisfy clients as honored guests and highlight the values of our clients to the Bank. To step up customer service, the primary goal of credit card development strategy in 2013 is still to serve our customer and increase the consumption amount and number of valid cards to create revenues. Supplemented by other cross-selling product line, the bank will provide customers with complete financial services to increase the bank's benefits.

The e-commerce has bonded closely with all aspects of business. The important role of cash flow played by banks in the industrial chain of e-commerce helps create greater added values. Therefore, in order to improve market competitiveness, the Bank approved a budget in 2012 to establish new version of online bank and mobile bank (App) as well as have multimedia systems installed at business offices to provide a new experience of e-business for clients and to achieve the goal of business campaign and image improvement in 2013. The budget added up to NT\$ 29.4 million. Also the Bank will continue to support the government's electronic policies and promote deduction business for chipset debit cards and nation-wide (tax) payment business through the Bankers'



Association in order to provide faster and more convenient capital transaction service for clients.

## (5) Long and Short Term Business Development Plans

### 1. Short Term Business Development Plans

For the short-term plan, to strengthen business physique and improve financial structure is the top priority. The goal is to sustain the fine loan-to-deposit ratio, so deposit and loan can thrive in balance. Through branch relocation and expansion of operation area, and deepening relationship with customers, the Bank plans to urge branches to “Drive Sales By Service” in order to maximize the client base and their contribution.

The Bank is planning to issue subordinated bonds to solidify its operating capital and raise the Bank’s self-owned capital adequacy. The Bank plans to lower overdue loan ratios to be below 0.65%, and raise the coverage rate for bad debt allowance to exceed 155%.

### 2. The middle and long-term business development plan

The middle-term plan calls for adjusting branch channels and optimize operating footholds to exercise the advantage of 96 branches. To effectively improve operational efficiency and improve the performance of branch operations, improve market share and exercise efficiency of scale. At the same time, the bank will raise the capital adequacy ratio to over 10.5%, solidify capital structure. For the long-term, we aim to expand business territory through expansion of financial peripheral business and establishment of overseas branches.

## 2. The Employee Profile

Year		2012	2011	As of February 28, 2013
Number of Employees	Executives	119	120	121
	Senior Clerks	384	383	382
	Clerks	1392	1,245	1,384
	Total	1895	1,748	1,887
Average Age		38.03	38.04	38.07
Average years of service		9.84	10.06	9.87
Education background	Master or above	7.76%	5.78%	7.58%
	College graduates	82.37%	83.18%	82.51%
	graduates	9.66%	10.87%	9.70%
	Under senior high school	0.21%	0.17%	0.21%
	Total	100.00%	100.00%	100.00%
Professional licenses held by employees	Basic Proficiency Test for Bank Internal Control	1,163	1,106	1,152
	Proficiency Test for Trust Operations Personnel	1,443	1,370	1,425
	Trust Operations Management Personnel	592	602	588
	Trust Operations Supervisor	8	8	8
	Proficiency Test for Life Insurance Specialist	1,589	1,531	1,573
	Proficiency Test for Investment-oriented Insurance Personnel	782	783	777
	Proficiency Test for Property Insurance Personnel	1,533	1,459	1,512
	Proficiency Test for Financial Planning Personnel	392	369	390
	Basic Proficiency Test for International Banking Personnel	408	387	404
	Basic Proficiency Test for Bank Lending Personnel	704	678	702
	Advanced Proficiency Test for Bank Lending Personnel	23	19	25
	Proficiency Test for Futures Specialist	301	289	30
	Proficiency Test for Securities Specialist	203	176	202
	Proficiency Test for Senior Securities Specialist	187	148	186
	Proficiency Test for Securities Investment Trust and Consulting Professionals	143	118	142
	Proficiency Test for Bill Finance Specialist	59	57	59

Year		2012	2011	As of February 28, 2013
	Proficiency Test for Financial Risk Management Personnel	4	3	4
	Proficiency Test for Bank Collateral Appraisal Personnel	19	18	19
	Qualification of Financial Market Knowledge & Professional Ethics Test	1,374	1,270	1,359
	Qualification of Investment Trust and Consulting Regulations Test	852	791	845
	Consultant of Financial Planning (CFP)	4	5	4
	Proficiency Test for Bond Specialist	20	14	20
	Proficiency Test for Securities Investment Analyst	7	8	7
	Proficiency Test for Life Insurance Representative to Sell Foreign Currency Receiving and Paying in Non-Investment Oriented Insurance Products	513	455	504
	Certificate of Completion of Risk Management for Foreign Exchange Derivatives Course	192	204	192

### 3. Corporate Responsibility and Ethical Behavior

The bank is in the forefront of enacting the “Corporate Citizen” role by upholding its consistent philosophy of giving back to the society. The Bank is very active in participating in social welfare and culture activities; for example, the Bank made a donation to the Liver Disease Prevention and Control Foundation to support the liver disease screening at remote areas; and a donation to the Consumers’ Foundation to support their efforts in protecting the interests of general consumers and continue to play a role of good communicator; the “Dream come true program for children in remote areas” where materials are provided to 240 children to make their dreams come true; the “dream workshop of building blocks” where 120 children from North Regional Child Support Center and Lehuo Children’s Home were invited to go to Lego Show to inspire their creativity.

### 4. Information Equipment

#### (1) The allocation and maintenance of major information system

1. Tandem Taiwan/foreign currency transaction system.
2. Telephone banking.
3. Online banking.
4. The trust system.
5. The Wealth management system.
6. The auditing management system.
7. The bills and bonds system.
8. RCE
9. ACH
10. The stock affairs management system
11. The treasury system.
12. The foreign exchange system.

13. The collection management system.
14. RPS
15. The online seal system.
16. The Intranet.
17. E-JCIC.
18. The internet ATM system.
19. The Anti-Spam system.
20. The Intrusion Detection and Network Flow Analysis System
21. Router ACS.
22. Router LMS.
23. The Anti-virus server system.
24. The XML financial payments system.
25. The E-LOAN system.
26. Establishment of the internet management auditing system
27. Establishment of the parking fee collection system
28. E-Billing system
29. Customer Service Center CTI
30. Computerized corporate finance lending system
31. Business customer consignment processing
32. Voice recording system for wealth management
33. Electronic document editing system

## (2) Future development or purchase plan

1. Online banking upgrade and improvement
2. Replacement of outdated printers at branch offices
3. Establishment of remote system backup structure
4. The information security protection system in response to personal information regulations.

## (3) Emergency back-up and security measures:

1. Purpose: Based on the recovery system, maintain the bank operation in order to minimize the impact brought by information loss and interruption of operations through regular backup and test maneuver when disasters hit.
2. The Disaster Plan Scope:
  - (1) The system backup center and the project team.
  - (2) Evaluation on the organization and the environment of the current information office.
  - (3) Reorganize the structure of system and operating system process.
  - (4) Make disaster backup plans.
  - (5) Execute necessary training.
  - (6) Compile related documents.
  - (7) Propose revising plans upon encountering problems.

## 5. Relationships of Labors and Employer

(1) Employee Welfare Measures, Retirement System and Its Implementation, Labor-employer Agreements, and Measures for Protecting Employee Interests:

### 1. Employee Welfare:

- (1) Labor insurance, health insurance and group insurance.
- (2) Free health checkup.
- (3) Benefit from "Employee Welfare Committee": reimbursement for weddings, funerals, disasters and emergencies, bonus for Chinese New Year, Dragon Boat Festival and Moon Festival, reimbursement for employee's birthday and club events.

### 2. The retirement system and implementation

- (1) Establish Employee Pension Supervisory Committee.
- (2) The pension is appropriated monthly, in accordance with related regulations, to a special pension account of each employee starting working for Sunny Bank Co., Ltd. from July 1, 2005 or choosing the new applicable pension system. As to the employees who choose the previous pension system, the pension reserve is appropriated monthly in accordance with related regulations.
- (3) Offer retirement pension when an employee retires according to the regulations.

### 3. Agreements between labor and employer, and other rights

- (1) Work Code: It is revised according to laws and agreements between labor and employer or management systems. Such revision will be submitted to the Department of Labor for approval, announced at offices and distributed to each employee.
- (2) Regularly hold labor-employer meetings.
- (2) Loss arising from labor-employer disputes in 2012 and the period until the publication date:

Chen, an employee of the Bank, filed a civil lawsuit at the civil court of Taiwan Shilin District Court (2013 Labor Lawsuit Number 6) requesting for damage compensation, remuneration and interests in a total amount of NT\$ 648,854. An interest was charged at an annual rate of 5% from the next day of the delivery of indictment. The expenses of lawsuit were borne by the defendant.

## 6. Important Contracts/Agreements

As of Dec 31 2012

Contracts	Counterpart	Period	Content	Condition
Deposit Insurance Policy	Central Deposit Insurance Corp.	Signed on September 2, 1987	The counterpart is liable to domestic currency depositor or beneficiary when the Bank is unable to perform its obligations to pay the deposit or the trust fund beneficiary.	The maximum indemnity for the same depositor is NT\$ 3 million.
Small & Medium Business Credit Guarantee Contract	Small & Medium Business Credit Guarantee Fund (SMEG)	Signed on December 1, 1997	For financing applied for by small and medium businesses, when insufficient or lacking of guarantee was presumed while such a proposal is generally reviewed and accepted, the Bank may apply for a credit guarantee from this Fund for the insufficient part	While the Bank undertakes credit granting services and signs contracts for loans with small and medium businesses, the Bank will follow credit granting regulations approved by authority and the conditions listed in the letter of guarantee of the Fund.
Credit Rating Agreement	Taiwan Rating Corporation	Signed on December 23, 1999	Provide rating services upon request of the Bank.	The Bank shall provide complete, effective, timely and reliable information.
Bank Comprehensive Insurance Policy	Shinkong Insurance Co.	January 1, 2013 ~ January 1, 2014	The Insurance company shall be liable to the dishonesty of employees, property at operating locations, property in delivery, forgery of bills and securities, forgery of currency, mistakes, of securities or contracts and negligence of shortage of bills.	It is bounded by general conditions, special conditions and other restrictions listed in the letter of approval made by the Insurance company.
Security Service Contract	Taiwan Secom Co., Ltd.	October 1 2011 ~ September 30 2016	Security service for ATMs located at the 96 branches and 19 offices and 12 stand-alone ATM units	None
Construction contract	Hung ting Co., Ltd.	Signed on March 20 2012	Renovation of business lobby, Tucheng Branch	None
Construction contract	Huei Feng Interior Decoration Co., Ltd.	Signed on April 10 2012	Renovation of business lobby, Keelung Branch	None
Construction contract	Huei Feng Interior Decoration Co., Ltd.	Signed on June 18 2012	Renovation of business lobby, Xiaogang Branch	None
Construction contract	Huei Feng Interior Decoration Co., Ltd.	Signed on November 20 2012	Renovation of business lobby, Pingtung Branch	None

## 7. Transactions of Securitized Commodity: None



## VI. Financial Status

1. Brief Balance Sheet and Income Statement in the Last 5 Years
2. Financial Analysis in the Last 5 Years
3. Supervisor's Report
4. Financial Statement
5. Consolidated Financial Statements of Parent-subsidary Audited by CPAs
6. Effect of Financial Difficulties Experienced by the Bank and Related Enterprises on the Bank's Financial Status in Most Recent Year and to the Annual Report Publication Date



## 1. Brief Balance Sheet and Income Statement in the Last 5 Years

### (1) Brief Balance Sheet

Unit: NT\$1,000

Items	Year	Financial Information of Recent 5 Years (Note 2)				
		2012	2011	2010	2009	2008
Cash, Cash equivalents, Dues from the Central Banks & Other Banks		50,583,713	54,193,313	42,368,042	41,089,147	39,979,517
Financial Assets at Fair Value through Income Statement		4,620,335	2,653,821	2,598,130	2,120,938	9,443,723
Notes and Bonds Issued under Resale Agreement		958,261	360,380	---	---	---
Receivables		1,156,387	1,217,103	1,550,317	2,493,681	4,636,477
Discounts and Loans		189,949,281	177,345,283	172,483,268	161,951,070	166,298,395
Available-for-Sale Financial Assets		2,953,917	1,234,495	2,670,252	3,551,598	3,978,337
Hold-to-maturity Financial Assets		1,171,441	---	-	79,880	117,673
Equity Investments – Equity Method		1,194,660	559,970	301,056	293,868	277,322
Other Financial Assets		325,252	325,123	434,136	437,481	313,648
Fixed Assets		8,908,817	8,977,087	9,115,653	9,205,652	9,369,343
Intangible Assets		1,050,605	1,056,835	1,048,221	1,060,110	1,071,830
Other Assets		1,637,927	1,722,892	1,929,543	2,252,342	2,725,407
Total Assets		264,512,596	249,646,302	234,498,618	224,535,767	238,211,672
Due to Central Banks and Other Banks		8,166,220	7,311,459	5,805,631	5,939,242	5,985,843
Financial Liabilities at Fair Value through Income Statement		3,924	1,932	15,759	6,832	134,602
Notes and Bonds Issued under Repurchase Agreement		1,972,826	689,526	2,253,586	-	1,689,706
Payables		3,313,787	3,192,744	2,117,252	2,381,449	4,828,760
Deposits and Remittances		229,574,788	219,449,892	204,947,843	199,387,448	208,865,235
Financial Bonds Payable		8,109,400	6,809,400	8,009,400	6,009,400	5,509,400
Reserve for Land Revaluation Increment Tax		133,325	133,325	133,325	133,325	133,726
Other Liabilities		280,887	336,505	371,989	352,075	434,871
Total liabilities	Before distribution	251,555,157	237,924,783	223,654,785	214,209,771	227,582,143
	After distribution (Note 1)	251,555,157	237,924,783	223,654,785	214,209,771	227,582,143
Capital		12,749,730	12,749,730	12,249,730	12,249,730	12,439,281
Capital Surplus		---	12,598	11,173	11,173	11,228
Retained earnings (accumulated loss)	Before distribution	82,932	-1,159,531	-1,682,124	-2,232,891	-1,894,108
	After distribution (Note 1)	82,932	-1,159,531	-1,682,124	-2,232,891	-1,894,108
Unrealized Revaluation Increment		256,642	256,642	256,642	256,642	256,642
Unrealized Profit or Loss on Financial Instruments		-76,360	-108,599	13,075	46,064	37,599
Other Shareholders' Equity		-55,505	-29,321	-4,663	-4,722	-221,113
Total shareholder's equity	Before distribution	12,957,439	11,721,519	10,843,833	10,325,996	10,629,529
	After distribution (Note 1)	12,957,439	11,721,519	10,843,833	10,325,996	10,629,529

Note 1: Profit distribution of 2012: losses were covered before legal reserve was allocated; also, the balance under the "unrealized profit or loss on financial instruments" of shareholders' equity was allocated as special reserve. The total undistributed profit of 2012 was NT\$0.

Note 2: The financial information for above years have been audited and approved by Independent auditors.



## (2) Brief Income Statement

Unit: NT\$1,000 except NT\$ for earnings (losses) per share

Items	Year	Financial Information of Recent 5 Years (Note)				
		2012	2011	2010	2009	2008
Net Interest Income		3,016,733	2,981,377	2,668,077	1,613,782	2,657,185
Other Net Income (Loss) except Interest		919,309	498,539	709,005	979,874	-297,750
Bad Debt Expenses		131,018	539,247	375,297	528,270	1,942,246
Operating Expenses		2,528,154	2,433,059	2,406,318	2,346,170	2,889,089
Net Profit Before Tax of Operating Departments		1,276,870	507,610	595,467	-280,784	-2,471,900
Net Profit After Tax of Operating Departments		1,229,865	500,288	550,767	-310,784	-2,311,900
Income from Discontinued Department (Net After Tax)		---	---	---	---	---
Extraordinary Gain or Loss (Net After Tax)		---	---	---	---	---
Cumulative Effect of Changes in Accounting Principles (Net After Tax)		---	---	---	---	---
Current Profit & Loss		1,229,865	500,228	550,767	-310,784	-2,311,900
Earnings (Loss) per share		0.96	0.40	0.45	-0.25	-1.89

Note: The financial information for above years have been audited and approved by Independent auditors.

## (3) Auditing Opinions by Certified Public Accountants

Year	CPA Office	Name of CPA	Auditing Opinion
2008	Deloitte & Touche	Shao, Chih-Ming/ Kuo, Cheng-Hung	Remaining Opinion (Note)
2009	Deloitte & Touche	Lin, Hsiu-Lien/ Shao, Chih-Ming	Remaining Opinion (Note)
2010	Deloitte & Touche	Shao, Chih-Ming/ Chen, Chao-Feng	Remaining Opinion (Note)
2011	Deloitte & Touche	Chen, Chie-Chung/ Chen, Chao-Feng	Remaining Opinion (Note)
2012	Deloitte & Touche	Chen, Chie-Chung/ Wu, Yi-Chun	No remaining opinion

Note: Liquidating nonperforming loans to asset management companies, where the losses were deferred according to stipulations set by the "Financial Institutions Merger Law" and were amortized over a five-year period to deviate from the general recognized accounting principles in 2007 and 2006. The foregoing unlisted losses due to sale of nonperforming loans have been amortized in 2011.

## 2. Financial Analysis in the Last 5 Years

### (1) Financial Ratio Analysis of the Parent Company

Year (Note 2) Subject		Financial Analysis for the Last Five Years				
		2012	2011	2010	2009	2008
Operating Ability	Ratio of Loans to Deposits (%)	83.58	81.50	84.83	81.99	80.81
	Ratio of Overdue Loans (%)	0.58	0.75	1.29	2.18	2.60
	Ratio of Interest Expense to Average Deposits (%)	1.00	0.95	0.84	1.23	2.24
	Ratio of Interest Revenue to Average Loans (%)	2.83	2.83	2.59	2.49	4.25
	Total Asset Turnover (times)	0.01	0.01	0.01	0.01	0.01
	Average Operating Revenue Per Employee (in NT\$1,000)	2,077	1,991	1,888	1,374	1,078
	Average Earnings Per Employee (in NT\$1,000)	649	286	308	-165	-1,056
Profitability	Return on Tier-1 Capital (%)	11.90	4.95	6.10	-3.07	-24.91
	Return on Assets (%)	0.48	0.21	0.24	-0.13	-0.96
	Rate of Return on Shareholders' Equity (%)	9.97	4.43	5.20	-2.97	-19.88
	Net Income Ratio (%)	31.25	14.37	16.31	-11.98	-97.99
	Earnings Per Share (NT\$) (Note 1)	0.96	0.40	0.45	-0.25	-1.89
Financial structure (%)	Total Debt Ratio	95.09	95.27	95.34	95.37	95.51
	Fixed Asset to Shareholders' Equity Ratio	68.75	76.59	84.06	89.15	88.14
Growth (%)	Assets Growth Rate	6.04	6.46	4.44	-5.74	-2.68
	Profit Growth Rate	151.55	-14.75	312.07	88.64	94.92
Cash flow (%)	Cash Flow Ratio	-1.33	20.62	9.02	70.90	204.44
	Cash Flow Adequacy Ratio	2,917.84	2,618.24	2,930.74	2,222.40	1,012.11
	Cash Flow Satisfied Ratio	1.39	-15.86	-8.56	143.81	-138.60
Liquid Reserves Ratio (%)		17.56	18.74	16.21	16.82	18.04
Total Secured Loans of Stakeholders (in NT\$1,000)		2,006,652	2,321,463	1,991,701	2,386.886	2,571,981
Ratio of Total Secured Loans of Stakeholders to total loans (%)		1.20	1.28	1.12	1.43	1.47
Scale of Operation(%)	Market Share of Assets	0.50	0.49	0.50	0.50	0.56
	Market Share of NET WORTH	0.32	0.32	0.31	0.27	0.30
	Market Share of Deposits	0.85	0.84	0.82	0.85	0.95
	Market Share of Loans	0.84	0.81	0.83	0.83	0.84
Description for changes in ratios:						
<ol style="list-style-type: none"> <li>1. The reduction of ratio of overdue loans resulted from asset quality improvement and accelerated write-off of nonperforming loans.</li> <li>2. Increase in Average Operating Revenue Per Employee, Return on Tier-1 Capital, Return on Assets, Rate of Return on Shareholders' Equity, Net Income Ratio and Earnings Per Share is the result from the complete amortization of expenses on uncollectible accounts and unlisted loss on the sale of bad debts in 2011, thus loss on expenses decreased significantly in 2012 and in turn profits before (and after) tax increased.</li> <li>3. Decrease in both cash flow ratio and cash flow satisfied ratio is the result from the net cash outflow in 2012 due to operation activities.</li> </ol>						

Note 1: It is calculated on a basis of the number of shares retroactively adjusted.

Note 2: The above financial data shown in the last five years have been audited and accredited by accountants

Note 3: Formula for financial ratios:

1. Management
  - (1) Ratio of loans to deposits = Loans/ Deposits
  - (2) Ratio of overdue loans = Overdue loans/ Loans
  - (3) Ratio of interest expense to average deposits = Interest Expense/ Average deposits
  - (4) Ratio of interest revenue to average loans = Interest revenue/ Average loans
  - (5) Total asset turnover=Net income/ Total Asset
  - (6) Average operating revenue per employee (Note 7) = Net income/ Total employees
  - (7) Average earnings per employee = Income after Tax/ Total employees
2. Profitability
  - (1) Return on Tier-1 capital = Income before Tax/ Average Tier-1 capital
  - (2) Return on Assets = Income after Tax/ Average Assets
  - (3) Return on shareholders' equity = Income after Tax/ Average shareholders' equity
  - (4) Net income ratio = Income after Tax/ Net income
  - (5) Earnings per share = (Income after Tax- Dividends of Preferred Shares) / Weighted average outstanding shares. (Note 5)
3. Financial Structure
  - (1) Total Debt Ratio =Total Liabilities (Note 4) /Total Assets
  - (2) Fixed Assets to Equity Ratio =Net Fixed assets / Net Equity
4. Growth Rate
  - (1) Assets growth rate = (Total Assets of the Year - Total Assets of the Previous Year) / Total Assets of the Previous Year
  - (2) Profit growth rate = (Income before Tax of the Year - Income before Tax of the Previous Year) / Income before Tax of the Previous Year
5. Cash Flow (Note 8)
  - (1) Cash Flow Ratio = Net operating cash flow / (due from other banks + commercial paper payable + financial liability at fair value through profit or loss + Bills under Repurchase Agreements & Bonds Liability + Payables of maturity within one year
  - (2) Net Cash Flow Adequacy Ratio =Net operating cash flow in the last five years/ (capital expenditures + cash dividends) in the last five year
  - (3) Cash Flow Satisfied Ratio = Operating Cash flow / Investing Cash Flow
6. Liquid Reserves Ratio = Current assets required by the CBC/Liabilities allocated for liquid reserve
7. Scope of Operating
 

Market Share of Assets = Total Asset / Total Asset of All Financial Institutions Available for Deposits and Loans (Note 6)

Market Share of Net worth = Total Net worth / Total net worth of All Financial Institutions Available for Deposits and Loans

Market Share of Deposits = Total Deposits / Total Deposits of All Financial Institutions Available for Deposits and Loans

Market Share of Loans = Total Loans / Total Loans of All Financial Institutions Available for Deposits and Loans

Note 4: The reserve for guarantee, reserve for securities trading losses, the Reserve for Failed Trade Losses and Contingency Reserve are deducted from Total Liabilities.

Note 5: Attention should be paid to for using the above formulas.

1. It is calculated on a basis of weighted average number of shares instead of the number of shares issued at the end of the year.
2. Weighted average numbers of shares shall be calculated considering the period of outstanding when there are transactions of capital increase out of earnings or treasury stocks.
3. While calculating annual and semi-annual EPS, it should be retroactively adjusted in proportion of increment without considering the issuance period of such increment upon capital increase out of earnings or capital surplus.
4. In case the preferred shares are non-convertible accumulated preferred shares, the annual dividends (whether distributed or not) shall be deducted from net loss after tax or added to net loss after tax.
5. In case preferred shares are non-accumulated, the dividends of preferred shares shall be deducted from net income after tax when any net income after tax occurs. When there is loss after tax, adjustment is not necessary.

Note 6: All financial institutions offering the services of deposit and loans include domestic banks, branches of foreign banks, credit cooperative, credit departments of fishermen's and farmers' association and trust investment companies as well.

Note 7: Operating revenue refers to the total amount of interest and non-interest revenue.

Note 8: While cash flow analysis is measured, special attention should be paid to the following matters:

1. Net operating cash flow is cash inflow for operating activities in the Cash Flow Statement
2. Capital expenditure means cash outflow for annual capital investment.
3. Cash dividend including cash dividend for common stock and Preferred Shares.
4. Gross fixed assets are total fixed assets before the deduction of accumulated depreciation.

## (2) Capital Adequacy

Unit: NT\$1,000

Year (Note 1)		Capital Adequacy Ratio in Last Five Years (Note 2)					Capital Adequacy Ratio As of February 28 2013
		2012	2011	2010	2009	2008	
Items of analysis							
Self-Owned Capital	Tier-1 Capital	Common Stock	12,749,730	12,749,730	12,249,730	12,249,730	12,439,281
		Perpetual Non-Cumulated Preferred Stock	---	---	---	---	---
		Non-Cumulated Subordinated Debts without Maturity Dates	---	---	---	---	---
		Capital Collected in Advance	---	---	---	---	---
		Capital Surplus (Except for Property Appraisal Surplus)	---	12,598	11,173	11,173	11,228
		Legal Reserve	---	---	---	---	389,998
		Special Reserve	---	22,691	---	---	27,794
		Accumulated Reserve	82,932	---	---	---	-2,311,900
		Minority Interest	---	---	---	---	---
		Other Shareholders' Equity	-147,033	-151,155	-20,046	-9,499	-225,907
		Minus: Goodwill	1,034,579	1,034,579	1,034,579	1,034,579	1,034,579
		Minus: Unamortized Loss on Sales of Non-performing Loan	---	---	54,910	91,519	128,126
		Minus: Capital Allowance	754,548	1,301,061	1,190,220	1,556,383	287,291
		Total Tier-1 Capital	10,896,501	10,568,224	9,961,148	9,568,923	8,880,498
	Tier-2 Capital	Perpetual Cumulated Preferred Stock	---	---	---	---	---
		Cumulated Subordinated Debts without Maturity Dates	---	---	---	---	---
		Fixed Assets Appraisal Surplus	256,642	256,642	256,642	256,642	256,642
		45% of Unrealized Gains on Financial instruments in Available-for-sale	6,826	5,956	12,805	22,878	19,076
		Convertible Bonds	---	---	---	---	---
		The Operating Reserve and Allowance for Bad Debt	858,267	408,922	271,480	466,073	1,449,645
		Long-term Subordinated Debts	4,540,980	4,442,860	4,444,740	4,150,335	4,248,500
		Non-perpetual Preferred Stocks	---	---	---	---	---
		The Sum of Perpetual Non-Cumulated Preferred Stock and Non-Cumulated Subordinated Debts without Maturity Dates Exceeds 15% of Total Tier 1 Asset	---	---	---	---	---
		Minus: Capital Allowance	754,548	1,031,061	1,190,220	1,556,383	287,291
		Total Tier-2 Capital	4,908,167	4,083,319	3,795,447	3,339,545	5,686,572
	Tier-3 Capital	Short-term Subordinated Debts	---	---	---	---	---
		Non-perpetual Preferred Stocks	---	---	---	---	---
		Total Tier-3 Capital	---	---	---	---	---
	Self-owned Capital		15,804,668	14,651,543	13,756,595	12,908,468	14,567,070
Risk-Weighted Assets	Credit Risk	Standardized Approach	171,224,219	152,369,727	143,972,376	136,002,699	146,260,054
		Internal Ratings-based Approach	---	---	---	---	---
		Asset Securitization	---	---	---	15,976	23,535

Not applicable

Not applicable

Year (Note 1)			Capital Adequacy Ratio in Last Five Years (Note 2)					Capital Adequacy Ratio As of February 28 2013
			2012	2011	2010	2009	2008	
Items of analysis								
	Operational Risk	Basic Indicator Approach	6,942,249	5,587,007	5,587,007	6,050,623	7,311,468	
		Standardized Approach / Alternative Standardized Approach	---	---	---	---	---	
		Advanced Measurement Approach	---	---	---	---	---	
	Market risk	Standardized Approach	6,547,039	6,024,600	5,780,385	5,061,195	9,105,429	
		Internal Model Approach	---	---	---	---	---	
	Total Risk-Weighted Assets		184,713,507	163,981,334	155,339,768	147,130,493	162,700,486	
	Capital Adequacy Ratio (BIS)		8.56	8.93	8.86	8.77	8.95	
	Ratio of Tier 1 Capital to Risky Asset		5.90	6.44	6.41	6.50	5.46	
Ratio of Tier 2 Capital to Risky Asset		2.66	2.49	2.45	2.27	3.49		
Ratio of Tier 3 Capital to Risky Asset		---	---	---	---	---		
Ratio of Total Common Stock to Total Asset		4.82	5.11	5.22	5.46	5.22		
Please specify the reasons of capital adequacy ratio change in the recent two periods. (no analysis required if increase/decrease less than 20%).								

※ Combined capital adequacy shall be disclosed if a consolidated statement is provided.

Note 1: The year without CPA examination shall be noted.

Note 2: Self-Owned Capital and Risk-weighted Assets shall be filled according to “Regulations Governing the Capital Adequacy Ratio and Capital Category of Banks” and “Calculation methods and Form of Self-Owned Capital and Risky Assets of Banks”.

Note 3: Banks calculating credit risk according to regulations of transition period should fill risky assets amount under “Credit Risk-The Standardized Approach”.

Note 4: Calculation formula should be listed at the end of annual report as follows:

1. Self-owned Capital = Tier 1 Capital + Tier II Capital + Tier III Capital
2. Risk-Weighted Assets = Credit Risk Weighted Risk Asset + Capital Requirement of Operational Risk and Market Risk × 12.5.
3. Capital Adequacy Ratio = Self-owned Capital / Risk-Weighted Assets
4. Tier 1 Capital to Risky Assets = Tier I Capital / Risk-Weighted Assets
5. Tier 2 Capital to Risky Assets = Tier II Capital / Risk-Weighted Assets
6. Tier 3 Capital to Risky Assets = Tier III Capital / Risk-Weighted Assets
7. Total Common Stock to Total Asset = Total Common Stock / Total Asset

Note 5: Not applicable because the Bank is not a public listed or OTC listed company.

Note 6: If Basel 1 is implemented in the year, the form should be filled as follows:

1. 50% of Basel I deducted items is classified as Tier 1 capital deducted items, and the other 50% as Tier 2 capital deducted items.
2. Basel I credit risk capital requirement is classified as capital requirement of credit risk “standard method”.

## Capital Adequacy (combined)

Unit: NT\$1,000

Year (Note 1)			Capital Adequacy Ratio in Last Five Years (Note 2)					Capital Adequacy Ratio As of February 28 2013	
			2012	2011	2010	2009	2008		
Items of analysis									
Risk-weighted Assets	Self-Owned Capital	Tier-1 Capital	Common Stock	12,749,730	12,749,730	12,249,730	12,249,730	12,439,281	Not applicable (Note 1)
			Perpetual Non-Cumulated Preferred Stock	---	---	---	---	---	
			Non-Cumulated Subordinated Debts without Maturity Dates	---	---	---	---	---	
			Capital Collected in Advance	---	---	---	---	---	
			Capital Surplus (Except for Property Appraisal Surplus)	---	12,598	11,173	11,173	11,228	
			Legal Reserve	---	---	---	---	389,998	
			Special Reserve	---	22,691	---	---	27,794	
			Accumulated Reserve	82,932	---	---	---	-2,311,900	
			Minority Interest	6,787	6,690	5,851	5,640	5,292	
			Other Shareholders' Equity	-147,033	-151,155	-20,046	-9,499	-225,907	
			Minus: Goodwill	1,034,579	1,034,579	1,034,579	1,034,579	1,034,579	
			Minus: Unamortized Loss on Sales of Non-performing Loan	---	---	54,910	91,519	128,126	
			Minus: Capital Allowance	157,218	751,076	1,040,985	1,422,535	168,011	
			Total Tier-1 Capital	11,500,618	10,854,899	10,116,234	9,708,411	9,005,070	
			Tier-2 Capital	Perpetual Cumulated Preferred Stock	---	---	---	---	
	Cumulated Subordinated Debts without Maturity Dates	---		---	---	---	---		
	Fixed Assets Appraisal Surplus	256,642		256,642	256,642	256,642	256,642		
	45% of Unrealized Gains on Financial instruments in Available-for-sale	6,826		5,956	12,805	22,878	19,076		
	Convertible Bonds	---		---	---	---	---		
	The Operating Reserve and Allowance for Bad Debt	858,267		408,922	271,480	466,073	1,449,610		
	Long-term Subordinated Debts	4,540,280		4,441,060	4,441,840	4,150,335	4,248,500		
	Non-perpetual Preferred Stocks	---		---	---	---	---		
	The Sum of Perpetual Non-Cumulated Preferred Stock and Non-Cumulated Subordinated Debts without Maturity Dates Exceeds 15% of Total Tier 1 Asset	---		---	---	---	---		
	Minus: Capital Allowance	157,218		751,076	1,040,985	1,422,535	168,011		
	Total Tier-2 Capital	5,504,797		4,361,504	3,941,782	3,473,393	5,805,817		
	Tier-3 Capital	Short-term Subordinated Debts		---	---	---	---	---	
		Non-perpetual Preferred Stocks		---	---	---	---	---	
		Total Tier-3 Capital		---	---	---	---	---	
	Credit Risk	Self-owned Capital	17,005,415	15,216,403	14,058,016	13,181,804	14,810,887		
Standardized Approach		171,362,100	153,031,236	144,712,430	137,012,240	147,361,977			
Internal Ratings-based Approach		---	---	---	---	---			

Year (Note 1)			Capital Adequacy Ratio in Last Five Years (Note 2)					Capital Adequacy Ratio As of February 28 2013
			2012	2011	2010	2009	2008	
Items of analysis								
	Operational Risk	Asset Securitization	---	---	---	15,976	23,535	
		Basic Indicator Approach	7,180,781	5,823,776	5,823,776	6,292,302	7,514,573	
		Standardized Approach / Alternative Standardized Approach	---	---	---	---	---	
		Advanced Measurement Approach	---	---	---	---	---	
	Market risk	Standardized Approach	6,597,324	6,320,499	5,836,871	5,100,035	9,120,754	
		Internal Model Approach	---	---	---	---	---	
	Total Risk-Weighted Assets		185,140,205	165,157,511	156,373,077	148,420,553	164,020,839	
Capital Adequacy Ratio (BIS)			9.19	9.21	8.99	8.88	9.03	
Ratio of Tier 1 Capital to Risky Asset			6.21	6.57	6.47	6.54	5.49	
Ratio of Tier 2 Capital to Risky Asset			2.98	2.64	2.52	2.34	3.54	
Ratio of Tier 3 Capital to Risky Asset			---	0.00	---	---	---	
Ratio of Total Common Stock to Total Asset			4.83	5.10	5.21	5.44	5.20	
Please specify the reasons of capital adequacy ratio change in the recent two periods. (no analysis required if increase/decrease less than 20%.)								

