

股票代號：2895



陽信商業銀行

九十五年年報

ANNUAL REPORT 2006



民國九十六年四月三十日刊印

公開資訊觀測站：<http://newmops.tse.com.tw>

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See P.200~P.202 for details on local branch office addresses and telephone numbers.

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TEL:(02)8722-5800

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

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

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1. Message to shareholders

Global economic developments in 2006 suffered setbacks due to world raw material and oil price hikes as well as interest rate increase following aggravated inflation. Nevertheless, the world economy managed to expand at a placid pace. The overall domestic economy also recovered at stable rates. Consumption and investment in non-government circles showed slight increase and resulted to continual increase in balance of deposits and loans in local banks. This increase, however, has declined as compared to last year. Also, The Central Bank increased the interest rate once again but the abundance of capital in the market and fierce competitions among the same trade made loan ratio increase unlikely to take place. Thus, interest rate spread continued to narrow down. Under the government policy of financial reform, major banks continued to write-off bad debts and increase the cover rate. At the end of 2006, the overdue loan ratio already dropped 2.13% while the cover rate dramatically increased to 58.83%. Although the overall profitability of the bank is not as outstanding as 2005, comprehensiveness and stability of asset quality and financial structure have been consolidated.

On the other hand, integration and merger with local financial markets are popular options. Since our merger with Kao Shin Commercial Bank in 2005, the existing competitive advantage and approach niche of both banks are combined through regional approach integration to achieve operation efficiency, enhance operation integration, strengthen market competitiveness, improve customer service and promote operation capabilities. Results of the above will gradually be seen.

On September 28th, 2006, Taiwan Rating Corporation gave us a rating of "twA-" for long-term credit rating and "twA-2" for short-term credit rating. Our prospect is rated as stable, which signifies that our Operation results and credit rating are highly recognized. Our business conditions for effective year 2006 and the 2007 Operation plan are summarized below:

1. Operation plan implementation results and budget executions Results of Business operations and Achievement in Estimation:

Operation results (2006): deposit and loan related operations have shown remarkable growths. In terms of deposit, the deposit estimation was 222.9 billion dollars but the final accounting was 213 billion dollars. The recovery rate was 95.56%, which is at an increase of 10 billion dollars as compared to 203 billion dollars in 2005. The annual growth rate was 4.93%. Loan: the loan estimation was 189.7 billion dollars but the actual balance was 186.5 billion dollars. The recovery rate (%) was 98.31%, which is at an increase of 17.7 billion dollars as compared to the balance of 168.8 billion dollars in 2005. The annual growth rate was 10.49%. Till the end of 2006, the overdue loan ratio of our bank was 2.65% and the cover rate was 43.73%.

2. Analysis on Financial Income and Expenditures as well as on Profitability

Income & expenditure and surplus:

Surplus final accounting after tax in year 2006 is 28,806 thousand dollars or 0.02 dollars earning per share.

3. Research development:

1. Active promotion of small and medium enterprises: other than sustainable Credit Guarantee Fund Project of small and medium enterprise, collaborated efforts of International Banking Dept. also promotes foreign exchange projects in order to provide versatile selections of choices and satisfy different customer needs for capital.
2. New financial commodity release: Bai Chin Parking Co-brander Card, Taiwan International Christianity Affinity Card, Shiang-Shou Mortgage, First Interest Protection Type Mortgage, tw-AAA Premium Low-interest Project, a variety of credit loan commodities, B-share fund, OBU fixed trust investment overseas securities are designed to provide services to suit customer needs.

3. Superficies trust business: In view of extensive and complex investments in the society, a trustee plays the role of a professional trust organization and assists investors in superficies management, safe use, and benefit acquisition by providing versatile service. They are considered as important development focuses in providing consignors with professional asset management services. Through independent and professional management of trusted banks, safe and effective use of trust properties can be ensured.
4. Real estate construction trust: construction credit and real estate trust are intended to protect land owner and constructor rights. Creditor's right management of our bank and handling fee collection are covered as part of the scope. In addition, trust professionals continue to be recruited while branch offices, regional centers, and external land legal document approaches are also developed.
5. Set up Si-Wei Foreign Exchange Branch and strengthen the market in the Southern region, assist Business Dept.s to resolve issues, boost foreign exchange performance, set up overseas branch offices, and head toward globalization.
6. Financial XML business operation: provide customers with financial XML services. Trading is conducted on personal computers or related equipments. Through the internet XML format, messages are sent to financial institutions to facilitate capital management, remittance, and payment render related instructions and information inquiry. Online financing is also available in conjunction with existing supply chain operations. Central manufacturer is linked to up-stream and down-stream operations to provide 24-hours financial services with no holidays.
7. Strengthen credit card services: Platinum card holders are entitled to 15-day free parking privileges while overseas. In order to provide better services, those that render 80% of package tour payment or 100% of airfare are entitled to free parking for the duration spent overseas. There is no limit on number of uses annually.

4. Guidelines of 2007 Operation Plans:

(1.) Operational policies

1. Enhance integration marketing power and branch office marketing capability to display organization operation results and increase profitability.
2. Promote optimum operation and strengthen electronic business operation to enhance overall operation efficiency.
3. Strengthen focal commodity promotion to satisfy versatile needs of customers.
4. Overseas approach layout and active cross-strait business operation expansion. (China, Hong Kong, Taiwan)
5. Strengthen financial management and brand image to enhance customer satisfaction level and recognition level.
6. Introduce model and system planning to strengthen risk management mechanisms in response to Basel II.

(2.) Operational targets

1. Consuming finance: focus is placed on product research & development, major Consuming finance business operation needs, and credit risk control.
2. Corporate finance: strengthen professional services in conjunction with foreign exchange business operations. Develop all-around company financing, hedging, and funding financial consultants.

3. Financial management: develop bank customer resources, promote professionalism, comprehensive asset planning and allotment based on financial requirements of customers.
4. Financial and monetary business operation: provide customers with versatile hedging tools and investment services to increase income from handling fee collections.
5. Elaborate branch office approach benefits, increase average turnover and productivity of branch offices, and improve staff service provision.

In terms of future prospect, the harsh environment of the financial sector prompts us to persist in sustainable operation ideals, and versatile business operation developments. Through financial debenture issuance and bank capital structure strengthening by Residential Mortgage Backed Securities (RMBS), customers are provided with better services. Other than functional enhancement, public operating expense deduction, national e-Bill, operation center e-bill, chip ATM card purchase deduction, and county/city park fee e-service development are also promoted to provide comprehensive bank developments, consolidate capital and services. Moreover, overseas branch offices will be set up to stay connected with the world. We shall act for the best interest of our shareholders and customers.

Chairman Chen Sheng-Hung

2. Background of the bank

1. Profile of the bank

Date of registration: September 1st, 1997

Date of commencing operations: September 1st, 1997

2. History of the bank

The former organization of our bank was “Yang Ming Shan Credit Cooperative” established on October 2, 1957. After operating for forty years, it was reformed as a bank with the approval of Ministry of Finance on April 28, 1997. Therefore, Sunny Bank Corporation Ltd. formally started its operations on September 1, 1997. Sunny Bank is one of the first group of credit cooperatives being reformed to banks according to the “Standards and Regulations for Reforming Credit Cooperatives to Commercial Banks” with a documentary number of Tai Tsai Jung No. 84784492 issued by the Ministry of Finance on December 6, 1995.

On April 16, 1998, our bank was approved of the ISO-9002 accreditation of information and quality system. We were the first bank passing through such accreditation. On June 4, 1998, we held a presentation announcing this accreditation and addressing our quality policies for sustainable operation as “Stability, Prospects, Profession and Enthusiasm”. We have been endeavoring to make improvements, expanding our services, increasing branches to provide services to the public since the commencement of our business. For cooperating with the governmental policies to deal with the financial institutions with poor management, 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. Our branches increase by 21. On July 20, 2004, Sunny Bank Ltd. was approved as a national bank after the completion of the above expansion.

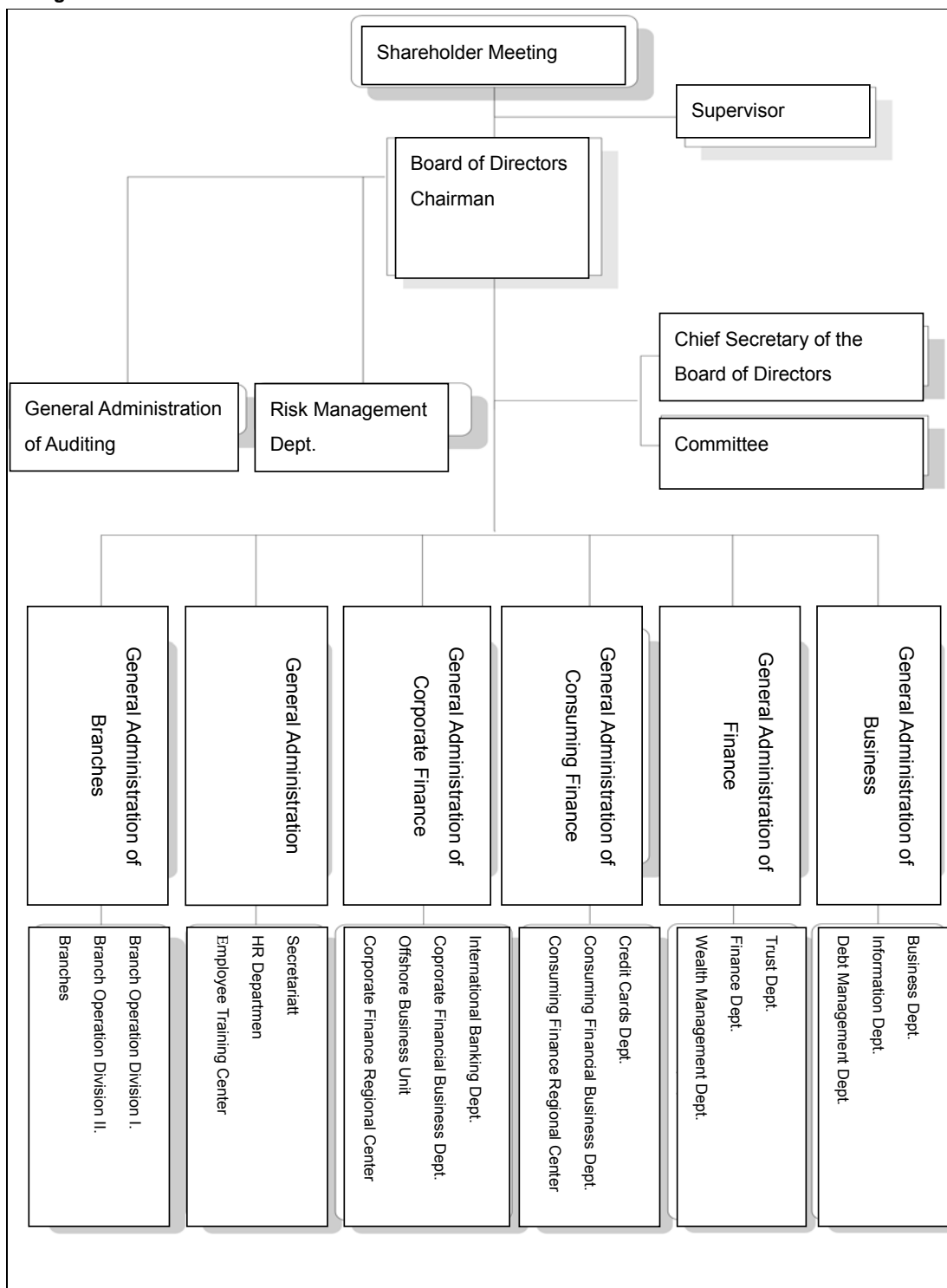
On November 26, 2005, Sunny Bank Ltd. merged with Kao Shin Commercial Bank so as to integrate business and strengthen our competitiveness in the market by obtaining better competitive advantages, expanding business scale and range. The number of our branches increased from 62 to 96 mainly distributed in Taipei and Kaohsiung. The capital also increased to 12.4 billion dollars. In the future, with Taipei and Kaohsiung as focus development areas, through mutual regional accommodation, and approach integration, market competitiveness and scale are expected to be strengthened. Customer service and operation capability will also be enhanced.

For adapting to the rapid changes in the financial market, Sunny Bank Ltd. started to undertake a reorganization in 2003. Our organization is divided into seven systems based on functions or services: general finance, corporate finance, consuming finance, as to service function, attribute namely: monetary finance, corporate finance, Consuming finance, branch operations, business operation, administration and auditing. In May, 2006, risk management office was set up to hasten reasonable operation, enhance service quality, efficiency, and actively integrate with other financial areas. It reinvested in Sunny Securities Co., Ltd., Sunny Asset Management Co., Ltd., Bank Union Life Insurance Agency Corp., Ltd, Bank Union Property Insurance Agency Corp., Ltd., etc. Sunny Bank Ltd. also acts as an agent for various insurance commodities and deals with listing in the stock exchange and over-the-counter (OTC), purchase and commercial transactions, etc. It is expected that we can provide comprehensive services for customer financial planning on a basis of existing connections and locations.

In terms of financial maximization in the local market, financial management business operations were approved by Financial Supervisory Commission, Executive Yuan in May, 2006. It now provides customers with comprehensive asset allotments, and versatile financial commodity inquiry services. On September 15th, 2006, the first Si-Wei Foreign Exchange designated branch was established to strengthen foreign exchange business operations.

3. Company report

1. Organization of the bank



Head Office has set up General Administration of Business., General Administration of Finance., General Administration of Consuming Finance., General Administration of Corporate Finance., General Administration of Branches., and General Administration. responsible for planning, supervision, and guidance provision.

Names and responsibilities of Head Office business departments above are as follows:

1. General administration of Business: Business Dept., Information Department and Debt Management Department.

Business Dept. :

In charge of system, organization, rule, operational planning, annual budget, accounting, and bank operation planning, promotion, performance auditing management, and coordination of various information submitted from each unit under the administration of the Head Office as well as related rules, regulations, procedures, operating manual set up and revision.

Information Department:

Automated promotion offer, software/hardware data and equipment analysis, design, online connection, control, maintenance, internal network planning, set up, management, and related rules, regulations, procedures, and operating manual set up and revision

Debt Management Department:

In charge of consumer banking, corporate finance and credit card non-performing loan, and collateral management, acceptance, penalty, related rules, regulations, procedures, and operating manual set up and revision.

2. General Administration of Finance: Trust Dept., Finance Dept., and Financial Management Dept.

Trust Dept.:

In charge of trust operation planning, product development, marketing, sales promotion, performance auditing management, and related rules, regulations, procedures, and operation manual set up and revision.

Finance Dept.:

In charge of bank capital management, investment on short-term securities, long-term equity investment, notes transactions, depository/loan interest rate set up, and related rules, regulations, procedures, and operating manual set up and revision.

Wealth Management Dept.:

In charge of preservation and investment of capital commissioned by customers, and related planning and promotions.

1. General Administration of Consuming Finance: Credit Cards Department, Consuming Finance Department and Consuming Finance Regional Center.

3. General administration of consuming finance:

Credit Cards Dept., Consuming Finance Dept. and Consuming Financial Business Regional Center.

Credit Cards Dept.:

In charge of bank credit card services planning, product development, marketing, sales promotion, performance auditing, and related rules, regulations, procedures, manual set up and revisions.

Consuming Finance Dept.

In charge of bank loans in small amount, housing loans, and other consumer loans, credit information service, product development, marketing, sales promotion, , product development, auditing, performance auditing as well as related rules, regulations, procedures, operating manual set up and revision.

Consuming Finance Regional Center:

In charge of consuming finance credit sales client marketing, sales promotion, and assistance offered for branch office.

4. General Administration of Corporate Finance: Corporate Financial Business Dept., International Banking Dept., Offshore Business Unit, Corporate Finance Regional Center.

Corporate Financial Business Dept.:

In charge of credit information services and authorization for corporate loans and related planning, product development, marketing, sales promotion, auditing, performance auditing and management as well as and related rules, regulations, procedures, manual set up and revision.

International Banking Dept.:

In charge of foreign exchange and foreign affairs planning, product development, marketing, sales promotion, performance auditing and management as well as and related rules, regulations, procedures, manual set up and revision.

Offshore Business Unit:

In charge of Offshore Business Unit and planning for global financial services, product development, marketing, sales promotion, performance auditing and management as well as related rule/regulation/procedure/operation manual draft and revision.

Corporate Finance Regional Center:

In charge of corporate finance credit authorization services and marketing, sales promotion, credit information services, credit authorization and management, assistance for cases from branches, counseling as well as hierarchy auditing within authorized region.

5. General Administration of Branches: Branch Operation Division I, and Branch Operation Division II.

Branch Operation Division I:

In charge of businesses, daily operational management and counseling of the branches within the authorized region.

Branch Operation Division II:

In charge of businesses, daily operational management and counseling of the branches within the authorized region.

6. General administration: HR Dept., Employee Training Center, and Secretariat.

HR Dept.:

In charge of human resource planning analysis, recruitment, cultivation, job appointment/relief, promotion, job shift, welfare, retirement, assessment, reward/penalty and related rules, regulations, procedures, operation manual set up and revision.

Employee Training Center:

In charge of employee training, planning of training courses, invitation of instructors as well establishment, use, management, and maintenance of training centers.

Secretariat:

In charge of crucial affairs, documentaary, seals, stock service, public relations, legal affairs, general affairs, , cashier, purchase of stuff, procurement, fix, maintenance and management of real estate, stup and revision of the regulations, conditions, flows, operating manuals as well as affairs not belonging to other departments. , housing purchase, operation, maintenance, management, and related rules, regulations, procedures, operation manual set up and revision, and items not falling under the scope of other business departments.

Branches are set up under the administration of the Head Office. In case of re-allocation or re-assignment or distribution of services or branches, it shall be up to Chairman's decision.

General administration of auditing and Risk Administration Office are set up in this bank. General administration of auditing is responsible for operation, information, account, financial affair, and warehouse audit. No. of auditors assigned are based on actual needs. Auditor qualification, job assignment/relief of auditors above are carried out in compliance with regulations of agency. General administration of auditing and auditor are under supervision of general auditor on the job.

Risk Administration Office of this bank is In charge of bank risk control including Capital Adequacy Ratio monitoring (such as: credit risk, market risk, operation risk), flow risk, operation risk management mechanism, large-amount risk control and computation, bad-debt write-off, information safety protection mechanism, and contingency plan. Report is filed at board of directors regularly regarding risk control. Job vacancies are assigned for the above operations. The No. of staff recruited depending on actual needs.

2. Board of director/supervisor, general manager, vice general manager, assistant manager, Dept. and branch office supervisor data

(1) Director and supervisor

1. Director and supervisor data

12/31/2006

Job title	Name	Date Elected	Term	First Date Elected	Shareholding When Elected		Present shareholding		Spouse, children (minor) shareholding		Shareholding under other names		Education background	Present Job title in bank and other companies and	Spouse or second-degree relative serving as supervisor, director or Supervisor		
					shares	Shareholding ratio	shares	Shareholding ratio	shares	Shareholding ratio	shares	Shareholding ratio			Job title	Name	Relation
Chairman	Chen Sheng-Hung	95.5.2	3 years	86.9.1	6,905,806	0.56%	7,179,892	0.58%	1,832,655	0.15%	—	—	3 rd to 7 th Taipei City councilor Yang Ming Shan Credit Co-operative chairman of the board. Sunny Bank 1 st , 2 nd , 3 rd director. 4 th 5 th legislator; University graduate.	Chuan Yang Construction Company Director Sunny g Cultural and Education Foundation Chairman	Director General affairs Director	Chen Chin-Chia Shuei Tsun-Shien	Younger Brother Related by marriage
Managing director	Wu Shi-Hui	95.5.2	3 years	86.9.1	2,345,282	0.19%	2,367,364	0.19%	0	0.00%	—	—	Yang Ming Shan Gas Company chairman Yang Ming Shan Credit Co-operative chairman of the board Sunny Bank 1 st , 2 nd , 3 rd General affairs Director Cheng Fa Movie Production Company Chairman Elementary school graduate	Yang Ming Shan Gas Company Chairman Cheng Fa Movie Production Company Chairman	None	None	None
General affairs director	Liu Cheng-Shen	95.5.2	3 years	86.9.1	4,774,766	0.38%	4,964,272	0.40%	942,582	0.08%	—	—	Nikken Company Chairman Yang Ming Shan Credit Co-operative director Sunny Bank 1 st Director, 2 nd , 3 rd General affairs Director Shihpai Chihchung Comprehensive Market High School graduate	Shihpai Chihchung Comprehensive Market Company Chairman	Assistant manager Manager	Liu Ming-Chieh Chen Yao-Wen	Son Related by marriage
Corporation General affairs director	Fu Li Yang Investment (Stocks) Co. Rep.: Shuei Tsun-Shien	95.5.2	3 years	94.12.1	41,313,082	3.32%	82,952,766	6.67%	0	0.00%	—	—	Chuan Yang Construction Company Director Sunny Bank 3 rd Director College graduate	Chuan Yang Construction Company Director	Chairman	Chen Sheng-Hung	Related by marriage
Corporation General affairs director	Fu Li Yang Investment (Stocks) Co. Rep.: Chen Chien-Yang	95.5.2	3 years	95.5.2	41,313,082	3.32%	82,952,766	6.67%	0	0.00%	—	—	Ching Kuo Institute of Management & Health lecturer Yi Lian Co. Ltd. GM Master's (Graduate school)	Yi Lian Co. Ltd. Director	None	None	None
Corporation General affairs director	Fu Li Yang Investment (Stocks) Company	95.5.2	3 years	89.6.12	41,313,082	3.32%	82,952,766	6.67%	0	0.00%	—	—	Taipei Business Bank Trust Dept. Manager Taipei Business Bank Business Dept. Manager	Sunny Bank consultant	None	None	None

Job title	Name	Date Elected	Term	First Date Elected	Shareholding When Elected		Present shareholding		Spouse, children (minor) shareholding		Shareholding under other names		Education background	Present Job title in bank and other companies and	Spouse or second-degree relative serving as supervisor, director or Supervisor		
					shares	Shareholding ratio	shares	Shareholding ratio	shares	Shareholding ratio	shares	Shareholding ratio			Job title	Name	Relation
	Rep.: Lin Jin-Lung												Sunny Bank Vice GM ,GM Sunny Bank 2 nd ,3 rd Director University graduate				
Director	He Shen-Cheng	95.5.2	3 years	86.9.1	4,280,833	0.34%	4,450,735	0.36%	5,448,570	0.44%	—	—	Yuan Shun Jewelry Shop Company in-charge Yang Ming Shan Credit Co-operative director Sunny Bank 1 st , 2 nd , 3 rd Director High school graduate	None	None	None	None
Director	Chang Wu-Ping	95.5.2	3 years	86.9.1	5,946,478	0.48%	6,182,489	0.50%	1,186,638	0.10%	—	—	Yang Ming Shan Credit Co-operative director Sunny Bank 1 st , 2 nd , 3 rd Director High School graduate	Ping An Construction Company Chairman	None	None	None
Director	Chen Chin-Chia	95.5.2	3 years	89.6.12	3,711,097	0.30%	4,177,407	0.34%	6,894,974	0.55%	—	—	Po Yun Enterprise Co., Ltd. Director Formosa Online Company Director Sunny Bank 2 nd , 3 rd Director University graduate	Po Yun Enterprise Co., Ltd. Director	Chairman	Chen Sheng-Hung	Older brother
Director	Lin Cheng-Yu	95.5.2	3 years	95.5.2	4,604,609	0.37%	4,787,362	0.38%	453,993	0.04%	—	—	Guo Chih Construction Company Chairman University graduate	Guo Chih Construction Company Chairman	None	None	None
Director	Chen Jin-Yi	95.5.2	3 years	86.9.1	8,485,015	0.68%	8,821,778	0.71%	0	0.00%	—	—	Yang Ming Shan Credit Co-operative director Sunny Bank 1 st , 2 nd , 3 rd Director Yin Lian Life Insurance Agency Company Chairman University graduate	Yin Lian Life Insurance Agency Company Chairman Yi Lian Property Insurance Agency Company Chairman Jin Chia Technology Company Supervisor	None	None	None
Director	Chao Fu-Tian	95.5.2	3 years	95.5.2	2,823,166	0.23%	2,935,215	0.24%	76,133	0.01%	—	—	Kao Shin Bank Chairman Yung Chih Paper Co., Ltd. Company Supervisor High school graduate	Yin Lian Life Insurance Agency Company Director Bank Union Property Insurance Agency Company Supervisor P.T. Indah Kiat Pulp & Paper Corp. Company Supervisor	Manager Deputy Manager	Tsao Yu-Chin Chao Hui Zhen	Son Daughter
Director	Huang Cheng-Nan	95.5.2	3 years	95.5.2	3,736,717	0.30%	3,898,907	0.31%	643,589	0.05%	—	—	Kao Shin Bank Honorable Chairman Lung Da Hotel Company Chairman University (incomplete)	Lung Da Hotel Company Chairman	None	None	None
Independent director	Liu Hsiang-Dun	95.5.2	3 years	95.5.2	0	0.00%	0	0.00%	0	0.00%	—	—	District Court judge, chief of court, Hsiang Chih Law Firm head University graduate	None	None	None	None
Independent general affairs director	Sun Bing-Yen	95.5.2	3 years	95.5.2	0	0.00%	0	0.00%	0	0.00%	—	—	Credit Cooperative General affairs Director Consultant at Executive Yuan Fundamental Financial Reform Committee member, Ministry of	None	None	None	None

Job title	Name	Date Elected	Term	First Date Elected	Shareholding When Elected		Present shareholding		Spouse, children (minor) shareholding		Shareholding under other names		Education background	Present Job title in bank and other companies and	Spouse or second-degree relative serving as supervisor, director or Supervisor		
					shares	Shareholding ratio	shares	Shareholding ratio	shares	Shareholding ratio	shares	Shareholding ratio			Job title	Name	Relation
													Finance, The Examination Yuan of ROC, examination administrator, Professor, Taipei University PhD. (Graduate school)				
General affairs supervisor	Shih Bo-Hsiung	95.5.2	3 years	86.9.1	3,743,869	0.30%	3,832,460	0.31%	2,306,716	0.19%	—	—	Tung Cheng Ceramics Company in-charge Yang Ming Shan Credit Co-operative director chairman Sunny Bank 1 st , 2 nd , 3 rd General affairs Supervisor High school graduate	Tung Cheng Ceramics Company Chairman	None	None	None
Supervisor	Tsai Wen-Hsiung	95.5.2	3 years	86.9.1	5,762,633	0.46%	7,405,159	0.60%	5,104,014	0.41%	—	—	Chang Chih CPA Firm Accountant Yang Ming Shan Credit Co-operative director Rui Hsiang Investment Company Director Sunny Bank 1 st , 2 nd , 3 rd , Supervisor Graduate school graduate	Rui Hsiang Development Company Director	None	None	None
Supervisor	Gao Ming-Chih	95.5.2	3 years	89.6.12	733,550	0.06%	762,664	0.06%	1,557,391	0.13%	—	—	Yang Ming Shan Credit Co-operative Rep. Sunny Bank 2 nd , 3 rd , Supervisor Ancient Chinese Ceramics Company Chairman Company Director Min An Construction Material Industries University graduate	Tung Ying Construction Company Director Ancient Chinese Ceramics Company Chairman	None	None	None
Supervisor	Chen Sun-Rong	95.5.2	3 years	86.9.1	736,915	0.06%	749,510	0.06%	737,331	0.06%	—	—	Yang Ming Shan Credit Co-operative Manager Sunny Bank 1 st , 2 nd , 3 rd Supervisor Junior high school graduate	None	None	None	None
Independent supervisor	Jiang Tsun-Hwai	95.5.2	3 years	95.5.2	0	0.00%	0	0.00%	0	0.00%	—	—	Land Bank Savings Dept. Service station chief director and branch office director Non-performing process center chief director University graduate	None	None	None	None

2. Director and supervisor data

Base Day: 12/31/2006

Qualification	If over 5 years of work experience with the professional qualifications below			Independence (Note)										Serving as independent director or in No. of other public issue companies
	Commerce, law, finance, accounting, company operation related public/private school lecturer	Judge, prosecutor, lawyer, accountant, or other company required national examinations, and certified professional and technician	Commerce, law, finance, accounting, or company operation related work experience	1	2	3	4	5	6	7	8	9	10	
Name														
Chen Sheng-Hung			✓	✓	✓				✓	✓		✓	✓	
Wu Shi-Hui			✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	
Liu Cheng-Shen				✓	✓	✓			✓	✓	✓	✓	✓	
Fu Li Yang Investment Corp. Rep. :Shuei Tsun-Shien				✓	✓	✓		✓	✓	✓		✓	✓	
Fu Li Yang Investment Corp. Rep. :Chen Chien-Yang				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Fu Li Yang Investment Corp Rep. :Lin Jin-Lung			✓		✓	✓			✓	✓	✓	✓	✓	
Chang Wu-Ping				✓	✓	✓	✓		✓	✓	✓	✓	✓	
He Shen-Cheng				✓	✓	✓			✓	✓	✓	✓	✓	
Chen Chin-Chia				✓	✓	✓			✓	✓		✓	✓	
Chen Jin-Yi				✓		✓	✓			✓	✓	✓	✓	
Lin Cheng-Yu				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Chao Fu-Tian			✓	✓		✓		✓		✓	✓	✓	✓	
Huang Cheng-Nan			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Liu Hsiang-Dun		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Sun Bing-Yen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Shih Po-Hsiung				✓	✓	✓			✓	✓	✓	✓	✓	
Chen Sun-Rong			✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	
Gao Ming-Chih				✓	✓	✓	✓		✓	✓	✓	✓	✓	
Tsai Wen-Hsiung			✓	✓	✓				✓	✓	✓	✓	✓	
Jiang Tsun-Hwai			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	

Note: Please tick "✓" on the blank space below for directors, and supervisors that meet the following requirements 2 years prior to job appointment or during term in office,:

- (1) Not bank or associated business employee
- (2) Not bank or associated business director or supervisor (not limited to bank, parent company, or independent director of subsidiary company with direct/indirect shareholding of over 50% (right to veto)
- (3) Shareholding of over 1% of total issued shares or top 10 natural shareholder who is not the interested party, spouse or child. (Minor)
- (4) Not spouse, second-degree or fifth degree lineal relative of staff listed in the above 3 items.
- (5) Not director/supervisor or employee of corporate shareholder that directly owns over 5% of bank shares issued or director/supervisor, or employee of top 5 corporate shareholder.
- (6) Not director, supervisor, agent, or shareholder (over 5% of shareholding) of specific companies or institutions that have financial or operational transactions with the bank.
- (7) Not professional, sole-investor, company, or institution proprietor, partner, director/supervisor, agent or

spouse that provides services or inquiries related to commerce, law, finance, and accounting to the bank.

