

Spokesman

Name: Chou, San-Ho

Position: Vice President

Taiwan (R.O.C.) TEL: (02) 2820-8166 Ext. 737

E-mail: splan@sunnybank.com.tw

The Deputy Spokesman

Name: Kuo, Cheng-Hung

Position: Manager

Taiwan (R.O.C.) TEL : (02) 2820-8166 Ext. 731

E-mail: splan@sunnybank.com.tw

Address and Telephone Number of Head Office and Branch Office

See P. 159~P.162 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, Shihpai Rd., Beitou District, 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, Sinyi Rd., Taipei City 110, Taiwan (R.O.C.)

TEL : (02) 8722-5800

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

The notarization CPA of last few years

Name : Shao, Chih-Ming 、 Chen, Chao-Feng

Business Office: Deloitte & Touche

Address : 12F, No. 156, Sec. 3, Minsheng E. Rd., 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

The Bank's url:

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

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I. Letter to Shareholders

As countries actively took measures to stabilize financial situations, the global economy started to recover from the crisis. Global economic growth rose 3.9% in 2009. With the financial markets and investor confidence steadily recovering, financial markets and investor confidence have gradually restored, and many emerging economies have returned to or neared pre-crisis level. Domestic economic situation performed well as real gross domestic product (GDP) annual growth rate grew sharply due to the Asia-Pacific China's rapid economic recovery. However, international uncertainties still linger, and the development of domestic financial services has been facing major changes since ECFA was signed. Domestic financial sector is expected to encounter many challenges in the future.

The Bank has increased accumulated profits monthly since single month earnings were generated in July, 2009. In 2010, by the joint efforts of the Bank's directors, supervisors and all staff, after-tax earnings reached NTS 550 million.

Going forward, the Bank will keep devoting to a solid company management and creating the maximum benefits for all shareholders; Hereby, a summary on the Bank's 2010 operating results and its 2011 operating plan are as follows :

1. The 2010 Operating Results:

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

While the global financial crisis gradually subsides, the domestic financial sector will continue to face excessive competition pressure. RTC auction of Qingfeng Bank was obtained by three domestic financial holdings groups, so it demonstrates that large financial holdings groups still aim to expand domestic channels, increase market share. After the financial MOU and the ECFA were signed, the mainland banks continually set up footholds in Taiwan to join the market competition, the domestic financial environment is bound to become more severe. In order to grab the competition opportunity and take advantage of our 96 channels for the expansion on scale and scope of operation, the Bank plans to relocate branch offices to explore national banking advantages, and follow the trend of northern-part focused business opportunities of financial sectors. Completed relocations were as follows: Hsinchu City Linsen branch moved in the same district in January, 2010; Jiali branch of Tainan County moved to Taoyuan City and renamed as "East Taoyuan Branch" in May, 2010; Kaohsiung City Nanzi branch moved in the same district in May, 2010; Pingtung City Zhongshan Branch moved to Nangang District, Taipei City and renamed as "Nangang Branch" in August, 2010. The Bank will continue to strengthen the value of channel, optimize branch locations, and further enhance the overall operating performance.

(II). Business Plan and Operating Strategy Implementation Results

The Bank endeavored to improve asset quality and achieved significant performance in 2010. Our non-performing loan ratio lowered from 2.18% in the end of 2009 to 1.29% in the end of 2010, declining by 40.83% annually. Coverage also increased from 42.82% in the end of 2009 to 61.21% in the end of 2010, rising 42.95% annually. In business development, the total lending balance increased substantially by NT\$ 10.4 billion compared with 2009, while deposits increased by approximately \$5.6 billion. Overall operating performance significantly improved.

Unit: NT\$ Thousand Dollars; US\$ Thousands

Main Business Item	2010	2009	Growth Rate Compare to Last Year
Deposit (Year End Balance)	204,947,843	199,387,448	2.79%
Loan (Year End Balance)	173,856,696	163,474,425	6.35%
Financial Management Business Sales	25,304,670	21,269,588	18.97%
Importing/Exporting Exchange	2,238,977	1,508,699	48.40%
Trust Property Scale	32,774,835	35,339,826	(7.26%)
Equity Investment with Equity Method	301,056	293,868	2.45%

(III) Budget Execution

The Bank's deposit and loan balance both increased sharply. After-tax net loss income was NT \$550 million, achieving 110% of the target.

(IV) Financial Income/Expenditure and Profitability Analysis

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

Unit: NT\$ Thousand Dollars; %

Main Business Item	2010	2009	Compare to Last Year
Interest Profit	2,668,077	1,613,782	65.33%
Non-interest Profit (Loss)	709,005	979,874	(27.64%)
Total Net Profit	3,377,082	2,593,656	30.21%
Bad Debt Expenses	375,297	528,270	(28.96%)
Operating Expenses	2,406,318	2,346,170	2.56%
Net Income Before Tax	595,467	(280,784)	312.07%
Net Income After Tax	550,767	(310,784)	227.22%
Earnings Per Share Before Tax	0.49	(0.23)	313.04%
Earnings Per Share After Tax	0.45	(0.25)	280.00%

- (1) The reduction in the Bank's 2010 net interest income resulted from a reduction of deposit cost.
- (2) Non-interest profit dropped due to decrease of financial assets and liabilities net profit considering the fair value change.
- (3) The reduction in the bad debt expenditures resulted from the Bank's active efforts in improving its asset quality and monitoring of the lending quality.

(V) 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. Highlights of Business Operation Plans for 2011

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

(I) Expand lending business: With the government policy of "strengthen the program for SME loans," the Bank continues to promote SME products and to ensure claims coupled with Credit Guarantee. For large companies, we are selective about the syndicate loan and other demand cases. Furthermore, we aim to develop other derivative business (such as export bill purchase, salary transfers, etc.).

(II) Provide a variety of quality home loan products: For mortgage products, with the government policy of "Piece of mind to own a home for the youth" and "2010 housing subsidies - the purchase and renovation of residential loans", the Bank develops diversified products to meet different customer demands and drive volume growth of personal loans.

(III) Introduce new financial products to provide diversified financial products: Design credit products wealth management trust products for different customer segments, including private equity funds or collective managed accounts, life insurance and other new financial products, to provide our customers with more diversified financial product choices and meet more customer needs.

(IV) Enhance electronic financial services: Continue to improve and update Internet banking, online ATM transaction capabilities. Through diversified electronic financial transactions and service platform, the Bank enhances customer service, improves customer flows, reduces operating costs and continues to update the network security system to protect the integrity and security of customer information.

(V) Strengthen customer service and communication: Integrate our banking and credit card customer service business, offer In Bound customer service marketing calls, Parallel Out Bound transactions customer service calls, to improve customer satisfaction and increase fee income.

3. Development Strategies

(I) Continue to strengthen the operating infrastructure and improve the financial structure.

(II) To maintain a fine deposit/loan ratio structure, which will enable a balanced development in the deposit and loan businesses.

(III) Implement risk management, strengthen risk control, lending standards, and improve the quality of lending assets.

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

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

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

With the global economy gradually rebounding following the 2008 financial crisis, Taiwan's local economic performance is also gradually stabilizing; however, with a fierce competition among the local banks, rendering the issue of a meager profitability not likely to go away in a short time. Various financial institutions have continued to expand into new types of businesses with which to improve the overall profitability and the ratio of ROA(Return on Assets), and has a renowned emphasis on strengthening the financial infrastructure and stepping up the risk control and monitoring; in support of the cross-strait economic and trade policy adjustment and the financial transactions with the mainland region. 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.

5. Credit Rating

Taiwan Rating Co., Ltd. has rated the Bank as: "twBBB" in long-term credit rating, "twA-3" in short-term credit rating, with evaluation outlook as "positive" on September 13, 2010.

Chairman
LIN, PENG-LANG (with seal)

President
TING, WEI-HAO (with seal)

II. Bank Profile

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 2nd, 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 "Stability, Prospects, Profession and Enthusiasm". 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 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 Ltd. took over the business of Tainan 5th Credit Cooperative. We successfully increased our branches by 21. On July 20, 2004, Sunny Bank Ltd. was approved to expand its operational region and became a national bank. On November 26, 2005, Sunny Bank 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 Lotong 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, Changhua, 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.

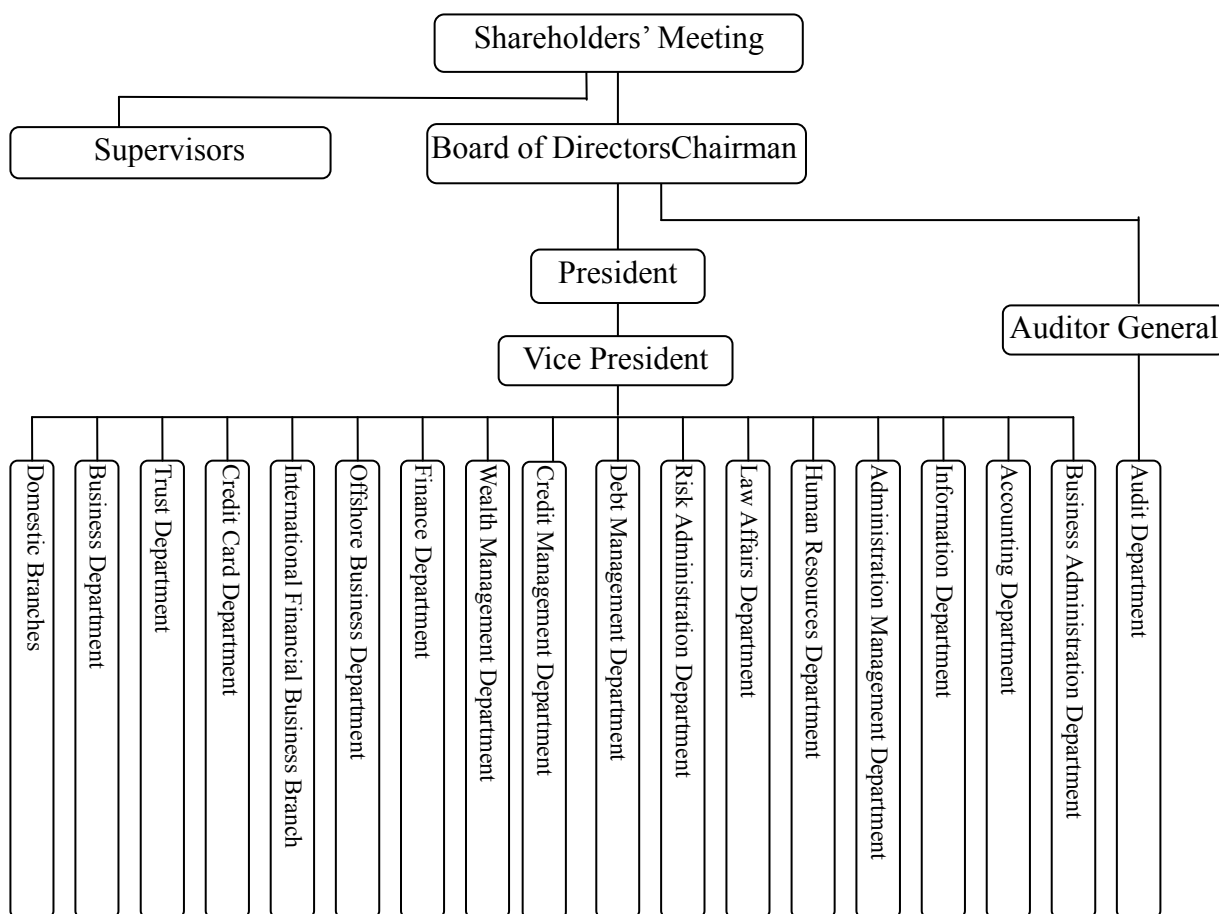
To adapt to the rapid changes in the financial market and offer customers diversified financial services, the Bank not only bettered the operating capital, but also actively integrated itself into other financial areas and has reinvested in Sunny Securities Co., Ltd., Sunny Life Insurance Brokerage Co., 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

(I) Organization Chart



(II) Major Business of Each Department

The Bank operates a headquarters and branch offices, and the headquarters 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, Offshore Business Department, International Financial Business Branch, Credit Card 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) Offshore Business Department: The foreign exchange business's planning, promotion, and management.
- (13) Credit Card Department: The credit card product business' planning, promotion, and management.
- (14) Trust Department: The trust business' planning, promotion, and management.
- (15) Business Department: Operation of the deposit, exchange clearance, cashiering, representation, loan, foreign exchange, trust and money-management business processing.
- (16) International Financial Business Branch: Manage international financial business.

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

(I) Directors and Supervisors

Date: December 31, 2010

Position	Name	Date of Employment	Service Tenure	Initial Elected Date	Holding at Selection		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	2009-06-22	3 years	2009-06-22	30,000	-	30,000	-	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				
Managing Director	Fu Li Yang Investment Co., Ltd.	2009-06-22	3 years	2003-05-19	82,952,766	6.77%	82,952,766	6.77%	-	-	-	-	-	-	The 3rd to 7th Taipei City Councilor President Director of Yang Ming Shan Credit Union The 1st - 4th Chairman of Sunny Bank The 4th & 5th legislator Graduated from University	Director of Chuan Yam Construction Co., Ltd.	Managing Director	Chen, Chin-Chia	Brother
	Representative: Chen, Sheng-Hung			1997-09-01	7,179,892	0.59%	7,179,892	0.59%	3,232,655	0.26%	-	-	-	-	Chairman of Yang Ming Shan Gas Co., Ltd. President Directors of Yang Ming Shan Credit Union The 1st - 4th Managing Director of Sunny Bank Chairman of Cheng Fa Films Co., Ltd. Graduated from Primary School	Chairman of Yang Ming Shan Gas Co., Ltd.	-	-	-
Managing Director	Wu, Hsi-Hui	2009-06-22	3 years	1997-09-01	2,367,364	0.19%	2,567,364	0.21%	-	-	-	-	-	-	Chairman of Jih Chien Enterprise Co., Ltd. Director & Supervisor of Yang Ming Shan Credit Union The 1st Director and The 2nd - 4th Managing Director of Sunny Bank Chairman of Shihpai Tzuchiang General Market Co., Ltd. Graduated from Vocational High School	Chairman of Shihpai Tzuchiang General Market Co., Ltd.	Assistant Vice President	Liu, Ming-Chieh	Father & Son
Managing Director	Liu, Chen-Sheng	2009-06-22	3 years	1997-09-01	4,964,272	0.41%	5,004,272	0.41%	1,002,582	0.08%	-	-	-	-	Supervisor of Young Fast Optoelectronics Co., Ltd. provisional administrator of Taiwan International Securities Corporation	Manager	Chen, Yao-Wen	Relatives	
Independent Managing Director	Wu, Wen-Cheng	2009-06-22	3 years	2009-06-22	-	-	-	-	673,817	0.06%	-	-	-	-	Director of Po Yun Wu Enterprise Co., Ltd. Director of Formosa On-line Co., Ltd. The 2nd - 3rd Director of Sunny Bank The 4th Managing Director of Sunny Bank Graduated from University	Director of Po Yun Enterprise Co., Ltd.	Managing Director	Chen, Sheng-Hung	Brother
Director	Po Yun Enterprise Co., Ltd.	2009-06-22	3 years	2009-06-22	4,063,726	0.33%	4,063,726	0.33%	-	-	-	-	-	-	Director of Yang Ming Shan Credit Union The 1st - 4th Director of Sunny Bank Graduated from Senior Commercial High School	Chairman of Ping An Construction Co., Ltd.	-	-	-
	Representative: Chen, Chin-Chia			2000-06-12	4,177,407	0.34%	4,177,407	0.34%	6,894,974	0.56%	-	-	-	-	Person-in-Charge of Yuan Shun Jewelry Co., Ltd. Director of Yang Ming Shan Credit Union The 1st - 4th	Director of Sunny Life Insurance Brokerage Co., Ltd. Director of Sunny Property	-	-	-
Director	Chang, Wu-Ping	2009-06-22	3 years	1997-09-01	6,182,489	0.50%	6,182,489	0.50%	1,591,638	0.13%	-	-	-	-					
Director	Ho, Shun-Cheng	2009-06-22	3 years	1997-09-01	4,450,735	0.36%	4,450,735	0.36%	5,448,570	0.44%	-	-	-	-					

													Director of Sunny Bank Graduated from Senior High School	& Insurance Brokerage Co., Ltd.			
Director	Yu Suan Co., Ltd.	2009-06-22	3 years	2009-06-22	20,000	-	20,000	-	-	-	-	-	Director of Yang Ming Shan Credit Union The 1st - 4th Director of Sunny Bank Chairman of Sunny Life Insurance Agent Co., Ltd. Graduated from University	Supervisor of Jin Jia Technology Co., Ltd. Director of Yu Suan Co., Ltd. Chairman of Sunny Property Insurance Brokerage Co., Ltd. Chairman of Sunny Life Insurance Agent Co., Ltd.	-	-	-
	Representative: Chen, Chin-Yi			1997-09-01	8,821,778	0.72%	8,821,778	0.72%	-	-	-	-					
Director	Lin, Cheng-Yu	2009-06-22	3 years	2006-05-02	5,387,362	0.44%	5,387,362	0.44%	558,437	0.05%	-	-	Chairman of Guo Zhi Construction Co., Ltd. The 4th Director of Sunny Bank Graduated from University	Director of Guo Zhi Enterprise Co., Ltd. Chairman of Guo Zhi Construction Co., Ltd. Director of Ji Lai Development Co., Ltd. Director of Jin Jing Chemical Co., Ltd.	-	-	-
Director	Fu Li Yang Investment Co., Ltd.	2009-06-22	3 years	2003-05-19	82,952,766	6.77%	82,952,766	6.77%	-	-	-	-	Lecturer of Ching Kuo Institute of Technology President of Yi Lien Co., Ltd. The 4th Director of Sunny Bank Graduated from Graduate School	Director of Fu Hao Garden Hotel Director of Yi Lien Co., Ltd. Director of Pang Ji Development Co., Ltd.	-	-	-
	Representative: Chen, Chien-Yang			2006-05-02	3,717,876	0.30%	3,717,876	0.30%	1,064,773	0.09%	-	-					
Director	Chao, Fu-Tien	2009-06-22	3 years	2006-05-02	2,935,215	0.24%	2,935,215	0.24%	76,133	0.01%	-	-	Chairman of Kao Shin Bank Supervisor of Yung Chi Paper Manufacturing Co., Ltd. The 4th Director of Sunny Bank Graduated from Vocational High School	Director of Sunny Life Insurance Agent Co., Ltd. Director of Sunny Property Insurance Brokerage Co., Ltd.	Manager	Chao, Yu-Chin	Father & Son
Director	Hsieh, Yi-Tung	2009-06-22	3 years	2009-06-22	76,583	0.01%	276,583	0.02%	1,178,307	0.10%	-	-	Manager of The First Cooperative Association of Kaohsiung City Assistant Manager of Business Department of Kao Shin Bank Branch Assistant Manager of Sunny Bank Graduated from College	Assistant Manager of Sunny Bank	-	-	-
Independent Director	Chiang, Chun-Huai	2009-06-22	3 years	2006-05-02	-	-	-	-	-	-	-	-	Director of Saving Service Station of Saving Dept., Branch Manager, Director of Overdue Loan Processing Center of Land Bank of Taiwan The 4th Independent Supervisor of Sunny Bank Graduated from University	-	-	-	-
Independent Director	Liu, Hsiang-Tun	2009-06-22	3 years	2006-05-02	-	-	-	-	-	-	-	-	Judge of District Court and Chief of Court Person-in-Charge of Hsiang Chih Law Office The 4th Independent	Independent Managing Director of Union Plus Technology Co., Ltd.	-	-	-

													Director of Sunny Bank Graduated from University				
Managing Supervisor	Hsu Hung Technology Co., Ltd.			2009-06-22	8,000	-	8,000	-	-	-	-	-	Chairman of Tung Cheng Ceramics Co., Ltd.	Chairman of Tung Cheng Ceramics Co., Ltd.	-	-	-
	Representative: Hsu, Po-Hsiung	2009-06-22	3 years	1997-09-01	3,432,460	0.28%	1,952,460	0.16%	4,006,716	0.33%	-	-	Supervisor & Chairman of Yang Ming Shan Credit Union The 1st - 4th Managing Supervisor of Sunny Bank Graduated from Senior High School	Supervisor of Sunny Life Insurance Agent Co., Ltd. Supervisor of Sunny Property Insurance Brokerage Co., Ltd.	-	-	-
Supervisor	Tsai, Wen-Hsiung	2009-06-22	3 years	1997-09-01	7,405,159	0.60%	7,160,159	0.58%	4,664,014	0.38%	-	-	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 - 4th Supervisor of Sunny Bank Graduated from Graduate School	Director of Jui Hsiang Development Co., Ltd.	-	-	-
Supervisor	Lin, Chin-Lung	2009-06-22	3 years	2003-05-19	900,049	0.07%	1,100,049	0.09%	1,297,931	0.11%	-	-	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 of Sunny Bank Graduated from University	-	-	-	-

(1). Major Institutional Shareholders

(a) Major Shareholders of Corporate Shareholders

Dec. 31, 2010

Corporate Shareholders	Major Shareholders of Corporate Shareholders	Holding Proportion
Yu Suan Co., Ltd.	Chen, Chin-Yi	100%
Po Yun Enterprise Co., Ltd.	Wu, Yueh-Chiao	42.63%
	Chen, Chin-Chia	39.25%
Fu Li Yang Investment Co., Ltd.	Hsueh, Ling	99.73%
Hsu Hung Technology Co., Ltd.	Lin, Chia-Hui	20%
	Hsu, Hsin-Yen	20%
	Chen, Shu-Ying	20%
	Chang, Pang-Tao	20%
	Shen, Chih	20%

(b) Main shareholder is a legal person: None

(2). Status of Professional Knowledge and Independence:

December 31, 2009

Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Status(Note)										Number of other public-listed companies in which the individual is concurrently serving as an independent director
	An instructor or higher up in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, 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	Have work 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			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Chen, Sheng-Hung			✓	✓					✓	✓		✓		
Wu, Hsi-Hui			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	
Liu, Chen-Sheng				✓		✓		✓	✓	✓	✓	✓	✓	
Wu, Wen-Cheng		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Chen, Chin-Chia				✓		✓		✓	✓	✓		✓		
Chang, Wu-Ping				✓			✓	✓	✓	✓	✓	✓	✓	
Ho, Shun-Cheng				✓		✓		✓		✓	✓	✓	✓	
Chen, Chin-Yi				✓			✓	✓		✓	✓	✓		
Lin, Cheng-Yu				✓		✓	✓	✓	✓	✓	✓	✓	✓	
Chen, Chien-Yang	✓			✓		✓	✓	✓	✓	✓	✓	✓		
Chao, Fu-Tien			✓	✓		✓		✓		✓	✓	✓	✓	
Hsieh, Yi-Tung					✓	✓	✓	✓	✓	✓	✓	✓	✓	
Chiang, Chun-Huai			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Liu, Hsiang-Tun		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Hsu, Po-Hsiung				✓		✓		✓		✓	✓	✓		
Tsai, Wen-Hsiung		✓	✓	✓				✓	✓	✓	✓	✓	✓	
Lin, Chin-Lung			✓	✓		✓		✓	✓	✓	✓	✓	✓	

Note 1: Adjustment of field length subject of the actual number.

Note 2: Please tick "✓" 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) Has not violated any regulation in Article 30 of the Company Act.
- (10) Not elected as the government, a corporate person or its representative in accordance with Article 27 of the Company Act.

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

December 31, 2009

Position	Name	Date of Employment	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	Relationship
President	Ting, Wei-Hao	2009-06-22	-	-	60,000	-	-	-	Graduated from Department of Banking Insurance, Feng Chia University Chairman of Bank 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	-	-	-	-
Senior Vice President	Cheng, Ming-Kun	2009-08-03	58,620	-	-	-	-	-	Graduated from Master of Business Administration, Feng Chia University Manager of Debt Management Department, Land Bank of Taiwan	-	-	-	-
Vice President	Chang, Chi-Ming	2009-06-22	326,213	0.03%	88,166	0.01%	-	-	Graduated from Department of Public Finance, National Cheng Chi University President of Risk Administration Department	-	-	-	-
Vice President	Kuo, Chih-Hung	2009-06-22	154,889	0.01%	1,419	-	-	-	Graduated from Department of Business Administration, Tamsui Oxford College Acting President of Individual Finance Management Department	-	-	-	-
Vice President	Lin, Chih-Liang	2009-06-22	425,307	0.03%	-	-	-	-	Graduated from Department of Accounting, Feng Chia University Acting President of Finance Management Department	-	-	-	-
Vice President	Chou, San-Ho	2009-06-22	228,553	0.02%	-	-	-	-	Graduated from Department of Economics, National Cheng Chi University President of Business Administration Management Department	-	-	-	-
Auditor General	Tseng, Yak-Te	2003-01-02	369,883	0.03%	44,120	-	-	-	Graduated from Department of Accounting & Statistics, Chung Yu Junior College of Business Manager of Audit Department	-	-	-	-
Chief Secretary	Wu, Jui-Hsiang	2009-07-01	25,000	-	-	-	-	-	Graduated from Department of Business Administration, National Chung Hsing University Researcher of Chairman Office, Bank Taiwan Life Insurance Co., Ltd President Secretary and Acting Auditor-General of Agricultural Bank of Taiwan	-	-	-	-
Assistant Vice President	Liu, Ming-Chieh	2007-03-14	454,222	0.04%	231,450	0.02%	-	-	Graduated from Department of Applied Business, Open College, National Taipei College of Business Manager of Financial Revenue, North 1st District	-	Manager	Chen, Yao-Wen	Relatives
Assistant Vice President	Kuo, Ching-Feng	2007-03-14	104,674	0.01%	24,034	-	-	-	Graduated from Department of Comprehensive Commerce, Shih Hsin Professional School of Industry & Commerce Assistant Manager of Taichung Branch	-	-	-	-
Assistant Vice President	Chen, Jung-Kuei	2007-03-14	157,132	0.01%	5,569	-	-	-	Graduated from Department of Commerce, Kai Nan High Commerce & Technology Professional School Manager of Chientan Branch	-	-	-	-
Assistant Manager	Yu, Shih-Jung	2007-03-14	69,996	0.01%	586	-	-	-	Graduated from Department of Commerce, Shih Hsin Professional School of Industry & Commerce Manager of Mucha Branch	-	-	-	-
Assistant Manager	Chen, Wen-Cheng	2010-04-01	-	-	-	-	-	-	Graduated from Master of Accounting, George Washington University Executive Vice President of KBC Concord Asset Management	-	-	-	-
Assistant Manager	Chen, Yang-Yu	2010-02-06	-	-	-	-	-	-	Graduated from Graduate Institute of Department of Agricultural Economics, National Chung Hsing University Professional Committee and Manager of Taiwan Cooperative Bank	-	-	-	-
Assistant Vice President	Hsieh, Yi-Tung	2005-11-26	276,583	0.02%	1,178,307	0.10%	-	-	Graduated from Department of Accounting, Open College of Commerce Assistant Vice President and Manager of Business Department, Kao Shin Bank (former name)	-	-	-	-
Assistant Vice President	Huang, Hsien-Chang	2010-02-06	-	-	-	-	-	-	Graduated from Department of Agricultural Economics, National Taiwan University Manager of Xinxing Branch, Taiwan Cooperative Bank	-	-	-	-
Assistant Vice President	Huang, Yen-Chun	2007-03-14	336,100	0.03%	21,280	-	-	-	Graduated from Department of Banking, Tam kang University Manager of Information Department	-	-	-	-
Assistant Vice President	Wang, Ya-Hsun	2009-06-22	467,132	0.04%	1,479	-	-	-	Graduated from Department of Accounting & Statistics, Tamsui Oxford College Assistant Manager of Business Management Department Assistant Vice President and Vice President of Individual Finance Management Department	-	-	-	-
Assistant Vice President	Wang, Chien-Yi	2008-04-01	-	-	-	-	-	-	Graduated from Department of International Trade, Soochow University Deputy Manager of Wealth Management Department	-	-	-	-
Assistant Vice President	Lin, Yi-Tsun	2010-08-01	-	-	-	-	-	-	Graduated from Master of Business Administration, South Australia University Manager of Claims Management Center in Taipei County, Expert Commissioner of Claims Management Dept., Taiwan Cooperative Bank	-	-	-	-
Assistant Vice President	Chen, Cheng-Feng	2010-02-06	214,406	0.02%	-	-	-	-	Graduated from International Trade, Chihlee Institute of Technology Assistant Vice President of Human Resources Department and Administration Management Department	-	-	-	-
Manager	Chen, Kuo-Hung	2001-09-15	96,511	0.01%	2,585	-	-	-	Graduated from Department of Comprehensive Commerce, Yu Da High School of Commerce and Home Economics Manager of Tianmu Branch	-	-	-	-
Manager	Tsao, Chun-Jung	1995-06-23	337,409	0.03%	244,205	0.02%	-	-	Graduated from Department of Comprehensive Commerce, Shih Hsin Professional School of Industry & Commerce Manager of Business Department	-	-	-	-
Manager	Kao, Chin-Mu	1998-09-11	259,629	0.02%	71,402	0.01%	-	-	Graduated from Department of Electronic Engineering, Kuang Wu Junior College of Technology Manager of Shipai Branch	-	-	-	-

Position	Name	Date of Employment	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	Relationship
Manager	Chiang, Tung-Sheng	2002-07-01	159,697	0.01%	-	-	-	-	Graduated from Department of Business Administration, Takming College Manager of Taishan Branch	-	-	-	-
Manager	Yang, Chen-Sheng	2006-11-09	273,460	0.02%	168,565	0.01%	-	-	Graduated from Department of Synthetic Commerce, Sung Shan High School of Commerce Vice Manager of Business Department and Lanya Branch	-	-	-	-
Manager	Lin, Kuo-Hung	2003-07-07	133,767	0.01%	7,135	-	-	-	Graduated from Department of Business Administration, Feng Chia University Manager of Luchou Branch	-	-	-	-
Manager	Wu, Chia-Cheng	2002-08-08	267,935	0.02%	4,159	-	-	-	Graduated from General Department of Tamkang High School Manager of Chenggong Branch	-	-	-	-
Manager	Kao, Chih-Li	2003-03-01	278,433	0.02%	7,059	-	-	-	Studied in Department of Computer, Tamkang University Manager of Sanchung Branch	-	Manager	Kao, Chi-Liang	Brother
Manager	Sung, Ping-Ping	2007-03-14	15,436	-	-	-	-	-	Graduated from Department of Business Administration, National Taipei College of Business Vice Manager of Consuming Finance Business Department	-	-	-	-
Manager	Lung, Wan-Li	2007-05-10	-	-	-	-	-	-	Graduated from Department of Business Administration, Soochow University Credit Manager of Shin Kong Commercial Bank Vice Manager of Minsheng Branch	-	-	-	-
Manager	Tseng, Chieh-Chang	2005-07-18	60,470	-	-	-	-	-	Graduated from Department of Banking Insurance, Open Business College Affiliated with National Taipei College of Business Manager of Chiayi Branch	-	-	-	-
Manager	Liu, Yen-Hsing	2003-12-24	42,395	-	65,331	0.01%	-	-	Graduated from Department of Accounting & Statistics, Chung Yu Junior College of Business Administration Manager of Corporate Financial Business Department	-	-	-	-
Manager	Chen, Yao-Wen	2002-07-01	58,345	-	221,184	0.02%	-	-	Graduated from Institute of Information Management, National Chung Cheng University Vice Manager of Lanya Branch	-	Assistant Manager	Liu, Ming-Chieh	Relatives
Manager	Chien, Chih-Hsin	2002-07-01	113,909	0.01%	26,474	-	-	-	Graduated from Department of Economics, Tamkang University Manager of Financial Revenue, North 3rd District and Yonghe Branch	-	-	-	-
Manager	Hu, Chi-Min	2009-12-01	88,318	0.01%	45,753	-	-	-	Graduated from Department of Economics, Feng Chia University Vice Manager of Credit Auditing Department and Neihu Branch	-	-	-	-
Manager	Chen, Hsien-Chun	2006-02-23	71,416	0.01%	-	-	-	-	Graduated from Business Administration Department, Takming University of Science and Technology Manager of Chungli Branch	-	-	-	-
Manager	Lee, Ching-Cheng	2001-08-15	59,413	-	-	-	-	-	Graduated from Department of Business Administration, Fu Jen Catholic University Vice Manager of Trust Department	-	-	-	-
Manager	Chen, Chi-Chuan	2003-10-16	432,587	0.04%	73,600	0.01%	-	-	Graduated from Department of Finance, Ming Chuan University Manager of Xinyi Branch	-	-	-	-
Manager	Chen, Yi-Huan	1999-04-23	433,357	0.04%	53,768	-	-	-	Graduated from Department of Comprehensive Commerce, Chu Hai High Commercial School Manager of Operation Management Department	-	-	-	-
Manager	Chu, Chia-Lung	2006-08-11	79,762	0.01%	-	-	-	-	Graduated from Department of Cooperative Economics, National Chung Hsing University Vice Manager of Wuku Branch	-	-	-	-
Manager	Chiu, Chuan-Mao	2002-07-01	152,729	0.01%	-	-	-	-	Graduated from Department of Public Finance, National Taipei College of Business Manager of Xizhou Branch	-	-	-	-
Manager	Chang, Wen-Sung	2001-12-10	108,868	0.01%	48,302	-	-	-	Graduated from Department of Business Administration, Tamkang University Manager of Wuku Branch	-	-	-	-
Manager	Chou, Hung-Che	2007-03-14	50,465	-	-	-	-	-	Graduated from Department of Economics, Soochow University Manager of Consuming Finance Business Department	-	-	-	-
Manager	Hu, Min-Fu	2009-12-01	697	-	3,558	-	-	-	Graduated from Department of Commerce, National Open University Manager of Tucheng Branch, Huachiang Branch, Land Bank of Taiwan	-	-	-	-
Manager	Huang, Chi-Wei	2005-10-11	74,672	0.01%	42,468	-	-	-	Graduated from Department of Public Finance, Takming Junior College of Commerce Manager of Chungcheng Branch	-	-	-	-
Manager	Pan, Kuang-Chu	2004-09-23	42,789	-	25,459	-	-	-	Graduated from Department of Banking, Tamkang University Manager of Zhongli Branch	-	-	-	-
Manager	Chen, Hui-Ling	2006-08-11	342,883	0.03%	-	-	-	-	Graduated from Department of Finance, National Taiwan University Vice Manager of Finance Department	-	-	-	-
Manager	Yang, Yi-Chen	2009-12-01	30,156	-	-	-	-	-	Graduated from Department of Comprehensive Commerce, Daojiang Commerce School Vice Manager of Changan and Zhongxing Branch	-	-	-	-
Manager	Tsai, Chien-Li	2005-07-18	90,950	0.01%	-	-	-	-	Graduated from Department of Engineering, Tung Hai University Manager of Chiayi and Lingya Branch	-	-	-	-
Manager	Yueh, Wen-Chang	1999-05-06	81,794	0.01%	5,330	-	-	-	Graduated from Department of Business Administration, National Taipei College of Business Manager of Banqiao Branch	-	-	-	-
Manager	Hsiao, Chih-Hui	2009-10-26	-	-	-	-	-	-	Graduated from Department of Accounting, College of Commerce, Feng Chia College of Engineering & Commerce Assistant manager of Finance Department, King's Town Bank Independent Review Committee of National Agricultural Bank	-	-	-	-
Manager	Chang, Shun-Han	2004-04-16	54,350	-	22,877	-	-	-	Graduated from Department of German, Soochow University Manager of Bank of Taipei	-	-	-	-
Manager	Lu, Chun-Hsiung	2009-11-02	-	-	-	-	-	-	Graduated from Department of Law, Soochow University Vice President of Taiwan Financial Assets Service Co., Ltd. Manager of Offshore Business Department, First Bank	-	-	-	-
Manager	Shih, Bo-Fu	2010-05-13	-	-	-	-	-	-	Graduated from Department of Business Administration, Fen Jia University Manager of Business Department, Land Bank of Taiwan	-	-	-	-
Manager	Tu, Hua-He	2010-04-01	-	-	-	-	-	-	Graduated from Master of Business Administration, National Chung Hsing University Senior Manager of Corporate Finance Central Business District, Taichung Branch, Makoto Bank	-	-	-	-
Manager	Kuo, Chiang-Hai	2003-03-01	88,669	0.01%	27,247	-	-	-	Graduated from Department of Business Administration of Taichung Institute of Commercial College Affiliated the Open College Manager of Sanmin Branch	-	-	-	-
Manager	Yu, Kuang-Lu	2004-05-17	29,946	-	-	-	-	-	Graduated from Department of International Trade, Tamkang University Manager of Qianzhen Branch	-	-	-	-
Manager	Hsu, Chen-Yuan	2005-11-26	15,278	-	-	-	-	-	Graduated from Department of Economics, Feng Chia University Manager of Xiaogang Branch, Kao Shin Bank (former name)	-	-	-	-
Manager	Lee, Wen-Hui	2001-09-20	153,447	0.01%	-	-	-	-	Graduated from Department of Cooperative Economics, Tamkang University Manager of Taipei Branch	-	-	-	-
Manager	Shih, Cheng-Zong	2010-03-01	-	-	-	-	-	-	Graduated from Social Science Department, National Open University Manager of Gang Du Branch and Feng Shan Branch, Citibank	-	-	-	-
Manager	Huang, Yao-Kun	2006-05-08	15,130	-	-	-	-	-	Graduated from Department of Accounting, Feng Chia University Manager of Liwen Branch	-	-	-	-