※Combined capital adequacy shall be disclosed if a consolidated statement is provided.

Note 1: The year without CPA examination shall be noted.

Note 2: Self-Owned Capital and Risk-weighted Assets shall be filled according to “Regulations Governing the Capital Adequacy Ratio and Capital Category of Banks” and “Calculation methods and Form of Self-Owned Capital and Risky Assets of Banks”.

Note 3: Banks calculating credit risk according to regulations of transition period should fill risky assets amount under “Credit Risk-The Standardized Approach”.

Note 4: Calculation formula should be listed at the end of annual report as follows:

1. Self-owned Capital = Tier 1 Capital + Tier II Capital + Tier III Capital
2. Risk-Weighted Assets = Credit Risk Weighted Risk Asset + Capital Requirement of Operational Risk and Market Risk × 12.5.
3. Capital Adequacy Ratio = Self-owned Capital / Risk-Weighted Assets
4. Tier 1 Capital to Risky Assets = Tier I Capital / Risk-Weighted Assets
5. Tier 2 Capital to Risky Assets = Tier II Capital / Risk-Weighted Assets
6. Tier 3 Capital to Risky Assets = Tier III Capital / Risk-Weighted Assets
7. Total Common Stock to Total Asset = Total Common Stock / Total Asset

Note 5: Not applicable because the Bank is not a public listed or OTC listed company.

Note 6: If Basel 1 is implemented in the year, the form should be filled as follows:

1. 50% of Basel I deducted items is classified as Tier 1 capital deducted items, and the other 50% as Tier 2 capital deducted items.
2. Basel I credit risk capital requirement is classified as capital requirement of credit risk “standard method”.



### 3. Supervisors' Audit Report

#### **Supervisor Auditing Report, Sunny Bank Co., Ltd.**

It is hereby to approve the 2012 Annual Report, financial statements, consolidated financial statements and surplus distribution proposals produced and submitted by the Board of Directors. The financial statements and consolidated financial statements have been audited and certified by CPAs Shao Chih-Ming and Chen, Chao-Feng of Deloitte & Touche Taiwan. After reviewing the results by supervisors, no unconformity in all statements are found. The Annual Report is thereby prepared according to Article 219 of Corporate Law.

To: 2013 Annual General Meeting of the Shareholders of Sunny Bank Co., Ltd

Resident Supervisor  
Chang, Wu-Ping



Supervisor  
Wu, His-Hui



Supervisor  
Tsai, Wen-Hsiung



Supervisor  
Lin, Chin-Lung



Supervisor  
Hsu, Wen-Tung



Date: March 7, 2013

#### 4. Financial Report

##### Accountants' Audit Reports

This is to Sunny Bank Co., Ltd.

Please be advised:

The accountants have finished auditing balance sheets of December 31, 2012 and 2011 and income statements, statements of change in stockholders' equity and statements of cash flow from January 1 to December 31, 2012 and 2011 about Sunny Bank Co., Ltd. The preparation of financial statements disclosed above is the responsibility of the management and the responsibility of the accountants is to express opinion on financial statements disclosed above according to audit results.

The accountants plan and conduct the audit work in accordance with "Accountants' Audit and Certificate Regulations of financial statements about the financial industry" and Generally Accepted Auditing Standards to be reasonably convinced whether there is any material representational unfaithfulness in financial statements. The audit work includes the listed amount and audit evidence of disclosures which are obtained from financial statements by a test check, evaluation of accounting principles and material accounting estimates which are adopted and made to prepare financial statements by the management and evaluation of the whole financial statement presentation. The accountants believe that the audit work can provide a reasonable basis for opinion expressed.

As Note 29 of financial statements stated, Sunny Bank Co., Ltd. sold bad claims to an asset management company respectively in Year 2007 and 2006 and caused a total loss of NT\$967.884 million. The total loss can be amortized on a five-year basis in accordance with "The Financial Institutions Merger Act" but the recorded unamortized balance of "Other assets – the unrecognized loss of selling bad claims" does not conform to Generally Accepted Accounting Principles. Other assets – the unrecognized loss of selling bad claims and retained earnings should decrease NT\$198.798 million on December 31, 2011 if the loss on sale is not deferred. The loss on sale of bad claims was amortized completely in 2011.

In the accountants' opinion, except for the last paragraph which stated that the total loss of selling bad claims was not recognized in the Year and had an effect on financial statements for Year 2011, the preparation of financial statements which were stated in the first paragraph in all material aspects was in accordance with "Regulations Governing the Preparation of Financial Reports by Public Banks", "Business Accounting Act", related regulations of Financial Accounting Standards in Regulation on Business Entity Accounting Handling and GAAP and was sufficient to properly present the financial position on December 31, 2012 and 2011 and operational results and cash flows in Year 2012 and 2011 about Sunny Bank Co., Ltd.

As Note 3 of financial statements stated, Sunny Bank Co., Ltd. has adopted the newly amended Statement of Financial Accounting Standards No. 34, "Accounting Guidelines for Financial Products," and No. 41, "Disclosure of Operating Department Information," since January 1, 2011.

The material accounting title list of financial statements for Year 2012 of Sunny Bank Co. Ltd. is mainly for the use of additional analysis and has also been audited by the accountants who adopt the audit procedure which is stated in the second paragraph. In the accountants' opinion, this sort of title list is in accordance with related information about financial statements stated in the first paragraph in all material aspects.

The consolidated financial statements for Year 2012 and 2011 of Sunny Bank Co., Ltd. and CPA has issued an auditing report without reservation and an auditing report with a comment that the deference of loss due to the sale of bad debts is inconsistent with accepted accounting principles.

Deloitte Taiwan  
Accountant Chen, Chie-Chung

Accountant Wu, Yi-Chun

Approval No. of Securities and Futures Commission,  
Ministry of Finance, R.O.C.  
No. 0920123784 by TMS Six

Approval No. of Securities and Futures Commission,  
Ministry of Finance, R.O.C.  
No. 0930128050 by TMS Six

Date: March 7, 2013

## Sunny Bank Co., Ltd.

## Balance Sheet

December 31, 2012 and 2011

Unit: NT\$1,000

Code	Asset	Dec 31 2012	Dec 31 2011	Change
		Amount	Amount	%
11000	Cash (Note 4)	\$ 5,486,974	\$ 5,028,349	9
11500	Due from central bank and inter-bank offering (Note 5 and 30)	45,096,739	49,164,964	(8)
12000	Financial assets at fair value through profit or loss (Note 2, 6 and 17)	4,620,335	2,653,821	74
12500	Notes and Bonds Issued under Resale Agreement (Note 2 and 31)	958,261	360,380	166
13000	Receivables—net amount (Note 2, 7, 8, 23 and 29)	1,158,387	1,053,611	10
13500	Discounts and loans—net amount (Note 2, 8 and 29)	189,949,281	177,345,283	7
14000	Financial assets in available- for-sale (Note 2, 9, 17 and 30)	2,953,917	1,234,495	139
14500	Financial assets in held-to-maturity	1,171,441	---	---
15000	Equity investment under equity method (Note 2 and 11)	1,194,660	559,970	113
15500	Other financial assets—net amount (Note 2, 8 and 12)	325,252	325,577	---
	Fixed assets (Note 2 and 13)			
	Cost			
18501	Land	6,595,603	6,605,446	---
18521	Houses and constructions	2,809,665	2,815,783	---
18551	Miscellaneous equipment	1,469,638	1,411,609	4
	Total cost	10,874,906	10,832,838	---
	Revaluation reserve	302,302	302,032	---
	Cost and revaluation reserve	11,176,938	11,134,870	---
	Deduct: accumulated depreciation	2,312,613	2,185,114	6
		8,864,325	8,949,756	(1)
18575	Construction in progress and prepayments for equipment	44,492	27,331	63
18500	Net fixed assets	8,908,817	8,977,087	(1)
19000	Intangible assets (Note 2 and 14)	1,050,605	1,056,835	(1)
19500	Other assets (Note 2, 15, 23, 28, 29, 30 and 31)	1,637,927	1,693,783	(3)
10000	Total assets	\$ 264,512,596	\$ 249,646,302	6

(Next page)

(Continued)

Code	Liabilities and stockholders' equity	Dec 31 2012	Dec 31 2011	Change %
		Amount	Amount	
	Liabilities			
21000	Central bank and interbank deposits (Note 16)	\$ 8,166,220	\$ 7,311,459	12
22000	Financial liabilities at fair value through profit or loss (Note 2 and 6)	3,924	1,939	102
22500	Repurchase financial bills and bond debts (Note 2 and 17)	1,972,826	689,526	186
23000	Payables (Note 18)	3,313,787	3,036,783	9
23500	Deposits and remittances (Note 19 and 29)	229,574,788	219,449,892	5
24000	Financial bonds payable (Note 20 and 29)	8,109,400	6,809,400	19
29521	Reserve for land value increment tax (Note 2 and 13)	133,325	133,325	---
29500	Other liabilities (Note 2, 8, 21 and 28)	280,887	300,319	(6)
20000	Total liabilities	251,555,157	237,732,643	6
	Stockholders' equity (Note 2, 10, 12, 21, 26 and 27)			
31000	Capital stock	12,749,730	12,749,730	---
	Capital surplus			
31501	Stock premium	---	4,841	(100)
31515	Gain on disposal of assets	---	3,081	(100)
31599	Others	---	4,676	(100)
31500	Total capital surplus	---	12,598	(100)
	Accumulated losses			
32003	Special reserve	---	22,691	(100)
32011	Retained earnings-unappropriated (or accumulated deficit)	82,932	(1,182,222)	107
32000	Total accumulated losses	82,932	(1,159,531)	107
32501	Unrealized revaluation reserve	256,642	256,642	---
32523	Unrealized gain of financial instruments	(76,360)	(108,599)	(30)
32542	Treasury stocks	(3,508)	(3,508)	---
32544	Net loss not recognized as pension cost	(51,997)	(25,813)	101
30000	Net stockholders' equity	12,957,439	11,721,519	11
	Total liabilities and stockholders' equity	\$ 264,512,596	\$ 249,454,162	6

Notes attached behind are a part of the financial statement.  
(Please refer to the audit report of Deloitte Taiwan on March 7, 2013)

Chairman: Lin Peng-Lang



Manager: Ding Wei-Hao



Accounting manager: Liu Zong-Xun



## Sunny Bank Co., Ltd.

## Income Statement

From January 1 to December 31, 2012 and 2011

Unit: NT\$1,000 except NT\$ for earnings (net loss) per share

Code		Year 2012	Year 2011	Change %	
41000	Interest income (Note 2 and 29)	\$ 5,253,047	\$ 4,995,581	5	
51000	Interest expense (Note 29)	2,236,314	2,014,204	11	
	Net interest income	3,016,733	2,981,377	1	
	Net income (loss) excluding interest				
49100	Net income of commission (Note 2, 24 and 29)	647,698	589,164	10	
49200	Financial assets and net income (loss) of liabilities at fair value through profit or loss (Note 6 and 29)	102,674	3,345	2,969	
49300	Realized profits on financial assets in available-for-sale (Note 32)	33,397	12,510	167	
44001	Net investment income recognized under equity method (Note 2 and 11)	39,703	(1,378)	2,981	
49600	Net profit of exchange (Note 2)	(7,202)	44,848	(116)	
55000	Gains on reversal of asset impairment (loss) (Note 2)	(2,322)	---	---	
48051	Lease income (Note 29)	54,745	45,567	20	
48005	Gains of financial assets measured by cost (Note 2)	47,484	13,760	245	
48063	Net income of property transaction (Note 2)	(7,131)	(13,167)	(46)	
58021	Loss of selling bad claims (Note 29)	---	(198,798)	200	
49800	Other net non-interest income	10,263	2,688	282	
	Total net income excluding interest	949,309	498,539	84	
	Net income	3,936,042	3,479,916	13	
51500	Bad debt expense (Note 2, 8 and 29)	131,018	539,247	(76)	
	Operating expense (Note 2, 25, 28, 29 and 31)				
58500	Personal expenditure	1,616,573	1,569,236	3	
59000	Depreciation and amortization	163,343	168,720	(3)	
59500	Other business and administration expenses	748,238	695,103	8	
	Total operating expenses	2,528,154	2,433,059	4	
61001	Net profit (Net loss) before tax	1,276,870	507,610	152	
61003	Tax expense (Note 2 and 23)	47,005	7,382	537	
69000	Net profit	\$ 1,229,865	\$ 500,228	146	
Code		Before tax	After tax	Before tax	After tax
69500	Basic earnings per share (Note 26)	\$ 1.00	\$ 0.96	\$ 0.40	\$ 0.40

Notes attached behind are a part of the financial statement.  
(Please refer to the audit report of Deloitte Taiwan on March 7, 2013)

Chairman: Lin Peng-Lang



Manager: Ding Wei-Hao



Accounting manager: Liu Zong-Xun



## Sunny Bank Co., Ltd.

## Statement of Change in Stockholders' Equity

From January 1 to December 31, 2012 and 2011

	Issued capital (Note 22)		Capital surplus (Note 22)	Special reserve
	1,000 shares	Amount		
Balance on January 1, 2011	1,224,973	\$ 12,249,730	\$ 11,173	\$ ---
Special reserve recognized as default loss of subsidiary companies	---	---	---	22,182
Change in unrealized gain or loss from financial assets of subsidiary companies	---	---	---	---
Change in net loss not recognized as pension cost generated by subsidiary companies	---	---	---	---
Special reserve recognized as loss on buying and selling	---	---	---	509
Cash capital increase	50,000	500,000	---	---
Stock-based compensation cost	---	---	1,425	---
Net profit in Year 2011	---	---	---	---
Change in unrealized profit or loss on financial assets in available- for-sale	---	---	---	---
Effect of equity investments not recognized based on shareholding percentage	---	---	---	---
Change in net loss not recognized as pension cost`	---	---	---	---
Balance on Dec 31 2011	1,274,973	\$ 12,749,730	\$ 12,598	\$ 22,691
Appropriation of loss for 2011	---	---	(12,598)	---
Additional paid-in capital	---	---	---	(22,691)
Special reserve	---	---	---	---
Change in unrealized gain or loss from financial assets of subsidiary companies	---	---	---	---
Net profit in Year 2012	---	---	---	---
Change in unrealized profit or loss on financial assets in available- for-sale	---	---	---	---
Change in net loss not recognized as pension cost`	---	---	---	---
Balance on Dec 31 2011	1,274,973	\$ 12,749,730	---	---

Unit: NT\$ 1,000

Retained earnings (Note 11 and 22)		Unrealized revaluation reserve of land	Unrealized profit or loss on financial instruments	Treasury stocks	Net loss not recognized as pension cost	Net stockholders' equity
retained earnings- unappropriated (or accumulated deficit)	Net amount	(Note 2 and 13)	(Note 2 and 22)	(Note 2 and 27)	(Note 2 and 28)	
(\$1,682,124)	(\$1,682,124)	\$ 256,642	\$ 13,075	(\$3,508)	(\$ 1,155)	\$ 10,843,833
---	22,182	---	---	---	---	22,182
---	---	---	(2,551)	---	---	(2,551)
---	---	---	---	---	1,155	1,155
---	509	---	---	---	---	509
---	---	---	---	---	---	500,000
---	---	---	---	---	---	1,425
500,228	500,288	---	---	---	---	500,228
---	---	---	(119,123)	---	---	(119,123)
(326)	(326)	---	---	---	---	(326)
---	---	---	---	---	(25,813)	(25,813)
(1,182,222)	(1,159,531)	56,642	(108,599)	(\$3,508)	(25,813)	11,721,519
12,598	12,598	---	---	---	---	---
2,691	---	---	---	---	---	---
---	---	---	539	---	---	539
1,229,865	1,229,865	---	---	---	---	1,229,865
---	---	---	31,700	---	---	31,700
---	---	---	---	---	(26,184)	(26,184)
\$ 82,932	\$ 82,932	\$ 256,642	(\$ 76,360)	(\$3,508)	(\$ 51,997)	\$ 12,957,439

Notes attached behind are a part of the financial statement.  
(Please refer to the audit report of Deloitte Taiwan on March 7, 2013)

Chairman: Lin Peng-Lang



Manager: Ding Wei-Hao



Accounting manager: Liu Zong-Xun





## Sunny Bank Co., Ltd.

## Cash Flow Statement

From January 1 to December 31, 2012 and 2011

Unit: NT\$ 1,000

	Year 2012	Year 2011
Cash flow of operating activities:		
Net profit	\$ 1,229,865	\$ 500,228
Compensation cost on employee stock options for cash capital increase	---	1,425
Premium/discount amortization on discounts and loans	(20,516)	(11,059)
Premium/discount amortization on financial assets	1,374	3,035
Bad debt expense	131,018	539,247
Depreciation and amortization	163,343	168,720
(Gains on reversal) of asset impairment loss	2,322	---
Loss of selling bad claims	---	198,798
Net investment loss (gain) recognized under equity method	(39,703)	1,378
Cash dividends allotted by investment companies under equity method	5,552	6,242
Loss from transaction of property	7,131	13,167
Deferred income tax	46,538	10,075
Realized profits on financial assets in available-for-sale	(15,332)	(169)
Net change in financial assets for the purpose of transaction	(1,966,507)	(55,698)
Net change in financial liabilities for the purpose of transaction	1,985	(13,820)
Decrease (or increase) of receivables	(3,606)	212,816
Increase of payables	276,158	1,073,540
Change in financial instruments at fair value through profit or loss	(180,378)	2,647,925
Cash flow of investment activities		
Increase of financial assets in available-for-sale	(2,629,404)	(4,293,830)
Proceeds on disposal of financial assets in available-for-sale	956,420	5,607,598
Repayment of principal at maturity of financial assets in held-to-maturity	(1,172,221)	---
Decrease of other financial assets	10,394	109,013
(Decrease) increase of due from central bank and inter-bank offering	4,068,225	(10,546,798)
Increase of notes and bonds issued under resale agreement	(597,881)	(360,380)
Increase of discounts and loans	(12,869,018)	(5,267,585)
Purchase of fixed and other assets	(93,040)	(62,259)
Proceeds on disposal of fixed and other assets	20	338
Increase (decrease) of equity investment with equity method	(600,000)	(246,074)
Proceeds on disposal of collaterals taken over	25,940	60,252
Increase of intangible assets	(5,792)	(9,408)

	Year 2012	Year 2011
Decrease (Increase) of other assets	(26,865)	(15,300)
Net cash inflow (outflow) from investment activities	(12,933,222)	(15,204,433)
Cash flow of financing activities:		
Increase of due from central bank and inter-bank offering	\$854,761	\$1,505,828
Increase (Decrease) of repurchase financial bills and bond debts	1,283,300	(1,564,060)
Increase of deposits and remittances	10,124,896	14,502,049
Increase (Decrease) of financial bonds payable	1,300,000	(1,200,000)
Increase (Decrease) of other liabilities	9,268	(88,836)
Cash capital increase	---	500,000
Net cash inflow from financing activities	13,572,225	13,654,981
Net increase in cash	458,625	1,278,473
Cash balance at the beginning of the year	5,028,349	3,749,876
Cash balance at the end of the year	5,486,974	\$ 5,028,349
Supplementary disclosures of cash flow information		
Interest payment	\$2,223,120	\$ 2,012,385
Income tax payment	\$49,829	\$ 31,702
Investment activities not affecting cash flow		
Fixed assets transferred to intangible assets	\$---	\$ 17,165
Fixed assets transferred to other assets	\$14,360	\$ 31,903
Other assets transferred to fixed assets	\$---	\$ 632

Notes attached behind are a part of the financial statement.  
(Please refer to the audit report of Deloitte Taiwan on March 7, 2013)

Chairman: Lin Peng-Lang



Manager: Ding Wei-Hao



Accounting manager: Liu Zong-Xun



## Sunny Bank Co., Ltd. Notes of Financial Statements

Year 2012 and 2011  
(Amount in NT\$1,000 unless otherwise noticed)

### 1. Company history and lines of business

The bank is a public company and its businesses are as follows: (1) The business which commercial banks can run in accordance with regulations of “The Banking Act of The Republic of China;” (2) various savings and fiduciary businesses; (3) other related businesses whose transactions are approved by the central regulator; (4) the trust department of the bank transacts planning, management and operation of the trust investment business and the trust business of investments in domestic and foreign marketable securities and funds, which are regulated by “The Banking Act of The Republic of China” and “Trust Enterprise Act.” Altogether there were 96 business units nationwide as of the end of 2012.

At the end of 2012 and 2011, the number of the bank’s employee was 1, 895 and 1,748 respectively.

### 2. Summarized statements about material accounting policies

The preparation of the financial statement is in accordance with “Regulations Governing the Preparation of Financial Reports by Public Banks,” “Business Accounting Act” “Regulation on Business Entity Accounting Handling” and GAAP.

It is hard to ascertain the operating cycle of the banking industry because of its operational characteristics. Therefore, the asset and liability accounts are not discriminated between current or noncurrent ones but they have been classified according to their nature and rowed in an order of relative liquidity. There is a maturity analysis of assets and liabilities stated in note 32 as well. Summarized statements about material accounting policies are as follows:

#### (1) Accounting estimation

As the financial statement was being prepared according to the foregoing standards, regulations and principles, the Bank is required to adopt reasonably estimated amounts for the valuation of financial instruments, allowance for bad debts, depreciation of fixed assets, pension fund, losses on disposal of collaterals taken over, income taxes, employees’ bonuses and remunerations to directors and supervisors. Therefore the actual results may vary as judgments were involved in estimation.

#### (2) The Compilation Principles of Financial Statements

The financial statement includes the bank’s accounts of total domestic branches and the Offshore Banking Unit. The inter-branch accounts of total domestic branches and OBU are written off reciprocally when the financial statement is compiled.

#### (3) Financial Instruments at Fair Value through Profit or Loss

Financial instruments at fair value through profit or loss contain financial assets or liabilities of trading purposes and financial assets or liabilities which are appointed and measured at fair value and are at fair value through profit or loss in original recognition. Financial assets or liabilities are recognized when they become one of the financial instrument contracts; financial assets are derecognized when the control of contract rights is lost; financial liabilities are derecognized when obligations regulated by the contract are released, cancelled or mature.

Original recognition is measured at fair value plus transaction costs. Subsequent valuation is measured at fair value and changes in fair value are recognized as profit or loss of the year. Cash dividends (including those which are received in the investment year) received after investments are recognized as income of the year. The balance between obtained proceeds or payment amount of selling financial instruments and book value is reckoned in profit

or loss of the year when financial instruments are derecognized. Accounting treatment on the settlement date is adopted when financial instruments are purchased or sold according to trade practices.

The derivatives which do not conform to hedge accounting are classified as financial assets or liabilities of trading purposes. The fair value is recognized as a financial asset when it is positive value; the fair value is recognized as a financial liability when it is negative value.

The basis of fair value: It means that the closing price of listed and over-the-counter securities on the balance sheet date, the net assets value of beneficiary certificates of open-end funds on the balance sheet date and the reference price of bonds on the balance sheet date of Greta Securities Market; financial instruments which are not in an active market are estimated the fair value by assessment method.

#### (4) Conditional Financial Bills and Dealing in Bonds

The investment on notes and bonds issued under resale agreement refers to the actual amount which is paid to counterparties when the conditional trade of financial bills and bonds with a resale agreement is undertaken, whereas the debts on notes and bonds issued under repurchase agreement refers to the actual amount which is obtained from counterparties when the conditional trade of financial bills and bonds with a repurchase agreement is undertaken. The conditional trades of financial bills and bonds are taken as financing trades and related interest income or interest expenses are recognized on an accrual basis.

#### (5) Overdue receivables

Loans or other credit for money which are due in the liquidation period but have not been paid off and have been approved by board of managing directors are rendered overdue receivables along with interest receivable which has been estimated and recognized in accordance with regulations of “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans” of Banking Bureau, Financial Supervisory Commission, Executive Yuan.

Overdue receivables which are rendered from loans are recognized under the item of discounts and loans and other overdue receivables which are not rendered from loans are recognized under the item of other assets.

#### (6) Allowance for Bad Debts and Reserve for Guarantee Liabilities

The bank estimates possible losses of discounts and loans, accounts receivable, interest receivable, other accounts receivable and overdue receivables and every guarantee and balance of acceptance receivables according to the risk of irrecoverable specific claims and the potential risk of total claim combination to make provision against allowance for bad debts and reserve for guarantee liabilities (recorded other liabilities).

As mentioned in Note 3, the third amendment of Statement of Financial Accounting Standards No. 34, “Accounting Guidelines for Financial Products,” was adopted on January 1, 2011. The amendment incorporates the loans and receivables originally incurred, and therefore the Bank evaluates the losses for the loans and receivables based on the balance sheet. When there is objective evidence shows that the single or multiple events occurring after the original recognition of loans and receivables, which result in impacts to the estimated cash flows based on the loans and receivables, such loans and receivables are considered losses. The objective evidence of loss can be:

1. The debts of debtors are recognized as overdue on the base day of evaluation;
2. The debtor causes unpaid interests or overdue principal on the base day of evaluation;
3. A client is flagged as an account of warning during the abnormal warning operations for borrowers;
4. A debtors intends to negotiate with the bank due to financial difficulties; and
5. A client has participated in a debt negotiation program (including the debt negotiation mechanism of 2006, individual consistency, preparatory negotiation, debt clearance and settlement).

Some of the loans and receivables were reevaluated for losses based on portfolio basis as no loss was revealed after individual evaluation of them. The objective evidence of losses in loans and receivables can include the previous experience of the Bank in retrieving payments, increase of deferred payments in that particular portfolio and observable international or regional economic changes related to the potential nonperforming loans and receivables.

The amount of losses recognized is the difference between the face value and expected future cash flow (effect of collaterals or guarantees is reflected) and the original effective interest discounts of the loan and receivables. The facing value of loans and receivables is decreased by allowance valuation. A loan or receivable is sterilized allowance valuation when it is considered irretrievable. An amount that was sterilized but later is retrieved is the credit allowance valuation. The change in face value of allowance valuation is

recognized as loss to bad debts.

The “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” specify the categorization by recoverability and deposit at specific percentages. Financing assets that are normal, require attention, are expected to recover, difficult to recover and not expected to recover are calculated based on 0.5%, 2%, 10%, 50% and 100% of the amount of liability balance, respectively, as the minimum deposit criteria for allowance for bad debts and reserve guarantee. For normal financing assets, the minimum deposit of bad debt allowance and reserve guarantee shall be provided in 3 years from the effective date as of Jan 1 2011. However, the minimum deposit mentioned above will be raised to 1% or more according to the letter numbered jin-kuan-securities 10010006830.

For Sunny Bank, bad debts are sterilized based on the evaluation of retrieval possibility and the value of collaterals for the overdue receivables and loans as approved by operating board meetings. The bad debts that are retrieved and sterilized are recognized as allowance for bad debts as specified in Statement of Financial Accounting Standards No. 28, “Disclosure of Bank Financial Reports.”

#### (7) Financial Assets in Available-for-sale

Financial assets in available-for-sale are measured at fair value and obtained or issued transaction costs are plus in original recognition; subsequent valuation is measured at fair value and changes in fair value are recognized as stockholders’ equity adjustments and accumulated gains or losses are recognized as gain or loss of the year when financial assets are derecognized. Accounting treatment on the settlement date is adopted when financial instruments are purchased or sold according to trade practices.

The basis of fair value: It means that the closing price of listed and over-the-counter securities on the balance sheet date, the reference price of bonds on the balance sheet date of Greta Securities Market and financial instruments which are not in an active market are estimated the fair value by assessment method.

Cash dividends of equities are recognized as income on the ex-dividend date or the resolution date of shareholders’ meeting but some dividends are declared and deducted from investment costs before investments; stock dividends are not recognized as income from investment and are only recorded the increase of shares and recalculated the cost per share. The balance between the amount of original recognition and maturity amount of debt instruments is amortized in interest method and recognized as profit or loss of the year.

The impairment loss is recognized if there is objective evidence of impairment. The decreased amount of impairment of equities in available-for-sale is recognized as stockholders’ equity adjustments if the impairment amount is decreased in the subsequent period; the decreased amount of impairment of debt instruments is reversed and recognized as profit or loss of the year if it is apparently related to the event which occurred after the recognition of impairment.

#### (8) Financial assets in held-to-maturity

The financial assets in held-to-maturity is evaluated based on the costs amortized using the interest method. When originally recognized, they are valued based on fair values and added with the transaction costs of acquisition or issuing, and loss or profit is recognized at de-recognizing, loss of value or amortizing. As a common practice, settlement date accounting is adopted for buying or selling financial assets.

A loss is recognized if objective evidence of loss is provided. In case that the amount of loss decreases later on and is clearly related to an event occurring after recognition of loss, it will be reversed and recognized as loss or profit of the year. The reversal shall not be such that the carrying amount is greater than the costs after amortizing for unrecognized loss.

#### (9) Equity Investment under Equity Method

The equity method is adopted for valuation when the Bank has up to 20% of share holdings for voting or significant influence.

When equity is obtained or the equity method is adopted for the first time, the investment cost shall be analyzed. The part that exceeds the fair value of identifiable net asset is the goodwill, which is not amortized. If the fair value of identifiable asset exceeds investment cost, the difference is reduced based on the ratio of fair value of non-current assets (not including financial assets, assets to be disposed, deferred income tax assets and prepaid pension or other pension payments not valued with the equity method). If difference still exists, it is recognized as extraordinary gain or loss.

When an invested company issues new stocks, if the new stocks are not subscribed based on the percentage of shareholdings which results in changes in shareholding percentage and thereby increase/decrease in the net value of equity invested, the increase/decrease is used to adjust capital surplus and long-term investment; if the foregoing adjustment is debited as capital surplus and the capital surplus balance generated

from long-term investments is insufficient, the difference is debited as reserved surplus.

#### (10) Other Financial Assets

Financial assets measured by costs refer to equities investments which include unlisted and under-the-counter stocks and cannot be measured for the fair value reliably. They are measured by costs which are originally recognized. The impairment loss is recognized if there is objective evidence of impairment and the impairment amount is not reversed.

Bond investments which are not in active markets refer to the public offer of inactive markets. Bond investments which are of fixed or determinable received amount are measured by amortized costs. The accounting treatment of bonds is the same as that of financial assets in held-to-maturity but the disposition timing is not restricted.

Bond investments which are not in active markets are recognized impairment loss if there is objective evidence of impairment. The decreased amount of impairment in the subsequent period are reversed and recognized as profit or loss of the year if it is apparently related to the event which occurred after the recognition of impairment. The amount of the reverse does not make the carrying amount more than amortized costs in the case of unrecognized impairment.

#### (11) Fixed Assets

Fixed assets are valued by costs (or costs plus revaluation reserve) which deduct accumulated depreciation. Critical update and improvement is regarded as capital expenditure; repair and maintenance expenditure is regarded as expense of the year.

Depreciation on fixed assets is calculated and amortized according to the following service life on a straight-line basis: 3-60 years for houses and construction; 3-15 years for miscellaneous equipments. Fixed assets are calculated and amortized according to renewable estimated service life in original depreciation method when the useful life is expired and continued to be used.

In addition to the increase of increment amount of asset revaluation and reserve for land value increment tax, the net amount is credited unrealized appraisal increment when fixed assets are revaluated. The depreciation is calculated and amortized according to remaining useful life of asset revaluation.

All of the costs, revaluation reserve and related accumulated depreciation are deducted from accounts when fixed assets are disposed of. The gains or losses of disposed fixed assets are recognized as gains or losses of the year.

#### (12) Intangible Assets

With the costs to obtain as the booking basis, intangible assets are amortized over their service life on a straight-line basis.

The goodwill of acquired net assets is brought to credit at costs in accordance with regulations of No. 25, "Business combination – the accounting treatment of purchase method", SFAS. The net amount which the fair value which acquisition costs exceed tangible and identifiable intangible assets deducts liabilities assumed is recognized as goodwill and is made regular evaluation of impairment indicator. The impairment test is conducted subsequently and shall not be amortized if there is any indicator of impairment.

Computer software costs are amortized on a three-year basis in straight-line method.

#### (13) Other assets

Collaterals taken over are brought to credit at the price taken over and measured the book value at related recoverable amount at the end of the year. The impairment is recognized as loss if there is any material impairment. Reverse of the impairment loss is recognized as gains if the recoverable amount is increased thereafter. But the book value of collaterals taken over which are reversed after impairment loss shall not exceed the book value of the asset which is not recognized as impairment loss.

Leasing and idle assets are valued at costs which deduct the lower of accumulated depreciation or net fair value. The depreciation is calculated and amortized on a basis of 3-50 years in straight-line method and is continued to be made provision according to the residual value of re-estimated service life when the useful life is expired and continued to be used.