(8) Not spouse or second-degree relative of other directors.

(9) No event specified in Article 30 of Company Act

(10) Not government or corporation Rep. elected according to Article 27 of Company Act.

3. Major shareholders of corporate shareholders

(1) Major shareholders of corporate shareholders

12/31/2006

Corporate shareholder name	Major shareholders of corporate shareholders	Shareholding ratio
Fu Li Yang Investment Company	Shuei Ling	99.77%

(2) Major shareholders of company comprised of corporate shareholders

12/31/2006

Corporate shareholder name	Major shareholders of corporate shareholders	Shareholding ratio
None	None	None

(2) GM ,Vice GM , assistant manager, Dept. and branch office supervisor

12/31/2006

Job title	Name	Job appointment (Date of job takeover)	Shareholding		Spouse, child (minor) Shareholding		Shareholding under other names		Education background	Present Job title at other companies	Spouse or second-degree relative serving as agent		
			shares	Shareholding ratio	shares	Shareholding ratio	shares	Shareholding ratio			Job title	Name	Relation
GM	Chang Chih-Hung	92.05.19	326,213	0.26	88,166	0.01	—	—	Dept. of Public Finance, National Chengchi University Sunny Bank Financial Dept., Trust Dept. Assistant manager	—	—	—	—
GM	Chou San-He	92.05.19	228,553	0.02	0	0.00	—	—	Dept. of Economics, National Chengchi University Sunny Bank Assistant manager	—	—	—	—
GM	Chang Yi-Yu	92.05.19	314,518	0.25	0	0.00	—	—	UTA EMBA Sunny Bank Vice GM	—	—	—	—
GM	Chung Wu-Hu	94.11.26	16,548	0.00	0	0.00	—	—	Dept. of Economics, National Taiwan University Kao Shin Bank GM	—	—	—	—
GM	Ye Chin-Tsung	94.12.01	16,548	0.00	0	0.00	—	—	Dept. of Economics, Chinese Culture University Changhua Bank Beimen Branch Office Manager	—	—	—	—
GM	Hu Chuei-Yang	92.05.19	87,548	0.01	1,488	0.00	—	—	Graduate Institute of Finance, National Chengchi University Sunny Bank Vice GM	—	—	—	—
Vice GM	Lin Chih-Liang	95.05.03	425,307	0.03	0	0.00	—	—	Dept. of Accounting, Feng Chia University Sunny Bank Financial Dept. Assistant manager	—	—	—	—
Vice GM	Guo Chih-Hung	95.05.03	198,889	0.02	1,419	0.00	—	—	Dept. of Business Management, Tamsui Institute of Business Sunny Bank Operating Office Assistant manager	—	—	—	—
General audit	Tsen Yao-De	92.01.02	369,883	0.03	44,120	0.00	—	—	Dept. of Statistics, Chungyu Institute of Business Sunny Bank Audit Office Manager	—	—	—	—
Assistant manager	Wang Shun-A	90.08.15	467,132	0.04	1,479	0.00	—	—	Dept. of Statistics, Tamsui Institute of Business Sunny Bank Debt. Management Office Assistant manager	—	—	—	—
Assistant manager	Chang Chih-Hung	89.09.01	119,876	0.01	85,596	0.01	—	—	Dept. of Economics, Fu Jen Catholic University Sunny Bank Chengkung Branch Office Assistant manager	—	—	—	—
Assistant manager	Hsieh Yi-Tung	94.11.26	76,583	0.01	1,247,343	0.10	—	—	Dept. of Accounting, Supplementary Junior College of National Open University Kao Shin Bank Assistant manager and Business Dept. Manager	—	—	—	—
Manager	Liu Ming-Chieh	90.05.04	354,222	0.03	231,450	0.02	—	—	Dept. of Applied Commerce, National Taipei College of Business Sunny Bank Fushin Branch Manager	—	Agent	Chen Yao-Wen	Brother in-law
Manager	Chen Rong-Guei	83.12.28	357,132	0.03	105,569	0.01	—	—	Dept. of Commerce, KaiNan High School of Commerce and Industry Sunny Bank Lungjiang Branch Office Manager	—	—	—	—
Manager	Yu Shih-Rong	91.07.01	69,996	0.01	586	0.00	—	—	Dept. of Commerce, Shixin College Sunny Bank Review Office Manager	—	—	—	—

Job title	Name	Job appointment (Date of job takeover)	Shareholding		Spouse, child (minor) Shareholding		Shareholding under other names		Education background	Present Job title at other companies	Spouse or second-degree relative serving as agent		
			shares	Shareholding ratio	shares	Shareholding ratio	shares	Shareholding ratio			Job title	Name	Relation
Manager	Hu Tsung-Yi	90.12.01	328,751	0.03	26,743	0.00	—	—	Dept. of Business Management, Open Junior College of Commerce Sunny Bank Shi-Jou Branch Office Manager	—	—	—	—
Manager	Guo Jing-Feng	85.12.26	104,674	0.01	14,034	0.00	—	—	Comprehensive Business Dept., Shixin College Sunny Bank Shihpai Consuming Finance Center Manager	—	—	—	—
Manager	Lui Pei-Ling	91.10.17	85,939	0.01	0	0.00	—	—	Dept. of Botany, Chinese Culture University Sunny Bank Business Dept. Manager	—	—	—	—
Manager	Huang Yen-Chun	86.12.19	336,100	0.03	21,280	0.00	—	—	Dept. of Banking, Tamkang University Sunny Bank Information Dept. Manager	—	—	—	—
Manager	Lin Chih-Kang	92.04.14	370,259	0.03	28,739	0.00	—	—	KaiNan High School of Commerce and Industry Dept. of Commerce, Sunny Bank Lungjiang Branch Office Deputy Manager	—	—	—	—
Manager	Wei Shih-Shun	90.05.04	744,038	0.03	243,152	0.02	—	—	Dept. of Banking Management, Takming College Sunny Bank Shechung Branch Office Deputy Manager	—	—	—	—
Manager	Guo Jing-Hsien	85.12.01	391,918	0.03	216,596	0.02	—	—	Dept. of Statistics, Taipei College Sunny Bank Datun Branch Office Manager	—	—	—	—
Manager	Chen Chih-Meng	90.04.09	424,539	0.03	22,792	0.00	—	—	Chihlee Institute of Technology Dept. of Business Management, Sunny Bank Beitou Branch Office Deputy Manager	—	—	—	—
Manager	Lin Tian-Tz	90.12.01	240,610	0.02	21,818	0.00	—	—	Dept. of Commerce, Provincial College of Commerce Sunny Bank Fuhsin Branch Office Manager	—	—	—	—
Manager	Chen Shih-Chang	81.06.22	337,872	0.03	442,187	0.04	—	—	Dept. of Commerce, Shixin College Sunny Bank Shezi Branch Office Manager	—	—	—	—
Manager	Shu Wen-Rong	90.04.13	176,154	0.01	47,163	0.00	—	—	KaiNan High School of Commerce and Industry Dept. of Commerce, Sunny Bank Yunghe Branch Office Manager	—	—	—	—
Manager	Chen CHien-Tsun	90.09.03	258,651	0.02	62,305	0.01	—	—	Dept. of Commerce, City College of Commerce Sunny Bank Shlin Branch Office Deputy Manager	—	—	—	—
Manager	Wang Sheng-Rong	90.12.10	321,474	0.03	1,328	0.00	—	—	Dept. of International Trade, Open Junior College of Commerce Sunny Bank Mucha Branch Office Manager	—	—	—	—
Manager	Tsao Chun-Rong	84.06.23	337,409	0.03	244,205	0.02	—	—	Dept. of Commerce, Shixin College Sunny Bank Tainan Branch Office Manager	—	—	—	—
Manager	Hung Rong-Da	90.05.04	52,453	0.00	286,232	0.02	—	—	Dept. of Computer, Taipei College of Commerce Sunny Bank Taoyuan Branch Office Manager	—	—	—	—
Manager	Wang San-Tai	91.08.08	312,931	0.03	0	0.00	—	—	Dept. of Bank Insurance, Feng Chia University Sunny Bank Lanya Branch Office Manager	—	—	—	—

Job title	Name	Job appointment (Date of job takeover)	Shareholding		Spouse, child (minor) Shareholding		Shareholding under other names		Education background	Present Job title at other companies	Spouse or second-degree relative serving as agent		
			shares	Shareholding ratio	shares	Shareholding ratio	shares	Shareholding ratio			Job title	Name	Relation
Manager	Lin Cheng-Ping	91.05.01	332,599	0.03	168,278	0.01	—	—	MBA, Nan Ao University Sunny Bank Lanya Branch Office Deputy Manager	—	—	—	—
Manager	Chen Ming-Wen	92.05.02	233,046	0.02	3,524	0.00	—	—	Dept. of Commerce, Chu Hai College of Commerce Sunny Bank Beitou Branch Office Deputy Manager	—	—	—	—
Manager	Gao Jing-Mu	87.09.11	259,629	0.02	71,402	0.01	—	—	Dept. of Electrical Engineering, Kuang Wu College of Engineering Sunny Bank Jhonghe Branch Office Manager	—	—	—	—
Manager	Guo Huang-Lung	90.09.11	155,096	0.01	0	0.00	—	—	Taipei Supplementary Junior College of National Open University Dept. of Business Management, Sunny Bank Chengkung Branch Office Deputy Manager	—	—	—	—
Manager	He Rong-Fang	90.08.15	349,168	0.03	112,128	0.01	—	—	Dept. of Commerce, Provincial College of Commerce Sunny Bank Shechung Branch Office Manager	—	—	—	—
Manager	Chen Guo-Hung	90.09.15	96,511	0.01	2,585	0.00	—	—	Dept. of Commerce, Yu Da College of Commerce Sunny Bank Pingtung Branch Office Manager	—	—	—	—
Manager	Yang Lian-Che	88.12.09	340,788	0.03	399,942	0.03	—	—	Master, Graduate Institute of Accounting, Soochow University Sunny Bank Accounting Office Manager	—	—	—	—
Manager	Cheng Pei-Nan	90.04.09	130,453	0.01	79,797	0.01	—	—	Dept. of Business Management Tamkang University Sunny Bank Lungjiang Branch Office Deputy Manager	—	—	—	—
Manager	Chen Cheng-Feng	89.09.01	214,406	0.02	0	0.00	—	—	Dept. of International Trade, Chihlee Institute of Technology Sunny Bank Secretariat, Personnel Office Manager	—	—	—	—
Manager	Gao Chih-Li	92.03.01	278,433	0.02	7,059	0.00	—	—	Dept. of Computer (incomplete), Tamkang University Sunny Bank Tianmu Branch Office Manager	—	—	—	—
Manager	Lin Jing-Feng	93.11.23	95,137	0.01	0	0.00	—	—	Tsun Yu College of Business Dept. of Statistics, Sunny Bank Jingmei Branch Office Deputy Manager	—	—	—	—
Manager	He Bing-Cheng	92.03.01	241,512	0.02	0	0.00	—	—	Dept. of Information, Chinese Culture University Sunny Bank Jilin (simple-type) Branch Office Manager	—	—	—	—
Manager	Ye Jin-Hung	92.10.01	27,916	0.00	0	0.00	—	—	Yan Ping High School (Supplementary College of Commerce) Sunny Bank Jiantan Branch Office Deputy Manager	—	—	—	—
Manager	Wu Jia-Cheng	91.08.08	267,935	0.02	4,159	0.00	—	—	Tamkang High School (Regular curriculum) Sunny Bank Jiankang Branch Office Manager	—	—	—	—
Manager	Tsai Kun-Di	90.09.15	167,142	0.01	86,022	0.01	—	—	Master, Advanced Operation Management, Pintung Institute of Technology Sunny Bank Bank Chihyu Branch Office Manager	—	—	—	—

Job title	Name	Job appointment (Date of job takeover)	Shareholding		Spouse, child (minor) Shareholding		Shareholding under other names		Education background	Present Job title at other companies	Spouse or second-degree relative serving as agent		
			shares	Shareholding ratio	shares	Shareholding ratio	shares	Shareholding ratio			Job title	Name	Relation
Manager	Chen Yi-Huan	88.04.23	433,357	0.03	53,768	0.00	—	—	Dept. of Commerce, Chu Hai College of Commerce Sunny Bank Lujou Branch Office Manager	—	—	—	—
Manager	Yue Wen-Chang	88.05.06	81,794	0.01	5,330	0.00	—	—	Taipei College of Commerce Dept. of Business Management, Sunny Bank Panchiao Branch Office Manager	—	—	—	—
Manager	Chiu Chuan-Mao	91.07.01	152,729	0.01	0	0.00	—	—	Dept. of Public Finance, Taipei College of Commerce Sunny Bank Shi-Jou Branch Office Deputy Manager	—	—	—	—
Manager	Chen Chih-Tsuan	92.10.16	432,587	0.03	0	0.00	—	—	Dept. of Finance, Ming Chuan University Sunny Bank Yunghe Branch Office Manager	—	—	—	—
Manager	Jiang Tung-Shen	91.07.01	159,697	0.01	0	0.00	—	—	Dept. of Business Management De Ming Institute of Technology Sunny Bank Daye Branch Office Assistant Manager	—	—	—	—
Manager	Chen Guo-Chuan	90.08.15	241,512	0.02	0	0.00	—	—	Dept. of Accounting, National Chung Hsing University Sunny Bank Lujou Branch Office Deputy Manager	—	—	—	—
Manager	Chien Chih-Hsin	91.07.01	113,909	0.01	26,474	0.00	—	—	Dept. of Economics, Tamkang University Sunny Bank Yenchi Branch Office Manager	—	—	—	—
Manager	Wang Tsung-Ming	79.04.20	189,688	0.02	13,900	0.00	—	—	Dept. of Commerce, Tung Hai College of Commerce, Sunny Bank Beitou Branch Office Manager	—	—	—	—
Manager	Tsao Yu-Chin	94.11.26	794,190	0.06	0	0.00	—	—	Graduate Institute of Accounting, George Washington University Kao Shin Bank Review Dept., Manager	—	—	—	—
Manager	Wang Yuan-Hung	91.07.01	153,860	0.01	98,666	0.01	—	—	Dept. of Statistics, Fu Jen Catholic University Sunny Bank Jingmei Branch Office Manager	—	—	—	—
Manager	Su Chien-Tsung	91.08.08	141,501	0.01	0	0.00	—	—	Dept. of International Trade Feng Chia University Sunny Bank Yunghe Branch Office Deputy Manager	—	—	—	—
Manager	Li Ching-Cheng	90.08.15	74,413	0.01	0	0.00	—	—	Dept. of Business Management, Fu Jen Catholic University Sunny Bank Trust Dept. Deputy Manager	—	—	—	—
Manager	Lin Guo-Hung	92.07.07	133,767	0.01	7,135	0.00	—	—	Dept. of Business Management, Feng Chia University Sunny Bank Sanchung Branch Office Deputy Manager	—	—	—	—
Manager	Wu Cheng-Hao	91.08.08	29,422	0.00	24,547	0.00	—	—	Dept. of Business Management, Fu Jen Catholic University Sunny Bank Southern Region Consuming Finance Center Deputy Manager	—	—	—	—
Manager	Tsuang Yung-Fu	91.07.01	79,247	0.01	0	0.00	—	—	Dept. of Accounting, Feng Chia University Sunny Bank Panchiao Branch Office Manager	—	—	—	—

Job title	Name	Job appointment (Date of job takeover)	Shareholding		Spouse, child (minor) Shareholding		Shareholding under other names		Education background	Present Job title at other companies	Spouse or second-degree relative serving as agent		
			shares	Shareholding ratio	shares	Shareholding ratio	shares	Shareholding ratio			Job title	Name	Relation
Manager	Li Wen-Hui	90.09.20	153,447	0.01	0	0.00	—	—	Dept. of Cooperative Economics, Tamkang University Sunny Bank Tainan Corporate Finance Center and Chunghua Branch Office Manager	—	—	—	—
Manager	Chen Yao-Wen	91.07.01	24,345	0.00	221,184	0.02	—	—	Graduate institute of Information, National Chung Cheng University, Sunny Bank Lanya Branch Office Deputy Manager	—	Agent	Liu Ming-Chieh	Uncle of spouse
Manager	Lui Cheng-Tang	94.03.14	93,119	0.01	0	0.00	—	—	Dept. of Accounting, Feng Chia University Sunny Bank Operating Office Deputy Manager	—	—	—	—
Manager	Lui Han-Kun	91.10.01	285,416	0.02	133,543	0.01	—	—	Dept. of Finance, Chinese Culture University Sunny Bank Tsoying Branch Office Manager	—	—	—	—
Manager	Tsen Chien-Jia	91.08.08	131,904	0.01	19,374	0.00	—	—	Dept. of Economics, Chinese Culture University Sunny Bank Shihua Branch Office Manager	—	—	—	—
Manager	Tsai Chien-Li	94.07.18	90,950	0.01	0	0.00	—	—	Dept. of Engineering, Tunghai University, Sunny Bank Zhonghe Branch Office Deputy Manager	—	—	—	—
Manager	Li Yu-Shen	91.07.25	130,871	0.01	0	0.00	—	—	Dept. of Economics, Chinese Culture University Sunny Bank Jingwu Branch Office Manager	—	—	—	—
Manager	Tang Ying-Guei	92.04.28	114,920	0.01	24,736	0.00	—	—	Dept. of Chemical Engineering, Lung Hua College of Engineering Sunny Bank Lingya Branch Office Manager	—	—	—	—
Manager	Pan Guang-Lui	93.09.23	42,789	0.00	25,459	0.00	—	—	Tamkang University Dept. of Banking, Sunny Bank Chengkung Branch Office Deputy Manager	—	—	—	—
Manager	Liu Yen-Hsing	92.12.24	82,395	0.01	65,331	0.01	—	—	Dept. of Statistics, Tsun Yu College of Business, Sunny Bank Nanjing Branch Office Manager	—	—	—	—
Manager	Huang Deng-Tsai	94.11.26	93,033	0.01	905	0.00	—	—	Dep. of Economics, National Chengchi University Kao Shin Bank Chiali Branch Office Manager	—	—	—	—
Manager	Tsen Chieh-Chang	94.07.18	60,470	0.00	0	0.00	—	—	Dept. of Bank Insurance, Taipei Supplementary Junior College of National Open University Sunny Bank: Chiayi, Sanchung, Fuhsin Branch Office Deputy Manager	—	—	—	—
Manager	Shuei Chih-Cheng	94.11.26	111,868	0.01	150,684	0.01	—	—	Dept. of Economics, Chung Hsing University Kao Shin Bank Liuguei Branch Office Manager	—	—	—	—
Manager	Jiang Shien-Chang	88.12.09	109,968	0.01	0	0.00	—	—	Dept. of Cooperative Economics, Chung Hsing University Sunny Bank Finance Operation Center Manager	—	—	—	—
Manager	Liu Ming-Hsiang	94.11.26	47,332	0.00	90,097	0.01	—	—	Dept. of Finance Management, National Sun Yat-Sen University Kao Shin Bank Juoying Branch Office Manager	—	—	—	—
Manager	Chang Ching-Bing	92.05.08	88,669	0.01	0	0.00	—	—	Dept. of Commerce National Open University Sunny Bank Huacheng High-rank Branch Office staff	—	—	—	—

Job title	Name	Job appointment (Date of job takeover)	Shareholding		Spouse, child (minor) Shareholding		Shareholding under other names		Education background	Present Job title at other companies	Spouse or second-degree relative serving as agent		
			shares	Shareholding ratio	shares	Shareholding ratio	shares	Shareholding ratio			Job title	Name	Relation
Manager	Guo Jiang-Hai	92.03.01	88,669	0.01	27,247	0.00	—	—	Taichung College of Commerce Supplementary Junior College of National Open University Sunny Bank high-rank Huachien Branch Office staff	—	—	—	—
Manager	Hung Tung-Tsan	94.11.28	87,309	0.01	0	0.00	—	—	Dept. of Finance, Yi Shou University Kao Shin Bank San-Ming Branch Office Manager	—	—	—	—
Manager	Gan Wu-Cheng	95.12.01	43,936	0.00	0	0.00	—	—	Dept. of International Trade, Soochow University Sunny Bank Peiyi Corporate Finance Center Chunghsing Branch Office Manager	—	—	—	—
Manager	Wu Shih-Hsin	92.10.20	81,319	0.07	0	0.00	—	—	Dept. of Information Management, Northeastern University Sunny Bank OBU Manager	—	—	—	—
Manager	Chen Ding-Yi	94.07.01	69,326	0.01	0	0.00	—	—	Dept. of International Trade, Feng Chia University Sunny Bank Hsinchu Branch Office Deputy Manager	—	—	—	—
Manager	Chen Cheng-Yi	94.03.18	66,325	0.01	0	0.00	—	—	Dept. of Marine Engineering, National Kaohsiung Marine College, Sunny Bank Consuming Financial Business Dept. Deputy Manager	—	—	—	—
Manager	Lan Yu-Ling	91.08.08	87,202	0.01	0	0.00	—	—	Dept. of Bank Insurance, Taipei College of Commerce Sunny Bank Xinyi Branch Office , Debt. Management Office Manager	—	—	—	—
Manager	Lin Ke-Yung	92.04.21	85,923	0.01	0	0.00	—	—	Dept. of Business Management, Fu Jen Catholic University Sunny Bank Southern Region Corporate Finance Center Manager	—	—	—	—
Manager	Yu Guang-Lu	93.05.17	29,946	0.00	0	0.00	—	—	Dept. of International Trade, Tamkang University Hualian Business Bank Manager	—	—	—	—
Manager	Chang Shun-Han	93.04.16	54,350	0.00	0	0.00	—	—	Dept. of German, Oochow University Taipei Bank Manager	—	—	—	—
Manager	Yao Hung-Shen	94.11.26	47,971	0.00	10,329	0.00	—	—	Dept. of Mechanical Engineering, Ta Rong College of Engineering Kao Shin Bank Tungkang Branch Office Manager	—	—	—	—
Manager	Lin Rui-Mei	94.11.26	151,267	0.01	0	0.00	—	—	Kaohsiung Commerce Vocational School Kao Shin Bank Meinong Branch Office Manager	—	—	—	—
Manager	Wu Tsun-Hui	94.11.26	162,430	0.01	23,558	0.00	—	—	Dept. of Commerce, Fu Hua High School Kao Shin Bank Nanzi Branch Office Manager	—	—	—	—
Manager	Pan Cheng-Ren	94.11.26	211,603	0.02	243,033	0.02	—	—	Dept. of International Trade, Cheng Jhiu Institute of Technology Kao Shin Bank Dakung Branch Office Manager	—	—	—	—
Manager	Wang Chien-Yi	95.05.03	0	0.00	0	0.00	—	—	Dept. of International Trade, Soochow University HSBC (Canada) Branch Office Assistant manager Standard Chartered Bank Vice GM	—	—	—	—

Job title	Name	Job appointment (Date of job takeover)	Shareholding		Spouse, child (minor) Shareholding		Shareholding under other names		Education background	Present Job title at other companies	Spouse or second-degree relative serving as agent		
			shares	Shareholding ratio	shares	Shareholding ratio	shares	Shareholding ratio			Job title	Name	Relation
Manager	Lin Jing-Yu	95.08.11	80,760	0.01	0	0.00	—	—	Dept. of International Trade, Taipei Supplementary Junior College of National Open University Sunny Bank Debt. Management Office Deputy Manager	—	—	—	—
Manager	Hsieh Chien-Hung	95.02.23	108,443	0.01	64,411	0.01	—	—	KaiNan High School of Commerce and Industry Dept. of Commerce, Sunny Bank sindian (Simple-type) Branch Office Deputy Manager	—	—	—	—
Manager	Chang Rong-Bing	95.05.03	58,067	0.00	551,025	0.04	—	—	Dept. of Machinery United College of Engineering Sunny Bank Datun, Branch Office Deputy Manager	—	—	—	—
Manager	Wu Guo-He	94.11.26	15,278	0.00	0	0.00	—	—	Dept. of Insurance Tamkang University Kao Shin Bank Kangshan Branch Office Manager	—	—	—	—
Manager	Chuang Bing-Hung	94.11.26	15,278	0.00	0	0.00	—	—	Dept. of Business Management, International College of Commerce Kao Shin Bank Linyuan Branch Office Manager	—	—	—	—
Manager	Yang Cheng-Sheng	95.11.09	273,460	0.02	168,565	0.01	—	—	Dept. of Commerce, Sungshan College of Commerce Sunny Bank Business Dept., Lanya Branch Office Deputy Manager	—	—	—	—
Manager	Chen Bao-Yuan	95.02.23	109,869	0.01	145,444	0.01	—	—	Dept. of Public Finance, Chung Hsing University Sunny Bank Hsinchu Branch Office Deputy Manager	—	—	—	—
Manager	Shu Cheng-Kun	94.11.26	15,130	0.00	0	0.00	—	—	Dept. of Business Management, Kaohsiung Applied Institute of Technology Kao Shin Bank Lingya Branch Office Manager	—	—	—	—
Manager	Liao Guo-Hsiung	95.11.09	89,245	0.01	362,408	0.03	—	—	Shixin College Dept. of Commerce, Sunny Bank Taichung Branch Office Deputy Manager	—	—	—	—
Manager	Shu Cheng-Yuan	94.11.26	15,278	0.00	0	0.00	—	—	Dept. of Economics, Feng Chia University Kao Shin Bank Shiaokang Branch Office Manager	—	—	—	—
Manager	Tsui Jing-Chih	94.11.26	15,278	0.00	180	0.00	—	—	Dept. of Journalism, Chinese Culture University Kao Shin Bank Yuchiang Branch Office Manager	—	—	—	—
Manager	Chen Chih-Hao	95.05.03	65,511	0.01	66,289	0.01	—	—	Dept. of Bank Insurance, Taipei Commerce Institute of Technology Sunny Bank Lujou Branch Office Deputy Manager	—	—	—	—
Manager	Chen Hui-Ling	95.08.11	342,883	0.03	0	0.00	—	—	Dept. of Finance, National Taiwan University Sunny Bank Financial Dept. Deputy Manager	—	—	—	—
Manager	Hung Rong-Chong	95.08.11	69,105	0.01	0	0.00	—	—	Dept. of Accounting, Chung Hsing University Sunny Bank Financial Business Dept. Deputy Manager	—	—	—	—
Manager	Chou Chih-Wei	95.08.11	90,383	0.01	188,117	0.02	—	—	Dept. of Industrial Engineering and Management, Taiwan Institute of Technology Sunny Bank Beiyi District Consuming Finance Center Deputy Manager	—	—	—	—