Position	Name	Date of Employment	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	Relationship
Manager	Yeh, Tsang-Yi	2009-10-26	-	-	-	-	-	-	Graduated from Open Business College Affiliated with National Cheng Kung University Manager of Tainan Branch and Chief of the 5th District Center, Land Bank of Taiwan	-	-	-	
Manager	Yang, Ying-Chung	2006-02-23	31,698	-	89,326	0.01%	-	-	Graduated from Department of Accounting, National Chengchi University Manger of Quanting Mini Branch	-	-	-	
Manager	Yang, Pao-Kuei	2007-08-30	52,854	-	-	-	-	-	Graduated from Department of Applied Chemistry, Chia Nan College of Pharmacy & Science Vice Manager of Jankang Branch, Zhonghua Branch and Xihua Branch	-	-	-	
Manager	Lee, Tai-Ju	2009-12-01	142,979	0.01%	9,616	-	-	-	Graduated from Department of Commerce, Kai Nan High Commerce & Technology Professional School Vice Manager of Consuming Financial Center, North 1st District	-	-	-	
Manager	Cheng, Yuen-Teh	2010-02-10	-	-	-	-	-	-	Graduated from Department of Banking Management, Tamsui Institute of Business Administration Expert Commissioner, Auditing Department, King's Town Bank	-	-	-	
Manager	Tseng, Chien-Chia	2002-08-08	131,904	0.01%	19,374	-	-	-	Graduated from Department of Economics, Chinese Culture University Manager of Consuming Financial Center, South 2nd District and Xihua Branch	-	-	-	
Manager	Wu, Min-Hsiung	2010-05-17	-	-	-	-	-	-	Graduated from Department of Banking and Insurance, Open College of Business affiliated with National Taipei College of Business Expert Commissioner, Business Department, Land Bank of Taiwan	-	-	-	
Manager	Wu, Sheng-Yi	2009-10-16	-	-	-	-	-	-	Graduated from Department of Business Administration, Feng Chia University Manager of Beidou Branch and Nantun Branch, The Farmers Bank of China	-	-	-	
Manager	Chou, Chih-Wei	2006-08-11	90,383	0.01%	231,176	0.02%	-	-	Graduated from Department of Industrial Management, National Taiwan Institute of Technology Vice Manager of Chingnien Branch	-	-	-	
Manager	Tsai, Kun-Ti	2001-09-15	167,142	0.01%	229,263	0.02%	-	-	Graduated from Executive Master of Business Administration, National Pingtung University of Science & Technology Manager of Tsuoying Branch	-	-	-	
Manager	Lin, Cheng-Lung	2009-10-19	-	-	-	-	-	-	Graduated from Open Administration College affiliated with National Chengchi University Manger of Tainan Branch and Chief of the 2nd District Center, Land Bank of Taiwan	-	-	-	
Manager	Huang, Cheng-Jin	2010-12-17	-	-	-	-	-	-	Graduated from Department of Land Economics, National Chengchi University Expert Commissioner, The Third District Center, Land Bank of Taiwan	-	-	-	
Manager	Chuang, Yung-Fu	2002-07-01	79,247	0.01%	-	-	-	-	Graduated from Department of Accounting, Feng Chia University Manager of Zhongxing Branch	-	-	-	
Manager	Chen, Jan-Sheng	2010-05-1	-	-	-	-	-	-	Graduated from Banking and Insurance Department, Tamkang University Manager, Miaoli Branch, Makoto Banks	-	-	-	
Manager	Chiu, Ming-Hua	2010-03-25	-	-	-	-	-	-	Graduated from Business Department, National Open University District Manager, SME Department, Citibank	-	-	-	
Manager	Liu, Min-Hsiang	2005-11-26	47,332	-	90,097	0.01%	-	-	Graduated from Department of Finance, National Sun Yat-sen University Manager of Tsuoying Branch, Kao Shin Bank (former name)	-	-	-	
Manager	Chao, Yu-Chin	2005-11-26	1,200,632	0.10%	19,518	-	-	-	Graduated from Department of Accounting, Graduate School of George Washington University Manager of Liwen Branch	-	-	-	
Manager	Su, Chien-Tsung	2002-08-08	141,501	0.01%	-	-	-	-	Graduated from Department of International Trade, Feng Chia University Vice Manager of Yungho Branch	-	-	-	
Manager	Chung, Hsu-Jung	2006-04-03	15,130	-	-	-	-	-	Graduated from Department of Commerce, National Taiwan University Manager of Kaohsiung Business Financial District Center	-	-	-	
Manager	Pan, Cheng-Jen	2005-11-26	211,603	0.02%	243,033	0.02%	-	-	Graduated from Department of International Trade, Cheng Shiu University Manager of Dagong Branch, Kao Shin Bank (former name)	-	-	-	
Manager	Kuo, Li-Chung	2006-02-23	105,855	0.01%	-	-	-	-	Graduated from Department of Commerce, National Taiwan University, Manager of Liwen Branch	-	-	-	
Manager	Hsu, Chen-Huang	2006-08-11	71,536	0.01%	-	-	-	-	Graduated from Department of Business Administration, Tamkang University Vice Manger of Tsuoying Branch	-	-	-	
Manager	Hu, Chun-Wei	2006-05-03	87,691	0.01%	-	-	-	-	Graduated from Department of German, Chinese Culture University Vice Manager of Banqiao Branch	-	-	-	
Manager	Hung, Jung-Tsung	2006-08-11	69,105	0.01%	-	-	-	-	Graduated from Department of Accounting, National Chung Hsing University Manager of Debt Management Department Manager of Credit Auditing Department	-	-	-	
Manager	Huang, Fu-Chang	2010-03-01	-	-	-	-	-	-	Graduated from Business Department, National Open University Manager of San Min Branch and Ping Tung Branch	-	-	-	
Manager	Liu, Chih-Cheng	2005-11-26	15,352	-	-	-	-	-	Graduated from General Department, National Chimei Senior High School Manager of Ligang Branch, Kao Shin Bank (former name)	-	-	-	
Manager	Lin, Jui-Mei	2005-11-26	187,573	0.02%	-	-	-	-	Graduated from Kaohsiung Professional School of Commerce Manager of Meinung Branch	-	-	-	
Manager	Tsui, Ching-Chih	2010-05-17	15,278	-	180	-	-	-	Graduated from Department of Journalism, Chinese Culture University Manager of Yuchang Branch	-	-	-	
Manager	Tu, A-Ching	2010-02-01	-	-	-	-	-	-	Graduated from Master of Management Department, Chang Jung Christian University Assistant Vice President of Chia Yi Branch, Yuanta Bank	-	-	-	
Manager	Lu, Han-Kun	2002-10-01	285,416	0.02%	152,583	0.01%	-	-	Graduated from Graduate School of Finance, National Kaohsiung First University of Science and Technology. Senior Specialist of Debt Management Department Manager of Jianguo Branch	-	-	-	
Manager	Chen, Yung-Kuan	2010-05-13	-	-	-	-	-	-	Graduated from Banking and Insurance Department Assistant Vice President of Consumer Finance Review Department, Fuh Hwa Bank	-	-	-	
Manager	Tang, Ying-Kui	2003-04-28	114,920	0.01%	24,736	-	-	-	Graduated from Department of Finance, Graduate Institute of Central University Manager of Shipai and Nanjing Branch	-	-	-	
Manager	Shih, Li-Yu	2010-04-01	144	-	-	-	-	-	Graduated from Business Department, National Taiwan University Senior Assistant Vice President of International Department and International Financial Business Department, Yuanta Bank	-	-	-	
Manager	Kuo, Kuen-Mu	2010-04-08	105,855	0.01%	-	-	-	-	Graduated from Department of Business Administration, Tamkang University Manager of Nangang Branch, Expert Commissioner of Business Department, Land Bank of Taiwan	-	-	-	
Manager	Lu, Pi-Yu	2005-03-14	93,119	0.01%	-	-	-	-	Graduated from Department of Accounting, Feng Chia University Manager of Linsen Branch	-	-	-	

Position	Name	Date of Employment	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	Relationship
Manager	Wu, Jung-Chi	2007-04-09	-	-	-	-	-	-	Graduated from Department of Economics, Fu Jen Catholic University Manager of Huacheng Branch	-	-	-	-
Manager	Chen, Cheng-Yi	2005-03-18	66,325	0.01%	-	-	-	-	Graduated from Department of Marine Engineering, National Kaohsiung Institute of Marine Technology Manager of Zhongli Branch, Consuming Center of Tao-Chu District	-	-	-	-
Manager	Chen, Kuan-Fu	2010-06-01	-	-	-	-	-	-	Graduated from Department of Business Administration, Tatung University Expert Commissioner and manager of Hsin Sheng Branch, Hua Nan Bank	-	-	-	-
Manager	Yang, Lien-Tse	1999-12-09	340,788	0.03%	399,942	0.03%	-	-	Graduated from Department of Accounting, Graduate School of Soochow University (On-job Training Courses) Manager of Accounting Section, Business Department	-	-	-	-
Manager	Chen, Chi-Wen	2007-03-14	128,410	0.01%	-	-	-	-	Graduated from Department of Naval Architecture Engineering, National Taiwan University Vice Manager of Information Department	-	-	-	-
Manager	Lee, Yu-Sheng	2002-07-25	130,871	0.01%	-	-	-	-	Graduated from Department of Economics, Chinese Culture University Manager of Chingmei Branch.	-	-	-	-
Manager	Kan, Wu-Cheng	2006-12-01	43,936	-	-	-	-	-	Graduated from Department of International Trade, Soochow University Manager of Corporate Finance Business Department	-	-	-	-
Manager	Shen, Yu-Hsin	2008-03-28	-	-	-	-	-	-	Graduated from Department of International Trade, Tamsui Oxford College Vice Manager of Banqiao Branch	-	-	-	-
Manager	Liu, Jung-Sen	2010-10-01	-	-	-	-	-	-	Graduated from Department of Finance, Chihlee Institute of Technology Vice Manager of Loan Review Department, Chang An Branch, Consumer Finance Department	-	-	-	-
Manager	Ho Jun-Liang	2010-05-31	34,757	-	136	-	-	-	Graduated from Accounting Department, Tunghai University Vice Manager of Loan Review Department, Consumer Finance Department	-	-	-	-
Manager	Chung, Min-Yuan	2009-04-01	36,989	-	16,844	-	-	-	Graduated from Department of Business, National Taiwan University Vice Manager of Qishan and Kaohsiung Branch	-	-	-	-
Manager	Lee, Hsu-Chang	2007-07-09	62,088	0.01%	4,618	-	-	-	Graduated from Yung Ta Institute of Technology Vice Manager of Zhongzheng Branch	-	-	-	-
Manager	Chen, Nien-Hui	2008-03-28	61,280	0.01%	5,040	-	-	-	Graduated from Department of Applied Commerce, National Tai-Chung Institute of Technology Vice Manager of Xiangshang and Jingwu Branch	-	-	-	-
Manager	Chen, Jien-Liang	2010-07-09	123,173	0.01%	101,062	0.01%	-	-	Graduated from Department of Applied Foreign Language, National Taipei College of Business Assistant Manager of Administration Management Department and Chung Hsing Branch	-	-	-	-
Manager	Lee, Chun-Yu	2009-04-01	10,080	-	-	-	-	-	Graduated from Department of Business Administration, Feng Chia University Vice Manager of Siwei Branch	-	-	-	-
Manager	Juan, Chien-Chung	2009-08-17	69,021	0.01%	55,194	-	-	-	Graduated from Department of Statistics, Tamkang University Vice Manager of Credit Auditing Department	-	-	-	-
Manager	Kao, Chih-Liang	2009-08-17	45,455	-	-	-	-	-	Graduated from MBA, New York University Vice Manager of Beitou Branch	-	Manager	Kao, Chi-Li	Brother
Manager	Liu, Chao-Jen	2009-01-09	55,922	-	-	-	-	-	Graduated from Department of Business Administration, Fu Jen Catholic University Assistant Manager of Liugui Branch	-	-	-	-
Manager	Hung, Chien-Ming	2009-04-01	41,322	-	-	-	-	-	Graduated from Master of Commerce, National Kaohsiung First University of Science and Technology Vice Manager of Lingya Branch	-	-	-	-
Manager	Chen, Chu-Wen	2010-07-09	69,299	0.01%	-	-	-	-	Graduated from Department of Business Administration, Fen Jia University Manager of Tung Ning Branch, Assistant Manager of Business Department	-	-	-	-
Manager	Huang, Shou-Wen	2007-08-30	-	-	-	-	-	-	Graduated from Department of Business Administration, Chung Hua University Vice Manager of Linsen Branch	-	-	-	-
Manager	Kuo, Cheng Hon	2010-02-06	82,768	0.01%	-	-	-	-	Graduated from Graduate School of National Central University Assistant Manager of Lan Ya Branch, Business Administration Department	-	-	-	-
Manager	Chen, Yi Hsiun	2009-12-01	10,080	-	-	-	-	-	Graduated from Department of Business Administration, Fu Jen Catholic University Manager of She Tou Mini Branch	-	-	-	-
Manager	Liu, Tsung Hsiun	2010-02-06	5,902	-	121,436	0.01%	-	-	Graduated from Graduate School of Financial Information, National Kaohsiung University of Applied Science Assistant Manager of Business Administration Department and Accounting Department	-	-	-	-
Manager	Li, Wen Kuang	2010-02-06	73,624	0.01%	14,257	-	-	-	Graduated from Department of Law, Soochow University Assistant Manager of Administration Management Department and Law Affairs Department	-	-	-	-

(III) Remuneration to Directors, Supervisors, President and Vice Presidents and Employee Bonus Apportion in 2009

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

Unit : Thousand NTD

Position	Name	Remuneration to Directors						Remuneration Received by Director Who are also Employees								Ratio of total remuneration (A+B+C+D) to net income(%)	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)	Ratio of total remuneration (A+B+C+D+E+F+G) to net income(%)								
		The Bank	All Companies included in the consolidated report	The Bank	All Companies included in the consolidated report	The Bank		All Companies included in the consolidated report	The Bank	All Companies included in the consolidated report	The Bank	Cash Dividend	Stock Bonus	Cash Dividend					Stock Bonus	The Bank	All Companies included in the consolidated report		
Chairman	Lin, Peng-ming	20,802	22,384	-	-	20	-	300	3.78%	(Note)	4.12%	(Note)	1,444	1,444	-	-	-	-	4.04%	(Note)	4.38%	(註)	-

Representative of Fu Li Yang Investment Co., Ltd.: Chen Sheng-Hung	Wu, Hsi-Hui	Liu, Chen-Sheng	Wu, Wen-Cheng	Hsieh, Yi-Tung	Representative of Yu Enterprise Co., Ltd.: Chen, Chi-Chia	Representative of Yu Sun Co., Ltd.: Chen, Chi-Yi	Chang, Wu-Ping	Ho, Shun-Cheng	Chao, Fu-Tien	Lin, Cheng-Yu	Representative of Fu Li Yang Investment Co., Ltd.: Chen, Yi-Min									
Managing Director	Managing Director	Managing Director	Independent Managing Director	Director	Director	Director	Director	Director	Director	Director	Director									

Director	Chang Chun-Hui (Note 1)																			
Director	Liu, Hsiung-Tun																			

Note : Net income after tax of 2010 of the Bank is NT\$ 550,767,000. The consolidated Net loss after tax of 2010 of the Bank is NT\$550,963,000.

The Remuneration Range Table

Unit : Thousand NTD

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)	
	The Bank	All Companies included in the Consolidated Report	The 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	Chairman, Lin, Peng-Lang	Chairman, Lin, Peng-Lang	Chairman, Lin, Peng-Lang	Chairman, Lin, Peng-Lang
NT\$10,000,000 (Included) ~ NT\$15,000,000	-	-	-	-
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	20,802	22,704	22,246	24,148

(2).Remuneration to Supervisors

December 31, 2010

Unit : Thousand NTD

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)		The Bank	All Companies included in the consolidated report	
		The Bank	All Companies included in the consolidated report	The Bank	All Companies included in the consolidated report	The Bank	All Companies included in the consolidated report	The Bank	All Companies included in the consolidated report			
Resident Supervisor	Representative of Hsu Hung Technology Co., Ltd.: Hsu, Po-Hsiung	2,760	2,760	-	-	-	-	-	165	0.50%	0.53%	-
Supervisor	Tsai, Wen-Hsiung											
Supervisor	Lin, Chin-Lung											

Note : Net income after tax of 2010 of the Bank is NT\$ 550,767,000. The consolidated Net loss after tax of 2010 of the Bank is NT\$550,963,000.

The Remuneration Range Table

Unit : Thousand NTD

Range of Remuneration to Directors	Supervisor's Name	
	Sum of A,B,C and D (A+B+C+D)	
	The 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	-	-
NT\$5,000,000 (Included) ~ NT\$10,000,000	-	-
NT\$10,000,000 (Included) ~ NT\$15,000,000	-	-
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	2,760	2,925

(3).Remuneration to President and Vice Presidents

December 31, 2010

Unit : Thousand NTD

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
		The Bank	All Companies included in the	The Bank	All Companies included in the	The Bank	All Companies included in the	The Bank		All Companies included in the consolidated report		The Bank	All Companies included in the	The Bank	All Companies included in the	
								Cash	Stock	Cash	Stock					

			consolidated report		consolidated report		consolidated report	Dividend	Dividend	Dividend	Dividend		consolidated report		consolidated report	
President	Ting, Wei-Hao	16,015	16,015	-	-	2,251	2,257	-	-	-	-	3.32% (Note)	3.32% (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 : Net income after tax of 2010 of the Bank is NT\$ 550,767,000. The consolidated Net loss after tax of 2010 of the Bank is NT\$550,963,000.

The Remuneration Range Table

Range of Remunerations to President and Vice Presidents	Name of President and Vice President	
	The Bank	All Companies included in the Consolidated Report
Less than NT\$2,000,000	General Auditor, Tseng, Yao-Te	General Auditor, Tseng, Yao-Te
NT\$2,000,000 (Included) ~ NT\$5,000,000	President and Vice Presidents but General Auditor, Tseng, Yao-Te	President and Vice Presidents but General Auditor, Tseng, Yao-Te
NT\$5,000,000 (Included) ~ NT\$10,000,000	-	-
NT\$10,000,000 (Included) ~ NT\$15,000,000	-	-
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	18,266	18,272

4. Names of managers who obtain bonus and the status: None

(IV) 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

(1) Total remunerations paid to the Bank Directors, Supervisors, President and Vice Presidents. Increased in 2010 due to profit growth compared with 2009. Except for that, there is no difference.

Position	Ratio (Note 1)	2010	2009
	Directors		4.04%
Supervisors		0.50%	Not Applicable (Note 2)
President and Vice Presidents		3.32%	Not Applicable (Note 2)

Note 1 : The ratio of the total remunerations paid to the Bank Directors, Supervisors, President and Vice Presidents to the after-tax net income.

Note 2 : After tax net income of 2010 of the Bank was NT\$ 550,767,000; After tax net loss of NT\$ 310,784,000, so remunerations paid to after-tax net income was negative, and it is not applicable.

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

To be implemented as per stipulations set forth under Article 40 of the Bank's Articles of Incorporation, whereby the Bank directors and supervisors' remunerations are to be determined in commensuration with industry payout standards as per authorized in the board of directors by the shareholders' meeting. The independent directors would not participate in the company's earnings distribution. 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

(I) The Operation of Board of Directors:

During 2010, the Board of Directors held 8 meetings. The attendance of directors and supervisors are as follows:

Title	Name	Attendance (Presence) in Person	Attendance By Proxy	Attendance (Presence) Rate (%)	Remarks
Chairman	Lin, Peng-Lang	7	1	88%	-
Managing Director	Representative of Fu Li Yang Investment Co., Ltd.: Chen, Sheng-Hung	8	-	100%	-
Managing Director	Wu, Hsi-Hui	-	-	-	-
Managing Director	Liu, Chen-Sheng	8	-	100%	-
Independent Managing Director	Wu, Wen-Cheng	8	-	100%	-

Director	Representative of Fu Li Yang Investment Co., Ltd.: Chen, Chien-Yang	8	-	100%	-
Director	Representative of Po Yun Enterprise Co., Ltd.: Chen, Chin-Chia	-	-	-	-
Director	Representative of Yi Suan Co., Ltd.: Chen, Chin-Yi	8	-	100%	-
Director	Chang, Wu-Ping	5	-	63%	-
Director	Ho, Shun-Cheng	7	-	88%	-
Director	Lin, Cheng-Yu	7	-	88%	-
Director	Chao, Fu-Tien	8	-	100%	-
Director	Hsieh, Yi-Tung	7	-	88%	-
Independent Director	Liu, Hsiang-Tun	8	-	100%	-
Independent Director	Chiang, Chun-Hui	8	-	100%	-
Managing Supervisor	Representative of Hsu Hung Technology Co., Ltd.: Hsu, Po-Hsiung	7	-	88%	-
Supervisor	Tsai, Wen-Hsiung	8	-	100%	-
Supervisor	Lin, Chin-Lung	3	-	38%	-

Other Noticeable Particulars :

A. 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

B. 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
2010-05-13	The 8 th Meeting, the 5 th Term	Chen, Sheng-Hung	Credit granting cases submitted by Credit Granting and Investment Commission of the Bank.	Loans to interested parties regulated in Article 33-1 of The Banking Act.	Avoid discussion and voting
2010-09-30	The 12 st Meeting, the 5 th Term	Chen, Sheng-Hung	Credit granting cases submitted by Credit Granting and Investment Commission of the Bank.	Loans to interested parties regulated in Article 33-1 of The Banking Act.	Avoid discussion and voting
2010-12-16	The 13 rd Meeting, the 5 th Term	Chen, Sheng-Hung	Credit granting cases submitted by Credit Granting and Investment Commission of the Bank.	Loans to interested parties regulated in Article 33-1 of The Banking Act.	Avoid discussion and voting

C. 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.

(II) Operation of the Auditing Committee: None

(III) The Participation of Supervisors in the Operation of Board of Directors

During 2010, the Board of Directors held 8 meetings. The attendance are as follows:

Title	Name	Frequency of Attendance	Actual Attendance (Presence) Rate (%)	Remarks
Managing Supervisor	Representative of Hsu Hung Technology Co., Ltd.: Hsu, Po-Hsiung	7	88%	-
Supervisor	Tsai, Wen-Hsiung	8	100%	-
Supervisor	Lin, Chin-Lung	3	38%	-

Note: Because the 1st Provisional Board Meeting, the 5th Term held on Jul. 1, 2009 was elected Managing directors, so all supervisors were not be presented.

Other Noticeable Particulars:

A. The constitution of supervisors and responsibilities:

(1) The communication of supervisors with bank employees and shareholders: None

(2) The communication of supervisors with internal auditing supervisors and accountants: None

B. The opinion of the supervisors who participated in the board meetings: Date, term/order, contents of issues, decisions of the board meetings and the the Bank's handling on the opinion of the supervisors.

(IV) 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>

(V) Differences between Corporate Governance Best-Practice Principles and actual operation and respective reasons:

Item	Operation	The cause and the difference from Corporate Governance Best-Practice Principles
<p>1. Structure of the Bank equity & shareholder's right</p> <p>(1) The response of the Bank to shareholders' recommendation or dispute</p> <p>(2) The Bank keeps track of the major shareholders and their ultimate controller.</p> <p>(3) The way that the Bank set up the risk control mechanism and the firewall with its affiliated businesses.</p>	<p>(1) Stocks Affairs Section is set up under Administration Management Department for shareholders' related affairs. Communication channel is smooth.</p> <p>(2) Stock Services Section under Administration Management Department is in charge of monitoring shareholding of shareholders.</p> <p>(3) Policies and procedures are established.</p>	<p>(1) Article 19 of the said regulation is fully complied.</p> <p>(2) Article 27 of the said regulation is fully complied.</p> <p>(3) The said regulation is fully complied.</p>
<p>2. The formation and the responsibility of the Board of Directors</p> <p>(1) The establishment of independent directors</p> <p>(2) Periodic evaluation on the independence of certified public accountants(CPA)</p>	<p>(1) Bank has set up 2 independent director positions.</p> <p>(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.</p>	<p>(1) Article 31 of the said regulation is fully complied.</p> <p>(2) The said regulation is fully complied.</p>
<p>3. Establish a communication channel with stakeholders.</p>	<p>Smooth communication channels have been established as regulated.</p>	<p>The said regulation is fully complied.</p>
<p>4. Information disclosure</p> <p>(1) The Bank sets up a website to disclose financial status and company governance information.</p> <p>(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)</p>	<p>The Bank website: http://www.sunnybank.com.tw, which discloses financial status and company governance information.</p>	<p>The said regulation is fully complied.</p>
<p>5. The establishment of committees, such as Nomination Committee or Remuneration Committee</p>	<p>Nomination Committee or Remuneration Committee has not yet been set up.</p>	<p>The Bank will follow the regulations for Corporate Governance Best-Practice Principles and establish various committees in the future.</p>
<p>6. Please state the cause and the difference of the corporate governance from Corporate Governance Best-Practice Principles for Banks: Complied with Corporate Governance Best-Practice Principles</p>		
<p>7. 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) Directors and supervisors' effort in further studies: the Bank updates the regulations on corporate governance to directors and supervisors. Directors and supervisors arrange their own further courses.</p> <p>(2) Attendance of directors and supervisors in board meetings: Related matters of the Bank's board meetings are included in the specifications of procedures. Supervisors are invited to attend the meetings.</p> <p>(3) Implementation of directors' avoidance from any conflicts of interest avoidance and the voting participation : The Bank has set up a toll-free hotline and an email box on the corporate website. A smooth channel for client communication helps the protection of investors and clients.</p> <p>(4) The purchase of liability insurance on behalf of directors and supervisors: the Bank has not purchased liability insurance for directors and supervisors.</p> <p>(5) Risk management policy and risk measurement standard execution: To structure professional and complete risk</p>		

Item	Operation	The cause and the difference from Corporate Governance Best-Practice Principles
	<p>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>(6) 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>	
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	

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

(VII) Performing social responsibilities:

Items	Status
<p>1. Promote 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 set up yet.</p> <p>(2) Not set up yet.</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. Develop 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 box is set up in the copy room of each unit is set up to encourage employees to fully use double-sided copy to save paper use.</p> <p>(2) Regulate the use in the office and activities area. In addition to no smoking, the indoor temperature is set at 27 degrees to save air-conditioning use; at the same time the bank takes garbage classification and reduction measures.</p> <p>(3) General Management staff in every unit is responsible for managing and preserving the 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, protects the legitimate interests of employees, and establishes appropriate management practices and procedures.</p> <p>(2) The bank offers employees safety and healthy working environment, and implements safety and health education on a regular basis.</p> <p>(3) the Bank sets up and publicizes consumer rights policy, and provides transparent and effective consumer complaint procedures for its products and services.</p> <p>(4) The bank and its suppliers work together to enhance corporate social responsibility.</p> <p>(5) The bank participates in in community development and charitable activities through commercial events, in-kind donations, volunteer services, business or other free professional services.</p>	<p>(1) the Bank has related rules regarding employees care and complaints handling, and conducts regular staff communication meetings</p> <p>(2) The Bank conducts regular health checks.</p> <p>(3) The bank sets up customer service direct line on the website to provide consumers with complaints channel.</p> <p>(4) Not cooperated yet.</p> <p>(5) Actively participate in social and cultural arts activities, such as cooperation with the Republic of China Association of Liver Disease Prevention on health seminar, sponsor of Shihlin High School of Commerce anniversary, Shih Hsin University children financial camp, to create social goodness.</p>
<p>4. Enhance information disclosure</p> <p>(1) The way of the bank discloses relevance and reliability of corporate social responsibility related information.</p>	<p>(1) The bank sets up a link in the website to disclose corporate social responsibility.</p>

(B) the Bank prepares the corporate social responsibility report, to promote corporate social responsibility.	(2) Not prepared yet.
5. If the bank sets up corporate social responsibility codes of practice according to “Listed Companies Corporate Social Responsibility Codes of Practice”, please specify the difference between operations and code of practice: None	
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 the academic and cultural endowment by campaigning for healthy recreational activity and continuing to promote and sponsor various sports, cultural and educational activity, such as sponsoring the Shilin Vocational High School’s Anniversary Festival, and Shih Hsin University children financial camp in addressing its care for the neighborhood community, and giving back to the society.	
7. It should be stated if the banking products or corporate social responsibility report passes the verification standard of the relevant agencies: None	

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

(VIII) Implement integrity of operation and measures taken

Implement according to corporate governance codes of practice of banking industry.

(IX) The inquiry for corporate governance regulations and policies: None

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

(XI) Internal control execution discloses the following:

1. Statement of Internal Control

Statement of Internal Control System **Sunny Bank Co., Ltd.**

The internal control system of Sunny Bank Co., Ltd. from January 1, 2010 to December 31, 2010 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:	Chou, San-Ho	(with seal & signature)

Date: December 31, 2010

Practices to be Strengthened and Corrective Procedures in the Internal Control System

December 31, 2009

Items for Improvement	Improvement Measures	Completion Deadline
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 2010, 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 personnels.

Deloitte & Touche

CPA Shao, Chih-Ming (with seal & signature)

March 3, 2011

(XII) Illegality and punishment during the past two years, major drawbacks and the correction:

1. Prosecution taken by prosecutors due to professional crimes committed by the Bank's responsible person or its employees:

(1) The Bank's Yuanlin Branch teller Chang ○ ○ (left) served as financial consultant and was suspected of encroachment of customer deposits and the alleged of forgery, etc. After prosecution, the defendant Zhang ○ ○ was sentenced 4 years and 2 months imprisonment in the first Instance.

(2) Manager of Yunho Branch Chen ○ ○ (left) was suspected of violation of Item 1, Article 125-2 in the Banking Act for aggravated breach of trust. The case has been brought to public prosecution.

2. Fines imposed by the Executive Yuan's Financial Supervisory Committee as a punishment for violating laws and regulations: None

3. Major corrections to shortcomings demanded by the Executive Yuan's Financial Supervisory Committee: None

4. Punishments by the Executive Yuan's Financial Supervisory Committee in relation to Article 61-1 of the Banking Law:

(1) Hsin Hsing Branch teller Lee ○ ○ embezzled teller code, director code, and teller personal seal, used computer to terminate certificates of deposit contract in no-entity form, or issued false certificates of deposit ways to terminate a contract for misappropriation of customer deposits. It was found that the usage of director code was not appropriately checked, and it failed to handle day-end accounting, operation oversight of certificates of deposit issuing and certification, which are not conducive to our sound management. Considering the Bank discovered the case and reported it, so the interests of customers have been protected and has actively reviewed and developed improvement measures. The bank rapidly traced the flow of funds and imposed sequestratuib. Therefore, our loss was reduced. Based on the paper in November 10, 2010 according to FSC Bank Ho No. 09930003930, the bank should be corrected.

(2) Ching Nien Branch teller Lin ○ ○ embezzled customer CD and demand deposit by seal others' stamps to terminate CD contract, or keeping the withdrawal slips of the customer. It was found that the vouchers were not appropriately certified, reviewed and kept, job rotation system was not in place and withdrawal slips were kept for customers, which are not conducive to our sound management. Considering the Bank discovered the case and reported it, so the interests of customers have been protected and has actively reviewed and developed improvement measures. Therefore, our loss was reduced. Based on the paper in November 17, 2010 according to FSC Bank Ho No. 09900351390, the bank should be corrected.

(3) The Bank's financial consultant Huang ○ ○ and Chue ○ ○ referred offshore companies to customers to buy fund products without the authorization of the regulators. Yuanlin Branch assistant manager Chuang ○ ○ embezzled customer deposits. Both major cases were not reported. The Bank failed to report cases according to "The Scope and Applicable Objects of Major Contingencies Reported by Banking Industry", and it is not favorable to the regulators to monitor the case in time and take regulatory steps and it is conducive to sound management. Considering the Bank discovered the case in internal audit, and it has actively reviewed and developed improvement measures. Based on the paper in November 18, 2010 according to FSC Bank Ho No. 09900339040, the bank should be corrected.

(4) Yuanlin Branch financial consultant Chang ○ ○ was suspected of embezzlement of customer deposits. It was found that it failed to implement job rotation; the personnels signed to open the account on behalf of customers and check the stamps, did lending with customers, made deposits and performed trust business on behalf of customers, which are not conducive to our sound management. Considering the Bank discovered the case and reported it, actively reviewed, developed improvement measures, and seriously punished personnels in responsibility. Based on the paper in December 8, 2010 according to FSC Bank Ho No. 09900362470, the bank should be corrected.

5. 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

6. Other items to be disclosed under the instructions of the Financial Supervisory Commission, Executive Yuan: None

(XIII) Important Resolutions of the Shareholders' Meeting and the Board Meeting during 2010 and the period up to the annual report publication date:

[Board Meeting]

1. The 11th Board Meeting of the 5th Term held on August 5, 2010 has motioned through:

Planning to issue the Subordinated Bond totaling NT\$1.2 billion for sound capital structure and development of business.

2. The 13th Board Meeting of the 5th Term held on December 16, 2010 has motioned through:

(1) Changed CPA in December, 2010 along with the internal adjustment of Deloitte & Touche.

(2) Defining the 2011 budget report and the overall business operating plan.

3. The 14th Board Meeting of the 5th Term held on January 21, 2011 has motioned through:

Planning rights issue of 50 million shares, issued price NT\$10 per share, totaling NT\$500 million for sound capital structure and development of business.

(XIV) The major content of record of written statements for any dissenting opinions from directors or supervisors regarding important resolutions of the Board in 2010 and the period up to the annual report publication date: None

(XV) The summary of resignation and discharging of people related to the Financial Report (including Chairman, President, Accounting Supervisors and Auditing Supervisors) during 2010 and the Current Year up to Publication Date of Annual Reports: None

4. CPAs Information:

C.P.A. Office	C.P.A. Name		Auditing Period	Remark
Deloitte & Touche	Lin, Hsiu-Lien	Shao, Chih-Ming	January, 2010~ November, 2010	-
	Shao, Chih-Ming	Chen, Chao-Feng	December, 2010	Change of CPA due to internal adjustment of CPA firm

Amount Unit: NT\$1,000

Amount	Item	Audit Fee	Non-audit Fee	Total
1	Less than NT\$2,000,000		✓	
2	NT\$2,000,000 (Included) ~ NT\$4,000,000	✓		✓
3	NT\$4,000,000 (Included) ~ NT\$6,000,000			
4	NT\$6,000,000(Included) ~ NT\$8,000,000			
5	NT\$8,000,000 (Included) ~ NT\$10,000,000			
	Over NT\$100,000,000			

Amount Unit: NT\$1,000

CPA Firm	Name	Audit Fee	Non-audit Fee					CPA Audit Period (Note1)	Remarks
			System Design	Company Registration	Human Resources	Others (Note 2)	Sub-Total		
Deloitte & Touche	Lin, Hsiu-Lien	\$2,045	-	-	-	\$1,255	\$1,255	January, 2010- December, 2010	1. Change of CPA in the current year due to internal work allocation and arrangement in CPA firm. 2.
	Shao, Chih-Ming								

	Shao, Chih-Ming										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.
	Chen, Chao-Feng									December, 2010	

Note 1: If the bank replaces CPA or CPA firm in the current year, audit period should be shown separately, and the reasons for the replacement should be stated in the remarks column. Audit fees and non-audit fees paid must also be disclosed on an orderly basis.

Note 2: Please separately specify non-audit fees based on service items. If the "other" item of non-audit fees reaches 25% of the total amount, service contents should be listed in the remarks column.