#### (14) Assets Impairment

The bank makes impairment evaluation of the cash generating unit which includes equity investment, fixed assets, goodwill and idle assets which are adopted by equity method. If the asset is measured the book value at related recoverable amount and has material impairment, the book value of goodwill in the cash



generating unit is decreased first and remaining impairment losses are allocated in equal proportion according to the book value of other assets in the cash generating unit. Reverse of the impairment loss is recognized as gain if related recoverable amount increases thereafter. But the book value after the reversed impairment loss shall not exceed the book value which deducts depreciation which should be made provision under the situation that the asset is not recognized as impairment loss; the impairment loss of goodwill shall not be reversed.

The goodwill is allotted across the cash generating units that the Bank is expected to enjoy the effects of combination during impairment test. For the cash generating units related to goodwill, impairment test shall be carried out on each of the units annually by comparing the book value of each unit (including goodwill) and amount retrievable in addition to evidence of possible impairment. In case that the amount retrievable for each unit is less than its book value, the book value is reduced by the impairment loss based on the goodwill generated by the cash generating unit that has been allotted before the rest of impairment losses are allotted to various assets based on the percentage of the asset book value of each cash generating unit. The recognized goodwill impairment loss shall not be reversed.

#### (15) Trading Losses Reserve

According to the original requirements of the Regulations Governing Securities Firms, Sunny Bank shall provide 10% of the part that the profits made on trading securities exceed loss by month as trading losses reserve.

According to the letter numbered jin-kuan-securities 10010000440 issued by Financial Supervisory Commission, the requirement that a securities firm shall prepare trading losses reserve was removed, and therefore there is no need to provide this reserve starting from 2011. For banks also operating the business of a securities firm, the trading losses reserve required by the Regulations Governing Securities Firms before Dec 31 2010 shall be reclassified as special reserve. The reclassified amount shall not be used except for balance of losses or capital increase from legal reserve that exceeds 50% of paid-in capital.

Also, the letter no. jin-kuan-securities 09900738571 specified that the amount of trading losses reserve recognized up to the end of Dec 2010 shall be reclassified as special reserve. The trading losses reserve shall not be used except for the cover of balance for which trading losses exceed trading gains.

#### (16) Pension

The pension which is defined benefit is recognized as pension expense according to actuarial results. The pension which is defined contribution is recognized as the pension amount which should be allotted as expenses of the year. When it is certain that the pension fund is reduced or settled, the loss or profit on reduction or settlement shall be recognized as net pension cost of the year.

#### (17) Recognition of Interest Income and Commission Income

Discounts and loans are brought to credit according to outstanding principal and not reckoned in unearned income; interest income is recognized on an accrual basis. The loan principal and interest receivables of overdue claims which are evaluated to be very unlikely to be paid off or paid by agreement are rendered overdue receivables; interest receivables are stopped to be calculated and amortized internally and recognized as interest income when collection is made. The interest income of loans shall be estimated and recognized on an accrual basis; but the interest income which is rendered overdue receivables is stopped interest accrual internally since the date of rendering and is recognized income when collection is made. The interest income which is agreed to keep accounts due to bailout and agreement extension is recognized as deferred gain (recorded other liabilities) since the date of keeping accounts in accordance with regulations and is recognized income when collection is made.

The commission income is recognized when collection is made and the profit process is mainly finished.



### (18) Treasury Stocks

The parent company's stocks which subsidiaries hold are reclassified as treasury stocks since the equity investment under equity method and the parent company's book value which is recorded and reinvested from subsidiaries is taken as the basis of bringing to credit.

### (19) Income Tax

Income taxes are allotted in the same period or across different period; i.e. (1) part of the income tax is allotted to the accumulated effects from the change of accounting principles or directly debited or credited to shareholders' equities, and (2) income tax effects which deduct temporary difference and loss relief are recognized as deferred tax assets and realizability is evaluated and related amount of valuation allowance is recognized. Income tax effects which are taxable temporary difference are recognized as deferred tax liabilities. Deferred income tax assets or liabilities are classified as current or non-current subjects depending on types of related assets or liabilities. In case of no related asset or liability, they are classified as current or non-current subjects depending on the expected reverse period.

The income tax credit which is caused by acquisition of equipments or technologies, research and development and personnel training is treated under current recognition method.

Income tax adjustments for previous years are included in the income tax of the year.

The income tax which undistributed earnings are imposed 10% is recognized as expense in shareholders' meeting resolution of the year.

If the calculated basic tax for which the "Income Basic Tax Act" applies is higher than income tax payable of ordinary income, the increased tax payable is recognized as tax expense of the year.

### (20) Commitments and Contingency

It is possible that an asset has been damaged or liability incurred on the balance sheet date and the amount of losses was reasonably valued, it shall be recognized as current loss. In case that the amount of loss cannot be valued reasonably or the loss may have occurred, it shall be revealed in the financial report.

### (21) Foreign Currency Transactions

The bank's foreign currency transactions are recorded in the amount of original currency and items of foreign currency assets and liabilities that occur are translated into NT dollar according to spot exchange rate on the balance sheet date. As a result, the balance that occurs is recognized as profit and loss on exchange of the year.

### (22) Reclassification

Some of the subjects in the 2011 financial report are reclassified in response to the expression of 2012 financial report.

## 3. Reasons of Accounting Changes and Effects

### Accounting of financial instruments

The Bank adopted the newly amended Statement of Financial Accounting Standards No. 34, "Accounting Guidelines for Financial Products" as of Jan 1 2011. The amendments are (1) the loans and receivables originally generated are now included in the Statement; (2) a specification is added regarding the impairment of financial assets measured with allotted costs in time of liability difficulty; and (3) the accounting of debtors when the liability clause is revised. This accounting change has no major effect to the 2011 financial report.

### Disclosure of operating department information

The Bank adopted the newly amended Statement of Financial Accounting Standards No. 41, "Disclosure of Operating Department Information" as of Jan 1 2011. The requirement of the statement is based on the information regarding the corporate composition used when the management level make decisions on the establishment of operating items, and the identification of operating department on the internal reports that the operation decision makers use to allot resources for department and performance evaluation in regular audits. This statement supersedes the Statement of Financial Accounting Standards No. 20 "Disclosure of Departmental Financial Information." The adoption of this statement only generates changes in reporting of the Bank's departmental information.

**4. Cash**

	December 31, 2012	December 31, 2011
Cash on Hand	\$ 2,575,796	\$ 2,614,361
Post-dated checks for clearance	2,363,364	2,161,460
Due from banks	547,814	252,528
	<u>\$ 5,486,974</u>	<u>\$ 5,028,349</u>

**5. Due from Central Bank and Inter-bank Offering**

	December 31, 2012	December 31, 2011
Due from central bank	\$ 32,705,401	\$ 39,253,802
Deposit reserve	10,759,722	7,557,242
Capital loaned	1,631,616	2,353,920
	<u>\$ 45,096,739</u>	<u>\$ 49,164,964</u>

The deposit reserve means that the monthly average balance of every deposit is drawn and deposited in the account of deposit reserve in the Central Bank in the required reserve ratio. As of the end of 2012 and 2011, NT\$ 6,218,702,000 and 5,894,160,000 were aggregated, respectively, in the deposit reserve, but cannot be used before the adjustment for monthly deposit reserve in accordance with regulations and the rest of the amount can be used at any time.

**6. Financial Instruments at Fair Value through Profit or Loss**

	December 31, 2012	December 31, 2011
Financial Assets of Trading Purposes		
Financing commercial paper	\$3,904,890	\$ 2,171,745
Beneficiary certificate	448,484	393,416
Common stocks of domestic listed and over-the-counter companies	129,849	11,753
Government bond	102,822	52,845
Common stocks of foreign listed companies	18,931	13,588
Currency swap	13,739	10,474
Foreign exchange forward	1,620	7
	<u>\$ 4,620,335</u>	<u>\$ 2,653,821</u>
Financial Liabilities of Trading Purposes		
Currency swap	\$ 3,763	\$ 1,932
Foreign exchange forward	161	---
	<u>\$ 3,924</u>	<u>\$ 1,932</u>

The main purpose of derivative financial instrument transactions made by the Bank in Year 2012 and 2011 is to respond to customers' needs and fund procurement and risk management of the bank's foreign exchange.

As of the end of 2012 and 2011, the amount of the Bank's derivative financial instrument contracts which are not mature is as follow:

	December 31, 2012	December 31, 2011
Trading Purposes		
Currency swap	\$ 1,102,254	\$ 1,499,111
Foreign exchange forward	60,339	3,983

As of the end of 2012 and 2011, foreign exchange swap and foreign exchange forward contracts which are not mature are as follows:

December 31, 2012			December 31, 2011		
Contract amount (NT\$1,000)		Maturity	Contract amount (NT\$1,000)		Maturity
Sell USD	37,675	01/23/2013-02/21/2013	Sell USD	47,389	01/03/2012-01/31/2012
AUD	150	01/25/2013	HKD	5,831	01/17/2012
Buy ZAR	114,280	01/23/2013-02/21/2013	JPY	77,691	01/20/2012
HKD	40,294	01/23/2013	AUD	350	01/13/2012
USD	156	01/25/2013	Buy JPY	15,575	01/20/2012
NZD	2,900	01/29/2013	ZAR	135,039	01/06/2012-01/31/2012
AUD	12,850	01/25/2013-02/20/2013	HKD	64,567	01/17/2012-01/31/2012
EUR	500	01/28/2013	USD	2,103	01/13/2012-01/20/2012
GBP	1,250	01/28/2013	NZD	8,900	01/17/2012-01/31/2012
CAD	1,083	01/23/2013	AUD	10,500	01/13/2012-01/19/2012
EUR	1,400	01/31/2013	GBP	1,500	01/17/2012
			CAD	1,020	01/03/2012

In Year 2012 and 2011, the bank's profit or loss summary of financial instruments at fair value through profit or loss were as follows:

	2012	2011
Financial Assets at Fair Value through Profit or Loss		
Realized profit or loss	\$ 446,232	\$ 606,089
Valuated profit or loss	27,787	39,279
	<u>474,019</u>	<u>645,368</u>
Financial liabilities at fair value through profit or loss		
Realized profit or loss	(369,360)	(619,634)
Valuated profit or loss	(1,985)	(22,389)
	<u>(371,345)</u>	<u>(642,023)</u>
	<u>\$ 102,674</u>	<u>\$ 3,345</u>

**7. Receivables – net amount**

	December 31, 2012	December 31, 2011
Credit card receivables	\$ 582,196	\$ 634,880
Proceeds of selling bad claims receivable (Note 29)	334,335	430,303
Interest receivable	327,918	\$ 337,526
Income tax refunds receivable (Note 23)	111,648	91,589
Acceptance receivables	123,926	13,295
Income tax refunds receivable (Note 22)	271,600	240,393
Others	1,751,623	1,747,986
Deduct: allowance for bad debts (Note 8)	593,236	694,594
	<u>\$ 1,158,387</u>	<u>\$ 1,063,611</u>

**8. Discounts and Loans – net amount**

	December 31, 2012	December 31, 2011
Bill purchased	\$ 75,648	\$ 53,991
Short-term loans	15,255,629	15,000,305
Short-term secured loans	30,095,387	25,814,460
Mid-term loans	16,068,327	13,291,537
Mid-term secured loans	39,808,287	30,364,099
Long-term loans	3,134,297	3,775,215
Long-term secured loans	86,479,742	89,349,923
Overdue receivables	951,492	1,191,524
	<u>191,868,809</u>	<u>178,841,054</u>
Adjustment of discounts and loans premium discount	(24,248)	(16,731)
Deduct: allowance for bad debts	1,895,280	1,479,040
	<u>\$ 189,949,281</u>	<u>\$ 177,345,283</u>

The credit balance for which interest accrual is stopped internally was NT\$ 951,492,000 and 1,191,524,000, respectively, at the end of 2012 and 2011. The amount of interest income which is not calculated and amortized internally was NT\$ 26,303,000 and 41,946,000, respectively, in Year 2012 and 2011.

There was no credit claim which was written off at once without legal proceedings in the Bank in Year 2012 and 2011.

The details and changes in receivables, allowance for bad debts on discounts and loans and reserve for acceptance and guarantee liability as of Dec 31 2012 and 2011 are as follows:

Item		Dec 31 2012			
		Discounts and loans		Receivables (Note)	
		Total	Allowance for bad debts	Total	Allowance for bad debts
Those with objective evidence of individual impairment	Individually evaluated impairment	\$ 2,361,285	\$ 300,592	\$ 551,222	\$ 527,583
	Collectively evaluated impairment	1,105,065	295,127	215,215	55,580
Those without objective evidence of individual impairment	Collectively evaluated impairment	188,402,459	1,299,561	877,192	12,521

Item		Dec 31 2011			
		Discounts and loans		Receivables (Note)	
		Total	Allowance for bad debts	Total	Allowance for bad debts
Those with objective evidence of individual impairment	Individually evaluated impairment	\$ 1,577,268	\$ 246,406	\$ 641,389	\$ 610,247
	Collectively evaluated impairment	1,360,297	396,293	263,408	71,457
Those without objective evidence of individual impairment	Collectively evaluated impairment	175,903,489	836,431	752,273	12,890

Note: The receivables as of December 31, 2012 and 2011 (recognized as other financial assets – net value), including overdue receivables which are not rendered from loans, are NT\$ 3,749,000 and 673,000, respectively; the receivables as of December 31, 2012 and 2011, not including receivables such as income tax refunds receivable and spot exchanges receivable, are NT\$ 111,743,000 and 91,589,000, respectively.

The Bank's total credit risk characteristics include receivables, discounts and loans as of December 31, 2012 and 2011.

The details and changes of receivables, discounts and loans, allowance for bad debts, overdue receivables which are not rendered from loans and reserve for acceptance and guarantee liability are shown as follows:

	2012						
	Discounts and loans						
	Risk of irrecoverable specific claims	Potential risk of total claim combination	Subtotal	Receivables	overdue receivables which are not rendered from loans	Reserve for acceptance and guarantee liability	Total
Balance at the beginning of the year	\$ 656,785	\$ 822,255	\$ 1,479,040	\$ 694,375	\$ 219	\$ 74,626	\$ 2,248,260
Provision (reverse) for bad debts	(333,833)	619,369	285,536	(102,287)	---	(52,231)	131,018
Write-off	(163,399)	---	(163,399)	(23,959)	---	---	(187,358)
Bad debts which are recovered and written off	298,017	---	298,017	27,066	---	---	325,083
Reclassification	---	---	---	(1,959)	1,959	---	---
Adjustment for balance of exchange	(3,914)	---	(3,914)	---	---	---	(3,914)
Balance at the end of the year	\$ 453,656	\$ 1,441,624	\$ 1,895,28	\$ 593,236	\$ 2,178	\$ 22,395	\$ 2,513,089

	2011						
	Discounts and loans						
	Risk of irrecoverable specific claims	Potential risk of total claim combination	Subtotal	Receivables	overdue receivables which are not rendered from loans	Reserve for acceptance and guarantee liability	Total
Balance at the beginning of the year	\$ 1,320,733	\$ 52,695	\$ 1,373,428	\$ 576,438	\$ ---	\$74,358	\$ 2,204,224
Provision (reverse) for bad debts	(352,931)	769,560	416,629	122,350	---	268	539,247
Write-off	(598,369)	---	(598,369)	(24,279)	---	---	(622,648)
Bad debts which are recovered and written off	285,932	---	285,932	20,085	---	---	306,017
Reclassification	---	---	---	(219)	219	---	---
Adjustment for balance of exchange	1,420	---	1,420	---	---	---	1,420
Balance at the end of the year	\$ 656,785	\$ 822,255	\$ 1,479,040	\$ 694,594	\$ 219	\$ 74,626	\$ 2,248,260

## 9. Financial Assets in Available-for-sale

	December 31, 2012	December 31, 2011
Government bond	\$ 1,903,048	\$ 519,825
Common stocks of listed and over-the-counter companies	493,688	454,057
Corporate bond	402,076	79,509
Beneficiary certificate	155,105	137,474
Beneficiary securities	---	40,235
Asset-backed commercial paper	---	3,395
	<u>\$ 2,953,917</u>	<u>\$ 1,234,495</u>

## 10. Financial assets in held-to-maturity

	December 31, 2012
Government bond	\$ 971,441
Negotiable time deposit	200,000
	<u>\$ 1,171,441</u>

## 11. Equity Investment under Equity Method

	December 31, 2012		December 31, 2011	
	Amount	Shareholding %	Amount	Shareholding %
Sunny International Leasing Co., Ltd.	\$ 600,088	100.00	\$ ---	---
Sunny Securities Company Ltd.	506,167	98.72	498,756	98.72
Sunny Asset Management Company Ltd.	42,295	100.00	26,345	100.00
Sunny Personal Insurance Agent Company	43,034	39.99	32,141	39.99
Sunny Property Insurance Agent Company	3,076	20.00	2,728	20.00
	<u>\$ 1,194,660</u>		<u>\$ 559,970</u>	

- (1) The details of net investment profit (loss) recognized under equity method are as follows:

	2012	2011
Sunny International Leasing Co., Ltd.	\$ 88	\$ ---
Sunny Securities Company Ltd.	7,184	70
Sunny Asset Management Company Ltd.	15,844	(9,579)
Sunny Personal Insurance Agent Company	15,990	7,723
Sunny Property Insurance Agent Company	597	408
	<u>\$ 39,703</u>	<u>(\$ 1,378)</u>

- (2) Sunny International Leasing Co., Ltd. was invested and established by Sunny Bank (with 100% shareholding). It was registered to and approved by Ministry of Economic Affairs on November 28, 2012 for leasing business.
- (3) Sunny Securities initiated capital reduction for loss make-up in Oct 2011, and the shares held by the bank were changed to 27,185,000 shares. However, the shareholding percentage remains as 97.68%. In addition, Sunny Securities initiated capital increase in Dec 2011 by issuing 22,370,000 shares of common stock at the price of NT\$11/share. The capital increase was NT\$ 246,074,000 in total. The Bank purchased all of the stocks issued, resulting in the changes of shareholdings and percentage 49,555,000 shares and 98.72%, respectively. The net value of invested equity reduced by NT\$326,000, and the retained earnings were adjusted for the reduction in 2011.
- (4) The bank and its subsidiaries have controllability of Sunny Personal Insurance Agent Company and Sunny Property Insurance Broker Company because of over 50% shareholding. Accounts of all subsidiaries have been consolidated into the preparation of consolidated financial statements for Year 2012 and 2011.



## 12. Other Financial Assets – Net value

	Dec 31 2012	Dec 31 2011
Financial assets measured at costs		
Unlisted an under-the-counter common stocks		
Financial Information Service Co., Ltd.	\$ 115,711	\$ 115,771
Taiwan Financial Asset Service Corporation	50,000	50,000
Taiwan Depository and Clearing Corporation	21,490	21,490
Unlisted an under-the-counter preferred stocks		
Farglory Life	100,000	100,000
	<u>287,261</u>	<u>287,261</u>
Debt instrument investments which are not in active markets		
Structured deposit		
Structured deposit	\$ 136,728	151,450
Deduct: accumulated impairment	100,308	(113,588)
	<u>36,420</u>	<u>37,862</u>
Other miscellaneous financial assets		
Overdue receivables which are not rendered from loans	3,749	673
Deduct: Allowance for bad debts (note 8)	2,178	219
	1,571	454
	<u>\$ 325,252</u>	<u>\$ 325,577</u>

The bank's investments which are measured at costs are measured so because there is no public offer in inactive markets and the fair value cannot be measured reliably.

The bank's investments which are not in active markets are estimated under assessment method.

## 13. Fixed Assets

	Year 2012				
	Land	Houses and construction	Miscellaneous equipment	Prepayments for equipment	Total
Cost					
Balance at the beginning of the year	\$ 6,605,446	\$ 2,815,783	\$ 1,411,609	\$ 27,331	\$ 10,860,169
Increase in the year	---	---	70,282	22,758	93,040
Decrease in the year	---	---	(17,850)	---	(17,850)
Reclassification in the year	(9,843)	(6,118)	5,597	(5,597)	(15,961)
	<u>6,595,603</u>	<u>2,809,665</u>	<u>1,469,638</u>	<u>44,492</u>	<u>10,919,398</u>
Reevaluation gain					
Balance at the beginning of the year	281,856	20,176	---	---	302,032
Increase in the year	---	---	---	---	---
Decrease in the year	---	---	---	---	---
	<u>281,856</u>	<u>20,176</u>	<u>---</u>	<u>---</u>	<u>302,032</u>
Accumulated depreciation					
Balance at the beginning of the year	---	948,121	1,236,993	---	2,185,114
Increase in the year	---	64,576	82,200	---	146,776
Decrease in the year	---	---	(17,676)	---	(17,676)
Reclassification in the year	---	(1,601)	---	---	(1,601)
	<u>---</u>	<u>1,011,096</u>	<u>1,301,517</u>	<u>---</u>	<u>2,312,613</u>
Net amount at the end of the year	\$ 6,887,459	\$ 1,818,745	\$ 168,121	\$ 44,492	\$ 8,908,817

	Year 2011				
	Land	Houses and construction	Miscellaneous equipment	Prepayments for equipment	Total
Cost					
Balance at the beginning of the year	\$ 6,630,487	\$ 2,843,026	\$ 1,412,385	\$ 34,985	\$ 10,920,883
Increase in the year	---	---	41,848	20,411	62,259
Decrease in the year	---	---	(73,065)	---	(73,065)
Reclassification in the year	(25,041)	(27,243)	30,441	(28,065)	(49,908)
	<u>6,605,446</u>	<u>2,815,783</u>	<u>1,411,609</u>	<u>27,331</u>	<u>10,860,169</u>
Reevaluation gain					
Balance at the beginning of the year	\$ 281,856	\$ 20,176	\$ ---	\$ ---	\$ 302,032
Increase in the year	---	---	---	---	---
Decrease in the year	---	---	---	---	---
	<u>281,856</u>	<u>20,176</u>	<u>---</u>	<u>---</u>	<u>302,032</u>
Accumulated depreciation					
Balance at the beginning of the year	---	900,610	1,206,652	---	2,107,262
Increase in the year	---	65,107	82,372	---	147,479
Decrease in the year	---	---	(68,155)	---	(68,155)
Reclassification in the year	---	(17,596)	16,124	---	(1,472)
	<u>---</u>	<u>948,121</u>	<u>1,236,993</u>	<u>---</u>	<u>2,185,114</u>
Net amount at the end of the year	<u>\$ 6,887,302</u>	<u>\$ 1,887,838</u>	<u>\$ 174,616</u>	<u>\$ 27,331</u>	<u>\$ 8,977,087</u>

The bank made land revaluation respectively in Year 2008, 1993, 1991 and 1982 and revaluation of assets which exclude lands in Year 1982 in accordance with related regulations.

#### 14. Intangible Assets

	Dec 31 2012	Dec 31 2011
Goodwill	\$ 1,034,579	\$ 1,034,579
Computer software	16,026	22,256
	<u>\$ 1,050,605</u>	<u>\$ 1,056,835</u>

No value impairment of goodwill was detected as of Dec 31 2012 and 2011.

## 15. Other Assets

	Dec 31 2011	Dec 31 2010
Net deferred tax assets (Note 23)	\$ 766,219	\$ 812,757
Collaterals taken over – the net amount which deduct allowance for loss from falling price of NT\$ 5,909,000 in 2012 and that of NT\$ 27,639,000 in 2011	14,091	59,277
Leasing assets – the net amount which deducts accumulated depreciation of NT\$ 14,985,000 at the end of 2012 and that of 12,140,000 at the end of 2011	343,687	330,571
Refundable deposits	\$ 237,804	\$ 218,710
Idle assets – the net amount which deducts accumulated depreciation of NT\$ 18,798,000 in 2012, that of NT\$ 17,664,000 in 2011, and accumulated impairment of NT\$ 10 million	175,467	176,601
Prepayment	45,613	39,053
Deferred pension cost (Note 28)	25,973	27,780
Others	29,073	29,034
	<u>\$ 1,637,927</u>	<u>\$ 1,693,783</u>

## 16. Central Bank and Interbank Deposits

	Dec 31 2012	Dec 31, 2011
Interbank deposit	\$ 5,751,000	\$ 5,436,000
Redeposit at Chunghwa Post Co., Ltd.	1,815,220	1,845,169
Central bank deposit	600,000	30,290
	<u>\$ 8,166,220</u>	<u>\$ 7,311,459</u>

## 17. Bills & Bonds Sold under Repurchase Agreements

Asset	Dec 31 2012			Date of agreed buyback
	Face value of securities	Amount of sale (listed bills and bonds under repurchase agreement)	Amount of agreed buyback	
Financial asset listed for gain/loss due to change of fair value	\$ 480,000	\$ 478,589	\$ 478,697	Bought back before January 4, 2012
Financial assets in available-for-sale	1,230,000	1,251,070	1,251,624	Bought back before February 6, 2013
Financial assets in held-to-maturity	372,500	372,849	373,254	Bought back before February 4, 2013
	<u>\$ 1,952,500</u>	<u>\$ 1,972,826</u>	<u>\$ 1,974,047</u>	

Asset	Dec 31 2011			
	Face value of securities	Amount of sale (listed bills and bonds under repurchase agreement)	Amount of agreed buyback	Date of agreed buyback
Financial asset listed for gain/loss due to change of fair value	\$ 480,000	\$ 478,589	\$ 478,697	Bought back before January 4, 2012
Financial assets in available-for-sale	\$ 210,000	\$ 210,937	\$ 211,080	Bought back before January 17, 2012
	<u>\$ 690,000</u>	<u>\$ 689,526</u>	<u>\$ 689,777</u>	

## 18. Payables

	Dec 31 2012	Dec 31 2011
Post-dated checks for clearance payable	\$ 2,363,364	\$ 2,161,460
Interest payable	377,469	364,275
Expense payable	202,513	244,522
Acceptance bill	124,306	15,471
Others	246,135	251,055
	<u>\$ 3,313,787</u>	<u>\$ 3,036,783</u>

## 19. Deposits and Remittances

	Dec 31 2012	Dec 31 2011
Savings deposit	\$ 150,484,357	\$ 146,997,843
Time deposit	48,697,671	44,075,871
Demand deposit	27,263,853	25,597,655
Check deposit	3,124,362	2,614,759
Cash in public treasury	---	160,251
Remittance	4,545	3,513
	<u>\$ 229,574,788</u>	<u>\$ 219,449,892</u>

## 20. Financial Bonds Payable

The bank issues related subordinated financial bonds which all pay interest every year and repay principals in maturity to raise mid and long-term capital which is needed for operation and increase bank of international settlement ratio. As of the end of 2012 and 2011, the balance of issue is as follows:

	Dec 31 2012	Dec 31 2011
The first phase of Year 2007 (A bond) – issued on April 9, 2007, annual fixed interest rate of 3.00% with annual payment, total payback upon deadline	\$ 1,800,000	1,800,000
The first phase of Year 2007 (B bond) – issued on April 9, 2007, the quarterly coupon rate is in accordance with an additional 0.60% interest accrual of the displaying floating rates of time savings deposit in Bank of Taiwan with annual payment, total payback upon deadline	1,100,000	1,100,000
The second phase of Year 2007 (A bond) – issued on November 16, 2007, annual fixed interest rate of 3.60% with annual payment, total payback upon deadline	203,500	203,500
The second phase of Year 2007 (B bond) – issued on November 16, 2007, the quarterly coupon rate is in accordance with an additional 0.75% interest accrual of the displaying floating rates of time savings deposit in Bank of Taiwan with annual payment, total payback upon deadline	101,000	101,000
The third phase of Year 2007 (A bond) – issued on December 26, 2007, annual fixed interest rate of 3.80% with annual payment, total payback upon deadline	261,000	261,000
The third phase of Year 2007 (B bond) – issued on December 26, 2007, the quarterly coupon rate is in accordance with an additional 0.95% interest accrual of the displaying floating rates of time savings deposit in Bank of Taiwan with annual payment, total payback upon deadline	43,900	43,900
The first phase of Year 2009 – issued on June 15, 2009, annual fixed interest rate of 3.00% with annual payment, total payback upon deadline	500,000	500,000
The first phase of Year 2010 (A bond) – issued on April 30, 2010, annual fixed interest rate of 3.25% with annual payment, total payback upon deadline	570,000	570,000
The first phase of Year 2010 (B bond) – issued on April 30, 2010, the quarterly coupon rate is in accordance with an additional 1.83% interest accrual of the displaying floating rates of time savings deposit in the bank with annual payment, total payback upon deadline	230,000	230,000
The second phase of Year 2010 (A bond) – issued on October 29, 2010, annual fixed interest rate of 3.25% with annual payment, total payback upon deadline	500,000	500,000
The second phase of Year 2010 (B bond) – issued on October 29, 2010, the quarterly coupon rate is in accordance with an additional 1.71% interest accrual of the displaying floating rates of time savings deposit in the bank with annual payment, total payback upon deadline	300,000	300,000
The third phase of Year 2010 (A bond) – issued on November 11, 2010, annual fixed interest rate of 3.25% with annual payment, total payback upon deadline	400,000	400,000
The first phase of Year 2011 (A Bond) – issued on June 27 2011, annual fixed interest rate of 2.85% with annual payment, total payback upon deadline	100,000	100,000
The first phase of Year 2011 (B Bond) – issued on June 27 2011, the quarterly coupon rate is in accordance with an additional 2.85% interest accrual of the displaying floating rates of time savings deposit in the bank with annual payment, total payback upon deadline	500,000	500,000
The second phase of Year 2011 – issued on September 30 2011, the quarterly coupon rate is in accordance with an additional 1.17% interest accrual of the displaying floating rates of time savings deposit in the bank with annual payment, total payback upon deadline	200,000	200,000
The first phase of Year 2012 (A bond) – issued on May 30, 2012, annual fixed interest rate of 2.45% with annual payment, total payback upon deadline	500,000	---
The first phase of Year 2012 (B bond) – issued on May 30 2012, the quarterly coupon rate is in accordance with an additional 0.97% interest accrual of the displaying floating rates of time savings deposit in the bank with annual payment, total payback upon deadline	\$ 600,000	\$ ---
The second phase of Year 2012 – issued on June 29, 2012, annual fixed interest rate of 2.45% with annual payment, total payback upon deadline	200,000	---
	<u>\$ 8,109,400</u>	<u>\$ 6,809,400</u>

## 21. Other Liabilities

	Dec 31 2012	Dec 31 2011
Account collected in advance	\$ 119,163	\$ 113,821
Deposits received	86,619	82,992
Reserve for guarantee liability (Note 8)	22,395	74,626
Deferred gain	1,983	2,262
Accrued pension liabilities (Note 28)	50,727	26,618
	<u>\$ 280,887</u>	<u>\$ 300,319</u>

## 22. Stockholders' Equity

### (1) Capital stock

In order to increase capitals at hand and improve financial structure and capital adequacy, the Bank initiated capital increase with April 28, 2011 as the grant day by issuing 50,000,000 shares of common stocks at NT\$ 10/share for a cash capital of NT\$ 500 million. In addition, it was resolved in the board meeting on November 23, 2012 for capital increase by issuing 60,000,000 shares of common stocks at NT\$ 10/share for a cash capital of NT\$ 600 million.

The new stocks issued for the capital increase mentioned above were sold to the Bank's employees according to Article 267 of the Company Act. The fair value of the equity products measured on the date of issuing was recognized as salary expense and capital reserve. The relevant remuneration cost recognized for Year 2011 was NT\$ 1,425,000.

The remuneration cost was calculated based on the new stocks that were reserved for the purchase of employees for capital increase in 2011. The Black-Scholes valuation model was used, and the parameters used for this model were:

Stock price at grant date	NT\$ 8.6
Exercise price	NT\$ 10
Expected volatility	35.2%
Expected term	0.26 year
Expected dividend yield	-
Risk-free interest rate	0.61%

The expected volatility was calculated based on the grant date with the reference of expected term. The average annualized standard deviation of the interbank daily rate of return between October 10, 2010 and January 21, 2011 was taken as the assumption.

The capital increase was approved by Financial Supervisory Commission, Executive Yuan, and became effective on March 18, 2011. The registration of change in paid-in capital was completed on May 20, 2011.

Therefore, the authorized capital of Sunny Bank is NT\$ 20 billion, and the actual paid-up capital stock of the Bank increased by NT\$ 12,749,730,000 up to December 31, 2012 and 2011 in form of 1,274,973,000 shares of common stock at the face value of NT\$ 10/share.

## (2) Capital surplus

The amount in the paid-in capital that exceeds the face value of stocks issued (including common stocks issued above face value, conversion premium of corporate bonds and trading of treasury stocks) and the part received as gifts may be used to make up losses, or distribute stock dividends or be retained as capital when the company has no loss. However, the retained capital is limited to a certain percentage of paid-in capital every year.

The additional paid-in capital generated from long-term investment of equity and employee's stock options shall not be used for any other purpose.

## (3) Special reserve

The letter, Jin-Kuan-Securities 10010000440, requires that the Bank shall render the allowance for trading losses of NT\$ 509,000 recognized up to the end of December 2010 as the special reserve starting from January 31, 2011; the net value of allowance for book default losses of Sunny Securities, a subsidiary of Sunny Bank, in 2011, totaling NT\$ 22,708,000, shall be recognized as special reserve. The Bank recognizes NT\$ 22,182,000 of investment cost and special reserve depending on shareholding percentage. It was resolved in the board meeting on June 11, 2012 to make up the losses with special reserve. Therefore, the balance of special reserve as of December 31, 2012 was NT\$ 0.

## (4) Earning distribution and dividend policy

In addition to legal payments of all taxes, losses of previous years shall be offset first and then 30% of the balance is allocated for legal surplus if there is any surplus in annual accounting in accordance with regulations of the bank's constitution; but it is not subject to the limits when the legal surplus has reached total paid-up capital; and then special reserve is allocated or surplus is given to retain if necessary. The balance is allocated according to the following regulations:

1. 1.5% for remuneration of directors and supervisors.
2. 3% for employee bonus.
3. 95.5% for stockholders' dividends.