Job title	Name	Job appointment (Date of job takeover)	Shareholding		Spouse, child (minor) Shareholding		Shareholding under other names		Education background	Present Job title at other companies	Spouse or second-degree relative serving as agent		
			shares	Shareholding ratio	shares	Shareholding ratio	shares	Shareholding ratio			Job title	Name	Relation
Manager	Chen Guo-Hsiung	94.11.26	15,278	0.00	0	0.00	—	—	Dept. of Commerce, Fuhua High School Kao Shin Bank Dingli Branch Office Manager	—	—	—	—
Manager	Huang Ji-Wei	94.10.11	74,672	0.01	42,468	0.00	—	—	Dept. of Public Finance, Takming College Sunny Bank Datun, Branch Office , Beisan District Consuming Finance Center Deputy Manager	—	—	—	—
Manager	Chen Shou-Dao	95.03.06	15,130	0.00	0	0.00	—	—	Dept. of International Trade, Feng Chia University Changhua Bank, International Banking Dept., Nanjin E. Rd Branch Office Manager	—	—	—	—
Manager	Su Hsin-Yi	95.02.23	98,060	0.01	26,895	0.00	—	—	Dept. of Administration, Lung Hua Special School Sunny Bank Taoyuan Branch Office Deputy Manager	—	—	—	—
Manager	Chen Shien-Chun	95.02.23	71,416	0.01	0	0.00	—	—	Takming College Dept. of Business Management, Sunny Bank Beiyi Corporate Finance Center Deputy Manager	—	—	—	—
Manager	Yang Ying-Tsung	95.02.23	31,698	0.00	89,326	0.01	—	—	Dept. of Accounting, National Chengchi University Sunny Bank Xinyi Branch Office Deputy Manager	—	—	—	—
Manager	Chen Chu-Wen	95.05.03	69,299	0.01	0	0.00	—	—	Dept. of Business Management, Feng Chia University Sunny Bank Chunghua ranch Office Deputy Manager	—	—	—	—
Manager	Guo Li-Chong	95.02.23	105,855	0.01	0	0.00	—	—	Dept. of Commerce, National Taiwan University Sunny Bank Jingmei Branch Office Deputy Manager	—	—	—	—
Manager	Huang Shou-Chih	95.02.23	87,679	0.01	24,841	0.00	—	—	Dept. of Business Management, Fu Jen Catholic University Sunny Bank Jinwu Branch Office Deputy Manager	—	—	—	—
Manager	Chong Shu-Rong	95.04.03	15,130	0.00	0	0.00	—	—	Dept. of Commerce, National Taiwan University Cathay Bank Pintung Branch Office Manager	—	—	—	—
Manager	Chu Jia-Lung	95.08.11	79,762	0.01	0	0.00	—	—	Dept. of Cooperative Economics, Chung Hsing University Sunny Bank Wugu Branch Office Deputy Manager	—	—	—	—
Manager	Ye Ming-Chun	95.02.23	71,449	0.01	164,935	0.01	—	—	Dept. of Business Management, Tamkang University Sunny Bank Shezi Branch Office Deputy Manager	—	—	—	—
Manager	Hu Chun-Wei	95.05.03	87,691	0.01	0	0.00	—	—	Dept. of German, Chinese Culture University Sunny Bank Panchiao Branch Office Deputy Manager	—	—	—	—
Manager	Huang Zao-Kun	95.05.08	15,130	0.00	0	0.00	—	—	Dept. of Accounting, Feng Chia University Macoto Bank Liancheng Road Branch Office Manager	—	—	—	—
Manager	Lin Ming-Yang	94.11.26	15,278	0.00	0	0.00	—	—	Dept. of Public Finance, Tatung College of Commerce Kao Shin Bank Chiayi Branch Office Manager	—	—	—	—
Manager	Hsieh Chin-Chiang	95.05.05	19,234	0.00	0	0.00	—	—	Institute of High-rank Business Management Southern Taiwan Institute of Technology Taishin Bank Commerce and Finance Business Office (Tainan region) Assistant manager	—	—	—	—

Job title	Name	Job appointment (Date of job takeover)	Shareholding		Spouse, child (minor) Shareholding		Shareholding under other names		Education background	Present Job title at other companies	Spouse or second-degree relative serving as agent		
			shares	Shareholding ratio	shares	Shareholding ratio	shares	Shareholding ratio			Job title	Name	Relation
Manager	Liu Wen-He	95.05.03	69,712	0.01	0	0.00	—	—	Dept. of Accounting, Chinese Culture University Sunny Bank Shihua Branch Office Deputy Manager	—	—	—	—
Manager	Shu Cheng-Huang	95.08.11	69,536	0.01	0	0.00	—	—	Dept. of Business Management, Tamkang University Sunny Bank Juoying Branch Office Deputy Manager	—	—	—	—
Manager	Tsen Jing-Chien	94.11.26	15,352	0.00	0	0.00	—	—	Dept. of Statistics, Tatung College of Commerce Kao Shin Bank Rende Branch Office Manager	—	—	—	—
Manager	Chu Shu-Chun	95.08.11	68,546	0.01	37,905	0.00	—	—	Dept. of Statistics, National Chengchi University Sunny Bank Beiyl Corporate Finance Center Deputy Manager	—	—	—	—
Manager	Liu Chih-Cheng	94.11.26	15,352	0.00	0	0.00	—	—	Chih Mei High School (Regular curriculum) Kao Shin Bank Likang Branch Office Manager	—	—	—	—
Manager	Tsai Che-Ming	95.05.03	489,195	0.01	13,181	0.00	—	—	Dept. of Accounting, Chung Hsing University Kao Shin Bank Southern Region Operating Center Manager	—	—	—	—

Note: Manager Ye Jin-Hung left job on 96.3.1, Manager Shih-Hsin left job on 96.1.1, Manager Lin Jing-Feng left job on 96.1.1, Manager Lin Ke-Yung left job on 96.1.19, GM Chang Yi-Yu left job on 96.1.5, and GM Hu Chuei-Yang left job on 95.5.2

(3) Director, Supervisor, GM and Vice GM's reward

1. Director's reward

Unit : Thousand dollars

Job title	Name	Director's reward			A,B and C (3 items) ratio in net profit after tax	Part-time employee's reward			A,B,C,D and E (5 items) ratio in net profit after tax	If reward is received from reinvestm ent other than subsidiary company	
		Return (A)	Surplus distribution bonus (B)	Operating fees (C)		Salary, Bonus and special fees (D)	Employee's reward from earning (E) (Note 5)				Employ ee equity entitled to No. of shares (F)
							Cash bonus	Stock bonus (Note 6)			
Chairman	Chen Sheng-Hung	\$14,949	\$10,567	-	88.58%	\$9,564 (Note 4)	-	\$78	-	122.05%	-
Managing director	Wu Shih-Hui										
Managing director	Liu Cheng-Sheng										
Managing director	Sun Bing-Yen (Note 1)										
Managing director	Fu Li Yang Investment CompanyRep.: Shuei Chong-Hsien (Note 3)										
Managing director	Guo Chih Construction Comp anyRep.: Lin Cheng-He (Note 2)										
Director	Chen Jin-Jia										
Director	Chen Jin-Yi										
Director	Chang Wu-Ping										
Director	He Shuen-Cheng										
Director	Chou Chih-He (Note 1)										
Director	Lin Ji-Hsiung (Note 1)										
Director	Guo Wen-Chong (Note 1)										
Director	Chao Fu-Tian (Note 1)										
Director	Huang Cheng-Nan (Note 1)										
Director	Lin Cheng-Yu (Note 1)										
Director	Liu Hsiang-Dun (Note 1)										
Director	Fu Li Yang Investment CompanyRep.: Chen Jian-Yang, Lin Jin-Lung (Note 3)										
Director	Chuan Yang Construction Comp any Rep.: Chen Yung-Rui (Note 2)										

Class interval of rewards

Bank director Class interval of rewards	No. of Directors	
	Total rewards from 3 items above (A+B+C)	Total rewards from 5 items above (A+B+C+D+E)
Under 2,000,000 dollars	19	17
2,000,000 dollars (inclusive) ~ 5,000,000 dollars	1	2
5,000,000 dollars (inclusive) ~ 10,000,000 dollars	-	1
10,000,000 dollars (inclusive) ~ 15,000,000 dollars	-	-
15,000,000 dollars (inclusive) ~ 30,000,000 dollars	-	-
30,000,000 dollars (inclusive) ~ 50,000,000 dollars	-	-
50,000,000 dollars (inclusive) ~ 100,000,000 dollars	-	-
Above 100,000,000 dollars	-	-
Total	20	20

Note 1: Director election was held on 5/2/2006. Third director left job on 5/2/2006. Fourth director took over.

Note 2:Guo Chih Construction Company Rep. Managing director Lin Cheng-He, Chuan Yang Construction Company Rep. Managing director Shuei Chong-Hsien, and Director Chen Yung-Rui left job on 5/2/2006.

Note 3:Fu Li Yang Investment Company Rep. Managing director Shuei Chong-Hsien, Director Chen Chien-Yang, and Director Lin Jin-Lung took over on 5/2/2006.

Note 4:Inclusive of Chairman Public Vehicle that cost \$3,222.

Note 5: Surplus distributionbase day is 8/81/2006.

Note 6: Bank net value/share in 2005

Note 7:No company in the comprehensive report has paid bonus to directors of our bank.

2. Supervisor's reward

Unit: Thousand NTD

Job title	Name	Supervisor's reward			A,B and C (3 items) ratio in net profit after tax	If rewardis received from reinvestment other than subsidiary company
		Return (A)	Surplus distribution bonus (B)	If rewardis received from reinvestment other than subsidiary company		
General affairs Supervisor	Shih Po-Hsiung	\$4,158	\$3,019	-	24.91%	-
Supervisor	Gao Ming-Chih					
Supervisor	Tsai Wen-Hsiung					
Supervisor	Chen Sun-Rong					
Supervisor	Jiang Tsun-Hwai (Note 1)					

Class interval of rewards

Bank supervisor Class interval of rewards	No. of supervisors	
	Total rewards (3 items) (A+B+C)	
Under 2,000,000 dollars	5	
2,000,000 dollars (inclusive) ~ 5,000,000 dollars	-	
5,000,000 dollars (inclusive) ~ 10,000,000 dollars	-	
10,000,000 dollars (inclusive) ~ 15,000,000 dollars	-	
15,000,000 dollars (inclusive) ~ 30,000,000 dollars	-	
30,000,000 dollars (inclusive) ~ 50,000,000 dollars	-	
50,000,000 dollars (inclusive) ~ 100,000,000 dollars	-	
Above 100,000,000 dollars	-	
Total	5	

Note 1: Supervisor Jiang Tsun-Hwai is the 4th supervisor who took over on 5/2/2006.

Note 2: No company in the comprehensive report has paid bonus to supervisors of our bank

3.GM and Vice GM's reward

Unit : Thousand NTD/share

Job title	Name	Salary	Bonus and special fees	Employee's reward (in amount) from surplus distribution (Note 2)				Total of 3 items above	Ratio of total in net profit after tax (%)	Employee equity entitled to No. of shares	If reward is received from reinvestment other than subsidiary company
				Cash dividend	Stock dividend		Amount				
					No. of shares	Market price (Note 3)					
General audit	Tsen Yao-De	\$22,129	-	-	45,246	\$11.81	\$534	\$22,663	78.67%	-	-
GM	Chou San-He										
GM	Chang Chih-Hung										
GM	Ye Chin-Tsung										
GM	Chang Yi-Yu										
GM	Hu Chuei-Yang (Note 1)										
GM	Chung Wu-Hu (Note 1)										
Chief Secretarial	Lin Ji-Hsiung										
Vice GM	Lin Chih-Liang										
Vice GM	Guo Chih-Hung										

Class interval of rewards

Bank GM and Vice GM Class interval of rewards	Total No. of GM and Vice GM
Under 2,000,000 dollars	4
2,000,000 dollars (inclusive) ~ 5,000,000 dollars	6
5,000,000 dollars (inclusive) ~ 10,000,000 dollars	-
10,000,000 dollars (inclusive) ~ 15,000,000 dollars	-
15,000,000 dollars (inclusive) ~ 30,000,000 dollars	-
30,000,000 dollars (inclusive) ~ 50,000,000 dollars	-
50,000,000 dollars (inclusive) ~ 100,000,000 dollars	-
Above 100,000,000 dollars	-
Total	10

Note 1: GM Hu Juei-Yang left job on 5/2/2006 GM Chong Wu-Hu took over on 5/3/2006.

Note 2: Surplus distribution base day: 8/18/2006

Note 3: Net value/share in 2005 after distribution

Note 4: No company in the comprehensive report has paid bonus to GM of our bank.

Director, Supervisor, GM and Vice GM's reward analysis

Unit : %

	2006	2005
Director	122.05	5.37
Supervisor	24.91	1.30
GM and Vice GM	78.67	2.85

Note 1: Ratio represents Total rewards in net profit for the effective year after tax.

Note 2: No company in the comprehensive report has paid bonus to director/supervisor, GM, and Vice GM of our bank.

3. Company operation

(1)Board operation:

Director/supervisor attendance in recent (2005,2006) 10 annual board meetings:

Job title	Name	Actual attendance	Delegated attendance	Actual attendance percentage (%)	Note
Chairman	Chen Sheng-Hung	10	0	100%	Renewed term of office
Managing director	Wu Shih-Hui	1	0	10%	Renewed term of office
Managing director	Liu Cheng-Sheng	10	0	100%	Renewed term of office
Managing director	Fu Li Yang Investment Company Rep.: Shuei Chong-Hsien	4	0	80%	New term of office
Managing director	Chuan Yang Construction Company Rep.:Shuei Ling	4	0	100%	Existing term of office (Company appointed Rep. Shuei Chong-Hsien to take over Rep. Shuei Ling's job as a director on 12/1/2005).
Managing director	Guo Chih Construction Company Rep.:Lin Cheng-He	2	0	40%	Old term of office
Independent Managing director	Sun Bing-Yen	5	0	100%	New term of office
Director	Chuan Yang Construction Company Rep. Shuei Chong-Hsien	1	0	100%	Existing term of office (Company appointed Rep. Shuei Chong-Hsien to take over Rep. Shuei Ling's job as a director on 12/1/2005)
Director	Fu Li Yang Investment Company Rep.:Chen Jian-Yang	5	0	100%	New term of office
Director	Fu Li Yang Investment Company Rep.:Lin Jin-Lung	10	0	100%	Renewed term of office
Director	Chen Jin-Jia	6	0	60%	Renewed term of office
Director	Chen Jin-Yi	10	0	100%	Renewed term of office
Director	Chang Wu-Ping	8	0	80%	Renewed term of office
Director	He Shuen-Cheng	10	0	100%	Renewed term of office
Director	Lin Cheng-Yu	5	0	100%	New term of office
Director	Huang Cheng-Nan	4	0	80%	New term of office
Director	Chao Fu-Tian	4	0	80%	New term of office
Director	Chen Yung-Rui	5	0	100%	Existing term of office (formally known as Chen Tsung-Yi)
Director	Chou Chih-He	4	0	80%	Existing term of office
Director	Guo Wen-Chong	4	0	80%	Existing term of office
Director	Lin Ji-Hsiung	5	0	100%	Existing term of office
Independent Director	Liu Hsiang-Dun	5	0	100%	New term of office
General affairs Supervisor	Shih Po-Hsiung	10	0	100%	Renewed term of office
Supervisor	Chen Sun-Rong	10	0	100%	Renewed term of office
Supervisor	Tsai Wen-Hsiung	8	0	80%	Renewed term of office
Supervisor	Gao Ming-Chih	2	0	20%	Renewed term of office
Independent Supervisor	Jiang Tsun-Hwai	5	0	100%	New term of office

Other recorded items:

1. Items listed in Article 14-3 of Securities Exchange Act, independent director vetoed/retained records or documentation upon receiving board resolution. Date of board meeting, term, motion/bill content, all independent director opinions and company dispositions in response to independent director opinions: None.
2. Director executes interested proposal avoidance. Director name, motion/bill content, reason for benefit avoidance, and participation in vote should be duly stated:

Annual/ Times	Director Name	Content	Reason for benefit avoidance	Participation in vote
Third annual/ 11th time	Chen Jin-Jia, Chen Sheng-Hung, Shuei Ling	Bank extends credit and investment review committee file report on credit extension case	Interested party credit extension case in accordance with Article 33-1 of Banking Act	Avoid discussion and vote
Third annual/ 13th time	Lin Cheng-He , Chen Sheng-Hung, Shuei Chong-Hsien	Bank extends credit and investment review committee file report on credit extension case	Interested party credit extension case in accordance with Article 33-1 of Banking Act	Avoid discussion and vote
Fourth annual/ 1st time	Chen Jin-Jia, Chen Sheng-Hung	Bank extends credit and investment review committee file report on credit extension case	Interested party credit extension case in accordance with Article 33-1 of Banking Act	Avoid discussion and vote
Fourth annual/ 2nd time	Chen Jin-Yi, Chao Fu-Tian	Bank and Yin Lian Life Insurance Agency Co., Ltd. subscription renewal case	Chen Jin-Yi and Chao Fu-Tian are Chairman and Director (interested parties) of companies that reinvest in Yin Lian Life Insurance Agency Co., Ltd.	Avoid discussion and vote
Fourth annual/ 3rd time	Chen Sheng-Hung	Bank extends credit and investment review committee file report on credit extension case	Interested party credit extension case in accordance with Article 33-1 of Banking Act	Avoid discussion and vote
Fourth annual/ provisional	Chen Jian-Yang	Bank extends credit and investment review committee file report on credit extension case	Interested party credit extension case in accordance with Article 33-1 of Banking Act	Avoid discussion and vote

3. Functional target strengthening of board in the past and recent year is evaluated: (i.e. set up review committee and promote information visibility etc)

1. 4th Annual director and supervisor election was held on 5/2/2006. 2 independent directors and 1 independent supervisor were added. Enthusiastic attendance in board meetings strengthens company operation.
2. 4th Annual board meeting of this bank passed "Board Agenda Rules" on 5/2/2006. It facilitates board meeting calling and truthful execution of agendas. Board functions enhance company operation performance.

Note: 1. 4th annual director and supervisor election was held at Shareholder Meeting on 5/2/2006/

2. Five board meetings were held from 1/1/2005 to 5/1/2006 and five board meetings were held from 5/2/2006 to 12/31/2006.

3. Actual attendance rate (%) is computed based on No. of board meetings on-job and actual No. of attendances.

(2) Review committee operation:

It is not applicable since bank supervisors are allotted.

(3) Disclosed banking industry company operation practical guide items:

For details, please go to bank website: <http://www.sunnybank.com.tw>.

(4) Bank operation disparity, cause and company operation practical guide:

Item	Operation	Bank operation disparity , cause and company operation practical guide:
<p>1. Bank equity structure and shareholder right</p> <p>(1) Bank disposition in shareholder recommendation or dispute</p> <p>(2) Bank has access to a list of major shareholders that have ultimate control over bank</p> <p>(3) Bank establishes associated business risk control mechanism and fire wall method</p>	<p>(1) General Secretariat set up Stocks Affairs Section responsible for shareholder related transacting. For shareholder recommendation or dispute, Office is fully responsible for related transacting. Depending on level of importance, case may be forwarded to Secretariat manager, General administration Chief, Board Chief secretary, Chairman, and General Affairs Board for transacting.</p> <p>(2) Bank General Secretariat set up Stock services Section responsible for monitoring shareholding conditions of shareholders.</p> <p>(3) Regulatory items and operation criteria are set up.</p>	<p>(1) Bank has designated Dept. to process shareholder recommendation, query, and dispute Regulations stated in the guide.</p> <p>(2) Regulations stated in the guide</p> <p>(3) Regulations stated in the guide</p>
<p>2. Board makeup and responsibility</p> <p>(1) Bank independent director condition</p> <p>(2) Periodic assessment on certified accountant independence</p>	<p>(1) Bank has added 2 independent director positions.</p> <p>(2) Regular annual evaluation</p>	<p>(1) Regulations stated in the guide</p> <p>(2) Regulations stated in the guide</p>
<p>3. Supervisor makeup and responsibility</p> <p>(1) Bank independent director</p> <p>(2) Supervisor, bank staff, and shareholder communication</p>	<p>(1) Bank has set up 1 independent supervisor position</p> <p>(2) Bank supervisor periodically checks financial and operation related accounts of bank. General Audit Administration Office is responsible for administrative coordination, staff/shareholder/Stocks Affairs Section accepted shareholder recommendation. Report is first filed at General Audit Administration Office which is then passed to supervisors who are communication channels for staff, shareholder, and Stocks Affairs Section.</p>	<p>(1) Regulations stated in the guide</p> <p>(2) Bank General Audit Administration Office under jurisdiction of the board serves as communication channel among staff, shareholder, and supervisor Regulations stated in the guide.</p>
<p>4. Establish communication with interested party</p>	<p>Two-way communication channel has been established as regulated</p>	<p>Regulations stated in the guide</p>
<p>5. Information disclosure</p> <p>(1) Bank website set up: disclose financial operation and company operation</p> <p>(2) Other information disclosure</p>	<p>Bank website: http://www.sunnybank.com.tw, disclose financial operation and company operation info.</p>	<p>Regulations stated in the guide</p>

Item	Operation	Bank operation disparity , cause and company operation practical guide:
methods adopted by the bank (i.e. English website set up, bank info collection by appointed staff, and disclosure and implementation of Spokesman system, corporation seminar process on bank website)		
6. Bank set up Nomination Committee or Remuneration Committee operation	Nomination Committee or Remuneration Committee is set up	Future company operation in compliance with laws and regulations including functional committee set up.
7. Please state Bank operation condition, disparity, cause for company operation and "Banking Industry Company Operation Practical Guide."		
8. Please state s social responsibilities of bank (i.e. human right, worker right, community participation, relation with vendor, and right of interest etc.), system and measures adopted to fulfill such social responsibilities: We uphold the business ideal of" social feedback." To promote business performance, we actively play the role of the "Company citizen" by making donations. Our social responsibilities are fulfilled and we contribute to academics and cultures. Recreational activity holding and continual promotion of sporting, cultural, and education activities such as Shihlin College of Commerce Anniversary, Shihpai Elementary School Sports Meet, Sunny Cultural and Education Foundation Chinese Chess, Drawing, and Theme Seminar holding, Parent-Child Summer Camp, and Scholarship etc. are some of the events sponsored by our bank. We believe in:" What is taken from the people is used in the interests of the people."		
9. Important information related to Bank operation: (i.e. director and supervisor effort in further studies, director attendance and supervisor attendance condition, risk management policy, risk measurement standard execution, client protection, and client policy execution, director execution on interested motion/bill avoidance, and bank purchased liability insurance in behalf on directors and supervisors) Other than directors and supervisors that are on-leave on prior notice, the rest of the staff attended meeting. Board meeting details are accordingly recorded. Directors conducted avoidance discussion and voted for motion/bill of interest in compliance with relevant laws and regulations. Avoidance conditions are recorded in board meeting records.		
10. In case of company self-assessment report or other professional institution delegated company operation evaluation reports, self-assessment/delegated evaluation results, deficiencies/ recommendations should be stated: Not applicable		

(5) Inquiry method for company operation guide and related rules,:
Not applicable

(6) Other important information essential for Bank operation:
None

(7) Internal control execution discloses the following:

1. Statement of Internal Control

Sunny Bank Ltd.

Statement of Internal Control System

This statement is drafted on behalf of Sunny Bank Ltd. certifying that from 1/1/2006 to 12/31/2006, "Regulations of Bank Internal Control and Audit System Implementations." has been truthfully abided by. Internal control system has been set up and risk management implementations have been carried out. Checking has been executed by unbiased independent Audit Dept. Regular report filing at Board and Supervisor has also been conducted. Following circumspect evaluations, internal control regulations have been truthfully abided by except items listed in attachments. This declaration serves as the main content for Bank Annual Report and Prospectus accessible to the general public. In the event of misconducts such as fraud, and deliberate hiding of truth, legal liabilities shall be assumed in accordance with Article 20, 32, 171, and 174.

Sincerely yours,

Financial Supervisory Commission

Declarer

Chairman: Chen Sheng-Hung

GM :Chang Chih-Hung

GM :Lin Chih-Liang

GM :Ye Chin-Tsung

GM :Chou San-He

GM :Chung Wu-Hu

General audit :Tsen Yao-De

Chief of HQ complying with the regulations: Lan Yu-Ling

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Sunny Bank Ltd.

Reinforced Items and Improvement Plans for Internal Control System

Base day : May 31,2006

Reinforced Item	Improvement measure	Expected time of completion
Financial Supervisory Commission, Executive Yuan conducted regular checking on 5/31/2006. Misconduct found: Financial Dept. supervisor Gao Ming-Chih invested in Kinsus Interconnect Technology Corp. issued stocks in 8/4/2005 (30,000 shares), 9/2/2005 (40,000 shares), and 5/8/2006(70,000 shares) respectively. Such conduct is in violation to : "Article 5, of Regulation of "Commercial Bank Investment Securities Type and Limit"	Investment targets were sold out on 7/5/2006. Bank holds no stock reserve for investment target. Financial Dept. shall set up in-charge list in dealer computer. Stock dealer is required to inquire at Public Information Observation Station prior to purchase of stocks. Transaction is permitted only after company director/supervisor, or agent match in-charge list stored in the computer.	Inquire security investment in-charge list before daily trade to avoid reoccurrence of misconduct. Company director, supervisor, or agent is expected to inform the bank voluntarily.

2. CPA Auditing statement should be disclosed by one appointing CPA review on internal control system.

Auditing Report by CPAs

To: Sunny Bank Ltd.:

In accordance with Financial Supervisory Commission, Executive Yuan promulgated sec 1, Article 25 of Regulations on Bank Internal Control and Audit System Implementations: "In Annual Bank Financial Statement accreditation by CPA, the CPA ought to be appointed to conduct internal system checking, and offer opinions regarding the accuracy of bank declared data filed at authorized agency, internal control system in compliance with legal supervision system execution, and appropriateness of bad-debt reserve listing policy.

CPA is appointed by Sunny Bank Ltd process the above items as of year 2006. In accordance with Article 28 of the same regulation, scope, procedures, and checking results are duly attached.

This report serves as reference for Sunny Bank Ltd. and financial authorized agencies. It shall not be used for other purposes or distributed to other parties.

Deloitte & Touche

CPA Shao Chih-Ming

M a r c h 6 t h , 2 0 0 7

1. Check main operational internal control design and execution

1. Credit extension operation management

(1) Scope

Credit extension operations cover: short-term credit extension, middle-long term credit extension, local L/C, discounted cash flow, overdraft, guarantee, acceptance, L/C loan and consumer loan. During checking, credit extension should be verified to determine if it complies with financial act and bank regulation. The purpose of credit investigation is to evaluate credit conditions of credit extension parties and the ability to pay back in the future. It serves as an important reference for credit extension approval. During checking, credit extension cases should be transacted based on Credit Info Service Operation Procedure in order to provide correct analysis, judgment, and credit extension decision-making prior to loan approval.

(2) Procedure

1. Credit extension policy set up and execution

- (1) Obtain credit extension policy and find out Determine if risk-based limit and regular control are implemented as to industry type, group/company type, and individual credit extension

Fact findings:

After obtaining credit extension operation general principles and credit extension limit list of Sunny Bank Ltd. (Abbreviated as Sunny Bank), risk-based limit as to individual, interested party, associated business should be set up. Respective departments are requested to comply with relevant regulations during credit extension operation executions.

- (2) Hierarchical Authorization and Loan Approval Guideline

Fact findings:

After obtaining credit extension authorization, supervisor's authorized loan approval limit is set up as to credit extension object and type.

- (3) Determine if credit extension policy clearly restricts concentrated use of loan from different sources.

Fact findings:

After inspecting credit extension operation general principles, clearly state that risk diversification should be observed in credit extension. Focus should not be placed on minor loaners, loans from different sources should not be allowed for concentrated use, and risk concentration by means of joint protection should not be permitted. In addition, in order to avoid over-concentrated associated business of credit extension parties, credit extension party associated business items should be set up to diversify risks.

- (4) Determine if board and General Affairs Board abides by regulation related and regular procedure standards, and review credit extension cases of interested parties

Fact findings:

After inspecting credit extension limit list, based on laws and regulations, credit extension of interested party has already been taken into consideration. Based on records of Managing Board reviewed and approved loan cases in November, no misconducts related to credit extension limit have been found.

2. Understand respective systems and relevant operational Regulation of credit extension

Fact findings:

After inspecting Sunny Bank Ltd. Loan Manual, and understanding credit extension related regulations, no major misconducts have been found.

3. Analysis on credit extension balance fluctuation and content

Fact findings:

After comparing credit extension risk concentration of Sunny Bank Ltd. as to industry type credit extension in 2005 and 2006, it shows that objects are mostly individual parties and the risk concentration level is far lower than policy regulations. Moreover, after comparing group credit extensions in December 2005 and 2006, it shows that in 2006, other than active development of high profit ratio small and medium Company, large company loan approval was also promoted. Thus, the overall group credit extension increased by approximately 31.03%.