5. Changes of CPAs:

(I) With regard to the former certified public accountant:

Date of Change	December, 2010		
Reason of change and statement	Following Deloitte & Touche's internal work allocation and arrangement in 2010, the certified public accountants have been changed from CPAs Lin, Hsiu-Lien and Shao, Chih-Ming to CPAs Shao, Chih-Ming and Chen, Chao-Feng.		
Appointor or CPA ends or does not accept appointment	Person involved Status	CPA	Appointor
		Actively ends appointment	
		Does not accept (continue) 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 2010 and 2009, 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. Also, in addition to the above reason, some equity investment using equity method and related investment net loss in the semi-annual report of 2009 were recognized based on non-audited financial statements, so an audit report with "preserved opinion" was also issued.		
Different opinions from the Bank	Yes		Accounting principles or practice
			Discloser of financial reports
			Audit scope or procedures
			Other
	None	✓	
	Statement	None	
Other disclosures (disclose based on Point 4, Item 1, Paragraph 5, Article 10 in the guidance)	None		

(II) With regard to the incumbent certified public accountant:

CPA Firm	Deloitte & Touche
CPA Name	CPA, Chen, Chao-Feng
Date of Appointment	December, 2010

Before appointment, accounting 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

(III) 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 One Year:

None

7.Transfer of Equity and Changes in Equity Used as Collateral by Directors, Supervisors, Managers, and Other Required to Report Equity by the Provision of Item 3, Article 25 of the Banking Law:

(I) The Changes in Shareholding

Title	Name	2010		As of March 31, 2011, the same year	
		Increasing/ Decreasing Holding Shares	Increasing/ Decreasing Pledged Shares	Increasing/ Decreasing Holding Shares	Increasing/ Decreasing Pledged Shares
Chairman	Lin, Peng-Lang	-	-	-	-
Managing Director	◎Fu Li Yang Investment Co., Ltd. (Major Shareholder)	-	-	-	-
	◎Representative: Chen, Sheng-Hung	-	-	-	-
Managing Director	Wu, Hsi-Hui	-	-	-	-
Managing Director	Liu, Chen-Sheng	-	-	-	-
Independent Managing Director	Wu, Wen-Cheng	-	-	-	-
Director	Fu Li Yang Investment Co., Ltd.	-	-	-	-
	Representative: Chen, Chien-Yang	-	-	-	-
Director	Po Yun Enterprise Co., Ltd.	-	-	-	4,000,000
	◎Representative: Chen, Chin-Chia	-	-	-	2,000,000
Director	Yu Suan Co., Ltd.	-	-	-	-
	Representative: Chen, Chin-Yi (Major Shareholder)	-	-	-	-
Director	Chang, Wu-Ping	-	-	-	-
Director	Ho, Shun-Ping	-	-	-	-
Director	Lin, Cheng-Yu	-	-	-	-
Director	Chao, Fu-Tien	-	-	-	-
Director	Hsieh, Yi-Tung	-	-	-	-
Independent Director	Liu, Hsiang-Tun	-	-	-	-
Independent Director	Chiang, Chun- Hui	-	-	-	-
Managing Supervisor	Hsu Hung Technology Co., Ltd.	-	-	-	-
	Representative: Hsu, Po-Hsiung	(1,480,000)	-	-	-
Supervisor	Tsai, Wen-Hsiung (Major Shareholder)	(45,000)	-	-	-
Supervisor	Lin, Chin-Lung	-	-	-	-
President	Ting, Wei-Hao	-	-	-	-
Senior Vice President	Cheng, Ming-Kun	58,620	-	-	-
Vice President	Chang, Chi-Ming	-	-	-	-
Vice President	Kuo, Chih-Hung	(44,000)	-	-	-
Vice President	Lin, Chih-Liang	-	-	-	-
Vice President	Chou, San-He	-	-	-	-
Chief Secretary	Wu, Jui-Hsiang	-	-	-	-
General Auditor	Tseng, Yao-Te	-	-	-	-
Assistant Vice President	Liu, Ming-Chieh	-	-	-	-
Assistant Vice President	Kuo, Ching-Feng	-	-	-	-
Assistant Vice President	Chen, Jung-Kui	-	-	-	-
Assistant Vice President	Yu, Shih-Jung	-	-	-	-
Assistant Vice President	Chen, Wen-Cheng	-	-	-	-
Assistant Vice President	Chen, Yang-Yu	-	-	-	-
Assistant Vice President	Huang, Hsien-chang	-	-	-	-
Assistant Vice President	Huang, Yen-Chun	-	-	-	-
Assistant Vice President	Wang, Ya-Hsun	-	-	-	-
Assistant Vice President	Wang, Chien-Yi	-	-	-	-
Assistant Vice President	Lin, Yi-Tsun	-	-	-	-

Title	Name	2010		As of March 31, 2011, the same year	
		Increasing/ Decreasing Holding Shares	Increasing/ Decreasing Pledged Shares	Increasing/ Decreasing Holding Shares	Increasing/ Decreasing Pledged Shares
Assistant Vice President	Chen, Cheng-Feng	-	-	-	-
Manager	Chen, Kuo-Hung	-	-	-	-
Manager	Tsao, Chun-Jung	-	-	-	-
Manager	Kao, Chin-Mu	-	-	-	-
Manager	Chiang, Tung-Sheng	-	-	-	-
Manager	Yang, Chen-Sheng	-	-	-	-
Manager	Lin, Kuo-Hung	-	-	-	-
Manager	Wu, Chia-Cheng	-	-	-	-
Manager	Kao, Chih-Li	-	-	-	-
Manager	Sung, Ping-Ping	-	-	-	-
Manager	Lung, Wan-Li	-	-	-	-
Manager	Tseng, Chieh-Chang	-	-	-	-
Manager	Liu, Yen-Hsing	-	-	-	-
Manager	Chen, Yao-Wen	34,000	-	-	-
Manager	Chien, Chih-Hsin	-	-	-	-
Manager	Hu, Chi-Min	-	-	-	-
Manager	Chen, Hsien-Chun	-	-	-	-
Manager	Lee, Ching-Cheng	-	-	-	-
Manager	Chen, Chi-Chuan	-	-	-	-
Manager	Chen, Yi-Huan	-	-	-	-
Manager	Chu, Chia-Lung	-	-	-	-
Manager	Chiu, Chuan-Mao	-	-	-	-
Manager	Chang, Wen-Sung	-	-	-	-
Manager	Chou, Hung-Che	-	-	-	-
Manager	Hu, Min-Fu	-	-	-	-
Manager	Huang, Chi-Wei	-	-	-	-
Manager	Pan, Kuang-Chu	-	-	-	-
Manager	Chen, Hui-Ling	-	-	-	-
Manager	Yang, Yi-Chen	(35,000)	-	-	-
Manager	Tsai, Chien-Li	-	-	-	-
Manager	Yueh, Wen-Chang	-	-	-	-
Manager	Hsiao, Chih-Hui	-	-	-	-
Manager	Chang, Shun-Han	-	-	-	-
Manager	Lu, Chun-Hsiung	-	-	-	-
Manager	Shih, Bo-Fu	-	-	-	-
Manager	Tu, Hua-He	-	-	-	-
Manager	Kuo, Chiang-Hai	-	-	-	-
Manager	Yu, Kuang-Lu	-	-	-	-
Manager	Hsu, Chen-Yuan	-	-	-	-
Manager	Lee, Wen-Hui	-	-	-	-
Manager	Shih, Cheng-Zong	-	-	-	-
Manager	Huang, Yao-Kun	-	-	-	-
Manager	Yeh, Tsang-Yi	-	-	-	-
Manager	Yang, Ying-Chung	-	-	-	-
Manager	Yang, Pao-Kuei	-	-	-	-
Manager	Lee, Tai-Ju	-	-	-	-
Manager	Cheng, Yuen-Teh	-	-	-	-
Manager	Tseng, Chien-Chia	-	-	-	-
Manager	Wu, Min-Hsiung	-	-	-	-
Manager	Wu, Sheng-Yi	-	-	-	-
Manager	Chou, Chih-Wei	-	-	-	-
Manager	Tsai, Kun-Ti	-	-	-	-
Manager	Lin, Cheng-Lung	-	-	-	-
Manager	Huang, Cheng-Jin	-	-	-	-
Manager	Chuang, Yung-Fu	-	-	-	-
Manager	Chen, Jan-Sheng	-	-	-	-
Manager	Chiu, Ming-Hua	-	-	-	-
Manager	Liu, Min-Hsiang	-	-	-	-
Manager	Chao, Yu-Chin	-	-	-	-
Manager	Su, Chien-Tsung	-	-	-	-
Manager	Chung, Hsu-Jung	-	-	-	-

Title	Name	2010		As of March 31, 2011, the same year	
		Increasing/ Decreasing Holding Shares	Increasing/ Decreasing Pledged Shares	Increasing/ Decreasing Holding Shares	Increasing/ Decreasing Pledged Shares
Manager	Pan, Cheng-Jen	-	-	-	-
Manager	Kuo, Li-Chung	-	-	-	-
Manager	Hsu, Chen-Huang	-	-	-	-
Manager	Hu, Chun-Wei	-	-	-	-
Manager	Hung, Jung-Tsung	-	-	-	-
Manager	Huang, Fu-Chang	-	-	-	-
Manager	Liu, Chih-Cheng	-	-	-	-
Manager	Lin, Jui-Mei	-	-	-	-
Manager	Tsui, Ching-Chih	-	-	-	-
Manager	Tu, A-Ching	-	-	-	-
Manager	Lu, Han-Kun	-	-	-	-
Manager	Chen, Yung-Kuan	-	-	-	-
Manager	Tang, Ying-Kui	-	-	-	-
Manager	Shih, Li-Yu	-	-	-	-
Manager	Kuo, Kuen-Mu	-	-	-	-
Manager	Lu, Pi-Yu	-	-	-	-
Manager	Wu, Jung-Chi	-	-	-	-
Manager	Chen, Cheng-Yi	-	-	-	-
Manager	Chen, Kuan-Fu	-	-	-	-
Manager	Yang, Lien-Tse	-	-	-	-
Manager	Chen, Chi-Wen	-	-	-	-
Manager	Lee, Yu-Sheng	-	-	-	-
Manager	Kan, Wu-Cheng	-	-	-	-
Manager	Shen, Yu-Hsin	-	-	-	-
Manager	Liu-Jung-Sen	-	-	-	-
Manager	Ho Jun-Liang	-	-	-	-
Manager	Chung, Min-Yuan	-	-	-	-
Manager	Chen, Nien-Hui	-	-	-	-
Manager	Chen, Jien-Liang	45,000	-	-	-
Manager	Lee, Chun-Yu	-	-	-	-
Manager	Juan, Chien-Chung	-	-	-	-
Manager	Kao, Chih-Liang	-	-	-	-
Manager	Liu, Chao-Jen	-	-	-	-
Manager	Lee, Hsu-Chang	-	-	-	-
Manager	Hung, Chien-Ming	-	-	-	-
Manager	Chen, Chu-Wen	-	-	-	-
Manager	Huang, Shou-Wen	-	-	-	-
Manager	Kuo, Cheng-Hung	-	-	-	-
Manager	Chen, Yi Hsu	-	-	-	-
Manager	Liu, Tsung Hsiun	-	-	-	-
Manager	Li, Wen Kuang	-	-	-	-
Manager	Chen, Chi-Hao	-	-	-	-
◎Sunny Culture & Education Foundation		-	-	-	-
◎Chuan Yang Construction Co., Ltd.		-	22,000,000	-	-
◎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		-	-	-	-
◎Chen, Pei-Yu		-	-	-	-
◎Chen, Yu-Li		-	-	-	-
◎Hsueh, Lin-Chuan		-	(105)	-	-

Note 1: Manager Chao, Yu-Chin ceased his appointment on Feb. 28, 2011. Manager Huang, Chi-We ceased his appointment on Feb. 8, 2011. Manager Huang, Shou-Wen ceased his appointment on Jan. 27, 2011. Manager Shi, Chen-Tzung ceased his appointment on Jan. 26, 2011. Manager Chen, Jan-Sheng ceased his

appointment on Apr. 16, 2010. Manager Chang, Ching-Pai ceased his appointment on Jan. 26, 2011.

Note 2: Director Hsieh, Yi-Tung is also Assistant Vice President. Assistant Vice President Chen Wen-Cheng is also the head of Finance Department. Manager Liu Tsung-Hsiun is also the head of Accounting Department.

Note 3: Shareholders with “◎” are required to file their equity holdings in accordance with the Paragraph 3, Article 25 of The Banking Act.

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

December 31 2010

Unit: Share, %

Name	Shareholding		Shareholding by Spouse and Minors		Shareholding entitled other name		10 largest shareholders and related parties as defined under the Statement of Financial Accounting Standards No. 6		Remark
	Share	%	Share	%	Share	%	Title or Name	Relationship	
Fu Li Yang Investment Co., Ltd. Representative: Chen, Sheng-Hung Representative: Chen, Chien-Yang	82,952,766 7,179,892 3,717,876	6.77 0.59 0.30	- 3,232,655 1,064,773	- 0.26 0.09	- - -	- - -	Chuan Yang Construction Co., Ltd.	Controlled by the same person	-
Chuan Yang Construction Co., Ltd.	69,644,262	5.69	-	-	-	-	Fu Li Yang Investment Co., Ltd.	Controlled by the same person	-
Sheng Yang Construction Co., Ltd.	37,558,312	3.07	-	-	-	-	-	-	-
The First Insurance Co., Ltd.	25,469,136	2.08	-	-	-	-	-	-	-
Farglory Life Insurance Co., Ltd.	15,900,691	1.30	-	-	-	-	-	-	-
Sunny Culture & Education Foundation	10,625,076	0.87	3,363,375	0.27	-	-	-	-	-
Kuo Hua Life Insurance Co., Ltd.	11,662,995	0.95	-	-	-	-	-	-	-
Chen, Chin-Yi	11,101,039	0.91	-	-	-	-	-	-	-
E United Co., Ltd.	8,821,778	0.72	-	-	-	-	-	-	-
Tsai, Wen-Hsiung	8,559,740	0.70	-	-	-	-	-	-	-

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

December 31, 2009

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	%
Financial Information Service Co., Ltd.	9,672,000	2.42	-	0.00	9,672,000	2.42
Gold Sunny Assets Management Co., Ltd.	5,000,000	100.00	-	0.00	5,000,000	100.00
Sunny Securities Co., Ltd.	29,500,000	97.68	-	0.00	29,500,000	97.68
Sunny Life Insurance Brokerage Co., Ltd.	600,000	39.99	900,004	60.00	1,500,004	99.99
Sunny Property Insurance Agent Co., Ltd.	121,000	20.00	484,000	80.00	605,000	100.00
Taiwan Financial Asset Service Corp.	5,000,000	2.94	-	0.00	5,000,000	2.94
Taiwan Depository And Clearing Corp.	865,991	0.29	-	0.00	865,991	0.29
Sunlight Asset Management Ltd.	66,587	1.11	-	0.00	66,587	1.11

Note 1: Investment pursuant to Article 74 of The Banking Act.

Note 2: The Bank sold all 6,006,000 shares of Ontario Securities Investment Trust Co., Ltd. on Dec. 15, 2010.

IV. Fund-Raising Activities

1. Shares and Dividends

(1) Share Sources

(I) Share Sources

Unit: Thousand Shares: Unit: NT\$ Thousands

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

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 : Kao Shin Bank new stock issuance 2,004,482,070 dollars.
- 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.
- 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.

Stock Type	Authorized Capital Stock			Remark
	Outstanding stock (Note)	Un-issued share	Total	
Common Stock	1,224,972,981	775,027,019	2,000,000,000	Non-Listed & OTC Bank Stock

Note: Including 420,059 shares of stocks of the parent companies that were held by the subsidiaries, these shares are considered as treasury stocks.

Information about the Shelf Registration System

Current Security Type	Expected issuance		Actual issuance		Purpose and expected benefit of issued shares	Expected issuance date	Note
	Total No. of shares	Approved amount	No. of shares	Price			
Common Stock	2,000,000,000	20,000,000,000	1,224,972,981	\$10	Supplement operation fund	-	-

(II) Structure of Shareholders

December 31, 2010

Quantity	Shareholder Structure	Government Institutions	Financial Institutions	Company Corporation	Other Corporation	Individual	Foreign Institutions & Foreigner	Total
		No. of Persons	2	4	118	30	127,294	5
No. of Shareholding (Stocks)		1,430,278	52,471,297	215,340,660	12,546,083	943,181,373	3,290	1,224,972,981
Shareholding Percentage (%)		0.12%	4.28%	17.58%	1.02%	77.00%	0.00%	100.00%

(III) Equity Distribution

Par Vaule: NT\$10
December 31, 2010

Grades	No. of Shareholders (persons)	Shareholdings (shares)	Shareholding Percentage (%)
1 to 999	73,893	20,921,486	1.71%
1,000 to 5,000	44,936	92,178,269	7.53%

Grades	No. of Shareholders (persons)	Shareholdings (shares)	Shareholding Percentage (%)
5,001 to 10,000	2,615	18,389,793	1.50%
10,001 to 15,000	788	9,816,984	0.80%
15,001 to 20,000	646	11,275,839	0.92%
20,001 to 30,000	791	20,192,272	1.65%
30,001 to 50,000	1,029	41,257,444	3.37%
50,001 to 100,000	1,242	91,311,974	7.45%
100,001 to 200,000	712	101,578,293	8.29%
200,001 to 400,000	450	125,799,340	10.27%
400,001 to 600,000	139	67,241,944	5.49%
600,001 to 800,000	64	44,342,110	3.62%
800,001 to 1,000,000	29	26,264,423	2.14%
Over 1,000,001	119	554,402,810	45.26%
Total	127,453	1,224,972,981	100.00%

(IV) List of Major Shareholders

List of Major Shareholders	Shares	Shareholdings (shares)	Shareholding Percentage (%)
Fu Li Yang Investment Co., Ltd.		82,952,766	6.77%
Chuan Yang Construction Co., Ltd.		69,644,262	5.69%
Sheng Yang Construction Co., Ltd.		37,558,312	3.07%
The First Insurance Co., Ltd.		25,469,136	2.08%
Farglory Life Insurance Co., Ltd.		15,900,691	1.30%
Kuo, Wen-Tsung (Note 2)		13,988,451	1.14%
Sunny Culture & Education Foundation		11,662,995	0.95%
Kuo Hua Life Insurance Co., Ltd.		11,101,039	0.91%
Chen, Chin-Yi		8,821,778	0.72%
E United Co., Ltd.		8,559,740	0.70%

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

Note 2 : The shares held by Kuo, Wen-Tsung include the shares of his spouse and minor children.

(V) Market price, net value, earnings, and dividend data for the most recently 2 years

Unit: NT\$, Thousand Shares

Item	Year		2010	2009	As of March 31, 2011 of the Same Year
	Price/share	Highest		Note	Note
	Lowest		Note	Note	Note
	Average		Note	Note	Note
NET WORTH/share	Before distribution		8.86	8.43	9.10
	After distribution		8.86	8.43	9.10
Earnings/share	Weighted average No. of shares		1,224,553	1,224,553	1,224,553
	Before adjustment		0.45	(0.25)	0.27
	After adjustment		0.45	(0.25)	0.27
Dividend/share (earnings distribution from the previous year)	Cash dividend		-	-	-
	Free distribution	Earnings distribution		-	-
		Capital surplus distribution		-	-
	Unpaid dividend		-	-	-
Analysis on investment returns	P/E ratio		Note	Note	Note
	Price/dividend yield		Note	Note	Note
	Cash dividend yield		Note	Note	Note

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

(VI) Dividend policy and execution

In the event of earnings 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. Employee's 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 the dividend 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 can not be lower 10% of the total dividends. If the cash dividends to be distributed are not higher than NT\$0.1, stock dividends may be distributed instead.

(VII) Influence of the proposed free distribution on operation results and EPS

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

(VIII) Employee's bonus and Rewards for Directors and Supervisors

(1) The amount or criteria of employee's bonus and rewards 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) Employee's bonus 3%
- (c) Shareholder dividend 95.5%

(2) Basis for estimating the 2010 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 are made on the basis of the probable amount of distribution according to the past experience. Although earnings were posted for 2010, the Bank must compensate the loss from previous years. Hence no allocations have been made for the employee bonuses and the directors/supervisors' remunerations.

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

There is no 2010 Bank earnings distribution. No employee stock bonus and directors/supervisors reward distribution.

(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

(IX) Shares Repurchased by the Bank: None

2. The Issuance of Financial Debentures

Types of Subordinated Financial Debentures	The First Subordinated Financial Debentures in 2006 (Private Placement)	The First Type A Bond Subordinated Financial Debentures in 2007 (Private Placement)
Central authority approval date and number	Letter with File No. Chin-kuan-yin-(III)-tzu No. 09500126390	Letter with File No. Chin-kuan-yin-(III)-tzu No. 09500549820
Date of issue	May 16, 2006	April 9, 2007
Par Value	NT\$10,000,000	NT\$10,000,000
Site of issue and operations	R.O.C	R.O.C
Currency	New Taiwan Dollars	New Taiwan Dollars
Offering Price	Issued at the bond par value	Issued at the bond par value
Total amount	NT\$2,000,000,000	NT\$1,800,000,000
Interest Rate	At single interest rate of APR 2.55% with annual payment	At single interest rate of APR 3% with annual payment
Maturity	5 years and 6 months, From May 16, 2006 to November 16, 2011	7 years From April 9, 2007 to April 9, 2014
Repayment Priority	The bond claims (including principal	Repayment priority of the bond claims

	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.	(including principal and interest) is only better than the right of the Bank to distribute residual property and second to the bank's general claims.
Guarantee agency	None	None
Trustee	None	None
Underwriting agencies	None (Sold by the bank)	None (Sold by the bank)
Certifying lawyers	Hsueh, Sung-Yu	Hsueh, Sung-Yu
CPA	Deloitte & Touche Taiwan C.P.A. Shao, Chih-Ming	Deloitte & Touche Taiwan C.P.A. Shao, Chih-Ming
Certifying Financial Institution	Hua Nan Bills Finance Corporation	None
Repayment method	Total payback upon deadline	Total payback upon deadline
Unpaid balance	NT\$2,000,000,000	NT\$1,800,000,000
Paid-In Capital of Previous Year	NT\$12,439,281,340	NT\$12,439,281,340
Net Worth of Previous Year	NT\$12,892,912,768	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 (%)	15.51%	27.51%
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 13, 2009 Credit rating: twBBB Outlook: Positive	Taiwan Rating Co., Ltd. Assessment Date: September 13, 2009 Credit rating: twBBB Outlook: Positive

Types of Subordinated Financial Debentures	The First Type B Bond Subordinated Financial Debentures in 2007 (Private Placement)	The Second Type A Bond Subordinated Financial Debentures in 2007 (Private Placement)
Central authority approval date and number	Letter with File No. Chin-kuan-yin-(III)-tzu No. 09500549820	Letter with File No. Chin-kuan-yin-(III)-tzu No. 09500549820
Date of issue	April 9, 2007	November 16, 2007
Par Value	NT\$10,000,000	NT\$100,000
Site of issue and operations	R.O.C	R.O.C
Currency	New Taiwan Dollars	New Taiwan Dollars
Offering Price	Issued at the bond par value	Issued at the bond par value
Total amount	NT\$1,100,000,000	NT\$203,500,000
Interest Rate	Floating interest rates according to the listed floating interest rates of general deposit for one-year CD in Bank of Taiwan plus 0.60% single tactical interest, with a quarterly resetting and annual interest payment.	At fixed single interest rate of APR 3.6 % with annual payment
Maturity	7 years, From April 9, 2007 to April 9, 2014	5 years and 6 months, From November 16, 2007 to May 16, 2013
Repayment Priority	Repayment priority of the bond claims (including principal and interest) is only better than the right of the Bank to distribute residual property and second to the bank's general claims.	Repayment priority of the bond claims (including principal and interest) is only better than the right of the Bank to distribute residual property and second to the bank's general claims.
Guarantee agency	None	None
Trustee	None	None

Underwriting agencies	None (Sold by the bank)	None (Sold by the bank)
Certifying lawyers	Hsueh, Sung-Yu	Hsueh, Sung-Yu
CPA	Deloitte & Touche Taiwan C.P.A. Shao, Chih-Ming	Deloitte & Touche Taiwan C.P.A. Shao, Chih-Ming
Certifying Financial Institution	None	None
Repayment method	Total payback upon deadline	Total payback upon deadline
Unpaid balance	NT\$1,100,000,000	NT\$203,500,000
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 (%)	35.48%	36.95%
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 13, 2009 Credit rating: twBBB Outlook: Positive	Taiwan Rating Co., Ltd. Assessment Date: September 13, 2009 Credit rating: twBBB Outlook: Positive

Types of Subordinated Financial Debentures	The Second Type B Bond Subordinated Financial Debentures in 2007	The Third Type A Bond Subordinated Financial Debentures in 2007
Central authority approval date and number	Letter with File No. Chin-kuan-yin-(III)-tzu No. 09500549820	Letter with File No. Chin-kuan-yin-(III)-tzu No. 09500549820
Date of issue	November 16, 2007	December 26, 2007
Par Value	NT\$100,000	NT\$100,000
Site of issue and operations	R.O.C	R.O.C
Currency	New Taiwan Dollars	New Taiwan Dollars
Offering Price	Issued at the bond par value	Issued at the bond par value
Total amount	NT\$101,000,000	NT\$261,000,000
Interest Rate	Floating interest rates according to the listed floating interest rates of general deposit for one-year CD in Bank of Taiwan plus 0.75% single tactical interest, with a quarterly resetting and annual interest payment.	At fixed single interest rate of APR 3.8 % with annual payment
Maturity	5 years and 6 months, From November 16, 2007 to May 16, 2013	6 years and 2 months, From December 26, 2007 to February 26, 2014
Repayment Priority	Repayment priority of the bond claims (including principal and interest) is only better than the right of the Bank to distribute residual property and second to the bank's general claims.	Repayment priority of the bond claims (including principal and interest) is only better than the right of the Bank to distribute residual property and second to the bank's general claims.
Guarantee agency	None	None
Trustee	None	None
Underwriting agencies	None (Sold by the bank)	None (Sold by the bank)
Certifying lawyers	Hsueh, Sung-Yu	Hsueh, Sung-Yu
CPA	Deloitte & Touche Taiwan C.P.A. Shao, Chih-Ming	Deloitte & Touche Taiwan C.P.A. Shao, Chih-Ming
Certifying Financial Institution	None	None
Repayment method	Total payback upon deadline	Total payback upon deadline
Unpaid balance	NT\$101,000,000	NT\$261,000,000

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 (%)	37.68%	39.57%
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 13, 2009 Credit rating: twBBB Outlook: Positive	Taiwan Rating Co., Ltd. Assessment Date: September 13, 2009 Credit rating: twBBB Outlook: Positive

Types of Subordinated Financial Debentures	The Third Type B Bond Subordinated Financial Debentures in 2007	The First Type Subordinated Financial Debentures in 2009
Central authority approval date and number	Letter with File No. Chin-kuan-yin-(III)-tzu No. 09500549820	Letter with File No. Chin-kuan-yin-(III)-tzu No. 09800208270
Date of issue	December 26, 2007	June 15, 2009
Par Value	NT\$100,000	NT\$10,000,000
Site of issue and operations	R.O.C	R.O.C
Currency	New Taiwan Dollars	New Taiwan Dollars
Offering Price	Issued at the bond par value	Issued at the bond par value
Total amount	NT\$43,900,000	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 0.95% single tactical interest, with a quarterly resetting and annual interest payment.	At fixed single interest rate of APR 3% with annual payment
Maturity	6 years and 2 months, From December 26, 2007 to February 26, 2014	5 years and 7 months, From June 15, 2009 to January 15, 2015
Guarantee agency	None	None
Trustee	None	None
Underwriting agencies	None (Sold by the bank)	None (Sold by the bank)
Certifying lawyers	Hsueh, Sung-Yu	Hsueh, Sung-Yu
CPA	Deloitte & Touche Taiwan C.P.A. Shao, Chih-Ming	Deloitte & Touche Taiwan C.P.A. Shao, Chih-Ming
Certifying Financial Institution	None	None
Repayment method	Total payback upon deadline	Total payback upon deadline
Unpaid balance	NT\$43,900,000	NT\$500,000,000
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\$10,629,528,858
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 (%)	39.89%	56.53%
Considered as Qualified Capital and	Tier 2	Tier 2

Its Tiers		
Credit rating agency names, assessment date and its credit rating (Note)	Taiwan Rating Co., Ltd. Assessment Date: September 13, 2009 Credit rating: twBBB Outlook: Positive	Taiwan Rating Co., Ltd. Assessment Date: September 13, 2009 Credit rating: twBBB Outlook: Positive

Types of Subordinated Financial Debentures	The First Type A Bond Subordinated Financial Debentures in 2010	The First Type B Bond Subordinated Financial Debentures in 2010
Central authority approval date and number	Letter with File No. Chin-kuan-yin-(III)-tzu No. 09800208270	Letter with File No. Chin-kuan-yin-(III)-tzu No. 09800208270
Date of issue	April 30, 2010	April 30, 2010
Par Value	NT\$10,000,000	NT\$10,000,000
Site of issue and operations (Note 2)	R.O.C	R.O.C
Currency	New Taiwan Dollars	New Taiwan Dollars
Offering Price	Issued at the bond par value	Issued at the bond par value
Total amount	NT\$570,000,000	NT\$230,000,000
Interest Rate	At fixed single interest rate of APR 3.25% with annual payment	Floating interest rates according to the listed floating interest rates of general deposit for one-year CD in the Bank of Taiwan plus 1.83% single tactical interest, with a quarterly resetting and annual interest payment.
Maturity	7 years, From April 30, 2010 to April 30, 2017	7 years, From April 30, 2010 to April 30, 2017
Guarantee agency	None	None
Trustee	None	None
Underwriting agencies	None (Sold by the bank)	None (Sold by the bank)
Certifying lawyers	Hsueh, Sung-Yu	Hsueh, Sung-Yu
CPA	Deloitte & Touche Taiwan C.P.A. Lin, Hsiu-Lien	Deloitte & Touche Taiwan C.P.A. Lin, Hsiu-Lien
Certifying Financial Institution	None	None
Repayment method	Total payback upon deadline	Total payback upon deadline
Unpaid balance	NT\$570,000,000	NT\$230,000,000
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
Conversion and exchange conditions	None	None
Redemption or prepayment terms	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 (%)	63.72%	65.94%
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 13, 2009 Credit rating: twBBB Outlook: Positive	Taiwan Rating Co., Ltd. Assessment Date: September 13, 2009 Credit rating: twBBB Outlook: Positive

Types of Subordinated Financial Debentures	The Second Type A Bond Subordinated Financial Debentures in 2010	The Second Type B Bond Subordinated Financial Debentures in 2010
Central authority approval date and number	Letter with File No. Chin-kuan-yin-ho-tzu No. 09900358410	Letter with File No. Chin-kuan-yin-ho-tzu No. 09900358410
Date of issue	October 29, 2010	October 29, 2010

Par Value	NT\$10,000,000	NT\$10,000,000
Site of issue and operations	R.O.C	R.O.C
Currency	New Taiwan Dollars	New Taiwan Dollars
Offering Price	Issued at the bond par value	Issued at the bond par value
Total amount	NT\$500,000,000	NT\$300,000,000
Interest Rate	At fixed single interest rate of APR 3.25% 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 1.71% single tactical interest, with a quarterly resetting and annual interest payment.
Maturity	7 years, From October 29, 2010 to October 29, 2017	7 years, From October 29, 2010 to October 29, 2017
Guarantee agency	None	None
Trustee	None	None
Underwriting agencies	None (Sold by the bank)	None (Sold by the bank)
Certifying lawyers	Hsueh, Sung-Yu	Hsueh, Sung-Yu
CPA	Deloitte & Touche Taiwan C.P.A. Lin, Hsiu-Lien	Deloitte & Touche Taiwan C.P.A. Lin, Hsiu-Lien
Certifying Financial Institution	None	None
Repayment method	Total payback upon deadline	Total payback upon deadline
Unpaid balance	NT\$500,000,000	NT\$300,000,000
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 (%)	70.79%	73.69%
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 13, 2009 Credit rating: twBBB Outlook: Positive	Taiwan Rating Co., Ltd. Assessment Date: September 13, 2009 Credit rating: twBBB Outlook: Positive

Types of Subordinated Financial Debentures	The Third Bond Subordinated Financial Debentures in 2010
Central authority approval date and number	Letter with File No. Chin-kuan-yin-ho-tzu No. 09900358410
Date of issue	November 11, 2010
Par Value	NT\$10,000,000
Site of issue and operations	R.O.C
Currency	New Taiwan Dollars
Offering Price	Issued at the bond par value
Total amount	NT\$400,000,000
Interest Rate	At fixed single interest rate of APR 3.25% with annual payment
Maturity	6 years and 11 months From November 11, 2010 to October 11, 2017
Guarantee agency	None
Trustee	None
Underwriting agencies	None (Sold by the bank)
Certifying lawyers	Hsueh, Sung-Yu

CPA	Deloitte & Touche Taiwan C.P.A. Lin, Hsiu-Lien
Certifying Financial Institution	None
Repayment method	Total payback upon deadline
Unpaid balance	NT\$500,000,000
Paid-In Capital of Previous Year	NT\$12,249,729,810
Net Worth of Previous Year	NT\$10,325,996,649
Compliance cases	Normal
Redemption or prepayment terms	None
Conversion and exchange conditions	None
Restrictive clauses	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.
Ratio of Applied Shares and Prior Shares Outstanding to Prior Year's Final Net Worth (%)	77.57%
Considered as Qualified Capital and Its Tiers	Tier 2
Credit rating agency names, assessment date and its credit rating (Note)	Taiwan Rating Co., Ltd. Assessment Date: September 13, 2009 Credit rating: twBBB Outlook: Positive

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. Operations Overview

1. Businesses Content

(I) Main Business

(1) Deposit Business

As of the end of 2010, the bank reports a total deposit balance at NT\$204.947 billion, up by 5.56 billion compared with NT\$199.387 billion reported at the end of 2009, or an increase of 4.54%, of which the flexible deposits accounts for 40.24% of the total deposit balance, and the time deposits accounts for 59.76% of the total deposit balance.

(2) Wealth Management Business

The major wealth management business is sale of funds and insurance products. Investment advice is adjusted subject to market change (when market is good, then funds are sold; when market is poor, insurance products are the focus), so the ratio of funds and insurance business fluctuates. The state of various product sales, revenue and change are as depicted in the table below:

Unit: NT\$ Thousands

Type	2009		2008		Yearly Increment	
	Sales	Revenue	Sales	Revenue	Sales	Revenue
Domestic Mutual Funds (Note)	1,836,983	11,095	2,218,492	11,359	(381,509)	(264)
Oversea Mutual Funds	12,190,898	215,804	8,187,658	124,669	4,003,240	91,135
Structured Notes	-	-	-	-	-	-
Insurance	11,276,789	136,483	10,863,438	156,026	413,351	(19,543)
Total	25,304,670	363,382	21,269,588	292,054	4,035,082	71,328

Note: Domestic bond funds are excluded.

(3) Credit Card:

(a) Issue: 9,122 cards were issued in 2010; outstanding cards were 58,168 at the end of 2010.

(b) Consumption amount: credit card consumption during 2010 amounted to NT\$ 1.8 billion, an increase of NT\$185 million from NT\$ 1.615 billion of credit card consumption at the end of 2009.

(c) Revolving Credit Balance: The revolving credit balance at the end of 2010 is NT\$ 547 million, a decrease of NT\$ 133 million from NT\$ 680 million of revolving credit balance at the end of 2009.

(4)Credit Business

With the world economy recovering, the increase of corporate capital investment and individuals' willingness to buy homes helps the growth of credit business.

(a) Consumer Loans

The bank focus on secured loans (real estate secured) consumer loans as the core business in offering the general property mortgage loans by not only stringently scrutinizing collaterals at a good location, but also supporting the government policy by offering the "Youth Residence Purchasing Program", the "2009 Residential Subsidy – for The Purchase And Repair Of Residential Loan Program" among other government-sponsored property mortgage programs, in search of offering diverse products for satisfying the demands of customers on different levels.

As of the end of 2010, the consumer loan balance is reported at NT\$120.782 billion (mortgage loan balance at NT\$118.462 billion and credit loan balance at NT\$2.32 billion), up by NT\$3.622 billion compared with NT\$117.16 billion at the end of 2009, or a 3.09% growth rate.

(b)Corporate Loan

To continue promoting various medium and small business campaign products, coordinated with SMEG for securing the equity claims, the bank offers corporate lending not only to general business accounts of major corporations, but also accepts carefully screened land development financing cases and syndicates loan cases, incorporating also other peripheral businesses, such as the deposit and remittance business, financial management, payroll debiting and the like alongside promoting the corporate lending business, in a bid to create synergy through the integrated marketing efforts.

As of the end of 2010, the bank reports a corporate lending balance of NT\$53.127 billion, up by NT\$6.812 billion compared with NT\$46.315 billion at the end of 2009, or an increase of 14.70%.

(5) E-Banking Business

Unit: NT\$ Thousands: Transaction

Item	2010		2009	
	Total Withdrawal Amount	Total Transfer Transaction	Total Withdrawal Amount	Total Transfer Transaction
Physical ATM	24,203,147	1,429,800	24,511,263	1,458,090
Online ATM	-	50,657	-	50,852
Internet Banking	-	238,490	-	191,092
Telephone Banking	-	333,633	-	349,432
Mobile Banking	-	-	-	55
XML	-	-	-	1,331

(6)Trust Business

Total Balance for Trusted Asset at the end of 2010 was NT\$32.775 billion or a decrease of NT\$2.565 billion from NT\$35.34 billion at the end of 2009, down 7.26%.

Custody business of for Trusted Asset was NT\$165 million, an increase of NT\$55 million from NT\$110 million at the end of 2009, up 49.93%.

Because open-end beneficiary certificates are issued in dematerialized form, the Bank's business volume was NT\$739 million, a decrease of NT\$2.035 billion from NT\$1.296 billion at the end of 2009, down 63.67%.

Unit: NT\$ Thousands

Item	End of 2010	End of 2009	Amount of Increase (Decrease)	Percentage of Increase/ Decrease (%)
Trust Business	32,774,835	35,339,826	(2,564,991)	(7.26%)
Money Trust	27,809,927	32,841,095	(5,031,168)	(15.32%)
Specific Money Trusted in Foreign Securities Investments	20,822,368	20,736,227	86,141	0.42%
Other Money Trusts	484,508	188,321	296,187	157.28%
Securities Investment Trust Fund Custody Business	6,503,051	11,916,547	(5,413,496)	(45.43%)
Real Estate Trust	3,992,271	1,686,734	2,305,537	136.69%
Securities Trust	972,637	811,997	160,640	19.78%
Custody Business	164,924	110,000	54,924	49.93%
Guaranty Bond	145,000	110,000	35,000	31.82%
Discretionary	19,924	-	19,924	-
Subsidiary Trust Business	739,490	2,035,318	(1,295,828)	(63.67%)
Securities Issuance Certifying	739,490	291,374	448,116	153.79%
Certifying Business	-	1,743,944	(1,743,944)	(100.00%)

Total	37,485,144	43,165,111	(5,679,967)	(13.16%)
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Note 1: "Securities Issuance Certifying" total amount includes renewal.

Note 2: "Certifying Business" means total amount of new beneficiary certificate certifying, excluding renewal and cancellation.

(7) Foreign Exchange Business

Benefiting from the world economy turning around from the bottom, foreign exchange business grew considerably. Balance for foreign exchange deposit (including OBU) at the end of 2010 was US\$255.672 million, or an increase of US\$57.919 million from US\$197.753 million at the end of 2009, up 29.29%. Balance for foreign exchange loan (including OBU) at the end of 2010 was US\$141.603 million, or an increase of US\$18.199 million from US\$123.404 million at the end of 2009, up 14.75%.

For the volum of foreign exchange business, 2010 import/export and exchange service were US\$383.310 million and US\$1.838 billion, respectively, totaling US\$2.221 billion, an increase of US\$712.713 million from US\$1.509 billion at the end of 2009.

Unit:US\$ Thousands; %

Item	2010	2009	Percentage of Increase/ Decrease (%)
Foreign Exchange Deposit (Balance)	255,672	197,753	29.29%
Foreign Exchange Loan (Balance)	141,603	123,404	14.75%
Import/Export	383,637	213,183	79.96%
Exchange Service	1,855,340	1,295,516	43.21%

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

Unit: NT\$ Thousands

Main Business	2010		2009	
	Amount	Asset Ratio (%)	Amount	Asset Ratio (%)
Total Assets	234,498,618	100.00%	224,535,767	100.00%
Discount and Loan - Net Amount	172,483,268	73.55%	161,951,070	72.13%
Due from CBC and Lend to Banks	38,618,166	16.47%	37,099,985	16.52%
Cash	3,749,876	1.60%	3,989,162	1.78%
Total Liabilities	223,654,785	95.38%	214,209,771	95.40%
Deposit and Remittance	204,947,843	87.40%	199,387,448	88.80%
Financial Bonds Payable	8,009,400	3.42%	6,009,400	2.68%
Due to CBC & Banks	5,805,631	2.48%	5,939,242	2.65%

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

Item	2010		2009	
	Amount	Rate (%)	Amount	Rate (%)
Interest Net Profit	2,668,077	79.01%	1,613,782	62.22%
Commission Net Profit	697,197	20.64%	607,095	23.41%
Other	11,808	0.35%	372,779	14.37%
Total Net Profit	3,377,082	100.00%	2,593,656	100.00%

(II) 2011 Operation Plan

(1) Deposit Business

The bank has the 2011 average deposit balance objective set to NT\$216 billion, of which demand deposit increases NT\$4.5 billion, and time deposit increases NT\$6.5 billion.

(2) Wealth Management Business

By upholding a continuous, steady growth objective and making smart use of the island-wide branch distribution platform, we aim to strengthen the integrated benefit of customer resources. We also have the professional investment researchers provide the customers with comprehensive quality and professional services by timely adjusting the product strategy and the investment advice subject to the market conditions.

(3) Credit Card Business

The credit card business is positioned as a link in the product marketing distribution, and is coordinated with the deposit and loan service in an integrated marketing to expand the personal banking domain, in anticipation of forming a closer relationship with the clients.

- (a) Offering the service to bank mortgage and wealth-management clients as a cross-departmental sales product.
- (b) Offering card charging incentives, such as discounts on accommodation and catering, as well as mail-order merchandise, bonus points with 7% discount credited toward the bank's mortgage loan interest, and gift coupons. through which to bring added value to the bank's credit card offering.
- (c) Developing and issuing of the COMBO cards for high net worth and high consumption power customers.

(4) Loan Business

In 2011, the development is to be made with a dual emphasis on expanding lending business volume and income principle to improve the bank's lending quality; in addition, to excel the maximum yield of bank-owned capital lending, the acceptance focus is to revolve around business with a lower risk index, which are real estate secured loans and small & medium business loans (coordinated with SMEG as the priority). In addition, to work with the CBC, the Bank will comply with regulations of second home mortgages and land secured loans in 13 districts in Taipei City and New Taipei City to make related loans.

(a) The real estate secured loans will take to a central focus on quality transaction cases and government policy-based property mortgage lending, and with priority given to well-located collaterals by diligently processing the real estate appraisal (especially mansions, suites, and remote areas). Appraised prices with supporting materials must be sent to personnels in charge in the northern, central and southern areas to review. In addition, the borrower's occupation and income stability must be noted.

(b) The medium and small business loans are made by securing the title of real estate properties, and with a stepped-up coordination through the SMEG to facilitate ensuring the liability claims.

a. To encourage branches to actively promote, "SMEG Competition Project" is launched and calculate annual performance scores.

b. To further control loan risks, the bank will continue to screen customers with better financial strength based on "The Principles of Acceptable SMEs Cases", and implement the operations of on-site inspections and post-approval tracking. Also, for enhancing risk sensitivity of loan personnels, the bank has reviewed the negative factors of SMEs overdue cases in recent years, and compiled as education and training materials according to credit risks to be noted based on lending 5P .

(5) Electronic Banking

The bank vies to continue excelling the Internet banking and Internet ATM functions, and supporting the government's electronic banking policy 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) Trust Business

(a) 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. 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.

(b) 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: To promote the existing cash gift voucher trust business, and also to develop credit card gift voucher prepayment trust business.

c. Insurance Payout Trust: Which pertains to a financial service product that combines "insurance" and "trust" through the bank's independent and professional management to care for elderly or minors who are unable to manage their assets or those banned from managing their estate in support of the objective of caring for the surviving family and nurturing the needy.