The estimated amount of employee bonus payable and remuneration of directors and supervisors in 2012 is NT\$ 0. There are still accumulated losses in 2011. The Bank does not estimate the employee bonus and the remuneration of directors and supervisors. The estimation and recognition of employee bonus and remuneration of directors and supervisors are based on the amount that might be allotted according to experiences in the past. Accumulated losses for Year 2010 and 2009 are caused by the employee bonus and remuneration costs of directors and supervisors which are not estimated and recognized. Changes will be treated according to accounting estimate and adjusted and brought to credit under shareholders' meeting resolution of the year if there are still changes in the amount on the resolution date of shareholders' meeting. Stock bonus shares are decided by the resolution of bonus amount which is divided by the fair value of stocks if shareholders' meeting decides to adopt stocks for the allotment of employee bonus. The calculation of the stock's fair value is based on the net value of financial reports which have been audited by accountants in recent year.

When distributing earnings, the Bank has to recognize special reserve for the balance of "unrealized loss on financial assets" under the shareholders' equity as the law requires. In case that the deduction of shareholders' equity reduces later, the reduced part may be reclassified as undistributed earnings from the special reserve.

To strengthen financial structure and balance the capital adequacy, the principle of dividend allotment is allocation of stock dividend and retention of capital required according to the capital budget planning for the bank; the cash dividend can be allotted in part and not be lower than 10% of total dividends if there is remaining capital budget and the BIS ratio is higher than the required standard of the regulator. The stock dividend can be replaced to allot if the allocation of cash dividend per share is less than NT\$ 0.1.

Shareholders' meeting of the bank was held on June 11, 2012 and June 27, 2011. The loss will not be made up until the year that has earnings and shareholders' meeting resolution thereafter because there are still no earnings, legal surplus and special reserve available for make-up in Year 2011 and 2010.

The board of director of the Bank resolved on March 7, 2013 on the loss make-up of 2012 as follows:



	Year 2012
Net profit after tax in 2012	\$ 1,229,865
Minus: Losses to be made up	(1,146,933)
Minus: Recognition of legal reserve	(24,880)
Minus: Recognition of special reserve	(58,052)
	% ---

The proposal of loss make-up for 2012 remains to be resolved in the shareholders' meeting. For information, please go to "Market Observation Post System" after the meeting.

In accordance with regulations of the Company Act, the legal surplus shall be allotted continuously unless the balance has reached total capital stock. Legal surplus can be used to offset losses. In case of no loss, the part of legal surplus exceeding 25% of total paid-up capital stock may be allocated to stock capital or distributed in cash; also, the Banking Act of Republic of China requires that the maximum allocation of cash earnings shall not exceed 15% of total stock capital when the legal surplus is not greater than total stock capital.

When the Bank is distributing earnings, the imputation credits entitled to shareholders shall be calculated based on the tax deduction percentage on the date of stock dividend distribution for all shareholders except for those who do not live in the territory of Republic of China.

#### (5) Unrealized profit or loss of financial instruments

The changes in unrealized profit or loss on financial instruments in 2012 and 2011 are as follows:

	Financial assets in available-for-sale	Equity investment which is recognized according to shareholding ratio under equity method	Total
Year 2012			
Balance at the beginning of the year	(\$ 110,067)	\$ 1,468	(\$ 108,599)
Recognized as stockholders' equity adjustments directly	47,032	539	47,571
Reclassified gain (loss)	(15,332)	---	(15,33)
Balance at the end of the year	(\$ 78,367)	\$ 2,007	(\$ 76,360)
Year 2011			
Balance at the beginning of the year	\$ 9,056	\$ 4,019	\$ 13,075
Recognized as stockholders' equity adjustments directly	(118,954)	(2,551)	(121,505)
Reclassified gain (loss)	(169)	---	(169)
Balance at the end of the year	(\$ 110,067)	\$ 1,468	(\$ 108,599)

## 23. Income Tax

(1) The income tax refunds receivable estimated by the Bank are as follows:

	Dec 31 2012	Dec 31 2011
Net profit (loss) before tax	\$ 1,276,870	\$ 507,610
Permanent difference	(464,888)	(161,094)
Temporary difference	256,785	145,467
	<u>1,068,767</u>	<u>491,983</u>
Minus: Loss relief	(1,062,441)	(483,668)
Tax payable	<u>6,326</u>	<u>\$ 8,315</u>
Times: Income tax rate	17%	17%
Tax payable calculated with taxable incomes	1,075	1,413
Minus: deduction of investment of income tax	(1,075)	(1,413)
Plus: difference payable of basic tax amount	433	631
Minus: Provisional and withholding tax	(49,795)	(31,702)
Tax refund receivable of the year	<u>(\$ 49,362)</u>	<u>(\$ 31,071)</u>
Income tax refunds receivable at the beginning of the year	\$ 91,589	\$ 92,180
Increased income tax refunds receivable of the year	49,362	31,071
Income tax refunds receivable retrieved	(29,303)	(34,986)
Income tax adjustments of previous years	---	3,324
Income tax refunds receivable at the end of the year	<u>\$ 111,648</u>	<u>\$ 91,589</u>

(2) Components of the bank's net deferred tax assets (recorded other assets) are as follows:

	Dec 31 2012	Dec 31 2011
Deferred tax assets (liabilities)		
Loss relief	\$ 659,950	\$ 836,856
Transfinite number of allowance for bad debts	100,323	64,489
Deduction of investment	822	1,897
Others	5,124	(254)
	<u>766,219</u>	<u>902,988</u>
Minus: valuation allowance	---	(90,231)
Net deferred tax assets	<u>\$ 766,219</u>	<u>\$ 812,757</u>

As of the end of 2012, the amount of loss relief which can be used to deduct taxable income by the Bank in later years is as follows:

Year of maturity	Amount of loss relief	Amount of investment deduction
2013	---	822
2017	916,688	---
2018	2,123,184	---
2019	842,186	---
	<u>\$ 3,882,058</u>	<u>\$ 822</u>

(3) The bank's tax expenses of the year are as follows:

	2012	2011
Income taxes payable of the year	\$ 433	\$ 631
Deferred tax assets	46,538	10,075
Income tax adjustments of previous years	---	(3,324)
Others	34	---
Tax expenses	<u>\$ 47,005</u>	<u>\$ 7,382</u>

(4) Information related to the amount of the imputation credit of stockholders is as follows:

	Dec 31 2012	Dec 31 2011
Account balance of the amount of the imputation credit	\$ 282,814	\$ 259,838

The estimated tax creditable ratio of the Bank's earning distribution in 2012 is 20.48%. Since the tax credits that the Bank may distribute to shareholders are calculated based on the balance of tax credit account of shareholders on the day of dividend and earnings distribution, the estimated tax creditable ratio of the Bank's earning distribution in 2012 may vary due to the difference between the possible tax credits the Bank estimates according to the Income Tax Act and the actual tax credits.

(5) The bank's tax return cases of profit-seeking enterprise income tax up to 2010 have been approved by the taxing authority except for 2008. Among income tax return case of 2008, the prior parties' interest withholding taxes of government bonds are NT\$ 729,000.

## 24. Net Income of Commission

	2012	2011
Commission income	\$ 729,531	\$ 659,442
Commission expense	(81,833)	(70,278)
	<u>\$ 647,698</u>	<u>\$ 589,164</u>

## 25. Employment, Depreciation and Amortization Expenses

	2012	2011
Employment expenditure		
Salary and bonus	\$ 1,389,461	\$ 1,337,552
Pension	52,630	82,162
Premium	115,590	105,774
Others	58,892	43,748
	<u>\$ 1,616,573</u>	<u>\$ 1,569,236</u>
Depreciation	<u>\$ 149,154</u>	<u>\$ 149,770</u>
Amortization	<u>\$ 14,189</u>	<u>\$ 18,950</u>

## 26. Earnings per Share

The numerator and denominator used to calculate basic earnings per share are disclosed as follows:

	Amount (numerator)		1,000 shares	Earnings/share (NT\$)	
	Before tax	After tax	(denominator)	Before tax	After tax
2012					
Basic EPS	<u>\$ 1,276,870</u>	<u>\$ 1,229,865</u>	<u>1,274,973</u>	<u>\$ 1.00</u>	<u>\$ 0.96</u>
2011					
Basic EPS	<u>\$ 507,610</u>	<u>\$ 500,228</u>	<u>1,258,526</u>	<u>\$ 0.40</u>	<u>\$ 0.40</u>

It is assumed that that there is no material effect on earnings (net loss) per share if the parent company's stocks held by subsidiaries are not regarded as treasury stocks but investment.

## 27. Treasury Stocks

Sunny Personal Insurance Agent Company is the Bank's subsidiary which held 420,000 shares of the Bank's stocks at a book value per share of NT\$ 8.35 up to the end of 2012 and 2011 since the equity investment under equity method was rendered treasury stocks.

The treasury stocks held by the Bank shall not be collateralized and the Bank is not entitled to dividend allotment and voting right in accordance with regulations of Securities and Exchange Act. The Bank's stocks held by subsidiaries are regarded as treasury stocks. Subsidiaries shall not participate in the Bank's cash capital increase and not have the voting right, either.

## 28. Pension

The Bank has stipulated the retirement plan towards staff and workers who are hired officially. Retirement payments of staff and workers are calculated according to seniority and the average salary of six months before retirement in accordance with regulations of the plan.

The employee pension is allotted pension reserves monthly at 2% of gross salary. The pension reserves are delivered to labor pension reserve surveillance committee for management and paid into Bank of Taiwan in the name of the committee.

The stipulated employee retirement plan for which the "Labor Pension Act" is applicable belongs to defined contribution retirement plan and 6% of monthly employee salary is allotted to individual pension accounts. The pension costs which were recognized by the Bank according to the retirement plan are NT\$ 28,681,000 and NT\$ 60 million for both 2012 and 2011, and the pension costs which belongs to defined benefit retirement plan are NT\$ 23,949,000 and NT\$ 22,162,000, respectively.

The information about pension which belongs to defined benefit retirement plan is disclosed as follows:

## (1) Net periodic pension cost

	2012	2011
Service cost	\$ 10,878	\$ 10,598
Interest cost	12,616	11,786
Expected return on pension plan assets	(9,365)	(8,268)
Amortization	9,820	8,046
Net periodic pension cost	<u>\$ 23,949</u>	<u>\$ 22,162</u>

## (2) Reconciliation of funded status of retirement fund and the presentation amount of balance sheet

	Dec 31 2012	Dec 31 2011
Benefit obligation		
Vested benefit obligation	\$ 304,096	\$ 257,092
Non-vested benefit obligation	213,169	230,763
Accumulated benefit obligation	517,265	487,855
Effects on increased future salary	145,427	158,423
Projected benefit obligation	662,692	646,278
Fair market price of retirement fund	(466,538)	(461,237)
Funded status	196,154	185,041
Unrecognized net transition pension assets	33,601	38,402
Unrecognized past service cost	25,973	27,780
Unrecognized pension gains and losses	(282,971)	(278,198)
Additional pension liabilities to be accrued	77,970	53,593
Accrued pension liability (recorded other liabilities)	<u>\$ 50,727</u>	<u>\$ 26,618</u>

## (3) Vested benefits in accordance with the staff and workers retirement plan

	<u>\$ 386,421</u>	<u>\$ 330,375</u>
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## (4) Assumption of pension benefit obligation

Discount rate	1.875%	2.00%
Increment rate of future salary levels	1.875%	2.00%
Expected return on pension plan asset investments	1.875%	2.00%

## (5) Allotment and payment of pension reserves

	Year 2012	Year 2011
Allotment	\$ 24,217	\$ 61,121
Payment	\$ 25,341	\$ 26,181

## 29. Transactions in Related Parties

## (1) Names and relations of related parties

Names of related parties	Relations with the Bank
Sunny Securities Co., Ltd. (Sunny Securities)	Subsidiary
Sunny Asset Management Company Co., Ltd. (Sunny AMC)	Subsidiary
Sunny Property Insurance Agent Co., Ltd. (Sunny Property Insurance)	Subsidiary
Sunny Personal Insurance Agent Co., Ltd. (Sunny Personal Insurance)	Subsidiary
Sunny International Leasing Co., Ltd.	Subsidiary
Other related parties	The Bank's directors, supervisors and managers as well as relatives within the second degree of the chairman and the president.

## (2) Material transactions between related parties and the Bank

## 1. Accounts receivable – net value

	Dec 31 2012		Dec 31 2011	
	Amount	% of the title	Amount	% of the title
Sunny Personal Insurance	\$ 38,392	3.3	\$ 15,103	1.4
Sunny Property Insurance	1,780	0.2	807	0.1
	\$ 40,172	3.5	\$ 15,910	1.5

## 2. Loans

December 31, 2012

Category	Number or names of related parties	Highest balance of the year	Average balance of the year	Balance at the end of the year	Performance of contracts		Substances of collaterals	Difference in trade terms with non-related parties?
					Performing loans	Non-performing loans		
Consumer loans	20	\$ 8,488	\$ 5,464	\$ 4,944	\$ 4,944	\$ ---	---	No
Secured loans of owner-occupied residence	26	191,074	148,384	164,674	164,674	---	Land and buildings (residential)	No
Other loans	Liu, Min-Xiang	450	450	450	450	---	Deposit receipt	No
	Wang, Ya-Xun	6,900	6,900	6,900	6,900	---	Farmland	No
	Gao, Zhi-Li	1,790	1,116	---	---	---	Deposit receipt	No

December 31, 2011

Category	Number or names of related parties	Highest balance of the year	Average balance of the year	Balance at the end of the year	Performance of contracts		Substances of collaterals	Difference in trade terms with non-related parties?
					Performing loans	Non-performing loans		
Consumer loans	23	\$ 9,935	\$ 6,219	\$ 6,091	\$ 6,091	\$ ---	---	No
Secured loans of owner-occupied residence	27	197,580	117,102	140,208	140,208	---	Land and buildings (residential)	No
Other loans	Liu Xiang-Dun	16,750	15,187	---	---	---	Land and buildings (commercial)	No
	Wang Ya-Xun	6,900	6,900	6,900	6,900	---	Farmland	No
	Zhao Fu-Tian	4,000	65	---	---	---	Deposit receipt	No
	Gao Zhi-Li	2,800	773	1,200	1,200	---	Deposit receipt	No
	Hsu, Su-Ching	500	89	---	---	---	Deposit receipt	No
	Liu Min-Xiang	450	364	450	450	---	Deposit receipt	No
	Liu Zhen-Sheng	200	51	---	---	---	Deposit receipt	No

### 3. Deposits

	Dec 31 2012			Dec 31 2011		
	Balance	% of the title	Annual interest rate (%)	Balance	% of the title	Annual interest rate (%)
Sunny Securities	\$ 210,525	0.1	0-1.34	\$ 18,867	---	0-0.06
Sunny Personal Insurance	15,548	0.1	0-1.34	58,506	---	0-1.34
Sunny International Leasing Co., Ltd.	49,458	---	0.06-0.93	---	---	---
Sunny AMC	32,902	---	0-0.06	7,603	---	0-0.06
Sunny Property Insurance	12,745	---	0-0.88	10,927	---	0-0.06
Other related parties	288,490	0.1	0-4.5	\$ 318,312	0.2	0-4.5
	<u>\$ 709,668</u>	<u>0.3</u>		<u>\$ 414,215</u>	<u>0.2</u>	

### 4. Interest income

	Year 2012		Year 2011	
	Amount	% of the title	Amount	% of the title
Other related parties	<u>\$ 3,747</u>	<u>0.1</u>	<u>\$ 3,184</u>	<u>0.1</u>



**5. Interest expense**

	Year 2012		Year 2011	
	Amount	% of the title	Amount	% of the title
Sunny Personal Insurance	\$ 734	---	\$ 493	---
Sunny Securities	698	---	4	---
Other related parties	4,265	0.2	\$ 4,385	0.2
Others	105	---	516	---
	<u>5,802</u>	<u>0.2</u>	<u>\$ 4,901</u>	<u>0.2</u>

**6. Net income of commission**

	Year 2012		Year 2011	
	Amount	% of the title	Amount	% of the title
Sunny Personal Insurance	\$ 236,854	36.6	\$ 137,503	23.3
Sunny Property Insurance	11,885	1.8	11,739	2.0
Sunny AMC	4,112	0.6	6,226	1.1
	<u>\$ 252,851</u>	<u>39.0</u>	<u>\$ 155,468</u>	<u>26.4</u>

**7. Brokerage (recorded deduction of net financial instruments profit at fair value through profit or loss)**

	Year 2012		Year 2011	
	Amount	% of the title	Amount	% of the title
Sunny Securities	<u>\$ 5,082</u>	<u>4.9</u>	<u>\$ 2,413</u>	<u>72.1</u>

**8. Lease**

The list of business place lease contracts which are signed by subsidiaries and the bank is as follows:

Leasee	Deadline of lease term	How rents are received	Guarantee deposit	Year 2012
Sunny Securities	September 2015	Received by month	\$ 830	\$ 9450
Sunny Personal Insurance	July 2015	Received by month	---	870
Sunny AMC	November 2015	Received by month	12	72
Leasee	Deadline of lease term	How rents are received	Guarantee deposit	Year 2011
Sunny Securities	December 2012	Received by month	\$ 1,000	\$ 9,480
Sunny Personal Insurance	July 2012	Received by month	---	870
Sunny AMC	November 2012	Received by month	12	72

Quotation for the market price is referenced to negotiate rent of the lease contract between related parties and the bank and the rent is received and paid according to general conditions.

## 9. Sale of bad claims

The bank transferred and sold 41,272 and 2,327 bad claims which were recorded NT\$ 1,041,038,000 and 1,394,846,000, respectively, to Sunny AMC in public tender bid. The base date was July 25, 2007 and November 30, 2006 and the transaction price was NT\$ 858 million and 610 million. Transfer proceeds were paid by installments respectively from the date of contracts to July 31, 2010 and December 26, 2009. However, the payment deadline of the bad claim which was transferred and sold in Year 2006 had been mature in Year 2009 and a supplementary contract was signed to extend the payment deadline to July 31 2015 and December 26, 2011. The Bank transfers present or future rights of bad claims and interest and litigation claims to Sunny AMC from the retrospective base date in accordance with contracts. Losses of bad claim sales aggregate NT\$ 183,038,000 and 784,846,000, respectively, and are deferred and amortized on a five-year basis in accordance with regulations of "The Financial Institutions Merger Act." The unamortized balance is recorded as other assets – unrecognized /losses of selling bad claims. The changes are as follows:

	2011
Balance at the beginning of the year	\$ 198,798
Amortization of the year	198,798
Balance at the end of the year	\$ ---

The unrecognized losses from the sale of bad claims mentioned above have been amortized completely in 2011.

Up to the end of 2012 and 2011, the net value of sales proceeds receivable is:

	Dec 31 2012	Dec 31 2011
Sale proceeds receivable (recorded receivable – net value)	\$ 334,335	\$ 430,303
Minus: Allowance for bad claims	334,335	430,303
	---	---

The bad claim expenses are NT\$ 95,968,000 and 14,308,000 for 2012 and 2011, respectively.

## 10. Financial bonds payable

The face value of financial bonds which were issued by the bank and held by Sunny Personal Insurance Co., Ltd at the end of both 2012 and 2011 aggregated NT\$ 5,500,000.

For the transactions between the Bank and related parties, the terms and conditions are the same as those for unrelated parties except that a better interest rate is given to bank employees for deposits and loans within a certain amount.

### (3) Remuneration information about directors, supervisors and the management

	Year 2012	Year 2011
Salary	\$ 40,768	\$ 40,112
Bonus	9,688	8,692
	\$ 50,456	\$ 48,804

### 30. Collateralized Assets

The warranted assets which have been provided by the bank are as follows:

	Dec 31 2012	Dec 31 2011
Due from central bank	\$ 1,200,000	\$ 1,200,000
Financial assets in available-for-sale	254,100	197,000
Other assets – refundable deposit	237,804	218,710
- business guaranty fund	23,800	23,800

The above collateralized assets are mainly (1) deposited in courts and used as the guaranty fund which debtors' property is conducted sequestration, the tenant guarantee deposit of every business unit place, the payment reserve fund for credit cards, the compensation reserve fund for the trust department, the storage guaranty fund for financial bill dealers, the business guaranty fund for bond dealers, the settlement reserve fund for bond payments in the electronic bond trading system and real time gross settlement, and (2) adopted in response to CBC Interbank Funds Transfer System. The warranty facilities can be changed at any time and the facilities which are not used at the end of the day still can be worked as liquid reserves because government bonds and certificates of deposit which are bought are provided and taken as the warranty of overdraft in the daytime.

### 31. Material Commitments and Contingencies

In addition to the statement of notes in financial statements, the bank's commitments and contingencies were as follows as of the end of 2012:

- (1) The bills and bonds under repurchase agreement listed as of December 31, 2012 and 2011 by the Bank were matured in January 2013 and January 2012, respectively. The repurchase prices were NT\$ 958,779,000 and 360,403,000, respectively.
- (2) The bank rents operational places which are used by every business unit and the lease term will be mature respectively before November, 2020. Altogether refundable deposits are NT\$ 83,836,000 (recorded other assets). Rental expenses were NT\$ 44,185,000 in Year 2012.

The rent to be paid by agreements in the next five years is as follows:

Year	Minimum amount of rent to be paid
2013	\$ 43,593
2014	36,958
2015	21,327
2016	16,478
2017	7,740

## 32. Related Information about Financial Instruments

### (1) Information about fair value

	Dec 31 2012		Dec 31 2011	
	Book value	Fair value	Book value	Fair value
<b>Financial Assets</b>				
Financial assets whose fair value and book value are equal	\$ 52,850,317	\$ 52,850,317	\$ 55,758,225	\$ 55,758,225
Financial assets at fair value through profit or loss	4,620,335	4,620,335	2,653,828	2,653,828
Financial assets in available-for-sale	2,953,917	2,953,917	1,234,495	1,234,495
Discounts and loans	189,949,281	189,949,281	177,345,283	177,345,283
Financial assets in held-to-maturity	1,171,441	1,171,441	---	---
Bond instrument investments which are not in active markets	36,420	36,420	37,862	37,862
Other miscellaneous financial assets	1,571	1,571	454	454
<b>Financial Liabilities</b>				
Financial liabilities whose fair value and book value are equal	243,082,678	243,082,678	230,540,249	230,540,249
Financial liabilities at fair value through profit or loss	3,924	3,924	1,939	1,939
Financial bonds payable	8,109,400	8,109,400	6,809,400	6,809,400

### (2) The method and assumption which are used to estimate the fair value of financial instruments by the bank are as follows:

1. The fair market price of short-term financial instruments is used to estimate the fair value at the book value in balance sheets. The book value shall be the reasonable base of estimating fair value because the maturity or the estimated disposition date of such instruments is very close. The method is applied to cash, due from central bank and interbank offering, receivables (exclude income tax refunds receivable), business guaranty funds, refundable deposits, financial bills and bonds sold under repurchase agreement, central bank and interbank deposits, payables, deposits and remittances and deposits received.
2. If there is public offer in active markets for financial instruments at fair value through profit or loss, financial assets in available-for-sale, financial assets in held-to-maturity and debt instrument investments which are not in active markets, the market price is taken as the fair value. The assessment method is adopted to estimate if there is no market price available for reference. The estimate and assumption information which is used in adoption of the assessment method by the bank and the estimate and assumption information which is taken as the financial instrument pricing by market participants is the same and the information is available for the bank.

The market price is taken as the fair value if there is public offer in active markets for derivative financial instruments. The assessment method is adopted to estimate if there is no market price available for reference. The estimate and assumption information which is used in adoption of the assessment method by the bank and the estimate and assumption information which is taken as the financial instrument pricing by market participants is the same and the information is available for the bank.

3. Discounts and loans as well as deposits are interest-bearing financial assets and liabilities and interests are mostly calculated at floating rates; the contract interest rate is similar to existing market interest rate and there is no material difference, so the carrying amount is taken as the fair value.
4. Both unlisted and under-the-counter equity investments under equity method and financial assets measured at costs belong to stocks of unlisted and under-the-counter companies. The fair value cannot be measured reliably because there is no public offer in active markets and the variation extent of fair value estimates is really not small and the probability of every estimate in the variation extent cannot be estimated reasonably

and thus the fair value is not estimated, recognized and disclosed.

5. The fair value of financial bonds payable is estimated at the discounted value of expected cash flows. The discount rate is subject to interest rates of government bonds which are under similar conditions (approximate maturity) and can be obtained by the bank.

The total fair value listed above does not represent the bank's total value because part of financial instruments and non-financial instruments do not have to list the fair value.

- (3) Among the methods and assumptions which are used to decide the fair value of financial instruments by the bank, the estimated amount of both public offer and assessment method which contain the direct decision of public offer in active markets and estimate of assessment method at the same time respectively is:

	Amount decided by public offer		Amount estimated by assessment method	
	Year 2012	Year 2011	Year 2012	Year 2011
	Dec 31	Dec 31	Dec 31	Dec 31
Financial assets at fair value through profit or loss	\$ 647,072	\$ 418,757	\$ 3,973,263	\$ 2,235,071
Financial assets in available-for-sale	648,793	591,531	2,305,124	642,964
Financial assets in held-to-maturity	---	---	1,172,483	---
Bond instrument investments which are not in active markets	---	---	36,420	37,862
Financial liabilities at fair value through profit or loss	---	---	3,924	1,939

- (4) The valuated amount of net profit or loss of the year which was recognized due to changes in the fair value which was decided by public offer and estimated by assessment method by the bank in Year 2012 and 2011 was NT\$ 25,802,000 gains and NT\$ 16,890,000 gains respectively.
- (5) On December 31 of 2012 and 2011, the bank's financial assets which are of risks of fair value of changes in interest rates were NT\$ 7,484,277,000 and 2,867,554,000, respectively.
- (6) The bank's total interest income of financial assets or liabilities which were not measured at fair value and not recognized profit or loss at changes in fair value was NT\$ 5,212,156,000 and 4,982,733,000, respectively, in Year 2012 and 2011. The bank's amount which was directly recognized as stockholders' equity adjustments from financial assets in available-for-sale of the year was a decrease of NT\$ 47,032,000 and NT\$ 119,123,000 respectively in Year 2012 and 2011.
- (7) Information about financial risk

#### 1. Market risk

The fair value of the financial instruments such as bonds, financial bills, loans and similar financial instruments which are held or issued by the bank will change on the balance sheet date because of changes in market interest rates.

Information about the bank's monetary financial assets and liabilities of foreign currency which have material effect is as follows:

In foreign currency / NT\$ 1,000						
	Dec 31 2012			Dec 31 2011		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets						
USD	\$ 315,242	29.136	\$9,184,882	\$ 245,155	30.290	\$7,425,753
HKD	35,827	3.759	134,675	3,771	3.898	14,700
EUR	5,409	38.610	208,846	3,259	39.190	127,701
Financial liabilities						
USD	24,505	29.136	713,979	170,654	30.290	5,169,113
ZAR	117,253	3.430	402,179	135,805	3.720	505,193
AUD	13,176	30.270	398,839	9,108	23.411	213,227
HKD	74,081	3.759	278,472	61,339	3.898	239,099
EUR	4,850	38.610	187,267	4,671	39.190	183,040
NZD	6,124	23.935	146,590	10,410	30.740	320,001
GBP	1,354	46.980	63,625	1,600	46.750	74,802

## 2. Credit risk

The bank has large amount of credit commitment due to making of loans and issuing of credit cards. Most of the credit terms of loans which are made are more than seven years. The extents of credit loan interest rate were 0%-16.99% and 0%-18.25% in Year 2012 and 2011, respectively, and the highest interest rate of credit card can reach 19.71%. The bank also provides warranties customers with the duty of performance to the third party. The term of the above guarantee agreements is generally one year and the maturity is not focused on a specific period.

The maximum exposure amount of credit risk which is recorded every kind of financial asset by the bank means the book value of the asset on the balance sheet date. Please refer to every statement of notes in balance sheets and financial statements. In addition, the bank's amount of financial instrument contracts which are of the credit risk of off-balance sheet was as follows:

	Dec 31 2012	Dec 31 2011
Loan commitment	\$ 6,698,918	\$ 7,048,406
Guarantee and open credit	2,873,870	2,863,796
Credit commitment of credit card	497,266	510,686

All related financial instruments will not be paid actually before maturity, so the contract amount does not represent future cash outflows, namely, the future demand amount for cash is less than the contract amount. If the credit line has been used totally and collaterals or other guarantees lose their value completely, the amount of credit risk will be equal to the contract amount, namely, this is the maximum loss that might happens.

The bank must make strict credit assessments when it provides with every loan commitment, guarantee and development of commercial credit. The bank's strategy is to ask some specific customers to offer proper collaterals before appropriating approved loans to them. The ratio of loans which had collaterals to total amount of loans was about 81.85% and 81.78% respectively at the end of 2012 and 2011. Collaterals which credit customers are asked to provide with for loans, guarantee and open credit are usually real estates, certificates of deposit, circulative marketable securities or other properties. The bank will enforce the rights for customers' collaterals or other guarantees when they default. The bank's credit risks can be reduced effectively but the fair value of collaterals are not considered when the maximum exposure amount of credit risk is disclosed.

Collaterals are unnecessary to credit commitments of credit card but the credit status of credit card holders must be assessed periodically and the credit line has to be revised if necessary.

The situation where credit risks concentrate significantly occurs when trading counterparts of financial instruments concentrate on one person significantly or most of the trading counterparts of financial instruments engage in similar commercial activities and they have similar economic particularity that makes effects of economic or other situations on the ability of contract performance similar as well though there are several trading counterparts. Transactions between single customer or single trading counterpart and the bank are not concentrated significantly.

Information about significant concentration of credit risk, which is classified and listed according to object, industry type and area by the bank is as follows (the three highest ratios of credit amount to total amount of credit are listed):

Object	Dec 31 2012	Dec 31 2011
Natural person	\$ 109,936,978	\$ 112,371,605
Private enterprise	73,570,202	59,521,574
Government institutions	2,359,321	900,692
	<u>\$ 185,866,501</u>	<u>\$ 172,793,871</u>
Industry type	Dec 31 2012	Dec 31 2011
Manufacturing	\$ 15,542,417	\$ 13,045,989
Real estate	18,001,576	18,037,343
Wholesale and retail	13,157,917	8,038,392
	<u>46,701,910</u>	<u>\$ 39,121,724</u>
Area	Dec 31 2012	Dec 31 2011
Taiwan	\$ 185,989,509	\$ 174,922,022
Asia	2,142,616	1,334,714
Europe	1,169,001	321,847
	<u>\$ 189,301,126</u>	<u>\$ 176,578,583</u>

### 3. Liquidity risk

The bank's ratio of liquid reserve was 17.56% and 18.74% respectively in Year 2012 and 2011. There is no liquidity risk of contractual obligation performance that arises from unavailable financing because capital and working capital are sufficient to deal with and perform all contractual obligations.

The bank's basic policy of operations management is to coordinate maturity and interest rate towards assets and liabilities and control uncoordinated gaps. The maturity and interest rate of assets and liabilities cannot be generally coordinated completely because of uncertain trade terms and different categories. This kind of gap might give rise to potential gains or losses.

The maturity analysis which is made by adoption of appropriate ways of group division according to characters of assets and liabilities by the bank is hereby listed:



In NT\$ 1,000

	Dec 31 2012						
	Less than a month	1 – 3 months	3 – 6 months	6 – 12 months	1 – 7 years	More than 7 years	Total
<u>Assets</u>							
Cash	\$ 5,486,974	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 5,486,974
Due from central bank and inter-bank offering	45,096,739	---	---	---	---	---	45,096,739
Financial assets at fair value through profit or loss	3,071,740	1,196,636	249,137	---	53,014	49,808	4,620,335
Notes and bonds investment under resale agreement	958,261	---	---	---	---	---	958,261
Total amount of receivables	1,751,623	---	---	---	---	---	1,751,623
Total amount of discounts and loans	12,092,667	13,396,439	13,618,068	23,817,329	47,550,665	81,393,641	191,868,809
Financial assets in available-for-sale	648,793	---	---	202,771	1,159,444	942,909	2,953,917
Financial assets in held-to-maturity	---	200,000	---	---	---	971,441	1,171,441
Total debt instrument investments which are not in active markets	---	---	---	---	136,728	---	136,728
Total assets	\$69,106,797	\$14,793,075	\$13,867,205	\$24,020,100	\$48,899,851	\$83,357,799	\$254,044,827
<u>Liabilities</u>							
Financial liabilities at fair value through profit or loss	\$ 8,166,220	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 8,166,220
Central bank and interbank deposits	3,924	---	---	---	---	---	3,924
Financial bills and bonds sold under repurchase agreement	1,972,826	---	---	---	---	---	1,972,826
Payables	3,313,787	---	---	---	---	---	3,313,787
Deposits and remittances	116,677,771	27,478,047	25,468,935	54,155,927	5,794,108	---	229,574,788
Financial bonds payable	---	---	304,500	---	7,804,900	---	8,109,400
Total liabilities	\$130,134,528	\$27,478,047	\$25,773,435	\$54,155,927	\$13,599,008	\$ ---	\$251,140,945

In NT\$ 1,000

	Dec 31 2011						
	Less than a month	1 – 3 months	3 – 6 months	6 – 12 months	1 – 7 years	More than 7 years	Total
<u>Assets</u>							
Cash	\$ 5,028,349	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 5,028,349
Due from central bank and inter-bank offering	49,164,964	---	---	---	---	---	49,164,964
Financial assets at fair value through profit or loss	1,085,595	518,885	996,503	---	---	52,845	2,653,828
Notes and bonds investment under resale agreement	360,380	---	---	---	---	---	360,380
Total amount of receivables	1,747,986	---	---	---	---	---	1,747,986
Total amount of discounts and loans	11,444,737	10,617,967	10,586,035	17,145,660	43,557,252	5,489,403	178,841,054
Financial assets in available-for-sale	641,536	---	17,049	12,455	455,687	107,768	1,234,495
Total debt instrument investments which are not in active markets	---	---	---	---	151,450	---	151,450
Total assets	\$ 69,637,251	\$ 11,136,852	11,599,587	\$ 17,158,115	\$ 44,164,389	\$ 85,650,016	\$ 239,346,210
<u>Liabilities</u>							
Financial liabilities at fair value through profit or loss	\$ 7,311,459	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 7,311,459
Central bank and interbank deposits	1,932	---	---	---	---	---	1,932
Financial bills and bonds sold under repurchase agreement	689,526	---	---	---	---	---	689,526
Payables	3,192,744	---	---	---	---	---	3,192,744
Deposits and remittances	109,531,498	23,864,006	28,667,432	53,590,984	3,795,972	---	219,449,892
Financial bonds payable	---	---	---	---	6,809,400	---	6,809,400
Total liabilities	\$ 120,727,159	\$ 23,864,006	\$ 28,667,432	\$ 53,590,984	\$ 10,605,372	\$ ---	\$ 237,454,953

## (8) Risk management and hedging strategy

The bank has formulated the written policy of risk management which covers the bank's entire operation strategy and philosophy of risk management. The bank's overall plan for risk management is to minimize potentially adverse effects on the bank's operation performance and Board of Directors has passed the written policy of entire risk management and written policies in connection with specific risks. (for example, credit risk, market risk, operation risk, exchange rate risk and interest rate risk) Board of Directors will reexamine such written policies and actual situation of treatment to ensure the reliable implementation of the bank's policies.