4. Credit extension risk concentration level

(1) Group and individual credit extension balance as to industry type: Random samples are taken to check if they are consistent with policy.

Fact findings:

After checking randomly selected samples of group and individual credit extension parties, the credit extension balances have not exceeded credit extension limit list and credit extension responsibility authorization chart regulations.

(2) Understand how control departments regularly execute tracking and review and Determine if it is instantaneously reported in case of exception.

Fact findings:

After inquiring from handler s in Panchiao Branch Office, it is found that during credit extension operations, clients are requested to fill out general credit extension party "Same Person" data, a declaration that serves as reference for listing as group enterprise. Meanwhile, Determine if or not credit extension limit is exceeded is also taken into consideration. Random sample collections are checked and no exceptional event outside confines of credit extension list regulations has been found. "Post-Credit Extension Management Criteria" is also inspected. Furthermore credit extension tracking and assessment focus is also set up.

5. Credit extension quality

(1) Credit investigation

① Interested party credit extension

A. Obtain "Major Shareholder Roster" and "Interested party data in Article 33-1 of Banking Act" to acquire information related to how file update is executed.

Fact findings:

After inquiring from Audit Office staff, it is under the possession of Audit Office in which "Interested party data in Article 33-1 of Banking Act" is sent to respective interested parties every 6 months. Alterations are made depending on employee shift s. Also, Stocks Affairs Section also provides Audit Office with Major Shareholder Roster for data update.

- B. Inquire from employee concerned regarding credit extension party credit investigation to determine if interested party is added and state in relevant forms and charts.

Fact findings:

After random credit extension sample collection, useful items on the part of the interested party inquiry are covered in credit extension limit list. Investigation is subsequently conducted.

- C. Determine if regulations in Article 32, 33, 33-1, and 33-2 of Banking Act is fully understood and abided by based on employee inquiry when handling credit extension party investigations.

Fact findings:

After inquiring from handler, it is found that Banking Act regulated credit extension list has been abided by.

- D. Inquire employee in charge, major shareholder or non-collateral credit extensions of other banks to find out Determine if credit extensions in other banks have been checked. Confirm no misconduct in violation of Article 33-2 of Banking Act "Reciprocal Non-collateral Credit Extension" has taken place in credit investigation report.

Fact findings:

After inquiring from Audit Office staff, no reciprocal credit extension has been found. As regulated, non-collateral credit extensions should be sent to different hierarchies of General Affairs Board for checking and assessment. Such condition is usually eliminated.

- ② When inquiring from employee during credit extension party credit investigation, Determine if bank transacting under another name is disclosed in credit extension report or review and is under credit extension control in Article 32, 33, and 33-2 of Banking Act.

Fact findings:

After inspecting internal document of Sunny Bank Ltd.(Sunny General Reply letter No. 9000002046) , respective departments are requested to base credit investigations on facts. In addition, After inquiring from Audit Office staff, daily branch office and Business Dept. trading Enforcement Rules are randomly checked to determine if capital is remitted into interested party accounts for control purpose.

- ③ Inquire from employee Determine if credit extension party system is established. Assess asset, debt, operation, and capital requirement of enterprises and persons connected to such credit extension parties.

Fact findings:

After spot check on credit extension, inquire on credit extension through Personal Property Inquiry System.

(2) Loan approval and review

Spot check and execute the following checking steps:

- ① Determine if respective credit extension cases is in compliance with credit extension policy of Head Office

Fact findings:

After spot check on credit extension, no misconduct in violation of credit extension policy of the head office has been found.

- ② Determine if credit extension cases are approved or rejected by authorized persons of different hierarchies

Fact findings:

After Spot check on credit extension and after reply letter is secured, loan approval is conducted within authorization limit based on credit extension policy of the head office.

- ③ Determine if respective credit extension employees exercise avoidance for credit extension cases of interest; Determine if such cases are passed to supervisory departments for review.

Fact findings:

After inspecting credit extension authorization criteria, exercise "avoidance" of authorized employee for credit extension cases of interest to them. Higher hierarchy employee is to verify such cases. Also, avoidance should be exercised for Managing Board reviewed loan case records of interest to directors.

- ④ Determine if credit extension cases are resolved at meetings and accordingly recorded for credit extension review committee or credit extension review team.

Fact findings:

After spot check on credit extension, in accordance with credit extension authorization chart, for those not under GM authorization scope, loan approval is ratified to Credit Extension Review Committee meeting records and Managing Board review records.

- ⑤ Determine if re-assessment or review is conducted on borrower and collateral for expired credit extension case pending replacement. (Period of extension)

Fact findings:

After spot check on credit extension, credit extension employee re-assessed and reviewed borrower's credit and collateral during each Period of extension.

- ⑥ Determine if credit extension case is first reviewed by original loan approval hierarchy (or higher) for any change, correction, and cancellation of loan approval (i.e. creditor proof, guarantor, collateral and interest levy)

Fact findings:

After spot check on credit extension and operating manual inspection, credit extension is still pending review by different hierarchies based on Credit Extension Authorization Criteria.

- ⑦ Determine if principal rendering on the part of the client is transacted by credit extension staff.

Fact findings:

After inspecting loan handler No., set loan function which only allows loan granting and credit investigation operations.

- ⑧ How are important creditor proof and forms (i.e. borrow slip, repayment promissory notes, other entitlement certificate, and valued securities) kept and Determine if they are controlled by supervisor or Cashier Dept.

Fact findings:

After spot check on credit extension and Inquire from relevant handler of Panchiao Branch Office, important creditor proof, and forms are first

passed to supervisor for reading and inspection before filing by special appointed employee keeping in cashier.

(3) Various types of credit extension

① Immovable property mortgage

- A. Collect random samples of immovable property registration and ensure it is officially issued by local government agency.

Fact findings:

After spot check on immovable property collateral loan, it is found that immovable property registration is issued by local government agency.

- B. After spot check on credit extension and Inquire from relevant handlers of Panchiao Branch Office, confirm the event of "same person (or few people), and guarantor provided immovable property for many people" has not taken place.

- C. Concentrated capital use

Fact findings:

After inquiring from relevant handlers of Panchiao Branch Office, at the time of immovable property collateral provision by credit extension parties, Sunny Bank Ltd. requests listing as first mortgage in other certificate of other rights over land. In case a third person demands credit extension from the same immovable property, mortgage settlement at Sunny Bank Ltd. stated in certificate of other rights over land shall serve as reference to avoid repeated use as collateral. Thus, events of same person providing immovable property for many people (diversified loan) and concentrated capital use are unlikely to take place

- C. Determine if Business Dept. transacted collateral credit extension outside operating area are bound by internal limitations or other regulatory controls

Fact findings:

After inspecting "Regulation of Unified Personal Property Management applicable for credit extension parties, the same borrower is expected to file loan application at the same Business Dept.

② Movable property mortgage

Obtain Credit Extension Collateral Enforcement Rules and collect random sampling to determine if requirements are met.

Fact findings:

After inspecting Credit Extension Collateral Enforcement Rules, movable property collateral price estimation is based on purchase cost or cost minus depreciation. After spot check, movable property mortgages all is in compliance with such requirements.

③ Security pledged loan

- A. Obtain regulations related to stocks and other securities as collateral and Spot check if requirements are met.

Fact findings:

After inspecting Credit Extension Collateral Enforcement Rules, listed (OTC listed) stocks are valued based on authorized agency regulations. It is the lowest closing price in the recent 3 months higher

than face amount. The average price of recent 3 months and the lowest closing price on previous work day serve guide for valuation. Stocks that are not listed/OTC listed are valued at prices not exceeding the net value per share. After spot check, security pledged loans meet related requirements.

- B. Understand how loan approval (percentage) is determined with stocks as collateral for credit extension.

Fact findings:

After inspecting Credit Extension Collateral Enforcement Rules, loan percentage stands at 60% of estimated price.

④ Local L/C

Obtain promissory note/paper/paper concentration level and credit extension party's related party provided promissory note/paper to meet local L/C related requirements. Spot check if requirements are met.

Fact findings:

After acquisition of Regulation of local L/C loan and Spot check on promissory loan, requirements in "Regulation of local L/C loan" are all met.

⑤ Guarantee

- A. Determine if authorized staff' personal seal, bank, and guarantee seal for regular notes, or commercial paper transacting are kept by different authorized persons to avoid unauthorized use.

Fact findings:

After inquiring from Corporate Finance Business Dept. staff, the bank guaranteed that the guarantee seal is kept by branch office manager or manager authorized staff. During guarantee and acceptance transacting, handler seal has to be presented to claim guarantee seal.

- B. Determine if blank commercial paper keeping and use are strictly monitored, registered, and regularly taken inventory. Determine if the remaining No. of blank commercial paper and uses are checked.

Fact findings:

After inquiring from Audit Office staff, commercial paper is registered at General Affairs Section and kept in the cashier. Business Dept keeper should fill out claim list and claim at General Affairs Section. Audit Office regularly takes inventory, and checks remaining No. and use.

6. Post-loan management

- (1) Determine if credit extension review is conducted based on related regulations to strengthen post-tracking and assessment of credit extension related affairs.

Fact findings:

After inspecting post-credit extension management Enforcement Rules, credit extensions that amount to NT\$30 million and above are regarded as important credit extension cases. Information Dept. shall print client review form (6 months from approval date) and credit extension tracking and assessment review form before the 1st of every month, which are to be sent to respective regional centers and business departments. The general list is separately printed and sent to consumer financial Business Dept. to serve as reference for checking and supervision.

Enterprise credit extension review covers credit extension parties as the same body. On the 25th of every month, respective finance centers and business departments print "Enterprise Review Tracking Record Statement" and complete review and tracking before the end of the month. Improvement items are tracked and reported to Corporate Finance Business Dept..

(2) Determine if reviewer avoids transacting of credit extension cases

Fact findings:

After inspecting loan manual regulated items, it is understood that Corporate Finance Business Dept. and consumer financial Business Dept. are not in charge of credit extension case transacting.

7. Correctness of credit extension balance

(1) As certain how Inquire from employee confirm all transactions (mobilization and repayment) are entered in the system.

Fact findings:

After inquiring from Corporate Finance Business Dept. staff, it is found that Determine if mobilization transaction is not entered in the system, the client is not allowed to use the balance allotment. Determine if repayment transaction is not entered in the system, the cash received at the counter may differ from the daily balance. Thus, they ensure all transactions are entered in the system.

(2) Inquire from employee how the correctness of appropriate adjustment (such as credit extension system and general account system) and balance review check can be confirmed.

Fact findings:

After inquiring from Corporate Finance Business Dept. staff, related accounts are transacted by credit extension system. No event requiring adjustment has been found. In addition, After spot check, loan and principal and interest payment transactions are ratified to subsidiary files, summons, and subsidiary books from transaction subsidiary inquiry list.

8. Non-performing loan

Please refer to "Appropriateness Checking of Reserve Bad debt Listed Policy"

(3) Result

After executing the above procedure, findings are stated in 1-(1) of recommendation letter one.

2. Derived financial commodity

(1) Scope

Derived financial commodities are mainly new financial commodities derived from traditional foreign exchange, interest, stocks or other products and index targets. During checking, determine if bank's derived financial commodity transactions are safe, stable, Determine if high-rank hierarchy supervision on these transactions are appropriate, Determine if management information system is adequate, Determine if laws and regulations are complied with and take internal bank policies and regulations into consideration.

(2) Procedure

1. Have basic understanding of attributes of derived financial commodities and

confirm rights and duties between both transaction parties within transaction period.

Fact findings:

Actual derived financial commodity types offered by Sunny Bank Ltd. for the effective year 2006 cover: foreign exchange, interest rate collar bond and interest exchange operations. The rights and duties are clearly stated in transaction contract. The main source of evaluation basis is clearly specified in "Derived Product Transaction Procedure."

2. Obtain derived financial commodities related operation regulations or manual and determine if risk management system, and risk bearing policies including part limit, loss limit, and credit limit are set up.

Fact findings:

After inspecting related operation Regulation of Sunny Bank Ltd., "Derived Product Transaction Procedure", "Foreign Exchange Transaction Authorized Limit and Stop Loss Limit Rules", and "Long-term Foreign Exchange without Principal Operation Criteria" are set up intended for derived financial commodity operations. The above operation regulations clearly state credit risk, market risk, current risk, operation risk, and legal risk control and assessment methods. Derived product transaction authorized limit, and hierarchy are regulated depending on product attribute setting. Transacting is done after filing report at the board for review.

3. Spot check and execute the following checking steps:

- (1) Determine if legality is established and contract is signed during transaction.

Fact findings:

After spot check on various derived financial commodities transactions, contract is signed with relative transacting parties. Relative transacting party or swift confirmation is obtained.

- (2) Determine if data form figures produced during the transaction process can be audited.

Fact findings:

After spot check on various derived financial commodity transactions, data form figures produced can be mutually audited.

- (3) Determine if handler authorization is implemented and Determine if transactions are reviewed or approved by suitable supervisors.

Fact findings:

After spot check on various derived financial commodity transactions, it is found that handler s authorization is implemented. Review or approval is also implemented by supervisors of different hierarchies.

- (4) Determine if forms produced during the transaction process are serial numbered.

Fact findings:

After spot check on various derived financial commodity transactions, it is found that Trading dates are serial numbered.

- (5) Determine if forms produced during the transaction process are filled out based on operation standards.

Fact findings:

After spot check, and checking of various derived financial commodity transactions, it is found that forms are filled out based on operation standards.

- (6) Determine if each item executed based on operation standards come with complete sets of forms and data and are kept particularly checking documents during transaction confirmation (i.e. telephone recording, written confirmation document, and contract record etc.) to avoid the occurrence of disputable events.

Fact findings:

After spot check, and checking of various derived financial commodity transactions, forms and data are accordingly kept as to transaction type.

- (7) Determine if relative transacting party confirmation letter seal corresponds to authorized employee seal and signature.

Fact findings:

After spot check on various derived financial commodity transactions, with exception of the confirmation letter, the rest of the transacting party's confirmation letters is in compliance with authorized employee seal.

(3)Result

No major finding while executing the above procedure.

3. Deposit

(1)Scope

The main deposit operations of Sunny Bank Ltd. cover: checking deposit, current/demand deposit, cashier deposit, checking deposit, current/demand deposit, government deposit, interbank deposit, omnibus deposit, savings deposit (current/demand savings deposit, target savings deposit, savings deposit, interest drawing savings deposit) and current certificate of deposit etc.

(2)Procedure

1. Obtain Sunny Bank Ltd. deposit manual and related operation Guidelines:

Fact findings:

After inspecting related operation systems of Sunny Bank Ltd., set up Guideline of various deposit manuals such as checking deposit manual, time deposit, current certificate of deposit, passbook deposit, and omnibus deposit.

2. Compare and analyze various deposit balance changes in the effective year and the previous year.

Fact findings:

The deposit balance of Sunny Bank Ltd for year 2006 is NT\$ 213,010,449,000 dollars or an increase of NT\$10,044,708,000 dollars as compared to NT\$202,965,741,000 of 2005. The 5% increase is mainly due to increased current/demand deposit.

3. Spot check depositor interest to determine if interest is paid based on Deposit Rates and Base Lending Rates Offered by Major Banks and Postal Savings System.

Fact findings:

After spot check on depositor interest is paid based on Deposit Rates and Base Lending Rates Offered by Major Banks and Postal Savings System.

4. Spot check issued deposit balance (deposit amount) application form. Determine if seal on application form conforms to seal on the seal card. Serial number and prepare Register for reference.

Fact findings:

After spot check, seal on application form conforms to seal on the seal card. Serial number and prepare Register for reference.

5. Spot check if depositor's monthly statement is sent by employee not involved in transacting.

Fact findings:

After inquiring from related Audit Office staff, and Spot check, depositors of Sunny Bank Ltd. are randomly sampled by Audit Office every month. File is transferred by Information Dept. and sent to collaborator to send statement. The correctness of statement is also randomly checked

6. Checking deposit

- (1) Spot check if checking depositor complies with account opening regulations before transacting. Photocopy I.D. data for reference. Blank check and note/paper should be duly issued by authorized staff.

Fact findings:

After spot check, checking depositors all comply with checking deposit manual regulations for account opening. ID documents are photocopied for reference. Blank check issuance is approved by authorized supervisors.

- (2) Spot check if check bounce complies with "Regulations for Central Bank Bill Management Exchange Operations" Determine if reasons for check bounce are stated on "Check bounce Form" and Determine if The Bill Exchange of Clearance House is informed within regulated time.

Fact findings:

After spot check, check bounce complies with "Regulations for Central Bank Bill Management Exchange Operations", reasons for check bounce are stated on "Check bounce Form" and The Bill Exchange of Clearance House is informed within regulated time.

- (3) Spot check if application is filed for "Report of Loss and Suspension of Payment." Determine if "Payment Suspension Cancellation" in accordance with "Report of Loss and Suspension of Payment criteria" is abided by.

Fact findings:

After spot check, "Report of Loss and Suspension of Payment" and Payment Suspension Cancellation" are transacted in accordance with checking deposit manual and Report of Loss and Suspension of Payment information transacting guidelines except Recommendation Letter 1, 3-(1).

- (4) After examining related operation guidelines, for insufficient checking deposits that cause check bounce, deferred payment after check bounce (with application filed to cancel check bounce record), or abnormal notes use, stricter measures shall be taken when issuing blank checks.

Fact findings:

After inquiring from Panchiao Branch Office handlers, it is found that for those that have had over 5 check bounce records due to insufficient checking deposits and have paid and applied for check bounce record cancellation, or

if there is one official check bounce record, or if there is abnormal use of notes, stricter measures have been adopted when issuing blank checks.

7. Time deposit

Spot check if time deposit and time savings deposit contract termination before termination date and non-performing interest computation are in compliance with regulations.

Fact findings:

After spot check on time depositors, time deposit and time savings deposit contract termination before termination date and non-performing interest computations comply with regulations in time deposit current certificate of deposit manual.

8. Current certificate of deposit

Spot check if issued current certificate of deposit is in compliance with the following procedures:

(1) Issued per NT\$100,000

(2) Deposit time should be at least one month and no longer than 1 year.

Fact findings:

After spot check, current certificate of deposit is issued per NT\$100,000 and the deposit time is at least one month and no longer than 1 year

9. Passbook deposit

(1) Spot check if individual passbook depositors comply with related operation Guidelines. Photocopied ID, paid checks, withdrawal slip and deposit slip are checked before payment. Seal used should be in compliance with original client seal.

Fact findings:

After spot check, related forms are properly filled out. Applicant ID in copy is kept. Paid check, withdrawal slip and deposit slip are checked before payment. Seal used conforms to original client seal.

(2) Spot check if supervisor seal is affixed for transactions exceeding amount of teller authorization.

Fact findings:

After spot check on summon, supervisor seal is affixed for transactions exceeding amount beyond teller authorization with supervisor code printed.

(3) Spot check bank teller savings deposit and execute the following:

① Ratify bank teller's name list.

② For bank teller's savings deposits that exceed limit (NT\$480,000), interest is calculated based on current/demand savings deposit interest computations.

Fact findings:

After spot check, bank teller's savings deposit balance and depositor name are ratified in bank teller's name list. Interest computations for deposits lower than NT\$480,000 are calculated as 9%, the rest are the same as current/demand savings deposit interest computations.

(4) After examining related operation regulations, blank passbooks are accounted for in Register and inventory is taken regularly.

Fact findings:

After inquiring from employee in Panchiao Branch Office and Audit Office, and checking important bill control principles/regulations, blank passbooks

are recorded and controlled in Register .Inventory is taken at least once a year with claim list (second duplicate), and computer file data based on specifications on Dept. stock Register . Check Register to ensure correctness in quantity.

10. ATM Card

After examining related operation Guidelines, password printing should be temporary stored in computer after passwords are randomly selected. Passwords are kept confidential and are deleted from time to time in case of hacking.

Fact findings:

After inquiring from Audit Office staff, ATM Cards and Passwords are separately produced by Information Dept. and Audit Office. Password letters are sealed by Audit Office employee and sent to Business Dept. for safekeeping. Upon completion, Information Dept. immediately deletes password. On the other hand The ATM Card machine is controlled by two parties. The key is kept by Information Dept. supervisor who is responsible for switch-on while the password is kept by Information Dept. card making staff. Both are needed for ATM Card production.

11. Seal replacement and report of loss

Spot check if seal replacement, and report of loss/re-issuance application are in compliance with operation key point regulations.

Fact findings:

After spot check, depositor proceeds to Branch office to fill out "Depositor Report of Loss/Re-claim/Replace Application Form and Contract" in person. Old seal card is replaced with a new one except Recommendation Letter 1, 3-(2).

(3)Result

After executing the above procedure, findings are as stated in Recommendation Letter 1, 3-(1)~(3).

4. Foreign exchange

(1)Scope:

Foreign exchange operations cover import/export operation, general payment, foreign exchange deposit, foreign currency loan, foreign currency payment guarantee, central bank appointed, Commissioned and approved other foreign exchange operations. During foreign exchange operations, note if respective risk management measures are appropriate, Determine if they protect assets, Determine if transacting complies with existing policies, laws, regulations, and rules, Determine if operation conforms to internal control principles, and Determine if accounting records and management information are correct and truthful.

(2)Procedure:

1. Export

(1)Negotiation of drafts under L/C

- ① Spot check negotiation of drafts and determine if credit investigation has been transacted. Update credit info as regulated and Ratify credit limit.

Fact findings:

After spot check, negotiation of drafts is ratified on credit extension credit limit reply letter. Depending on credit conditions and needs of clients, credit limits are ratified separately.

- ② Spot check if negotiation of drafts credit limit is approved, and Determine if cumulative amount of negotiation of drafts exceeds limit and Determine if transacting is executed based on limits of authority Determine if Branch Office authorized credit limit is exceeded.

Fact findings:

After spot check, credit limits for negotiation of drafts are all approved by respective Business Dept. supervisors and cumulative amount of negotiation of draft does exceeded limit.

- ③ Spot check if seal card is checked for negotiation of draft agreements.

Fact findings:

After spot check, seal card is checked for all negotiation of draft agreements

- ④ Spot check if there is recording and control of export form/list acceptance, issuance, review, payment, and date sent

Fact findings:

After spot check, export form/list acceptance, issuance, review, payment, and date sent are made into files as to client category for recording and control.

- ⑤ Spot check if client's original seal is affixed on negotiation of drafts application letter, Determine if credit limit use or cumulative overseas payment refusal/ rejection amount is recorded. Supervisor seal is required.

Fact findings:

After spot check, original seal is affixed on all negotiation of drafts application forms. Each negotiation of drafts is recorded in "Negotiation of Drafts File" where credit limit uses are recorded with supervisor approval seal.

(2) Export collection

- ① Spot check if export collection forms/lists are intact and correct and check if they are in compliance with export collection application form.

Fact findings:

After spot check, Export collection cases are ratified to related collected forms/lists and are in compliance with Export collection application form.

- ② Spot check if export collections are recorded in Export Collection Record with supervisor approval signature affixed.

Fact findings:

After spot check, Export collection cases are all recorded in Export Collection Register with supervisor approval signature affixed.

- ③ Spot check if export Collection Subsidiary classified account balance conforms to Daily Statement.

Fact findings:

After Spot check, Export Collection Subsidiary Book is ratified in International Banking Dept. It is in compliance with daily statement balance.

2. Import

(1) L/C import

- ① Spot check if client application for L/C, credit investigation, signing procedure, loan approval, collateral evaluation, setting, and contract/receipt solicitation etc. have been reviewed by supervisor.

Fact findings:

After spot check, client application for L/C, credit investigation, signing procedure, loan approval, and collateral evaluation, setting, and contract/receipt solicitation are first reviewed and compiled by respective business departments. They are then sent to respective Corporate Finance Centers for credit investigation. They are approved or rejected based on credit extension duties and responsibilities.

- ② Spot check if import L/C credit limit is duly approved and Determine if client credit limit is overdue or exceeds limit.

Fact findings:

After spot check, Import L/C credit limit are all approved by supervisor. No event of client credit limit overdue or exceeding limit is observed.

- ③ Spot check if financial sample deadline does not exceed credit extension application letter limit for loan during Import L/C transacting

Fact findings:

After spot check, financial sample deadline does not exceed credit extension application form limit for loan during Import L/C transacting.

- ④ Spot check if Cover Letter (Overseas negotiation of draft bank mailing) conforms to Form Arrival Notice.

Fact findings:

After spot check, Cover Letter is ratified that the amount on Form Arrival Notice conforms to basic data.

- ⑤ Spot check if import document against payment, repayment, payment collector, and book keeper are not transacted by the same person.

Fact findings:

After spot check, import operations, import document against payment and repayment are transacted by International Banking Dept. handler while payment collection is transacted by Branch Office. International Banking Dept. handlers are responsible for checking and book keeping works are handled by Accounting Dept. staff. Related operations are not transacted by the same person.

- ⑥ Spot check indemnity and guarantee (Undertaking for Delivery of Cargo Without Surrender of B / L) to determine if indemnity and guarantee is cancelled at shipping company end upon arrival of the original copy of overseas papers/statements.

Fact findings:

After Spot check indemnity and guarantee cases, indemnity and guarantee is cancelled at shipping company end upon arrival of the original copy of overseas paper duly signed and approved by supervisor.

3. Exchange

(1) Remittance

- ① Spot check if "Foreign Exchange Receivable/payable or Transaction Declaration Form local is filled out for overseas single settlement of

exchange of over NT\$500,000" in accordance with foreign exchange receivable/payable or transaction contracts.

Fact findings:

After spot check, local or oversea single settlement of exchange amounting to over NT\$500, 000, "Foreign Exchange Receivable/payable or Transaction Declaration Form" is filled out.

- ② Spot check if daily Application for outward (inward) remittance complies with payment receivable procedures.

Fact findings:

After spot check, daily Application for outward (inward) remittance complies with payment receivable procedures.

- ③ Spot check if Application Form for outward (inward) remittance conforms to invoice.

Fact findings:

After spot check, Application Form for outward (inward) remittance conforms to invoice.

- ④ Spot check if remittance to Mainland China region has "indirect remittance" note.

Fact findings:

After spot check, check remittance to Mainland China region has "indirect remittance" note.

- ⑤ Spot check payment bank sent "Payment Cancellation Form." Check seal, timely render payment, and write-off in accounting book.

Fact findings:

After spot check, payment document and inward remittance notice seals are checked. Account transfer recorded date is identical with remittance notice. System executes write-off. At the end of each work day, Inward Remittance Notice Statement pending write-off is checked to ensure write-off has taken place.

- ⑥ Confirm Determine if blank deposit slip and passbook are controlled in Register and Determine if daily No. of deposit clips and amount are checked at the end of each work day.

Fact findings:

After inspecting "Blank Foreign Currency Deposit Slip and Reserves Subsidiary Register", No. of deposit slips, amount, and reserves are checked daily with supervisor signature and approval.

- ⑦ Spot check if payment cancellation date is noted in Payment Cancellation Form.

Fact findings:

After spot check on payment cancellation transactions, remittance party, beneficiary, and payment date are specified in "Inward Notice Statement of Other Banks."

4. Foreign exchange and capital management

(1) Foreign exchange

- ① Spot check if completed transaction pending settlement, forward exchange transaction, and Trading date are entered into accounts and Determine if "Foreign Exchange Daily Statement" is filled out.

Fact findings:

After spot check, At the time of completed transaction pending settlement, forward exchange transaction and Trading date are entered into accounts, and the total portfolio of completed transaction conforms to "Foreign Exchange Daily Statement."

- ② Spot check if balance in accounts as to currency type is in compliance with Transaction Office's portfolio, and Determine if currency balance (in US dollars) conforms to balance checking or adjustment on "Foreign Exchange Portfolio Daily Statement"

Fact findings:

After spot check, currency balance in accounts is in compliance with Transaction Office Foreign Exchange Transaction Portfolio Daily Statement and Foreign Exchange Bureau's "Foreign Exchange Portfolio Daily Statement."

- ③ Spot check if foreign currency transaction limit (inclusive of day, overnight and stop loss) exceeds bank's limit and Determine if credit limit of transactions with other banks exceed approved credit limit.

Fact findings:

After spot check, currency transaction limit does not exceed bank's limit, and credit limit of transactions with other banks does not exceed approved credit limit.

- ④ Spot check if transaction list is serial numbered, Determine if each transaction is confirmed by the other bank, and Determine if confirmation letter is checked and kept by back stage operator.

Fact findings:

After spot check, transaction list is serial numbered, Determine if each transaction is confirmed by the other bank, and Determine if confirmation letter is checked and kept by back stage operator.

(2) Capital management

Obtain interbank loan and nostro account credit limits to determine if there is over concentration of risk.