(7) Foreign Exchange Business

(a) To solicit for foreign exchange deposits

The major goal in 2011 is to increase foreign exchange deposits. With a dual emphasis on spread and market share, it is expected to increase the bank's profit. Many measures are slated to be implemented, including concession interest of demand deposit, assisted visit to large demand depositors. It is expected to launch concessions of foreign exchange deposits on other currencies for existing demand depositors.

(b) To develop the import/export and foreign exchange lending business

To increase interest income, the bank will actively promote SME import/export financing and foreign exchange lending business, and make reasonable concessions on lending interest rate considering customer contributions, market risks and credit risks. Hence, the bank's capital can be effectively used and generate the best profit to increase net income.

(c) Promote OBU trade financing business

With the transforming industrial restructure, Taiwanese firms mostly have relocated to mainland China and Vietnam in recent years. However, due to many legal restrictions, it is difficult for Taiwanese firms to borrow from the mainland Chinese banks, and many of them use the channel of "OBU" as the treasury center in Taiwan. Currently, the capital operation are mostly through "offshore firm" set up by Taiwanese parent company to capitalize on OBU for trade finance, with the mode of taking overseas orders and producing overseas, in support of its funding source of overseas companies. The Bank's OBU is able to do such trade financing. Promoting trade financing business can not only improve the volume of foreign exchange loan business, but also increase profit margins.

(d) Concrete strategies to promote foreign exchange business

- a. Visit branches, strengthen interaction between branches, and actively help branches solve various foreign exchange problems.
- b. Monitor business progress of branches and provide business achievement rate form to help achieve the target.
- c. Flexibly set concession foreign exchange deposit interest rate of the Bank to enhance customers' willingness to do the business with us.
- d. Good customers may apply time deposit rate to big dollar demand deposits, to increase the incentives of short-term fund stationing.
- e. Large deposits of large companies could be subject to mobile bargaining.
- f. With the promotion of our business, the bank will timely introduce the incentive program activities on foreign exchange deposits, as well as import and export business competition programs

(e) Enhance "designated foreign exchange bank outlets" functions.

The bank currently owns 13 designated foreign exchange bank outlets. For promotion of foreign exchange business, it is required to exercise organizational functions of designated foreign exchange bank outlets, the scheduled plans include:

a. To draw back customers of designated foreign exchange bank outlets

For depositors of designated foreign exchange bank outlets, the bank has asked Information Department to screen customers and request bank outlets to persuade customers to undertake foreign exchange business.

b. Set up 8 level 3 designated foreign exchange bank outlets

the bank has screened 8 target branches and initially consulted unit heads. After approval, the operations can be implemented.

(f) Business volume targets

Item	Budget Target
Foreign Exchange Deposit (Balance)	Annual increase of US\$33 million
Foreign Exchange Loan (Balance)	Annual increase of US\$33 million
Import/Export	US\$450 million
Exchange Service	US\$2 billion

(g) 2010 pre-feedback profit target is NT\$35 million.

(III) Market Analysis

(1) **The Status of the Banking Service Operations**

As impacted by the ripple effect of the financial storm, the global economic environment and the financial industry are confronting the harsh consequences, prompting countries to shell out a variety of economic stimulus packages. Although Taiwan's economy has steadily rebounded, the pesky issue of a poor financial environment stemming from the excessive number of local financial institutions is lingering. The industry needs to develop more diversified profit basis. Moreover, the financial crisis also makes domestic financial industry to pay more attention to risk control. To safeguard profit and ensure asset quality, financial institutions have strengthened their risk management mechanisms and measures, and make efforts to restore capital to a satisfactory level.

In addition, for the implementation of financial liberalization and internationalization policy, our financial authorities have relaxed foreign banks to establish footholds in Taiwan and encouraged merge. Foreign banks with resources, innovation, system technology, and new thinking of overseas parent groups establish close business relationship with domestic customers. Through offshore footholds and platform in the groups, foreign banks provide Taiwanese firms with multinational financial services, and the domestic industry is bound to face greater competitive pressure.

(2) The state of future market supply and demand, and growth potential

(a) The Supply Side

According to the CBC statistics, as of the end of December, 2010, 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 424, with 5,989 branches.

It is difficult to improve the status of slimmer interest spread, 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.

(b) The Demand Side

With conventional lending service falling short of support the client's diverse financial management needs, the changing social consumption mode, such as the prevalence of e-commerce and the trend of a steadily increasing weighing on credit consumption, coupled with a lower local interest rates for many years, increasingly propelling a capital outflow to overseas in search of higher return, hence putting investment advisory, tax planning and financial management products in the financial service categories to be a primarily focus of an operational pursuit by local banks.

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.

(c) Growth Potential

After having been through the current financial debacle, local financial institutions are turning to timely adjusting their operating strategic focus by strengthening their structure, and stepping up risk management and operating performance improvement by expanding into a diverse range of new services.

Well-governed financial institutions are still able to locate a growth niche through cross-industry marketing, cross-industry alliance and introducing innovative financial products, and to achieve the goals of aggregating the organization and diversifying the business through merger or strategic alliance with foreign capital.

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

(a) The Competitive Niches

a. Embrace a network of a total 96 domestic branches, mainly located in Taipei and Kaohsiung metropolis.

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 specialists 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.

(b) Advantages and Disadvantages for Outlooks

a. Advantages

① 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.

② The concept of investment has rooted in people's mind and the concept of trust has also formed gradually.

③ 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.

④ As the bank's asset quality continues to improve, operational development will become more sound.

b. Disadvantages

① With the phenomenon of a 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.

② 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.

③ 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.

④ 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.

(c) Solutions

a. 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.

b. 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.

c. 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.

d. 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.

(4) Research of Financial Products and Business Development:

(a) Size and profit/loss of major financial products in the recent two years and the period up to the annual report publication date

a. Major financial products

To expand the scope of financial services, the bank has participated in financial XML cross-bank operations of Financial Information Service Co., Ltd. since 2010, and offered customers papers and bond repurchase/reverse sell (RP / RS) business. In addition, to strengthen the effectiveness of credit card, the Bank launched combo cards with credit card and ATM card functions. Also, we set up six designated foreign exchange bank outlets (Shipai, Mucha, Linsen, Liwen, Chunggho, and Chunghsing) in October, 2010 to provide customers with more convenient foreign exchange services.

b. Business units added: None

(b) Research and development spending and future research development plan in the recent two years

To step up customer service, the primary goal of credit card development strategy in 2011 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.

In addition, Department of Foreign Exchange of the CBC approved 13 existing branches (Siwei, Neihu, Kaohsiung, Chungghwa, Panchiao, Taichung, Taoyuan, Shipai, Mucha, Chunghsing, Chunggho, Linsen, and Liwen) to handle foreign exchange business. Another eight level 3 designated foreign exchange bank outlets (Business Department, Chientan, Shetz, Chengkong, Minsheng, Yongho, Hsinhsing, and Changhua) will be added in 2011. For existing level 2 designated foreign exchange bank outlets, the bank will upgrade their operations to accelerate the promotion of our foreign exchange business.

(5) Long and Short Term Business Development Plans

(a) Short Term Business Development Plans

For the short-term plan, to strengthen business physique and improve financial structure are 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 1.0%, and raise the coverage rate for bad debt allowance to exceed 100%.

(b) The long-term business development plan

The long-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%, 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		2010	2009	As of March 31, 2011
Number of Employees	Executives	122	121	121
	Senior Clerks	371	366	369
	Clerks	1,296	1,400	1,278
	Total	1,789	1,887	1,768
Average Age		36.22	36.22	37.46
Average Seniority		8.64	8.64	8.64
Education		6.26%	5.19%	5.94%

Distribution	Master			
	College	82.22%	80.61%	82.41%
	Senior High School	11.35%	14.04%	11.48%
	Under Senior High School	0.17%	0.16%	0.17%
	Total	100.00%	100.00%	100.00%
Employees with Professional License and Number	Basic Proficiency Test for Bank Internal Control	1,137	1,164	1,129
	Proficiency Test for Trust Operations Personnel	1,340	1,380	1,359
	Trust Operations Management Personnel	418	386	420
	Trust Operations Supervisor	5	5	5
	Proficiency Test for Life Insurance Specialist	1,519	1,615	1,545
	Proficiency Test for Investment-oriented Insurance Personnel	813	871	809
	Proficiency Test for Property Insurance Personnel	1,435	1,555	1,477
	Proficiency Test for Financial Planning Personnel	378	385	380
	Basic Proficiency Test for International Banking Personnel	389	396	392
	Basic Proficiency Test for Bank Lending Personnel	698	722	700
	Advanced Proficiency Test for Bank Lending Personnel	21	22	21
	Proficiency Test for Futures Specialist	308	313	302
	Proficiency Test for Securities Specialist	171	177	172
	Proficiency Test for Senior Securities Specialist	160	156	160
	Proficiency Test for Securities Investment Trust and Consulting Professionals	124	123	124
	Proficiency Test for Bill Finance Specialist	61	50	64
	Proficiency Test for Financial Risk Management Personnel	4	4	4
	Proficiency Test for Bank Collateral Appraisal Personnel	18	20	18
	Qualification of Financial Market Knowledge & Professional Ethics Test	1,294	1,394	1,296
	Qualification of Investment Trust and Consulting Regulations Test	817	866	814
	Consultant of Financial Planning (CFP)	5	5	5
	Proficiency Test for Bond Specialist	14	14	14
	Proficiency Test for Securities Investment Analyst	7	9	7
Proficiency Test for Life Insurance Representative to Sell Foreign Currency Receiving and Paying in Non-Investment Oriented Insurance Products	431	438	447	
Certificate of Completion of Risk Management for Foreign Exchange Derivatives Course	216	230	213	

3. Corporate Responsibility and Ethical Risk

The bank is in the forefront of enacting the “Corporate Citizen” role by upholding its consistent philosophy of giving back to the society, holding corporate social responsibility, and sustaining corporate commitment to the society. The bank also contributes to the academic learning and the culture and continues to campaign for healthy recreational activity and sponsor various sports, cultural and educational activity, such as sponsoring the Shihlin College of Commerce Anniversary, and Shih Hsin University children financial camp, as the bank draws on the spirit of deriving from the society and contributing to the society to contribute its humble efforts in safeguarding a harmonious society.

4. Information Infrastructure

- (I) 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 online 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
 - (II) Future development or purchase plan
 - (1) The first phase of replacement of old terminal equipment in the branches (terminals, printers, seal verification machine).
 - (2) The first phase of Information security protection system in response to personal information regulations.
 - (3) The first phase of replacement of old ATM.
 - (III) 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:
 - (a) The system backup center and the project team.
 - (b) Evaluation on the organization and the environment of the current information office.
 - (c) Reorganize the structure of system and operating system process.
 - (d) Make disaster backup plans.
 - (e) Execute necessary training.
 - (f) Compile related documents.
 - (g) Propose revising plans upon encountering problems.
5. Relationships of Labors and Employer
- (I) Current agreements between labor and employer and implementation:
 - (1) Employee Welfare:

- (a) Labor insurance, health insurance and group insurance.
- (b) Free health checkup.
- (c) Benefit from “Employee Welfare Committee”: reimbursement for weddings, funerals, disasters and emergencies. Bonus for Chinese New Year, DragonBoat Festival and Moon Festival. Reimbursement for employee’s birthday and club events.
- (d) Payment for employee not taking full special leaves due to work
- (2) The retirement system and implementation
 - (a) Establish Employee Pension Supervisory Committee.
 - (b) The pension is appropriated monthly, in accordance with related regulations, to a special pension account of each employee starting work for Sunny Bank 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.
 - (c) Offer retirement pension when an employee retires according to the regulations.
- (3) Agreements between labor and employer, and other rights
 - (a) 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.
 - (b) For Re-assignment of work on effective use of human resources, a special program has been developed for employees to choose their working place and positions.
 - (c) Regularly hold labor-employer meetings.
- (II) Loss arising from labor-employer disputes in 2010 and the period until the publication date:
 - (1) Until the publication date, no disputes are under legal process at the court.
 - (2) Until the publication date, three disputes are under legal process at the court judgement and our bank loses a lawsuit. Description is as follows:
 - (a) The litigant pertained to a dismissed employee of the Bank who sought for redundancy payment and confirmation of employment relations, and in which the bank was awarded with a defect verdict, and had issued a payout from the administrative expenditure allocation covering the litigation expenditures of NT\$9,250. Total salary from December 25, 2008 to April 12, 2010 is at sum of NT\$548,465, and interest as of the reimbursement date with the annual interest rate of 5% is NT\$19,358.
 - (b) The litigant pertained to a dismissed bank employee who sought for a confirmation on an employment relationship, and in which the bank was awarded with a defect verdict, and had issued a payout from the administrative expenditure allocation covering the litigation expenditures of NT\$40,610 and the total salary of NT\$541,969 for the period from September 25, 2008 to May 26, 2010, plus interest as of the reimbursement date with the annual interest rate of 5% is NT\$20,839.
 - (c) The litigant pertained to a dismissed bank employee who sought for a confirmation on an employment relationship, and in which the bank was awarded with a defect verdict, and had issued a payout from the administrative expenditure allocation covering the litigation expenditures of NT\$58,000, lawyer fees of NT\$30,000, and the total salary of NT\$1,317,874 for the period from November 15, 2008 to October 17, 2010, plus interest as of the reimbursement date with the annual interest rate of 5% is NT\$62,658.

6. Important Contracts/Agreements

Type of 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.
Purchase Agreement	Kinmax Technology Co.,	Signed on January 29,	Exapansion of formal host capacity	None

Type of Contracts	Counterpart	Period	Content	Condition
	Ltd.	2010		
Bank Comprehensive Insurance Policy	Shinkong Insurance Co.	January 1, 2011 ~ January 1, 2012	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.

7. Transactions of Securitized Commodity: None

VI. Financial Status

1. Brief Balance Sheet and Income Statement

(1) Brief Balance Sheet

Unit: NT\$ Thousands

Subject	Year (Note 2)	Financial Information of Recent 5 Years				
		2010	2009	2008	2007	2006
Cash, Cash equivalents, Dues from the Central Banks & Other Banks		42,368,042	41,089,147	39,979,517	14,612,302	16,984,891
Financial Assets at Fair Value through Income Statement		2,598,130	2,120,938	9,443,723	34,543,144	29,047,227
Receivables		1,550,317	2,493,681	4,636,477	3,605,712	5,087,618
Discounts and Loans		172,483,268	161,951,070	166,298,395	172,892,491	184,364,343
Available-for-Sale Financial Assets		2,670,252	3,551,598	3,978,337	4,741,885	4,209,951
Hold-to-maturity Financial Assets		-	79,880	117,673	172,091	287,498
Equity Investments – Equity Method		301,056	293,868	277,322	273,722	273,157
Other Financial Assets		434,136	437,481	313,648	397,261	397,261
Fixed Assets		9,115,653	9,205,652	9,369,343	9,500,231	9,686,166
Intangible Assets		1,048,221	1,060,110	1,071,830	1,181,348	1,366,814
Other Assets		1,929,543	2,252,342	2,725,407	2,850,480	2,574,916
Total Assets		234,498,618	224,535,767	238,211,672	244,770,667	254,279,842
Due to Central Banks and Other Banks		5,805,631	5,939,242	5,985,843	14,689,448	10,038,458
Financial Liabilities at Fair Value through Income Statement		15,759	6,832	134,602	328	140
Notes and Bonds Issued under Repurchase Agreement		2,253,586	-	1,689,706	519,960	8,127,593
Payables		2,117,252	2,381,449	4,828,760	2,391,122	4,415,896
Deposits and Remittances		204,947,843	199,387,448	208,865,235	207,362,142	213,010,449
Financial Bonds Payable		8,009,400	6,009,400	5,509,400	6,509,400	4,000,000
Reserve for Land Revaluation Increment Tax		133,325	133,325	133,726	261,507	264,110
Other Liabilities		371,989	352,075	434,871	404,703	612,076
Total Liabilities	Before distribution	223,654,785	214,209,771	227,582,143	232,138,610	240,468,722
	After distribution (Note 1)	223,654,785	214,209,771	227,582,143	232,138,610	240,468,722
Capital		12,249,730	12,249,730	12,439,281	12,439,281	12,439,281
Capital Surplus		11,173	11,173	11,228	11,228	11,228
Retained Earnings (Accumulated Loss)	Before distribution	(1,682,124)	(2,232,891)	(1,894,108)	417,792	1,555,944
	After distribution (Note 1)	(1,682,124)	(2,232,891)	(1,894,108)	417,792	1,555,944
Unrealized Revaluation Increment of Land		256,642	256,642	256,642	-	-
Unrealized Profit or Loss on Financial Instruments		13,075	46,064	37,599	(15,131)	22,272

Other Shareholders' Equity		(4,663)	(4,722)	(221,113)	(221,113)	(217,605)
Total Shareholders' Equity	Before distribution	10,843,833	10,325,996	10,629,529	12,632,057	13,811,120
	After distribution (Note 1)	10,843,833	10,325,996	10,629,529	12,632,057	13,811,120

Note 1: Appropriation of profit or loss for 2010.

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

(2) Brief Income Statement

Unit: NT\$ Thousands except EPS in NT\$

Subject \ Year (Note 1)	Financial Information of Recent 5 Years				
	2010	2009	2008	2007	2006
Net Interest Income	2,668,077	1,613,782	2,657,185	3,211,040	3,753,822
Other Net Income (Loss) except Interest	709,005	979,874	(297,750)	807,177	1,071,283 (Note 2)
Bad Debt Expenses	375,297	528,270	1,942,246	2,118,614	1,800,171 (Note 2)
Operating Expenses	2,406,318	2,346,170	2,889,089	3,167,755	3,252,810
Net Profit Before Tax of Operating Departments	595,467	(280,784)	(2,471,900)	(1,268,152)	(227,876)
Net Profit After Tax of Operating Departments	550,767	(310,784)	(2,311,900)	(1,138,152)	(170,271)
Income from Discontinued Department (Net After Tax)	-	-	-	-	-
Extraordinary Gain or Loss (Net After Tax)	-	-	-	-	-
Cumulative Effect of Changes in Accounting Principles (Net After Tax)	-	-	-	-	199,077
Current Profit & Loss	550,767	(310,784)	(2,311,900)	(1,138,152)	28,806
Earnings (Loss) per share	0.45	(0.25)	(1.89)	(0.93)	0.02

Note 1: The above financial data shown in each year have been audited and accredited by accountants.

Note 2: To follow the current financial statements presentation, the bank redistributes several accounting accounts of 2006.

(3) Auditing Opinions by Certified Public Accountants

Year	CPA Office	Name of CPA	Auditing Opinion
2006	Deloitte & Touche	Shao, Chih-Ming/ Kuo, Cheng-Hung	Remaining Opinion (Note)
2007	Deloitte & Touche	Shao, Chih-Ming/ Kuo, Cheng-Hung	Remaining Opinion (Note)
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)

Note: Liquidating nonperforming loans to asset management companies, where the losses are deferred according to stipulations set by the "Financial Institutions Merger Law" and are amortized over a five-year period to deviate from the general recognized accounting principles.

2. Financial Analysis

(I) Financial Ratio Analysis of the Parent Company

Item \ Year (Note 2)	Financial Analysis for the Last Five Years					
	2010	2009	2008	2007	2006	
Operating Ability	Ratio of Loans to Deposits (%)	84.83	81.99	80.81	84.67	87.59
	Ratio of Overdue Loans (%)	1.29	2.18	2.60	2.87	2.65
	Ratio of Interest Expense to Average Deposits (%)	0.84	1.23	2.24	2.02	1.66
	Ratio of Interest Revenue to Average Loans (%)	2.59	2.49	4.25	4.12	4.06

	Total Asset Turnover (times)	0.01	0.01	0.01	0.02	0.02
	Average Operating Revenue Per Employee (in NT thousand)	1,888	1,374	1,078	1,634	1,881
	Average Earnings Per Employee (in NT thousand)	308	-165	-1,056	-463	11
Profitability	Return on Tier-1 Capital (%)	6.10	-3.04	-24.91	-10.99	-0.14
	Return on Assets (%)	0.24	-0.13	-0.96	-0.46	0.01
	Rate of Return on Shareholders' Equity (%)	5.20	-2.97	-19.88	-8.61	0.22
	Net Income Ratio (%)	16.31	-11.98	-97.99	-28.32	0.60
	Earnings Per Share (NT\$) (Note 1)	0.45	-0.25	-1.89	-0.93	0.02
Financial Structure (%)	Total Debt Ratio	95.34	95.37	95.51	94.81	94.55
	Fixed Asset to Shareholders' Equity Ratio	84.06	89.15	88.14	75.21	70.13
Growth (%)	Assets Growth Rate	4.44	-5.74	-2.68	-3.74	7.59
	Profit Growth Rate	312.07	88.64	94.92	7,731.00	-102.05
Cash Flow (%)	Cash Flow Ratio	9.02	70.90	204.44	-36.28	20.16
	Cash Flow Adequacy Ratio	2,930.74	2,222.70	1,014.11	-316.61	4.57
	Cash Flow Satisfied Ratio	-8.56	143.81	-138.60	-57.12	-21.69
Liquid Reserves Ratio (%)		16.21	16.82	18.04	16.50	10.17
Total Secured Loans of Stakeholders (in NT thousand)		1,991,701	2,386,886	2,571,981	2,633,463	2,505,400
Ratio of Total Secured Loans of Stakeholders to total loans (%)		1.12	1.43	1.47	1.43	1.32
Scale of Operation	Market Share of Assets	0.50	0.50	0.56	0.62	0.66
	Market Share of NET WORTH	0.31	0.27	0.30	0.33	0.39
	Market Share of Deposits	0.82	0.84	0.94	1.01	1.05
	Market Share of Loans	0.83	0.83	0.86	0.91	1.00

Description for changes in ratios:

1. The reduction of ratio of overdue loans resulted from asset quality improvement and accelerated write-off of non performing loans.
2. The change of interest expenditure to the yearly average deposit balance ratio, the interest revenue to the yearly average loan balance ratio, the average employee earnings, average employee profitability, tier-1 capital return ratio, return on asset ratio, return on shareholder's equity ratio, net profit margin, earnings per share, and profit growth rate largely stemmed from widening interest rate spread and reduction of non performing loans in 2010. In addition, the bank had started to undergo restructuring and streamlining since the second half of 2009, so profitability turned positive in 2010.
3. An increase in the asset growth ratio has largely stemmed from increase of dues from the CBC and other banks, discount, and loans.
4. A reduction in cash flow ratio has largely stemmed from a reduction of the net cash inflow in the 2009 operating activity.
5. An increase to the cash flow adequacy ratio has largely stemmed from an increase of the net cash flow derived from the most recent five years' operating activity and a reduction in the most recent five years' capital expenditure.
6. An increase to the cash flow satisfied ratio has largely stemmed from a reduction of the net cash inflow in the 2009 operating activity and increase of net cash outflow in investing activity.

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

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

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

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

(4) 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 is total fixed assets before the deduction of accumulated depreciation.

(II) Capital Adequacy

Unit: NT\$ Thousands

Analytical items		Year (Note 1)	Capital Adequacy Ratio in Last Five Years (Note 2)				Capital Adequacy Ratio As of March 31, 2010	
		2010	2009	2008	2007	2006		
Self-Owned Capital	Tier-1 Capital	Common Stock	12,249,730	12,249,730	12,439,281	12,439,281	12,439,281	N/A(Note 5)
		Perpetual Non-Cumulated Preferred Stock	-	-	-	-	-	
		Non-Cumulated Subordinated Debts without Maturity Dates	-	-	-	-	-	
		Capital Collected in Advance	-	-	-	-	-	
		Capital Surplus (Except for Property Appraisal Surplus)	11,173	11,173	11,228	11,228	11,228	
		Legal Reserve	-	-	389,998	1,528,150	1,519,508	
		Special Reserve	-	-	27,794	27,794	-	
		Accumulated Reserve	-	-	(2,311,900)	(1,138,152)	36,436	
		Minority Interest	-	-	-	-	-	
		Other Shareholders' Equity	(20,046)	(9,499)	(225,907)	(237,005)	(217,833)	
		Minus: Goodwill	1,034,579	1,034,579	1,034,579	1,150,579	1,333,579	
		Minus: Unamortized Loss on Sales of Non-performing Loan	54,910	91,519	128,126	164,734	-	
		Minus: Capital Allowance	1,190,220	1,556,383	287,291	350,977	335,208	
	Total Tier-1 Capital	9,961,148	9,568,923	8,880,498	10,965,006	12,119,833		
	Tier-2 Capital	Perpetual Cumulated Preferred Stock	-	-	-	-	-	
		Cumulated Subordinated Debts without Maturity Dates	-	-	-	-	-	
		Fixed Assets Appraisal Surplus	256,642	256,642	256,642	-	-	
		45% of Unrealized Gains on Financial instruments in Available-for-sale	12,805	22,878	19,076	342	10,124	
		Convertible Bonds	-	-	-	-	-	
		The Operating Reserve and Allowance for Bad Debt	271,480	466,073	1,449,645	1,759,522	286,484	
Long-term Subordinated Debts		4,444,740	4,150,335	4,248,500	4,709,400	2,800,000		
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		1,190,220	1,556,383	287,291	350,976	335,208		
Total Tier-2 Capital	3,795,447	3,339,545	5,686,572	6,118,288	2,761,400			
Tier 3 Capital	Short-term Subordinated Debts	-	-	-	-	-		
	Non-perpetual Preferred Stocks	-	-	-	-	-		
	Total Tier-3 Capital	-	-	-	-	-		
Self-owned Capital		13,756,595	12,908,468	14,567,070	17,083,294	14,881,233		
Risk-Weighted Assets	Credit Risk	Standardized Approach	143,972,376	136,002,699	146,260,054	151,740,512	152,075,214	
		Internal Ratings-based Approach	-	-	-	-	-	
		Asset Securitization	-	15,976	23,535	683,428	-	
	Operational Risk	Basic Indicator Approach	5,587,007	6,050,623	7,311,468	8,415,364	-	
		Standardized Approach / Alternative Standardized Approach	-	-	-	-	-	
		Advanced Measurement Approach	-	-	-	-	-	
	Market Risk	Standardized Approach	5,780,385	5,061,195	9,105,429	12,265,351	17,720,066	
		Internal Model Approach	-	-	-	-	-	
	Risk-Weighted Assets		155,339,768	147,130,493	162,700,486	173,104,655	169,795,280	

Capital Adequacy Ratio (BIS)	8.86	8.77	8.95	9.87	8.76
Ratio of Tier 1 Capital to Risky Asset	6.41	6.50	5.46	6.33	7.14
Ratio of Tier 2 Capital to Risky Asset	2.45	2.27	3.49	3.54	1.62
Ratio of Tier 3 Capital to Risky Asset	-	-	-	-	-
Ratio of Total Common Stock to Total Asset	5.22	5.46	5.22	5.08	4.89
Please specify the reasons of capital adequacy ratio change in the recent two periods. (no analysis required if increase/decrease less than 20%.					

Note 1: All foresaid yearly financial data has been CPA-audited and authenticated.

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 Standardised 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:

- (a) 50% of Basel I deducted items is classified as Tier 1 capital deducted items, and the other 50% as Tier 2 capital deducted items.
 - (b) Basel I credit risk capital requirement is classified as capital requirement of credit risk “standard method”.
- (III) Combined Capital Adequacy

Unit: NT\$ Thousands

Analytical items		Year	Capital Adequacy Ratio in the Last Five Years					Capital Adequacy Ratio As of March 31, 2010
			2010	2009	2008	2007	2006	
Own Capital	Tier-1 Capital	Common Stock	12,249,730	12,249,730	12,439,281	12,439,281	12,439,281	N/A
		Perpetual Non-Cumulated Preferred Stock	-	-	-	-	-	
		Non-Cumulated Subordinated Debts without Maturity Dates	-	-	-	-	-	
		Capital Collected in Advance	-	-	-	-	-	
		Capital Surplus (Except for Property Appraisal Surplus)	11,173	11,173	11,228	11,228	11,228	
		Legal Reserve	-	-	389,998	1,528,150	1,519,508	
		Special Reserve	-	-	27,794	27,794	-	
		Accumulated Reserve	-	-	(2,311,900)	(1,137,707)	36,639	
		Minority Interest	5,851	5,640	5,292	5,740	6,949	
		Other Shareholders' Equity	(20,046)	(9,499)	(225,907)	(237,004)	(217,833)	
		Minus: Goodwill	1,034,579	1,034,579	1,034,579	1,150,579	1,333,579	
		Minus: Unamortized Loss on Sales of Non-performing Loan	54,910	91,519	128,126	164,734	-	
		Minus: Capital Allowance	1,040,985	1,422,535	168,011	218,848	204,960	
	Total Tier-1 Capital	10,116,234	9,708,411	9,005,070	11,103,321	12,257,233		
	Tier-2 Capital	Perpetual Cumulated Preferred Stock	-	-	-	-	-	
		Cumulated Subordinated Debts without Maturity Dates	-	-	-	-	-	
		Fixed Assets Appraisal Surplus	256,642	256,642	256,642	-	-	
		45% of Unrealized Gains on Financial instruments in Available-for-sale	12,805	22,878	19,076	342	10,124	
		Convertible Bonds	-	-	-	-	-	
	The Operating Reserve and Allowance for Bad Debt	271,480	466,073	1,449,610	1,759,522	286,484		

Risk-Weighted Assets		Long-term Subordinated Debts	4,441,840	4,150,335	4,248,500	4,709,400	2,800,000	
		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	1,040,985	1,422,535	168,011	218,848	204,960	
		Total Tier-2 Capital	3,941,782	3,473,393	5,805,817	6,250,416	2,891,648	
		Tier-3 Capital						
	Tier-3 Capital	Short-term Subordinated Debts	-	-	-	-	-	
		Non-perpetual Preferred Stocks	-	-	-	-	-	
		Total Tier-3 Capital	-	-	-	-	-	
	Self-owned Capital	14,058,016	13,181,804	14,810,887	17,353,737	15,148,881		
	Risk-Weighted Assets	Credit Risk	Standardized Approach	137,012,240	147,361,977	153,170,021	152,253,470	138,611,137
			Internal Ratings-based Approach	-	-	-	-	-
			Asset Securitization	-	15,976	23,535	683,428	-
		Operational Risk	Basic Indicator Approach	5,823,776	6,292,302	7,514,573	8,646,870	-
			Standardized Approach / Alternative Standardized Approach	-	-	-	-	-
Advanced Measurement Approach			-	-	-	-	-	
Market Risk		Standardized Approach	5,836,871	5,100,035	9,120,754	12,316,349	17,767,422	
		Internal Model Approach	-	-	-	-	-	
Risk-Weighted Assets		156,373,077	148,420,553	164,020,839	174,816,668	170,020,892		
Capital Adequacy Ratio (BIS)		8.99	8.88	9.03	9.93	8.91		
Ratio of Tier 1 Capital to Risk Asset	6.47	6.54	5.49	6.35	7.21			
Ratio of Tier 2 Capital to Risk Asset	2.52	2.34	3.54	3.58	1.70			
Ratio of Tier 3 Capital to Risk Asset	-	-	-	-	-			
Ratio of Total Common Stock to Total Asset	5.21	5.44	5.20	5.06	4.89			
Please specify the reasons of capital adequacy ratio change in the recent two periods. (no analysis required if increase/decrease less than 20%.								

3. Supervisors' Audit Report

Supervisor Auditing Report, Sunny Bank Co., Ltd.

It is hereby to approve the 2010 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: 2011 Annual General Meeting of the Shareholders of Sunny Bank Co., Ltd

Resident Supervisor

Hsu, Po-Hsiung

Supervisor

Tsai, Wen-Hsiung

Supervisor

Lin, Chin-Lung

Date: March 2, 2011

Sunny Bank Ltd.
Financial Report
Year 2010
(Accountants' audit reports are
enclosed)

Address: No.255, Zhongzheng Rd., Shilin Dist.,
Taipei City, Taiwan (R.O.C.)
Tel: 886-2-2820-8166

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Accountants' Audit Reports

Please your bank (Sunny Bank Ltd.) identify and inspect the reports collectively:

The accountants have finished auditing balance sheets of December 31, 2010 and 2009 and income statements, statements of change in stockholders' equity and statements of cash flow from January 1 to December 31, 2010 and 2009 about Sunny Bank 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 27 of financial statements stated, Sunny Bank Ltd. sold bad claims to an asset management company respectively in Year 2007 and 2006 and caused a total loss of 0.9 billion 67.884 million NT dollars. 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 0.1 billion 98.798 million and 0.3 billion 92.377 million NT dollars respectively on December 31, 2010 and 2009 if the loss on sale is not deferred; net income before tax and net loss before tax should increase and decrease 0.1 billion 93.577 million NT dollars respectively in Year 2010 and 2009.

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 2010 and 2009, 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, 2010 and 2009 and operational results and cash flows in Year 2010 and 2009 about Sunny Bank Ltd.

The material accounting title list of financial statements for Year 2010 of Sunny Bank 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 2010 of Sunny Bank Ltd. and its subsidiaries have been finished auditing by the accountants and provided with the audit report of qualified opinion on record which is prepared for reference.

Deloitte Taiwan

Accountant Shao Zhi-Ming

Accountant Chen Zhao-Feng

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

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

February 18, 2011

Sunny Bank Ltd.
Balance Sheet
December 31, 2010 and 2009

Unit: thousand NT dollars

C o d e	Asset	December 31,	December 31,	Percentage change (%)	C o d e	Liabilities and stockholders' equity	December 31,	December 31,	Percentage change (%)
		2010	2009				2010	2009	
		Amount	Amount				Amount	Amount	
11000	Cash (Note 3)	\$ 3,749,876	\$ 3,989,162	(6)		Liabilities			
						Liabilities			
					21000	Central bank and interbank deposits (Note 15)	\$ 5,805,631	\$ 5,939,242	(2)
11500	Due from central bank and inter-bank offering (Note 4 and 28)	38,618,166	37,099,985	4	22000	Financial liabilities at fair value through profit or loss (Note 2 and 5)	15,759	6,832	131
12000	Financial assets at fair value through profit or loss (Note 2, 5 and 28)	2,598,130	2,120,938	22	22500	Repurchase financial bills and bond debts (Note 2 and 29)	2,253,586	-	-
13000	Receivables—net amount (Note 2, 6, 7 and 27)	1,550,317	2,493,681	(38)	23000	Payables (Note 16)	2,117,252	2,381,449	(11)
13500	Discounts and loans—net amount (Note 2, 7 and 27)	172,483,268	161,951,070	7	23500	Deposits and remittances (Note 17 and 27)	204,947,843	199,387,448	3
14000	Financial assets in available-for-sale (Note 2, 8 and 28)	2,670,252	3,551,598	(25)	24000	Financial bonds payable (Note 18 and 27)	8,009,400	6,009,400	33
14500	Financial assets in held-to-maturity (Note 2 and 9)	-	79,880	(100)	29521	Reserve for land value increment tax (Note 2 and 12)	133,325	133,325	-
15000	Equity investment under equity method (Note 2 and 10)	301,056	293,868	2	29500	Other liabilities (Note 2, 7, 19, 25 and 27)	371,989	352,075	6
15500	Other financial assets—net amount (Note 2 and 11)	434,136	437,481	(1)	20000	Total liabilities	<u>223,654,785</u>	<u>214,209,771</u>	4
	Fixed assets (Note 2 and 12)					Stockholders' equity			
	Cost				31000	Capital stock	12,249,730	12,249,730	-
18501	Land	6,630,487	6,634,536	-	31501	Capital surplus			
18521	Houses and construction	2,843,026	2,859,191	(1)	31515	Stock premium	3,591	3,591	-
18551	Miscellaneous equipment	<u>1,412,385</u>	<u>1,316,506</u>	7	31599	Gain on disposal of assets	3,081	3,081	-
	Total costs	10,885,898	10,810,233	1	31500	Others	4,501	4,501	-
	Revaluation reserve	<u>302,032</u>	<u>302,032</u>	-	31500	Total capital surplus	<u>11,173</u>	<u>11,173</u>	-
	Cost and revaluation reserve	11,187,930	11,112,265	1	32013	Accumulated losses	(1,682,124)	(2,232,891)	(25)
	Deduct: accumulated depreciation	<u>2,107,262</u>	<u>1,952,113</u>	8	32501	Unrealized revaluation reserve	256,642	256,642	-
		9,080,668	9,160,152	(1)	32523	Unrealized gain of financial instruments	13,075	46,064	(72)
18571	Construction in progress and prepayments for equipment	<u>34,985</u>	<u>45,500</u>	(23)	32542	Treasury stocks	(3,508)	(3,508)	-
18500	Net fixed assets	<u>9,115,653</u>	<u>9,205,652</u>	(1)	32544	Net loss not recognized as pension cost	(1,155)	(1,214)	(5)
19000	Intangible assets (Note 2 and 13)	<u>1,048,221</u>	<u>1,060,110</u>	(1)	30000	Net stockholders' equity	<u>10,843,833</u>	<u>10,325,996</u>	5
19500	Other assets (Note 2, 14, 21, 27, 28 and 29)	<u>1,929,543</u>	<u>2,252,342</u>	(14)					
10000	Total assets	<u>\$ 234,498,618</u>	<u>\$ 224,535,767</u>	4		Total liabilities and stockholders' equity	<u>\$ 234,498,618</u>	<u>\$ 224,535,767</u>	4

Notes attached behind are a part of the financial statement.
(Please refer to the audit report of Deloitte Taiwan on February 18, 2011)

Chairman: Lin Peng-Lang

Manager: Ding Wei-Hao

Accounting manager: Liu Zong-Xun

Sunny Bank Ltd.

Income Statement

From January 1 to December 31, 2010 and 2009

Unit: Except for earnings (net loss) per share for NT dollars,
the others for thousand NT dollars.