## Information on the fair value of financial instruments

In NT\$ 1,000

	Dec 31 2012			
	Total	Tier 1	Tier 2	Tier 2
<u>Financial instruments measured with fair value</u>				
<u>Non-derivative financial instruments</u>				
<b>Assets</b>				
Financial assets at fair value through profit or loss				
Stock investment	\$ 148,780	\$ 148,780	\$ ---	\$ ---
Bond investment	102,822	49,808	53,014	---
Others	4,353,374	448,484	3,904,890	---
Financial assets in available-for-sale				
Stock investment	493,688	493,688	---	---
Bond investment	2,305,124	---	2,305,124	---
Others	155,105	155,105	---	---
Other financial instruments				
Debt instrument investments which are not in active markets	36,420	---	---	36,420
<u>Derivative financial instruments</u>				
<b>Assets</b>				
Financial assets at fair value through profit or loss	15,359	---	15,359	---
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss	3,924	---	3,924	---
<b>Total</b>	<b>\$ 7,614,596</b>	<b>\$ 1,295,865</b>	<b>\$ 6,282,311</b>	<b>\$ 36,420</b>

## Details of change in financial assets at fair value and categorized in Tier 3

In NT\$ 1,000

Name	Balance at the beginning of the year	Amount of loss/gain on valuation recognized as current loss/gain or shareholders' equity	Increase of the year		Decrease of the year		Balance at the end of the year
			Buy-in of issuing	Transfer into Tier 3	Sale, disposal or transaction	Transfer out of Tier 3	
Financial assets in available-for-sale							
Others	\$43,630	(\$3,395)	\$ ---	\$ ---	\$ 40,235	\$ ---	\$ ---
Other financial assets							
Debt instrument investments which are not in active markets	37,862	(1,442)	---	---	---	---	36,420
<b>Total</b>	<b>81,492</b>	<b>(4,837)</b>	<b>---</b>	<b>---</b>	<b>40,235</b>	<b>---</b>	<b>36,420</b>

## Information on the fair value of financial instruments

In NT\$ 1,000

	Dec 31 2011			
	Total	Tier 1	Tier 2	Tier 2
Financial instruments measured with fair value				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Stock investment	\$ 25,341	\$ 25,341	\$ ---	\$ ---
Bond investment	52,845	---	52,845	---
Others	2,565,161	93,416	2,171,745	---
Financial assets in available-for-sale				
Stock investment	454,057	454,057	---	---
Bond investment	599,334	---	599,334	---
Others	181,104	137,474	---	43,630
Other financial instruments				
Debt instrument investments which are not in active markets	\$ 37,862	\$ ---	\$ ---	\$ 37,862
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	10,481	---	10,481	---
Liabilities				
Financial liabilities at fair value through profit or loss	1,939	---	1,939	---
Total	\$ 3,928,110	\$ 1,010,288	\$ 2,836,330	\$ 81,492

## Details of change in financial assets at fair value and categorized in Tier 3

In NT\$ 1,000

Name	Balance at the beginning of the year	Amount of loss/gain on valuation recognized as current loss/gain or shareholders' equity	Increase of the year		Decrease of the year		Balance at the end of the year
			Buy-in of issuing	Transfer into Tier 3	Sale, disposal or transaction	Transfer out of Tier 3	
Financial assets in available-for-sale							
Others	\$97,891	(\$4,944)	\$1,726,485	\$40,235	\$1,816,037		\$43,630
Other financial assets							
Debt instrument investments which are not in active markets	36,875	987					37,862
Total	134,766	(3,957)	1,726,485	40,235	1,816,037		81,492

### 33. Capital Adequacy

The ratio of banks' equity capital to risk assets shall not be lower than 8% for strengthening banks' financial fundamentals in accordance with regulations of "The Banking Act of The Republic of China" and related measures; the central regulator can restrict the earning distribution of the bank whose actual ratio is lower than required standards.

Unit: NT\$ 1,000 and %

Analysis item		Year		Dec 31 2012		Dec 31 2011	
				Sunny Bank	Consolidated	Sunny Bank	Consolidated
Equity capital	Tier 1 capital			\$10,895,501	\$11,500,519	\$10,568,224	\$10,854,899
	Tier 2 capital			4,908,167	5,504,797	4,083,319	4,361,504
	Tier 3 capital			---	---	---	---
	Equity capital			15,804,668	17,005,415	14,651,543	15,216,403
Total risk-weighted assets	Credit risk	Standardized approach		171,224,219	171,362,100	152,369,727	153,013,236
		Internal ratings-based approach		---	---	---	---
		Asset securitization		---	---	---	---
	Operation risk	Basic indicator approach		6,942,249	7,180,781	5,587,007	5,823,776
		Standardized approach /		---	---	---	---
		Alternative standardized approach		---	---	---	---
		Advanced measurement approach		---	---	---	---
	Market risk	Standardized approach		6,547,039	6,597,324	6,024,600	6,320,499
		Internal model approach		---	---	---	---
	Total risk-weighted assets			184,713,507	185,140,205	163,981,334	165,157,511
BIS ratio				8.56%	9.19%	8.93%	9.21%
The ratio of tier 1 capital to risk assets				5.90%	6.21%	6.44%	6.57%
The ratio of tier 2 capital to risk assets				2.66%	2.98%	2.49%	2.64%
The ratio of tier 3 capital to risk assets				---	---	---	---
The ratio of ordinary share capital to total assets				4.82%	4.83%	5.11%	5.10%
Leverage ratio				4.28%	4.50%	4.41%	4.71%

- Equity capital = Tier 1 capital + Tier 2 capital + Tier 3 capital.
- Total risk-weighted assets = Credit-risk-weighted assets + Capital charge of (Operation risk + Market risk) × 12.5
- BIS ratio = Equity capital / Total risk-weighted assets
- The ratio of tier 1 capital to risk assets = Tier 1 capital / Total risk-weighted assets
- The ratio of tier 2 capital to risk assets = Tier 2 capital / Total risk-weighted assets

6. The ratio of tier 3 capital to risk assets = Tier 3 capital / Total risk-weighted assets
7. The ratio of ordinary share capital to total assets = Ordinary share capital / Total assets
8. Leverage ratio = Tier 1 capital / Adjusted average assets (average assets deduct tier 1 capital deduction such as “goodwill”, “unamortized losses of selling bad claims” and the amount which shall be deducted from tier 1 capital in accordance with regulations of “Directions and Forms of Calculation Method of Banks’ Equity Capital and Risk Assets.”)

### 34. The Average Value of Interest-earning Assets and Interest-bearing Liabilities and Average Interest Rate of the Year

	Year 2012		Year 2011	
	Average	Average interest rate %	Average	Average interest rate %
<u>Assets</u>				
Cash – due from banks	\$ 325,789	0.16	\$ 390,150	0.30
Due from central bank and inter-bank offering	47,222,843	0.83	42,572,401	0.81
Financial assets at fair value through profit or loss	4,379,925	0.93	1,620,204	0.79
Financial assets in available-for-sale	1,152,864	1.33	1,806,640	1.77
Financial assets in held-to-maturity	372,778	1.24	---	---
Debt instrument investments which are not in active markets	143,397	---	147,313	---
Financial bills and bond investments under reverse repurchase agreement	66,497	0.80	34,299	0.84
Receivables	412,721	10.73	493,423	10.95
Discounts and loans	184,082,290	2.57	177,123,925	2.56
<u>Liabilities</u>				
Financial bills and bonds sold under repurchase agreement	3,194,472	0.82	2,034,163	0.67
Central bank and interbank deposits	8,520,749	1.23	7,005,697	1.24
Demand deposit	24,114,329	0.06	21,952,002	0.06
Demand savings deposit	56,678,210	0.21	56,043,434	0.20
Time deposit	40,700,289	1.13	40,813,092	1.08
Time savings deposit	92,479,149	1.35	85,011,367	1.27
Cash in public treasury	47,209	0.09	180,397	0.11
Negotiable certificates of deposit	4,538,873	1.08	3,757,721	0.98
Financial bonds payable	7,558,092	2.84	8,116,622	2.81

### 35. Information Related to Quality of Loan Assets, Concentration of Credit Risk, Sensitive Information about Interest Rate, Profitability and Term Structure Analysis of Maturity

#### (1) Quality of loan assets

##### Non-performing loans and delinquent account

Unit: n NT\$ 1,000

Month / Year		Dec 31 2012					Dec 31 2011					
Business / Item		Amount of non-performing loans (Note 1)	Total loans	Ratio of non-performing Loans (Note 2)	Amount of allowance for bad debts	Coverage ratio of Allowance for bad debts (Note 3)	Amount of non-performing loans	Total loans	Ratio of non-performing Loans	Amount of allowance for bad debts	Coverage ratio of Allowance for bad debts	
Business finance	Guarantee	452,945	53,584,373	0.85%	541,825	119.62%	\$420,285	\$38,762,625	1.08%	\$312,832	74.43%	
	No guarantee	224,733	29,815,119	0.75%	397,945	177.07%	398,952	27,708,288	1.44%	430,639	107.94%	
Consumer finance	Residential mortgage lending (Note 4)		172,121	44,616,064	0.39%	321,766	186.94%	235,543	50,695,026	0.46%	322,379	136.87%
	Cash card		---	---	---	---	---	---	---	---	---	
	pure credit loans of petty cash (Note 5)		19,171	1,087,252	1.76%	38,383	200.21%	29,972	1,466,195	2.04%	48,176	160.74%
	Others (Note 6)	Guarantee	189,998	59,505,980	0.32%	431,805	227.27%	204,900	57,603,271	0.36%	304,645	148.68%
		No guarantee	48,643	3,260,021	1.49%	163,556	336.24%	51,239	2,605,649	1.97%	60,369	117.82%
Total loan businesses			1,107,611	191,868,809	0.58%	1,895,280	171.11%	1,340,891	178,841,054	0.75%	1,479,040	110.30%
			Amount of delinquent account	Balance of accounts receivable	Ratio of delinquent account	Amount of allowance for bad debts	Coverage ratio of allowance for bad debts	Amount of delinquent account	Balance of accounts receivable	Ratio of delinquent account	Amount of allowance for bad debts	Coverage ratio of allowance for bad debts
Credit card business			3,305	585,945	0.56%	59,978	1,814.77%	3,974	635,533	0.63%	78,533	1,976.17%
Non-recourse factoring (Note 7)			---	---	---	---	---	---	---	---	---	---

Note 1: Non-performing loans are presented the amount of non-performing loans in accordance with “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”; delinquent accounts of credit card are presented the amount of delinquent accounts in accordance with No. 0944000378 by FSB (IV), July 6, 2005.

Note 2: Ratio of non-performing loans = Non-performing loans / Total loans; Ratio of delinquent accounts of credit card = Delinquent account / Balance of accounts receivable

Note 3: Coverage ratio of allowance for bad debts on loans = Presented amount of allowance for bad debts on loans / Amount of non-performing loans; Coverage ratio of allowance for bad debts on credit card receivables = Presented amount of allowance for bad debts on credit card receivables / Amount of delinquent account

Note 4: The purpose of residential mortgage lending is to construct residences or renovate houses for borrower. Residences which are purchased (possessed) by oneself or spouses or minor children are provided with full guarantee and are set mortgage to financial institutions for acquirement of fund.

Note 5: Pure credit loans of petty cash must be applicable to the standard of No. 09440010950 by FSB (IV), December 19, 2005 and do not belong to pure credit loans of petty cash on credit card and cash card.

Note 6: “Other” consumer finance refers to other guarantee or non-guarantee consumer finance loans which do not belong to “residential mortgage lending”, “cash card” and “pure credit loans of petty cash” and not contain credit cards.

Note 7: Non-recourse factoring does not represent non-performing loans until the date which factors or insurance companies decide not to accept claim settlement within three months in accordance with regulations of No. 094000494 by FSB (V), July 19, 2005.



## Non-performing loans or delinquent accounts receivable that do not represent

Unit: NT\$ 1,000

	Dec 31 2012		Dec 31 2011	
	Total balance of on-performing loans that do not represent	Total balance of delinquent accounts receivable that do not represent	Total balance of on-performing loans that do not represent	Total balance of delinquent accounts receivable that do not represent
Total balance of non-performing loans that do not represent through debt negotiation and by contract performance (Note 1)	\$ 14,100	\$ ---	\$ 21,872	\$ ---
Total balance of delinquent accounts receivable that do not represent through debt negotiation and by contract performance (Note 1)	---	---	---	---
Total balance of non-performing loans that do not represent by contract performance on debt service and renewal projects (Note 2)	14,641	---	15,824	---
Total balance of delinquent accounts receivable that do not represent by contract performance on debt service and renewal projects (Note 2)	---	3,268	---	4,176

Note 1: Total balance of non-performing loans that do not represent through debt negotiation and by contract performance and total balance of delinquent accounts receivable that do not represent through debt negotiation and by contract performance are disclosed in accordance with regulations of No. 09510001270 by FSB ( I ), Financial Supervisory Commission, Executive Yuan, April 25, 2006.

Note 2: Total balance of non-performing loans that do not represent by contract performance on debt service and renewal projects and total balance of delinquent accounts receivable that do not represent by contract performance on debt service and renewal projects are disclosed in accordance with regulations of No. 09700318940 by FSB ( I ), Financial Supervisory Commission, Executive Yuan, September 15, 2008.

## (2) Concentration of credit risk

Unit: NT\$ 1,000 and %

Year	Dec 31 2011			Dec 31 2010		
	Company or group enterprise in the industry (Note 2)	Total balance of credit (Note 3)	% in the net value of the year	Company or group enterprise in the industry (Note 2)	Total balance of credit (Note 3)	% in the net value of the year
1	A Group in steel refinery	\$ 2,037,670	15.73%	A Group in steel rolling and extrusion	\$ 1,582,494	13.50%
2	B Group in the civil air transportation	1,309,813	10.11%	B Group in the civil air transportation	1,361,791	11.62%
3	C Group in unclassified category, financial breakage	1,100,000	8.49%	C Group in real estate development	1,280,400	10.92%
4	D Group in building construction	1,060,537	8.18%	D Group in financing and leasing	917,369	7.83%
5	E Group in other general goods, retailing	1,015,037	7.83%	E Group in public transit and transportation	863,799	7.37%
6	F Group in real estate development	902,860	6.97%	F Group in real estate development	816,860	6.97%
7	G Group in short-term accommodation service	800,000	6.17%	G Group in manufacturing of LCD panels and components	816,250	6.96%
8	H Company in real estate sale and leasing	763,000	5.89%	H Company in chemical product wholesale	750,800	6.41%
9	I Group in real estate development	745,520	5.75%	I Company in building construction	680,000	5.80%
10	J Company in real estate sale and leasing	728,880	5.63%	J Company in other machinery	670,910	5.72%

Note 1: Please list the names of the ten largest corporate obligors which do not belong to government or state-owned enterprises in order of total credit balance of obligors. The credit amount of the Group enterprise shall be aggregated and listed after filing accounts and disclosed in the way of "code" and "industry" if the obligor belongs to Group enterprise; the industry which is the maximum exposure of the Group enterprise shall be disclosed if the obligor is Group enterprise and the industry shall be added to the "detailed classification" of the industry name in accordance with standard industrial classification by Directorate General of Budget, Accounting and Statistics.

Note 2: The definition of Group enterprise means to conform to Article 6, "Supplementary Regulations of Criteria for Review of Securities Listings by Taiwan Stock Exchange Corporation"

Note 3: Total credit balance refers to the total balance of every loan (including import bill advance, bill purchased, discounts, overdraft, short-term loans, short-term guarantee, marginal receivables, mid-term loans, mid-term guarantee, long-term loans, long-term guarantee and overdue receivables), remittance purchased, non-recourse factoring, acceptance receivable and guarantee payments.

## (3) Interest sensitivity information

## Analytic table of interest-sensitive assets and liabilities (NTD)

December 31 2012

Unit: NT\$ 1,000 and %

Item	1 – 90 days	91 – 180 days	181 days – a year	> a year	Total
Interest-sensitive assets	\$ 208,709,251	\$ 8,024,557	\$ 1,497,252	\$ 11,929,165	\$ 230,160,225
Interest-sensitive liabilities	112,394,861	89,392,982	22,850,851	11,758,981	236,397,675
Interest-sensitive gap	96,314,390	(81,368,425)	(21,353,599)	170,184	(6,237,450)
Net value					12,748,271
The ratio of interest-sensitive assets to liabilities					97.36%
The ratio of interest-sensitive gap to net value					(48.93%)

## Analytic table of interest-sensitive assets and liabilities (NTD)

December 31 2011

Unit: NT\$ 1,000 and %

Item	1 – 90 days	91 – 180 days	181 days – a year	> a year	Total
Interest-sensitive assets	\$ 188,250,439	\$ 19,759,126	\$ 1,698,819	\$ 11,653,270	\$ 221,361,654
Interest-sensitive liabilities	104,909,375	86,903,542	24,563,863	8,601,003	224,977,783
Interest-sensitive gap	83,341,064	(67,144,416)	(22,865,044)	3,052,267	(3,616,129)
Net value					11,643,852
The ratio of interest-sensitive assets to liabilities					98.39%
The ratio of interest-sensitive gap to net value					(31.06%)

Note:

1. The filled-in amount in the forms refers to the amount in NT dollar (excluding foreign currency) in the head office and domestic and foreign branches.
2. Interest-sensitive assets and liabilities refer to earning assets and interest-bearing liabilities whose income or costs are affected by variable interest rates.
3. Interest-sensitive gap = interest-sensitive assets – interest-sensitive liabilities
4. The ratio of interest-sensitive assets to liabilities = interest-sensitive assets ÷ interest-sensitive liabilities (which refer to interest-sensitive assets and interest-sensitive liabilities at NT dollars)

## Analytic table of interest-sensitive assets and liabilities (USD)

December 31 2012

Unit: US\$ 1,000 and %

Item	1 – 90 days	91 – 180 days	181 days – a year	> a year	Total
Interest-sensitive assets	\$ 282,504	28,422	\$ 1,360	\$ 5,132	\$ 317,418
Interest-sensitive liabilities	224,681	24,328	35,740	---	284,749
Interest-sensitive gap	57,823	4,094	(34,380)	5,132	32,669
Net value					7,179
The ratio of interest-sensitive assets to liabilities					111.47%
The ratio of interest-sensitive gap to net value					455.06%

## Analytic table of interest-sensitive assets and liabilities (USD)

December 31 2011

Unit: US\$ 1,000 and %

Item	1 – 90 days	91 – 180 days	181 days – a year	> a year	Total
Interest-sensitive assets	\$ 208,374	\$ 30,130	\$ 3,064	\$ 5,105	\$ 246,673
Interest-sensitive liabilities	177,385	21,193	21,449	---	220,027
Interest-sensitive gap	30,989	8,937	(18,385)	5,105	26,646
Net value					2,564
The ratio of interest-sensitive assets to liabilities					112.11%
The ratio of interest-sensitive gap to net value					1,039.24%

Note:

1. The filled-in amount in the forms refers to the amount in US dollar in the head office and domestic and foreign branches.
2. Interest-sensitive assets and liabilities refer to earning assets and interest-bearing liabilities whose income or costs are affected by variable interest rates.
3. Interest-sensitive gap = interest-sensitive assets – interest-sensitive liabilities
4. The ratio of interest-sensitive assets to liabilities = interest-sensitive assets ÷ interest-sensitive liabilities (which refer to interest-sensitive assets and interest-sensitive liabilities at US dollars)

## (4) Profitability

Item		Year 2012	Year 2011
Return on asset	Before tax	0.50	0.21
	After tax	0.48	0.21
Return on equity	Before tax	10.35	4.50
	After tax	9.97	4.43
Ratio of net profit		31.25	14.37

Note:

1. Return on asset = Profit or loss before (after) tax ÷ Average asset
2. Return on equity = Profit or loss before (after) tax ÷ Average equity
3. Net profit ratio = Profit or loss after tax ÷ Net income

## (5) Analysis on maturity of assets and liabilities

## Term structure analysis of maturity at NT dollars

December 31, 2012

	Total	Amount of remaining period before maturity				
		1 – 30 days	31 – 90 days	91 – 180 days	181 days – a year	> a year
Main capital inflow of maturity	\$255,526,740	\$55,776,174	\$19,976,488	\$21,906,423	\$41,226,524	\$116,641,131
Main capital outflow of maturity	296,430,120	36,807,782	40,559,667	42,917,225	91,412,851	84,732,596
Period gap	(40,903,380)	(18,968,392)	(20,583,179)	(21,010,802)	(50,186,327)	31,908,536

## Term structure analysis of maturity at NT dollars

December 31, 2011

	Total	Amount of remaining period before maturity				
		1 – 30 days	31 – 90 days	91 – 180 days	181 days – a year	> a year
Main capital inflow of maturity	\$ 241,986,244	\$ 32,851,568	\$ 29,529,694	\$ 31,022,553	\$ 35,771,249	\$ 112,811,180
Main capital outflow of maturity	277,997,505	32,852,814	35,396,701	44,955,025	88,240,931	76,552,034
Period gap	(36,011,261)	(1,246)	(5,867,007)	(13,932,472)	(52,469,682)	36,259,146

Note: The amount in the form refers to NT dollar (excluding foreign currency) only in the head office and domestic branches.

## Term structure analysis of maturity at US dollars

December 31, 2012

Unit: US\$ 1,000

	Total	Amount of remaining period before maturity				
		1 – 30 days	31 – 90 days	91 – 180 days	181 days – a year	> a year
Main capital inflow of maturity	\$ 372,283	\$ 104,898	\$ 106,163	\$ 27,464	\$ 16,392	\$ 117,366
Main capital outflow of maturity	346,178	205,570	72,796	24,625	35,785	7,402
Period gap	26,105	(100,672)	33,367	2,839	(19,393)	109,964

December 31, 2011

Unit: US\$ 1,000

	Total	Amount of remaining period before maturity				
		1 – 30 days	31 – 90 days	91 – 180 days	181 days – a year	> a year
Main capital inflow of maturity	\$ 303,868	\$ 113,543	\$ 70,493	\$ 29,913	\$ 1,731	\$ 88,188
Main capital outflow of maturity	275,850	189,763	40,664	21,298	21,487	2,638
Period gap	28,018	(76,220)	29,829	8,615	(19,756)	85,550

Note 1: The fill-in amount in the form refers to total US dollars in the head office, domestic branches and OBU. Unless otherwise stated, please fill in according to carrying amount and it is unnecessary to fill in the unrecorded part. (for example, the plans to issue NCD, bonds or stocks)

Note 2: The disclosed supplementary information shall be provided with additionally if the ratio of overseas assets to total assets of the bank is over 10%.

### 36. Contents and Amount of Trust Business Which Is Transacted in Accordance With Regulations of Trust Enterprise Act

#### Balance Sheet on Trust Account December 31, 2012

Trust assets		Trust liabilities	
Cash and bank deposit	\$ 1,943,822	Custodial marketable securities payable	\$ 4,779,592
Short-term investment -		Trust capital -	
Fund investment	20,909,599	Money in trust	23,021,780
Bond investment	128,340	Real estate in trust	8,420,179
Stock investment	972,637	Marketable securities in trust	972,637
Real estate -		Accumulated profit or loss	
Land	8,035,770	Accumulated profit or loss on principal	(779,456)
Houses and construction	1,453	Profit or loss of the year	356,482
Custodial marketable securities	4,779,593		
	<u>\$ 36,771,214</u>		<u>\$ 36,771,214</u>

#### Catalog of Trust Property December 31, 2012

Investment item	Recorded amount	
Cash and bank deposit		
Due from the bank		\$ 1,943,822
Short-term investment		
Fund investment - NTD trust	\$ 11,987,528	
- foreign currency trust	8,922,071	
Bond investment - NTD trust	24,091	
- foreign currency trust	104,249	
Stock investment	972,637	22,010,576
Real estate -		
Land		8,035,770
Houses and construction		1,453
Custodial marketable securities		4,779,593
		<u>\$ 36,771,214</u>

## Income Statement on Trust Account

Year 2012

Investment item	Recorded amount	
Trust income		
Interest income	\$ 1,432	
Dividend income	744,312	
Gains on property transaction	127,195	
Realized capital gains	1,004	\$ 873,943
Trust expense		
Administration expense	16,073	
Tax expenditure	30,332	
Commission	13,843	
Losses on property transaction	457,213	\$ 517,461
		<u>\$ 356,482</u>

Note: The income statement listed above is the profit or loss of entrusted assets in the trust department of the bank and is not included in the profit or loss of the bank.

## Balance Sheet on Trust Account

December 31, 2011

Trust assets		Trust liabilities	
Cash and bank deposit	\$ 1,243,853	Custodial marketable securities payable	\$ 5,322,938
Short-term investment -		Trust capital -	
Fund investment	21,072,491	Money in trust	22,659,597
Bond investment	172,580	Real estate in trust	6,800,382
Stock investment	972,637	Marketable securities in trust	972,637
Real estate -		Accumulated profit or loss	
Land	6,569,582	Accumulated profit or loss on principal	(732,288)
Houses and construction	6,900	Profit or loss of the year	337,715
Custodial marketable securities	5,322,938		
	<u>\$ 35,360,981</u>		<u>\$ 35,360,981</u>

Catalog of Trust Property  
December 31, 2011

Investment item	Recorded amount
Cash and bank deposit	
Due from the bank	\$ 1,243,853
Short-term investment	
Fund investment - NTD trust	\$ 12,375,787
- foreign currency trust	8,686,704
Bond investment - NTD trust	41,212
- foreign currency trust	131,368
Stock investment	972,637
Real estate -	
Land	6,569,582
Houses and construction	6,900
Custodial marketable securities	5,322,938
	<u>\$ 35,360,981</u>

Income Statement on Trust Account  
Year 2011

Investment item	Recorded amount
Trust income	
Interest income	\$ 744
Dividend income	764,088
Gains on property transaction	266,585
Realized capital gains	1,242
Trust expense	
Administration expense	23,949
Tax expenditure	137,685
Commission	15,004
Losses on property transaction	518,306
	694,944
	<u>\$ 337,715</u>

Note: The income statement listed above is the profit or loss of entrusted assets in the trust department of the bank and is not included in the profit or loss of the bank.

### 37. Notes of Disclosure Events

The Bank has no other disclose to be made except the attached Tables 1 through 4.



### **38. Departmental Financial Information**

The information provided by the Bank to the primary operation decision makers for the evaluation of departmental performance aims to the properties and gains/losses of the business operations. As required by the Statement of Financial Accounting Standards No. 41, "Disclosure of Operating Department Information," the departments to be reported are distinguished by the nature of their individual businesses, and the operating results and assets of these departments are disclosed together in this financial report.

### **39. Use of International Financial Reporting Standards for Disclosure in Advance**

The Bank adopted the international financial reporting standards (IFRSs) for the disclosure in advance in the attachment of the 2012 consolidated financial statements as per the letter of Financial Supervisory Commission, numbered Jin-Kuan-Securities 0990004943 and dated Feb 2 2010. There may exist major differences between the current accounting policies of the Bank and those after the adoption of IFRs for the production of financial statements.

Sunny Bank Co., Ltd.  
Information about Reinvestment Businesses  
Year 2012

Attached Table 1

Name of investment company	Name of investee company	Location	Main business	Shareholding ratio at the end of period (%)	Carrying amount of investment	Profit or loss on investee company of the year
Sunny Bank	Sunny Securities Co.	Taipei City	Investment securities business	98.72	\$ 506,167	\$ 7,277
	Sunny Asset Management Company Ltd.	Taipei City	Debts factoring of financial institution	100.00	42,295	15,844
	Sunny Personal Insurance Agent Company	Taipei City	Personal insurance agent	39.99	43,034	39,975
	Sunny Property Insurance Broker Company	Taipei City	Property insurance brokerage	20.00	3,076	2,986
	Sunny International Leasing Co., Ltd.	Taipei City	Property leasing	100.00	600,088	88
	Financial Information Service Co., Ltd.	Taipei City	Planning and development of inter-bank information system for financial institutions and the operations and management of inter-bank information network	2.42	115,771	1,168,008
	Taiwan Financial Asset Service Corporation	Taipei City	Property auctions as a fair third party	2.94	50,000	16,919
	Taiwan Depository & Clearing Corporation	Taipei City	Handling of the "Book-Entry Operations for Centrally Deposited Securities System"	0.29	21,490	1,204,753
	Farglory Life	Taipei City	Personal insurance	100.00	100,00	3,787,023

Note 1: All of the existing shares of investee companies or fictional shareholdings which are held by the bank, directors, supervisors, president, vice president and affiliates which conform to definition of Company Act have been reckoned.

Note 2: The investment gain or loss recorded this year is the cash dividends recorded in 2012.

Note 3: Preferred stocks; the holding ratio is calculated by dividing the shares of preferred stock in holding by those in circulation.

Note 4: The gain or loss of the invested company this year is calculated based on the financial statements of previous 3 quarters in 2012 reviewed by CPAs.

Unit: NT\$ 1,000

Recognized investment profit or loss of the year	Shareholding of combination between affiliates and the bank (Note 1)				Remark
	No. of existing shares (thousand shares)	Fictional shareholding (thousand shares)	Total		
			shares (thousand shares)	Shareholding %	
\$ 7,184	49,555	---	49,555	98.72	Subsidiary
15,844	5,000	---	5,000	100.00	Subsidiary
15,990	5,250	---	5,250	99.99	Subsidiary
597	605	---	605	100.00	Subsidiary
88	60,000	---	60,000	100.00	Subsidiary
28,291	10,881	---	10,881	2.42	(Note 2)
500	5,000	---	5,000	2.94	(Note 2)
1,364	932	---	932	0.29	(Note 2)
---	10,000	---	10,000	100.00	(Notes 3 & 4)

## Sunny Bank Co., Ltd.

Stocks of a invested company bought or sold with accumulated amount up to NT\$ 300 million or 10% or more of the paid-in capitals

(The invested company is one with stocks bought or sold with accumulated amount up to NT\$ 300 million or 10% or more of the paid-in capitals)

2012

Attached Table 2

Company of buying/selling	Type and name of securities	Account name	Transaction subject	Relation	Beginning of year	
					Shares/face value/units	Amount
Sunny Bank	Sunny International Leasing Co., Ltd.	Equity investment under equity method	Fund raising for the first time	Subsidiary of Sunny Bank	---	\$ ---

Unit: NT\$1,000 unless otherwise noticed

Buy		Sell				End of year	
Shares/face value/units	Amount	Shares/face value/units	Sale price	Book cost	Amount	Shares/face value/units	Amount
60,000,000	\$ 600,000	---	\$ ---	\$ ---	\$ ---	60,000,000	\$ 600,000

Sunny Bank Co., Ltd.  
Related party receivables reaching NT\$ 300 million or over 10% of paid-in capital  
December 31, 2012

Attached Table 3

Unit: NT\$ 1,000

Company of recorded receivables	Transaction object	Relation	Balance of related party receivables	Turnover rate	Related party delinquent receivables		Recovery amount after the reporting period of related party receivables	Presented amount of allowance for bad debts
					Amount	Way of treatment		
Sunny Bank	Sunny Asset Management Company Co., Ltd.	Subsidiary	\$ 334,335	Not applicable to banking business	None	Not applicable	\$ 13,499	\$ 334,335

Note: Account receivables on selling bad debts to Sunny Asset Management Company Co., Ltd.