Fact findings:

After obtaining Regulation on Interbank Loan Operation Management and Interbank Credit Limit Approval Guidelines, Sunny Commercial Bank's credit limit set up is transacted by Financial Dept. interbank loan credit limit and amount set up is per NT\$1 million dollars. The interbank loan credit limit for the same member should not exceed 6-fold of net value of member or bank's lower net value of the recent year.

(3) Forward foreign exchange transaction

Spot check forward foreign exchange transactions to determine if related transaction document contents are in conformity.

Fact findings:

After spot check, Forward exchange transaction contents of pre-purchased Forward foreign exchange contract are ratified and are in compliance with settlement of exchange certificate.

(3) Result

No major finding while executing the above procedure.

5. Investment

(1) Scope

Current security types are analyzed as to investment market and are divided into three categories:

1. Currency market- cashier bill, current certificate of deposit, acceptance draft for remittance, commercial acceptance draft for remittance and various bonds (government bond, financial bond and Company bond)
2. Bond market- include company bond, financial bond of above 1 year issuance and fall under the scope of capitalistic market.
3. Stock market-listed and OTC listed stocks, new share entitlement certificate and bond entitlement certificate.

Ensure investment operation employee truthfully complies with related laws and regulations and operation procedures during checking operation to ensure the Security, revenue, and current of bank's investment assets

(2) Procedure

1. Risk management

- (1) Obtain information on investment policies to determine if risk limit is set up as to industry, country, transacting party, and issuing party investment.

Fact findings:

After examining Regulation for National Risk Management, Limit Management Operation Guidelines, Interbank credit Limit Approval Guidelines, Regulation for Current Security Management, Regulation of Bond Transaction Operation, Bill/Bond Transaction Operation Enforcement Rules and Stock Buy/Sell and Beneficiary Certificate Operation Detail Rules and Regulations of Sunny Bank, risk limit is set up as to industry, country, transacting party, and issuing party investment.

- (2) Spot check current security transaction portfolio to determine if stop-loss point is set and executed.

Fact findings:

After Spot check on transactions, stock buy/sell, and Beneficiary Certificate Operation Enforcement Rules, stop loss point is set and executed on current security transaction portfolio.

- (3) Spot check if lowest authorized interest rate is set for profit ratio of bond transactions and that it is transacted in accordance with regulations for authorization.

Fact findings:

After spot check, Short-term Transaction Instrument Statement, and Bond/bill transaction profit ratio are transacted in accordance with regulations within authorization. The lowest interest rate is also set.

- (4) Spot check if highest credit limit control is set for self-guaranteed current securities.

Fact findings:

After Spot check on Reserve portfolio Analysis and Draft/Bond Transaction Operation Detailed Rules and Regulation, highest credit limit control is set for self-guaranteed current securities. Exceeding of limit exceeding is not observed.

2. Accounting

- (1) Spot check investment cost, follow-up evaluation, revenue receivable estimation and Determine if they are in compliance with publicly recognized accounting principles and bank's accounting procedure.

Fact findings:

After spot check, transaction data, listed investment costs, follow-up evaluation, and revenue receivable estimation all is in compliance with publicly recognized accounting principles and bank's accounting procedure.

- (2) Check investment target listed as fair value fluctuation for gain/loss financial asset, financial asset in available-for-sale, financial assets in held-to-maturity, equity method based share Investment and cost method based financial asset account transacting.

Fact findings:

After spot check, transaction data, investment target listed as fair value fluctuation for gain/loss financial asset, financial asset in available-for-sale, financial assets in held-to-maturity, equity method based share Investment and cost method based financial asset account transacting all is in compliance with publicly recognized accounting principle and bank's accounting procedure.

- (3) Inquiry on bank's quarterly evaluation

Fact findings:

After inquiring from Financial Dept. employee following review on gain/loss evaluation chart of stocks and funds purchased at the end of 2006, quarterly evaluation and account transacting of Sunny Bank Ltd. is in compliance with publicly recognized accounting principle and bank's accounting procedure.

3. Internal management

- (1) Spot check if buy/sell transaction record sheet or current security record sheet is reviewed and approved by supervisor.

Fact findings:

After spot check, buy/sell transaction record sheet and current security record sheet are both reviewed and approved by supervisor.

- (2) Spot check if verification, claim, and payment of current securities purchased are confirmed by non-transaction staff.

Fact findings:

After spot check, verification, claim, and payment of current securities purchased are confirmed by non-transaction staff.

- (3) Spot check if "Bond Purchase Contract" is signed with transacting party for bond based transactions.

Fact findings:

After spot check, "Bond Purchase Contract" is signed with transacting party for bond based transaction executions.

- (4) Spot check if bond principal and accrued interest fails to enter account on due dates.

Fact findings:

After spot check on transaction data and ratified summon, principal and accrued interest of bond purchased enter account on due dates.

- (5) Spot check if transactions are double checked with security agencies and reviewed by non-transaction department.

Fact findings:

After spot check, original transaction data audit (transaction subsidiary statement) is checked daily by Logistics Dept. and is double checked with Bill/bond Custody Settlement System.

4. Bill/bond self-owned business and accounting self-owned business

- (1) Spot check if authorized employee seal, accreditation seal, transaction completion list, and agreement oval seal keeping and use are handled by different staff.

Fact findings:

After inquiring from Financial Dept. staff, and spot check on seal/signature, keeping and use of seals are handled by different staff.

- (2) Spot check if Register is available for certified bill/bond sales not yet sold.

Fact findings:

After spot check, bill/bond lot No. Recording Book records self-sold bill/bond subsidiary, and certified sales. Unsold bills/bonds are recorded in Bill/bond Custody of Company's Inventory Statement.

(3) Result

No major findings while executing the above procedures.

6. Credit card

(1) Scope

Credit card operations cover: credit card issuance, revolving credit, cash advance and cash withdrawal, contract store, credit card payment collection, and other related operations.

(2) Procedure

1. Marketing policy set up and execution

- (1) Obtain Credit Card Credit Extension Manual and related operation guidelines.

Fact findings:

After examining related operation systems executed by Sunny Bank Ltd., credit card credit extension operations are divided into: Regulations Governing Credit Card Operation, Terms and s, Credit Investigation Guidelines, Revolving Credit Guidelines, Credit Card Exemptions & Forgery Loss Authorization Guidelines, Credit Limit Adjustment & Excess Authorization, Credit Card Item Computation Standards, Credit Card Account Management Guidelines, Contract Store Promotion Guidelines & Credit Card Overdue, Collection, and Bad Debt Guidelines, Revolving Credit Repayment Guidelines.

- (2) After examining related guidelines, credit limit is set up as to work class, No. of years working, and financial proof under control of specially assigned department.

Fact findings:

After examining Credit Card Guidelines, and Credit Card Credit Investigation Guidelines, respective business departments are required to correctly rate applicant's qualification, educational background, work place, work type, No. of years working, Job title, stability at work, financial proof, and bank transactions. Credit limit is then set accordingly. After Ratifying

applicant's credit limit, it is sent to Credit Cards Dep. for review and credit card making.

2. Credit card management

(1) Account management

① Obtain Bad Debt and Dubious account Transacting Criteria.

Fact findings:

Bad debt and dubious account identification and transacting are clearly stated in credit card Overdue, Collectables, and Bad Debt Transacting Guidelines, Credit Card Exemption & Forgery Loss Authorization Guidelines.

② After examining related operation guidelines, Credit Card Exemption Adjustments are regulated by hierarchical authorizations. Adjustment execution and approval are also carried out by different staff.

Fact findings:

After examining Credit Card Exemption & Forgery Loss Authorization Guidelines, interest, penalty, annual fee, report of loss fee, cash advance handling fee, card-making fee, and bill re-mailing under fixed amount or special may be exempted upon agreement by Business Dept. staff. Manager approval is secured afterwards.

(2) Card-making and inventory claim management

Blank credit card and cash advance password keeping, claim, making, distribution, and cancelled card disposal are signed by employee in charge who are held fully responsible.

Fact findings:

Blank credit cards of Sunny Bank Ltd. are kept, and made by United Credit Card Center. After inquiring from Credit Cards Dept. staff, card claim should be duly signed by supervisor. Content, quantity, and monthly inventory check at United Credit Card Center should be conducted. Cancelled cards at United Credit Card Center should also be submitted. Cancelled cards by clients are to be kept and regularly destroyed by specially appointed staff. Cash advance password keeping, printing, and sending are handled by different employee of Credit Cards Dept.

(3) File management

Spot check if credit card user data and credit investigation reports are accordingly filed.

Fact findings:

After spot check, credit card investigation samples are accordingly filed and kept in store room. Store room key is to be kept by specially appointed staff.

3. Credit investigation and credit extension

Spot check (inclusive of minor, company and student) credit card issuance procedure:

(1) Credit card investigation on applicant's records is conducted as regulated at RIS, Ministry of the Interior website (<http://www.ris.gov.tw>) or United Credit Investigation Center.

(2) Credit card application form is filled out. Information data should be in compliance with data attached.

- (3) Credit limit approval is based on Credit Extension Standards with supervisor seal affixed
- (4) For applicant noted "student" in the job column of the application form, independent financial source (such as salary income proof or accreditation) is requested, or guarantor is informed of card issuance. User's credit card uses are to be noted.

Fact findings:

After spot check, credit card issuance abides by related regulations in compliance with the above procedure.

4. Credit limit management

- (1) After examining Credit Limit Management Guidelines, credit limit adjustment is carried out in hierarchical authorization as regulated. Adjustment and approval are to be carried out by different staff.

Fact findings:

After examining Credit Limit Adjustment and Excess Authorization Guidelines, credit limit adjustment time, and credit limit adjustment are conducted in hierarchical authorization as regulated.

- (2) Spot check on credit limit adjustment and approval by responsible staff.

Fact findings:

After spot check, credit limit adjustments are all approved by responsible staff.

5. Forgery management

- (1) Obtain Transaction Monitor Construction or other Procedure Operation Guidelines.

Fact findings:

After examining Credit Card Exemption & Forgery Loss Authorization Guidelines, disputed items (related to forged credit card use or use of card reported of loss), related transacting procedures are clearly regulated. In addition, after inquiring from Credit Cards Dept. staff, transaction monitor is carried out by United Credit Card Center's Online Warning System. Specially appointed employee is to monitor abnormal credit card transactions at all times.

- (2) After examining related operation guidelines, transactions or related documents are checked for suspicious forged credit card use, United Credit Center is also informed of such event.

Fact findings:

After examining Credit Card Exemption & Forgery Loss Authorization Guidelines, disputable items transferred are investigated in accordance with "International Card Issuing Organization Operation Regulations." During write-off, Dubious Purchase Declaration Form is attached together with signed invoice in copy, and purchase statement.

6. Legal collection and Bad debt write-off management

After examining related operation guidelines, credit extension debt obligation, and collateral are recorded. Control procedures are set up or listed as internal inventory item.

Fact findings:

After examining Credit Card Overdue, Collectable, and Bad Debt Guidelines, credit card debt written off as bad debt should be clearly recorded in

detail for record keeping. Business Dept. should monitor debtor at all times for legal actions to be taken in case prosecutable properties under debtor name are discovered.

7. Credit card user service, complaint, and report of loss

(1)Spot check credit card user complaint filing and related documents.

Fact findings:

After spot check, disputable item statements are properly recorded.

(2)Spot check "Credit Card Telephone Report Of Loss Record Sheet":

① Ratify to Report of Loss Procedure.

② For local report of loss, written report of loss Determine if filed as stated in contract and case is reported at local police station within 3 days. For overseas report of loss, report of loss is filed at local international card organization or designated agency as stated in contract.

Fact findings:

After spot check on Credit Card Telephone Report of Loss Record Sheet, Ratify to Report of Loss Work Sheet. After inspecting credit card terms and s, one that files report of loss should immediately file stop-use via phone or other methods. Card holder is to be informed within 10 days to report case at local police station or report of loss in writing within 3 days upon receiving bank notice.

(3)Summarized result

No major finding while executing the above procedure.

7. Trust

(1)Scope

Trust operations cover: trust fund for special use investment, local/overseas current security, trusted current security investment, trust fund, and movable/immovable asset trust. During checking, ensure bank executing employee truthfully abide by good and sound manager obligations stated in credit trust regulation. Individual management obligations and direct management obligations apply to trusted property, self-owned property and other trusted properties. Trusted properties are not to be deprived of benefits. Property is not to conflict with personal benefit. He is to loyally perform obligations without seeking his own personal gain or the gain of a third party during trust related operations.

(2)Procedure and finding

1. Trust fund for special use investment/local and overseas current security

(1)Spot check trustee agreed and signed data and execute in accordance with Purchase Operation.

Fact findings:

After spot check, trustee signed data is ratified in Special Money Trust Investment Local/overseas Current Security Instruction and Trust Fund for Special Use Seal Card and are executed in accordance with Purchase Operation.

(2) Obtain Trust Fund Report and understand printing and sending to trustee.

Fact findings:

After inspecting Regulation for Special Trust Fund Investment Local/overseas Current Security and inquiring from Trust Dept. Staff, Trust

Dept. regularly prints and sends Special Money Trust Statement containing fund net value, and gain/loss info secured from the computer system of Information Dept.

2. Trusted current security

- (1) Obtain Trusted Regulation of Current Security Transacting and understand its operation standards.

Fact findings:

After inspecting related operation systems of Sunny Bank, Regulations for Trusted Current Security and Guarantee Deposit of Operating Office is complied.

- (2) Obtain and inspect security custody inventory records.

Fact findings:

After inspecting Asset Inventory Register, supervisor regularly takes inventory on negotiable security custody.

- (3) Obtain inventory Record Sheet, and inspect executions.

Fact findings:

After inspecting opening/closing of vault, Entry Record, and important inventory statement of Trust Dept, vault is accessed by custody employee and supervisor. At the end of each work day, take inventory (item and quantity).

3. Trusted security investment trust fund

- (1) Spot check if security investment trust fund contract is signed with security investment trust company and Determine if special account is set up.

Fact findings:

After spot check, security investment trust fund contract is signed with security investment trust company and Determine if special account is set up.

- (2) Spot check fund asset settlement s to determine if transaction statement of "Custody Fund Asset Reserve" edited by custody handler conforms to transaction statement by fund book keeping handler.

Fact findings:

After spot check on asset settlement s, transaction statement of "Custody Fund Asset Reserve" edited by custody handler conforms to transaction statement by fund book keeping handler.

- (3) Inspect authorized employee signature of investment trust company and save a copy of the signature sample.

Fact findings:

After inspecting authorized employee signature of investment trust company, a copy of signature sample is saved.

- (4) Spot check investment trust Company, check if current security fax instruction notice (letter) is duly signed by authorized staff, Determine if the truthfulness of transaction is verified, and Determine if original copy of written instruction notice (letter) is sent within agreed dates.

Fact findings:

After spot check, investment trust company's current security fax instruction notice (letter) is duly signed by authorized staff, signature sample and signature sample are matched, and original copy of written instruction notice (letter) is sent within agreed dates.

- (5)Spot check if daily settlement is reported back to investment trust company in writing.

Fact findings:

After spot check, ,Sunny Bank Ltd. fills out settlement report after daily settlement, sends it back to investment trust company for supervisor signature and approval. .

4. Movable asset and immovable asset trust

- (1)Obtain Movable Asset and Immovable Asset Trust Operation Guideline to acquire information related to its operation standards.

Fact findings:

After inspecting related operation systems of Sunny Bank Ltd., detailed operation procedures are set up for movable asset and immovable asset trust operations.

- (2)Spot check

Determine if trust contract is signed with trustee and Determine if special account is set up.

Fact findings:

After spot check, trust contract and trust registration for trust properties are signed and approved by authorized employee of Trust Dept. Special account is also set up.

- (3)Spot check trust contract and related documents and Determine if they are accessed upon supervisor approval and recorded in the Register.

Fact findings:

After spot check, "Document Access or Application and Joint Approval Form" is filled out based on document access and procedure criteria of Sunny Bank or are transacted in accordance with hierarchical file management regulations.

- (3)Result

No major finding while executing the above procedure

8. Information

- (1)Scope

Scope covers organization and management, computer equipment management, system development and maintenance, mainframe operation, and operation transacting, online operation management, program and data file management, password or ATM Card making management, random code operation management and Determine if they are transacted in compliance with regulations in Finance Act and Banking Act.

- (2)Procedure

1. Organization and management

- (1) Set up Information Dept. section job descriptions

Fact findings:

Obtain Sunny Bank Ltd. Organization Diagram. Information Dept. falls under jurisdiction of General administration- an independent department in charge of information related affairs. Obtain and inspect Information Dept. manpower resource distribution chart (including Dept. job descriptions), work items and labor division.

- (2) Labor division for respective work items (i.e. program design, operation system maintenance, main frame operation, online management, operation or data control, network Security management etc.)

Fact findings:

Obtain Information Dept. Manpower Resource Distribution Chart (including job description), Information Dept. set up program-Section 1. program section 1, program section 2, online control section, system analysis section, network management section, and data control section. After interviewing audit supervisor and section employee of Information Dept., their work scopes is in compliance with job description document specified job descriptions.

2. Information center Security control

(1) Computer equipment and related facility maintenance

Fact findings:

- ① Inspect "Electronic Comprehensive Insurance Policy." From 95/03/01 to 96/03/01, insured targets cover: Head Office Management Office, Information Dept., Branch Office mainframe and electronic equipment and is in compliance with related procedures.
- ② deposit/loan mainframe (Tandem Computer System) and vendor (HP) contract is signed for quarterly maintenance. Mainframe regular maintenance record related document control is appropriate.

(2) system recovery plan set up and testing

Fact findings:

- ① Obtain and inspect client's "Information Operation Manual---9, Sunny Bank Information Disaster Recovery Plan", and "Information Disaster Recovery Plan Implementation Enforcement Rules." The contents cover main operation system and network backup. After reviewing client's "Information Dept. 2006 Fire Drill Records" conducted on the year of inspection, only general fire drill was conducted by the client. There was no recovery testing related to information system. Recommendation items are presented.
- ② Inspect Data Backup Principle and Procedure in online electronic data control procedure. After interview, Information Dept. supervisor and Online Control Section employee expressed that the previous mainframe data is backed up for daily transaction changes. The Tandem mainframe executes daily backup. After spot check on Tandem mainframe backup records, several "Offline Backup Data Register" entries are in compliance with records of other operation procedures.

3. System development and maintenance control

(1) System development and maintenance

Fact findings:

- ① In "Information Operation Manual"-5 Regulation of Information Dept. Application System Development and Change and Regulation of Information Dept. Testing System Transfer to Actual System Operation cover application system development/change and online operation procedures.
- ② Interview supervisor of Information Dept. to acquire information related to application system developments and changes. Inspection on deposit/loan

system (Tandem) during the inspection period shows that no new online application system is found. 2006 Application System Change Record Sheet is also inspected. Several application system change records and related documents are spot checked. "Application System Requirement Application Form", "Application System Internal Testing Operation Chart", and "Information Room Application System Planning and Transfer Application Form" related record controls conform to procedure regulations.

③ No new client online application system is found during inspection period.

(2) System development or maintenance operation outsource management

Fact findings:

① Client does not outsource important application system during inspection period.

4. Operation management

(1) System operation management

Fact findings:

① Obtain and inspect "Information Operation Manual--7, Information Room Computer Control Room Management Guidelines." Control room visitation shows independent air-conditioning, fire equipment, and thermometer are available. Non-information employee entry into control room should be accompanied by Information Dept. employee and should be recorded in "Sunny Bank Information Room Control Room Entry Application Register."

② After spot check of 2006 "Sunny Bank Information Room Computer Online Operation Journal", records are acceptable. In addition, client data transacting is done in morning, afternoon, and night shifts. Operation chart is set up and serves as reference during operator execution. Spot check results show that operation records are in compliance with operation procedure.

(2) User account and limits of authority management

Fact findings:

① Inspect "Regulation of Information Dept. Security Software Control Operation" and "Regulation of Information Dept. Control Report Operation" related to user limits of authority setting principle and review operation.

② User authority limit based on "Regulation of Information Dept. Security Software Operation", "Mainframe and Online Operation System User Setting Principle" depending on work grouping of each section. Obtain and inspect "Information Dept. USER ID Register.", "Information Dept. Employee Register", and "System User Account." After spot check on "Information Dept. User ID Register", "Information Dept. Register" and "System User Account" is in compliance with operation procedures.

③ Inspect Determine if system user account conforms to "Information Dept. Security Software Control Operation." After review, System User Account conforms to "Regulation of Information Dept. Security Software Control Operation."

④ Deposit/loan special limits of authority user record is initiated and spot checked by Information auditor daily. Obtain and inspect "Regulation of Information Dept. Control Report Operation" Security Control Report" including: ENABLOG, SAFEGUARD, WATCHDOG which are reviewed by

authorized supervisor. Spot check on Information Dept. Daily Check Form and attachments shows that they are in compliance with operation regulations.

(3) Program data access and control

Fact findings are as follows:

- ① Deposit/loan mainframe adopts Safeguard Security Control Software to protect actual operating environment program and data file access.
- ② Obtain and inspect "Regulation of Information Dept. Security Software Control" related to security control software control regulations.
- ④ Obtain and inspect "Sunny Bank Information Dept. SAFEGUARD Control Content List" to ensure important system files are incorporated in and protected by Safeguard Security Control Software.

(4) Online management

Fact findings are as follows:

- ① Obtain and inspect "Regulation of Information Dept. Security Software Control Operation".
- ② Conduct interview to acquire information related to online operation procedure of Business Dept.
- ③ Spot check computer online journal to determine if its execution conforms to procedure.

(5) Computer software management

Fact findings are as follows:

- ① Propagandize regulations regarding the use of legal software in writing.
- ② "Personal Computer Software Use Maintenance Record Card" is installed in each computer. Computer software management is entered in the list of respective departments as an item for self-inspection. Audit Office shall reinforce checking and make sure self-inspection records of respective departments is in compliance with procedure.

5. Business Dept. information inspection

(1) Terminal management

Fact findings:

- ① Spot check Shihpai Branch Office of Sunny Bank Ltd for the effective year, (Address: No. 88, Section 1, Shihpai Road, Beitou District, Taipei City), conduct site observation and interview user.
- ② After the interview and observation, no terminal has been found in the Business Dept. Data is transmitted from special line to Information Dept. mainframe. The online control of Branch Office is handled by Information Dept. After spot check on Information Dept. online journal, control is acceptable.

(2) Terminal operation management

Fact findings:

- ① Obtain and inspect "Business Dept. Computer Online Operation Management Essentials" and interview Shihpai Branch Office Business Dept. supervisor to find out about teller authorization code, custody, and use procedure. Password is required to initiate and change management procedure.
- ② Obtain and inspect "Supervisor and Teller Use Register." Business Dept. Supervisor Code and Teller Code Holder List", "Shihpai Branch Office

On-duty Form.” Check if Business Dept. Code and Teller Code Holder List” of user are recorded in “Supervisor and Teller User Register.” Inspect Determine if “user limits of authority” setting frame conforms to “Shihpai Branch Office On-Duty Form.” The control and setting are acceptable.

- ③After inquiring from Business Dept. supervisor, teller codes are automatically changed by system once every 2 days. Supervisor code is changed daily by system. Transaction approval after observation is executed by password holder. Operator is requested to temporarily leave mainframe and sign out.

(3) Transaction

Fact findings:

- ① After interviewing Business Dept. supervisor, special Transaction is controlled by system. Teller should fill out “Supervisor Use Code Application Form” and should be approved by supervisor. Each supervisor should print out supervisor code approved transactions at the end of business day. Supervisor is required to double check each transaction. Business Dept. then reviews all supervisor code approved transactions (frequency).
- ② Spot checked 2006“Supervisor Code Application Form”, “Dept. Supervisor Use Frequency Tally Form” and “Supervisor Code Form” to determine if executions are in compliance with procedure.
- ③After interviewing Business Dept. supervisor, online transacting procedure of offline computer is conducted by Information Dept. (Online notice and initiation) It is ready for use after terminal is initiated by Branch Office.

(4)ATM Card and password management

Fact findings:

- ①Inspect the keeping of actual ATM Card and Password of Business Dept. No. of ATM Cards and passwords should be the same.
- ② Inspect “Password (ATM Card) List” “ATM Card Claim Register” and “Cancelled ATM Card Destroy List” records and ensure executions are in compliance with procedure.

6.Other (Interbank system and Automated Machine Service) Security management:

(1) Random code management

Fact findings:

- ①Set up “Random Code Operation Security Control Rules”, and inspect its contents.
- ②Inspect 2006 online basic encoding records” Financial Interbank Remittance Communication basic encoding printing, set up Application Form and “Basic Encoding Change Notice” to ensure execution conforms to regulation.

(2) Automated Teller Machine management

Fact findings:

- ①Obtain and inspect “Guideline of Operating Office Automated Teller Machine.” Audit Office supervisor expressed that authorized agency announced automated teller machine related security protection regulations in writing serve as reference for respective departments during execution.

- ②Inspect "Guideline of Operating Office Automated Teller Machine that covers ATM Card and password and Chip ATM card operation regulations. In addition, inspect outsourced ATM Card Printing and sign contract with vendor. Chip ATM Card random coding and card change are transacted by Operation Center.
- ③Interview supervisors of Information Dept. and Operation Center to acquire information related to making procedures. Obtain and inspect "Blank ATM Card Claim Register" that records ATM Card claim s, and No. of cards remaining etc. Keeper and claimer signature and approval are required. Spot check ATM Card and Password making record "Password and ATM Card Making Register." Obtain and inspect "Cancelled ATM Card Destroy List" which specifies date of ATM Card cancellation, account No. and ATM Card No. duly signed and approved by supervisor.
- ④ After interviewing Information Dept. supervisor, Automated Teller Machine cancellation procedure is filled out by General administration with attachments (such as Equipment List, and Authorized Agency issued written document etc.) and is joint signed by authorized supervisor (Information Dept., Operating Office , Audit Office) It is then passed to Managing Board for resolution for approval before cancellation operation begins. No cancellation operation is executed this year.
- ⑤Interview Business Dept. Deputy Manager Yang to acquire information related to regular maintenance of automated teller machine contents including video recording system checking, Determine if disc slot is tightly sealed etc. Execution conforms to operation procedure.

(3)Result:

After executing the above procedure, fact findings are as shown in Recommendation Letter 1, 8-(1)~(2).

2. Comply with control system execution in accordance with laws and regulations.

1. Scope

In accordance with legal control system, laws and regulations applicable to the bank and other authorized agency regulations are complied. This assessment focuses on the validity of written regulations, and is responsible for worker training in compliance with regulatory requirements. Check if management level promptly proposes report for identification and correction of a affair, and Determine if internal audit works covering related laws and regulations are abided by.

2. Procedure

- (1)Obtain Written Execution Plan of Sunny Bank Ltd. in accordance with laws and regulations.

Fact findings:

After inspecting operating system,

For related operation systems, enforcement rules are implemented in abidance with laws and regulations of written execution plans.

- (2) Inspect related written execution plans, Sunny Bank Ltd. has appointed a department supervisor under Board or GM to carry out in accordance with laws and regulations of system planning, management and execution.

Fact findings:

After examining internal letter (Sunny Bank Letter No.9100002563), bank supervisor in accordance with laws and regulations is Risk Management Office Assistant manager Guo Chih-Hung.

(3) In view of written execution plan, contents cover the following basic items:

1. Good procedure set up that facilitates departmental inquiry, coordination, communication, and effective execution.
2. Set up clear and appropriate inquiry, coordination, and communication system.
3. Maintain appropriate inquiry, coordination, and communication records. Conduct self-assessment on affairs that should be abided by. Contents include Finance Act, Money Laundering Act, Data protection Act, The Bankers Association of the Republic of China Member Credit Investigation Criteria, Copyright Act, and Moral Code etc.
4. Plan training courses in accordance with laws and regulations. Collect and impart Finance Act to ensure employees acquire suitable training. Operation and management rules are set up and updated in conjunction with Finance Act revisions to promote awareness and compliance during operation execution.

Fact findings:

After examining written execution plan, plan content covers the above 6 basic items.

(4) Obtain bank self-assessment for the year (or internal audit case self-inspection) work draft (self-assessment frequency: at least once/6 months) Conduct testing on operation handlers where appropriate to ensure laws and regulations are truthfully complied with. Replacement plan may be implemented and self-inspected once.

Fact findings:

After obtaining self-assessment sheet from General administration, self-assessment should be conducted at least once/6 months.

(5) Check self-assessment (or internal audit case self-inspection) work draft. The content covers:

Respective departments should comply with: Money Laundering Act, Data Protection Act, The Bankers Association of the Republic of China Member Credit Investigation Criteria, Copyright Act, and Moral Code.

7 Fact findings:

After examining General administration self-assessment work draft, the above items are covered in the content.

(6) Result

No major finding while executing the above procedure

3. Appropriateness of bad debt reserve listing

1. Scope

Confirm Determine if appropriate policy and procedure are set up for bank bad debt reserve listing and regularly conduct assessment on asset quality in order to list possible bad debt reserve. Assets include loan, investment, other asset, and one-off items.