Code		Year 2010	Year 2009	Percentage
		Amount	Amount	change (%)
41000	Interest income (Note 2 and 27)	\$ 4,365,590	\$ 4,134,565	6
51000	Interest expense (Note 27)	<u>1,697,513</u>	<u>2,520,783</u>	(33)
	Net interest income	<u>2,668,077</u>	<u>1,613,782</u>	65
	Net income excluding interest			
49100	Net income of commission (Note 2, 22 and 27)	697,197	607,095	15
49200	Financial assets and net income (loss) of liabilities at fair value through profit or loss (Note 5 and 27)	(15,364)	355,119	(104)
44001	Net investment income recognized under equity method (Note 2 and 10)	23,810	14,792	61
44003	Investment gains on disposal under equity method (Note 2 and 10)	24,530	-	-
49600	Net profit of exchange (Note 2)	2,598	18,144	(86)
49880	Gains on reversal of asset impairment (loss) (Note 2, 11 and 14)	(10,000)	24,132	(141)
48005	Gains of financial assets measured by cost (Note 2)	30,901	22,213	39
48051	Lease income (Note 27)	36,533	28,926	26
48063	Net income of property transaction (Note 2)	4,056	8,764	(54)
58021	Loss of selling bad claims (Note 27)	(193,577)	(193,577)	-
49800	Other net non-interest income	<u>108,321</u>	<u>94,266</u>	15
	Total net income excluding interest	<u>709,005</u>	<u>979,874</u>	(28)
	Net income	<u>3,377,082</u>	<u>2,593,656</u>	30

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(Brought forward)

Code		Year 2010	Year 2009	Percentage	
		Amount	Amount	change (%)	
51500	Bad debt expense (Note 2 and 7)	\$ 375,297	\$ 528,270	(29)	
	Operating expense (Note 23 and 27)				
58500	Personal expenditure	1,552,613	1,468,843	6	
59000	Depreciation and amortization	178,871	198,104	(10)	
59500	Other business and administration expenses	674,834	679,223	(1)	
	Total operating expenses	2,406,318	2,346,170	3	
61001	Net profit (Net loss) before tax	595,467	(280,784)	312	
61003	Tax expense (Note 2 and 21)	(44,700)	(30,000)	49	
69000	Net profit (loss)	\$ 550,767	(\$ 310,784)	277	
<u>Code</u>		<u>Before tax</u>	<u>After tax</u>	<u>Before tax</u>	<u>After tax</u>
69500	Basic earnings (Net loss) per share (Note 24)	\$ 0.49	\$ 0.45	(\$ 0.23)	(\$ 0.25)

Notes attached behind are a part of the financial statement.
(Please refer to the audit report of Deloitte Taiwan on February 18, 2011)

Chairman: Lin Peng-Lang Manager: Ding Wei-Hao Accounting manager: Liu Zong-Xun

Sunny Bank Ltd.
Statement of Change in Stockholders' Equity
From January 1 to December 31, 2010 and 2009

Unit: thousand NT dollars

	Issued capital (Note 2 and 20)		Capital surplus (Note 20)	Accumulated losses (Note 20)			Unrealized revaluation reserve of land (Note 2 and 12)	Unrealized profit or loss on financial instruments (Note 2 and 20)	Net loss not recognized as pension cost	Treasury stocks (Note 2, 20 and 26)	Net stockholders' equity	
	Thousand shares	A m o u n t		Legal surplus	Special reserve	Accumulated losses Net amount						
Balance on January 1, 2009	1,243,928	\$12,439,281	\$ 11,228	\$ 389,998	\$ 27,794	(\$ 2,311,900)	(\$ 1,894,108)	\$ 256,642	\$ 37,599	\$ -	(\$ 221,113)	\$10,629,529
Make-up loss in Year 2008												
Legal surplus	-	-	-	(389,998)	-	389,998	-	-	-	-	-	-
Special reserve	-	-	-	-	(27,794)	27,794	-	-	-	-	-	-
Net loss in Year 2009	-	-	-	-	-	(310,784)	(310,784)	-	-	-	-	(310,784)
Change in unrealized profit or loss on financial assets in available-for-sale	-	-	-	-	-	-	-	-	8,465	-	-	8,465
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	(1,214)	-	(1,214)
Cancellation of treasury stock	(18,955)	(189,551)	(55)	-	-	(27,999)	(27,999)	-	-	-	217,605	-
Balance on December 31, 2009	1,224,973	12,249,730	11,173	-	-	(2,232,891)	(2,232,891)	256,642	46,064	(1,214)	(3,508)	10,325,996
Net profit in Year 2010	-	-	-	-	-	550,767	550,767	-	-	-	-	550,767
Change in unrealized profit or loss on financial assets in available-for-sale	-	-	-	-	-	-	-	-	(32,989)	-	-	(32,989)
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	59	-	59
Balance on December 31, 2010	<u>1,224,973</u>	<u>\$12,249,730</u>	<u>\$ 11,173</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 1,682,124)</u>	<u>(\$ 1,682,124)</u>	<u>\$ 256,642</u>	<u>\$ 13,075</u>	<u>(\$ 1,155)</u>	<u>(\$ 3,508)</u>	<u>\$10,843,833</u>

Notes attached behind are a part of the financial statement.
(Please refer to the audit report of Deloitte Taiwan on February 18, 2011)

Chairman: Lin Peng-Lang

Manager: Ding Wei-Hao

Accounting manager: Liu Zong-Xun

Sunny Bank Ltd.
Cash Flow Statement

From January 1 to December 31, 2010 and 2009

Unit: thousand NT dollars

	Y e a r 2 0 1 0	Y e a r 2 0 0 9
Cash flow of operating activities:		
Net profit (loss)	\$ 550,767	(\$ 310,784)
Bad debt expense	375,297	528,270
Write-off of bad debt	(481,730)	(1,587,651)
Write-off of bad debt recovery	202,861	213,825
(Gains on reversal) of asset impairment loss	10,000	(24,132)
Loss of selling bad claims	193,577	193,577
Depreciation and amortization	178,871	198,104
Provision for trading losses reserve	193	316
Cash dividends allotted by investment companies under equity method	3,242	1,200
Net investment profit recognized under equity method	(23,810)	(14,792)
Investment gains on disposal under equity method	(24,530)	-
Gains on disposal of fixed and other assets	(2,764)	(5,842)
Gains on disposal of collaterals taken over	(1,292)	(2,922)
Gain on valuation of financial instruments at fair value through profit or loss	(10,181)	(63,493)
Gain on disposal of financial assets in available-for-sale	(35,944)	(32,402)
Deferred income tax	36,171	33,388
Change in financial instruments at fair value through profit or loss	(478,084)	7,278,508
Decrease of receivables	701,379	2,046,423
Decrease of payables	(264,197)	(2,447,311)
Net cash inflow from operating activities	929,826	6,004,282
Cash flow of investment activities		
Decrease (Increase) of financial assets appointed at fair value through profit or loss	20,000	(20,000)
Increase of financial assets in available-for-sale	(10,029,367)	(2,850,245)
Proceeds on disposal of financial assets in available-for-sale	10,911,806	3,313,683
Repayment of principal at maturity of financial assets in held-to-maturity	79,880	37,793
Decrease (Increase) of other financial assets	3,345	(99,701)
Equity investment proceeds on disposal under equity method	39,831	-
Increase of due from central bank and inter-bank offering	(1,518,181)	(1,727,815)
Decrease (Increase) of discounts and loans	(10,386,121)	5,289,630
Acquisition of fixed and other assets	(96,740)	(17,767)

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(Brought forward)

	Year 2010	Year 2009
Proceeds on disposal of fixed and other assets	\$ 24,103	\$ 44,042
Proceeds on disposal of collaterals taken over	110,674	203,045
Increase of intangible assets	(2,641)	(5,078)
Decrease (Increase) of other assets	(25,272)	7,528
Net cash inflow (outflow) from investment activities	(10,868,683)	4,175,115
Cash flow of financing activities:		
Increase (Decrease) of repurchase financial bills and bond debts	2,253,586	(1,689,706)
Decrease of central bank and interbank deposits	(133,611)	(46,601)
Increase (Decrease) of deposits and remittances	5,560,395	(9,477,787)
Increase of financial bonds payable	2,000,000	500,000
Increase (Decrease) of other liabilities	19,201	(83,488)
Net cash inflow (outflow) from financing activities	9,699,571	(10,797,582)
Net decrease in cash	(239,286)	(618,185)
Cash balance at the beginning of the year	3,989,162	4,607,347
Cash balance at the end of the year	\$ 3,749,876	\$ 3,989,162
Supplementary disclosures of cash flow information		
Interest payment	\$ 1,773,136	\$ 2,882,043
Income tax payment	\$ 729	\$ 9,917
Investment activities not affecting cash flow		
Idle assets rendering leasing assets	\$ -	\$ 41,658
Fixed assets rendering intangible assets	\$ 1,353	\$ 4,585
Fixed assets rendering idle assets	\$ 18,296	\$ -

Notes attached behind are a part of the financial statement.

(Please refer to the audit report of Deloitte Taiwan on February 18, 2011)

Chairman: Lin Peng-Lang

Manager: Ding Wei-Hao

Accounting manager: Liu Zong-Xun

Sunny Bank Ltd.
Notes of Financial Statements
Year 2010 and 2009

(The amount unit is thousand NT dollars except for additional indication)

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. Altogether there were 96 business units nationwide as of the end of 2010.

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.”

At the end of 2010 and 2009, the number of the bank’s employee was one thousand 7.89 hundred and one thousand 8.87 hundred 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. The bank has to use fair amount of estimation to make provision against valuation of partial financial instruments, allowance for bad debts, depreciation on fixed assets, pension, loss from falling price of collaterals taken over, asset impairment loss, income tax, employee bonus and remuneration for directors and supervisors when the preparation of financial statements is in accordance with the above regulations, acts and principles. Actual results may differ due to estimation involved in judgments.

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 one 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 31 as well. Summarized statements about material accounting policies are as follows:

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.

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 contract; 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.

Conditional Financial Bills and Dealing in Bonds

The conditional trade of financial bills and the investment or debts of bonds mean that the actual amount which is paid to or obtained from counterparties when the conditional trade of financial bills and bonds 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.

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.

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)

The risk of irrecoverable specific claims means that if the financial position and timely payment of principal and interest of obligors are delayed and the evaluation of collateral values. Classify both of the above according to recoverability and draw them in a required ratio in accordance with regulations of “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans.” Remarkable, collectable, substandard and uncollectible bad credit assets are aggregated at 2%, 10%, 50% and the total balance respectively. They are the minimum provision standards of allowance for bad debts and reserve for guarantee liability.

The bank’s write-off of bad debts means that the evaluation of recoverability and collateral values of overdue receivables and non-performing loans and they are written off after the approval of board of managing directors. Bad debts which are recovered and written off are recognized as reverse of allowance for bad debts.

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.

Financial Assets in Held-to-maturity

Financial assets in held-to-maturity are measured at amortized costs under interest method. Financial assets in held-to-maturity are measured at fair value and obtained or issued transaction costs are plus in original recognition; they are recognized as profit or loss in de-recognition, value impairment or amortization. Accounting treatment on the settlement date is adopted when financial assets are purchased or sold according to trade practices.

The impairment loss is recognized 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 purpose of the reverse is to make the carrying amount less than amortized costs in the case of unrecognized impairment.

Equity Investment under Equity Method

The equity investment valuation which is under the equity method means that the calculation of investment costs plus (or minus) net profits (or net losses) which investees are recognized in a shareholding ratio and increased (or decreased) capital surplus or retained earnings. Investment gains (or losses) are recognized when there is net profit (or net loss) occurred in investees; allotment of cash dividends is recognized as investment deductions.

The stock dividend allotment of investees is not recognized as income from investment and is only recorded the increase of shares.

Other Financial Assets

Financial assets measured by costs mean that equities investments which include unlisted and under-the-counter stocks and cannot be measured 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.

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.

Intangible Assets

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.

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 reestimated service life when the useful life is expired and continued to be used.

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.

Trading Losses Reserve

10% of excess which gain of trading securities exceeds loss amount shall be made monthly provision for trading losses reserve and recognized as liabilities in accordance with “Regulations Governing Securities Firms.” The trading losses reserve shall not be used expect for the cover of balance which trading losses exceed trading gains. The trading losses reserve whose accumulation has hit 0.2 billion NT dollars does not have to be continued to make provision.

Pension

The pension which is defined benefit is recognized as pension expense according to actuarial results. The pension reserve is made payment first and then the pension liability is written off when pension is paid.

The pension which is defined contribution recognizes the pension amount which should be allotted as expenses of the year.

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.

Treasury Stocks

The payment cost of treasury stocks which are bought back from issued stocks is debited treasury stocks and recognized as the deduction of stockholders' equity. Treasury stocks are credited and debited capital stock and capital surplus in equity proportion when they are cancelled——stock issue at a premium. If the book value of treasury stocks is higher than the aggregate of the face value and stock issue at a premium, the balance shall write off the capital surplus which is caused by the same kind of treasury stocks and then retained earnings are debited if there is any insufficient.

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.

Income Tax

The income tax refers to inter-period tax allocation, namely, 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.

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

Contingent Loss

The contingent loss which is very likely to have damaged assets or caused liabilities and the loss amount can be estimated reasonably on the balance sheet date is recognized as loss of the year; if the loss amount cannot be estimated reasonably or the loss is likely to have happened, they will be disclosed in notes of financial statements.

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.

3. Cash

	December 31, 2010	December 31, 2009
Cash on Hand	\$ 2,552,503	\$ 2,861,702
Post-dated checks for clearance	826,193	828,685
Due from banks	371,180	298,775
	<u>\$ 3,749,876</u>	<u>\$ 3,989,162</u>

4. Due from Central Bank and Inter-bank Offering

	December 31, 2010	December 31, 2009
Due from central bank	\$ 25,752,542	\$ 29,150,462
Deposit reserve	10,156,534	6,386,870
Capital loaned	<u>2,709,090</u>	<u>1,562,653</u>
	<u>\$ 38,618,166</u>	<u>\$ 37,099,985</u>

The deposit reserve means that the monthly average balance of every deposit is drawn and deposited in the account of deposit reserve in central bank in required reserve ratio. As of the end of 2010 and 2009, 5.5 billion 72.009 million and 5.2 billion 46.719 million NT dollars which were aggregated respectively in the deposit reserve 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.

5. Financial Instruments at Fair Value through Profit or Loss

	December 31, 2010	December 31, 2009
<u>Financial Assets of Trading Purposes</u>		
Financing commercial paper	\$ 1,915,587	\$ 1,123,642
Beneficiary certificate	391,216	226,499
Common stocks of domestic listed and over-the-counter companies	143,312	116,916
Government bond	103,587	559,938
Currency swap	20,451	47,795
Negotiable certificates of deposit	14,959	-
Common stocks of foreign listed companies	9,018	16,210
Acceptance bill	-	9,847
	<u>2,598,130</u>	<u>2,100,847</u>
<u>Financial Assets Appointed at Fair Value through Profit or Loss</u>		
Convertible bond asset swap	-	20,091
	<u>\$ 2,598,130</u>	<u>\$ 2,120,938</u>
<u>Financial Liabilities of Trading Purposes</u>		
Currency swap	\$ 14,910	\$ 5,140
Foreign exchange forward	849	-
Credit default swap	-	1,692
	<u>\$ 15,759</u>	<u>\$ 6,832</u>

The main purpose of derivative financial instrument transactions made by the bank in Year 2010 and 2009 is to respond to customers' needs and fund procurement and risk management of the bank's foreign exchange.

The main purpose of asset swap contracts made by the bank is to offset the most risks of market and credit and the contracts belong to derivatives of trading purposes. As a result, relative financial assets are appointed as financial assets at fair value through profit or loss.

As of the end of 2010 and 2009, the amount of the bank's derivative financial instrument contracts which are not mature is as follow:

	December 31, 2010	December 31, 2009
<u>Trading Purposes</u>		
Currency swap	\$ 2,769,644	\$ 5,027,140
Foreign exchange forward	134,885	-
Credit default swap	-	257,408
Convertible bond asset swap	-	20,000

As of the end of 2010 and 2009, foreign exchange swap and foreign exchange forward contracts which are not mature are as follows:

December 31, 2010		December 31, 2009	
Contract amount (thousand dollars)	Maturity	Contract amount (thousand dollars)	Maturity
Sell USD 51,791	2011/01/05~2011/03/28	Sell USD 91,689	2010/01/04~2010/02/04
ZAR 10,043	2011/01/03~2011/01/12	JPY1,224,683	2010/01/04~2010/02/09
JPY329,063	2011/01/25~2011/06/27	Buy USD 155,550	2010/01/04~2010/02/09
EUR 850	2011/01/11~2011/05/30	AUD 22,300	2010/01/07~2010/01/29
Buy JPY331,544	2011/01/11~2011/03/28	NZD 23,200	2010/01/08~2010/01/29
ZAR 61,227	2011/01/12~2011/01/31	HKD 87,582	2010/01/04~2010/02/04
HKD45,891	2011/01/20~2011/01/24	GBP 1,100	2010/01/07
USD 82,095	2011/01/03~2011/01/19	EUR 1,100	2010/01/04~2010/01/05
NZD 17,100	2011/01/05~2011/02/01	ZAR 10,110	2010/01/27
AUD 11,800	2011/01/12~2011/01/20		
EUR 4,500	2011/01/11~2011/01/27		
GBP 1,400	2011/01/12~2011/01/19		

As of the end of 2009, the convertible bond asset swap contracts which are not mature are as follows:

Contract amount (thousand dollars)	Maturity	Interest rate payment	Interest rate collection
TWD 20,000	2010/05/19	3.02%	3.85%

In Year 2010 and 2009, the bank's profit or loss summary of financial instruments at fair value through profit or loss were as follows:

	<u>Year 2010</u>	<u>Year 2009</u>
<u>Financial Assets at Fair Value through Profit or Loss</u>		
Realized profit or loss	\$1,006,426	\$1,852,932
Valuated profit or loss	<u>25,940</u>	<u>70,234</u>
	<u>1,032,366</u>	<u>1,923,166</u>
<u>Financial Assets Appointed at Fair Value through Profit or Loss</u>		
Realized profit or loss	91	-
Valuated profit or loss	<u>-</u>	<u>91</u>
	<u>91</u>	<u>91</u>
<u>Financial liabilities at fair value through profit or loss</u>		
Realized profit or loss	(1,032,062)	(1,561,306)
Valuated profit or loss	<u>(15,759)</u>	<u>(6,832)</u>
	<u>(1,047,821)</u>	<u>(1,568,138)</u>
	<u>(\$ 15,364)</u>	<u>\$ 355,119</u>

6. Receivables—net amount

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Credit card receivables	\$ 706,673	\$ 827,917
Proceeds of selling bad claims receivable (Note 27)	543,684	816,577
Interest receivable	264,794	268,385
Spot foreign exchange receivables	190,195	551,317
Acceptance receivables	110,376	59,224
Income tax refunds receivable	92,180	67,212
Others	<u>218,853</u>	<u>237,502</u>
	2,126,755	2,828,134
Deduct: allowance for bad debts (Note 7)	<u>576,438</u>	<u>334,453</u>
	<u>\$ 1,550,317</u>	<u>\$ 2,493,681</u>

7. Discounts and Loans—net amount

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Short-term loans	\$ 8,345,888	\$ 8,722,434
Short-term secured loans	25,819,777	23,627,869
Mid-term loans	11,037,326	11,617,316
Mid-term secured loans	25,022,954	13,157,980
Long-term loans	4,837,381	5,472,104

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	December 31, 2010	December 31, 2009
Long-term secured loans	\$ 96,687,093	\$ 97,507,988
Overdue receivables	2,078,574	3,345,560
Bill purchased	<u>27,703</u>	<u>23,174</u>
	173,856,696	163,474,425
Deduct: allowance for bad debts	<u>1,373,428</u>	<u>1,523,355</u>
	<u>\$ 172,483,268</u>	<u>\$ 161,951,070</u>

The credit balance which is stopped interest accrual internally was 2 billion 78.574 million and 3.3 billion 45.56 million NT dollars respectively at the end of 2010 and 2009. The amount of interest income which is not calculated and amortized internally was 64 million 902 thousand and 92 million 643 thousand NT dollars respectively in Year 2010 and 2009.

There was no credit claim which was written off at once without legal proceedings in the bank in Year 2010 and 2009.

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

Year 2010						
Discounts and loans						
	Risk of irrecoverable specific claims	Potential risk of total claim combination	Subtotal	Receivables	Reserve for acceptance and guarantee liability	Total
Balance at the beginning of the year	\$ 1,475,931	\$ 47,424	\$ 1,523,355	\$ 334,453	\$ 73,838	\$ 1,931,646
Provision for bad debts	100,051	5,271	105,322	269,455	520	375,297
Write-off	(436,035)	-	(436,035)	(45,695)	-	(481,730)
Bad debts which are recovered and written off	184,636	-	184,636	18,225	-	202,861
Adjustment for balance of exchange	(3,850)	-	(3,850)	-	-	(3,850)
Balance at the end of the year	<u>\$ 1,320,733</u>	<u>\$ 52,695</u>	<u>\$ 1,373,428</u>	<u>\$ 576,438</u>	<u>\$ 74,358</u>	<u>\$ 2,024,224</u>

Year 2009						
Discounts and loans						
	Risk of irrecoverable specific claims	Potential risk of total claim combination	Subtotal	Receivables	Reserve for acceptance and guarantee liability	Total
Balance at the beginning of the year	\$ 1,707,742	\$ 770,974	\$ 2,478,716	\$ 238,080	\$ 73,462	\$ 2,790,258
Provision for bad debts	1,079,355	(723,550)	355,805	172,089	376	528,270
Write-off	(1,496,807)	-	(1,496,807)	(90,844)	-	(1,587,651)
Bad debts which are recovered and written off	198,697	-	198,697	15,128	-	213,825
Adjustment for balance of exchange	(13,056)	-	(13,056)	-	-	(13,056)
Balance at the end of the year	<u>\$ 1,475,931</u>	<u>\$ 47,424</u>	<u>\$ 1,523,355</u>	<u>\$ 334,453</u>	<u>\$ 73,838</u>	<u>\$ 1,931,646</u>

8. Financial Assets in Available-for-sale

	December 31, 2010	December 31, 2009
Government bond	\$ 1,175,158	\$ 1,183,710
Common stocks of listed and over-the-counter companies	523,025	283,802
Corporate bond	443,269	672,947
Financing commercial paper	289,576	990,405
Beneficiary certificate	184,701	-
Beneficiary securities	42,405	50,047
Asset-backed commercial paper	7,977	354,975
Foreign bond	4,141	15,712
	<u>\$ 2,670,252</u>	<u>\$ 3,551,598</u>

9. Financial Assets in Held-to-maturity

	December 31, 2010	December 31, 2009
Beneficiary securities	<u>\$ -</u>	<u>\$ 79,880</u>

The effective interest rates of beneficiary securities which the bank had invested in for Year 2009 were 1.62—2.7%.

10. Equity Investment under Equity Method

	December 31, 2010		December 31, 2009	
	Amount	Sharehold ing %	Amount	Sharehol ding %
Unlisted and under-the-counter companies				
Wealy Securities Co., Ltd.	\$ 230,860	97.7	\$ 222,076	97.7
Sunny Asset Management Company Ltd.	36,212	100.0	23,945	100.0
Sunny Personal Insurance Agent Company	31,278	39.9	19,301	39.9
Sunny Property Insurance Agent Company	2,706	20.0	2,373	20.0
Ontario Securities Investment Trust Co., Ltd.	-	-	26,173	20.0
	<u>\$ 301,056</u>		<u>\$ 293,868</u>	

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

	Year 2010	Year 2009
Sunny Personal Insurance Agent Company	\$ 14,565	\$ 8,929
Sunny Asset Management Company Ltd.	11,701	4,117
Wealy Securities Co., Ltd.	8,123	13,804
Sunny Property Insurance Broker Company	293	531
	(<u>10,872</u>)	(<u>12,589</u>)
Ontario Securities Investment Trust Co., Ltd.	<u>\$ 23,810</u>	<u>\$ 14,792</u>

The other equity investments and related investment profits or losses valued under equity method are calculated according to financial statements which are audited by accountants during the same period except for the investment loss of Ontario Securities Investment Trust Co., Ltd., which is calculated according to financial statements which are not audited by accountants due to its sale during the year.

- (2) The bank sold 6.006 million shares, the whole shares of Ontario Securities Investment Trust Co., Ltd. in December, 2010, which were the equity investment valued under equity method. The selling price and gain on disposition was 39 million 831 thousand and 24 million 530 thousand NT dollars respectively.
- (3) 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 2010 and 2009.
- (11) Other Financial Assets

	December 31, 2010	December 31, 2009
Financial assets measured at costs		
Unlisted an under-the-counter common stocks		
Financial Information Service Co., Ltd.	\$115,771	\$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		
Bank of Panhsin	110,000	110,000
Farglory Life	<u>100,000</u>	<u>100,000</u>
	<u>397,261</u>	<u>397,261</u>
Debt instrument investments which are not in active markets		
Structured deposit	147,500	160,880
Deduct: accumulated impairment	(<u>110,625</u>)	(<u>120,660</u>)
	<u>36,875</u>	<u>40,220</u>
	<u>\$434,136</u>	<u>\$437,481</u>

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

12. Fixed Assets

	Year 2010				
	Land	Houses and construction	Miscellaneous equipment	Prepayments for equipment	Total
<u>Cost</u>					
Balance at the beginning of the year	\$ 6,634,536	\$ 2,859,191	\$ 1,316,506	\$ 45,500	\$ 10,855,733
Increase in the year	-	-	77,589	11,621	89,210
Decrease in the year	-	-	(2,493)	-	(2,493)
Reclassification in the year	(4,049)	(16,165)	20,783	(22,136)	(21,567)
	<u>6,630,487</u>	<u>2,843,026</u>	<u>1,412,385</u>	<u>34,985</u>	<u>10,920,883</u>
Revaluation reserve	281,856	20,176	-	-	302,032
<u>Accumulated depreciation</u>					
Balance at the beginning of the year	-	836,540	1,115,573	-	1,952,113
Increase in the year	-	65,988	93,540	-	159,528
Decrease in the year	-	-	(2,461)	-	(2,461)
Reclassification in the year	-	(1,918)	-	-	(1,918)
	-	<u>900,610</u>	<u>1,206,652</u>	-	<u>2,107,262</u>
Net amount at the end of the year	<u>\$ 6,912,343</u>	<u>\$ 1,962,592</u>	<u>\$ 205,733</u>	<u>\$ 34,985</u>	<u>\$ 9,115,653</u>
	Year 2009				
	Land	Houses and construction	Miscellaneous equipment	Prepayments for equipment	Total
<u>Cost</u>					
Balance at the beginning of the year	\$ 6,636,369	\$ 2,859,779	\$ 1,326,147	\$ 43,958	\$ 10,866,253
Increase in the year	-	-	5,891	11,130	17,021
Decrease in the year	(1,833)	(588)	(20,535)	-	(22,956)
Reclassification in the year	-	-	5,003	(9,588)	(4,585)
	<u>6,634,536</u>	<u>2,859,191</u>	<u>1,316,506</u>	<u>45,500</u>	<u>10,855,733</u>
Revaluation reserve	281,856	20,176	-	-	302,032
<u>Accumulated depreciation</u>					
Balance at the beginning of the year	-	769,783	1,029,159	-	1,798,942
Increase in the year	-	66,839	106,078	-	172,917
Decrease in the year	-	(82)	(19,664)	-	(19,746)
	-	<u>836,540</u>	<u>1,115,573</u>	-	<u>1,952,113</u>
Net amount at the end of the year	<u>\$ 6,916,392</u>	<u>\$ 2,042,827</u>	<u>\$ 200,933</u>	<u>\$ 45,500</u>	<u>\$ 9,205,652</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.

13. Intangible Assets

	December 31, 2010	December 31, 2009
Goodwill	\$ 1,034,579	\$ 1,034,579
Computer software	13,642	25,531
	<u>\$ 1,048,221</u>	<u>\$ 1,060,110</u>

14. Other assets

	December 31, 2010	December 31, 2009
Net deferred tax assets (Note 21)	\$ 822,832	\$ 859,003
Leasing assets—the net amount which deducts accumulated depreciation of 9 million 571 thousand NT dollars in 2010 and that of 8 million 744 thousand NT dollars in 2009	310,031	324,635
Refundable deposits	223,218	233,858
The unrecognized loss of selling bad claims	198,798	392,377
Idle assets—the net amount which deducts accumulated depreciation of 16 million 470 thousand NT dollars in 2010, that of 13 million 478 thousand NT dollars in 2009 and accumulated impairment of 10 million NT dollars	168,161	150,939
Collaterals taken over—the net amount which deduct allowance for loss from falling price of 88 million 118 thousand NT dollars in 2010 and that of 132 million 463 thousand NT dollars in 2009	128,124	247,506
Others	78,379	44,024
	<u>\$ 1,929,543</u>	<u>\$ 2,252,342</u>

15. Central Bank and Interbank Deposits

	December 31, 2010	December 31, 2009
Interbank deposit	5,805,631	\$ 5,937,539
Central bank deposit	-	1,703
	<u>\$ 5,805,631</u>	<u>\$ 5,939,242</u>

16. Payables

	December 31, 2010	December 31, 2009
Post-dated checks for clearance payable	\$ 826,193	\$ 828,685
Interest payable	362,456	438,079
Bill for collection payable	210,623	210,059
Spot foreign exchange payable	190,789	551,308
Others	527,191	353,318
	<u>\$ 2,117,252</u>	<u>\$ 2,381,449</u>

17. Deposits and Remittances

	December 31, 2010	December 31, 2009
Savings deposit	\$ 139,799,189	\$ 143,415,933
Time deposit	38,938,192	33,924,946
Demand deposit	23,727,348	19,640,988
Check deposit	2,305,342	2,173,294
Cash in public treasury	167,759	206,659
Remittance	10,013	25,628
	<u>\$ 204,947,843</u>	<u>\$ 199,387,448</u>

18. 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 2010 and 2009, the balance of issue is as follows:

	December 31, 2010	December 31, 2009
The first phase of Year 2006—issued on May 16, 2006, annual fixed interest rate of 2.55%	\$ 2,000,000	\$ 2,000,000
The first phase of Year 2007 (A bond)—issued on April 9, 2007, annual fixed interest rate of 3.00%	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	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%	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	101,000	101,000
The third phase of Year 2007 (A bond)—issued on December 26, 2007, annual fixed interest rate of 3.80%	261,000	261,000

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	December 31, 2010	December 31, 2009
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	\$ 43,900	\$ 43,900
The first phase of Year 2009—issued on June 15, 2009, annual fixed interest rate of 3.00%	500,000	500,000
The first phase of Year 2010 (A bond)—issued on April 30, 2010, annual fixed interest rate of 3.25%	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	230,000	-
The second phase of Year 2010 (A bond)—issued on October 29, 2010, annual fixed interest rate of 3.25%	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	300,000	-
The third phase of Year 2010 (A bond)—issued on November 11, 2010, annual fixed interest rate of 3.25%	400,000	-
	<u>\$ 8,009,400</u>	<u>\$ 6,009,400</u>

19. Other liabilities

	December 31, 2010	December 31, 2009
Deposits received	\$120,497	\$ 77,929
Account collected in advance	112,109	141,660
Reserve for guarantee liability (Note 7)	74,358	73,838
Deferred gain	23,669	25,167
Others	41,356	33,481
	<u>\$371,989</u>	<u>\$352,075</u>

20. Stockholders' Equity

(1) Capital stock

The bank bought back 18 million 955 thousand common stocks which were held by stockholders who challenged the merger between Kao-Shin Commercial Bank and the bank at 11.48 NT dollars per share on August 10, 2006. As of August 10, 2009, the above shares which have expired three years and were not sold at market price shall be taken as unissued shares in accordance with regulations of "Business Mergers and Acquisitions Act." The bank took September 7, 2009 as the base date of cancelled share which had been decided by Board of Directors on August 13, 2009 and wrote off buy-back shares of 18 million 955 thousand shares at the face value of 10 NT dollars per share. The total write-off shares were 189 million 551 thousand NT dollars and the change of registration were completed on September 23, 2009.

(2) Capital surplus

Capital surplus shall not be used except for the cover of the company's loss but the overage which is obtained from issuance of share above par and the capital surplus which arises from receiving and gift income can infuse capital and allot new shares in the proportion of shareholders' original shares in accordance with legal requirements; capital infusion is subject to a certain ratio of paid-up capital stock every year.

(3) 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 highest earning distribution of cash shall not be more than 15% of total capital before the legal surplus has reached total capital.

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 one year.

The bank must make provision for special reserve respectively from after-tax profits of the year or undistributed earnings of previous years towards the amount of stockholders' equity deduction of the year (including unrealized profit or loss on financial instruments) and the unamortized balance of unrecognized losses of selling bad claims in accordance with legal requirements when it distributes earnings. If there is any reverse or amortization of unrecognized losses of selling bad claims in the amount of stockholders' equity deduction thereafter, earnings can be distributed towards the reverse or amortization.

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 0.1 NT dollars.

The project on the make-up for a loss of Year 2008 which was proposed by Board of Directors and passed accordingly by shareholders' meeting of the bank in June, 2009 is as follows:

	<u>Year 2008</u>
Legal surplus	\$389,998
Special reserve	27,794

Shareholders' meeting of the bank was held in June, 2010. 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 2009.

For the bank's related proposals which are passed by directors, shareholders' meeting resolution and the make-up for a loss in Year 2009 and 2008, please go to "Market Observation Post System" for inquiry.

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; and half of it can be used to infuse capital stock as well if the balance has reached 50% of paid-up capital stock.

The stockholders who exclude those who do not live in the Republic of China can calculate the amount of the imputation credit of allocated stockholders according to tax deduction ratio of the dividend allotment date when the bank distributes earnings.

(4) Unrealized profit or loss of financial instruments

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

	<u>Financial assets in available-for-sale</u>	<u>Equity investment which is recognized according to shareholding ratio under equity method</u>	<u>Total</u>
<u>Year 2010</u>			
Balance at the beginning of the year	\$ 43,907	\$ 2,157	\$ 46,064
Recognized as stockholders' equity adjustments directly	(<u>34,851</u>)	<u>1,862</u>	(<u>32,989</u>)
Balance at the end of the year	<u>\$ 9,056</u>	<u>\$ 4,019</u>	<u>\$ 13,075</u>
<u>Year 2009</u>			
Balance at the beginning of the year	\$ 39,610	(\$ 2,011)	\$ 37,599
Recognized as stockholders' equity adjustments directly	<u>4,297</u>	<u>4,168</u>	<u>8,465</u>
Balance at the end of the year	<u>\$ 43,907</u>	<u>\$ 2,157</u>	<u>\$ 46,064</u>

21. Income Tax

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

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Net profit (loss) before tax	\$595,467	(\$280,784)
Permanent difference	(246,563)	(508,974)
Temporary difference	<u>25,145</u>	<u>(197,693)</u>
	374,049	(987,451)
Loss relief	(<u>366,249</u>)	-
Tax payable	<u>7,800</u>	-
Income taxes payable	7,800	-
Provisional and withholding tax	(<u>31,881</u>)	(<u>39,029</u>)
Income tax refunds receivable	(<u>\$ 24,081</u>)	(<u>\$ 39,029</u>)
	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Income tax refunds receivable at the beginning of the year	\$ 67,212	\$ 32,440
Income tax refunds receivable of the year	24,081	39,029
Income tax adjustments of previous years	<u>887</u>	(<u>4,257</u>)
Income tax refunds receivable at the end of the year	<u>\$ 92,180</u>	<u>\$ 67,212</u>

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

	December 31, 2010	December 31, 2009
Deferred tax assets		
Loss relief	\$ 926,417	\$ 1,188,718
Transfinite number of allowance for bad debts	29,447	36,078
Unrealized impairment loss on collaterals taken over	2,441	2,872
Others	5,627	335
Deduct: valuation allowance	(141,100)	(369,000)
Net deferred tax assets	<u>\$ 822,832</u>	<u>\$ 859,003</u>

During Year 2010 and 2009, legislation which is revised and passed by Legislative Yuan is as follows:

1. Revise Article 39, Income Tax Act in January, 2009: extend the loss relief life of profit-seeking enterprises from 5 years to 10 years
2. Revise Article 24, Income Tax Act in March, 2009: the interest income of short-term financial bills which are held by profit-seeking enterprises and of which the issuing date is after January 1, 2010 shall be reckoned taxation on the amount of profit-seeking enterprise income and regulations of separation tax are no longer applicable. The allocated interest income of beneficiary securities or asset-backed securities which are held by profit-seeking enterprises and issued in accordance with "Financial Asset Securitization Act" or "Clauses of the Real Estate Securitization Act" shall be reckoned taxation on the amount of profit-seeking enterprise income and regulations of separation tax are no longer applicable since January 1, 2010.
3. Revise Article 5, Income Tax Act in May, 2009: reduce the tax rate of profit-seeking enterprise income tax from 25% to 20% and take effect since Year 2010.
4. Revise Article 5, Income Tax Act in May, 2010: reduce the tax rate of profit-seeking enterprise income tax from 20% to 17% and take effect since Year 2010.

The bank has recalculated deferred tax assets in accordance with such revised provisions. As of the end of 2010, the amount of loss relief which can be used to deduct taxable income by the bank in later years is as follows:

Year to maturity	Amount of loss relief
2016	\$ 1,117,458
2017	1,366,684
2018	2,123,184
2019	842,186
	<u>\$ 5,449,512</u>

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

	Year 2010	Year 2009
Income taxes payable of the year	\$ 7,800	\$ -
Short-term financial bills taxed separately	729	9,916
Deferred tax assets	36,171	33,388
Income tax adjustments of previous years	<u>-</u>	<u>(13,304)</u>
Tax expenses	<u>\$ 44,700</u>	<u>\$ 30,000</u>

- (4) Related information about the amount of the imputation credit of stockholders is as follows:

	December 31, 2010	December 31, 2009
Account balance of the amount of the imputation credit	<u>\$252,679</u>	<u>\$238,213</u>

- (5) As of Year 2006, the bank's tax return cases of profit-seeking enterprise income tax have been approved by the taxing authority. Among income tax return case from Year 2007 to 2008, the prior parties' interest withholding taxes of government bonds are 1 million 117 thousand NT dollars altogether.

22. Net Income of Commission

	Year 2010	Year 2009
Commission income	\$771,657	\$675,446
Commission expense	<u>(74,460)</u>	<u>(68,351)</u>
	<u>\$697,197</u>	<u>\$607,095</u>

23. Personal, Depreciation and Amortization Expenses

	Year 2010	Year 2009
Personal expenditure		
Salary and bonus	\$ 1,324,712	\$ 1,227,704
Pension	85,080	79,612
Premium	101,701	106,942
Others	<u>41,120</u>	<u>54,585</u>
	<u>\$ 1,552,613</u>	<u>\$ 1,468,843</u>
Depreciation	<u>\$ 161,429</u>	<u>\$ 174,702</u>
Amortization	<u>\$ 17,442</u>	<u>\$ 23,402</u>

24. Earnings (Net Loss) Per Share

The numerator and denominator which calculate basic earnings (net loss) per share are disclosed as follows:

	<u>Amount (numerator)</u>		<u>Thousand shares (denominator)</u>	<u>Earnings (Net loss) per share (dollar)</u>	
	<u>Before tax</u>	<u>After tax</u>		<u>Before tax</u>	<u>After tax</u>
<u>Year 2010</u>					
Basic earnings per share	<u>\$ 595,467</u>	<u>\$ 550,767</u>	<u>1,224,553</u>	<u>\$0.49</u>	<u>\$0.45</u>
<u>Year 2009</u>					
Basic earnings per share	<u>(\$ 280,784)</u>	<u>(\$ 310,784)</u>	<u>1,224,553</u>	<u>(\$0.23)</u>	<u>(\$0.25)</u>

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

25. 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 which is applicable for "Labor Pension Act" belongs to defined contribution retirement plan and 6% of monthly employee salary is allotted to individual pension account. The pension cost which was recognized by the bank in Year 2010 and 2009 is 60 million and 57.6 million NT dollars respectively.