Sunny Bank Co., Ltd.  
Holding of Marketable Securities at the End of the Year  
December 31, 2012

Attached Table 4

Unit: NT\$ 1,000 unless otherwise noticed

Company of holding	Category and name of marketable securities	Relations with marketable securities issuer	Recorded title	At the end of year				Remark
				Shares / Number of units	Carrying amount	Shareholding ratio	Market price / Net equity	
Sunny Securities Co.	<u>Stock</u> United Microelectronics Corp.		Financial assets at fair value through profit or loss	500,000	\$ 5,850	---	\$ 5,850	
	Sunny Personal Insurance Agent Company	Subsidiary	Equity investment under equity method	3,150,000	69,744	60%	69,816	
Sunny Asset Management Company Ltd.	<u>Stock</u> Sunny Property Insurance Broker Company	---	Equity investment under equity method	242,000	6,152	40%	6,152	
Sunny Personal Insurance Agent Company	Sunny Real Estate Management Co., Ltd.	---	Financial assets measured at costs	300,000	3,000	10%	3,000	
	<u>Stock</u> Yulon Motor Co., Ltd.	---	Financial assets at fair value through profit or loss	105,839	5,821	---	5,821	
	Hung Sheng Construction Co., Ltd.	---	Financial assets at fair value through profit or loss	418,000	7,002	---	7,002	
	Farglory Land Development Co., Ltd.	---	Financial assets in available-for-sale	60,000	3,126	---	3,126	
	Sunny Bank Co., Ltd.	Parent company-	Financial assets measured at costs	420,059	3,508	---	3,508	
Sunny Property Insurance Broker Company	Ding Da Technology Co., Ltd.	---	Financial assets measured at costs	301,840	---	---	---	Investment cost
	Sunny Property Insurance Broker Co., Ltd.	---	Equity investment under equity method	242,000	6,152	40%	6,152	\$ 10,782 and accumulated impairment of
	<u>Bond</u> Sunny Bank subordinated financial bonds	Parent company	Refundable deposits	---	5,500	---	5,500	\$ 10,782 recognized
	Central Government Development Bonds, Class A Phase 9, 2011	---	Financial assets held to the date of maturity	---	996	---	996	Provided as collaterals
	<u>Stock</u> Yulon Motor Co., Ltd.		Financial assets in available-for-sale	50,745	2,791	---	2,791	
	Hung Sheng Construction Co., Ltd.		Financial assets in available-for-sale	33,000	553	---	553	

Sunny Bank Co., Ltd.  
Detailed Statement of Cash and Cash Equivalents  
December 31, 2012

## Statement 1

Unit: NT\$ 1,000 unless otherwise noticed

Item	Annual interest rate (%)	Amount
NTD of inventory		\$ 2,482,487
Post-dated checks for clearance		2,363,364
Due from banks	0-0.17	547,814
Foreign currency of inventory (Note)		93,309
		\$ 5,486,974

Note: Every foreign currency and exchange rates of translation are as follows:

Foreign currency	Amount of original currency (thousand dollars)	Exchange rate
JPY	\$ 52,003	0.3375
RMB	2,029	4,676
HKD	2,505	3,759
USD	1,615	29.136
EUR	254	38.61

Sunny Bank Co., Ltd.  
Detailed Statement of Financial Instruments at Fair Value through Profit or Loss  
December 31, 2012

## Statement 2

Unit: NT\$ 1,000 unless otherwise noticed

Category of financial instrument	Name of financial instrument	Summary		Total face value	Interest rate (%)	Acquisition cost	Fair value (Note 2)	
		Interest payment date	Maturity				Unit price	Total amount
Financial assets at fair value through profit or loss								
Financial assets for trading purposes (Note 3)								
Financing commercial paper	Teco Group		01/16/2013	\$ 400,000	0.7600	\$ 399,784		\$ 399,778
	Taiwan Power Corp.		02/20/2013-04/29/2013	1,000,000	0.8336 – 0.8933	997,136		997,055
	Others (Note 1)		01/02/2013-06/21/2013	2,511,000	0.7500 – 1.0352	2,508,042		2,508,057
				3,911,000		3,904,962		3,904,890
Government bond		09.24	09/24/2018-09/24/2022	100,000	1.125 - 2.125	101,838		102,822
Beneficiary certificate (Note 1)				---		428,933		448,484
Common stocks of listed and over-the-counter companies				---		127,805		129,849
Common stocks of listed companies - overseas (Note 1)				---		---		18,931
Currency swap				---		---		13,739
Forward exchange				---		---		1,620
						\$ 4,563,538		\$ 620,335
Financial liabilities for trading purposes								\$ 3,763
Currency swap								161
Forward exchange								\$ 3,924

Note 1: None of the balances reaches 5% of the title amount.

Note 2: The fair value of bonds refers to the reference price in every phase of over-the-counter bonds exchange of Greta Securities Market on December 28, 2012; that of beneficiary certificate refers to the net value on December 28, 2012; that of common stocks of listed and over-the-counter companies refers to the closing price on December 28, 2012.

Note 3: The financial assets for trading purposes were sold under a resale agreement.



Sunny Bank Co., Ltd.  
Detailed Statement of Financial Assets in Available-for-sale  
December 31, 2012

## Statement 3

Unit: NT\$ 1,000 except NT\$ for unit price

Category of financial instrument (Notes 4)	Name of financial instrument	Summary		Face value
		Interest payment date	Maturity	
Government bond (Note 3)	CBA 2011-9	09.30	09.30.2021	\$ 500,000
	CBA 2001-6	08.07	08.07.2016	300,000
	CBA 2009-1	01.21	01.21.2014	300,000
	CBA 2001-7	10.19	10.19.2016	200,000
	CBA 2005-5	05.13	05.13.2020	200,000
	Others	01.22-09.09	01.22.2019 – 08.16.2022	305,800
				<u>1,805,800</u>
Corporate bond	2008 Chinese Maritime Transportation 1	09.19	09.19.2013	200,000
	Others	04.26;12.27	12.27.2016- 04.26.2017	<u>200,000</u>
				---
				---
Beneficiary certificate				---
Common stocks of listed and over-the-counter companies				<u>\$ 2,205,800</u>

Note 1: None of the balances reaches 5% of the title amount.

Note 2: The fair value of bonds refers to the reference price in every phase of over-the-counter bonds exchange of Greta Securities Market on December 28, 2012; that of beneficiary certificate refers to the net value on December 28, 2012; that of common stocks of listed and over-the-counter companies refers to the closing price on December 28, 2012.

Sunny Bank Co., Ltd.  
Detailed Statement of Changes in Equity Investment under Equity Method  
Year 2012

## Statement 4

Name of investee company	Balance at the beginning of the year		Increase/ decrease in the year (Note 1)	Investment profit or loss recognized under equity method (Note 2)	Stockholders' equity adjustments (Note 3)
	Thousand shares	Amount			
Sunny Securities Co.	49,555	\$498,756	\$ ---	\$ 7,184	\$ 227
Sunny Asset Management Company Ltd.	5,000	26,345	---	15,844	106
Sunny Personal Insurance Agent Company	2,100	32,141	(5,250)	15,990	153
Sunny Property Insurance Broker Company	121	2,728	(302)	597	53
Sunny International Leasing Co., Ltd.	---	---	600,000	88	---
		<u>\$ 559,970</u>	<u>\$ 594,448</u>	<u>\$ 39,703</u>	<u>\$ 539</u>

Note 1: It refers to the Bank's purchase of new stocks from the Sunny International Leasing at NT\$ 600,000,000 for capital raising for the first time and the acquisition of allotted cash dividends of Sunny Personal Insurance Agent Company and Sunny Personal Insurance Agent Company, which are NT\$ 5,552,000.

Note 2: This is calculated based on the financial report of the investee companies that were certified by CPA of the individual investee companies.

Unit: NT\$ 1,000 unless otherwise noticed

Rate(%)	Acquisition cost	Valuation adjustments	Fair value (Note 2)		Remark
			Unit price	Total amount	
1.250	\$ 500,859	\$ 1,823		\$ 502,682	
3.750	325,769	5,082		330,851	
0.875	299,729	1,329		300,608	
3.500	219,500	241		219,741	
2.250	213,825	1,681		215,506	
1.375-5.250	328,647	5,013		333,660	Note 1
	1,887,879	15,169		1,903,048	
	202,819	(47)		202,772	
2.900	200,925	(1,621)		199,304	Note 1
1.280-1.300	403,744	(1,668)		402,076	
	190,000	(34,895)		155,105	Note 1
	550,661	(56,973)		493,688	Note 1
	<u>\$ 3,032,284</u>	<u>(\$ 78,367)</u>		<u>\$ 2,953,917</u>	

Note 3: Bonds which are worth NT\$ 254,100,000 have been provided for guarantee.

Note 4: The financial assets in available-for-sale were sold under a resale agreement.

Unit: NT\$ 1,000 unless otherwise noticed

Balance at the end of the year		
Thousand shares	Shareholding %	Amount (Note 4)
49,555	98.72	\$ 506,167
5,000	100.00	42,295
2,100	39.99	43,034
121	20.00	3,076
60,000	100.00	600,088
		<u>\$ 1,194,66</u>

Note 3: It refers to the unrealized gain/loss change on financial Assets in Available-for-sale.

Note 4: None of the amount is provided for pledged goods or collaterals.

Sunny Bank Co., Ltd.  
Detailed Statement of Deposit and Remittance  
December 31, 2012

Statement 5	Unit: NT\$ 1,000
Item	Amount
Savings deposit	
Interest drawing savings deposit	\$ 74,454,370
Demand savings deposit	58,652,599
Non-drawing time saving deposit	16,570,125
Employee demand savings deposit	708,213
Club savings deposit	99,050
	150,484,357
Time deposit	
Time deposit	39,937,465
Foreign currency time deposit	4,355,506
Negotiable certificates of deposit	4,404,700
	48,697,671
Demand deposit	
Demand deposit	23,322,705
Foreign currency demand deposit	3,941,148
	27,263,653
Check deposit	
Check deposit	2,876,379
The bank's check	247,983
	3,124,362
Remittance	4,545
	\$ 229,574,788

Sunny Bank Co., Ltd.  
Detailed Statement of Financial Bonds Payable  
December 31, 2012

## Statement 6

Unit: NT\$ 1,000

Name	Issue period	Way of repaying capital with interest	Annual interest rate (%)	Total amount of issue
The first phase of Year 2007 subordinated (A bond)	04.09.2007 – 04.09.2014	Repay the principal at a time at maturity; Interest is calculated at simple interest according to coupon rate and is paid every year since the issue date.	3.00	\$ 1,800,000
The first phase of Year 2007 subordinated (B bond)	04.09.2007 – 04.09.2014	Repay the principal at a time at maturity; Interest rate is reset at the displaying variable rates of time savings deposit in Bank of Taiwan quarterly according to coupon rate since the issue date and interest is paid every year.	1.97	1,100,000
The second phase of Year 2007 subordinated (A bond)	11.16.2007 – 05.16.2013	Repay the principal at a time at maturity; Interest is calculated at simple interest according to coupon rate and is paid every year since the issue date.	3.60	203,500
The second phase of Year 2007 subordinated (B bond)	11.16.2007 – 05.16.2013	Repay the principal at a time at maturity; Interest rate is reset at the displaying variable rates of time savings deposit in Bank of Taiwan quarterly according to coupon rate since the issue date and interest is paid every year.	2.12	101,000
The third phase of Year 2007 subordinated (A bond)	12.26.2007 – 02.26.2014	Repay the principal at a time at maturity; Interest is calculated at simple interest according to coupon rate and is paid every year since the issue date.	3.80	261,000
The third phase of Year 2007 subordinated (B bond)	12.26.2007 – 02.26.2014	Repay the principal at a time at maturity; Interest rate is reset at the displaying variable rates of time savings deposit in Bank of Taiwan quarterly according to coupon rate since the issue date and interest is paid every year.	2.32	43,900
The first phase of Year 2009 subordinated	06.15.2009 – 01.15.2015	Repay the principal at a time at maturity; Interest is calculated at simple interest according to coupon rate and is paid every year since the issue date.	3.00	500,000
The first phase of Year 2010 subordinated (A bond)	04.30.2010 – 04.30.2017	Repay the principal at a time at maturity; Interest is calculated at simple interest according to coupon rate and is paid every year since the issue date.	3.25	570,000
The first phase of Year 2010 subordinated (B bond)	04.30.2010 – 04.30.2017	Repay the principal at a time at maturity; Interest rate is reset at the displaying variable rates of time savings deposit in Bank of Taiwan quarterly according to coupon rate since the issue date and interest is paid every year.	3.21	\$230,000
The second phase of Year 2010 subordinated (A bond)	10.29.2010 – 10.29.2017	Repay the principal at a time at maturity; Interest is calculated at simple interest according to coupon rate and is paid every year since the issue date.	3.25	500,000
The second phase of Year 2010 subordinated (B bond)	10.29.2010 – 10.29.2017	Repay the principal at a time at maturity; Interest rate is reset at the displaying variable rates of time savings deposit in Bank of Taiwan quarterly according to coupon rate since the issue date and interest is paid every year.	3.09	300,000
The third phase of Year 2010 subordinated	11.11.2010 – 10.11.2017	Repay the principal at a time at maturity; Interest is calculated at simple interest according to coupon rate and is paid every year since the issue date.	3.25	400,000
The first phase of Year 2011 (A Bond)	06.27.2011 – 06.27.2018	Repay the principal at a time at maturity; Interest is calculated at simple interest according to coupon rate and is paid every year since the issue date.	2.85	100,000
The first phase of Year 2011 (B Bond)	06.27.2011 – 06.27.2018	Repay the principal at a time at maturity; Interest rate is reset at the displaying variable rates of time savings deposit in Bank of Taiwan quarterly according to coupon rate since the issue date and interest is paid every year.	2.63	500,000
The second phase of Year 2011	09.30.2011 – 09.30.2018	Repay the principal at a time at maturity; Interest rate is reset at the displaying variable rates of time savings deposit in Bank of Taiwan quarterly according to coupon rate since the issue date and interest is paid every year.	2.55	200,000
The first phase of Year 2012 (A Bond)	05.30.2012 – 05.30.2019	Repay the principal at a time at maturity; Interest is calculated at simple interest according to coupon rate and is paid every year since the issue date.	2.45	500,000
The first phase of Year 2012 (B Bond)	05.30.2012 – 05.30.2019	Repay the principal at a time at maturity; Interest rate is reset at the displaying variable rates of time savings deposit in Bank of Taiwan quarterly according to coupon rate since the issue date and interest is paid every year.	2.35	600,000
The second phase of Year 2012	06.29.2012 – 05.29.2019	Repay the principal at a time at maturity; Interest is calculated at simple interest according to coupon rate and is paid every year since the issue date.	2.45	200,000

\$ 8,109,400

## Sunny Bank Co., Ltd.

## Detailed Statement of Interest Income

Year 2012

## Sunny Bank Co., Ltd.

## Detailed Statement of Interest Expense

Year 2012

Statement 7	In NT\$ 1,000	Statement 8	Unit: NT\$ 1,000
Item	Amount	Item	Amount
Accrued interest from loans		Interest of deposit	
Short term	\$ 951,650	Interest drawing savings deposit	\$ 972,767
Mid term	1,283,036	Time deposit	458,330
Long term	2,215,923	Non-drawing time and club savings deposits	279,347
Interest of overdraft	101,037	Demand savings deposit	91,210
	<u>4,551,646</u>	Employee demand savings deposit	25,963
Interest of financial assets	<u>60,830</u>	Demand deposit	13,639
Revolving interest of credit card	<u>44,296</u>	Negotiable certificates of deposit	49,220
Interbank interest		Cash in public treasury	43
Renewal interest	338,742		<u>1,890,519</u>
Interest of reserve fund	42,621	Coupons of financial bond	<u>214,958</u>
Interest of loan at call	11,271	Interbank interest	
Interest of deposit and loan	36	Deposit transfers	25,765
	<u>392,670</u>	Call loans from banks	5,531
Interest of foreign exchange	<u>116,278</u>	Interbank deposit	73,319
Others	<u>87,327</u>		<u>104,615</u>
	<u>\$ 5,253,047</u>	Financial bills and bonds under repurchase agreement	26,222
			<u>\$ 2,236,314</u>

## Sunny Bank Co., Ltd.

## Detailed Statement of Net Income of Commission

Year 2012

Statement 9	In NT\$ 1,000
Item	Amount
Commission income	
Trust business	\$ 212,404
Agency business	269,960
Loan business	100,794
Credit card business	41,543
Others (Note)	104,830
	<u>729,531</u>
Commission expenses	
Credit card business	31,477
Interbank business	13,946
Trust business	6,670
Foreign exchange business	5,115
Agency business	4,372
Others (Note)	20,252
	<u>81,833</u>
Net income of commission	<u>\$ 647,698</u>

## Sunny Bank Co., Ltd.

## Detailed Statement of Operating Expense

Year 2012

Statement 10	Unit: NT\$ 1,000
Item	Amount
Salary and bonus	\$ 1,389,461
Premium	276,540
Tax	188,899
Depreciation	149,154
Others (Note)	524,100
	<u>\$ 2,528,154</u>

Note: None of the amounts exceeds 5% of the title amount.

Note: None of the amounts exceeds 5% of the title amount.

## 5. Consolidated Financial Statements and Accountants' Audit Reports of Sunny Bank Co., Ltd. and Its Subsidiaries

### Statement on the consolidated financial report of subsidiaries

Please be advised that the companies associated with the Bank that shall be included in the consolidated financial report of subsidiaries according to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" in the year 2012 are the same as those to be included in the consolidated financial report according to the Statement of Financial Accounting Standards No. 7. The information to be disclosed in the consolidated financial report of subsidiaries has been disclosed in the foregoing consolidated financial statements of Sunny Bank and its subsidiaries. Therefore, no additional consolidated report is produced.

Sunny Bank Co., Ltd.

Chairman: Lin, Peng-Lang



The Seventh Day of March, 2013



## Accountants' Audit Reports

This is to Sunny Bank Co., Ltd.:

Please be advised that the accountants have finished auditing consolidated balance sheets of December 31, 2012 and 2011 and consolidated income statements, consolidated statement of change in stockholders' equity and consolidated statement of cash flows from January 1 to December 31, 2012 and 2011 about Sunny Bank Co., Ltd. and its subsidiaries. The preparation of consolidated financial statements disclosed above is the responsibility of the management and the responsibility of the accountants is to express opinion on consolidated financial statements disclosed above according to audit results.

The accountants planned and conducted the audit work in accordance with "Accountants' Audit and Certificate Regulations of financial statements about the financial industry" and Generally Accepted Auditing Standards to be reasonably convinced whether there is any material representational unfaithfulness in consolidated financial statements. The audit work includes the listed amount and audit evidence of disclosures which are obtained from consolidated financial statements by a test check, evaluation of accounting principles and material accounting estimates which are adopted and made to prepare consolidated financial statements by the management and evaluation of the whole consolidated financial statement presentation. The accountants believe that the audit work can provide a reasonable basis for opinion expressed.

As Note 28 of consolidated financial statements stated, Sunny Bank Co., Ltd. sold bad claims to an asset management company respectively in Year 2007 and 2006 and caused a total loss of NT\$ 967,884,000. The total loss can be amortized on a five-year basis in accordance with the "Financial Institutions Merger Act" but the listed unamortized balance of "Other assets – the unrecognized loss of selling bad claims" does not conform to Generally Accepted Accounting Principles. Other assets – the unrecognized loss of selling bad claims and retained earnings should decrease NT\$ 198,798 December 31, 2010 if the loss on sale is not deferred; net income before tax and net loss before tax should increase by NT\$ 198,798,000 in Year 2011. The unrecognized loss from selling the bad claims mentioned above has been amortized completely in 2011.

In the accountants' opinion, except for the last paragraph which stated that the total loss of selling bad claims was not recognized in the Year and had an effect on consolidated financial statements for Year 2011, the preparation of consolidated financial statements which were stated in the first paragraph in all material aspects was in accordance with "Regulations Governing the Preparation of Financial Reports by Public Banks", "Regulations Governing the Preparation of Financial Reports by Securities Firms", "Business Accounting Act", related regulations of Financial Accounting Standards in Regulation on Business Entity Accounting Handling and GAAP and was sufficient to properly present the consolidated financial position on December 31, 2012 and 2011 and consolidated operational results and cash flows in Year 2012 and 2011 about Sunny Bank Co., Ltd. and its subsidiaries.

As Note 3 of consolidated financial statements stated, Sunny Bank Co., Ltd. and its subsidiaries have adopted the newly amended Statement of Financial Accounting Standards No. 34, "Accounting Guidelines for Financial Products," and No. 41, "Disclosure of Operating Department Information," since January 1, 2011.

Deloitte Taiwan

Accountant Chen, Chie-Chung

Accountant Wu, Yi-Chuen

Approval No. of Securities and Futures  
Commission, Ministry of Finance, R.O.C.  
No. 0920123784 by TMS Six

Approval No. of Securities and  
Futures Commission, Ministry of  
Finance, R.O.C.  
No. 0930128050 by TMS Six

March 7, 2013

Sunny Bank Co., Ltd. and Its Subsidiaries  
Consolidated Balance Sheet  
December 31, 2010 and 2009

Unit: NT\$ 1,000

Code	Asset	Dec 31 2012 Amount	Dec 31 2011 Amount	Change %
11000	Cash (Note 4)	\$ 6,085,412	\$ 5,120,311	19
11500	Due from central bank and inter-bank offering (Note 5 and 29)	45,096,739	49,164,964	(8)
12000	Financial assets at fair value through profit or loss (Note 2, 6 and 16)	4,639,008	2,794,913	66
12500	Notes and Bonds Issued under Resale Agreement (Note 2 and 30)	958,261	420,380	128
13000	Receivables—net amount (Note 2, 7 and 8)	1,140,840	1,046,936	9
13500	Discounts and loans—net amount (Note 2, 8 and 28)	189,949,281	177,345,283	7
14000	Financial assets in available-for-sale (Note 2, 9, 16 and 30)	2,960,387	1,240,422	139
14500	Financial assets in held-to-maturity (Note 2, 10, 16 and 30)	1,172,437	996	117,615
15500	Other financial assets—net amount (Note 2, 8 and 11)	328,252	328,577	---
	Fixed assets (Note 2 and 12)			
	Cost			
18501	Land	6,597,809	6,607,652	---
18521	Houses and constructions	2,832,676	2,838,662	---
18551	Miscellaneous equipment	1,517,870	1,456,874	4
	Total cost	10,948,355	10,903,188	---
	Revaluation reserve	302,032	302,032	---
	Cost and revaluation reserve	11,250,387	11,205,220	---
	Deduct: accumulated depreciation	2,368,752	2,236,402	6
		8,881,635	8,968,818	(1)
18575	Construction in progress and prepayments for equipment	49,113	29,312	68
18500	Net fixed assets	8,930,748	8,998,130	(1)
19000	Intangible assets (Note 2 and 13)	1,051,971	1,057,998	(1)
19500	Other assets (Note 2, 14, 22, 29 and 30)	1,847,691	1,896,118	(3)
10000	Total assets	\$ 264,161,027	\$ 249,415,028	6

Code	Liabilities and stockholders' equity	Dec 31 2012 Amount	Dec 31 2011 Amount	Change %
	Liabilities			
21000	Central bank and interbank deposits (Note 15)	\$ 8,166,220	\$ 7,311,459	12
22000	Financial liabilities at fair value through profit or loss (Note 2 and 6)	3,924	1,939	102
22500	Repurchase financial bills and bond debts (Note 2 and 16)	1,972,826	689,526	186
23000	Payables (Note 17)	3,356,885	3,065,797	9
23500	Deposits and remittances (Note 18 and 28)	229,153,709	219,354,071	4
24000	Financial bonds payable (Note 19)	8,103,900	6,803,900	19
29521	Reserve for land value increment tax (Note 2 and 12)	133,325	133,325	---
29500	Other liabilities (Note 2, 8, 20 and 27)	306,012	326,802	(6)
20000	Total liabilities	251,196,801	237,686,819	6
	Stockholders' equity			
	Shareholders' equity of parent company			
31000	Capital stock	12,749,730	12,749,730	---
	Capital surplus			
31501	Stock premium	---	4,841	(100)
31515	Gain on disposal of assets	---	3,081	(100)
31599	Others	---	4,676	(100)
31500	Total capital surplus	---	12,598	(100)
	Accumulated losses			
32003	Special reserve	---	22,691	(100)
32013	Accumulated losses	82,932	(1,182,222)	107
32000	Total accumulated losses	82,932	(1,159,531)	107
32501	Unrealized revaluation reserve	256,642	256,642	---
32523	Unrealized gain of financial instruments	(76,360)	(108,599)	(30)
32542	Treasury stocks	(3,508)	(3,508)	---
32544	Net loss not recognized as pension cost	(51,997)	(25,813)	101
	Net shareholders' equity of parent company	12,957,439	11,721,519	11
38101	Minority interest	6,787	6,690	1
30000	Net stockholders' equity	12,964,226	11,728,209	11
	Total liabilities and stockholders' equity	\$ 264,161,027	\$ 249,415,028	6

Notes attached behind are a part of the consolidated financial statement.  
(Please refer to the audit report of Deloitte Taiwan on March 7, 2013)

Chairman: Lin Peng-Lang



Manager: Ding Wei-Hao



Accounting manager: Liu Zong-Xun



Sunny Bank Co., Ltd. and Its Subsidiaries  
Consolidated Statement of Income

From January 1 to December 31, 2012 and 2011

Unit: NT\$ 1,000 except NT\$ for earnings per share

Code		Year 2012	Year 2011	Change %
41000	Interest income (Note 2 and 28)	\$ 5,256,892	\$ 4,996,430	5
51000	Interest expense (Note 28)	2,234,777	2,013,690	11
	Net interest income	3,022,115	2,982,740	1
	Net income (loss) excluding interest (Note 2)			
49100	Net income of commission (Note 23)	732,063	629,237	16
49200	Financial assets and net income (loss) of liabilities at fair value through profit or loss (Note 6)	110,129	2,434	4,425
49300	Realized profits in available-for-sale	33,775	12,970	160
49600	Net profit of exchange	(7,202)	44,848	(116)
55000	Gains on reversal of asset impairment (loss)	(8,322)	---	---
48005	Gains of financial assets measured by cost	47,484	13,760	245
48031	Net profits on securities brokerage	44,118	61,369	(28)
48051	Lease income	44,352	35,146	26
48063	Net income of property transaction	(8,589)	(13,246)	(35)
58021	Loss of selling bad claims (Note 28)	---	(198,798)	100
49800	Other net non-interest income	58,130	31,321	86
	Total net income excluding interest	1,045,938	619,041	69
	Net income	4,068,053	3,601,781	13

Code		Year 2012	Year 2011	Change %	
51500	Bad debt expense (Note 2, 8 and 28)	138,018	551,247	(75)	
	Operating expense (Note 2, 24, 27, 28 and 30)				
58500	Personal expenditure	1,676,734	1,648,115	2	
59000	Depreciation and amortization	169,376	173,514	(2)	
59500	Other business and administration expenses	792,160	716,542	11	
	Total operating expenses	2,638,270	2,538,171	4	
61001	Net profit (Net loss) before tax	1,291,765	512,363	152	
61003	Tax expense (Note 2 and 22)	61,806	12,133	409	
69000	Net profit	\$ 1,229,959	\$ 500,230	146	
	Vested in:				
69601	The parent company stockholders	\$ 1,229,865	\$ 500,228	146	
69603	Minority interest	94	2	4,600	
69600		\$ 1,229,959	\$ 500,230	146	
Code		Before tax	After tax	Before tax	After tax
69500	Basic earnings per share (Note 25)	\$ 1.00	\$ 0.96	\$ 0.40	\$ 0.40

Notes attached behind are a part of the consolidated financial statement.  
(Please refer to the audit report of Deloitte Taiwan on March 7, 2013)

Chairman: Lin Peng-Lang



Manager: Ding Wei-Hao



Accounting manager: Liu Zong-Xun



Sunny Bank Co., Ltd. and Its Subsidiaries  
Consolidated Statement of Change in Stockholders' Equity  
From January 1 to December 31, 2012 and 2011

Unit: NT\$ 1,000

	Issued capital (Note 20)		Capital surplus (Note 21)	Accumulated losses (Note 20)		
	1,000 shares	Amount		Special reserve	Accumulated losses	Net amount
Balance on January 1, 2011	1,224,973	\$ 12,249,730	\$ 11,173	\$ ---	(\$ 1,682,124)	(\$ 1,682,124)
Reserve for default losses of subsidiaries recorded as special reserve	---	---	---	22,182	---	22,182
Changes in unrealized gain/loss on financial assets of subsidiaries	---	---	---	---	---	---
Change in net loss not recognized as pension cost of subsidiaries	---	---	---	---	---	---
Reserve for trading losses recorded as special reserve	---	---	---	509	---	509
Cash capital increase	50,000	500,000	---	---	---	---
Share-based payment and remuneration cost	---	---	1,425	---	---	---
Total consolidated net profit in Year 2011	---	---	---	---	500,228	500,228
Change in unrealized gain or loss on financial assets in available-for-sale	---	---	---	---	---	---
Effect of equity investment not recognized according to shareholding percentage	---	---	---	---	(326)	(326)
Change in net loss not recognized as pension cost	---	---	---	---	---	---
Decrease in minority interest	---	---	---	---	---	---
Balance on December 31, 2011	1,274,973	12,749,730	12,598	22,691	(1,182,222)	(1,159,531)
Appropriation for losses in 2011						
Capital reserve	---	---	(12,598)	---	12,598	12,598
Special reserve	---	---	---	(22,691)	22,691	---
Changes in unrealized gain/loss on financial assets of subsidiaries	---	---	---	---	---	---
Total consolidated net profit in Year 2012	---	---	---	---	1,229,865	1,229,865
Change in unrealized gain or loss on financial assets in available-for-sale	---	---	---	---	---	---
Change in net loss not recognized as pension cost	---	---	---	---	---	---
Balance on December 31 2012	1,274,973	\$ 12,749,730	\$ ---	\$ ---	\$ 82,932	\$ 82,932

Unrealized appraisal increment of land (Note 2 and 12)	Unrealized gains/losses of financial instruments (Note 2 and 21)	Treasury shares (Note 2 and 26)	Net losses not recognized as pension (Note 2 and 27)	Minority interest	Total shareholders' equity
\$ 256,642	\$ 13,075	(\$ 3,508)	(\$ 1,155)	\$ 5,851	\$ 10,849,684
---	---	---	---	526	22,708
---	(2,551)	---	---	(29)	(2,580)
---	---	---	1,155	27	1,182
---	---	---	---	---	509
---	---	---	---	---	500,000
---	---	---	---	---	1,425
---	---	---	---	2	500,230
---	(119,123)	---	---	---	(119,123)
---	---	---	---	326	---
---	---	---	(25,813)	---	(25,813)
---	---	---	---	(13)	(13)
256,642	(108,599)	(3,508)	(25,813)	6,690	11,728,209
---	---	---	---	---	---
---	---	---	---	---	---
---	539	---	---	3	542
---	---	---	---	94	1,229,959
---	31,700	---	---	---	31,700
---	---	---	(26,184)	---	(26,184)
\$ 256,642	(\$ 76,360)	(\$ 3,508)	(\$ 51,997)	\$ 6,787	\$ 12,964,226

Notes attached behind are a part of the consolidated financial statement.  
(Please refer to the audit report of Deloitte Taiwan on March 7, 2013)

Chairman: Lin Peng-Lang



Manager: Ding Wei-Hao



Accounting manager: Liu Zong-Xun



Sunny Bank Co., Ltd. and Its Subsidiaries  
Consolidated Statement of Cash Flows  
From January 1 to December 31, 2012 and 2011

Unit: NT\$ 1,000

	2012	2011
Cash flow of operating activities:		
Total consolidated net profit	\$ 1,229,959	\$ 500,230
Remuneration cost on employees' purchase of new stocks issued for cash capital increase	---	1,425
Discount/premium amortization of discounts and loans	(20,516)	(11,059)
Amortization for discounts and premiums of financial assets	1,374	3,035
Bad debt expense	138,018	551,247
Asset impairment loss	8,322	---
Depreciation and amortization	169,376	173,514
Loss from selling bad claims	---	198,798
Net losses on property transactions	8,589	13,246
Realized profits on financial assets in available-for-sale	(15,332)	(169)
Deferred income tax	44,877	10,075
Net change of financial assets for trading purpose	(1,844,095)	(165,0190)
Net change of financial liabilities for trading purpose	1,985	(13,820)
Decrease of receivables	266	391,997
Increase of payables	289,906	883,456
Net cash inflow from operating activities	12,729	2,536,956
Cash flow of investment activities		
Increase of financial assets in available-for-sale	(2,629,405)	(4,293,828)
Proceeds on disposal of financial assets in available-for-sale	956,420	5,607,598
Decrease of other financial assets	10,394	106,013
Increase of financial assets in held-to-maturity	(1,172,221)	(996)
Increase of financial bills and bonds investment under resale agreement	(537,881)	(420,380)
Increase of due from central bank and inter-bank offering	4,068,225	(10,546,798)
Increase of discounts and loans	(12,869,018)	(5,267,585)
Acquisition of fixed and other assets	(99,014)	(69,201)
Proceeds on disposal of fixed and other assets	49	379
Proceeds on disposal of collaterals taken over	30,931	60,252
Increase of intangible assets	(6,518)	(10,854)
Increase of other assets	(45,199)	(23,381)
Net cash outflow from investment activities	(12,293,237)	(14,858,781)
Cash flow of financing activities:		
Increase (decrease) of central bank and interbank deposits	854,761	1,505,828



	2012	2011
Increase (decrease) of financial bill and bond liabilities under repurchase agreement	1,283,300	(1,564,060)
Increase of deposits and remittances	9,799,638	14,506,057
Increase (decrease) of financial bonds payable	1,300,000	(1,200,000)
Increase (Decrease) of other liabilities	7,910	(89,223)
Cash capital increase	---	500,000
Net cash inflow from financing activities	13,245,609	13,658,602
Net increase in cash	965,101	1,336,777
Cash balance at the beginning of the year	5,120,311	3,783,534
Cash balance at the end of the year	\$ 6,085,412	\$ 5,120,311
Supplementary disclosures of cash flow information:		
Interest payment	\$ 2,221,729	\$ 2,011,902
Income tax payment	\$ 54,101	\$ 41,193
Investment activities not affecting cash flow:		
Idle assets rendering leasing assets	\$ ---	\$ 17,165
Fixed assets rendering intangible assets	\$ 14,360	\$ 31,903
Fixed assets rendering idle assets	\$ ---	\$ 632

Notes attached behind are a part of the consolidated financial statement.  
(Please refer to the audit report of Deloitte Taiwan on March 20, 2013)

Chairman: Lin Peng-Lang




Manager: Ding Wei-Hao





Accounting manager: Liu Zong-Xun



**6. Effects of Financial Difficulties Experienced by the Bank and Related Enterprises on the Bank Financial Status in Most Recent Year and to the Annual Report Publication Date: None**



## **VII. Review and Analysis of Financial Operations Results, and Risk Management**

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- 
1. Financial Status
  2. Operating Results
  3. Cash Flow
  4. Influence of Major Capital Expenditures
  5. The Reinvestment Policy for the Past Year
  6. Analysis and Evaluation of Risk Management
  7. Crisis Management Mechanism
  8. Other Important Events