2. Procedure

(1) Obtain company board passed bad debt reserve listing policy in writing and review Determine if the following contents are covered:

1. Asset assessment and classification

Fact findings:

After inspecting Bank Asset Assessment Loss Reserve Listing and Regulations for Non-performing Loan Collection and Bad Debt, in the event that borrower credit is subject to jeopardy, employees at respective levels are requested to carefully formulate response strategies, and estimate collectable loans. Loans are divided into:

- (1) Normal
- (2) Attention required.
- (3) Likely to be collected
- (4) Unlikely to be collected
- (5) Cannot be collected

2. Bad debt reserve policy

Fact findings:

After inspecting Bank Asset Assessment Loss Reserve and Non-performing loan, Regulation of Bad Debt Collection and Bad Debt Reserve Ratio are listed based on the above 5 estimation standards are listed as follows:

- (1) Normal -%
- (2) Attention required 2%
- (3) Likely to be collected 10%
- (4) Unlikely to be collected 50%
- (5) Cannot be collected 100%

3. Collection procedure related regulation

Fact findings:

After inspecting Collection Operation Manual, measures are set up for deferred payment, deferred interest, and non-performing loan transferred in collectable payment on the part of the borrower.

4. Collectable payment, bad debt write-off transacting

Fact findings:

After inspecting Collection Operation Manual and Post-credit Extension Management Criteria, non-performing loan should be transferred to collectable payment and write-off non-performing loan and bad debt reserve within 6 months of repayment deadline.

5. Recourse encumbrance and loan recycle accounting transacting, and accounting proof document.

Fact findings:

After inspecting Collection Operation Manual, regulations related to documents and accounting transacting that serve as accounting proof document is set up.

6. Audit Dept. listed audit focus

Fact findings:

After inspecting Post-credit Extension Management Criteria, non-performing loan ratio that exceeds the bank's grand mean in 3 consecutive months and has no means to effectively lower the number, improvement and tracking are requested.

7. Internal liability and incentive method

Fact findings:

In the event of the above not effectively improved within 6 months, depending on severity of, department supervisor may be transferred to other departments or deprived of limits of authority in loan approval. In addition, board ratified incentive standards are covered in Post-credit Extension Management Criteria that aims to improve business performance, reduce or prevent non-performing loan.

(2) Understand company resolved bad debt reserve listing in amount and bad debt write-off procedure:

1. Determine if independent department assessed listing outside Business Dept. and write-off are appropriate.

Fact findings:

After inquiring from General administration staff, bad debt listing and write-off are transacted by General administration. Respective business departments are involved in self-transacting.

2. Determine if board resolution is obtained.

Fact findings:

After Post-credit Extension Management Criteria and Collection Operation Manual, Non-performing loan and collectable write-off should be resolved by Board. In addition, Spot check if write-off of bad debt is resolved by Board.

3. Understand Post-bad debt write-off procedure related regulations.

Fact findings:

After inspecting Collection Operation Manual, based on regulated procedure on bad debt write-off, respective loan items should be listed in Register for record keeping purpose. Primary and secondary debtors are noted at all times. In case executable property is found, legal actions should be taken accordingly.

(3) Obtain the latest self-assessment of bad debt reserve statement of the company and execute the following

1. Comparison analysis on branch office overdue loan ratio changes

Fact findings:

After obtaining 2006 branch office overdue loan ratio s, a declined overdue loan ratio has been observed. This average overdue loan ratio drop likely the result of active transacting on non-performing loan and bad debt write-off.

2. Inquire from employee regarding ways to confirm the integrity of assets that should be assessed

Fact findings:

After inspecting Collection Operation Manual, the computer automatically performs checking on the 25th of every month and transfers file in batches. After the 25th, manual file transfer is conducted to check if any non-performing loan ratio collection fails to be listed.

3. Spot check and inspect Determine if non-performing loan interest computation is determined by company policy.

Fact findings:

After spot check and inspection, non-performing loan interest computation is determined by company policy.

4. Spot check and inspect Determine if individual non-performing loan bad debt reserve listing conforms to company policy.

(1) Determine if collection procedure related regulations are met

(2) Check validity of collateral document

(3) Assess current value of collateral

Fact findings:

After spot check and inspection, non-performing loan bad debt reserve listing conforms to company's listing policy. Valid collateral documents and collateral valuation are obtained.

5. Check if the overall non-performing loan bad debt reserve listing conforms to company policy.

Fact findings:

After checking the overall non-performing loan bad debt reserve listing as of the end of 2006, no misconduct in violation to company policy is found.

(3) Result

After executing the above procedure, findings are stated in Recommendation Letter, 3.1 ~ 2.

4. Correctness of authorized agency report and data

1. Scope

Confirm Determine if bank's statistical figures and data submitted to authorized agency (Banking Bureau, Financial Supervisory Commission, R.O.C., and Central Bank report format and attachment) are complete, prompt, and accurate.

2. Procedure

(1) Obtain bank reports submitted to Dept. of Bank Examination, Central Bank.

Fact findings:

Sunny Bank Ltd. is required to submit the following to Banking Bureau, Financial Supervisory Commission, R.O.C., and Central Bank:

Name	Form No.	Declaration frequency
Account Balance	R0200	Monthly
Income Statement	R0210	Monthly
Balance Sheet	R0300	Monthly
Business Investment Statement	R0320	Quarterly
Department Investment Statement	R0321	Quarterly
Large Credit Extension Party Statement	R0330	Quarterly
Loan Collateral Analysis	R0360	Quarterly
Guarantee Content Analysis	R0390	Quarterly
Non-performing loan Analysis	R0401	Monthly
Non-performing Asset Analysis	R0402	Monthly
Non-performing Loan Term Analysis	R0410	Monthly
Reason for Non-performing Loan Increase Analysis	R0420	Monthly
Reason for Non-performing Loan Decrease Analysis	R0430	Monthly

Asset Assessment	R0440	Quarterly
Business Dept. Overdue Credit Extension Statistical Chart	R0450	Monthly
Interest Rate Sensitive Asset and Liability Analysis	R0480	Quarterly
Derived Financial commodity Principal Volume Monthly Report	R0600	Monthly
Derived Financial commodity Balance Quarterly Report	R0610	Quarterly
NT Dollar Structural Maturity Date Analysis	R0700	Quarterly
Attachment	R0900	Quarterly
Cash Card Analysis	R0912	Quarterly
Credit Card Analysis	R0913	Quarterly

(2) Take random samples of bank's annual reports (sampling method: select reports in June and September as samples) and execute the following procedures:

1. Check if financial information in report conforms to financial report.
2. Compute if total and product are correct.
3. Check bank edited report draft or proof document.

Fact findings:

Related statements and procedures are as listed below:

Form No.	Name	Procedure
R0200	Account Balance	Ratified to conform to Combined Daily Statement specified amount
R0210	Income Statement	Ratified to conform to Combined Daily Statement amount after computation
R0300	Balance Sheet	Ratified to conform to Combined Daily Statement specified amount
R0320	Business Investment Statement	Ratified to conform to purchased bill/bond gain/loss evaluation chart specified amount
R0321	Department Investment Statement	Ratified to conform to purchased bill/bond gain/loss Evaluation Chart specified amount
R0330	Large Amount Credit Extension Party Statement	Ratified to conform to credit extension data (applicable for personal property of over NT\$100 million)
R0360	Loan Collateral Analysis	Ratified to conform to loan collateral analysis
R0390	Guarantee Content Analysis	Ratified to conform to Combined Daily Statement and amount in Bank's comprehensive statement
R0401	Non-performing loan Analysis	Ratified to conform to Information Dept. provided non-performing loan data and Business Dept. collectable , non-performing loan balance. Amounts conform after computation.
R0410	Non-performing Loan Deadline Analysis	Ratified to conform to Information Dept. provided non-performing loan data and Business Dept. collectable , non-performing loan balance. Amounts conform after computation.

Form No.	Name	Procedure
R0420	Non-performing loan Increase Analysis	Ratified to conform to Information Dept. provided non-performing loan data and Business Dept. collectable , non-performing loan balance. Amounts conform after computation.
R0430	Non-performing loan Decrease Analysis	Ratified to conform to Information Dept. provided non-performing loan data and Business Dept. collectable , non-performing loan balance. Amounts conform after computation.
R0441	Local Bank Non-performing Asset Compilation and Assessment Statement	Ratified to conform to account receivable/bad debt reserve listing. Amounts conform after computation.
R0450	Business Dept. Overdue Credit Extension Statistical Chart	Ratified to conform to overdue loan ratio comparison chart. Amounts conform after computation.
R0480	Interest Rate Sensitive Asset and Liability Analysis	Ratified to conform to bank's combined statement. Amounts are conforming.
R0600	Derived Financial commodity Principal Volume Monthly Report	Ratified to conform to foreign exchange monthly report. Amounts conform after computation.
R0610	Derived Financial commodity Balance Quarterly Report	Ratified to conform to foreign exchange unsettled statement. Amounts conform after computation.
R0700	NT Dollar Structural Maturity Date Analysis	Ratified to conform to Balance Sheet and Account Balance
R0900	Attachment	Ratified to conform to respective legal ratio charts. Amounts are conforming.
R0912	Cash Card Analysis	Ratified to conform to Consuming Finance Business Dept. monthly report.
R0913	Credit Card Analysis	Ratified to conform to JOCS credit card system. Various personal property overdue reports conform in amount.

(3)Result

No major finding while executing the above procedure

5. Recommendation Letter and Previous Inspection Finding Improvement

Sunny Commercial Bank Co., Ltd.

Recommendation Letter

2006

Fact finding	Recommendation	Management level opinion
<p>1. Mainly internal control design and execution checking</p> <p>1. Credit extension operation management</p> <p>(1)After spot check: merged Kao Shin Bank and He-Dian Engineering Co., Ltd"related loan and bad debt write-off data are not set up in "Collectable File." Meanwhile, compiled company bad debt data write-off by United Credit Investigation Center is excluded.</p> <p>3. Deposit management</p> <p>(1) Check No. AC3264725 and AC3264761 checking depositor discovered bill is not lost after applying for report of loss and suspension of payment. Filing was subsequently cancelled. However, handler did not affix seal on note column neither did he keep relevant papers and statements.</p> <p>(2)For Registration No. 22 and 47 report of loss case, bank supervisor failed to affix signature or seal.</p> <p>(3)After inspecting "Certificate of Deposit blank Certificate of Deposit claim and inventory Register "and "interest drawing savings deposit blank Certificate of Deposit claim and Inventory Register have two sets of claim deposit No. at the same time. (1) blank certificate of deposit claim is forgotten. Thus, another one is claimed from treasurer. (2) error account No. 684960 blank Certificate of Deposit is left out unused and the system is locked. The problem cannot be solved.</p>	<p>It is recommended that combined bad-debt write-off statements be manually saved. "Collectable File" checking and set up are conducted to ensure comprehensiveness and correctness of information.</p> <p>Operation related processors should truthfully double check respective papers/documents which should be signed and approved at respective levels. Relevant papers/statements should be kept.</p> <p>Executed in accordance with related operation regulations.</p> <p>Prior to application for blank Certificate of Deposit, confirm if there is still unused blank Certificate of Deposit to avoid negligence in control. Related processors should truthfully double check respective papers/statements which are to be signed and approved at respective levels to avoid error.</p>	<p>"He-Dian Engineering Co., Ltd. related data filing is done in March, 2007. Its bad write-off (amount) should be compiled and reported to United Credit Investigation Center during next filing.</p> <p>Staff has been requested to make corrections.</p> <p>Staff has been requested to make corrections.</p> <p>One of the blank certificate of deposit is used on 95.5.29 and Information Dept. is informed to change system setting. Certificate of Deposit No. 3 is used on 95.10.1.</p>

Fact finding	Recommendation	Management level opinion
<p>8. Information management</p> <p>(1) 95.5.18 account No. 2701-13743 ATM Card retention: Automated Teller Machine ATM Card transacting register and ATM Card Destroy List are not reviewed with supervisor seal affixed.</p> <p>(2) After checking: "Sunny Bank Information Disaster Recovery Plan Enforcement Rules", related contingency measures have been set up when information system is subject to accidental events. However, 2006 Disaster Recovery Plan Testing has not been conducted.</p>	<p>Executed in accordance with related operation regulations.</p> <p>It is recommended that regular Disaster Recovery Plan Testing be carried out. Written test report should be made for responsible supervisor review. Depending on test results, correct Disaster Recovery Plan content where appropriate to ensure comprehensiveness and feasibility.</p>	<p>Staff has been requested to make corrections.</p> <p>Backup mainframe system construct began in October, 2006. Warm Backup Drill is expected to be conducted in March, Hot Backup Drill is expected to be conducted in June. Related documents are retained for review. "Actual Drill" is to be conducted in the future every half a year as regulated to ensure comprehensive overall backup process.</p>
<p>3 . Appropriateness of bad debt reserve listing policy</p> <p>1 Effective October, 2006, Branch Office is appointed as the negotiation of drafts branch office. However, bad debt reserve calculation program is not yet incorporated into Si-Wei Branch Office's negotiation of drafts (amount), thus each bad-debt parent assessment is conducted manually.</p>	<p>Change computer related system programs to incorporate all negotiation of drafts (amount) into the bad debt reserve computation chart to ensure the comprehensiveness of the parent.</p>	<p>Program setting change was completed in February, 2007.</p>
<p>2. After checking "Loan Debt Obligation Register" and inquiring "Collectable Loan File Data" images, partial sample write-off bad debt not yet collected is nonconforming due to performance auditing method change. Bad debt write-off is passed to Debt Management Dept. and is controlled manually. Disparity exists between "Loan Debt obligation Register "and computer "Collectable Loan File data." In addition,</p>	<p>In case of transfer or change in operation procedure, redraft information system management to ensure consistency and accuracy of related document data.</p>	<p>Change related operation procedures are computerized to ensure correctness.</p>

Fact finding	Recommendation	Management level opinion
<p>bad debt write-off data of United Credit Investigation Center is accessed from "Collectable Loan File" in the computer. This results to nonconformity in compiled data and actual write-off that is not yet collected.</p>		

Sunny Bank Ltd.

Improvement of previous fact finding

2005

Fact finding	Recommendation	Improvement
<p>1. Internal control design and execution checking</p> <p>1. Credit extension operation management</p> <p>(1) After inspecting Hwasun Co., Ltd. Company loan, Huang Li-Ye, and Huang Cheng-Che are both searched. Results show that both are the company chairman. (error) Also, Huang Li-Ye is said to be the chairman of Hwasun Co. Ltd. and mother of Huang Cheng-Che. However, when Hwasun Co., Ltd. and Huang Cheng-Che are searched separately, no data of Huang Li-Y is found.</p> <p>(2) After inspecting Dahesun Co., Ltd.'s "Same person Data Inquiry" computer report, the total credit limit of credit extension is 25,000,000. However, the credit limit of "Credit Extension Limit Inquiry" filled out manually is 0.</p> <p>3. Deposit operation management</p> <p>(1) After spot check on seal and password loss and replacement transacting, loss item is not ticked on Cheng Shiu-Hwa's report of loss (seal) and seal replacement application form.</p> <p>7. Trust management</p> <p>(1) After spot check: 12/6/2005 Chung Shing Branch Office vault open/close, and Access of register, although surveillance cameras recorded open/close and register access by staff, seals were not complete.</p> <p>8. Information management</p> <p>(1) After review, "Information Dept. USER ID Register" and "Information Dept. Staff Register" show that partial transferred/resigned staff (such as Li Lian-An in test area 150,037) did not note account No. completion date.</p> <p>(2) System has set up 40,* account No. (ex. :40,1) ,However, related use regulations of account No. are not included in "Regulation of Information</p>	<p>It is recommended that credit extension staff work training be strengthened. Supervisor is required to truthfully engage in execution, review.</p> <p>It is recommended that credit extension staff work training be strengthened. Supervisor is required to truthfully engage in execution, review.</p> <p>It is recommended that during transacting , executions should be carried out in accordance with "passbook deposit, omnibus deposit operation manual."</p> <p>Vault Access Control should be truthfully filled out (open/close) and Access of Register with authorized staff seal is affixed.</p> <p>It is recommended that transferred/resigned staff account be stopped or deleted in writing.</p> <p>In order to effectively manage system account and to serve as reference for operators, it is</p>	<p>Since error has taken place in Same Person data filing, computer system has been corrected. Respective departments have also been requested to truthfully engage in review and approval.</p> <p>Dahesun Co., Ltd. loan has been paid in full and non-cycle credit limit is 0. cycle credit limit is filled out and data has been corrected. Propaganda and training have been implemented in respective departments in order to truthfully carry out review tasks.</p> <p>Client has been requested to make correction and handler has been asked to truthfully engage in review.</p> <p>Staff has been requested to make corrections. Respective departments have also been asked to truthfully fill out form with seal affixed.</p> <p>" Information Dept. USER ID Register" has remarked account No. completion date and strengthened checking.</p> <p>" Regulation of Information Dept. Security Software Control Operation "has been amended based on recommended items.</p>

Fact finding	Recommendation	Improvement
Dept. Security Software Control Operation."	recommended that management regulations be updated where necessary to meet actual operation needs.	Relevant groups have been added to meet operation needs.

(8) Misconduct penalties, major deficiencies and improvements in the recent 2 years

1. Prosecution against company in-charge/ employee for misconduct
Wang Lui-Jen of Shi-Jou Branch Office credit extension case: prosecuted due to un-identical penmanship of borrower on cross-guarantee seal, and borrower passbook seal card signature/seal.
2. Misconduct penalized by Financial Supervisory Commission, Executive Yuan
Financial Dept. purchase of stocks issued by bank's interested party who serves as director in the bank. It is in violation of "Commercial Bank Current Security Investment Type and Limit." Financial Supervisory Commission, Executive Yuan imposed NT\$1million as penalty in accordance with Article 130 of Banking Act.
3. Insufficiencies severely corrected by Financial Supervisory Commission, Executive Yuan.
None.
4. Penalty imposed by Financial Supervisory Commission, Executive Yuan in accordance with Article 61 of Banking Act.
None.
5. Due to employee engagement in fraudulence, and major incidental events (imposture, theft, diversion, asset embezzlement, false transaction, certificate and current security forgery, ,rebate acceptance, natural disaster induced loss, external force induced loss, hacker attack and theft of data, business secret and client data disclosure) or accidental events that occur as a result of negligence over security. For actual losses (annual loss or cumulative loss) incurred each year amounting to over NT\$50 million dollars, the nature and the amount of loss should be disclosed.
None.
6. Other item disclosure appointed by Financial Supervisory Commission, Executive Yuan.
None.

(9) Important resolutions reached at shareholder meeting and board from last effective year till annual report date

1. 2005 Important resolutions at shareholder meeting
 - (1) Case: partial articles of company regulations are amended pending public resolution.
Description:
 - ① In conjunction with (94)annual capital increase plan, total bank capital and No. of shares issued are amended. Article 6 is amended.
 - ② Regulations in "Article 35, 39, 49, and 62 of Banking Industry Company Management Practice Rules" shall serve as reference.
 - ③ Add revision date and amend article 43.
 Resolution: chairman consulted shareholders present and passed case in unanimous agreement .
 - (2) Case: surplus recapitalization new stock release pending public resolution.
Description:
 - ① Present bank capital amounts to NT\$ 8,200,000,000 dollars. In order to strengthen capital

structure, tentative earning transfer of NT710,782,970 dollars issued in common shares (71,078,297) at face amount of NT10 per share is pending approval.

② Capital increase fund source , stock distribution method and stock dividend award:

(A) NT \$688,800,000 dollars is drawn from 2004 earning as shareholder dividend. 84 shares/1000 shares are awarded to shareholders. For fractional share, cash is awarded to the dollar based on face amount. Amount in less than 1 dollar is not computed. Fractional share authorization board shall assign persons to purchase shares at face amount.

(B) NT\$21,982,970 dollars is drawn from 2004 earning as employee's reward (new stock issuance). The chairman is duly authorized.

③ Capital use: comprehensive business structure and equity capital increase.

④ New stock issuance for the purpose of capital increase assumes the same rights and duties as the original stocks.

⑤ New stock issuance should be duly approved by authorized agency before board sets up stock dividend award base day and new stock issuance date.

Resolution: chairman consulted shareholders present and passed case in unanimous agreement

2. 2005 provisional shareholder meeting resolution:

Case: Merger contract of Bank and Kao Shin Commercial Bank Co. Ltd., in accordance with Financial Institution Merger Act is pending public resolution.

Description:

① In order to expand business scale / scope, maximize business efficiency, and strengthen market competitiveness, our bank tentatively plans to purchase shares and merge with Kao Shin Commercial Bank Co., Ltd.

② Merger contract is summarized below:

(A) Tentative merged financial institution name: Sunny Bank Ltd. . (Merge Case of Bank and Kao Shin Commercial Bank Co. Ltd merge)

(B) Tentative: issuance of 200,448,207 shares of common stock After merger at NT\$10 face amount/share. On merger base day, Kao Shin Bank shareholders are entitled to 1 share for every 1.2048 shares issued by Kao Shin Bank. For fractional shares (less than 1 share), company shareholder is entitled to combine shares into integral numbers and award cash in said face amount stock change ratio. The bank chairman is authorized to assign special persons for purchase at face amount.

(C) After merger, duties and responsibilities of Kao Shin Bank are assumed by our bank. In accordance with publicly notice. After 30 days, debtors are to object in writing within deadline. Debtors are to repay, close, and set up trust or provide equivalent collateral to clear debts.

(D) After merger, company rules are not subject to change . If necessary laws and regulations shall apply.

(E) Tentative merger date: 10/29/2005. Actual date may be subject to change if agreed by the board of both parties after attaining authorized agency approval.

(F) Merger Contract articles are subject to change according to laws and regulations, authorized agency approval or actual event taken place, chairmen of both parties are entitled to make revisions based on authorized agency approved contents.

③ Stock change ratio in this merger case is accepted upon receiving Ernst & Young CPA Yang Wen-An's Opinion Letter.

Agenda Essentials:

Shareholder No. 93190 suggested that since this case is a major agenda for the company, voting is recommended. Chairman consulted shareholders present and reached unanimous agreement that voting is to be done.

(Chairman appointed shareholder No. 2958 Wang Tsung-Ming and shareholder No. 11189 Guo Jing-Hsien as ballot examiners and Shu Chih-Rong, Huang Ming-Da, Chen Wen-Lung, Huang Li-Jingg, and Yang Chun-Ming as ballot counters.

Voting results: shareholders vote weighting 511,337,313 voted in favor (99.87% of total shareholder weighting 511,997,358)

Resolution: Case passed.

3. Important agenda at 2006 shareholder meeting

(1) Case: Bank article revision in partial pending public resolution.

Description:

- ① In conjunction with present registered primary business items and secondary trust operation scopes, business scope in Article 5-1 is amended.
- ② In order to facilitate follow-up capital increase plan, original capital total is tentatively increased to NT\$20 billion dollars after issuance. Total capital and stock issuance in Article 6 is pending revision.
- ③ In conjunction with "Bank In-Charge Qualification Criteria" of Financial Supervisory Commission, Executive Yuan, Article 9, and Subparagraph 4, Paragraph 1, Article 17-1 are pending revision.
- ④ In order to consolidate financial structure and effectively maintain Capital Adequacy Ratio, Securities and Futures Institute amended Paragraph 3, Article 37 regarding bank dividend policies on 89.1.3(89)Tai-Tsai-Zhen(1)Letter No. 100116,
- ⑤ Added revision date and amended Article 43.

No. 106335, and 103365 shareholder suggested that Article 17,19, and 43 revision and added/amended article chart be presented.

Resolution: Chairman consulted shareholders present and reached unanimous agreement in addition/revision of regulations. The rest is passed as is.

(2) Case: Bank surplus recapitalization through issuance of new stocks is pending public resolution.

Description:

- ① Present bank capital amounts to NT\$ 10,915,265,040 dollars. In order to strengthen capital structure, tentative earning transfer of NT\$439,281,340 dollars issued in common shares (43,928,134) at face amount of NT10 per share is pending approval.
- ② Capital increase fund source and stock dividend award method:
 - (A) NT \$625,695,340 dollars is drawn from 2005 earning as shareholder dividend. 39 shares/1000 shares are awarded to shareholders. For fractional share, cash is awarded to the dollar based on face amount. Amount in less than 1 dollar is not computed. Fractional share authorization board shall assign persons to purchase shares at face amount.
 - (B) NT\$13,586,000 dollars is drawn from 2005 earning as employee's reward (new stock issuance). The chairman is duly authorized.
- ③ Capital use: comprehensive business structure and equity capital increase.
- ④ New stock issuance for the purpose of capital increase assumes the same rights and duties as the original stocks.
- ⑤ New stock issuance should be duly approved by authorized agency before board sets up stock dividend award base day and new stock issuance date.

Resolution: chairman consulted shareholders present and passed case in unanimous agreement

4. Important board resolutions

【94.7.29. Third Annual 11th Board】

Case: Our company(Sunny Bank Ltd.) tentatively plans merge with Kao Shin Commercial Bank Co., Ltd. (Abbreviated as Kao Shin Bank) . Merger Contract is herewith drafted as covered in the description pending discussion.

Description:

- (1) In order to expand business scale / scope, maximize business efficiency, and strengthen market competitiveness, our bank tentatively plans to purchase shares and merge with Kao Shin Commercial Bank Co., Ltd.
- (2) Merger Contract is summarized below:
 - ① Tentative merged financial institution name: Sunny Bank Ltd. . (Merge Case of Bank and Kao Shin Commercial Bank Co. Ltd)
 - ② Tentative issuance of 200,448,207 shares of common stock After merger at NT\$10 face amount/share. On merger base day, Kao Shin Bank shareholders are entitled to 1 share for every 1.2048 shares issued by Kao Shin Bank. For fractional shares (less than 1 share), company shareholder is entitled to combine shares into integral numbers and award cash in said face amount stock change ratio. The bank chairman is authorized to assign special persons for purchase at face amount.
 - ③ After merger, duties and responsibilities of Kao Shin Bank are assumed by our bank. In accordance with publicly notice. After 30 days, debtors are to object in writing within deadline. Debtors are to repay, close, and set up trust or provide equivalent collateral to clear debts.
 - ④ After merger, company rules are not subject to change . If necessary laws and regulations shall apply.
 - ⑤ Tentative merger date: 10/29/2005. Actual date may be subject to change if agreed by the board of both parties after attaining authorized agency approval.
 - ⑥ Merger Contract articles are subject to change according to laws and regulations, authorized agency approval or actual event taken place, chairmen of both parties are entitled to make revisions based on authorized agency approved contents.
- (3) Stock change ratio in this merger case is accepted upon receiving Ernst & Young CPA Yang Wen-An's Opinion Letter.

Resolution:10 participating directors supported case and reached agreement (1 director held opposing view and 1 director was still undecided over case)

【94.10.6. Third Annual 12th Board】

1. Case: Merger (Bank and Kao Shin Commercial Bank Co., Ltd. abbreviated as Kao Shin Bank) is pending discussion.

Description:

- (1) In accordance with Article 3 of Merger Contract (Bank and Kao Shin Bank) the merger base day is tentatively October 29th, 2005.
- (2) In conjunction with authorized agency review deadline and merger preparation, Bank and Kao Shin Bank merger base day is tentatively moved to November 26th, 2005.
- (3) Managing Board is entitled to further adjust merger base day due to authorized agency merger review needs of actual merger operation needs.

Resolution: All directors present and passed case in unanimous agreement

2. Case: Bank and Kao Shin Commercial Bank Co., Ltd. (Abbreviated as Kao Shin Bank) Merger Case New Stock Issuance pending discussion.

Description:

- (1) Executed in accordance with Article 266, 267, and Merger Contract. (Bank and Kao Shin Bank)
- (2) Company Regulations of bank state that capital of NT\$ 12,000,000,000 dollars in 1,200,000,000 shares at NT\$10/share are all common shares. Board is entitled to stock issuance in terms in accordance with law. The existing capital NT\$8,910,782,970 dollars in 891,078,297 shares at NT\$10/share are all common shares.
- (3) Merger tentatively plans the issuance of 200,448,207 common shares at NT\$10/share. On merger base day, Kao Shin Bank shareholders are entitled to 1 share for every 1.2048 shares issued by Kao Shin Bank. For fractional shares (less than 1 share), company shareholder is entitled to combine shares into integral numbers and award cash in said face amount stock change ratio. The bank chairman is authorized to assign special persons for purchase at face amount. New stock issuance for the purpose of capital increase assumes the same rights and duties as the original stocks.
- (4) New stocks are not reserved for employee purchase nor are existing shareholders informed to purchase in this merger case new stock issuance in accordance with Paragraph 6, Article 267.
- (5) In conjunction with merger new stock issuance, bank's Board calls on meetings. For merger capital increase essentials, Managing Board is to first propose agenda before filing report at Board.