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

(1) Net periodic pension cost

	<u>Year 2010</u>	<u>Year 2009</u>
Service cost	\$ 12,801	\$ 19,223
Interest cost	12,719	16,242
Expected return on pension plan assets	(8,632)	(13,706)
Amortization	<u>8,192</u>	<u>253</u>
Net periodic pension cost	<u>\$ 25,080</u>	<u>\$ 22,012</u>

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

	December 31, 2010	December 31, 2009
Benefit obligation		
Vested benefit obligation	\$166,140	\$183,091
Non-vested benefit obligation	<u>258,066</u>	<u>264,401</u>
Accumulated benefit obligation	424,206	447,492
Effects on increased future salary	<u>187,590</u>	<u>210,968</u>
Projected benefit obligation	611,796	658,460
Fair market price of retirement fund	(<u>420,914</u>)	(<u>439,093</u>)
Funded status	190,882	219,367
Unrecognized net transition pension assets	43,203	48,004
Unrecognized past service cost	29,587	31,394
Unrecognized pension gains and losses	(<u>251,688</u>)	(<u>287,853</u>)
Accrued pension liability (recorded other liabilities)	<u>\$ 11,984</u>	<u>\$ 10,912</u>

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

<u>\$211,802</u>	<u>\$231,746</u>
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(4) Assumption of pension benefit obligation

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

(5) Allotment and payment of pension reserves

	Year 2010	Year 2009
Allotment	<u>\$ 24,008</u>	<u>\$ 20,040</u>
Payment	<u>\$ 47,278</u>	<u>\$203,469</u>

26. Treasury Stocks

Sunny Personal Insurance Agent Company is the bank's subsidiary. The bank's stocks which were held by the Company were 420 thousand stocks and the book value per share was 8.35 NT dollars since the equity investment under equity method was rendered treasury stocks.

The bank's stocks which were worth 189 million 551 thousand NT dollars and held by stockholders who challenged the merger between Kao-Shin Commercial Bank and the bank had been bought back at 11.48 NT dollars per share by the bank in August, 2006 and written off on the base date of cancelled stock, September 7, 2009.

The treasury stocks which are held by the bank shall not be collateralized and the bank shall not have the rights of dividend allotment and voting right in accordance with regulations of Securities and Exchange Act. The bank's stocks which are 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.

27. Transactions in Related Parties

(1) Names of 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
Ontario Securities Investment Trust Co., Ltd. (Ontario Securities) (Note)	the investee valued under equity method
Other related parties	The bank's directors, supervisors and managers as well as relatives within the second degree of the chairman and the president.

Note: Total shareholdings have been sold out on December 15, 2010.

(2) Material transactions between related parties and the bank

1. Accounts receivable

	Year 2010		Year 2009	
	Amount	Account for (%) of the title	Amount	Account for (%) of the title
Sunny Personal Insurance	\$ 14,586	0.9	\$ 12,694	0.5
Sunny Property Insurance	1,106	0.1	1,520	0.1
Sunny AMC	410	-	388	-
	<u>\$ 16,102</u>	<u>1.0</u>	<u>\$ 14,602</u>	<u>0.6</u>

2. Loans

Year 2010

Category	Number or names of related parties	Highest balance of the year	Balance at the end of the year	Performance of contracts		Substances of collaterals	Trade terms with non-related parties are different or not
				Performing loans	Non-performing loans		
Consumer loans	32	\$ 16,991	\$ 10,188	\$ 10,188	\$	-	No
Secured loans of owner-occupied residence	29	226,557	122,770	122,770		-	No
Other loans	Liu Xiang-Dun	17,690	16,750	16,750		Land and buildings	No
	Wang Ya-Xun	6,900	6,900	6,900		Farmland	No
	Gao Zhi-Li	2,800	2,800	2,800		Deposit receipt	No
	Jiang Dong-Sheng	2,450		-		Land and buildings	No
	Zhao Fu-Tian	700		-		Deposit receipt	No
	Yang Ying-Chong	550		-		Deposit receipt	No
	Liu Min-Xiang	300	300	300		Deposit receipt	No
Liu Zhen-Sheng	200	200	200		Deposit receipt	No	

Year 2009

Category	Number or names of related parties	Highest balance of the year	Balance at the end of the year	Performance of contracts		Substances of collaterals	Trade terms with non-related parties are different or not
				Performing loans	Non-performing loans		
Consumer loans	40	\$ 21,093	\$ 14,397	\$ 14,397	\$	—	No
Secured loans of owner-occupied residence	30	300,556	224,257	224,257		—	No
Other loans	Liu Xiang-Dun	18,624	17,690	17,690		Land and buildings	No
	Wang Ya-Xun	6,900	6,900	6,900		Farmland	No
	Xie Yi-Dong	5,433	-	-		—	No
	Chen Yi-Huan	3,200	-	-		—	No
	Gao Zhi-Li	2,800	2,800	2,800		Deposit receipt	No
	Yang Ying-Chong	1,300	550	550		—	No
	Zhao Fu-Tian	700	700	700		Deposit receipt	No
	Qiu Quan-Mao	551	-	-		—	No
	Sunny Securities	120	-	-		Guarantee of domestic financial institutions	No

3. Deposit

	December 31, 2010			December 31, 2009		
	Balance	Account for (%) of the title	Annual interest rate (%)	Balance	Account for (%) of the title	Annual interest rate (%)
Other related parties	\$ 300,405	0.1	0-3	\$ 252,469	0.2	0-9
Sunny Personal						
Insurance	62,706	-	0-0.06	36,469	-	0-0.2
Sunny AMC	21,950	-	0-0.06	14,615	-	0-0.2
Sunny Property						
Insurance	9,995	-	0-0.06	10,778	-	0-0.2
Sunny						
Securities	5,178	-	0-0.06	5,106	-	0-0.45
Ontario						
Securities	211	-	0.06-0.6	20,184	-	0.2-0.85
	<u>\$ 400,445</u>	<u>0.1</u>		<u>\$ 339,621</u>	<u>0.2</u>	

4. Interest income

	Year 2010		Year 2009	
	Amount	Account for (%) of the title	Amount	Account for (%) of the title
Other related parties	<u>\$ 4,078</u>	<u>0.1</u>	<u>\$ 10,553</u>	<u>0.3</u>

5. Interest expense

	Year 2010		Year 2009	
	Amount	Account for (%) of the title	Amount	Account for (%) of the title
Other related parties	\$ 2,777	0.2	\$ 6,011	0.3
Others	84	-	400	-
	<u>\$ 2,861</u>	<u>0.2</u>	<u>\$ 6,411</u>	<u>0.3</u>

6. Net income of commission

	Year 2010		Year 2009	
	Amount	Account for (%) of the title	Amount	Account for (%) of the title
Sunny Personal Insurance	\$ 124,323	17.8	\$ 167,749	27.6
Sunny Property Insurance	12,160	1.7	13,050	2.2
Sunny AMC	<u>10,719</u>	<u>1.5</u>	<u>5,400</u>	<u>0.9</u>
	<u>\$ 147,202</u>	<u>21.0</u>	<u>\$ 186,199</u>	<u>30.7</u>

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

	Year 2010		Year 2009	
	Amount	Account for (%) of the title	Amount	Account for (%) of the title
Sunny Securities	<u>\$ 4,774</u>	<u>31.1</u>	<u>\$ 12,103</u>	<u>3.4</u>

8. Lease

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

Lessee	Deadline of lease term	Way of receiving rent	Guarantee deposit	Rent income	
				Year 2010	Year 2009
Sunny Securities	December, 2012	Receive by month	\$ 800	\$ 9,321	\$10,022
Sunny Personal Insurance	July, 2012	Receive by month	-	870	870
Sunny AMC	November, 2012	Receive by month	12	72	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 thousand 2.72 hundred and 2 thousand 3.27 hundred bad claims which were recorded 1 billion 41.038 million and 1.3 billion 94.846 million NT dollars to Sunny AMC respectively in public tender bid. The base date was July 25, 2007 and November 30, 2006 and the transaction price was 858 million and 610 million NT dollars. Transfer proceeds were paid by installments respectively from the date of contracts to July 31, 2010 and December 26, 2009. But the payment deadline of the bad claim which was transferred and sold in Year 2006 had been mature in Year 2009 and been signed a supplementary contract to extend the payment deadline to 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 183 million 38 thousand and 784

million 846 thousand NT dollars 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 other assets——unrecognized losses of selling bad claims. The changes are as follows:

	Year 2010	Year 2009
Balance at the beginning of the year	\$ 392,377	\$ 585,954
Amortization of the year	193,577	193,577
Recovery amount of the year	<u>2</u>	<u>-</u>
Balance at the end of the year	<u>\$ 198,798</u>	<u>\$ 392,377</u>

As of the end of 2010 and 2009, the balance of sales of receivables was 543 million 684 thousand and 816 million 577 thousand NT dollars respectively and recorded receivables.

10. Financial bonds payable

The face value of financial bonds which were issued by the bank and held by Sunny Personal Insurance Co., Ltd both at the end of 2010 and 2009 aggregated 5 million 500 thousand NT dollars.

Except for preferential interest rates of deposits and loans of the bank’s employees within the regulative limit amount, all trade terms of transactions between related parties and the bank are equivalent to that of transactions between non-related parties and the bank.

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

	Year 2010	Year 2009
Salary	\$ 39,833	\$ 38,144
Bonus	<u>3,439</u>	<u>1,737</u>
	<u>\$ 43,272</u>	<u>\$ 39,881</u>

28. Collateralized Assets

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

	December 31, 2010	December 31, 2009
Due from central bank	\$ 1,200,000	\$ 3,000,000
Financial assets at fair value through profit or loss	2,000	54,000
Financial assets in available-for-sale	240,100	236,300
Other assets——refundable deposit	223,218	233,858
——business guaranty fund	<u>9,400</u>	<u>2,300</u>
	<u>\$ 1,674,718</u>	<u>\$ 3,526,458</u>

The above collateralized assets are mainly 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 which is 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.

29. Material Commitments and Contingencies

In addition to the statement of Note 35 in financial statements, the bank's commitments and contingencies were as follows as of the end of 2010:

- (1) The bank's financial bills and bonds which were sold under the condition of repurchase were 2.2 billion 53.586 million NT dollars and shall be bought back at 2.2 billion 54.089 million NT dollars on January 28, 2011 by agreements.
- (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 95 million 336 thousand NT dollars. (recorded other assets) Rental expenses were 36 million 586 thousand NT dollars in Year 2010.

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

<u>Year</u>	<u>Amount</u>
2011	\$ 35,598
2012	27,883
2013	22,993
2014	18,674
2015	2,800

30. Material Events after the Reporting Period

The bank planned to conduct cash capital increase of issuing 50 million common stocks after the resolution of Board of Directors on January 21, 2011 to strengthen capital structure and coordinate with needs for business development. The issuing price per share was 10 NT dollars and the total issuing amount was 0.5 billion NT dollars.

31. Related Information about Financial Instruments

(1) Information about fair value

	December 31, 2010		December 31, 2009	
	Book value	Fair value	Book value	Fair value
<u>Financial Assets</u>				
Financial assets whose fair value and book value are equal	\$ 44,635,235	\$ 44,635,235	\$ 43,751,774	\$ 43,751,774
Financial assets at fair value through profit or loss	2,598,130	2,598,130	2,120,938	2,120,938
Financial assets in available-for-sale	2,670,252	2,670,252	3,551,598	3,551,598
Discounts and loans	172,483,268	172,483,268	161,951,070	161,951,070
Financial assets in held-to-maturity	-	-	79,880	79,880
Bond instrument investments which are not in active markets	36,875	36,875	40,220	40,220
<u>Financial Liabilities</u>				
Financial liabilities whose fair value and book value are equal	215,244,809	215,244,809	207,786,068	207,786,068
Financial liabilities at fair value through profit or loss	15,759	15,759	6,832	6,832
Financial bonds payable	8,009,400	8,009,400	6,009,400	6,009,400

(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	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Financial assets at fair value through profit or loss	\$ 647,133	\$ 919,563	\$ 1,950,997	\$ 1,201,375
Financial assets in available-for-sale	2,326,153	2,140,459	344,099	1,411,139
Financial liabilities at fair value through profit or loss	-	-	15,759	6,832

- (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 2010 and 2009 was NTD10 million 181 thousand gains and NTD63 million 493 thousand gains respectively.
- (5) At the end of 2010 and 2009, the bank's financial assets which are of risks of fair value of changes in interest rates were 3.9 billion 96.659 million and 5 billion 48.543 million NT dollars respectively and financial assets which are of risks of cash flow of changes in interest rates were zero and 12 million 651 thousand NT dollars 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 4.3 billion 43.311 million and 4.1 billion 9.04 million NT dollars respectively in Year 2010 and 2009. The bank's amount which was directly recognized as stockholders' equity adjustments from financial assets in available-for-sale of the year was 34 million 851 thousand and 4 million 297 thousand NT dollars respectively in Year 2010 and 2009.
- (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:

Unit: every foreign currency / thousand NT dollars

	December 31, 2010			December 31, 2009		
	Foreign currency	Exchange rate	New Taiwan dollar	Foreign currency	Exchange rate	New Taiwan dollar
<u>Financial Assets</u>						
US Dollar	\$ 245,579	29.130	\$7,153,716	\$ 164,755	32.176	\$5,301,157
Euro	2,436	38.920	94,809	2,804	46.230	129,629
South African Rand	-	-	-	32,195	4.340	139,726
Japanese Yen	-	-	-	1,332,779	0.348	463,807
<u>Financial Liabilities</u>						
US Dollar	210,000	29.130	6,117,300	145,917	32.176	4,695,025
South African Rand	52,848	4.400	232,531	42,220	4.340	183,235
Hong Kong Dollar	47,210	3.748	176,943	92,087	4.149	382,069
New Zealand Dollar	17,379	22.540	391,723	23,710	23.344	553,486
Australian Dollar	12,203	29.680	362,185	22,723	28.870	656,013
Euro	6,173	38.920	240,253	3,927	46.230	181,545
Great Britain Pound	-	-	-	1,262	51.740	65,296

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 extent of credit loan interest rate was 0%—18.88% both in Year 2010 and 2009 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:

	December 31, 2010	December 31, 2009
Loan commitment	\$ 7,332,815	\$ 9,011,002
Guarantee and open credit	4,045,819	4,227,115
Credit commitment of credit card	522,323	561,646

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 85.58% and 83.50% respectively at the end of 2010 and 2009. 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 which 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 ratio of credit amount to total amount of credit is listed):

Object	December 31, 2010	December 31, 2009
Natural person	\$ 121,332,955	\$ 117,891,591
Private enterprise	47,711,158	40,796,672
Government institutions	<u>1,465,424</u>	<u>1,987,054</u>
	<u>\$ 170,509,537</u>	<u>\$ 160,675,317</u>

Industry type	December 31, 2010	December 31, 2009
Manufacturing	\$ 10,993,649	\$ 11,625,344
Real estate industry	10,495,906	7,030,866
Construction	<u>6,971,889</u>	<u>4,147,187</u>
	<u>\$ 28,461,444</u>	<u>\$ 22,803,397</u>

Area	December 31, 2010	December 31, 2009
Inland	\$ 170,780,910	\$ 161,010,857
Asian area	1,051,311	945,110
European area	<u>323,155</u>	<u>462,946</u>
	<u>\$ 172,155,376</u>	<u>\$ 162,418,913</u>

3. Liquidity risk

The bank's ratio of liquid reserve was 16.21% and 16.82% respectively in Year 2010 and 2009. 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:

	December 31, 2010						Total
	Less than one month	1—3 months	3—6 months	6 months—one year	one year—seven years	more than seven years	
Assets							
Cash	\$ 3,749,876	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,749,876
Due from central bank and inter-bank offering	38,618,166	-	-	-	-	-	38,618,166
Financial assets at fair value through profit or loss	1,682,605	796,979	14,959	50,781	-	52,806	2,598,130
Total amount of receivables	2,126,755	-	-	-	-	-	2,126,755
Total amount of discounts and loans	9,908,776	6,350,842	9,436,032	15,761,250	39,095,017	93,304,779	173,856,696
Financial assets in available-for-sale	715,703	289,576	-	335,218	975,039	354,716	2,670,252
Total debt instrument investments which are not in active markets	-	-	-	-	147,500	-	147,500
Total assets	<u>\$ 56,801,881</u>	<u>\$ 7,437,397</u>	<u>\$ 9,450,991</u>	<u>\$ 16,147,249</u>	<u>\$ 40,217,556</u>	<u>\$ 93,712,301</u>	<u>\$ 223,767,375</u>
Liabilities							
Financial liabilities at fair value through profit or loss	\$ 15,759	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,759
Central bank and interbank deposits	5,805,631	-	-	-	-	-	5,805,631
Financial bills and bonds sold under repurchase agreement	2,253,586	-	-	-	-	-	2,253,586
Payables	2,117,252	-	-	-	-	-	2,117,252
Deposits and remittances	105,857,800	20,960,579	29,199,514	45,744,679	3,185,271	-	204,947,843
Financial bonds payable	-	-	-	-	8,009,400	-	8,009,400
Total liabilities	<u>\$ 116,050,028</u>	<u>\$ 20,960,579</u>	<u>\$ 29,199,514</u>	<u>\$ 45,744,679</u>	<u>\$ 11,194,671</u>	<u>\$ -</u>	<u>\$ 223,149,471</u>
December 31, 2009							
	Less than one month	1—3 months	3—6 months	6 months—one year	one year—seven years	more than seven years	Total
Assets							
Cash	\$ 3,989,162	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,989,162
Due from central bank and inter-bank offering	37,099,985	-	-	-	-	-	37,099,985
Financial assets at fair value through profit or loss	764,143	550,026	257,177	-	52,727	496,865	2,120,938
Total amount of receivables	2,828,134	-	-	-	-	-	2,828,134
Total amount of discounts and loans	12,125,591	5,860,333	8,822,855	14,365,867	27,645,420	94,654,359	163,474,425
Financial assets in available-for-sale	1,629,182	-	-	73,372	1,480,429	368,615	3,551,598
Financial assets in held-to-maturity	-	-	-	12,651	67,229	-	79,880
Total debt instrument investments which are not in active markets	-	-	-	-	160,880	-	160,880
Total assets	<u>\$ 58,436,197</u>	<u>\$ 6,410,359</u>	<u>\$ 9,080,032</u>	<u>\$ 14,451,890</u>	<u>\$ 29,406,685</u>	<u>\$ 95,519,839</u>	<u>\$ 213,305,002</u>
Liabilities							
Financial liabilities at fair value through profit or loss	\$ 4,547	\$ 818	\$ -	\$ 1,467	\$ -	\$ -	\$ 6,832
Central bank and interbank deposits	5,939,242	-	-	-	-	-	5,939,242
Payables	2,381,449	-	-	-	-	-	2,381,449
Deposits and remittances	99,404,240	24,816,139	25,092,756	46,047,752	4,026,561	-	199,387,448
Financial bonds payable	-	-	-	-	6,009,400	-	6,009,400
Total liabilities	<u>\$ 107,729,478</u>	<u>\$ 24,816,957</u>	<u>\$ 25,092,756</u>	<u>\$ 46,049,219</u>	<u>\$ 10,035,961</u>	<u>\$ -</u>	<u>\$ 213,724,371</u>

(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.

32. 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.

Analysis item		Year	December 31, 2010	December 31, 2009	
Equity capital	Tier 1 capital		\$ 9,961,148	\$ 9,568,923	
	Tier 2 capital		3,795,447	3,339,545	
	Tier 3 capital		-	-	
	Equity capital		13,756,595	12,908,468	
Total risk-weighted assets	Credit risk	Standardized approach	143,972,376	136,002,699	
		Internal ratings-based approach	-	-	
		Asset securitization	-	15,976	
	Operation risk	Basic indicator approach	5,587,007	6,050,623	
		Standardized approach / Alternative standardized approach	-	-	
		Advanced measurement approach	-	-	
	Market risk	Standardized approach	5,780,385	5,061,195	
		Internal model approach	-	-	
	Total risk-weighted assets			155,339,768	147,130,493
	BIS ratio			8.86%	8.77%
The ratio of tier 1 capital to risk assets			6.41%	6.50%	
The ratio of tier 2 capital to risk assets			2.45%	2.27%	
The ratio of tier 3 capital to risk assets			-	-	
The ratio of ordinary share capital to total assets			5.22%	5.46%	
Leverage ratio			4.38%	4.18%	

- 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
- 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.”)

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

	Year 2010		Year 2009	
	Average value	Average interest rate %	Average value	Average interest rate %
<u>Assets</u>				
Cash—due from banks	\$ 283,332	0.31	\$ 341,240	0.23
Due from central bank and inter-bank offering	39,489,041	0.60	33,467,025	0.66
Financial assets at fair value through profit or loss	3,866,380	0.58	5,808,973	0.44
Financial assets in available-for-sale	2,918,784	1.73	3,929,676	1.73
Financial assets in held-to-maturity	10,039	1.15	95,728	2.25
Debt instrument investments which are not in active markets	197,369	-	165,292	-
Financial bills and bond investments under reverse repurchase agreement	67,248	0.36	194,079	0.17
Receivables	612,557	13.12	758,247	12.23
Discounts and loans	166,930,344	2.38	161,173,324	2.31
<u>Liabilities</u>				
Financial bills and bonds sold under repurchase agreement	2,953,151	0.40	504,759	0.06
Central bank and interbank deposits	7,275,100	1.00	6,405,102	1.14
Demand deposit	19,243,095	0.05	15,333,733	0.07
Demand savings deposit	53,359,676	0.18	46,087,251	0.28
Time deposit	36,845,889	0.82	43,183,151	1.33
Time savings deposit	89,067,223	1.14	88,798,418	1.77
Cash in public treasury	463,797	0.19	218,102	0.44
Negotiable certificates of deposit	1,106,979	0.59	871,824	1.14
Financial bonds payable	6,740,296	2.69	5,781,622	2.66

34. Related Information about 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: thousand NT dollars, %

Month / Year		December 31, 2010					December 31, 2009				
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
	No guarantee	642,607	19,496,199	3.30%	566,095	88.09%	855,922	19,306,239	4.43%	738,646	86.30%
Consumer finance	Residential mortgage lending (Note 4)	444,482	54,774,154	0.81%	214,682	48.30%	799,110	55,201,812	1.45%	248,555	31.10%
	Cash card	-	-	-	-	-	-	-	-	-	-
	pure credit loans of petty cash (Note 5)	77,547	2,319,633	3.34%	162,271	209.26%	98,468	3,801,671	2.59%	66,289	67.32%
	Guarantee	420,215	61,342,504	0.69%	134,720	32.06%	772,257	55,686,672	1.39%	183,123	23.71%
	No guarantee	70,090	2,345,858	2.99%	60,468	86.27%	116,893	2,470,066	4.73%	82,873	70.90%
Total loan businesses		2,243,919	173,856,696	1.29%	1,373,428	61.21%	3,557,956	163,474,425	2.18%	1,523,355	42.82%
		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		5,282	706,673	0.75%	15,865	300.36%	13,685	827,917	1.65%	10,683	78.06%
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: thousand NT dollars

	December 31, 2010		December 31, 2009	
	Total balance of non-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	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)	\$ 32,104	-	\$ 43,749	
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)	16,041	-	12,513	
Total balance of delinquent accounts receivable that do not represent by contract performance on debt service and renewal projects (Note 2)	3,822	-	2,991	

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

Concentration of credit risk

Unit: thousand NT dollars, %

Year	December 31, 2010			December 31, 2009				
	Ranking (Note 1)	Company or group enterprise in the industry (Note 2)	Total balance of credit (Note 3)	Account for (%) of net value of the year	Company or group enterprise in the industry (Note 2)	Total balance of credit (Note 3)	Account for (%) of net value of the year	
1	A	Group in the iron and steel smelting industry	\$ 1,499,914	13.83	A	Group in the iron and steel smelting industry	\$ 1,298,755	12.58
2	B	Group in the buildings construction industry	1,435,220	13.24	C	Group in the civil air transportation industry	1,244,931	12.06
3	C	Group in the civil air transportation industry	970,561	8.95	F	Group in the rental and leasing of construction machinery and equipment	1,124,611	10.89
4	D	Group in the man-made fibers manufacturing	813,990	7.51	J	Group in the liquid crystal panel and components manufacturing	819,747	7.94
5	E	Company in the real estate development industry	736,160	6.79	D	Group in the man-made fibers manufacturing	792,568	7.68
6	F	Group in the rental and leasing of construction machinery and equipment	729,769	6.73	K	Group in the integrated circuits manufacturing	782,565	7.58
7	G	Company in the wholesale of metal building materials	696,694	6.42	L	Group in the liquid crystal panel and components manufacturing	742,456	7.19
8	H	Company in the buildings construction	680,000	6.27	M	Group in the public rapid transit	720,599	6.98
9	I	Group in the investment advisory service	670,699	6.19	N	Group in the liquid crystal panel and components manufacturing	675,000	6.54
10	J	Group in the liquid crystal panel and components manufacturing	663,241	6.12	O	Group in the real estate for sale and rental with own or leased property	614,000	5.95

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) Sensitive information about interest rates

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

December 31, 2010

Unit: thousand NT dollars, %

Item	1—90 days (included)	91—180 days (included)	181 days—one year (included)	More than one year	Total
Interest-sensitive assets	\$ 181,907,566	\$ 6,135,187	\$ 1,092,297	\$ 13,487,253	\$ 202,622,303
Interest-sensitive liabilities	101,031,185	84,031,982	19,083,334	7,102,935	211,249,436
Interest-sensitive gap	80,876,381	(77,896,795)	(17,991,037)	6,384,318	(8,627,133)
Net value					10,805,551
The ratio of interest-sensitive assets to liabilities					95.92%
The ratio of interest-sensitive gap to net value					(79.84%)

December 31, 2009

Unit: thousand NT dollars, %

Item	1—90 days (included)	91—180 days (included)	181 days—one year (included)	More than one year	Total
Interest-sensitive assets	\$ 161,507,036	\$ 12,834,576	\$ 738,052	\$ 20,437,468	\$ 195,517,132
Interest-sensitive liabilities	100,317,491	77,694,262	16,506,962	8,255,663	202,774,378
Interest-sensitive gap	61,189,545	(64,859,686)	(15,768,910)	12,181,805	(7,257,246)
Net value					10,331,931
The ratio of interest-sensitive assets to liabilities					96.42%
The ratio of interest-sensitive gap to net value					(70.24%)

- Note: 1. The filled-in amount in the forms refers to NT dollar (excludes 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 (They refer to interest-sensitive assets and interest-sensitive liabilities at NT dollars)

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

December 31, 2010

Unit: thousand US dollars, %

Item	1—90 days (included)	91—180 days (included)	181 days—one year (included)	More than one year	Total
Interest-sensitive assets	\$ 220,963	\$ 25,502	\$ 499	\$ 742	\$ 247,706
Interest-sensitive liabilities	216,735	17,613	8,729	12,595	255,672
Interest-sensitive gap	4,228	7,889	(8,230)	(11,853)	(7,966)
Net value					1,297
The ratio of interest-sensitive assets to liabilities					96.88%
The ratio of interest-sensitive gap to net value					(614.19%)

December 31, 2009

Unit: thousand US dollars, %

Item	1—90 days (included)	91—180 days (included)	181 days—one year (included)	More than one year	Total
Interest-sensitive assets	\$ 144,994	\$ 26,800	\$ 311	\$ -	\$ 172,105
Interest-sensitive liabilities	164,314	18,295	14,991	154	197,754
Interest-sensitive gap	(19,320)	8,505	(14,680)	(154)	(25,649)
Net value					(185)
The ratio of interest-sensitive assets to liabilities					87.03%
The ratio of interest-sensitive gap to net value					13,864.32%

- Note: 1. The fill-in amount in the forms refers to total US dollars in the head office and domestic branches, OBU and overseas branches. (excludes contingent assets and contingent liabilities)
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 (They refer to interest-sensitive assets and interest-sensitive liabilities at US dollars)

(4) Profitability

Item		Year 2010	Year 2009
Return on asset	Before tax	0.26	(0.12)
	After tax	0.24	(0.13)
Return on equity	Before tax	5.63	(2.68)
	After tax	5.20	(2.97)
Ratio of net profit		16.31	(11.98)

- Note: 1. $\text{Return on asset} = \text{Profit or loss before (after) tax} \div \text{Average asset}$
 2. $\text{Return on equity} = \text{Profit or loss before (after) tax} \div \text{Average equity}$
 3. $\text{Net profit ratio} = \text{Profit or loss after tax} \div \text{Net income}$

(5) Maturity analysis of assets and liabilities

Term structure analysis of maturity at NT dollars

December 31, 2010

	Total	Amount of remaining period before maturity				
		1—30 days	31—90 days	91—180 days	181 days—one year	More than one year
Main capital inflow of maturity	\$ 226,599,984	\$ 43,533,849	\$ 11,986,603	\$ 18,737,574	\$ 35,348,792	\$ 116,993,166
Main capital outflow of maturity	263,997,316	31,413,081	32,772,941	45,919,654	82,503,319	71,388,321
Period gap	(37,397,332)	12,120,768	(20,786,338)	(27,182,080)	(47,154,527)	45,604,845

December 31, 2009

	Total	Amount of remaining period before maturity				
		1—30 days	31—90 days	91—180 days	181 days—one year	More than one year
Main capital inflow of maturity	\$ 217,599,533	\$ 28,437,485	\$ 23,326,932	\$ 23,104,249	\$ 33,294,666	\$ 109,436,201
Main capital outflow of maturity	256,548,598	30,297,761	35,892,531	40,988,963	81,414,744	67,954,599
Period gap	(38,949,065)	(1,860,276)	(12,565,599)	(17,884,714)	(48,120,078)	41,481,602

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

Term structure analysis of maturity at US dollars

December 31, 2010

Unit: thousand US dollars

	Total	Amount of remaining period before maturity				
		1—30 days	31—90 days	91—180 days	181 days—one year	More than one year
Main capital inflow of maturity	\$ 349,202	\$ 178,902	\$ 74,589	\$ 28,632	\$ 5,500	\$ 61,579
Main capital outflow of maturity	322,936	238,558	40,103	20,235	8,752	15,288
Period gap	26,266	(59,656)	34,486	8,397	(3,252)	46,291

December 31, 2009

Unit: thousand US dollars

	Total	Amount of remaining period before maturity				
		1—30 days	31—90 days	91—180 days	181 days—one year	More than one year
Main capital inflow of maturity	\$ 329,331	\$ 202,860	\$ 54,980	\$ 36,966	\$ 8,519	\$ 26,006
Main capital outflow of maturity	296,028	210,230	52,400	18,337	15,014	47
Period gap	33,303	(7,370)	2,580	18,629	(6,495)	25,959

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 oversea assets to total assets of the bank is over 10%.

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

Balance Sheet on Trust Account

December 31, 2010

Trust assets		Trust liabilities	
Cash and bank deposit	\$ 524,209	Custodial marketable securities payable	\$ 6,503,051
Short-term investment—		Trust capital—	
Fund investment	20,643,957	Money in trust	21,822,360
Bond investment	178,412	Real estate in trust	4,132,695
Stock investment	972,637	Marketable securities in trust	972,637
Real estate—		Accumulated profit or loss	
Land	3,945,670	Accumulated profit or loss on principal	(1,346,626)
Houses and construction	6,899	Profit or loss of the year	<u>690,718</u>
Custodial marketable securities	<u>6,503,051</u>		
	<u>\$ 32,774,835</u>		<u>\$ 32,774,835</u>

Catalog of Trust Property

December 31, 2010

Investment item	Recorded amount
Cash and bank deposit	
Due from the bank	\$ 524,209
Short-term investment—	
Fund investment—NTD trust	\$ 13,047,776
—foreign currency trust	7,596,181
Bond investment—NTD trust	42,608
—foreign currency trust	135,804
Stock investment	<u>972,637</u>
Real estate—	
Land	3,945,670
Houses and construction	6,899
Custodial marketable securities	<u>6,503,051</u>
	<u>\$ 32,774,835</u>

Income Statement on Trust Account

Year 2010

Investment item	Recorded amount	
Trust income		
Interest income	\$ 273	
Dividend income	716,717	
Gains on property transaction	578,308	
Realized capital gains	13,979	\$ 1,309,277
Trust expense		
Administration expense	25,102	
Tax expenditure	128,600	
Commission	20,272	
Losses on property transaction	444,579	
Other expenses	6	618,559
		\$ 690,718

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, 2009

Trust assets		Trust liabilities	
Cash and bank deposit	\$ 206,120	Custodial marketable securities payable	\$ 11,916,547
Short-term investment—		Trust capital—	
Fund investment	20,195,834	Money in trust	21,308,497
Bond investment	548,638	Real estate in trust	1,811,465
Stock investment	811,996	Marketable securities in trust	811,997
Real estate—		Accumulated profit or loss	
Land	1,660,691	Accumulated profit or loss on principal	(1,078,165)
Custodial marketable securities	11,916,547	Profit or loss of the year	569,485
	\$ 35,339,826		\$ 35,339,826

Catalog of Trust Property

December 31, 2009

Investment item	Recorded amount	
Cash and bank deposit		
Due from the bank		\$ 206,120
Short-term investment—		
Fund investment—NTD trust	\$ 13,629,336	
—foreign currency	6,558,254	
trust		
—pre-need trust	8,244	
Bond investment—NTD trust	42,608	
—foreign currency	506,030	
trust		
Stock investment	811,996	21,556,468
Real estate—land		1,660,691
Custodial marketable securities		<u>11,916,547</u>
		<u>\$ 35,339,826</u>

Income Statement on Trust Account

Year 2009

Investment item	Recorded amount	
Trust income		
Interest income	\$ 366	
Dividend income	604,401	
Gains on property transaction	410,288	
Realized capital gains	50,985	\$ 1,066,040
Trust expense		
Administration expense	30,718	
	32,584	
Tax expenditure		
Commission	8,485	
Losses on property transaction	424,768	<u>496,555</u>
		<u>\$ 569,485</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.

36. Notes of Disclosure Events

There is no more other event that shall be disclosed in the bank except for additional list 1, 2 and 3.

37. Departmental Financial Information

(1) Industry information

The bank runs businesses which commercial banks can run in accordance with regulations of “The Banking Act of The Republic of China” and belongs to single industry.

(2) Area information

As of the end of 2010, there was still no overseas operational department set up by the bank.

(3) Information about export sale income

As of the end of 2010, there was no export sale income.

(4) Important customer information

There is not any income which is from single customer over 10% of the bank’s net income.

Sunny Bank Ltd.
Related Information about Reinvestment Businesses
Year 2010

Additional list 1

Unit: thousand NT dollars

Name of investment company	Name of investee company	Location	Main business item	Shareholding ratio at the end of period (%)	Carrying amount of investment	Profit or loss on investee company of the year	recognized investment profit or loss of the year	Shareholding of combination between affiliates and the bank (Note 2)				Remark
								Shares of existing shares (thousand shares)	Fictional shareholding (thousand shares)	Total		
										shares (thousand shares)	Shareholding ratio (%)	
The bank	Sunny Securities Co.	Taipei City	Investment securities business	97.7	\$ 230,860	\$ 8,315	\$ 8,123	29,500	-	29,500	97.7	Subsidiary
	Sunny Asset Management Company Ltd.	Taipei City	Debts factoring of financial institution	100.0	36,212	11,701	11,701	5,000	-	5,000	100.0	Subsidiary
	Sunny Personal Insurance Agent Company	Taipei City	Agent business of personal insurance	39.9	31,278	35,353	14,565 (註一)	1,500	-	1,500	99.9	Subsidiary
	Sunny Property Insurance Broker Company	Taipei City	Property insurance brokerage	20.0	2,706	1,463	293	605	-	605	100.0	Subsidiary
	Ontario Securities Investment Trust Co., Ltd. (Note 3)	Taipei City	Trust business of securities investment	-	-	(56,791)	(10,872)	-	-	-	-	The investee company under equity method

Note 1: Including investment gains of 14 million 137 thousand NT dollars and the difference between investment costs and net equity, which is amortized 428 thousand NT dollars.

Note 2: 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 3: The other investment profits or losses are calculated according to financial statements of investee companies, which are audited by accountants during the same period except for the investment loss of Ontario Securities Investment Trust Co., Ltd., which is calculated according to financial statements which are not audited by accountants due to its sale during the year.

Sunny Bank Ltd.

Related party receivables reach 0.3 billion NT dollars or over 10% of paid-in capital.

December 31, 2010

Additional list 2

Unit: thousand NT dollars

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 Ltd.	Sunny Asset Management Company Co., Ltd.	Subsidiary	\$ 543,684	Not applicable to banking business	No	Not applicable	\$ 4,056	\$415,995

Note: It refers to accounts receivable that bad claims are sold to Sunny Asset Management Company Co., Ltd.

Sunny Bank Ltd.
Holding of Marketable Securities at the End of The Year
December 31, 2010

Additional list 3

Unit: The amount unit is thousand NT dollars
except for additional indication.

Company that holds	Category and name of marketable securities	Relations with marketable securities issuer	Recorded title	At the end of the year				Remark	
				Shares / Number of unit	Carrying amount	Shareholding ratio	Market price / Net equity		
Sunny Securities Co.	<u>Stock</u>								
	Sunny Personal Insurance Agent Company	Subsidiary	Equity investment under equity method	900,000	\$ 52,122	60%	\$ 52,194		
	W.I.S.E. Polaris CSI 300 Securities Investment Trust Fund-ETF		Financial assets at fair value through profit or loss	300,000	5,841	-	5,841		
	Hung Chou Chemical IND. Co., Ltd.	—	Financial assets at fair value through profit or loss	200,000	2,060	-	2,060		
	Walsin Technology Corporation	—	Financial assets at fair value through profit or loss	150,000	2,970	-	2,970		
	Yuanta Financial Holdings	—	Financial assets at fair value through profit or loss	120,000	2,616	-	2,616		
Sunny Asset Management Company Ltd.	<u>Stock</u>								
	Sunny Property Insurance Broker Company	—	Equity investment under equity method	242,000	5,413	40%	5,413		
	Sunny Personal Insurance Agent Company	<u>Stock</u>							
		Yulon Motor Co., Ltd.	—	Financial assets at fair value through profit or loss	105,839	6,530	-	6,530	
		Hung Sheng Construction Co., Ltd.	—	Financial assets at fair value through profit or loss	418,000	8,465	-	8,465	
		Farglory Land Development Co., Ltd.	—	Financial assets in available-for-sale	60,000	4,710	-	4,710	
Sunny Bank Ltd.		Parent company	Financial assets measured at costs	420,059	3,508	-	3,508		
Sunny Property Insurance Broker Co., Ltd.	—	Equity investment under equity method	242,000	5,413	40%	5,413			
Sunny Property Insurance Broker Company	<u>Bond</u>								
	Sunny Bank Ltd.	Parent company	Financial assets in held-to-maturity	-	5,500	-	5,500		
	<u>Stock</u>								
Sunny Property Insurance Broker Company	Yulon Motor Co., Ltd.	—	Financial assets in available-for-sale	50,745	3,131	-	3,131		
	Hung Sheng Construction Co., Ltd.	—	Financial assets in available-for-sale	33,000	668	-	668		

Sunny Bank Ltd.
Detailed Statement of Cash and Cash Equivalents
December 31, 2010

Statement 1 Unit: the amount unit is thousand NT dollars
except for additional indication.