## 1. Financial Status

Unit: NT\$ 1,000 and %

Item	Year	2012	2011	Difference	
				Amount	%
Cash, Due from Central Bank and Other Banks		50,583,713	54,193,313	-3,609,600	-7
Financial Assets at Fair Value through Profit/Loss		4,620,335	2,653,828	1,966,507	74
Financial bill and bond liabilities under resale agreement		958,261	360,380	597,881	166
Receivables		1,158,387	1,053,611	104,776	10
Discounts and Loans		189,949,281	177,345,283	12,603,998	7
Available-for-Sale Financial Assets		2,953,917	1,234,495	1,719,422	139
Hold-to-maturity Financial Assets		1,171,441	---	1,171,422	---
Equity Investments – Equity Method		1,194,660	559,970	634,690	113
Other Financial Assets		325,252	325,577	-325	---
Fixed Assets		8,908,817	8,977,087	-68,270	-1
Intangible Assets		1,050,605	1,056,835	-6,230	-1
Other Assets		1,637,927	1,693,783	-55,856	-3
Total Assets		264,512,596	249,454,162	15,058,434	6
Deposits in the CBC and Other Banks		8,166,220	7,311,459	854,761	12
Financial Liabilities at Fair Value through Profit/Loss		3,924	1,939	1,985	102
Notes and Bonds Issued under Repurchase Agreement		1,972,826	689,526	1,286,300	186
Payables		3,313,787	3,036,783	277,004	9
Deposits and Remittances		229,574,788	219,449,892	10,124,896	5
Financial Bonds Payable		8,109,400	6,809,400	1,300,000	19
Reserve for Land Revaluation Increment Tax		133,325	133,325	---	---
Other Liabilities		280,887	300,319	-,19,432	-6
Total Liabilities		251,555,157	237,732,643	13,822,514	6
Capital		12,749,730	12,749,730	---	---
Capital Surpluses		---	12,598	-12,598	-100
Undistributed Profit (Accumulated Loss)		82,932	-1,159,531	1,242,463	-107
Unrealized Land Revaluation Increment		256,642	256,642	---	---
Unrealized Profit/Loss on Financial Instruments		-76,360	-108,599	32,239	-30
Treasury Stock		-3,508	-3,508	---	---
Net Loss not Recognized as Pension Cost		-51,997	-25,813	-26,184	101
Total Shareholders' Equity		12,957,439	11,721,519	1,235,920	11
Description of change to the ratio increase or decrease					
<ol style="list-style-type: none"> <li>1. Increase in financial assets at fair value through profit/loss: this comes from the Bank's holdings in commercial papers (CP2s) and common stocks of listed and/or OTC companies in Taiwan.</li> <li>2. Increase in financial bills and bond liabilities under resale/repurchase agreement: this comes from appropriate financial manipulations that the Bank performed for fund procurement.</li> <li>3. Increase in available-for-sale financial assets: this comes from the increase in the Bank's holdings of government and corporate bonds for better profits from fund manipulations.</li> <li>4. Hold-to-maturity Financial Assets: this comes from the increase in the Bank's holdings of government bonds and negotiable certificates of deposit issued by the Central Bank for steady interest incomes.</li> <li>5. Increase in equity investments under equity method: this stems from the Bank's investment on the establishment of Sunny International Leasing Co., Ltd., a subsidiary of the Bank.</li> <li>6. Increase in financial liabilities at fair value through profit/loss: this comes from the adjustment of valuation of currency swap – a derivative instrument.</li> <li>7. Reduction in capital surpluses: this comes from the appropriation for losses in 2011 as all the capital surplus was appropriated to cover the accumulated losses. °</li> <li>8. Increase in undistributed profit: this comes from the complete amortization of the bad debt expenses recovered from previous years and the unrecognized losses on the sale of bad debts. It leads to significant decrease in expense losses in 2012 and in turn the increase in net profits of this year and makeup of accumulated losses.</li> <li>9. Increase in unrealized profit/loss on financial instruments: this comes from the decrease in the valuation loss on financial assets in available-for-sale.</li> <li>10. Increase in net loss not recognized as pension cost: this comes from the Bank recognizing the minimum pension liabilities stated in the pension actuaries report.</li> </ol>					

## 2. Analysis of Operating Results

Unit: NT\$ 1,000 and %

Item \ Year	2012	2011	Changes	
			Amount	%
Net Interest Profits	3,016,733	2,981,377	35,356	1
Non-Interest Net Gain	919,309	498,539	420,770	84
Net Profits	3,936,042	3,479,916	456,126	13
Bad Debt Expenses	131,018	539,247	-408,229	-76
Operating Expenses	2,528,154	2,433,059	95,095	4
Net Income Before Tax	1,276,840	507,610	769,260	152
Income Tax Expenses	-47,005	-7,382	-39,623	537
Net profit of the year	1,229,865	500,228	729,637	146
Description of the analysis on the change to the ratio increase or decrease				
<ol style="list-style-type: none"> <li>1. Increase in non-interest net gain: this comes from the complete amortization of the unrecognized losses on the sale of bad debts in 2011 and the increase in financial assets and net liability profits at fair value through profit/loss.</li> <li>2. Decrease in bad debt expenses: this comes from the recovery of bad debt expenses recognized in previous years.</li> <li>3. Increase in income tax expenses and net profit of the year: this comes from the complete amortization of the bad debt expenses recovered from previous years and the unrecognized losses on the sale of bad debts. It leads to significant decrease in expense losses in 2012 and in turn the increase in net profits of this year and makeup of accumulated losses.</li> </ol>				

## 3. Analysis of Cash Flow

### (1) Cash Flow Change Analysis for 2012

Item \ Year	2012	2011	Increment (%)
Cash Flow Ratio (%)	-1.33	23.74	-105.60
Cash Flow Adequacy Ratio (%)	2,917.84	2,646.62	10.25
Cash Flow Reinvestment Ratio (%)	1.39	-17.62	-107.89
Description of the analysis on the change to the ratio increase or decrease			
<ol style="list-style-type: none"> <li>1. Decrease in cash flow ratio: this comes from the net cash outflow in the 2012 operating activities.</li> <li>2. Increase in cash flow adequacy ratio: this is the result of the increase of the operating net cash flow in the recent five years in 2012.</li> <li>3. Decrease in cash flow reinvestment ratio: this comes from the net cash inflow in the 2012 operating activities.</li> </ol>			

## (2) Liquidity analysis for the next year:

Unit: NT\$ 1,000

Cash Balance at the Start of the Period	Expected Operating Flow for the Whole Year	Net Cash for the	Expected Cash Inflow for the Whole Year	Expected Cash Surplus (Deficit) ③+②+①	Remediation Measures Against Expected Cash Flow Deficit	
					Investment	Financing
5,486,974	1,660,638		-8,271,027	-1,123,415	---	8,295,500
1. Change in cash flow of the year: (1) Operation Activities: net cash inflow resulted from the estimated interest incomes and net increase in interest payment. (2) Investing Activities: Net cash outflow resulted from increase in deposits in the CBC and other banks, discount, and loan. 2. Remedial measure for expected cash shortfall and liquidity analysis: The Bank plans in the coming year to increase the deposit and remittance, deposit of the CBC and other banks, and to issue rights issue in support of held-for-trading financial assets, available-for-sale financial assets, discounts, and loan increase. No insufficient working cash is found.						

## 4. Influence of Major Capital Expenditures

Planning item	Actual/Expected Capital Resources	Actual/Expected Date of Completion	Required Capital	Actual/Expected Capital Performing Status				
				2009	2010	2011	2012	2013
Land, houses and buildings	Self-owned Fund	2009 – 2012	---	---	---	---	---	---
Other equipment	Self-owned Fund	2009 – 2012	98,249	22,099	76,150	44,748	81,408	153,965

## 5. The Reinvestment Policy for the Past Year

December 31 2012

Unit: NT\$ 1,000

Invested Company	Sunny Securities Co., Ltd.	Sunny Life Insurance Agent Co., Ltd.	Sunny Property Insurance Brokerage Co., Ltd.	Gold Sunny Assets Management Co., Ltd.	Sunny International leasing Co., Ltd.
Major Business	Securities Investment	Life Insurance Brokerage	Property Insurance Brokerage	Financial Institution Creditor's Right (Money) Appraisal and Auction	Leasing
Collected Capital	502,000	52,500	6,050	50,000	600,000
Shareholding (%)	98.72%	39.99%	20.00%	100.00%	100.00%
Amount	523,894	9,852	1,000	50,000	600,000
Par Value	506,167	43,034	3,076	42,295	600,088
Yearly Income	7,277	39,975	2,986	15,844	88
Recognized Invested Income	7,184	15,990	597	15,844	88
Main Factor of Profit (Loss)	1. The revenue of agency service stays profitable. 2. Good performance is expected in long-term investment.	Profit is infused by commission income from sales of life insurance products.	Profit is infused by commission income from sales of property insurance products.	Loss of claim recovery	Good performance is expected in financial operating

## 6. Analysis and Evaluation of Risk Management

### (1) A Series of Qualitative and Quantitative Requirements for Risk Management

#### 1. Credit Risk Management System and Accrued Capital

#### (1) Credit Risk Management System

Disclosure Item	Content
1. Credit risk strategies, objectives, policy and process	<p>1. Credit risk management objective, strategy and policy Which pertains to developing a comprehensive credit risk management mechanism that can be used to effectively identify, measure, monitor, and report various forms of credit risk, and contain the credit risk arisen within a sustainable range, and gradually systemize the credit risk management in search of solidly managing the Bank's credit risk and to achieve the operating and management objectives.</p> <p>2. Credit risk management process flow</p> <p>The Bank has instilled a credit risk management mechanism to effectively identify, measure, monitor and report all probable credit risks arisen from the routine business activity and management flows.</p> <p>(1) Credit risk identification:</p> <p>Of all products and businesses, including all transactions that exist in the Bank logbook and the transaction logbook and on/off the balance sheet, the head of the business unit shall thoroughly analyze the information before trading on it, in order to identify the likely occurrence of any existing or potential contract default incidents.</p> <p>Prior to launching new products and services, it is imperative to draft and define adequate monitoring and control procedures and solicit the opinions of all units based on the operating characteristics and varied hidden risks of a variety of loans.</p> <p>(2) Credit risk measurement:</p> <p>To evaluate the customer's creditworthiness using the five categories of the borrowers, capital usage, source of repayment, liability safeguard and loan outlook when processing the lending service, and uphold the criteria as a rudimentary loan review principle.</p> <p>To take into account the lending characteristics, the contract content and the borrower's financial criteria, the probable impact of sudden risk exposure due to market changes, the collateral or guarantee, changes in the borrower or a trading party's risks, or the risks associated with a lending portfolio.</p> <p>(3) Credit risk monitoring:</p> <p>A system is to be set up for monitoring individual borrowers and trading parties, and for monitoring and managing the loan portfolios. It encompasses reporting potential problematic loans and other problematic lending or transaction procedures.</p> <p>A written credit verification and lending guideline is to be established, including scrutinizing the lending factors, approving new loans, loan extension, and exceptional conditions, the routine review of existing loans, and the retention of loan credit verification records.</p> <p>To instill a cap management system, which will avoid over concentration of credit risks, such as by country, by the same individual, same related party, or by group, industry and so forth.</p> <p>To precisely implement the review and loan follow-up evaluation work, with which to step up post-lending management and debt claim securitization maintenance.</p> <p>To routinely evaluate and monitor the quality of all types of assets by stepping up managing loan anomalies, enforcing the execution of nonperforming loans (overdue, collection, bad debt) management procedure, with which to step up the overdue loan and bad debt management and spearhead the cleanup functions.</p> <p>(4) Credit risk reporting:</p> <p>To routinely declare various caps and risk concentration caps with the risk management department for submitting to the president, and the risk management department is to file a report with the board of directors, which will enable the risk management department to precisely grasp the business operating units' credit risks.</p> <p>In compliance of the capital adequacy monitoring and review principles, the description of the Bank's voluntary evaluation on the state of bank's credit risk quantitative and qualitative indicators implemented, and the disclosure of capital adequacy-related information is to be submitted according to the format, content, method and frequency specified by competent government authorities.</p> <p>When coming across any major credit risk incident that is poised to undermine the Bank's finances, or business conditions, or in breach of laws and regulations, adequate remedial measures shall be taken at once.</p>



Disclosure Item	Content
2. Credit risk management organization and structure	<ol style="list-style-type: none"> <li>1. Board of Directors: The highest decision maker of the Bank's credit risk management which approves the Bank's credit risk management organization structure and regulations.</li> <li>2. Risk Management Department: This is the department of the Bank in charge of review and monitoring of credit risk management agenda.</li> <li>3. High-ranking management: It oversees the implementation of the credit risk management policies and structure and coordinates with various departments for credit risk matters.</li> <li>4. Auditing Department: The credit risk management processes and mechanism are included in this department's auditing scope.</li> <li>5. Risk Management Department: It collects information regarding the Bank's overall credit risks on a regular basis and reports it to the board of directors and risk management committee.</li> </ol>
3. The scope and characteristics of the credit risk reporting and measurement system	The credit risk exposure of various risk constructs are monitored regularly and irregularly based on related credit risk management reports, while a cap-based monitoring mechanism is established (for country risk, group risk, industry risk, etc.), where in the exceptional instance of exceeding the credit risk exposure or a collective cap, response measures shall be taken at once, with a report promptly filed to a higher supervisor.
4. Credit risk hedging and mitigation policies, and strategies and process to monitor the continuous effectiveness of hedging and risk mitigation tools	<ol style="list-style-type: none"> <li>1. To specify and levy for collaterals or guarantors, or to offload the liability claims in the secondary market, or file for liability claim securitization or trading on credit derivatives.</li> <li>2. Through negotiation with the borrower account or a transaction party for financial or non-financial restrictive clauses, the Bank would prevent or monitor changes in the borrower account or a transaction party's credit risks.</li> <li>3. To forward some of the medium and small business loans that have insufficient collaterals to the "SMEG" to step up safeguarding the liability claims.</li> </ol>
5. Approach adopted for the regulatory reserve	The Bank adopts the standard approach to allocate its legally designated capitalization.

## (2) Exposure after Risk Mitigation and Accrued Capital of the Credit Risk Standardized Approach

December 31 2012 (Note)

Unit: NT\$ 1,000

Type	Exposure after Risk Mitigation	Accrued Capital
Sovereignties	---	---
Non-central Government Public Sector Entities	472,542	37,804
Banks (including multilateral development banks, MDBS)	1,465,239	117,219
Corporate (including securities and insurance firms)	63,970,853	5,117,668
Claims on Retail	78,897,820	6,311,826
Residential Properties	16,102,289	1,288,183
Equity Security Investments	---	---
Other Assets	10,315,476	825,238
Total	171,224,219	13,697,937

Note: Please fill the form according to the data as of the previous quarter of the publication date of the annual report.

## 2. Asset Securitization Risk Management System, Exposure and Accrued Capital

### (1) Asset Securitization Risk Management System

Disclosure item	Content
1. Asset securitization management strategies and process	<ol style="list-style-type: none"> <li>Asset securitization risk management objective and strategy               <ol style="list-style-type: none"> <li>To strengthen the asset/liability management capability by diversifying the source of capital and reducing the capital cost.</li> <li>To utilize asset portfolio reconfiguration, trust and credit enhancement for creating a diverse, long-term fund-raising platform.</li> <li>To utilize the securitization process to remove assets from the balance sheet, and raise the self-owned capital, and reduce the asset scale.</li> <li>To act as an underwriter institution to generate service fee.</li> </ol> </li> <li>Asset securitization risk management process               <ol style="list-style-type: none"> <li>To utilize a host of external institutions, such as a credit rating agency, to ensure that it meets the asset guidelines of a trust contract at the time when the asset is being transferred.</li> <li>To rely at the same time on the credit enhancement mechanism to reduce the investor's likelihood to face the asset credit risk.</li> <li>Upon completing the asset securitization transfer and issue, there is a likelihood that the cash flow shortfall on securitized asset may result in a payment shortfall risk. By utilizing the reserve system, it offers a rational liquidity and helps to prevent a contract default due to insufficient cash flow.</li> <li>To utilize the competent government authorities' mandate for information disclosure, and the credit rating agency, certified public accountant and legal counsel's information requirement to fully reflect the information in relevant transaction contracts and legally designated announcements.</li> <li>By utilizing a trust asset transfer pricing adequacy opinion letter issued by financial consultants, it enables the pricing evaluation risk to be rationally controlled.</li> <li>By drafting a variety of contracts, such as the service contract and trust contract, to avoid conflicts of interest to undermine the investor's equity.</li> </ol> </li> </ol>
2. Asset securitization management organization and structure	<ol style="list-style-type: none"> <li>Planning department: Responsible for the transaction framework, external institutions' selection and appointment, document submission to the competent government authorities and the like.</li> <li>Authorization department: The board of directors is to authorize various responsible units to execute the securitization transactions.</li> <li>Information department: Responsible for developing relevant reports, information system specifications and data retention.</li> <li>Transaction department: Compiling and issuing the report for risk monitoring.</li> </ol>
3. The scope and characteristics of the asset securitization risk reporting and measurement system	The service underwriter is to produce a risk report for the investor to understand the state and quality of securitized asset repayment, including initial asset account figure, balance, payment on overdue loan, interest rates, and the like.
4. Policies of hedging or risk mitigating asset securitization. Also policies and processes to ensure the effectiveness of the tools used to hedge and mitigate risk.	<p>If the exposure on the buyback of the subordinated beneficiary securities held by the initial underwriting institute still faces credit risk, approaches to be adopted for reducing the risk are as follows,</p> <ol style="list-style-type: none"> <li>If the anticipated loss on the exposure held has not been high, the Bank is to absorb it on its own.</li> <li>If the anticipated loss on the exposure held poses significant impact to the earnings or capitalization, a bad debt reserve will be increased to absorb the losses in advance.</li> <li>If there are adequate risk hedging tools available in the market (such as a derivative credit product or a credit insurance), such risk hedging tools are to be purchased at a reasonable cost to transfer the credit risk; or it is also viable to utilize the asset offloading approach to transfer the risk to the trading party.</li> </ol>
5. Approach adopted for the regulatory capital	The Bank currently adopts the standard approach to allocate the capital.

(2) State of trading asset securitization: None

(3) Exposures of asset securitization and capital to be allocated: None

(4) Securities product information



- A. Summary of Investment in Securitized Products: None
- B. Information on the original cost of one single investment in securitized products reaches NT\$ 300 million and above (excluding the position held by the Bank, as a securitization initiation institutes, for the purpose of credit enhancement) should be disclosed: None
- C. Information on the position held by the Bank, as a securitization initiation institutes, for the purpose of credit enhancement should be disclosed: None
- D. Information on Bank's service as a credit-damaged buying institute or a clearance buying institutes should be disclosed: None
- E. Information on the Bank's service as a securitized product guarantor or its provision of liquidity facility should be disclosed: None

### 3. Operational Risk Management System and Accrued Capital

#### (1) Operational Risk Management System

Disclosure item	Content
1. Operational risk strategies, objectives, policy and process	<p>1. Operational risk management objective and strategy A comprehensive operational risk management mechanism is to be establish to effectively identify, measure, monitor and report a host of operational risks, and contain probable operational risks within a sustainable range by steadfastly systemizing the operational risk management work, in anticipation of stabilizing the Bank's operational risk management, and to achieve the operational and management objectives.</p> <p>2. Operational risk management process flow An operational risk management mechanism is instilled to effectively identify, measure, monitor and report all probable operational risks arisen from all routine business activity and management process flows.</p> <p>(1) Operational risk identification: A. All unit personnel should identify the potential operational risks and their causes and effects in managing potential operational risks in the routine operations, report such matters to the higher supervisors, and choose proper counterstrategies, which are to be submitted to the business administration unit as per relevant stipulations. B. Prior to launching new products, new services, operating process and information systems, all business administration units should conduct adequate operational risk identification.</p> <p>(2) Operational risk measurement: A. The Bank has steadfastly developed adequate and consistent qualitative and quantitative indicators, with which to measure the level of sudden risk on a host of operational risks. B. The Bank routinely reviews the foresaid qualitative and quantitative indicators, coordinated with operating needs and changes in the internal and external environments, to timely adjust the measurement indicators.</p> <p>(3) Operational risk monitoring: A. All operating units, when encountering an operational risk-related loss incident, shall promptly contain the damage, and report the incident to relevant units by following the Bank-specified reporting mechanism, and in the wake of any insurance adjustment or illegal matters, shall promptly notify the business units and the audit division. B. The department responsible for losses arisen from operational risks shall document a loss incident thoroughly to facilitate instilling an internal operational risk-related loss database.</p> <p>(4) Operational risk reporting: To routinely report the state of loss incident to risk management department, and then submit to president. Risk management department routinely reports to board of directors, so the department can precisely grasp the market risk of business units. In compliance of the capital adequacy monitoring and review principles, the description of the Bank's voluntary evaluation on the state of bank's operational risk quantitative and qualitative indicators implemented, and the disclosure of capital coverage-related information is to be submitted according to the format, content, method and frequency specified by competent government authorities. When coming across any major operational risk incidents that might impair the</p>

Disclosure item	Content
	Bank's state of finances or operations, or in breach of laws and regulations, all relevant units must adopt proper countermeasures at once.
2. Operational risk management organization and structure	<ol style="list-style-type: none"> <li>1. Board of Directors The highest decision maker of the Bank's operational risk management which approves the Bank's operational risk management organization structure and regulations.</li> <li>2. Risk Management Department This is the department of the Bank in charge of review and monitoring of operational risk management agenda.</li> <li>3. High-ranking management It oversees the implementation of the operational risk management policies and structure and coordinates with various departments for operational risk matters.</li> <li>4. Auditing Department The operational risk management processes and mechanism are included in this department's auditing scope.</li> <li>5. Risk Management Department It collects information regarding the Bank's overall operational risks on a regular basis and reports it to the board of directors and risk management committee.</li> </ol>
3. The scope and characteristics of the operational risk reporting and measurement system	At the onset of an operational risk incident, various types of operational risk management information is to be gathered, and routinely sorted and analyzed for reporting.
4. Operational risk hedging and mitigation policies, and strategies and process to monitor the continuous effectiveness of hedging and risk mitigation tools	<ol style="list-style-type: none"> <li>1. In response to operational risk-related loss incidents where the probability and the amount of loss are both high, adequate measures should be taken to hedge against activities that might trigger risky situations, such as ceasing to offer a particular service.</li> <li>2. In response to operational risk-related loss incidents with a low probability of occurrence but high amounts of losses, measures should be taken to minimize/transfer impacts after risks arise, such as insurance and outsourcing. It is imperative to take into account the validity when the residual risk that cannot be fully cover by the risk exposure or a risk period following adopting the monitored reduction/transfer measures.</li> </ol>
5. Approach adopted for the regulatory reserve	The Bank currently adopts the basic index method to allocate the capital.

## (2) Operational Risk Capital Requirement

December 31 2012 (Note)

Unit: NT\$ 1,000

Year	Gross Operating Profits	Capital Requirement
2010	3,516,129	---
2011	3,679,371	
2012	3,912,098	
Total	11,107,598	555,380

Note: Please fill the form according to the data as of the previous quarter of the publication date of the annual report.

#### 4. Market Risk Management System and Accrued Capital

##### (1) Market Risk Management System

Disclosure item	Content
1. Market risk strategies, objectives, policy and process	<p>1. Market risk management objective and strategy A market risk management mechanism has been instilled in support of the Bank's operating scale and to comply with various regulations set by competent government authorities. It ensures a full compliance to the market risk management mechanism's caps and stop-loss management stipulations, making sure the Bank's risks are managed adequately.</p> <p>2. Market risk management process A market risk management mechanism has been instilled to effectively identify, measure, monitor and report all probable market risks arisen from the routine business activities and management process.</p> <p>(1) Market risk identification:</p> <p>a. When the position held is related to the exchange rate, where the fair value fluctuation will be affected by the exchange rate, thus it is essential to measure how the exchange rate shift is going to affect the loss or gain of the foreign exchange position.</p> <p>b. The risks for holding equity securities include the individual risks arisen from fluctuations to the price of the equity securities.</p> <p>(2) Market risk measurement: To measure a variety of market risks' exposure, including the position cap, stop loss cap and levels of market risk concentration.</p> <p>(3) Market risk monitoring:</p> <p>a. To define the market risk transaction and stop loss caps according to the operating strategy and market conditions by developing a comprehensive risk monitoring process that can be enforced continuously throughout the business activity.</p> <p>b. To instill a clear reporting process, and routinely generate the monitoring reports on various types of position management, such as gain or loss, risk caps and so forth.</p> <p>c. To monitor whether the position fluctuations, changes of the gain or loss, trading modes and trading instruments are kept within the scope of the authorized operations.</p> <p>(4) Market risk reporting:</p> <p>a. To routinely report the state of various caps accessed, market valuation estimates and the state of gain or loss, exposure and risk caps to higher management to precisely grasp the market risk.</p> <p>b. In the wake of any extraordinary circumstances of exceeding the market risk transactions or the stop loss caps, countermeasures shall be taken at once, and a report filed as swiftly to facilitate monitoring the Bank's market risks.</p> <p>c. In compliance of the capital adequacy monitoring and review principles, the description of the Bank's voluntary evaluation on the state of bank's credit risk quantitative and qualitative indicators implemented, and the disclosure of capital adequacy-related information is to be submitted according to the format, content, method and frequency specified by government authorities.</p>
2. Market risk management organization and structure	<p>1. Board of Directors The highest decision maker of the Bank's market risk management which approves the Bank's market risk management organization structure and regulations.</p> <p>2. Risk Management Department This is the department of the Bank in charge of review and monitoring of market risk management agenda.</p> <p>3. High-ranking management It oversees the implementation of the market risk management policies and structure and coordinates with various departments for market risk matters.</p> <p>4. Auditing Department The market risk management processes and mechanism are included in this department's auditing scope.</p> <p>5. Risk Management Department</p>

Disclosure item	Content
	It collects information regarding the Bank's overall market risks on a regular basis and reports it to the board of directors and risk management committee.
3. The scope and characteristics of the market risk reporting and measurement system	At the onset of a market risk incident, various types of market risk management information is to be gathered, and routinely sorted and analyzed for reporting.
4. Market risk hedging and mitigation policies, and strategies and process to monitor the continuous effectiveness of hedging and risk mitigation tools	<ol style="list-style-type: none"> <li>1. Of financial products that appear with asymmetrical risk and return or with high risks and high return, such type of products shall not be traded after diligent evaluation and assessment.</li> <li>2. To hedge the probable price risk or the transaction party's market risk on financial products, necessary risk hedging measures should be taken to mitigate or transfer the risks.</li> </ol>
5. Approach adopted for the regulatory reserve	The Bank currently adopts the standard approach to allocating the capital.

## (2) Market Risk Capital Requirement

December 31 2012 (Note)  
Unit: NT\$ 1,000

Risk type	Capital requirement
Interest Rate Risk	177,949
Equity Securities Risk	195,319
Foreign Exchange Risk	150,495
Commodity Risk	---
Total	523,763

Note: Please fill the form according to the data as of the previous quarter of the publication date of the annual report.

### 5. Liquidity risk, including maturity analysis of assets and liability and the description of the management of asset liquidity and capital gap liquidity.

## (1) Structure Analysis of the Maturation of NTD

December 31 2012  
Unit: NT\$ 1,000

	Total	Remaining Period to Maturity					
		1-10 days	11-30 days	31-90 days	91-180 days	181 days – 1 year	Over 1 year
Primary Funds Inflow upon Maturity	255,526,740	29,305,200	26,470,974	19,976,488	21,906,423	41,226,524	116,641,131
Primary Funds Outflow upon Maturity	296,527,253	19,916,147	16,891,635	40,559,667	42,917,225	91,412,851	84,829,728
Capital Gap	-41,000,513	9,389,053	9,579,339	-20,583,179	-21,010,802	-50,186,327	31,811,403

Note: This table only includes the amount of New Taiwan Dollars (excluding foreign currencies) in the head office and both of domestic and foreign branches.

February 28 2013  
Unit: NT\$ 1,000

	Total	Remaining Period to Maturity					
		1-10 days	11-30 days	31-90 days	91-180 days	181 days – 1 year	Over 1 year
Primary Funds Inflow upon Maturity	258,198,981	30,207,904	30,316,512	17,592,000	20,969,671	42,673,918	116,438,976
Primary Funds Outflow upon Maturity	301,251,074	20,749,689	16,321,893	34,535,352	46,063,917	98,762,661	84,817,562
Capital Gap	-43,052,093	9,458,215	13,994,619	-16,943,352	-25,094,246	-56,088,743	31,621,414

Note: This table only includes the amount of New Taiwan Dollars (excluding foreign currencies) in the head

office and both of domestic and foreign branches.

## (2) Structure Analysis of the Maturation of USD

December 31 2012  
Unit: USD 1,000

	Total	Remaining Period to Maturity				
		0-30 days	31-90 days	91-180 days	181 days – 1 year	Over 1 year
Primary Funds Inflow upon Maturity	\$372,283	\$104,898	\$106,163	\$27,464	\$16,392	\$117,366
Primary Funds Outflow upon Maturity	346,178	205,570	72,796	24,625	35,785	7,402
Capital Gap	26,105	-100,672	33,367	2,839	-19,393	109,964

February 28 2013  
Unit: USD 1,000

	Total	Remaining Period to Maturity				
		0-30 days	31-90 days	91-180 days	181 days – 1 year	Over 1 year
Primary Funds Inflow upon Maturity	\$379,912	\$132,541	\$73,430	\$38,412	\$18,711	\$116,818
Primary Funds Outflow upon Maturity	408,323	239,263	54,326	25,877	31,615	57,242
Capital Gap	-28,411	-106,722	19,104	12,535	-12,904	59,576

Note 1: This table only includes the total amount of USD in the head office and both of domestic and foreign branches, unless otherwise stated. Please fill based on carrying amount, while amount not carried is not required to be filled (such as issuance of negotiable CD, bonds or stocks).

Note 2: If foreign assets accounts for over 10% of total assets of the Bank, supplementary disclosure information should be provided.

## (2) The Influence of Domestic and Foreign Major Policies and Law Amendment Exerting on the Bank's Financial Structure and Responding Measures

### 1. Critical policy and legal changes

- (1) The Company Act (amended on 8.8.2012, 1.16.2013 and 1.30.2013)
- (2) The Personal Information Protection Act (amended on 5.26.2010, promulgated on 10.1.2012 except for Articles 6 and 54)
- (3) The Enforcement Rules of the Personal Information Protection Act (amended on 9.26.2012, promulgated on 10.1.2012)
- (4) The National Health Insurance Act (amended on 6.29.2011, promulgated on 1.1.2013)
- (5) The Regulations Governing the Capital Adequacy and Capital Category of Banks (amended on 11.26.2012, promulgated on 1.1.2013 except for Article 4)

### 2. Influence of major policy changes

Since the Bank learned domestic and foreign major policies and law amendment and expected its influence on the financial structures, the Bank has notified related units, developed responsive procedures and engaged in employee education and training. If internal articles or procedures are not consistent with new regulations, responsible units will revise the according articles or procedures.

## (3) Influence of Changes in Technology and Industries on Banking Financial Operations and Related Measures

e-Business is closely combined with virtually every trade of business thanks to the rapid advancing and widespread applications of information technology in the world. The Bank has a big part in the e-commerce supply chain in terms of cash flow and helps create more added values. Therefore to increase competitiveness in the market, the Bank is planning to establish new version of online bank and mobile bank (APP) and install multimedia systems at branches to achieve the goals of business expansion, corporate image promotion and providing clients with whole new e-commerce experience. There is also a plan to upgrade the personal stamp comparison system in order to reduce operational risks and improve performance.

The Bank has continued to improve its information software and hardware equipment, on which relevant industry and trade database could be accessed, and the Bank clerks are able to grasp the latest industry changes by inquiring through the computer that not only excels the credit verification and lending quality to reduce the Bank's lending risk, but also help excel the profitability and risk hedging effect on short-term and long-term stock investment. Meanwhile, to step up risk management, the Bank has specified an investment cap by industry and by individual group, with which to diversify the risks of technological change and industry change to the Bank investment.

#### (4) Influence of Change in Image on the Bank and Relative Measures

The Bank has a spokesperson, establishes a dedicated legal department and hires legal consultant. In case of any report in mass media that is stray from facts, Thank will respond or clarify as cautiously and soon as possible in order to minimize the impact on the Bank's public relation.

#### (5) Expected effects and possible risks for merging: None

#### (6) Expected effects and possible risks of expansion of branches

##### 1. Expected effects

Through the expansion of the service locations, the major effect can be geographically expanded within the branch network. The Bank is able to provide well-rounded and diverse services to customers in different regions, segments, and attributes so as to expand the sources of the deposit and loan service and wealth management.

##### 2. Possible Risks and Responding Measures:

The Bank's management and operation risks may ascend consequently. However, the Bank will conduct market survey and have thorough evaluation before establishing any new branch office, and with effective internal control and regulation-compliance mechanism, risks can be effectively minimized.

#### (7) Risks and Responding Measures for Business Concentration:

The Bank's major businesses are centered on the deposit and loans. With overbanking in the market, the Bank is facing a fierce price war in interest rates and service fee, which incurs operational risks for profitability. The Bank continuously develops financial products in foreign exchange, trust and insurance and proactively develops wealth management, provides diverse financial services, gradually adjusts the profitability structure and effectively minimizes and distributes various risks to ensure solid operation of the Bank.

#### (8) Influence and Risk of Changes in Operational Rights

The Bank is running with rather stable operational rights and transfer or change of equity in large quantity that may lead to change in operational rights and impacts and risks to the Bank is unlikely in the foreseeable future.

#### (9) Impacts and/or risks to the Bank due to transfer or change of equity in large quantity occurring on the Bank's directors, supervisors or major shareholders with a total shareholding exceeding 1% and response measures

In recent years and up to the date the statements were published, no transfer of equity to others from any of the Bank's directors, supervisors or major shareholders with a total shareholding exceeding 1% is observed.