Resolution: All directors present and passed case in unanimous agreement.

3. Case: 2005 Cash increment new stock issuance case is pending discussion.

Description:

- (1) In order to maximize operation capital, equity capital, consolidate operation structure and bank BIS ratio, cash increment is executed in accordance with Article 266, 267, of Company Act, and Article 6 of bank rules.
- (2) Bank BIS ratio as of August, 2005 is 9.09%. It is expected to be dropped to 8.76% After merge with Kao Shin Bank in November 2005. The cash increment shall take place after issuance of new stocks After merger. BIS ratio is expected to increase to 9.43%.
- (3) Cash increment amounts to NT\$ 1,084,734,960 dollars in 108,473,496 common share issuance. The face amount of each share is NT\$`10 issued at 10/per share.
- (4) Cash increment through new stock issuance assumes the same duties and responsibilities as the original stocks.
- (5) In accordance with Article 267 of Company Act, 15% (1 6,271,024 shares) is reserved for employee purchase (prioritized). The rest (85%) is purchased by shareholders on base day at 84.471 shares allotted for every 1,000 shares. For fractional shares (less than 1 share), shareholders are required to collect and combine within given dates. In the event shareholder or employee fails to purchase stocks and render payment within given dates or is unable to collect and combine fractional shares, Managing Board appointed persons are requested to make purchase and make up for insufficiencies.
- (6) This cash increment case should be duly approved by authorized agency before Managing Board sets up stock purchase base day and new stock issuance date.
- (7) For this cash increment, Managing Board is duly authorized for issuance price, issuance

criteria, capital use, and related affairs in the event of authorized agency correction, laws and regulation changes, or other subjective and objective conditions.

Resolution: 11 participating directors supported case and reached agreement (1 director opposed Description (7) of this case)

【95.5.2. Fourth Annual 1st Board】

Case: 2 Surplus recapitalization new stock issuance case is pending discussion.

Description:

- (1) Bank's present capital amounts to NT\$10,915,265,040 dollars. In order to consolidate capital structure, tentatively earning transfer capital increase of NT\$439,281,340 dollars in 43,928,134 common shares at face amount of NT\$10/share.
- (2) New stock issuance source: NT \$425,695,340 dollars is drawn from 2005 earning as shareholder dividend. 39 shares/1000 shares are awarded to original shareholders. For fractional share, cash is awarded to the dollar based on face amount. Amount in less than 1 dollar is not computed. Fractional share authorization board shall assign persons to purchase shares at face amount. In addition, employee's reward of 13,586,000 is awarded in stocks from earning capital. For employee's reward awarding in stocks related affairs, chairman ratification is required.
- (3) New stock issuance use: equity capital increase and comprehensive business structure.
- (4) Cash increment through new stock issuance assumes the same duties and responsibilities as the original stocks.
- (5) New stock issuance should be duly approved by authorized agency before Managing Board sets up stock dividend award base day and new stock issuance date.

Resolution: All directors present and passed case in unanimous agreement.

【95.11.30. Fourth Annual 4th Board】

Case: To ensure comprehensive capital structure in conjunction with operation development needs, tentative issuance of subordinate bond in NT\$5 billion dollars to increase qualified equity capital and increase BIS ratio is pending discussion.

Description:

- (1) Bank 2007 subordinate bond issued should amortize 2002 bond credit limit in the amount of NT\$200 million dollars and 2006 bond credit limit in the amount of NT\$400 million dollars. (Total of NT\$ 600 million dollars) Kao Shin Bank issued subordinate bonds in the amount of NT\$10 billion dollars are assumed. In consideration to the relative higher issuance interest rates and market interest rates, all are to be purchased in advance during contract period.
- (2) 2007 subordinate bond issuance conditions are as follows:
 - ① Issuance credit limit: 5 billion dollars.
 - ② Issuance period: 5-10 years
 - ③ Issuance method: separate issuances in 2007
 - ④ Actual issuance is based on the overall economy, interest trend capital demand, and law change factors as ratified by Chairman.
- (3) Subordinate bond issuance in conjunction with 2007 cash increment plan shall ensure over 10% BIS Ratio which in turn adequately improve the capital structure, alleviate financial strain, and meet overseas branch set up standards.

Resolution: All directors present and passed case in unanimous agreement.

(10) Content of director or supervisor's opposing views on important resolutions passed at Board from the last effective year till the date of annual report printing in recorded writing:

【94.7.29. Third Annual 11th Board】

Case: Our company(Sunny Bank Co., Ltd.)tentatively plans merge with Kao Shin Commercial Bank Co., Ltd. (Abbreviated as Kao Shin Bank) . Merger Contract is herewith drafted as covered in the description pending discussion.

Description:

1. Combined Kao Shin Commercial Bank Co., Ltd. . In order to expand business scale / scope, maximize business efficiency, and strengthen market competitiveness, our bank tentatively plans to purchase shares and merge with Kao Shin Commercial Bank Co., Ltd.
2. Merger Contract is summarized below:
 - (1) Tentative merged financial institution name: Sunny Commercial Bank Co., Ltd. . (Merge Case of Bank and Kao Shin Commercial Bank Co. Ltd)
 - (2) Tentative issuance of 200,448,207 shares of common stock After merger at NT\$10 face amount/share. On merger base day, Kao Shin Bank shareholders are entitled to 1 share for every 1.2048 shares issued by Kao Shin Bank. For fractional shares (less than 1 share), company shareholder is entitled to combine shares into integral numbers and award cash in said face amount stock change ratio. The bank chairman is authorized to assign special persons for purchase at face amount.
 - (3) After merger, duties and responsibilities of Kao Shin Bank are assumed by our bank. In accordance with publicly notice. After 30 days, debtors are to object in writing within deadline. Debtors are to repay, close, and set up trust or provide equivalent collateral to clear debts.
 - (4) After merger, company rules are not subject to change . If necessary laws and regulations shall apply.
 - (5) Tentative merger date: 10/29/2005. Actual date may be subject to change if agreed by the board of both parties after attaining authorized agency approval.
 - (6) Merger Contract articles are subject to change according to laws and regulations, authorized agency approval or actual event taken place, chairmen of both parties are entitled to make revisions based on authorized agency approved contents
3. Stock change ratio in this merger case is accepted upon receiving Ernst & Young CPA Yang Wen-An's Opinion Letter.

Resolution:10 participating directors supported case and reached agreement (1 director held opposing view and 1 director was still undecided over the case)

【94.10.6. Third Annual 12th Board】

Case: 2005 cash increment through new stock issuance is pending discussion.

Description:

1. In order to maximize operation capital, equity capital, consolidate operation structure and bank BIS ratio, cash increment is executed in accordance with Article 266, 267, of Company Act, and Article 6 of bank rules.
2. Bank BIS ratio as of August, 2005 is 9.09%. It is expected to be dropped to 8.76% After merge with Kao Shin Bank. The cash increment shall take place after issuance of new stocks After merger. BIS ratio is expected to increase to 9.43%.
3. Cash increment amounts to NT\$ 1,084,734,960 dollars in 108,473,496 common share issuance. The face amount of each share is NT\$`10 issued at 10/per share.

4. Cash increment through new stock issuance assumes the same duties and responsibilities as the original stocks.
5. In accordance with Article 267 of Company Act, 15% (1 6,271,024 shares) is reserved for employee purchase (prioritized). The rest (85%) is purchased by shareholders on base day at 84.471 shares allotted for every 1,000 shares. For fractional shares (less than 1 share), shareholders are required to collect and combine within given dates. In the event shareholder or employee fails to purchase stocks and render payment within given dates or is unable to collect and combine fractional shares, Managing Board appointed persons are requested to make purchase and make up for insufficiencies.
6. This cash increment case should be duly approved by authorized agency before Managing Board sets up stock purchase base day and new stock issuance date.
7. For this cash increment, Managing Board is duly authorized for issuance price, issuance criteria, capital use, and related affairs in the event of authorized agency correction, laws and regulation changes, or other subjective and objective conditions.

Resolution: 11 participating directors supported case and reached agreement (1 director opposed
Description (7) of this case)

(11) Compilation of financial report relevant person resignation (including chairman, GM, chief accountant, internal auditor) from last effective year till annual report date

4/30/2007

Job title	Name	Office assumption date	Office resignation date	Reason for resignation
General administration GM	Hu Chuei-Yang	92.5.19.	95.5.2.	Transferred to bank consultant.
General administration GM	Chung Wu-Hu	95.5.2	96.3.8	Transferred to Risk Management Office
Chief accountant	Guo Chih-Hung	92.1.2	95.5.3	Transferred to risk Management Office

4. CPA data

Not applicable

5. Update of CPA data

Not applicable

6. Chairman, general manager, financial or accounting manager, and those that have served in CPA or affiliated associated businesses

None

7. Equity transfer

(1) Equity change of director/supervisor, agent and applicant filing for equity in accordance with Paragraph 3, Article 25 of Banking Act

Job title	Name	2006		Till 4/30 of the effective year	
		No. of shares Increase(decrease)	Pledged No. of shares increase (decrease)	No. of shareholding increase (decrease)	Pledged No. of shares increase (decrease)
Chairman	Chen Sheng-Hung	274,086	0	0	0
Managing director	Wu Shih-Hui	22,082	0	0	0
Managing director	Liu Cheng-Sheng	189,506	0	0	0
Corporation Managing director	Fu Li Yang Investment Company Rep.: Shuei Chong-Hsien	41,639,684	40,000,000	0	0
Corporation Director	Fu Li Yang Investment Company Rep.: Chen Jian-Yang	41,639,684	40,000,000	0	0
Corporation Director	Fu Li Yang Investment Company Rep.: Lin Jin-Lung	41,639,684	40,000,000	0	0
Director	He Shuen-Cheng	169,902	0	0	0
Director	Chang Wu-Ping	236,011	0	0	0
Director	Chen Jin-Jia	466,310	0	0	0
Director	Lin Cheng-Yu	182,753	0	0	0
Director	Chen Jin-Yi	336,763	0	0	0
Director	Chao Fu-Tian	1,006,113	0	0	0
Director	Huang Cheng-Nan	162,190	0	0	0
Independent Director	Liu Hsiang-Dun	0	0	0	0
Independent Managing director	Sun Bing-Yen	0	0	0	0
General affairs Supervisor	Shih Po-Hsiung	88,591	0	0	0
Supervisor(Major shareholders)	Tsai Wen-Hsiung	1,642,526	0	0	0
Supervisor	Gao Ming-Chih	29,114	0	0	0
Supervisor	Chen Sun-Rong	12,595	0	0	0
Independent Supervisor	Jiang Tsun-Hwai	0	0	0	0
GM	Chang Chih-Hung	33,353	0	0	0
GM	Chou San-He	29,625	0	0	0
GM	Chang Yi-Yu (Note 1)	54,412	0	0	0
GM	Chung Wu-Hu	16,548	0	0	0
GM	Ye Chin-Tsung	16,458	0	0	0
GM	Hu Chuei-Yang(Note 1)	15,635	0	0	0
Vice GM	Guo Chih-Hung	39,195	0	0	0
Vice GM	Lin Chih-Liang	36,486	0	0	0
Assistant GM	Wang Shun-A	69,139	0	0	0

Job title	Name	2006		Till 4/30of the effective year	
		No. of shares Increase(decrease)	Pledged No. of shares increase (decrease)	No. of shareholding increase (decrease)	Pledged No. of shares increase (decrease)
Assistant GM	Hsieh Yi-Tung	17,760	0	0	0
Assistant GM	Chang Chih-Hung	22,014	0	0	0
Manager	Liu Ming-Chieh	30,238	0	0	0
Manager	Chen Rong-Guei	31,071	0	0	0
Manager	Yu Shih-Rong	5,557	0	0	0
Manager	Hu Tsung-Yi	38,029	0	0	0
Manager	Guo Jing-Feng	26,457	0	0	0
Manager	Lui Pei-Ling	24,366	0	0	0
Manager	Huang Yen-Chun	30,268	0	0	0
Manager	Lin Chih-Kang	30,850	0	0	0
Manager	Wei Shih-Shun	45,119	0	0	0
Manager	Guo Jing-Hsien	59,187	0	0	0
Manager	Chen Chih-Meng	80,596	0	0	0
Manager	Tsen Yao-De	31,557	0	0	0
Manager	Lin Tian-Tz	42,297	0	0	0
Manager	Chen Shih-Chang	53,155	0	0	0
Manager	Shu Wen-Rong	23,441	0	0	0
Manager	Chen CHien-Tsun	26,590	0	0	0
Manager	Wang Sheng-Rong	28,988	0	-150,000	0
Manager	Tsao Chun-Rong	29,596	0	0	0
Manager	Hung Rong-Da	21,294	0	0	0
Manager	Wang San-Tai	28,662	0	0	0
Manager	Lin Cheng-Ping	52,566	0	0	0
Manager	Chen Ming-Wen	25,612	0	0	0
Manager	Gao Jing-Mu	26,653	0	0	0
Manager	Guo Huang-Lung	22,637	0	0	0
Manager	He Rong-Fangg	54,416	0	0	0
Manager	Chen Guo-Hung	26,213	0	0	0
Manager	Yang Lian-Che	15,173	0	0	0
Manager	Cheng Pei-Nan	30,001	0	-90,000	0
Manager	Chen Cheng-Feng	39,372	0	0	0
Manager	Gao Chih-Li	46,520	0	0	0
Manager	Lin Jing-Feng(Note 1)	26,059	0	0	0
Manager	He Bing-Cheng	42,398	0	0	0
Manager	Ye Jin-Hung (Note 1)	18,555	0	0	0
Manager	Wu Jia-Cheng	45,348	0	0	0
Manager	Tsai Kun-Di	34,097	0	0	0
Manager	Chen Yi-Huan	33,980	0	0	0
Manager	Yue Wen-Chang	4,565	0	0	0

Job title	Name	2006		Till 4/30of the effective year	
		No. of shares Increase(decrease)	Pledged No. of shares increase (decrease)	No. of shareholding increase (decrease)	Pledged No. of shares increase (decrease)
Manager	Chiu Chuan-Mao	32,488	0	0	0
Manager	Chen Chih-Tsuan	18,677	0	0	0
Manager	Jiang Tung-Shen	33,265	0	0	0
Manager	Chen Guo-Chuan	42,398	0	0	0
Manager	Chien Chih-Hsin	28,154	0	0	0
Manager	Wang Tsung-Ming	36,613	0	0	0
Manager	Tsao Yu-Chin	45,083	0	139,442	0
Manager	Wang Yuan-Hung	21,868	0	0	0
Manager	Su Chien-Tsung	31,234	0	0	0
Manager	Li Ching-Cheng	23,745	0	0	0
Manager	Lin Guo-Hung	30,371	0	0	0
Manager	Wu Cheng-Hao	-34,277	0	0	0
Manager	Tsuang Yung-Fu	5,189	0	0	0
Manager	Li Wen-Hui	32,568	0	0	0
Manager	Chen Yao-Wen	-31,408	0	0	0
Manager	Lui Cheng-Tang	25,834	0	0	0
Manager	Lui Han-Kun	46,633	0	0	0
Manager	Tsen Chien-Jia	21,751	0	0	0
Manager	Tsai Chien-Li	25,592	0	0	0
Manager	Li Yu-Shen	30,048	0	0	0
Manager	Tang Ying-Guei	21,103	0	0	0
Manager	Pan Guang-Lui	3,797	0	0	0
Manager	Liu Yen-Hsing	19,861	0	0	0
Manager	Huang Deng-Tsai	23,957	0	0	0
Manager	Tsen Chieh-Chang	4,472	0	0	0
Manager	Shuei Chih-Cheng	18,965	0	0	0
Manager	Jiang Shien-Chang	13,607	0	0	0
Manager	Liu Ming-Hsiang	18,921	0	0	0
Manager	Chang Ching-Bing	25,337	0	0	0
Manager	Guo Jiang-Hai	25,337	0	0	0
Manager	Hung Tung-Tsan	23,384	0	0	0
Manager	Gan Wu-Cheng	-17,560	0	0	0
Manager	Wu Shih-Hsin(Note 1)	19,820	0	-81,319	0
Manager	Chen Ding-Yi	23,178	0	0	0
Manager	Chen Cheng-Yi	18,527	0	0	0
Manager	Lan Yu-Ling	25,173	0	0	0
Manager	Lin Ke-Yung(Note 1)	24,364	0	0	0
Manager	Yu Guang-Lu	18,782	0	0	0

Job title	Name	2006		Till 4/30of the effective year	
		No. of shares Increase(decrease)	Pledged No. of shares increase (decrease)	No. of shareholding increase (decrease)	Pledged No. of shares increase (decrease)
Manager	Chang Shun-Han	21,506	0	0	0
Manager	Yao Hung-Shen	16,597	0	0	0
Manager	Lin Rui-Mei	20,540	0	0	0
Manager	Wu Tsun-Hui	31,703	0	0	0
Manager	Pan Cheng-Ren	37,258	0	0	0
Manager	Wang Chien-Yi	0	0	0	0
Manager	Lin Jing-Yu	24,120	0	0	0
Manager	Hsieh Chien-Hung	20,495	0	0	0
Manager	Chang Rong-Bing	8,147	0	0	0
Manager	Wu Guo-He	15,278	0	0	0
Manager	Chuang Bing-Hung	15,278	0	0	0
Manager	Yang Cheng-Sheng	21,937	0	0	0
Manager	Chen Bao-Yuan	27,370	0	0	0
Manager	Shu Cheng-Kun	15,130	0	0	0
Manager	Liao Guo-Hsiung	20,582	0	0	0
Manager	Shu Cheng-Yuan	15,278	0	0	0
Manager	Tsui Jing-Chih	15,278	0	0	0
Manager	Chen Chih-Hao	4,304	0	0	0
Manager	Chen Hui-Ling	29,445	0	0	0
Manager	Hung Rong-Chong	18,392	0	0	0
Manager	Chou Chih-Wei	25,195	0	0	0
Manager	Chen Guo-Hsiung	15,278	0	0	0
Manager	Huang Yen-Fa	19,567	0	0	0
Manager	Chen Shou-Dao	15,130	0	0	0
Manager	Su Hsin-Yi	26,052	0	0	0
Manager	Chen Shien-Chun	23,078	0	0	0
Manager	Yang Ying-Tsung	877	0	0	0
Manager	Chen Chu-Wen	22,841	0	0	0
Manager	Guo Li-Chong	26,922	0	0	0
Manager	Huang Shou-Chih	24,893	0	0	0
Manager	Chong Shu-Rong	15,130	0	0	0
Manager	Chu Jia-Lung	24,009	0	0	0
Manager	Ye Ming-Chun	19,083	0	0	0
Manager	Hu Chun-Wei	24,895	0	0	0
Manager	Huang Zao-Kun	15,130	0	0	0
Manager	Lin Ming-Yang	15,278	0	0	0
Manager	Hsieh Chin-Chiang	15,587	0	0	0
Manager	Liu Wen-He	22,888	0	0	0

Job title	Name	2006		Till 4/30 of the effective year	
		No. of shares Increase(decrease)	Pledged No. of shares increase (decrease)	No. of shareholding increase (decrease)	Pledged No. of shares increase (decrease)
Manager	Shu Cheng-Huang	23,334	0	0	0
Manager	Tsen Jing-Chien	15,352	0	0	0
Manager	Chu Shu-Chun	4,420	0	0	0
Manager	Liu Chih-Cheng	15,352	0	0	0
Manager	Tsai Che-Ming	68,157	0	0	0

Note 1: Manager Ye Jin-Hung left job on 3/1/2007, Manager Wu Shih-Hsin left job on 1/1/2007, Manager Lin Jing-Feng left job on 1/1/2007, Manager Lin Ke-Yung left job on 1/19/2007, GM Chang Yi-Yu left job on 1/5/2007, and GM Hu Chuei-Yang left job on 5/2/2007.

(2) Equity transfer

Name	Reason for equity transfer	Trading date	Transacting party	Relation between relative transacting party and Director and Supervisor in accordance with Share holder relation declaration in Paragraph 3, Article 25 of Banking Act	No. of shares	Price
Chao Fu-Tian	inheritance	95.3.2	Chao Wan-Chuan	Chao Wan-Chuan is Chao Fu-Tian's father	894,064	0
Huang Cheng-Nan	inheritance	95.6.14	Huang Lui-Liu	Huang Lui-Liu is Huang Cheng-Nan's mother	13,353	0
Shih Po-Hsiung	gift	95.10.25	Shu Jing-Shiang	Shu Jing-Shiang is Shih Po-Hsiung's son	60,000	0
Chen Sun-Rong	gift	95.12.20	Chen Yue-Chun	Chen Yue-Chun is Chen Sun-Rong's daughter	80,000	0
Wu Shih-Hui	gift	95.12.25	Wu Bi-Yu	Wu Bi-Yu is Wu Shih-Hui's daughter	71,000	0

(3) Pledged equity

None

(4) Top 10 Shareholders and relation

12/31/2006

Name	Own Shareholding		Spouse, child (minor) Shareholding		Shareholding under other names		Top 10 share holder financial and accounting report, ¹ party name, and relation		Note
	No. of shares	Shareholding ratio (%)	No. of shares	Shareholding ratio (%)	No. of shares	Shareholding ratio (%)	Name	Relation	
Chuan Yang Construction Company	69,644,262	5.60							
Chuan Yang Construction Company Rep.: Shuei Ling	1,832,655	0.15	7,179,892	0.58			Chen Sheng-Hung	spouse	
Corporation Sunny g Cultural and Education Foundation	12,008,995	0.97							
Corporation Sunny g Cultural and Education Foundation Rep.: Chen Sheng-Hung	7,179,892	0.58	1,832,655	0.15			Shuei Ling	spouse	

(5) Comprehensives shareholding ratio

12/31/2006
Unit: share, %

Reinvestment business (Note)	Bank investment		Director, Supervisor, GM ,Vice GM ,Assistant manager, Dept. Branch Office Supervisor direct/indirect bank controlled business investment		Comprehensive investment	
	No. of shares	Sharehol ding ratio	No. of shares	Shareholdin g ratio	No. of shares	Shareholdi ng ratio
Financial Information Services Co., Ltd.	9,672,000	2.4	0	0.0	9,672,000	2.4
Sunny Asset Management Co., Ltd.	5,000,000	100.0	0	0.0	5,000,000	100.0
Sunny Securities Co., Ltd.	29,300,000	97.0	0	0.0	29,300,000	97.0
Yin Lian Life Insurance Agency Co., Ltd.	600,000	39.9	2	0.0	600,002	39.9
Yun Lian Property Insurance Agency Co., Ltd.	121,000	20.0	0	0.0	121,000	20.0
Taiwan Financial Asset service Co., Ltd.	5,000,000	2.9	0	0.0	5,000,000	2.9
Taiwan Depository & Clearing Corporation Co., Ltd.	804,160	0.4	0	0.0	804,160	0.4
Taichung Machinery Works Co., Ltd.	147,198	0.1	0	0.0	147,198	0.1

Note: Investment in accordance with Article 74 of Banking Act

4. Funding

1. Share and dividend

(1) Share source

Unit: Thousand shares ; thousand dollars

Year/Month	Par Value	Authorized Capital Stock		Paid-up Capital		Remark	
		Shares	Amount	Shares	Amount	Sources of Capital Stock	Other
86.09	10 dollars	270,000	2,700,000	270,000	2,700,000	Yuan Shin Co-operative money paid for shares	Note 1
87.11	13 dollars	30,000	300,000	30,000	300,000	Description 1	Note2
88.11	13 dollars	80,000	800,000	80,000	800,000	Description 2	Note3
90.03	13 dollars	90,000	900,000	90,000	900,000	Description 3	Note4
90.10	10 dollars	65,800	658,000	65,800	658,000	Description 4	Note5
91.10	10 dollars	80,370	803,700	80,370	803,700	Description 5	Note6
92.10	10 dollars	203,830	2,038,300	89,988	899,879	Description 6	Note7
93.12	10 dollars	-	-	113,842	1,138,421	Description 7	Note8
94.09	10 dollars	380,000	3,800,000	71,078	710,783	Description 8	Note9
94.11	10 dollars	-	-	200,448	2,004,482	Description 9	Note 10
95.07	10 dollars	800,000	8,000,000	152,401	1,524,016	Description 10	Note 11

Description 1:Cash increment 192,060,160 dollars ; surplus and employee's reward

recapitalization107,939,840 dollars.

Description 2:Cash increment 290,000,000 dollars ; surplus recapitalization210,000,000 dollars ; capital surplus transferred to common stock 300,000,000 dollars.

Description 3:Cash increment 216,000,000 dollars ; surplus recapitalization304,000,000 dollars ; capital surplus transferred to common stock 380,000,000 dollars.

Description 4:surplus recapitalization188,000,000 dollars ; capital surplus transferred to common stock 470,000,000 dollars.

Description 5:surplus recapitalization267,900,000 dollars ; capital surplus transferred to common stock 535,800,000 dollars.

Description 6:Cash increment 300,000,000 dollars ; surplus recapitalization (inclusive of employee's reward recapitalization) 476,644,590 dollars ; capital surplus transferred to common stock 123,234,000 dollars.

Description 7:Cash increment 519,331,710 dollars ; surplus recapitalization (inclusive of employee's reward recapitalization) 619,089,700 dollars.

Description 8:surplus recapitalization(inclusive employee's reward recapitalization)710,782,970 dollars.

Description 9: Kao Shin Bank new stock issuance 2,004,482,070 dollars.

Description 10:Cash increment1,084,734,960 dollars ; surplus recapitalization (inclusive of employee's reward recapitalization) 439,281,340 dollars.

Note 1: It was approved by Ministry of Finance86.4.28. (86) Tai-Tsai-Rong No.86620211

Note 2: It was approved by Ministry of Finance87.6.17. (87) Tai-Tsai-Rong No.87178088 and Securities and Futures Institute87.7.18. (87) Tai-Tsai-Zhen (1)Letter No. 57355

Note3: It was approved by Ministry of Finance88.6.14. (88) Tai-Tsai-Rong No.88202536 and Securities and Futures Institute88.7.7. (88) Tai-Tsai-Zhen (1) Letter No. 62206

Note4: It was approved by Ministry of Finance89.9.29.Tai-Tsai-Rong (3)89748888and Securities and Futures Institute89.10.11. (89) Tai-Tsai-Zhen (1) Letter No. 83770.

Note5: It was approved by Ministry of Finance90.6.6.Tai-Tsai-Rong (3) Letter No. 90222235 and Securities and Futures Institute90.7.2. (90) Tai-Tsai-Zhen (1) Letter No. 142157

Note6: It was approved by Ministry of Finance91.7.16.Tai-Tsai-Rong (3) Letter No 918011284.andSecurities and Futures Institute91.8.7.Tai-Tsai-Zhen (1)Letter No. 910143731

Note7: It was approved by Ministry of Finance92.7.18.Tai-Tsai-Rong (3) Letter No.928011126 and Securities and Futures Institute92.8.25.Tai-Tsai-Zhen (1)Letter No. 920138589

Note8: It was approved by Financial Supervisory Commission, Executive Yuan93.8.2 Jin-Guan-Yin (3)Letter No. 0938011367 and 93.8.30.Jin-Guan-Zhen (1)Letter No. 0930138039.