Item	Annual interest rate (%)	Amount
NTD of inventory		\$ 2,516,817
Post-dated checks for clearance		826,193
Due from banks	0-0.12	371,180
Foreign currency of inventory (Note)		<u>35,686</u>
		<u>\$ 3,749,876</u>

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

Foreign currency	Amount of original currency (thousand dollars)	Exchange rate
Japanese Yen	\$ 19,096	\$ 0.3582
Renminbi	944	4.4405
Hong Kong Dollar	834	3.7480
US Dollar	610	29.1300
Euro	97	38.9200

Sunny Bank Ltd.
Detailed Statement of Financial Instruments at Fair Value through Profit or Loss
December 31, 2010

Statement 2

Unit: the amount unit is thousand NT dollars
except for the unit price is NT dollar.

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 for trading purposes								
Financing commercial paper	Masterlink Securities		2011.01.26-2011.01.28	\$ 350,000	0.60-0.65	\$ 349,811		\$ 349,824
	President Securities		2011.01.21-2011.01.31	400,000	0.60	399,760		399,769
	Industrial Bank of Taiwan		2011.01.14	250,000	0.60	249,856		249,860
	Global Securities Finance Corporation		2011.01.21-2011.02.23	190,000	0.65-0.67	189,815		189,829
	Concord Securities		2011.02.11-2011.02.24	120,000	0.60	119,887		119,884
	Yi Tai Investment		2011.01.13	100,000	0.49	99,958		99,956
	Yieh Phui Enterprise Co., Ltd.		2011.02.18	100,000	0.55	99,909		99,901
	Others (Note 1)		2011.01.04-2011.03.21	<u>407,000</u>	0.48-0.67	<u>406,595</u>		<u>406,564</u>
				<u>1,917,000</u>		<u>1,915,591</u>		<u>1,915,587</u>
Negotiable certificates of deposit	Peitou, Sunny		2011.04.25	15,000	0.83	14,953		14,959
Government bond (Note 1 and 3)	CBA 2008-6	09.24	2018.09.24	50,000	2.13	52,022	\$105.6132	52,806
	NCB 2001-1	05.30	2011.05.30	50,000	4.62	56,811	101.5732	50,781
				<u>100,000</u>		<u>108,833</u>		<u>103,587</u>
Beneficiary certificate (Note 1)				-		390,334		391,216
Common stocks of listed and over-the-counter companies (Note 1)				-		142,479		143,312
Common stocks of listed companies—overseas (Note 1)				-		-		9,018
Currency swap				-		-		20,451
				<u>\$ 2,032,000</u>		<u>\$ 2,572,190</u>		<u>\$ 2,598,130</u>
Financial liabilities for trading purposes								
Foreign exchange forward								\$ 849
Currency swap								14,910
								<u>\$ 15,759</u>

Note 1: All balance does not reach 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 31, 2010; that of beneficiary certificate refers to the net value on December 31, 2010; that of common stocks of listed and over-the-counter companies refers to the closing price on December 31, 2010.

Note 3: Bonds which are worth 2 million NT dollars altogether have been provided with guarantee.

Sunny Bank Ltd.
Detailed Statement of Financial Assets in Available-for-sale
December 31, 2010

Statement 3

Unit: the amount unit is thousand NT dollars
except for the unit price is NT dollar.

Category of financial instrument	Name of financial instrument	Summary		Face value	Interest rate (%)	Acquisition cost	Valuation adjustments	Fair value (Note 2)		Remark
		Interest payment date	Maturity					Unit price	Total amount	
Government bond (Note 3)	CBA 2009-1	01.21	2014.01.21	\$ 600,000	0.88	\$ 595,872	\$ 2,240	\$ 99.6850	\$ 598,112	
	CBA 2009-3	03.05	2019.03.05	300,000	1.38	293,939	(1,773)	97.3880	292,166	
	CBA 2001-6	08.07	2016.08.07	100,000	3.75	108,600	4,945	113.5511	113,545	
	CBB 1998-1	02.20	2013.02.20	100,000	6.88	105,895	7,136	113.0487	113,031	
	Others	01.05-09.09	2016.01.05-2019.09.09	<u>305,800</u>	1.00-5.25	<u>55,287</u>	<u>3,017</u>	99.4240-130.8468	<u>58,304</u>	Note 1
			<u>1,405,800</u>		<u>1,159,593</u>	<u>15,565</u>			<u>1,175,158</u>	
Common stocks of listed and over-the-counter companies (Note 1)			-	-	<u>523,000</u>	<u>25</u>			<u>523,025</u>	
Corporate bond	2000 Yang Ming 2D	11.23	2012.11.23	24,000	6.02	24,970	-		24,970	Note 1
	2006 Formosa Petrochemical 4	10.20	2011.10.20	100,000	2.09	99,980	876		100,856	
	2006 Inotera Memories 2	01.05	2012.01.05	50,000	2.23	49,988	(654)		49,334	
	2007 Nanya Technology 1	05.31	2012.05.31	33,500	2.29	33,483	264		33,747	
	2004 Yang Ming 2B	10.11	2011.10.11	200,000	3.30	200,360	(7)		200,353	
	2006 Yang Ming 1A	10.23	2011.10.23	<u>34,000</u>	2.09	<u>34,001</u>	<u>8</u>		<u>34,009</u>	
				<u>441,500</u>		<u>442,782</u>	<u>487</u>		<u>443,269</u>	
Financing commercial paper	Gem Terminal Ind. Co., Ltd.		2011.03.29	50,000	2.01	49,753	159		49,912	
	Asia Cement		2011.03.11	200,000	0.72	199,641	21		199,662	
	Hanpin Electron		2011.03.14	<u>40,000</u>	2.03	<u>39,799</u>	<u>203</u>		<u>40,002</u>	
			<u>290,000</u>		<u>289,193</u>	<u>383</u>		<u>289,576</u>	Note 1	
Beneficiary certificate (Note 1)			-	-	<u>200,000</u>	(15,299)		<u>184,701</u>		
Beneficiary securities	Real estate in trust, Song Jiang, Shin Kong Life	08.08 ; 02.08	2013.08.08	<u>42,405</u>	2.21	<u>42,405</u>	-		<u>42,405</u>	
Asset-backed commercial paper	Land Bank and Taishin Bank			-	-	-	<u>7,977</u>		<u>7,977</u>	
Foreign bond				-	-	<u>4,223</u>	(82)		<u>4,141</u>	
				<u>\$ 2,179,705</u>		<u>\$ 2,661,196</u>	<u>\$ 9,056</u>		<u>\$ 2,670,252</u>	

Note 1: All balance does not reach 5% of the title amount.

Note 2: The fair value of bonds and beneficiary securities refers to the reference price in every phase of over-the-counter bonds exchange of Gretai Securities Market on December 31, 2010.

Note 3: Bonds which are worth 240 million 100 thousand NT dollars altogether have been provided with guarantee.

Sunny Bank Ltd.
Detailed Statement of Changes in Equity Investment under Equity Method
Year 2010

Statement 4

Unit: the amount unit is thousand NT dollars
except for additional indication.

Name of investee company	Balance at the beginning of the year		Decrease in the year (Note1)	Investment profit or loss recognized under equity method (Note 2)	Stockholders' equity adjustments (Note 3)	Balance at the end of the year		
	Thousand shares	Amount				Thousand shares	Shareholding %	Amount (Note 4)
Sunny Securities Co.	29,500	\$ 222,076	\$ -	\$ 8,123	\$ 661	29,500	97.7	\$ 230,860
Ontario Securities Investment Trust Co., Ltd.	6,006	26,173	15,301	(10,872)	-	-	-	-
Sunny Asset Management Company Ltd.	5,000	23,945	-	11,701	566	5,000	100.0	36,212
Sunny Personal Insurance Agent Company	600	19,301	3,000	14,565	412	600	39.9	31,278
Sunny Property Insurance Broker Company	121	<u>2,373</u>	<u>242</u>	<u>293</u>	<u>282</u>	121	20.0	<u>2,706</u>
		<u>\$ 293,868</u>	<u>\$ 18,543</u>	<u>\$ 23,810</u>	<u>\$ 1,921</u>			<u>\$ 301,056</u>

Note 1: It means to acquire allotted cash dividends of Sunny Personal Insurance Agent Company and Sunny Personal Insurance Agent Company, which are 3 million 242 thousand NT dollars altogether and to sell cash dividends of Ontario Securities Investment Trust Co., Ltd., which are 15 million 301 thousand NT dollars.

Note 2: The other investment profits or losses are calculated according to financial statements of investee companies, which are audited by accountants during the same period except for the investment loss of Ontario Securities Investment Trust Co., Ltd., which is calculated according to financial statements which are not audited by accountants due to its sale during the year.

Note 3: They include changes in unrealized gains of financial instruments in available-for-sale of 1 million 862 thousand NT dollars and changes in net loss not recognized as pension costs of 59 thousand NT dollars.

Note 4: All of the amount is not provided with pledged goods or collaterals.

Sunny Bank Ltd.
Detailed Statement of Deposit and Remittance
December 31, 2010

Statement 5

Unit: thousand NT dollars

Item	Amount
Savings deposit	
Interest drawing savings deposit	\$ 58,537,038
Demand savings deposit	55,667,558
Non-drawing time saving deposit	24,895,087
Employee demand savings deposit	602,726
Club savings deposit	<u>96,780</u>
	<u>139,799,189</u>
Time deposit	
Time deposit	35,040,954
Foreign currency time deposit	2,957,538
Negotiable certificates of deposit	<u>939,700</u>
	<u>38,938,192</u>
Demand deposit	
Demand deposit	19,233,273
Foreign currency demand deposit	<u>4,494,075</u>
	<u>23,727,348</u>
Check deposit	
Check deposit	2,047,218
The bank's check	<u>258,124</u>
	<u>2,305,342</u>
Cash in public treasury	<u>167,759</u>
Remittance	<u>10,013</u>
	<u>\$ 204,947,843</u>

Sunny Bank Ltd.
Detailed Statement of Financial Bonds Payable
December 31, 2010

Statement 6

Unit: thousand NT dollars

Name	Issue period	Way of repaying capital with interest	Annual interest rate (%)	Total amount of issue
The first phase of Year 2006 subordinated	2006.05.16-2011.11.16	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.	2.55	\$2,000,000
The first phase of Year 2007 subordinated (A bond)	2007.04.09-2014.04.09	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)	2007.04.09-2014.04.09	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.	1.75	1,100,000
The second phase of Year 2007 subordinated (A bond)	2007.11.16-2013.05.16	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)	2007.11.16-2013.05.16	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.	1.90	101,000
The third phase of Year 2007 subordinated (A bond)	2007.12.26-2014.02.26	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)	2007.12.26-2014.02.26	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.	2.10	43,900
The first phase of Year 2009 subordinated	2009.06.15-2015.01.15	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

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(Brought forward)

<u>Name</u>	<u>Issue period</u>	<u>Way of repaying capital with interest</u>	<u>Annual interest rate (%)</u>	<u>Total amount of issue</u>
The first phase of Year 2010 subordinated (A bond)	2010.04.30-2017.04.30	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)	2010.04.30-2017.04.30	Repay the principal at a time at maturity; Interest rate is reset at the displaying variable rates of time savings deposit in the bank quarterly according to coupon rate since the issue date and interest is paid every year.	2.98	230,000
The second phase of Year 2010 subordinated (A bond)	2010.10.29-2017.10.29	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)	2010.10.29-2017.10.29	Repay the principal at a time at maturity; Interest rate is reset at the displaying variable rates of time savings deposit in the bank quarterly according to coupon rate since the issue date and interest is paid every year.	2.86	300,000
The third phase of Year 2010 subordinated	2010.11.11-2017.10.11	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	<u>400,000</u>
				<u>\$8,009,400</u>

Sunny Bank Ltd.
Detailed Statement of Interest Income
Year 2010

Statement 7

Unit: thousand NT dollars

Item	Amount
Accrued interest from loans	
Short term	\$ 749,331
Mid term	759,121
Long term	2,139,768
Interest of overdraft	<u>117,955</u>
	<u>3,766,175</u>
Interest of financial assets	<u>72,922</u>
Revolving interest of credit card	<u>80,359</u>
Interbank interest	
Renewal interest	197,884
Interest of reserve fund	28,662
Interest of loan at call	10,668
Interest of deposit and loan	<u>21</u>
	<u>237,235</u>
Interest of foreign exchange	<u>71,109</u>
Others	<u>137,790</u>
	<u>\$ 4,365,590</u>

Sunny Bank Ltd.
Detailed Statement of Interest Expense
Year 2010

Statement 8

Unit: thousand NT dollars

Item	Amount
Interest of deposit	
Interest drawing savings deposit	\$ 702,114
Time deposit	301,542
Non-drawing time and club savings deposits	316,365
Demand savings deposit	78,420
Employee demand savings deposit	15,373
Demand deposit	10,013
Negotiable certificates of deposit	6,509
Cash in public treasury	864
	<u>1,431,200</u>
 Coupons of financial bond	 <u>181,429</u>
 Interbank interest	
Deposit transfers	32,284
Call loans from banks	1,866
Interbank deposit	38,849
	<u>72,999</u>
 Financial bills and bonds under repurchase agreement	 <u>11,773</u>
 Others	 <u>112</u>
	<u>\$ 1,697,513</u>

Sunny Bank Ltd.
Detailed Statement of Net Income of Commission
Year 2010

Statement 9

Unit: thousand NT dollars

Item	Amount
Commission income	
Agency business	\$157,233
Trust business	326,777
Loan business	118,892
Credit card business	45,532
Interbank business	26,705
Guarantee expense	30,557
Others (Note)	<u>65,961</u>
	<u>771,657</u>
 Commission expenses	
Credit card business	23,738
Trust business	16,805
Interbank business	13,731
Agency business	5,412
Foreign exchange business	6,093
Others (Note)	<u>8,681</u>
	<u>74,460</u>
 Net income of commission	 <u>\$697,197</u>

Note: All of the amount does not exceed 5% of the title amount.

Sunny Bank Ltd.
Detailed Statement of Operating Expense
Year 2010

Statement 10

Unit: thousand NT doll

Item	Amount
Salary and bonus	\$ 1,324,712
Tax	163,262
Depreciation	161,429
Premium	101,701
Pension	85,080
Amortization	17,442
Others (Note)	<u>552,692</u>
	<u>\$ 2,406,318</u>

Note: All of the amount does not exceed 5% of the title amount.

Sunny Bank Ltd. and Its
Subsidiaries

Consolidated Financial Statements
and Accountants' Audit Reports
Year 2010 and 2009

Address: No.255, Zhongzheng Rd., Shilin Dist., Taipei
City, Taiwan (R.O.C.)
Tel: 886-2-2820-8166

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Declaration of Consolidated Financial Statement about Affiliates

It is hereby declared that the bank's companies which shall be brought into the preparation of consolidated financial statements about affiliates in accordance with "Consolidated business reports and consolidated financial statements about affiliates and prepared standards of relation reports" and the companies which shall be brought into the preparation of consolidated financial statements about the parent company and its subsidiaries in accordance with No.7, Statement of Financial Accounting Standards are the same and related information which consolidated financial statements about affiliates shall be disclosed in consolidated financial statements about the parent company and its subsidiaries cited above has been disclosed and thus there is no consolidated financial statements about affiliates prepared separately.

Sunny Bank Ltd.

Chairman: Lin Peng-Lang

February 18, 2011.

Accountants' Audit Reports

Please your bank (Sunny Bank Ltd.) identify and inspect the reports collectively:

The accountants have finished auditing consolidated balance sheets of December 31, 2010 and 2009 and consolidated income statements, consolidated statement of change in stockholders' equity and consolidated statement of cash flows from January 1 to December 31, 2010 and 2009 about Sunny Bank 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 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 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 27 of consolidated financial statements stated, Sunny Bank Ltd. sold bad claims to an asset management company respectively in Year 2007 and 2006 and caused a total loss of 0.9 billion 67.884 million NT dollars. 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 0.1 billion 98.798 million and 0.3 billion 92.377 million NT dollars respectively on December 31, 2010 and 2009 if the loss on sale is not deferred; net income before tax and net loss before tax should increase and decrease 0.1 billion 93.577 million NT dollars respectively in Year 2010 and 2009.

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 2010 and 2009, 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, 2010 and 2009 and consolidated operational results and cash flows in Year 2010 and 2009 about Sunny Bank Ltd. and its subsidiaries.

Deloitte Taiwan

Accountant Shao Zhi-Ming

Accountant Chen Zhao-Feng

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

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

February 18, 2011

Sunny Bank Ltd. and Its Subsidiaries

Consolidated Balance Sheet

December 31, 2010 and 2009

Unit: thousand NT dollars

C o d e	Asset	December 31,	December 31,	Percentage change (%)	Code	Liabilities and stockholders' equity	December 31,	December 31,	Percentage change (%)
		2010	2009				2010	2009	
		Amount	Amount				Amount	Amount	
11000	Cash (Note 3)	\$ 3,783,534	\$ 4,035,374	(6)					
11500	Due from central bank and inter-bank offering (Note 4 and 28)	38,618,166	37,099,985	4	21000	Central bank and interbank deposit (Note 15)	\$ 5,805,631	\$ 5,939,242	(2)
12000	Financial assets at fair value through income statement (Note 2, 5 and 28)	2,629,894	2,140,200	23	22000	Financial liabilities at fair value through income statement (Note 2 and 5)	15,759	6,832	131
13000	Receivables—net amount (Note 2, 6, 7 and 27)	2,088,312	3,292,201	(37)	22500	Repurchase financial bills and bond debts (Note 2 and 29)	2,253,586	-	-
13500	Discounts and loans—net amount (Note 2, 7 and 27)	172,483,268	161,951,070	7	23000	Payables (Note 16)	2,689,838	3,221,412	(17)
14000	Financial assets in available-for-sale (Note 2, 8 and 28)	2,678,761	3,558,230	(25)	23500	Deposits and remittances (Note 17 and 27)	204,848,014	199,320,480	3
14500	Financial assets in held-to-maturity (Note 2 and 9)	-	79,880	(100)	24000	Financial bonds payable (Note 18)	8,003,900	6,003,900	33
15000	Equity investment under equity method (Note 2 and 10)	-	26,173	(100)	29521	Reserve for land value increment tax (Note 2 and 12)	133,325	133,325	-
15500	Other financial assets—net amount (Note 2 and 11)	434,136	437,481	(1)	29500	Other liabilities (Note 2, 7, 19 and 25)	427,388	405,964	5
	Fixed assets (Note 2 and 12)				20000	Total liabilities	<u>224,177,441</u>	<u>215,031,155</u>	4
	Cost					Stockholders' equity			
18501	Land	6,632,693	6,636,742	-		Parent company stockholders' equity			
18521	Houses and construction	2,861,157	2,883,659	(1)	31000	Capital stock	12,249,730	12,249,730	-
18551	Miscellaneous equipment	1,456,176	1,358,931	7	31501	Capital surplus			
	Total costs	<u>10,950,026</u>	<u>10,879,332</u>	1	31515	Stock premium	3,591	3,591	-
	Appraisal increment	<u>302,032</u>	<u>302,032</u>	-	31599	Gain on disposal of assets	3,081	3,081	-
	Cost and appraisal increment	11,252,058	11,181,364	1	31500	Others	4,501	4,501	-
	Deduct: accumulated depreciation	<u>2,156,544</u>	<u>2,000,888</u>	8	32013	Total capital surplus	<u>11,173</u>	<u>11,173</u>	-
		9,095,514	9,180,476	(1)	32501	Accumulated losses	(1,682,124)	(2,232,891)	(25)
18575	Construction in progress and prepayments for equipment	<u>38,666</u>	<u>45,500</u>	(15)	32501	Unrealized appraisal increment	256,642	256,642	-
18500	Net fixed assets	<u>9,134,180</u>	<u>9,225,976</u>	(1)	32523	Unrealized gain of financial instruments	13,075	46,064	(72)
19000	Intangible assets (Note 2 and 13)	<u>1,048,221</u>	<u>1,060,110</u>	(1)	32542	Treasury shares	(3,508)	(3,508)	-
19500	Other assets (Note 2, 14, 21, 27, 28 and 29)	<u>2,128,653</u>	<u>2,456,111</u>	(13)	32544	Net loss not recognized as pension cost	(1,155)	(1,214)	(5)
10000	Total assets	<u>\$ 235,027,125</u>	<u>\$ 225,362,791</u>	4		Net parent company stockholders' equity	10,843,833	10,325,996	5
					38101	Minority interest	<u>5,851</u>	<u>5,640</u>	4
					30000	Total stockholders' equity	<u>10,849,684</u>	<u>10,331,636</u>	5
						Total liabilities and stockholders' equity	<u>\$ 235,027,125</u>	<u>\$ 225,362,791</u>	4

Notes attached behind are a part of the consolidated financial statement.
(Please refer to the audit report of Deloitte Taiwan on February 18, 2011)

Chairman: Lin Peng-Lang

Manager: Ding Wei-Hao

Accounting manager: Liu Zong-Xun

Sunny Bank Ltd. and Its Subsidiaries

Consolidated Statement of Income

From January 1 to December 31, 2010 and 2009

Unit: In addition to earnings (net loss) per share for NT dollars,
the others for thousand NT dollars.

Code		Year 2010	Year 2009	Percentage change (%)
		Amount	Amount	
41000	Interest income (Note 2 and 27)	\$ 4,365,590	\$ 4,134,565	6
51000	Interest expense (Note 27)	<u>1,697,254</u>	<u>2,520,379</u>	(33)
	Net interest income	<u>2,668,336</u>	<u>1,614,186</u>	65
	Net income (loss) excluding interest			
49100	Net income of administration fee (Note 2 and 22)	613,408	494,042	24
49200	Financial assets and net income (loss) of liabilities at fair value through income statement (Note 5)	(5,449)	373,630	(101)
44001	Investment loss recognized under equity method (Note 2 and 10)	(10,872)	(12,589)	(14)
44003	Investment gains on disposal under equity method (Note 2 and 10)	24,530	-	-
49600	Net profit of exchange (Note 2)	2,598	18,144	(86)
55000	Gains on reversal of asset impairment (loss) (Note 2, 11 and 14)	(10,000)	23,814	(142)
48005	Gains of financial assets measured by cost (Note 2)	30,901	22,213	39
48051	Lease income	26,270	17,962	46
48063	Net income of property transaction (Note 2)	167	7,553	(98)
58021	Loss of selling bad claims (Note 27)	(193,577)	(193,577)	-
49800	Other net non-interest income	<u>347,998</u>	<u>361,940</u>	(4)
	Total net income excluding interest	<u>825,974</u>	<u>1,113,132</u>	(26)
	Net income	<u>3,494,310</u>	<u>2,727,318</u>	28

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(Brought forward)					
Code		Year 2010	Year 2009	Percentage Change (%)	
		Amount	Amount		
51500	Bad debt expense (Note 2 and 7)	<u>\$ 375,297</u>	<u>\$ 539,270</u>	(30)	
	Operating expense (Note 23 and 27)				
58500	Personal expenditure	1,625,501	1,543,717	5	
59000	Depreciation and amortization	183,322	202,964	(10)	
59500	Other business and administration expenses	<u>705,351</u>	<u>712,556</u>	(1)	
	Total operating expenses	<u>2,514,174</u>	<u>2,459,237</u>	2	
61001	Profit (Net loss) before tax	604,839	(271,189)	323	
61003	Tax expense (Note 2 and 21)	(<u>53,876</u>)	(<u>39,265</u>)	37	
69000	Total consolidated net profit (loss)	<u>\$ 550,963</u>	(<u>\$ 310,454</u>)	277	
	Vested in:				
69601	The parent company stockholders	\$ 550,767	(\$ 310,784)	277	
69603	Minority interest	<u>196</u>	<u>330</u>	(41)	
69600		<u>\$ 550,963</u>	(<u>\$ 310,454</u>)	277	
<u>Code</u>		<u>Before tax</u>	<u>After tax</u>	<u>Before tax</u>	<u>After tax</u>
69500	Earnings (Net loss) per share (Note 24)				
	Basic earnings (net loss) per share	<u>\$ 0.49</u>	<u>\$ 0.45</u>	(<u>\$ 0.22</u>)	(<u>\$ 0.25</u>)

Notes attached behind are a part of the consolidated financial statement.

(Please refer to the audit report of Deloitte Taiwan on February 18, 2011)

Chairman: Lin Peng-Lang Manager: Ding Wei-Hao Accounting manager: Liu Zong-Xun

Sunny Bank Ltd. and Its Subsidiaries
Consolidated Statement of Change in Stockholders' Equity
From January 1 to December 31, 2010 and 2009

Unit: thousand NT dollars

	Issued capital (Note 2 and 20)		Capital surplus (Note 20)	Accumulated losses (Note 20)			Unrealized appraisal increment of land (Note 2 and 12)	Unrealized gains or losses of financial instruments (Note 2 and 20)	Net loss not recognized as pension cost	Treasury shares (Note 2, 20 and 26)	Minority interest	Total stockholders' equity	
	Thousands shares	Amount		Legal surplus	Special reserve	Accumulated losses Net amount							
Balance on January 1, 2009	1,243,928	\$12,439,281	\$ 11,228	\$ 389,998	\$ 27,794	(\$ 2,311,900)	(\$ 1,894,108)	\$ 256,642	\$ 37,599	\$ -	(\$ 221,113)	\$ 5,292	\$10,634,821
Make-up loss in Year 2008													
Legal surplus	-	-	-	(389,998)	-	389,998	-	-	-	-	-	-	-
Special reserve	-	-	-	-	(27,794)	27,794	-	-	-	-	-	-	-
Total consolidated net loss in Year 2009	-	-	-	-	-	(310,784)	(310,784)	-	-	-	-	330	(310,454)
Change in unrealized gain or loss on financial assets in available-for-sale	-	-	-	-	-	-	-	-	8,465	-	-	47	8,512
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	(1,214)	-	(29)	(1,243)	
Cancellation of treasury share	(18,955)	(189,551)	(55)	-	-	(27,999)	(27,999)	-	-	-	217,605	-	-
Balance on December 31, 2009	1,224,973	12,249,730	11,173	-	-	(2,232,891)	(2,232,891)	256,642	46,064	(1,214)	(3,508)	5,640	10,331,636
Total consolidated net profit in Year 2010	-	-	-	-	-	550,767	550,767	-	-	-	-	196	550,963
Change in unrealized gain or loss on financial assets in available-for-sale	-	-	-	-	-	-	-	-	(32,989)	-	-	14	(32,975)
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	59	-	-	1	60
Balance on December 31, 2010	1,224,973	\$12,249,730	\$ 11,173	\$ -	\$ -	(\$ 1,682,124)	(\$ 1,682,124)	\$ 256,642	\$ 13,075	(\$ 1,155)	(\$ 3,508)	\$ 5,851	\$10,849,684

Notes attached behind are a part of the consolidated financial statement.
(Please refer to the audit report of Deloitte Taiwan on February 18, 2011)

Chairman: Lin Peng-Lang

Manager: Ding Wei-Hao

Accounting manager: Liu Zong-Xun

Sunny Bank Ltd. and Its Subsidiaries
Consolidated Statement of Cash Flows
From January 1 to December 31, 2010 and 2009

	Unit: thousand NT dollars	
	Year 2010	Year 2009
Cash flow of operating activities:		
Total consolidated net profit (loss)	\$ 550,963	(\$ 310,454)
Bad debt expense	375,297	539,270
Write-off of bad debt	(481,730)	(1,587,651)
Write-off of bad debt recovery	202,861	213,825
(Gains on reversal) of asset impairment loss	10,000	(23,814)
Loss of selling bad claims	193,577	193,577
Depreciation and amortization	183,322	202,964
Provision for trading losses reserve	193	316
Provision for default losses reserve	1,867	2,357
Investment loss recognized under equity method	10,872	12,589
Investment gains on disposal under equity method	(24,530)	-
Gains (or losses) on disposal of fixed and other assets	770	(5,751)
Gains on disposal of collaterals taken over	(937)	(1,802)
Gain on valuation of financial instruments at fair value through income statement	(15,032)	(68,711)
Gain on disposal of financial assets in available-for-sale	(35,944)	(33,002)
Deferred income tax	37,107	34,881
Change in financial instruments at fair value through income statement	(485,735)	7,269,058
Decrease of receivables	961,904	2,164,620
Decrease of payables	(531,953)	(2,603,498)
Net cash inflow from operating activities	952,872	5,998,774
Cash flow of investment activities		
Decrease (Increase) of financial assets at appointed fair value through income statement	20,000	(20,000)
Increase of financial assets in available-for-sale	(10,029,368)	(2,850,245)
Proceeds on disposal of financial assets in available-for-sale	10,911,806	3,314,935
Repayment of principal at maturity of financial assets in held-to-maturity	79,880	37,793
Decrease (Increase) of other financial assets	3,345	(99,701)
Equity investment proceeds on disposal under equity method	39,831	-
Increase of due from central bank and inter-bank offering	(1,518,181)	(1,727,815)
Decrease (Increase) of discounts and loans	(10,386,121)	5,289,630
Acquisition of fixed and other assets	(101,961)	(19,985)

(Next page)

(Brought forward)

	<u>Year 2010</u>	<u>Year 2009</u>
Proceeds on disposal of fixed and other assets	\$ 24,103	\$ 44,052
Proceeds on disposal of collaterals taken over	113,514	210,045
Increase of intangible assets	(2,641)	(5,078)
Decrease (Increase) of other assets	(<u>25,332</u>)	<u>5,204</u>
Net cash inflow (outflow) from investment activities	(<u>10,871,125</u>)	<u>4,178,835</u>
Cash flow of financing activities:		
Increase (Decrease) of repurchase financial bills and bond debts	2,253,586	(1,689,706)
Decrease of central bank and interbank deposit	(133,611)	(46,601)
Increase (Decrease) of deposits and remittances	5,527,534	(9,455,500)
Increase of financial bonds payable	2,000,000	500,000
Increase (Decrease) of other liabilities	<u>18,904</u>	(<u>85,957</u>)
Net cash inflow (outflow) from financing activities	<u>9,666,413</u>	(<u>10,777,764</u>)
Net decrease in cash	(251,840)	(600,155)
Cash balance at the beginning of the year	<u>4,035,374</u>	<u>4,635,529</u>
Cash balance at the end of the year	<u>\$ 3,783,534</u>	<u>\$ 4,035,374</u>
Supplementary disclosures of cash flow information:		
Interest payment	<u>\$ 1,773,136</u>	<u>\$ 2,882,043</u>
Income tax payment	<u>\$ 6,271</u>	<u>\$ 19,831</u>
Investment activities not affecting cash flow:		
Idle assets rendering leasing assets	<u>\$ -</u>	<u>\$ 41,658</u>
Fixed assets rendering intangible assets	<u>\$ 1,353</u>	<u>\$ 4,585</u>
Fixed assets rendering idle assets	<u>\$ 18,296</u>	<u>\$ -</u>

Notes attached behind are a part of the consolidated financial statement.

(Please refer to the audit report of Deloitte Taiwan on February 18, 2011)

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

1. Analysis of Financial Status

Unit: NT\$ Thousands

Item	Year		Difference	
	20010	2009	Amount	%
Cash, Due from Central Bank and Other Banks	\$ 42,368,042	\$ 41,089,147	\$ 1,278,895	3
Financial Assets at Fair Value through Profit/Loss	2,598,130	2,120,938	477,192	22
Receivables	1,550,317	2,493,681	(943,364)	(38)
Discounts and Loans	172,483,268	161,951,070	10,532,198	7
Available-for-Sale Financial Assets	2,670,252	3,551,598	(881,346)	(25)
Hold-to-maturity Financial Assets	-	79,880	(79,880)	(100)
Equity Investments – Equity Method	301,056	293,868	7,188	2
Other Financial Instruments	434,136	437,481	(3,345)	(1)
Fixed Assets	9,115,653	9,205,652	(89,999)	(1)
Intangible Assets	1,048,221	1,060,110	(11,889)	(1)
Other Assets	1,929,543	2,252,342	(322,799)	(14)
Total Assets	234,498,618	224,535,767	9,962,851	4
Deposits in the CBC and Other Banks	5,805,631	5,939,242	(133,611)	(2)
Financial Liabilities at Fair Value through Profit/Loss	15,759	6,832	8,927	131
Notes and Bonds Issued under Repurchase Agreement	2,253,586	—	2,253,586	-
Payables	2,117,252	2,381,449	(264,197)	(11)
Deposits and Remittances	204,947,843	199,387,448	5,560,395	3
Financial Bonds Payable	8,009,400	6,009,400	2,000,000	33
Reserve for Land Revaluation Increment Tax	133,325	133,325	-	-
Other Liabilities	371,989	352,075	19,914	6
Total Liabilities	223,654,785	214,209,771	9,445,014	4
Capital	12,249,730	12,249,730	-	-
Capital Surpluses	11,173	11,173	-	-
Accumulated Loss	-1,682,124	(2,232,891)	550,767	(25)
Land Unrealized Revaluation Increment	256,642	256,642	-	-
Unrealized Profit or Loss on Financial Instruments	13,075	46,064	(32,989)	(72)
Treasury Stock	-3,508	(3,508)	-	-
Net Loss not Recognized as Pension Cost	-1,155	(1,214)	59	(5)
Total Shareholders' Equity	10,843,833	10,325,996	517,837	5

Description of change to the ratio increase or decrease

1. The increase in financial assets stemming from recognizing the fair value change as loss or gain, bonds under repurchase agreement, and bills liabilities has largely been the result of an increase of diversified income. The Bank has gradually increase the amount of commercial paper business, the inventory amount, and yielding position of RP to generate the maximum profit of yielding.
2. The reduction in the accounts receivable has largely stemmed from a reduction of sale of non performing loan receivables and an increase of allowance of bad debts payables.
3. A reduction in the financial assets available-for-sale resulted from doing commercial paper business for trading purpose, so commercial paper position in available-for-sale financial assets is reduced.
4. A reduction in the held-to-maturity financial assets has largely been the result of transaction party's redemption of the beneficiary certificates as per the contract.
5. The increase to the financial liability on recognized loss or gain due to change in the fair value has largely stemmed from an increase in the trading of foreign exchange swap.
6. The increase in the financial bonds payable has largely stemmed from issuance of subordinated financial bonds.
7. The decrease of accumulated loss largely resulted from the widening of interest rate spread and lower bad debts expenses, so after tax net income climbed.
8. The decrease in the unrecognized loss or gain on financial products has largely stemmed from the decrease of evaluated gain on available-for-sale financial assets.

2. Analysis of Operating Results

Unit: NT\$ Thousands

Item	Year	2010	2009	Changes	
				Amount	%
Net Interest Profits		\$ 2,668,077	\$ 1,613,782	\$ 1,054,295	65
Non-Interest Net Gain (Loss)		709,005	979,874	(270,869)	(28)
Net Profits		3,377,082	2,593,656	783,426	30
Bad Debt Expenses		375,297	528,270	(152,973)	(29)
Operating Expenses		2,406,318	2,346,170	60,148	3
Net Income (Loss) Before Tax		595,467	(280,784)	876,251	312
Income Tax Profits (Expenses)		(44,700)	(30,000)	(14,700)	49
Net Income (Loss) after Tax		550,767	(\$ 310,784)	861,551	277
Description of the analysis on the change to the ratio increase or decrease					
1. The increase in the net interest profits has large been the result of an increase in deposit and loan balance and rising interest rate resulting in wider spread.					
2. The decrease of non-interest net gain has largely stemmed from decrease of net profits on financial assets and liabilities whose gain/loss in change of the fair value is recognized.					
3. The reduction in bad debts expenses has largely stemmed from an improvement of the quality on loan and credit card assets.					
4. The increase to the net income before (after) tax expenditure has largely stemmed from an increase of the net interest profits and lower bad debts expenses.					

3. Analysis of Cash Flow

(I) Cash Flow Change Analysis for 2010

Item	Year	2010	2009	Increment (%)
Cash Flow Ratio (%)		9.02	70.90	(87.28)
Cash Flow Adequacy Ratio (%)		2,930.74	2,222.70	31.85
Cash Flow Reinvestment Ratio (%)		(8.56)	143.81	(105.95)
Description of the analysis on the change to the ratio increase or decrease				
1. The reduction in the cash flow ratio has largely been the result of a reduction in the net cash inflow in the 2010 operating activity.				
2. The increase of the cash flow adequacy ratio has mainly stemmed from the increase of the operating net cash flow and a reduction of capital expenditure in the recent five years.				
3. The reduction of the cash flow satisfied ratio has primarily stemmed from a reduced operating net cash flow and outflow of the investing net cash flow in 2010.				

(1) Liquidity analysis for the next year:

Unit: NT\$ Thousand

Cash Balance at the Start of the Period ①	Expected Net Operating Cash Flow for the Whole Year ②	Expected Cash Inflow (Outflow) for the Whole Year ③	Expected Cash Surplus (Deficit) ① + ② + ③	Remediation Measures Against Expected Cash Flow Deficit	
				Investment	Financing
3,749,876	2,416,534	(10,295,206)	(4,128,796)	-	7,346,847
1. Change in cash flow of the year:					
(1) Operation Activities: Net cash inflow resulted from reduction in financial assets held for trading and increase of payables.					
(2) Investing Activities: Net cash outflow resulted from increase in available-for-sale financial assets, 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

Unit: NT\$ Thousand

Planning Items	Actual/Expected Capital Resources	Actual/Expected Date of Completion	Required Capital	Actual/Expected Capital Performing Status				
				2012-2014	2011	2010	2009	2008
Land, House	Self-owned Fund	2008-2011	48,633	-	-	-	-	48,633

and Building								
Other Equipment	Self-owned Fund	2008-2011	67,348	-	-	76,150	22,099	67,348

5. The Reinvestment Policy for the Past Year

December 31, 2010

Unit: NT\$ Thousand

Invested Company	Sunny Securities Co., Ltd.	Sunny Life Insurance Agent Co., Ltd.	Sunny Property Insurance Brokerage Co., Ltd.	Gold Sunny Assets Management Co., Ltd.	Ontario Securities Investment Trust
Major Business	Securities Investment	Life Insurance Brokerage	Property Insurance Brokerage	Financial Institution Creditor's Right (Money) Appraisal and Auction	Securities Investment Trust Services
Collected Capital	302,000	15,000	6,050	50,000	300,000
Shareholding (%)	97.7%	39.99%	20.00%	100.00%	
Amount	295,000	6,000	1,210	50,000	60,060
Par Value	230,860	31,278	2,706	36,212	
Yearly Income	8,315	35,353	1,463	11,701	(56,791)
Recognized Invested Income	8,123	14,565	531	11,701	(10,872)
Main Factor of Profit (Loss)	1. The revenue of agency service stays profitable. 2. Dealing operation with good performance.	Profit is infused by commission income from sales of life insurance products.	Profit is infused by commission income from sales of property insurance products.	Cost of purchasing NPL gains good performance.	Sold in the mid-year. In addition to investment loss calculated based on un-audited financial statements, the remaining is calculated based on audited financial statements of the invested company in the same period.