#### (10) Lawsuit or non-suit events, the Bank should identify the Bank directors, auditors, president, major shareholders with a total shareholding exceeding 1% or affiliated companies involving in a major litigation, non-litigation or administrative dispute litigation cases that have been confirmed or remain pending and up to the publication of the annual report, where the results could pose a major impact to the depositors or the shareholders' equity or the securities share price:

##### 1. Case 1: Damage claim

##### (1) Lawsuit commencing from: January 22, 2010

- (2) Major Parties: Plaintiff – 83 people including Chen and others  
 Defendant – 8 people including Wang and others (including the Bank)



- (3) Dispute: Wang and others in Cheng Feng Development Project are accused of violation of the Banking Act. The plaintiff requested incidental civil procedures in the second sentence of criminal procedures and joint liability for damages on rights infringement of the defendant. After ruling of the second sentence, the case was transferred to civil court of the High Court.
- (4) Target Amount: NT\$73,140,000 and the interest calculated as 5% per annum interest rate from the next day of the arrival of complain manuscripts to reimbursement date.
- (5) Result as of February 28 2013: The case was dismissed by Taiwan High Court Kaohsiung Branch Court, and is currently under trial at the Supreme Court.

## 2. Case 2: Damage claim

- (1) Lawsuit commencing from: April 9, 2010
- (2) Major Parties: Plaintiff – 70 people including Huang and others;  
Defendant – 8 people including Wang and others (the Bank is an additional defendant)
- (3) Dispute: Wang and others in Cheng Feng Development Project are accused of violation of the Banking Act. The plaintiff requested incidental civil procedures in the first sentence of criminal procedures and joint liability for damages on rights infringement of the defendant. After ruling to transfer to civil court of the Dist. Court, the Bank was added as an additional defendant.
- (4) Target Amount: NT\$72,900,000 and the interest calculated as 5% per annum interest rate from the next day of the arrival of complain manuscripts to reimbursement date.
- (5) Result as of February 28 2013: The case is currently under the trial of Kaohsiung Dist. Court.

## 3. Case 3: Damage claim

- (1) Lawsuit commencing from: January 4, 2011
- (2) Major parties: Plaintiff: Wu and others  
Defendant: Chang and the Bank
- (3) Dispute: the plaintiff requested incidental civil procedures and joint liability for damages as the employer because the employees of the defendant are suspected of misappropriation, forging document, and fraud to cause damage to the plaintiff.
- (4) Target amount: NT\$ 56,183,179 and the interest calculated as 5% per annum interest rate from the next day of the arrival of complain manuscripts to reimbursement date.
- (5) Result as of February 28 2013: The case is currently under trial at Changhua Dist. Court.

## 4. Case 4: Damage claim

- (1) Lawsuit commencing from: Aug 10 2012
- (2) Major parties: Plaintiff – Wang  
Defendants – Sunny Bank, Chang
- (3) Dispute: the plaintiff requested incidental civil procedures and joint liability for damages as the employer because Chang, an employee of the defendant, is suspected of stealing the plaintiff's deposit in the Bank to cause damage to the plaintiff.
- (4) Target amount: NT\$ 13,763,600 and the interest calculated as 5% per annum interest rate from the next day of the arrival of complain manuscripts to reimbursement date.
- (5) Result as of February 28 2013: The case is currently under trial at Tainan Dist. Court.



(11) Other important risks and correspondent measures: None

## 7. Crisis Management Mechanism

“Important Events Report, Control and Following” and “Emergency Capital Raising and Response Procedure” are set by the Bank to deal with crisis.

### (I) Important Events Report, Control and Following

1. Objective: The initiatives have been made in an effort to fully grasp any scenarios of major accidental incident occurred at the Bank, and to facilitate adopting relevant response measures, and to immediately notify relevant government agencies in anticipate that in the wake of a crisis incident, the Bank will be able to rapidly adopt the response plan to mitigate the impact of an incident, and to maintain the normal operation of the business activity.
2. Urgent contingency policy:
  - (1) At the time a major accidental incident occurs, all bank units are not only required to file a report with the law enforcement or other relevant government agencies and adopt emergency remedial measures depending on the circumstances of the case, but the unit supervisor shall, following the occurrence of the incident, promptly notify the system commissioner by telephone and present a report to the host unit (a report shall still be filed even during the non-business hours), and the process documented as a written record.
  - (2) The Bank's host unit, upon learning the relevant information of a major accidental incident, shall promptly and voluntarily discern the truth of the incident by gathering relevant information and complete a phone record or a written report, which is to be filed with the system commissioner, the president and the chairman.
  - (3) All bank units, in response to a major accidental incident, shall file a written report citing the process of the incident and the state of disposition with the Bank's host unit within three days following the occurrence of the incident.
  - (4) The audit department shall be in charge of faxing relevant information by complying with the authorities' instructions, and shall promptly notify the Banking Bureau of the FSC, the CBC and Central Deposit Insurance Corporation on relevant incident scenario, state of disposition, and state of improvement within one week following the occurrence of the incident.
  - (5) Post-disaster act: all bank units, following the reporting of a major incident, shall enlist the incident under a special project for monitoring, and shall promptly notify the Bank's host unit on the case's subsequent development.

The Bank's host unit, in response to major incidental cases reported, shall assign designated personnel to file and monitor the case through a designated case process, and to voluntarily or routinely follow up the subsequent development and state of improvement, depending on the severity and urgency of a case, and to document the process in written records to timely resolve the problem. Once there are concrete results, a report will be sent to the chairman, and the audit department will file a report with authorities. For suspected deficiencies in alleged fraud cases or major incidental cases, the audit department should review the situation every three months until the circumstances have been improved.

### (II) “Emergency capital raising and response procedure”

#### 1. Objective

An emergency response plan is drafted according to the Bank's “Liquidity Risk Management Guidelines” to successfully raise the capital at times of urgent needs in order to respond to a large deposit loss at the Bank, or even at the time of a major incident.

#### 2. Requisite hypothesis

In the wake of a major contingency, the Bank shall at least reserve three days worth of a large amount of capital in response to the customer's fund withdrawals, which are classified by the deposit types as follows,

- (1) In case of demand deposits (including the checking deposit, demand deposit, and savings deposit), 9% of the total balance will be withdrawn on day one, 6% will be withdrawn on day two, and 2% will be withdrawn on day three.
- (2) In case of time deposit and CD (including time deposit, time savings deposit, and negotiable certificate of deposit (NCD), 12% of the total balance will be withdrawn on day one, 7% will be withdrawn in day two, and 4% will be withdrawn on day three.

#### 3. Emergency response procedure

Head of the finance department shall urge the chairman to stage an urgent asset/liability management committee meeting:

(1) To evaluate the market impact trend.

- (2) To review the current liquidity positions.
- (3) To plan the source of fund raising.
- (4) To determine the response action procedure.

#### **4. Immediate actions to be taken**

- (1) To present the cash liquid positions on all currency.
- (2) To liquidate the notes, bonds and the investment position of various marketable securities.
- (3) To obtain peer capital of a fixed period of time.
- (4) To extend the Bank's liability expiry date, and to avoid concentration on the same expiry date.
- (5) To narrow down the liquidity position gap.
- (6) To discuss whether to raise the Bank's NCD and other deposit published interest rates to attract capital.
- (7) To temporarily suspend large business account loans and general credit loans.

#### **5. Steps for raising the fund**

- (1) To verify the Bank's available fund and source of fund that can be collateralized (including the CBC's reserve A account and reserve B account, Financial Information Service, Due from banks financial bonds, and various marketable securities investment instruments and the like).
- (2) To liquidate investment exposure.
  - A. To verify the investment exposure held
  - B. To review the market conditions of the liquid assets that can be liquidated
  - C. To calculate the market valuation and state of gain or deficit following the liquidation
- (3) To liquidate the foreign exchange positions: to liquidate the Bank's foreign currency positions of all currency.
- (4) To secure interbank loans
  - A. To identify the position as interbank loans
  - B. To obtain peer support by utilizing the established peer relationships
  - C. To rally for the authorities' moral persuasion in an attempt to derive peer capital assistance with a longer date
- (5) To expand the trading on notes and bonds RP transactions
  - A. To verify the RP position
  - B. To persuade the customers and peer support by utilizing the established relationships
- (6) To retain the Bank's deposit accounts
  - A. To identify the source of the Bank's major deposits
  - B. To persuade loyal customers not to make withdrawal prematurely by utilizing the established relationships
- (7) The CBC's rediscounting window and its financing service  
To review qualified marketable securities that can be discounted for cash, and to file for fund raising as per the "Directions for the Central Bank of China Accommodations to Banks".

#### **6. Capital payout methods:**

- (1) Central Bank reserve A account: Acts as the Bank's main account for financing, the source of fund should first be allocated to the account, which will facilitate the operation of the Bank-wide liquidity financing center.
- (2) Financial Information Service: Persuade the customers to withdraw the funds using the financial payment transfer method to stop depleting the cash held in vault, and to alleviate the customer traffic queuing at the counter.
- (3) Cash held in vault: Provided that the loss of deposits accounts for 12% of the equivalent cash held in vault, then the amount would roughly be equivalent to eight times the balance of the Bank's general cash held in vault; by then, the finance department would need to draft daily emergency contingency measures in terms of how best to distribute cash to all units (including those located in other counties and cities), or how best to seek the support of nearby peers.
- (4) NTD checking account: mainly for paying the corporate accounts, large-amount customers and financial peers.

#### **8. Other Important Events: None**



## VIII. Special Items

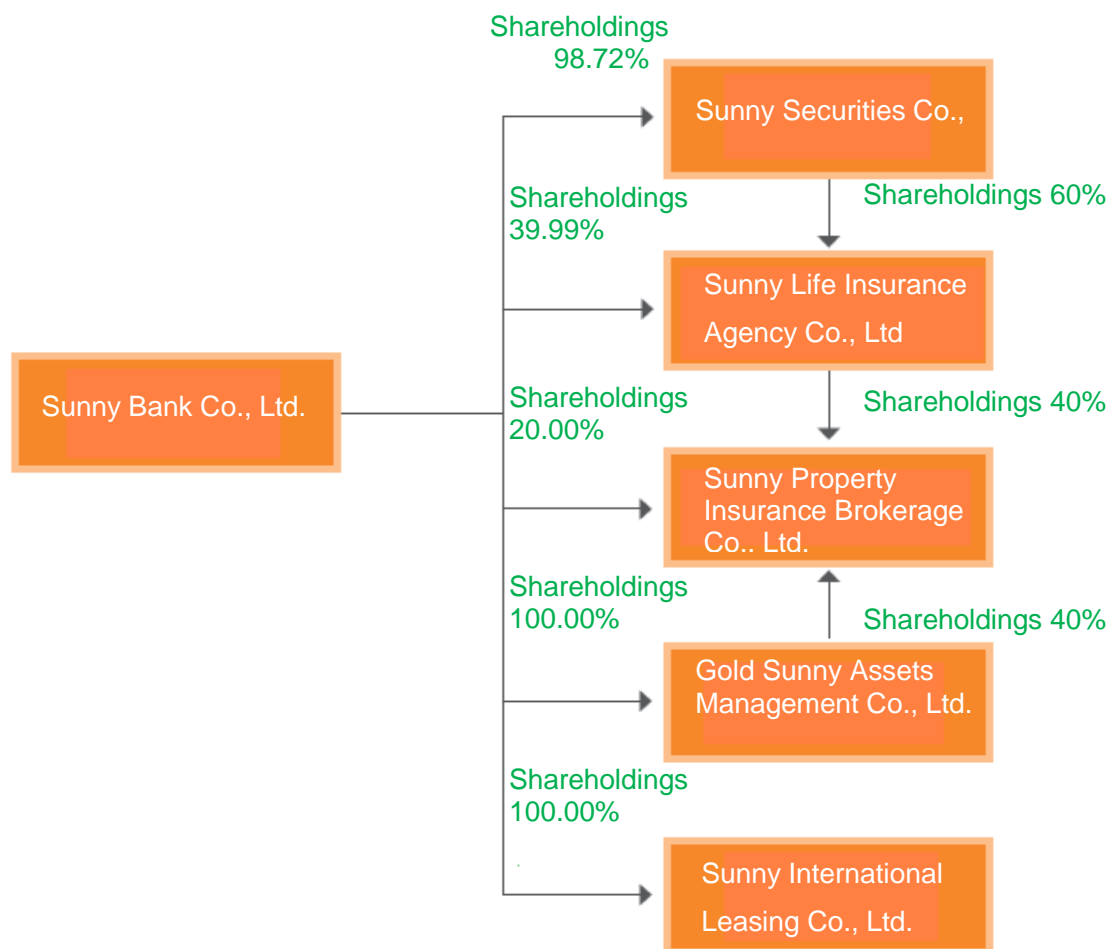


## 1. Information of Affiliates

### (1). Affiliates' Status

#### 1 Organization Chart of Affiliates

As of Dec 31 2012



#### 2 Basic Information of Affiliates

Unit: NT\$ 1,000

Company Name	Date of Establishment	Address	Paid-in Capital	Major Business
Sunny Securities Co., Ltd.	02.04.1998	No.165 B2, Sec. 5, Minsheng E. Rd., Songshan Dist., Taipei City	502,000	Marketable Securities Entrusting and Trading in the stock exchange, as well as futures introducing broker business
Sunny Life Insurance Agency Co., Ltd.	02.15.2001	2F., No.205, Chang'an W. Rd., Datong Dist., Taipei City	52,500	Life Insurance Brokerage
Sunny Property Insurance Brokerage Co., Ltd.	08.14.2003	2F., No.205, Chang'an W. Rd., Datong Dist., Taipei City	6,050	Property Insurance Brokerage
Gold Sunny Assets Management Co., Ltd.	10.23.2006	5F., No.255, Zhongzheng Rd., Shilin Dist., Taipei City	50,000	Financial Institution Creditor's Right (Money) Appraisal and Auction
Sunny International Leasing Co., Ltd.	11.28.2012	6F., No.88, Sec. 1, Shipai Rd., Beitou Dist., Taipei City	600,000	Leasing, installments, debt collection, other financing and leasing related business, and investing on financing and leasing companies in China

### 3 Hold the same data of shareholders of affiliated companies: None

### 4 Directors and Supervisors of Affiliated Companies

December 31 2012  
Unit: 1,000 shares and %

Company Name	Title	Name	Shareholdings	
			Shares	%
Sunny Securities Co., Ltd.	Chairman	Sunny Bank Co., Ltd Representative: Lin, Ching-Lung	49,555	98.72
	Director	Sunny Bank Co., Ltd Representative: Chou, San-Ho		
	Director	Sunny Bank Co., Ltd Representative: Chang, Chi-Ming		
	Director	Sunny Bank Co., Ltd Representative: Kuo, Chih-Hung		
	Director	Sunny Bank Co., Ltd Representative: Lin, Chih-Liang		
	Supervisor	Tseng, Yao-Te	---	---
Sunny Life Insurance Brokerage Co., Ltd.	Chairman	Sunny Bank Co., Ltd Representative: Chen, Chin-Yi	2,100	39.99
	Director	Sunny Bank Co., Ltd Representative: Ho, Hsuen-Cheng		
	Director	Sunny Bank Co., Ltd Representative: Huang, Cheng-Nan		
	Director	Sunny Securities Co., Ltd Representative: Chao, Fu-Tien	3,150	60.00
	Supervisor	Sunny Securities Co., Ltd Representative: Hsu, Wen-Tung		
Sunny Property Insurance Brokerage Co., Ltd.	Chairman	Sunny Bank Co., Ltd Representative: Chen, Chin-Yi	121	20.00
	Director	Sunny Bank Co., Ltd Representative: Ho, Hsuen-Cheng	242	40.00
	Director	Sunny Life Insurance Brokerage Co., Ltd. Representative: Huang, Cheng-Nan		
	Director	Sunny Life Insurance Brokerage Co., Ltd. Representative: Chao, Fu-Tien		
	Supervisor	Gold Sunny Assets Management Co., Ltd. Representative: Hsu, Wen-Tung	242	40.00
Gold Sunny Assets Management Co., Ltd.	Chairman	Sunny Bank Co., Ltd Representative: Lin, Ming-Cheng	5,000	100.00
	Director	Sunny Bank Co., Ltd Representative: Wang, Ya-Hsun		
	Director	Sunny Bank Co., Ltd Representative: Li, Yu-Sheng		
	Supervisor	Sunny Securities Co., Ltd Representative: Kuo, Chih-Hung		
Sunny International Leasing Co., Ltd.	Chairman	Sunny Bank Co., Ltd Representative: Chou, San-Ho	60,000	100.00
	Director	Sunny Bank Co., Ltd Representative: Ho, Li-Wei		
	Director	Sunny Bank Co., Ltd Representative: Kang, Wu-Cheng		
	Supervisor	Sunny Bank Co., Ltd Representative: Liu, Tsung-Hsun		

### (2) Affiliates' Operation Status:

Unit: NT\$ 1,000 except NT\$ for earnings (losses) per share

Company Name	Capital	Total Assets	Total Liabilities	Net Value	Operating Income	Profit/Loss This Term	EPS (or loss)
Sunny Securities Co., Ltd.	\$502,000	548,384	20,302	528,082	53,818	7,277	0.14
Gold Sunny Assets Management Co., Ltd.	52,500	181,004	64,643	116,361	364,515	39,975	7.61
Sunny Life Insurance Brokerage Co., Ltd.	6,050	18,553	3,174	15,379	18,881	2,986	4.94
Sunny Property Insurance Brokerage Co., Ltd.	50,000	382,801	340,506	42,295	42,595	15,844	3.17
Sunny International Leasing Co., Ltd.	600,000	600,277	188	600,088	---	88	0.00

**2 The private placement of marketable securities and financial debentures for the year 2012 and as of the publication of the annual report: None**

**3 Holding or disposal of the Bank stocks by subsidiaries for the year 2012 and as of the publication of the annual report**

February 28, 2013  
Unit: NT\$ and % for shares

Subsidiary	Paid-in Capital	Source of Fund	Shareholdings of the Bank	Date of acquisition or disposal	Shares and Amount Acquired	Shares and Amount Disposed	Profit Loss	Shares and Amount Held as of publication Date of the Annual Report	Pledge Creation	The Bank's Endorsement & Guarantee to Subsidiaries	The Bank's Loans to Subsidiaries
Sunny Securities Co., Ltd.	502,000,000	Self- owned Capital	98.72	---	---	---	---	---	---	---	---
Sunny Life Insurance Brokerage Co., Ltd.	52,500,420	Self- owned Capital	39.99	---	---	---	---	420,059 shares NT\$ 4,200,590	---	---	---
Sunny Property Insurance Brokerage Co., Ltd.	6,050,000	Self- owned Capital	20.00	---	---	---	---	---	---	---	---
Gold Sunny Assets Management Co., Ltd.	50,000,000	Self- owned Capital	100.00	---	---	---	---	---	---	---	---
Sunny International Leasing Co., Ltd.	600,000,000	Self- owned Capital	100.00	---	---	---	---	---	---	---	---

**4 Additional Supplementary Remarks: None**

**5 For the year 2012 and as of the publication of the annual report, any incident that occurs as cited under heading 2, par 2, Article 36 of the Securities and Exchange Act that poses major impacts on the shareholders' equity or the securities' share price: None**





## IX. List of Head Office and Business Units

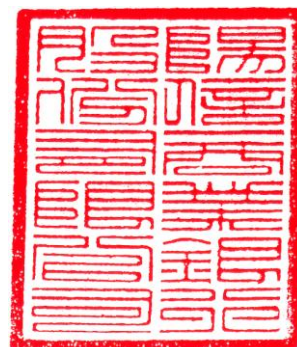


Unit Name	Address		Tel.	
Taipei City				
Head Office	11163	No. 255, Chungcheng Rd., Shihlin Dist., Taipei City	(02)	2820-8166
Business Department(Note)	11163	No. 255, Chungcheng Rd., Shihlin Dist., Taipei City	(02)	2882-2330
Shih Lin Branch	11169	No. 82, Tapei Rd., Shihlin Dist., Taipei City	(02)	2882-3660
Chien Tan Branch	11166	No. 131, Tungho St., Shihlin Dist., Taipei City	(02)	2885-4181
She Tzu Branch(Note)	11173	No. 260, Sec. 5, Yenping N. Rd., Shihlin Dist., Taipei City	(02)	2812-1112
Lan Ya Branch	11155	No. 169, Sec. 6, Chungshan N. Rd., Shihlin Dist., Taipei City	(02)	2836-2072
T ien Mu Branch	11153	No. 15, T ienmu E. Rd., Shihlin Dist., Taipei City	(02)	2873-2500
She Chung Branch	11175	No. 220, Shechung St., Shihlin Dist., Taipei City	(02)	2815-1415
Administration Management Department	11271	No. 90, Sec. 1, Shihpai Rd., Peitou Dist., Taipei City	(02)	2820-8166
Credit Card Department	11271	No. 88, Sec. 1, Shihpai Rd., Peitou Dist., Taipei City	(02)	2822-0122
Trust Department	11271	No. 88, Sec. 1, Shihpai Rd., Peitou Dist., Taipei City	(02)	2820-8166
Finance Department	11271	No. 88, Sec. 1, Shihpai Rd., Peitou Dist., Taipei City	(02)	2820-8166
Wealth Management Department	11271	No. 88, Sec. 1, Shihpai Rd., Peitou Dist., Taipei City	(02)	2820-8166
Shih Pai Branch (Note)	11271	No. 90, Sec. 1, Shihpai Rd., Peitou Dist., Taipei City	(02)	2823-8480
Pei Tou Branch	11246	No. 152, Kuangming Rd., Peitou Dist., Taipei City	(02)	2891-7361
Ta Tun Branch	11252	No. 304, Chunggho St., Peitou Dist., Taipei City	(02)	2891-9196
Chi Lin Branch	10459	No. 304 Chihlin Rd., Chungshan Dist., Taipei City	(02)	2561-1188
Lung Chiang Branch	10475	No. 49, Lane 356, Lungchiang Rd., Chungshan Dist., Taipei City	(02)	2516-5945
Taipei Branch	10451	No. 43, Sec. 1, Mingsheng E. Rd., Chungshan Dist., Taipei City	(02)	2563-3710
Chung Hsing Branch (Note)	10478	No. 36, Sec. 3, Minsheng E. Rd., Chungshan Dist., Taipei City	(02)	2516-5268
Min Sheng Branch	10589	No. 167, Sec. 5, Minsheng E. Rd., Sungshan Dist., Taipei City	(02)	2760-6335
Yen Chi Branch	10558	No. 11, Yenchi St., Sungshan Dist., Taipei City	(02)	2578-6201
Nan king Branch	10553	No. 132, Sec. 4, Nanking Ed., Rd., Sungshan Dist., Taipei City	(02)	2579-0229
Fuh Sing Branch	10547	No. 143, Fuhsing N. Rd., Sungshan Dist., Taipei City	(02)	2719-6166
Offshore Banking Unit	10547	2F, No. 143, Fuhsing N. Rd., Sungshan Dist., Taipei City	(02)	2719-1616
International Banking Department	10547	2F, No. 143, Fuhsing N. Rd., Sungshan Dist., Taipei City	(02)	2719-1616
Cheng Kung Branch(Note)	11489	No.70, Sec. 4, Chengkung Rd., Neihu Dist., Taipei City	(02)	2792-2433
Nei Hu Branch (Note)	11493	No. 250, Sec. 1, Neihu Rd., Neihu Dist., Taipei City	(02)	2658-6698
Mu Cha Branch (Note)	11648	No. 96, Sec. 3, Mucha Rd., Wenshan Dist., Taipei City	(02)	2234-5890
Ching Mei Branch	11669	No. 95-12, Chinghou St., Wenshan Dist., Taipei City	(02)	2930-0202
Ku T ing Branch	10080	No. 40, Sec. 2, T ingchou Rd., Chungcheng Dist., Taipei City	(02)	8369-2288
Hsin Yi Branch	10681	No. 188, Sec. 4, Hsinyi Rd., Taan Dist., Taipei City	(02)	2706-8388
Ta An Branch	11056	No. 225, Sec. 3, Hoping E. Rd., Hsinyi Dist., Taipei City	(02)	2733-7711
Chang An Branch	10350	No. 205, Changan W. Rd., Tatung Dist., Taipei City	(02)	2559-5500
Nan Gang Branch	11578	No.97, Sec. 2, Nangang Rd., Nangang Dist., Taipei City	(02)	2785-1001
New Taipei City				
Pan Chiao Branch (Note)	22063	No. 133, Sec. 1, Szuchuan Rd., Panchiao Dist., New Taipei City	(02)	2955-0008
His Chou Branch	22072	No. 89, Sec. 3, Tuhsing Rd., Panchiao Dist., New Taipei City	(02)	2681-9960
Hsin Pu Branch	22049	No. 245, Szuwei Rd., Panchiao Dist., New Taipei City	(02)	8253-7789

Unit Name	Address		Tel.	
Yung Ho Branch(Note)	23443	No. 188, Sec. 1, Chungshan Rd., Yungho Dist., New Taipei City	(02)	2926-5899
Chung Ho Branch (Note)	23553	No. 245, Chienyi Rd., Chungho Dist., New Taipei City	(02)	2222-5199
Hsin Ho Mini-Branch	23570	No. 89, Huahsin St., Chungho Dist., New Taipei City	(02)	8941-9339
Shuang Ho Branch	23556	No. 722, Chingping Rd., Chungho Dist., New Taipei City	(02)	8242-3919
San Chung Branch	24151	No. 108, Sec. 4, Tzuchiang Rd., Sanchung Dist., New Taipei City	(02)	8981-7171
Chung Hsin Branch	24144	1F, No. 28, Sec. 4, Chunghsin Rd., Sanchung Dist., New Taipei City	(02)	2977-9886
Hsin Chuang Branch	24260	No. 533, Lungan Rd., Hsinchuang Dist., New Taipei City	(02)	8201-9069
Hsin Fu Mini-Branch	24247	No. 800, Hsingfu Rd., Hsinchuang Dist., New Taipei City	(02)	2998-3366
Lu Chou Branch	24747	No. 393, Chihhsien Rd., Luchou Dist., New Taipei City	(02)	8282-2068
Hsin T ien Branch	23148	No. 263-5, Chungcheng Rd., HsinT ien Dist., New Taipei City	(02)	8911-7676
Tai Shan Branch	24347	No. 110, Sec. 1, Mingchih Rd., Taishan Dist., New Taipei City	(02)	2297-9797
Wu Ku Branch	24872	No. 12, Sec. 1, Chunghsing Rd., Wuku Dist., New Taipei City	(02)	8976-9000
Tu Cheng Branch	23643	No.2, Ln. 33, Sec. 3, Jincheng Rd., Tucheng Dist., New Taipei City	(02)	8261-1818
Keelung City				
Kee Lung Branch	20145	No.117, Xin 1st Rd., Xinyi Dist., Keelung City	(02)	2422-2828
Yilan County				
Luo Tung Branch	26548	No. 30, Chungcheng N. Rd., Luotung Town, Yilan County	(03)	957-1259
Taoyuan County				
Ta Yeh Mini-Branch	33049	No. 55, Sec. 1, Tayeh Rd., Taoyuan City, Taoyuan County	(03)	347-8899
Tao Yuan Branch (Note)	33048	No. 32-20, Chungshan E. Rd., Taoyuan City, Taoyuan County	(03)	336-0555
Chung Li Branch	32097	No. 171, Chienhsing Rd., Chungli City, Taoyuan Hsien	(03)	428-2229
East Tao Yuan Branch	33044	No.523, Jingguo Rd., Taoyuan City, Taoyuan County	(03)	316-1859
Hsinchu City				
Hsin Chu Branch	30041	No. 247, Chungyang Rd., East Dist., Hsinchu City	(03)	515-3608
Lin Sen Branch (Note)	30061	No. 109, Hsita Rd., East Dist., Hsinchu City	(03)	610-0189
Hsinchu County				
Chu Pei Branch	30264	No. 232 & 236, East Sec. 1, Kuangming 6th Rd., Chupei City, Hsinchu County	(03)	658-5818
Taichung City				
Taichung Branch (Note)	40354	No. 159, Sec. 1, Taichungkang Rd., West Dist., Taichung City	(04)	2310-9996
Hsiang Shang Branch	40356	No. 166, Sec. 1, Hsiangshang S. Rd., West Dist., Taichung City	(04)	2472-2528
Ching Wu Branch	40147	No. 188, Chingwu E. Rd., East Dist., Taichung City	(04)	2211-2368
Changhua County				
Yuan Lin Branch	51052	No. 12, Chinghsiu Rd., Yuanlin Town, Changhua County	(04)	832-2171
She Tou Mini-Branch	51141	No. 257, Sec. 2, Yuanchi Rd., Shetou Hsiang, Changhua County	(04)	872-1017
Chang Hua Branch	50063	No.187, Siaoyang Rd., Changhua City, Changhua County	(04)	728-9399
Chiayi City				
Chia Yi Branch	60089	1F & 2F, No. 296 & 298, Chunghsing Rd., West Dist., Chiayi City	(05)	234-2023
Kuang Hua Branch	60045	No. 119, Kuanghua Rd., East Dist., Chiayi City	(05)	228-5830

Unit Name	Address	Tel.
Tainan City		
Chung Hua Branch (Note)	70168 No. 102, Sec. 3, Chunghua E. Rd., East Dist., Tainan City	(06) 267-0751
Tung Ning Mini-Branch	70160 No. 247, Tungning Rd., East Dist., Tainan City	(06) 237-5141
Tainan Branch	70050 No. 148, Sec. 2, Chungyi Rd., Jhongxi Dist., Tainan City	(06) 228-2171
Chien Kang Branch	70262 No. 370, Sec. 2, Chienkang Rd., South Dist., Tainan City	(06) 261-2136
An Shun Branch	70941 No. 202, Sec. 1, Anho Rd., Annan Dist., Tainan City	(06) 256-3146
His Hua Branch	70847 No. 359, Sec. 2, Chunghua W. Rd., Anping Dist., Tainan City	(06) 297-9880
Yung Kang Branch	71049 No. 625, Chunghua Rd., Yungkang Dist., Tainan City	(06) 203-6607
Jen Te Branch	71743 No. 273, Sec. 2, Chungcheng Rd., Jente Dist., Tainan City	(06) 270-6361
Kaohsiung City		
Kaohsiung Branch (Note)	80766 No. 192, Chiuju 1st Rd., Sanmin Dist., Kaohsiung City	(07) 384-3163
San Feng Branch	80749 No. 293, Chunghua 3rd Rd., Sanming Dist., Kaohsiung City	(07) 231-5101
Ta Shun Branch	80787 No. 41, Tashun 2nd Rd., Sanmin Dist., Kaohsiung City	(07) 386-1622
Ping Teng Branch	80745 No. 283, Tzuli 1st Rd., Sanmin Dist., Kaohsiung City	(07) 321-4622
Ting Li Branch	80789 No. 142, Tingli Rd., Sanmin Dist., Kaohsiung City	(07) 346-5955
Tsuo Ying Branch	81357 No. 102, Poai 2nd Rd., Tsuoying Dist., Kaohsiung City	(07) 556-0128
Hai Kuang Branch	81346 No. 190, Tsuoyingta Rd., Tsuoying Dist., Kaohsiung City	(07) 582-3511
Li Wen Branch (Note)	81358 No. 75, Liwen Rd., Tsuoying Dist., Kaohsiung City	(07) 558-0711
Ling Ya Branch	80250 No. 22, Fuhsing 2nd Rd., Lingya Dist., Kaohsiung City	(07) 331-0066
Ching Nien Branch	80252 No. 169-1, Chingnien 1st Rd., Lingya Dist., Kaohsiung City	(07) 331-8526
Szu Wei Branch (Note)	80245 No. 159, Chunghua 4th Rd., Lingya Dist., Kaohsiung City	(07) 333-3701
Chien Chen Branch	80266 No. 281, Santuo 2nd Rd., Lingya Dist., Kaohsiung City	(07) 711-0046
Chien Kuo Branch	80289 No. 124, Wumiao Rd., Lingya Dist., Kaohsiung City	(07) 715-3513
Hsin Hsing Branch (Note)	80049 No. 6, Chungcheng 4th Rd., Hsinhsing Dist., Kaohsiung City	(07) 288-4131
Min Tsu Branch	80047 No. 218, Chungcheng 2nd Rd., Hsinhsing Dist., Kaohsiung City	(07) 224-2426
Yu Chang Branch	81156 No. 803, Chiachang Rd., Nantzu Dist., Kaohsiung City	(07) 364-6530
Nan Tzu Branch	81162 No. 55, Nantzu Rd., Nantzu Dist., Kaohsiung City	(07) 353-5513
Ta Kung Branch	80342 No. 40, Takung Rd., Yencheng Dist., Kaohsiung City	(07) 531-5105
Hsiao Gang Branch	81253 No. 615, Hongping Rd., Xiaogang Dist., Kaohsiung City	(07) 806-5171
Wu Chia Branch	83084 No. 368, Wuchia 2nd Rd., Fengshan Dist., Kaohsiung City	(07) 726-0801
Kang Shan Branch	82065 No. 16, Tate 1st Rd., Kangshan Dist., Kaohsiung City	(07) 623-6182
Chi Shan Branch	84243 No. 158, Chungshan Rd., Chishan Dist., Kaohsiung City	(07) 661-2081
Mei Nung Mini-Branch	84348 No. 25, Sec. 1, Chungcheng Rd., Meinung Dist., Kaohsiung City	(07) 681-8346
Lin Yuan Mini-Branch	83248 No. 136, Tunglin W. Rd., Linyuan Dist., Kaohsiung City	(07) 643-8141
Pingtung County		
Ping Tung Branch	90074 No. 70, Chungcheng Rd., Pingtung City, Pingtung County	(08) 732-6123
Chung Cheng Mini-Branch	90062 No. 293, Chungcheng Rd., Pingtung City, Pingtung County	(08) 736-0811
Li Gang Branch	90546 No. 43, Ligang Rd., Chunlin Village, Ligang Hsiang, Pingtung County	(08) 775-7735
Tung Gang Mini-Branch	92843 No. 166, Chungcheng Rd., Tunggang Town, Pingtung County	(08) 832-0887

Sunny Bank Ltd.



Chairman: Lin Pong-Long