6. Analysis and Evaluation of Risk Management

(1) A Series of Qualitative and Quantitative Requirements For Risk Management

A. Credit Risk Management System and Accrued Capital

(a) 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 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>(A) Credit risk identification: 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. 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>(B) Credit risk measurement: 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. 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</p>

Disclosure Item	Content
	<p>collateral or guarantee, changes in the borrower or a trading party's risks, or the risks associated with a lending portfolio.</p> <p>(C) Credit risk monitoring: 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. 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. 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. To precisely implement the review and loan follow-up evaluation work, with which to step up post-lending management and debt claim securitization maintenance. 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>(D) Credit risk reporting: 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. 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. 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>
2. Credit risk management organization and structure	<p>1. Board of Directors Acting as the highest decision unit of the Bank's credit risk management, it approves the credit risk management criteria, and approves the Bank-wide credit risk management organizational framework, rules and regulations, monitors the credit risk management organization's implementation, and deciphers the state of the Bank's risk exposures.</p> <p>2. Risk Management Department In charge of routinely sorting the Bank's overall credit risk information for filing with the board of directors, and coordinating and monitoring various units to instill a credit risk management mechanism, reviewing credit risk management issues and monitoring the state of compliance on credit risk management-related guidelines.</p>
3. The scope and characteristics of the credit risk reporting and measurement system	To routinely and randomly monitor the level of sudden credit risk exposure on various risk constructs through a variety of related credit risk management reports, and to instigate a cap-based monitoring mechanism (such as the country risk, group risk, industry risk), 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 with the higher supervisor.
4. The scope and characteristics of the credit risk reporting and measurement system	<p>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.</p> <p>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.</p> <p>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.</p>
5. Approach adopted for the regulatory reserve	The Bank adopts the standard approach to allocate its legally designated capitalization.

(b) Exposure after Risk Mitigation and Accrued Capital of the Credit Risk Standardized Approach

December 31 2010 (Note)

(Unit: NT\$ Thousands)

Type	Exposure after Risk Mitigation	Accrued Capital
Sovereigns	-	-
Non-central Government Public Sector Entities	303,144	24,252
Banks (including multilateral development banks, MDBS)	2,247,370	179,790

Corporate (including securities and insurance firms)	42,167,356	3,373,388
Claims on Retail	64,753,076	5,180,246
Residential Property	23,708,027	1,896,642
Equity Security Investments	-	-
Other Assets	10,793,403	863,472
Total	143,972,376	11,517,790

Note: Please fill the form according to the data as of the previous quarter of the publication date of the annual report.

B. Asset Securitization Risk Management System, Exposure and Accrued Capital

(a) Asset Securitization Risk Management System

Disclosure item	Content
1. Asset securitization management strategies and process	<ol style="list-style-type: none"> 1. Asset securitization risk management objective and strategy <ol style="list-style-type: none"> (1) To strengthen the asset/liability management capability by diversifying the source of capital and reducing the capital cost. (2) To utilize asset portfolio reconfiguration, trust and credit enhancement for creating a diverse, long-term fund-raising platform. (3) To utilize the securitization process to remove assets from the balance sheet, and raise the self-owned capital, and reduce the asset scale. (4) To act as an underwriter institution to generate service fee. 2. Asset securitization risk management process <ol style="list-style-type: none"> (1) 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. (2) To rely at the same time on the credit enhancement mechanism to reduce the investor's likelihood to face the asset credit risk. (3) 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. (4) 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. (5) By utilizing a trust asset transfer pricing adequacy opinion letter issued by financial consultants, it enables the pricing evaluation risk to be rationally controlled. (6) 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.
2. Asset securitization management organization and structure	<ol style="list-style-type: none"> 1. Planning department: Responsible for the transaction framework, external institutions' selection and appointment, document submission to the competent government authorities and the like. 2. Authorization department: The board of directors is to authorize various responsible units to execute the securitization transactions. 3. Information department: Responsible for developing relevant reports, information system specifications and data retention. 4. Transaction department: Compiling and issuing the report for risk monitoring.
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"> 1. If the anticipated loss on the exposure held has not been high, the Bank is to absorb it on its own. 2. 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. 3. 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.

Disclosure item	Content
5. Approach adopted for the regulatory capital	The Bank currently adopts the standard approach to allocate the capital.

(b) State of trading asset securitization: None

(c) Exposures of asset securitization and capital to be allocated: None

(d) Summary of Investment in Securitized Products.

Unit: NT\$ Thousand

Item (Note 1)	Accounting Account for Recognition	Original Cost	Accumulated Gain or Loss on Evaluation	Accumulated Impairment	Par Value
REAT	3499-140014103	42,406	(1)	0	42,405
CMO	Available for sale	4,223	(82)	0	4,223

Note 1: This table includes domestic and foreign securitized products, accounting items can be filled by the following categories:

1. Mortgage-Backed Security (MBS): Including Residential Mortgage-Backed Securities (RMBS), Commercial Mortgage-Backed Securities or assets backed securities (CMBS), Collateralized Mortgage Obligation (CMO), and other mortgage-backed securities.

2. Beneficiary securities or Asset-Backed Security (ABS): Including Commercial Loan Obligation or assets backed securities (CLO), Collateralized Bonds Obligation or assets backed securities (CBO), Credit Card Loan Obligation or assets backed securities, Auto Loan Obligation or assets backed securities, Consumer Loan/ Cash Card Loan Obligation or assets backed securities, Lease Receivables Obligation or assets backed securities, and other obligations or assets backed securities.

3. Asset-Backed Commercial Paper (ABCP) ◦

4. Collateralized Debt Obligations (CDO) ◦

5. Real Estate Asset Trust (REAT) ◦

6. Bonds issued through Structured Investment Vehicle (SIV)

7. Other securitized products.

Note 2: This table includes all of beneficiary securities or asset-based securities held by the Bank as an initiation institution.

(e) 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

(f) Information on the position held by the Bank, as a securitization initiation institutes, for the purpose of credit enhancement should be disclosed: None

(g) Information on Bank's service as a credit-damaged buying institute or a clearance buying institutes should be disclosed: None

(h) Information on the Bank's service as a securitized product guarantor or its provision of liquidity facility should be disclosed: None.

C. Operational Risk Management System and Accrued Capital

(a) Operational Risk Management System

Disclosure item	Content
1. Operational risk strategies 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 personnels 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:</p>

Disclosure item	Content
	<p>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.</p> <p>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:</p> <p>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.</p> <p>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:</p> <p>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.</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 coverage-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 operational risk incidents that might impair the Bank's state of finances or operations, or in breach of laws and regulations, all relevant units must adopt proper countermeasures at once.</p>
2. Operational risk management organization and structure	<p>1. Board of directors: Acting as the highest decision unit of the Bank's credit risk management, it approves the credit risk management criteria and major decisions, monitors the credit risk management mechanism's implementation, and routinely reviews them.</p> <p>2. Risk management department: To monitor all units to instill operational risk management mechanism, collect operational risk loss information, set up operational risk loss database, create bank-wide operational risk management report, and compile bank-wide operational risk management information according to related principles of capital adequacy review and market disciplines set by regulators.</p>
3. The scope and characteristics of the operational risk reporting and measurement system	<p>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.</p>
4. Policies of hedging operational risk or mitigating asset securitization. Also policies and processes to ensure the effectiveness of the tools used to hedge and mitigate risk.	<p>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.</p> <p>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.</p>
5. Approach adopted for the regulatory capital	<p>The Bank currently adopts the basic index method to allocate the capital.</p>

(b) Operational Risk Capital Requirement

December 31 2010 (Note)

Unit: NT\$ Thousand

Year	Gross Operating Profits	Capital Requirement
2008	2,709,320	-
2009	2,713,762	
2010	3,516,129	
Total	8,939,211	446,961

Note: Please fill the form according to the data as of the previous quarter of the publication date of the annual report.

D. Market Risk Management System and Accrued Capital**(a) Market Risk Management System**

Disclosure item	Content
1. Market risk management strategies 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: 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. 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: 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. 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. 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: 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. 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. 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 Market risk management organization and	<p>1. Board of directors Acting as the highest decision unit of the Bank's credit risk management, it approves the credit risk management criteria, ensures the effective operation of market risk mechanism, supervises the implementation of market credit risk management framework and strategy, and realizes the state of the Bank's sudden risky exposure.</p> <p>2. Risk management department</p>

structure	To monitor the Bank's market risk-related departments to instill a market risk monitoring mechanism, with which to monitor and control the Bank's total market risk exposures and levels of market risk concentration, and to integrate, analyze and submit the Bank's market risk management-related reports.
3. The scope and characteristics of the market 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. Policies of hedging or mitigating asset securitization. Also policies and processes to ensure the effectiveness of the tools used to hedge and mitigate risk.	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. 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.
5. Approach adopted for the regulatory capital	The Bank currently adopts the standard approach to allocating the capital.

(b) Market Risk Capital Requirement

December 31 2010 (Note)

Unit: NT\$ Thousand

Item	Capital Requirement
Interest Rate Risk	203,828
Equity Securities Risk	149,881
Foreign Exchange Risk	108,722
Commodity Risk	-
Total	462,431

Note: Please fill the form according to the data as of the previous quarter of the publication date of the annual report.

E. 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 2010

Unit: NT\$ Thousand

	Total	Remaining Period to Maturity				
		1-30 days	31-90 days	91-180 days	181 days – 1 year	Over 1 year
Primary Funds Inflow upon Maturity	226,599,984	43,533,849	11,986,603	18,737,574	35,348,792	116,993,166
Primary Funds Outflow upon Maturity	263,997,316	31,413,081	32,772,941	45,919,654	82,503,319	71,388,321
Capital Gap	(37,397,332)	12,120,768	(20,786,338)	(27,182,080)	(47,154,527)	45,604,845

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.

March 31 2011
Unit: NT\$ Thousand

	Total	Remaining Period to Maturity				
		1-30 days	31-90 days	91-180 days	181 days – 1 year	Over 1 year
Primary Funds Inflow upon Maturity	230,123,942	35,429,997	18,914,761	19,952,781	35,074,463	120,751,940
Primary Funds Outflow upon Maturity	270,548,691	32,389,320	34,911,309	41,788,520	89,304,017	72,155,525
Capital Gap	(40,424,749)	3,040,677	(15,996,548)	(21,835,739)	(54,229,554)	48,596,415

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, 2010
Unit: US\$ Thousands

	Total	Remaining Period to Maturity				
		1-30 days	31-90 days	91-180 days	181 days – 1 year	Over 1 year
Assets	349,202	178,902	74,589	28,632	5,500	61,579
Liabilities	322,936	238,558	40,103	20,235	8,752	15,288
Gap	26,266	(59,656)	34,486	8,397	(3,252)	46,291
Cumulative Gap	26,266	(59,656)	(25,170)	(16,773)	(20,025)	26,266

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.

March 31, 2011
Unit: US\$ Thousands

	Total	Remaining Period to Maturity				
		1-30 days	31-90 days	91-180 days	181 days – 1 year	Over 1 year
Assets	104,093	9,354	22,012	4,401	5,000	63,326
Liabilities	25,403	17,096	3,419	1,040	3,376	472
Gap	78,690	(7,742)	18,593	3,361	1,624	62,854
Cumulative Gap	78,690	(7,742)	10,851	14,212	15,836	78,690

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) Because the average overdue loan ratio of the local banks was 1.15%, and the average coverage ratio was 90.5% at the end of 2009, they were better than the minimum level regulated by the original rules. the Executive Yuan Financial Supervisor Commission (FSC) aims to precisely implement principles of differentiation of financial institutions and slight increase of branch openings, it adjusts overdue loan ratio and coverage ratio for establishment of branches based on FSC Yin Guo Tzi 09920001460 Order dated April 4, 2010 for amendment of Article 3 of “Regulations Governing Domestic Branches of Financial Institutions“. Also, as performance of financial institutions are related to the overall economy, to fully reflect their correlation, return on equity regarding

establishment conditions is adjusted from over 5% to 1.5 times of the industry's average to adapt to financial environment and comply with the differentiation principle.

(2) "Regulations Governing the Banking Activity and the Establishment and the Investment by Financial Institution Between the Taiwan Area and the Mainland Area" is the sub-Act of par 3, Article 6 of "Act Governing Relations Between The People Of The Taiwan Area And The Mainland Area", and the FSC is authorized to stipulate it. The scope includes: local banks' cross-strait activities, establishment of representative offices in the mainland by local banks and their foreign subsidiaries, and equity investment of foreign subsidiaries in banks in the mainland. However, Taiwan and the mainland signed MOU on November 16, 2009 to set up financial supervisory cooperative mechanism, and governing regulations of cross-strait banking activities should add mutual establishment of branches and equity investment, including concrete rules such as prior review, risk control and post-tracking and management to guide local banks to enter the mainland market, while cautiously supervising the mainland banks' entry to Taiwan to stabilize local financial market. Therefore, the FSC issued FSC Yin Fa Tzi 09900096780 Order to amend the name and all 86 articles. Except that Provision 3 of Chapter 4 is separately stipulated by the regulator according to related economic cooperation agreements, all articles are in effect from the date of promulgation. In addition to the change of name to "Regulations Governing the Banking Activity and the Establishment and the Investment by Financial Institution Between the Taiwan Area and the Mainland Area", the basis of the regulation also includes par 4 of Article 35, par 2 of Article 72, and par 3 of Article 73 of "Act Governing Relations Between The People Of The Taiwan Area And The Mainland Area". Amendment is divided into 5 chapters, and 86 articles in total.

(3) To reasonably allocate banks' funds, avoid the concentration of risky assets on single or small number of customers, and implement large exposure management of banks, the FSC stipulated "Regulations Governing Authorization Based on Article 33-3 of the Banking Act" dated January 28, 2010 according to authorization in Article 33-1 of Banking Act and Tai Tsai Jun (1) Tzi 90903480 Letter "Directions Concerning Ceilings on Credit Extensions by a Bank to a Same Person, Same Related Parties, or Same Affiliated Enterprises" dated April 10, 2001. The regulation contains six articles and is in effect from the date of promulgation.

(4) The FSC stipulated "Regulations Governing Bank Handling of Accounts with Suspicious or Unusual Transactions" according to par 3 of Article 45-2 of the Banking Act, and the regulation was issued and in effect on April 27, 2006. Given the public has been concerned about the maximum warning period of 5 years since its promulgation, account holders are not able to open salary transfer accounts during the warning period, which causes inconvenience and affects their rights. To maintain the balance of preventing illegal acts and restricting people's rights and appropriately lift the cap, the FSC amended part of "Regulations Governing Bank Handling of Accounts with Suspicious or Unusual Transactions" based on FSC Yin Fa Tzi 09900424320 dated December 9, 2010, and issued Article 3, 5, 9, 11, 13, 15, 16, and 20. Except for par 1 of Article 9 (in effect from January 1, 2011), all articles are in effect from the date of promulgation.

(5) For a sound development of the credit card market and protection of the cardholder's rights, the Ministry of Finance stipulated "Regulations Governing Credit Card Business" according to Article 47-1 of the Banking Act on June 30, 1993. It had been revised four times as of October 7, 2003 and its name was changed to "Regulations Governing Institutions Engaging In Credit Card Business". As credit card market has grown rapidly in the recent years, and credit card has become people's important means of payment. Considering public concerns, suggestions from consumer protection organizations, and operation of the credit card institutions to further strengthen the supervision of credit card business, and enhance protection of cardholders' rights, the FSC issued FSC Yin Piao Tzi 09940000540 Order to amend it on February 2, 2010. It has 56 articles and is in effect from the date of promulgation.

(6) To cancel full protection system for the deposit insurance, the FSC stipulates that the Central Deposit Insurance Corporation sets the maximum insured sum of per depositor in institutions as NT\$ 3 million, according to par 1, Article 13 of Deposit Insurance Act, and it is effective from January 1, 2011.

(7) As the scale of the specific money trust operators accepting investment or financial management planning by the consignee is on the rise, and it is necessary to step up the regulation in light of the financial products' characteristics and varied risk exposure, the FSC has, upon referencing the offshore structured product management rule to introduce a customer classification system and classify consignors as professional investors and non-professional investors. For non-professional investors, protection should be enforced, such as further regulation on marketing process and disclosed information, to reduce disputes and solidify market development. For professional investors, professionalism and demand for innovation should be considered, and scope of financial product services provided should be expand. Therefore, the FSC amended "Regulations Governing the Scope of Business, Restrictions on Transfer of Beneficiary Rights, Risk Disclosure, Marketing, and Conclusion of Contract by Trust Enterprises" for the first time on February 4, 2010. Also, regarding trust industry doing non-decision power securities trust business for foreign securities entrusted for the purpose of investment, their nature of business, trading patterns, and the risks involved are similar to the non-decision power money trust business with the domestic and foreign securities entrusted for the purpose of investment, so both should be of consistent regulations. Given that structured products are more complicated risky financial products, to

further strengthen the fiduciary standards of entrusted structured products of investment trust industry, Trust Association is authorized to stipulate relevant standards, and report to regulators for approval. In addition, based on the attention and faithful duty of good manager, the trust industry should set up the understandable customer performance standards, when doing money trust business or securities trust business. Commodities review unit should be established to examine entrusted financial products prior to launch. Moreover, considering non-professional investors with less investment experience and financial expertise, the trust industry is regulated to establish product suitability rules to assess the level of risk tolerance, classify risks of financial products, set up ex ante and ex post control mechanisms when accepting entrusted investment from non-professional investors. should be established, so clients can invest in appropriate financial products based on risk tolerance to reduce disputes and solidify market development. Therefore, the FSC amended and issued Article 6, 10-12, 16, 21-24, 29, and 30 of the regulations on February 10, 2011; Article 22—1 and 23-1 are added. All are effective from the date of promulgation.

(8) Credit card has become means of payment of the public to replace cash. At present rights and obligations of cardholder and card issuer can follow Regulations Governing Institutions Engaging In Credit Card Business and Credit Card Finalized Contract Template. However, there is no stipulation about what may or may not be documented in the contract. Therefore, the FSC stipulated Matters That Should or Should Not Be Recorded in Credit Card Finalized Contract on July 27, 2010 according to Article 17 of Consumer Protection Law: “The central authorities may choose a specific industry to specify matters that should or should not be recorded in the finalized contract.” There are 22 points, of which 12 points are about matters that should be recorded, and 10 points about matters that should not be recorded.

(9) The FSC is authorized to stipulate internal control and auditing system regulations of financial holding companies, banks, credit unions, bills broker, and trust industry, respectively, for financial holding companies, banks, credit unions, bills broker, and the trust industry. Because the regulated contents of internal control and internal audit system of each industry are mostly similar, for consistent supervision, legal stability, and cost considerations of law amendment the FSC issued “Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries” on March 29, 2010 based on internal control and internal audit system of the abovementioned five industries and with the reference to “Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets”. The FSC also abolished the internal control and auditing system regulations of the abovementioned industries. The Regulations has 47 articles in total and consists of 4 chapters, including general principles, the internal control system design and implementation, review of internal control system, and by-laws, and it is effective from the date of promulgation.

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.

With the global information technology progressing rapidly and widely adopted, the Internet has gradually become a main medium for business activity, and following the thriving e-commerce, as the functions and technology are gradually perfected, it brings a smooth sailing to the Bank’s various operations and improves the efficiency of the Banking service that also conserves time and cost.

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 consistently upheld a “solid, innovative, professional and passionate” quality policy for a

sustainable management in supporting the government's policy since its establishment, creating a quality culture, employees who are active, passionate, voluntary and with a thoughtful service attitude, and has been stepping up internal risk management and compliance of laws and regulations by timely cautioning for its asset quality and capital adequacy ratio, to maintain a sound financial standing, and to utilize various activities to deeply explore the customers and excel the company's corporate image.

(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, 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: None

(9) 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

Lawsuit commencing from: April 9, 2010

Major Parties: Plaintiff – 70 people including Huang, Hsin-Rui and others;

Defendant – 8 people including Wang, Yi-Chou and others (the Bank is an additional defendant)

Dispute: Wang, Yi-Chou 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.

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.

Result as of publication of annual report: The civil court of Kaohsiung Dist. Court on February 22, 2011 rejected the plaintiff's complaint and the implementation of the false claims, the plaintiff has filed counterappealed.

2. Case 2: Damage claim

Lawsuit commencing from: January 22, 2010

Major Parties: Plaintiff – 83 people including Chen, Tsai-Hwa and others

Defendant – 8 people including Wang, Yi-Chou and others (including the bank)

Dispute: Wang, Yi-Chou 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.

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.

Result as of publication of annual report: The case is currently under trial at Taiwan High Court Kaohsiung Branch Court.

3. Case 3: Claim damage

Lawsuit commencing from: January 4, 2011

Major parties: Plaintiff: Wu, Tsai-Zao and others

Defendant: Chang, Shu-Luan and the Bank

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.

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.

Result as of publication of annual report: The case is currently under trial at Changhua Dist. Court.

(10) Other important risks and correspondent measures: None

7. Crisis Management Mechanism

“Important Events Report, Control and Flowing” and “Emergency Capital Raising and Response Procedure” are set by the Bank to deal with crisis.

(I) Important Events Report, Control and Flowing

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 Measure” 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) Provided that on the 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) Provided that on the 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, peer deposits, 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

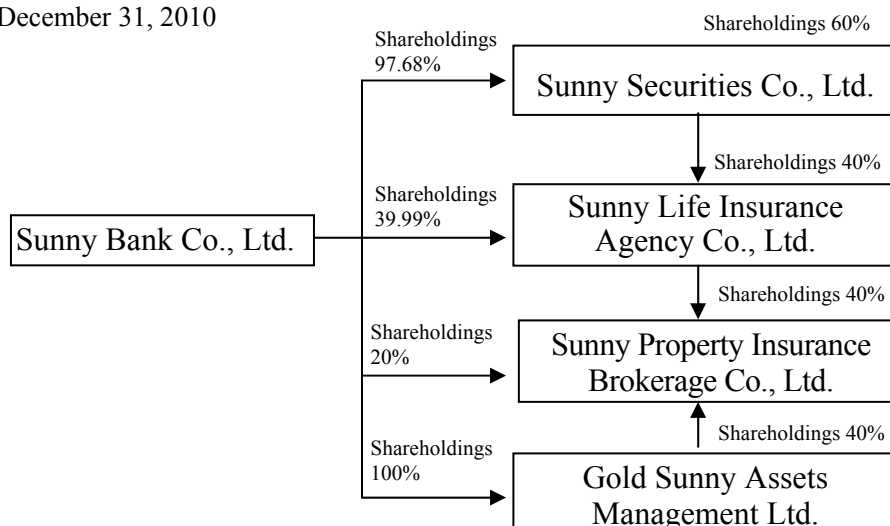
VIII. Special Notes

1. Information of Affiliates

A. Affiliates' Status

(1) Organization Chart of Affiliates

December 31, 2010



(2) Basic Information of Affiliates

Unit: NT\$ Thousand

Company Name	Date of Establishment	Address	Paid-in Capital	Major Business
Sunny Securities Co., Ltd.	June 9, 1998	No. 167/ B2, No. 165 Sec. 5, MinSheng E. Rd., Taipei City	302,000	Marketable Securities Entrusting and Trading in the stock exchange, as well as futures introducing broker business
Sunny Life Insurance Agency Co., Ltd.	February 15, 2001	2F, No. 205, ChangAn W. Rd., Tatung Dist., Taipei City	15,000	Life Insurance Brokerage
Sunny Property Insurance Brokerage Co., Ltd.	August 14, 2003	2F, No. 205, ChangAn W. Rd., Tatung Dist., Taipei City	6,050	Property Insurance Brokerage
Gold Sunny Assets Management Co., Ltd.	October 16, 2006	5F, No. 255, Zhongzheng Rd., Taipei City	50,000	Financial Institution Creditor's Right (Money) Appraisal and Auction

(3) Hold the same data of shareholders of affiliated companies: None

(4) Directors and Supervisors of Affiliated Companies

December 31, 2010

Unit: Shares; %

Company Name	Title	Name	Shareholdings	
			Shares	Proportion
Sunny Securities Co., Ltd.	Chairman	Sunny Bank Co., Ltd Representative: Shen, An-Chang	29,500	97.68
	Director	Sunny Bank Co., Ltd Representative: Chen, Yu-Liang		
	Director	Sunny Bank Co., Ltd Representative: Hsu, Chih-Jung		
	Director	Sunny Bank Co., Ltd Representative: Hsu, Su-Ching		
	Director	Sunny Bank Co., Ltd Representative: Chao, Shu-Chen		
	Supervisor	Sunny Bank Co., Ltd Representative: Hsu, Yueh-Fang		
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-Chun		
	Director	Sunny Bank Co., Ltd Representative: Lee, Yu-Sheng		
	Supervisor	Sunny Bank Co., Ltd Representative: Kuo, Chih-Hung		
Sunny Life Insurance Brokerage Co., Ltd.	Chairman	Sunny Bank Co., Ltd Representative: Chen, Chin-Yi	600	39.99
	Director	Sunny Bank Co., Ltd Representative: Ho, Shun-Cheng		
	Director	Sunny Bank Co., Ltd Representative: Huang, Cheng-Nan	900	60.00
	Director	Sunny Securities Co., Ltd Representative: Chao, Fu-Tien		
	Supervisor	Sunny Securities Co., Ltd Representative: Hsu, Po-Hsiung		
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, Shun-Cheng		
	Director	Sunny Life Insurance Brokerage Co., Ltd. Representative: Huang, Cheng-Nan	242	40.00
	Director	Sunny Life Insurance Brokerage Co., Ltd. Representative: Chao, Fu-Tien		
	Supervisor	Gold Sunny Assets Management Co., Ltd. Representative: Hsu, Po-Hsiung		

B. Affiliates' Operation Status:

Unit: NT\$ Thousands except EPS in NT\$

Company Name	Capital	Total Assets	Total Liabilities	Net Value	Operating Income	Profit/Loss This Term (After Tax)	EPS (After Tax)
Sunny Securities Co., Ltd.	302,000	307,090	55,257	251,833	73,738	8,315	0.28
Gold Sunny Assets Management Co., Ltd.	50,000	581,440	545,228	36,212	39,331	11,701	2.34
Sunny Life Insurance Brokerage Co., Ltd.	15,000	114,658	27,668	86,990	190,976	35,353	23.57
Sunny Property Insurance Brokerage Co., Ltd.	6,050	15,571	2,039	13,532	17,269	1,463	2.42

2. For the year 2010 and as of the publication of the annual report, the private placement of marketable securities and financial debentures: None

3. For the year 2010 and as of the publication of the annual report,, holding or disposal of the Bank stocks by subsidiaries

March 31, 2011

Unit: NT\$, shares; %

Subsidiary	Paid-in Capital	Source of Fund	Shareholdings of the Bank	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.	NT\$302,000,000	Self-owned Capital	97.68%	-	-	-	-	-	-	-
Gold Sunny Assets Management Co., Ltd.	NT\$50,000,000	Self-owned Capital	100.00%	-	-	-	-	-	-	-
Sunny Life Insurance Brokerage Co., Ltd.	NT\$15,000,120	Self-owned Capital	39.99%	-	-	-	420,059 shares NT\$ 4,200,590	-	-	-

Ltd.										
Sunny Property Insurance Brokerage Co., Ltd.	NT\$6,050,000	Self-owned Capital	20.00%	-	-	-	-	-	-	-

4. Additional Supplementary Remarks: None

5. For the year 2010 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. Head Office and Branches List

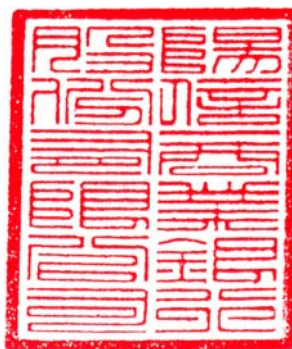
Unit Name	Address			Tel.
Taipei City				
Head Office	11163	No. 255, Chungcheng Rd., Shihlin Dist., Taipei City		(02) 2820-8166
Business Department	11163	No. 255, Chungcheng Rd., Shihlin Dist., Taipei City		(02) 2882-2330
Shihlin Branch	11169	No. 82, Tapei Rd., Shihlin Dist., Taipei City		(02) 2882-3660
Chientan Branch	11166	No. 131, Tungsho St., Shihlin Dist., Taipei City		(02) 2885-4181
Shetzu Branch	11173	No. 260, Sec. 5, Yenping N. Rd., Shihlin Dist., Taipei City		(02) 2812-1112
Lanya Branch	11155	No. 169, Sec. 6, Chungshan N. Rd., Shihlin Dist., Taipei City		(02) 2836-2072
Tienmu Branch	11153	No. 15, Tienmu E. Rd., Shihlin Dist., Taipei City		(02) 2873-2500
Shechung 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
Shihpai Branch (Note)	11271	No. 90, Sec. 1, Shihpai Rd., Peitou Dist., Taipei City		(02) 2823-8480
Peitou Branch	11246	No. 152, Kuangming Rd., Peitou Dist., Taipei City		(02) 2891-7361
Tatun Branch	11252	No. 304, Chungsho St., Peitou Dist., Taipei City		(02) 2891-9196
ChiLin Branch	10459	No. 304 Chihlin Rd., Chungshan Dist., Taipei City		(02) 2561-1188
Lungchiang 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
Chunghsing Branch (Note)	10478	No. 36, Sec. 3, Minsheng E. Rd., Chungshan Dist., Taipei City		(02) 2516-5268
Minsheng Branch	10589	No. 167, Sec. 5, Minsheng E. Rd., Sungshan Dist., Taipei City		(02) 2760-6335
Yenchi Branch	10558	No. 11, Yenchi St., Sungshan Dist., Taipei City		(02) 2578-6201
Nanking Branch	10553	No. 132, Sec. 4, Nanking Ed., Rd., Sungshan Dist., Taipei City		(02) 2579-0229
Fuhsing 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
Neihu Branch (Note)	11493	No. 250, Sec. 1, Neihu Rd., Neihu Dist., Taipei City		(02) 2658-6698
Mucha Branch (Note)	11648	No. 96, Sec. 3, Mucha Rd., Wenshan Dist., Taipei City		(02) 2234-5890
Chingmei Branch	11669	No. 95-12, Chinghou St., Wenshan Dist., Taipei City		(02) 2930-0202
Kuting Branch	10080	No. 40, Sec. 2, Tingchou Rd., Chungcheng Dist., Taipei City		(02) 8369-2288
Hsinyi Branch	10681	No. 188, Sec. 4, Hsinyi Rd., Taan Dist., Taipei City		(02) 2706-8388
Taan Mini-Branch	11056	No. 225, Sec. 3, Hoping E. Rd., Hsinyi Dist., Taipei City		(02) 2733-7711
Changan Branch	10350	No. 205, Changan W. Rd., Tatung Dist., Taipei City		(02) 2559-5500
Nangang Branch	11578	No.97, Sec. 2, Nangang Rd., Nangang Dist., Taipei City		(02) 2785-1001
New Taipei City				
Panchiao Branch (Note)	22063	No. 133, Sec. 1, Szuchuan Rd., Panchiao Dist., New Taipei City		(02) 2955-0008
Hsichou Branch	22072	No. 89, Sec. 3, Tuhsing Rd., Panchiao Dist., New Taipei City		(02) 2681-9960
Hsinpu Branch	22049	No. 245, Szuwei Rd., Panchiao Dist., New Taipei City		(02) 8253-7789
Yungho Branch	23443	No. 188, Sec. 1, Chungshan Rd., Yungho Dist., New Taipei City		(02) 2926-5899
Chungho Branch (Note)	23553	No. 245, Chienyi Rd., Chungho Dist., New Taipei City		(02) 2222-5199
Hsinho Mini-Branch	23570	No. 89, Huahsin St., Chungho Dist., New Taipei City		(02) 8941-9339
Shuangho Branch	23556	No. 722, Chingping Rd., Chungho Dist., New Taipei City		(02) 8242-3919
Sanchung Branch	24151	No. 108, Sec. 4, Tzuchiang Rd., Sanchung Dist., New Taipei City		(02) 8981-7171

Chunghsin Branch	24144	1F, No. 28, Sec. 4, Chunghsin Rd., Sanchung Dist., New Taipei City	(02)	2977-9886
Hsinchuang Branch	24260	No. 533, Lungan Rd., Hsinchuang Dist., New Taipei City	(02)	8201-9069
Hsinfu Mini-Branch	24247	No. 800, Hsingfu Rd., Hsinchuang Dist., New Taipei City	(02)	2998-3366
Luchou Branch	24747	No. 393, Chihhsien Rd., Luchou Dist., New Taipei City	(02)	8282-2068
Hsintien Branch	23148	No. 263-5, Chungcheng Rd., HsinTien Dist., New Taipei City	(02)	8911-7676
Taishan Branch	24347	No. 110, Sec. 1, Mingchih Rd., Taishan Dist., New Taipei City	(02)	2297-9797
Wuku Branch	24872	No. 12, Sec. 1, Chunghsing Rd., Wuku Dist., New Taipei City	(02)	8976-9000
Ilan County				
Luotung Branch	26548	No. 30, Chungcheng N. Rd., Luotung Town, Ilan County	(03)	957-1259
Taoyuan County				
Tayeh Mini-Branch	33049	No. 55, Sec. 1, Tale Rd., Taoyuan City, Taoyuan County	(03)	347-8899
Taoyuan Branch (Note)	33048	No. 32-20, Chungshan E. Rd., Taoyuan City, Taoyuan County	(03)	336-0555
Chungli Branch	32097	No. 171, Chienhsing Rd., Chungli City, Taoyuan Hsien	(03)	428-2229
East Taoyuan Branch	33044	No.523, Jingguo Rd., Taoyuan City, Taoyuan County	(03)	316-1859
Hsinchu City				
Hsinchu Branch	30041	No. 247, Chungyang Rd., East Dist., Hsinchu City	(03)	515-3608
Linsen Branch (Note)	30061	No. 109, Hsita Rd., East Dist., Hsinchu City	(03)	610-0189
Hsinchu County				
Chupei 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
Hsiangshang Mini-Branch	40356	No. 166, Sec. 1, Hsiangshang S. Rd., West Dist., Taichung City	(04)	2472-2528
Chingwu Branch	40147	No. 188, Chingwu E. Rd., East Dist., Taichung City	(04)	2211-2368
Changhua County				
Yuanlin Branch	51052	No. 12, Chinghsiu Rd., Yuanlin Town, Changhua County	(04)	832-2171
Shetou Mini Bank	51141	No. 257, Sec. 2, Yuanchi Rd., Shetou Hsiang, Changhua County	(04)	872-1017
Changhua Branch	50063	No.187, Siaoyang Rd., Changhua City, Changhua County	(04)	728-9399
Chiayi City				
Chiayi Branch	60089	1F & 2F, No. 296 & 298, Chunghsing Rd., West Dist., Chiayi City	(05)	234-2023
Kuanghua Branch	60045	No. 119, Kuanghua Rd., East Dist., Chiayi City	(05)	228-5830
Tainan City				
Chunghua Branch (Note)	70168	No. 102, Sec. 3, Chunghua E. Rd., East Dist., Tainan City	(06)	267-0751
Tungning 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
Chienkang Branch	70262	No. 370, Sec. 2, Chienkang Rd., South Dist., Tainan City	(06)	261-2136
Anshun Branch	70941	No. 202, Sec. 1, Anho Rd., Annan Dist., Tainan City	(06)	256-3146
Hsiahua Branch	70847	No. 359, Sec. 2, Chunghua W. Rd., Anping Dist., Tainan City	(06)	297-9880
Yungkuang Branch	71049	No. 625, Chunghua Rd., Yungkuang Dist., Tainan City	(06)	203-6607
Jente 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
Sanfeng Branch	80749	No. 293, Chunghua 3rd Rd., Sanming Dist., Kaohsiung City	(07)	231-5101
Tashun Branch	80787	No. 41, Tashun 2nd Rd., Sanmin Dist., Kaohsiung City	(07)	386-1622
Pingteng Branch	80745	No. 283, Tzuli 1st Rd., Sanmin Dist., Kaohsiung City	(07)	321-4622
Tingli Branch	80789	No. 142, Tingli Rd., Sanmin Dist., Kaohsiung City	(07)	346-5955
Tsuoying Branch	81357	No. 102, Poai 2nd Rd., Tsuoying Dist., Kaohsiung City	(07)	556-0128
Haikuang Branch	81346	No. 190, Tsuoyingta Rd., Tsuoying Dist., Kaohsiung City	(07)	582-3511
Liwen Branch (Note)	81358	No. 75, Liwen Rd., Tsuoying Dist., Kaohsiung City	(07)	558-0711
Lingya Branch	80250	No. 22, Fuhsing 2nd Rd., Lingya Dist., Kaohsiung City	(07)	331-0066
Chingnien Branch	80252	No. 169-1, Chingnien 1st Rd., Lingya Dist., Kaohsiung City	(07)	331-8526
Szuwei Branch (Note)	80245	No. 159, Chunghua 4th Rd., Lingya Dist., Kaohsiung City	(07)	333-3701
Chienchen Branch	80266	No. 281, Santuo 2nd Rd., Lingya Dist., Kaohsiung City	(07)	711-0046
Chienkuo Branch	80289	No. 124, Wumiao Rd., Lingya Dist., Kaohsiung City	(07)	715-3513
Hsinhsing Branch	80049	No. 6, Chungcheng 4th Rd., Hsinhsing Dist., Kaohsiung City	(07)	288-4131
Mintsu Branch	80047	No. 218, Chungcheng 2nd Rd., Hsinhsing Dist., Kaohsiung City	(07)	224-2426

Yuchang Branch	81156	No. 803, Chiachang Rd., Nantzu Dist., Kaohsiung City	(07)	364-6530
Nantzu Branch	81162	No. 55, Nantzu Rd., Nantzu Dist., Kaohsiung City	(07)	353-5513
Takung Branch	80342	No. 40, Takung Rd., Yencheng Dist., Kaohsiung City	(07)	531-5105
Hsiaokang Branch	81254	No. 178-1, Kangchuang Rd., Hsiaokang Dist., Kaohsiung City	(07)	806-5171
Wuchia Branch	83084	No. 368, Wuchia 2nd Rd., Fengshan Dist., Kaohsiung City	(07)	726-0801
Kangshan Branch	82065	No. 16, Tate 1st Rd., Kangshan Dist., Kaohsiung City	(07)	623-6182
Chishan Branch	84243	No. 158, Chungshan Rd., Chishan Dist., Kaohsiung City	(07)	661-2081
Liukuei Mini-Branch	84441	No. 94, Kuangfu Rd., Yipao Village, Dist., Kaohsiung City	(07)	689-2741
Meinung Mini-Branch	84348	No. 25, Sec. 1, Chungcheng Rd., Meinung Dist., Kaohsiung City	(07)	681-8346
Linyuan Branch	83248	No. 136, Tunclin W. Rd., Linyuan Dist., Kaohsiung City	(07)	643-8141
Pingtung County				
Pingtung Branch	90074	No. 70, Chungcheng Rd., Pingtung City, Pingtung County	(08)	732-6123
Chungcheng Branch	90062	No. 293, Chungcheng Rd., Pingtung City, Pingtung County	(08)	736-0811
Tzuyu Mini-Branch	90079	No. 114, West Sec., Tzuyu Rd., Pingtung City, Pingtung County	(08)	753-9224
Likang Branch	90546	No. 43, Likang Rd., Chunlin Village, Likang Hsiang, Pingtung County	(08)	775-7735
Tungkang Mini-Branch	92843	No. 166, Chungcheng Rd., Tungkang Town, Pingtung County	(08)	832-0887

Note: Authorised Foreign Exchange Bank.

Sunny Bank Co., Ltd. (with seal)



Chairman: LIN, PENG-LANG (with seal)