Note9: It was approved by Financial Supervisory Commission, Executive Yuan 94.08.26.Jin-Guan-Zhen(1)Letter No. 0940134178

Note 10: It was approved by 10:Financial Supervisory Commission, Executive Yuan94.11.04. Jin-Guan-Yin (3)Letter No. 0943001624 and 94.11.21 Jin-Guan-Zhen (1)Letter No. 0940152434

Note 11: It was approved by Financial Supervisory Commission, Executive Yuan 95.07.26.Jin-Guan-Zhen(1)Letter No. 0950131432

Stock type	Authorized Capital Stock			Note
	Outstanding stock (Note)	Un-issued share	Total	
Common share	1,243,928,134	756,071,866	2,000,000,000	Non-listed/non-OTC listed bank shares

(1) All-inclusive data

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 share	2,000,000,000	20,000,000,000	1,243,928,134	10 dollars	Supplement operation fund		

(2) Structure of Shareholders

12/31/2006

Shareholder structure Quantity	Government agency	Financial agency	Company corporation	Other corporation	Individual	Foreign agency and foreigner	Total
No. of persons	2	3	116	34	129,325	5	129,485
No. of shareholding (Stocks)	1,486,532	41,370,258	220,994,566	35,423,714	944,649,774	3,290	1,243,928,134
Shareholding percentage(%)	0.12	3.32	17.77	2.85	75.94	0.00	100.00

(3) Equity distribution

Face amount \$10/per share

12/31/2006

Grades	No. of shareholders (persons)	Shareholdings (shares)	Shareholding percentage(%)
1 to 999	74,353	21,015,697	1.69
1,000 to 5,000	46,274	94,831,651	7.62
5,001 to 10,000	2,695	18,725,654	1.51
10,001 to 15,000	868	10,816,565	0.87
15,001 to 20,000	649	11,276,116	0.91
20,001 to 30,000	824	21,092,411	1.69
30,001 to 50,000	1,055	42,325,643	3.40
50,001 to 100,000	1,265	92,973,992	7.47
100,001 to 200,000	705	100,347,293	8.07
200,001 to 400,000	443	126,357,131	10.16
400,001 to 600,000	138	67,024,349	5.39
600,001 to 800,000	61	42,370,463	3.41
800,001 to 1,000,000	35	31,355,560	2.52
Over 1,000,001 (Classified as to occurrence)	120	563,415,609	45.29
Total	129,485	1,243,928,134	100.00

(4) List of Major Shareholders

Major shareholder name	Shares	No. of shares	Shareholding ratio(%)
Fu Li Yang Investment Co., Ltd.		82,952,766	6.67
Chuan Yang Construction Co., Ltd.		69,644,262	5.60
The First Insurance Co., Ltd.		25,469,136	2.05
Glory Insurance		15,900,691	1.28
Guo Wen-Chong (Note)		15,711,476	1.26
Tsai Wen-Hsiung		12,509,173	1.01

Note: Guo Wen-Chong No. of shares include No. of shares of spouse and child (Minor) ; Tsai Wen-Hsiung No. of shares include No. of shares of spouse

(5) Market price, net value, earning, and dividend data

Unit: NTD, Thousand Shares

Item			Year	2006	2005	4/30/2007 of the effective year
Price/share	Highest			Note 1	Note 1	Note 1
	Lowest			Note 1	Note 1	Note 1
	Average			Note 1	Note 1	Note 1
Net/share	Before distribution			11.27	11.82	11.48
	After distribution			11.27	11.81	11.48
Earning/share	Weighted average No. of shares			1,149,671	907,782	1,224,973
	Earning/share	Before adjustment		0.02	0.72	0.21
		After adjustment		0.02	0.69	0.21
Dividend/share (Surplus distribution from the previous year)	Cash dividend			-	-	-
	Free distribution	Surplus distribution		39 shares/1000 shares	84 shares/1000 shares	-
		Capital surplus distribution		-	-	-
	Unpaid dividend			-	-	-
Analysis on investment returns	P/E ratio			Note 1	Note 1	Note 1
	Dividend yield			Note 1	Note 1	Note 1
	Yield to maturity on cash dividend			Note 1	Note 1	Note 1

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

(6) Dividend policy and execution

In the event of earning at the end of fiscal year, after tax render, losses incurred in past years are compensated. 30% of legal reserve is provisioned unless legal reserve has reached total capital. Legal reserve may be retained in partial depending on actual needs. The rest should be distributed as follows:

1. Director, Supervisor reward 3%
2. Employee's reward 3%
3. Shareholder dividend 94%

Cash surplus distribution of the above legal reserve not reaching total capital shall not exceed 15% of total capital. Surplus distribution is carried out by board depending on local/foreign Financial position s at the time and future bank dividend distribution criteria. Our bank is now at the growing phase. In order to consolidate the capital structure of our bank, dividends are generally distributed in the form of stock share.

(7) Influence of the Proposed Free Distribution on Operation results and EPS is negligible.

(8) Employee's reward and Rewards for Directors and Supervisors

1. The amount or criteria of employee's reward and rewards for directors and supervisors according to the Articles of the Bank

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:

- (1) Director/supervisor reward 3%
- (2) Employee's reward 3%
- (3) Shareholder dividend 94%

When the foresaid legal reserve does not reach paid-up capital, the maximum cash surplus distribution shall not exceed 15% of paid-up capital.

2. Employee's reward distribution passed by the Board of Directors

2006 Bank surplus distribution: no Employee stock bonus and director/supervisor reward distribution.

3. Surplus distribution as employee's reward and director/supervisor reward last year

Bank 2005 surplus distributions are as follows::

	<u>Surplus distribution case(thousand dollars)</u>	<u>Dividend per share (dollars)</u>
Legal reserve	\$196,198	
Rewards for directors and supervisors	\$13,586	
Employee stock bonus	\$13,586	
Stock dividend	<u>\$425,695</u>	\$ 0.39
	<u>\$649,065</u>	

(9) Shares bought back by bank

12/31/2006

No. of shares bought back	First
Purpose of buy-back	To buy back shares from disputable shareholders of Kao Shin Bank
Period of buy-back	95.8.10
Price of buy-back	11.48 dollars/share
Stock type and No. of buy-back	Common share: 18,955,153shares
Stock bought back in dollar amount	217,605,156 dollars
Capital adequacy ratio before buy-back	Base day:95.7.31 ratio:9.33%
Capital adequacy ratio after buy-back	Base day:95.8.31 ratio:8.97%
Cancelled and transferred No. of shares	0
Cumulative No. of bank shares	18,955,153 shares
Cumulative No. of bank shares in total share ratio (%)	1.52
Repurchased share transfer and staff execution progress	-
Report should be filed within 3 years if transfer is not complete. Restrictive measures should be taken accordingly.	-

TWO, Subordinated Financial Debentures

Issuance Subordinated Financial Debentures

Types of Subordinated Financial Debentures	The First series of the Subordinated Financial Debentures in 2003 (1 st issuance)	The First series of the Subordinated Financial Debentures in 2003 (2nd issuance)
Central authority approval date and number	Ministry of Finance 10.15. 2002.(3) No. 0910047150	Ministry of Finance 11.18. 2002.(3) No. 0910051306
Date of issue	03/Nov. 2002	18/ Dec. 2002
Par Value	NT100,000, 1,000,000, 10,000,000 and 50,000,000	NT50,000, 100,000, 500,000, 1,000,000, 5,000,000 and 10,000,000
Site of issue and operations	R.O.C	R.O.C
Currency	New Taiwan Dollars	New Taiwan Dollars
Offering Price	Issue according to bond Par Value	Issue according to bond Par Value
Total amount	NT1,000,000,000	NT1,000,000,000
Interest Rate	APR 3.85% single rate interest, biannual payment	APR 4.35% single rate interest, annual payment
Maturity	5 years 6 months, from Nov.13, 2002 to May 13, 2008	10 years, from Dec. 18, 2002 to Dec. 18, 2012
Repayment Priority	The bond claims (including principal and interest)'s Repayment Priority is only better than the bank's shareholder's surplus property distribution, and less than the bank's general claims.	The bond claims (including principal and interest)'s Repayment Priority is only better than the bank's shareholder's surplus property distribution, and less than the bank's general claims.
Guarantee agency	N/A	N/A
Trustee	N/A	N/A
Underwriting agencies	N/A (Sell by our bank)	N/A (Sell by our bank)
Visa lawyers	Shie Song-Yue	Lin Ching-Yun
CPA	Deloitte & Touche Taiwan Guo Zeng-Hong	Jien-Xing accounting firm Xie Zen-Yau
Certifying Financial Institution	Tai-Hsin financial securities Co.	Kaohsiung Bank Trust Department
Repayment method	Total payback upon deadline	Total payback upon deadline
Unpaid balance	NT1,000,000,000	NT1,000,000,000
Paid-In Capital of Previous Year	NT12,439,281,340	NT12,439,281,340
Net Worth of Previous Year	NT13,811,120,055	NT13,811,120,055
Compliance cases	N/A	N/A
Redemption or prepayment terms	N/A	Buy back right (Note 1)
Conversion and exchange conditions	N/A	N/A
Restrictive clauses	Subordinated Financial Debentures	Subordinated Financial Debentures
Fund operation plan	Access to a stable long-term source of operating funds to improve the bank's capital structure.	Access to a stable 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 (%)	7.24%	14.48%
Considered as Qualified Capital and Its Tiers	Tier 2	Tier 2
Credit rating agency names, assessment date and its grade rating	Taiwan Rating Co., Ltd. assessment date: 09.28 .2006 Grade rating: twA- (Note 2)	-

Types of Subordinated Financial Debentures	The First series of the Subordinated Financial Debentures in 2006	The First series of type A bond Subordinated Financial Debentures in 2007
Central authority approval date and number	Ministry of Finance 04.06.2006 (3) No. 09500126390	(3) No. 09500549820
Date of issue	May 16, 2006	, April 09, 2007
Par Value	NT10,000,000	NT10,000,000
Site of issue and operations	R.O.C	R.O.C
Currency	New Taiwan Dollars	New Taiwan Dollars
Offering Price	Issue according to bond Par Value	Issue according to bond Par Value
Total amount	NT2,000,000,000	NT1,800,000,000
Interest	APR 2.55% single rate interest, annual payment	A fixed interest rate, APR 3% single rate interest, annual payment
Maturity	5 years 6 months, From May 16, 2006 to Nov. 16, 2011	7 Years, From Apr. 09, 2007 to Apr. 09, 2014
Repayment Priority	The bond claims (including principal and interest)'s Repayment Priority is only better than the bank's shareholder's surplus property distribution, and less than the bank's general creditors.	The bond claims (including principal and interest)'s Repayment Priority is only better than the bank's shareholder's surplus property distribution, and less than the bank's general claims.
Guarantee agency	N/A	N/A
Trustee	N/A	N/A
Underwriting agencies	N/A (Sell by our bank)	N/A (Sell by our bank)
Visa lawyers	Shie Song-Yue	Shie Song-Yue
CPA	Deloitte & Touche Taiwan Shau Tze-Ming	Deloitte & Touche Taiwan Shau Tze-Ming
Certifying Financial Institution	Hwa-Nan Bills Finance Corp.	N/A
Repayment method	Total payback upon deadline	Total payback upon deadline
Unpaid balance	NT2,000,000,000	NT1,800,000,000
Paid-In Capital of Previous Year	NT12,439,281,340	NT12,439,281,340
Net Worth of Previous Year	NT13,811,120,055	NT13,811,120,055
Compliance cases	N/A	N/A
Redemption or prepayment terms	N/A	N/A
Conversion and exchange conditions	N/A	N/A
Restrictive clauses	Subordinated Financial Debentures	Subordinated Financial Debentures
Fund operation plan	Access to a stable long-term source of operating funds to improve the bank's capital structure.	Access to a stable 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 (%)	28.96%	42.00%
Considered as Qualified Capital and Its Tiers	Tier 2	Tier 2
Credit rating agency names, assessment date and its grade rating	Taiwan Rating Co., Ltd. assessment date: 2006.09.28 Grade rating: twA- (Note 2)	Taiwan Rating Co., Ltd. assessment date: 2006.09.28 Grade rating: twA- (Note 2)

Types of Subordinated Financial Debentures	The First series of the type B Bond Subordinated Financial Debentures in 2007
Central authority approval date and number	(3) No. 09500549820
Date of issue	, Apr. 09, 2007
Par Value	NT10,000,000
Site of issue and operations	R.O.C
Currency	New Taiwan Dollars
Offering Price	Issue according to bond Par Value
Total amount	NT1,100,000,000
Interest	Floating interest rates are according to the Bank of Taiwan one-year savings deposits general licensing divisions' mobility rate, plus 0.60% single tactical interest, with a quarterly reset, and annual interest payment.
Maturity	7 years, From Apr. 09, 2007 to Apr. 09, 2014
Repayment Priority	The bond claims (including principal and interest)'s Repayment Priority is only better than the bank's shareholder's surplus property distribution, and less than the bank's general claims.
Guarantee agency	N/A
Trustee	N/A
Underwriting agencies	N/A (Sell by our bank)
Visa lawyers	Shie Song-Yue
CPA	Deloitte & Touche Taiwan Shau Tze-Ming
Certifying Financial Institution	N/A
Repayment method	Total payback upon deadline
Unpaid balance	NT1,800,000,000
Paid-In Capital of Previous Year	NT12,439,281,340
Net Worth of Previous Year	NT13,811,120,055
Compliance cases	N/A
Redemption or prepayment terms	N/A
Conversion and exchange conditions	N/A
Restrictive clauses	Subordinated Financial Debentures
Fund operation plan	Access to a stable 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 (%)	49.96%
Considered as Qualified Capital and Its Tiers	Tier 2
Credit rating agency names, assessment date and its grade rating	Taiwan Rating Co., Ltd. assessment date: 2006.09.28 Grade rating: twA- (Note 2)

Note 1: Our bank has the right to buy all bonds back early according to the bond Par Value from Nov. 18, 2007 to Nov. 30, 2007. Bond holders can not reject, and the bonds will stop earning interest from Dec. 18, 2007; if our bank doesn't buy back early, the bond interest will be a 4.35% fixed single rate from Dec. 18, 2007.

Note 2: This is the long term credit rating that Taiwan Credit Company recently granted to our bank.

THREE, Preferred Shares

N/A

FOUR, Depositary Receipts

N/A

FIVE, Employee Stock Option

N/A

SIX, Merges & transfers to other financial institutions

N/A

SEVEN, Fund operation plan implementation case

(1) The contents of the plan

The Bank's previously issued new share plan was approved by the Executive Yuan Financial Supervisory Commission on July 26, 2006. (1) No. 0950131432, Issuance of common stock for cash issued 108,473,496 new shares, with an issue price of NT10, for a fund-raising total of NT1, 084,734,960. The bank's previous issuance of common stock for cash or the issuance of financial bond plan has not been completed, and the past three years' fund operation plan expected benefit has not occurred.

(2) Implementation case

The previous issuance of common stock for cash plan was completed in the 4th quarter of 2006, mainly to replenish operation capital. The description is as follows:

Items		Situation development
Financial ratios	Total Assets Turnover Ratio (times)	declined
	Return on Tier 1 Capital (%)	declined a little
	ROA(%)	declined
	ROE(%)	declined a little
	Liabilities to Total Asset	declined
	Fixed Asset to shareholders' Equity	declined
	Market share of Asset	increased
	Market share of Net Worth	increased
BIS		increased 0.7%
Net income (loss)		increased
Operating funds		increased \$1,084,734,960
EPS		declined a little

Sunny Bank
2006 Operating funds difference table

Unit: THOUSAND NT

	Sept.	Oct.
Beginning cash balance 1	3,499,622	5,099,536
Plus: Non-financing income 2		
Decrease in due from Central Bank and placement to other banks	0	2,312,132
Increase cash on account receivable (payable)	1,724,745	0
Increase Deposits	1,734,804	0
Decrease Loans	0	189,198
Gain on disposal financial assets and liabilities	1,084,923	0
Gain on disposal of fixed assets	5,592	0
Decrease intangible assets	1,118	0
Equity adjustment items	6,027	0
Operating Income	20,406	24,110
Total	4,577,615	2,525,440
Minus: Non-financing expenses 3		
Decrease cash on account receivable (payable)	0	1,532,554
Decrease cash on account Prepaid (received)	39,325	57,051
Deposits Decrease	0	1,693,793
Loans increase	2,723,287	0
Increase in due from Central Bank and placement to other banks	1,315,159	0
Acquisition financial assets and liabilities	0	1,596,709
Long term investment under method increased	0	50,000
Acquisition fixed assets	0	48,369
Increase Intangible assets	0	74
Other assets	88,597	16,254
Equity adjustment items	0	1,683
Total	4,166,368	4,996,487
Minimum cash balance requirements 4	4,000,000	4,000,000
The total funds required $5=3+4$	8,166,368	8,996,487
Before financing for unspent cash balance (shortage) $6=1+2-5$	(89,131)	(1,371,511)
Net financing 7		
Increase (decrease) in due from Central Bank and placement to other banks	2,172,452	(424,216)
Other financing	(992,491)	253,784
Issuance of common stock for cash	8,706	1,076,029
Total	1,188,667	905,597
Ending cash balance $8=1+2-3+7$	5,099,536	3,534,086

FIVE, Operations Overview

One, Businesses content

- (1) Business operations of other major businesses, and the business assets (or) the total income and assets (or) the proportion of the total income and growth and the changes

1. Wealth management business

Bank wealth management business focus is mainly divided into commodity funds and other commodities (including: insurance, linkage debt ... etc.) projects. According to volume commitments analysis, the 2006 funds and other commodities are 83:17 of the business. In the future, core asset allocation concepts will be introduced. Asset allocation will adjust proportion, moderately spread the investment risks, and plan to gradually adjust the proportion of major commodity business funds to 70%, and other commodities to 30%. 2006's financial management service fee income was about NT200 million, and the future plan is to select Financial management commodities, strengthen education training, and use marketing projects, etc strategies to enable financial management service fee revenue to grow geometrically.

Main product contracting percentage changes Unit: THOUSAND NT

Type	2005		2006	
	Amount	Percentage	Amount	Percentage
Domestic Mutual Funds (excluding domestic bonds)	1,540,430	21.04%	4,065,940	30.07%
Oversea Mutual Funds and Bonds	3,426,150	46.81%	8,495,250	64.48%
Insurance (excluding consumer / corporate finance)	2,353,420	32.15%	1,861,870	5.45%
Financial assets contracting amount subtotal	7,320,000	100.00%	14,423,060	100.00%

Main product service fee income percentage changes Unit: THOUSAND NT

Type	2005		2006	
	Amount	Percentage	Amount	Percentage
Domestic Mutual Funds (excluding domestic bonds)	8,230	6.03%	21,650	10.84%
Oversea Mutual Funds and Bonds	85,190	62.49%	145,200	72.73%
Insurance (excluding consumer / corporate finance)	42,920	31.48%	32,790	16.42%
Financial management service fee income Subtotal	136,340	100.00%	199,640	100.00%

2. Consumer banking

(1)Mortgage: Until the end of 2006, the mortgage total balance was \$110,600,000,000, which was 59.28% of the bank's total loan balance. Compared to the \$7,200,000,000 at the end of 2005, there was an increase of \$13,400,000,000, with a year growth rate of 13.79%.

(2)Loan: Until the end of 2006, the total loan balance was \$6,500,000,000, which was 3.5% of the bank's total loan balance. Compared to the \$7,000,000,000 at the end of 2005, there was a reduction of \$500,000,000, with a year growth rate of -7.14%.

(3)Credit card:

Sunny Bank Credit card operating data

Unit: THOUSAND NT/ account

	End of 2005	End of 2006	Difference
Total card issued amount	220,960	238,247	17,287
Spending amount	2,984,249	2,312,961	(671,288)
Revolved credit balances	3,665,433	2,813,304	(852,129)
Service fee income	170,624	87,448	(83,176)
Net profit (including withdraw and deposit)	(413,393)	(486,863)	(73,469)

3. Corporate financial operations

Our bank's main product is the small, mid sized and large corporate loan business. At the end of 2006, the total corporate loan balance was \$63,260,000,000. Small and mid sized corporate' loan balance was \$27,950,000,000 and large corporate' loan balance was \$35,310,000,000. At the end of 2006, the bank's total loan amount was \$186,570,000,000. Each percentage is shown in the table below:

	Growth rate	Unit: 100,000,000NT; %	
Year		2005	2006
Bank total loan balance		1688.2	1865.8
Bank total loan balance [Yn year-1year]/ Yn year growth rate		-	9.52%
Corporate total loan balance		446.9	632.6
Corporate total loan balance [Yn year - Yn-1 year]/ Yn year growth rate		-	29.36%
Small and mid size total loan balance		201.5	279.5
Small and mid size loan balance [Yn year - Yn-1 year]/ Yn year growth rate		-	27.91%
Large total loan balance		245.4	353.1
Large loan balance [Yn year - Yn-1 year]/ Yn year growth rate		-	30.50%

Corporate financial business of the bank's total loans rate

Year	2005	2006
Bank total loan balance	1688.2	1865.8
Corporate total loan balance	446.9	632.6
Corporate total loan balance /Bank total loan balance rate	26.47%	33.91%
Small and mid size total loan balance	201.5	279.5
Small and mid size loan balance /Bank total loan balance rate	11.94%	14.98%
Large total loan balance	245.4	353.1
Large loan balance /Bank total loan balance rate	14.54%	18.92%

Corporate financial business of the bank's total earning rate

Year	2005	2006
Bank Jan.-Dec. cumulative operating income	-	164.4
Corporate financial department Jan.-Dec. cumulative operating income	-	23.3
Corporate Jan.-Dec. total earning/ bank total earning rate	-	14.17%
Small and mid size Jan.-Dec. accumulated interest income	-	11.3
Small and mid size Jan.-Dec. total earning/ bank total earning rate	-	6.87%
Large Jan.-Dec. accumulated interest income	-	9.8
Large Jan.-Dec. total earning/ bank total earning rate	-	5.96%

The International Banking Department has been established for 5 years, since 2000, and has been developing and extending the foreign currency business. Compared to the end of 2006 and the end of 2005, each operation has had significant growth (as shown in the table below), which is described as follows:

(1)Foreign deposits outstanding: At the end of 2006, the foreign deposits outstanding balance was US \$136, 792, 000, compared to the end of 2005 which was US \$80, 367, 000, with an increase of US \$56,425,000, showing a growth rate of 70.21%.

(2) Foreign loan outstanding: 2006's foreign loan outstanding balance was US \$114,330,000, which is 2.02% of the bank's total loan. Compared to the end of 2005, which was US \$62,096,000, there was an increase of US \$52,234,000 (OBU is US \$30,473,000), showing a total growth rate of 84.12%.

(3)Import and export business: 2006's import and export amount was US \$298,387,000. Compared to 2005, which was US \$237,818,000, there was an increase of US \$60,569,000, showing a growth rate of 25.47%.

(4)Currency exchange business: 2006's foreign loan outstanding was US \$1,077,605,000. Compared to 2005, which was US \$483,497,000, there was an increase of US \$594,108,000, showing a growth rate of 122.88%.

All Foreign loan outstanding operations yearly comparison overview table

Unit: US \$Thousand

Period Items	End of 2005	End of 2006	2006 increase amount	2006 growth rate
	A	B	C=B-A	D=C/A
Foreign deposits outstanding	80,367	136,792	56,425↑	70.21%
Foreign loans outstanding	62,096	114,330	52,234↑	84.12%

Unit: US \$Thousand

Period Items	2005	2006	2006 increase amount	2006 growth rate
	A	B	C=B-A	D=C/A
Import and export business	237,818	298,387	60,569↑	25.47%
Currency exchange business	483,497	1,077,605	594,108↑	122.88%

4. E-business banking

Unit: \$Thousand; deal

Items	2005		2006	
	Total withdrawal amount	Total transfer deals	Total deposit amount	Total transfer deals
ATM	19,363,888	1,620,848	24,912,102	1,514,816
Internet ATM	-	-	-	27,627
Internet bank	-	84,577	-	73,507
Telephone bank	-	343,445	-	391,969
Mobil Phone Bank	-	222	-	263
XML	-	-	-	242

5. Trust business

(1) Money trust: At the end of 2006, the money trust balance was \$14,021,000,000. Compared to the end of 2005, which was \$48,049,000,000, there was an increase of \$5,972,000,000 according to different trust operations, which are described as follows:

(A) Specific money trusted in foreign securities investments: At the end of 2006 the trust balance was \$10,560,000,000. Compared to the end of 2005, which was \$5,172,000,000, there was an increase of \$5,388,000,000.

(B) Specific investment money trusted and invested in domestic securities investment trust funds: At the end of 2006 the trust balance was \$3,339,000,000. Compared to the end of 2005, which was \$2,815,000,000 there was an increase of \$524,000,000.

(C) Other money trusts: Including trust lifetime contracts, and specific and separate management of the usage of the money trusts, at the end of 2006 the trust balance was \$122,000,000. Compared to the end of 2005, which was \$62,000,000, there was an increase of \$600,000,000.

(2) Real Estate Trust: At the end of 2006, the Real Estate Trust balance was \$985,000,000. Compared to the end of 2005, which was \$302,000,000, there was an increase of \$683,000,000.

(3) Securities trust: The bank started to run securities trust business in Jan. 2005. At the end of 2006, the securities trust balance was \$1,064,000,000.

(4) Other subsidiary operations :

(A) Custody business: At the end of 2006, the custody business balance was \$18,334,000,000. Compared to the end of 2005, which was \$6,961,000,000, there was an increase of \$11,373,000,000. The different parts of the custody business balance, at the end of 2006, are described as follows:

(a) Securities Investment Trust Fund Custody business was \$18,000,000,000

(b) Discretionary Custody business was 424,000,000

(c) Turnover margin Custody business was 10,000,000

(B) Visa business: The bank's 2006 Visa business amount was \$33,327,000,000

6. Investment business

Bank transactions revenue growth and changes were as follows:

Items	Securities transactions schedule		Unit: \$Thousand
	2005	2006	
Bonds interests (loss)	(8,012)	(16,798)	
Corporate bonds interests	50	0	
Stock interests (loss)	203,745	168,539	
Beneficiary certificates interests	20,629	25,405	
REIT interests	1,046	0	
Subordinated Financial Debentures interests	4,185	0	
Short-term bill interests	313,316	(48,965)	
Evaluation interests (loss)	0	98,581	
Dividend	43,775	36,016	
Total	578,734	262,778	

Note: 2006's short-term securities other interest income was \$484,637,000.

From the above table we see that the bank's securities trading income part, in 2005 gained a profit of \$578,734 ,000, and in 2006 gained a profit of 262,778 ,000.

(2) Annual operating plan

1. Wealth management business

(1) Human Organization: Upgrade the entire financial management commissioner amount and professional productivity.

(2) Education training: Besides, according to financial supervisory commission regulations, arrange an "annual, 24-hour Education training plan" for the Financial Management Commissioner, and provide financial management of elementary, intermediate and advanced education training. Also according to personal development functions, impose a systematic education training program.

(3) Business: Actively expand the wealth management business scale and introduce the core concept of asset allocation. According to clients' investment type, customize and plan its investment portfolio, and increase 2007's Financial Management Service fee income to more than NT450,000,000.

(4) Market: With market rate changes, and through online meetings, advocate the various financial data and trend development analysis, etc information.

(5) Marketing Strategy: Increase media exposure, organize financial seminars through marketing activities, and provide financial VIP customer enjoyment.

2. Consumer banking

(1) Mortgages: Under mortgage market competition circumstances, interest rate transparency in new cases continue to decrease along with margins, and product contributions are not easy to upgrade; in the financial liberalization and internationalization's own capital adequacy requirements and response to changes in the real estate market risk management, the rational distribution of the various risk assets, and implementation of differential pricing strategies to maintain a reasonable margin; the bank launched a wide range of high quality mortgage goods. Products include twAAA mortgages, home changing loans- part II, easy GO, first volunteering rate protection program, Twin Towers, and financial management and government policy mortgages, in order to meet the needs of different customers. Mortgages can match life insurance products to increase service fee income.

(2) Loans: Loan products, which increase in relation to loan benefit characteristics, in a small profit era, attract competition development in financial institutions. The government has implemented loan product credit control on the current domestic market. This has impacted Two-card business and caused deflation, and loan market recession, however, under the gradual precipitation of the market and the legal regulations becoming increasingly stringent, loan products will maintain their asset quality and have conservative operation, and steady growth as the main business direction.

(3) Credit card: In order to enhance the customer card use rate, the credit card's operating strategy is to enhance customer card use rate as the main axis, plan to focus on new card holders and send messages to inform different discount activities, provide customer 0% financing (stages 3, 6, 12), promote credit card users to pay other fees with their cards, and issue international organization promotions to enhance the buying amount and card usage, thereby increasing service fee income and enhancing the bank's credit reputation.

3. Corporate financial operations

The cutthroat market competition reduced the banks bargaining power and also expanded the target customer range. Quality, interests, and quantity growth are the main corporate financial business development strategies. The planning operation plans are as follows:

- (1) Branch off to serve small and mid size corporate. The regional center will attract medium and large corporate.
- (2) Small and mid size corporate:
 - A. Branch extension develops effective access and geopolitical advantages for lower credit risk, and strengthens after extending loans management.
 - B. Stress the use of funds and source of repayment. Use transaction financing as the main focus of development.
 - C. Actively develop foreign loan outstanding business.
- (3) Large corporate: 2007's active plan is to host joint loan cases. Besides increasing service fee income, it's also useful to enhance reputation.
- (4) Corporate financial main branch

Large corporate personnel training is not easy, therefore, match the exchange designated branch and select 10 financial corporate key branches for training. In addition to developing effective access and increasing business reach, also expect the corporate financial center, key branches, and general branches to establish a virtuous circle and increase staff productivity, and gain profit.

(5) Foreign Ministry with the offshore business unit

- A. Expansion of OBU international financial business
 - a. Actively promote OBU Import and export business
 - b. Continue to expand OBU international joint loan cases
 - c. Foster international financial business talent
- B. Accelerate the establishment of a third foreign loan outstanding unit

In order to promote foreign loan outstanding business and balance the regional branch operations limitation, following the September 2006 establishment of the first Shih-Wei unit, currently the Neihu exchange unit has been approved by the central bank and will begin preparations for the Kaohsiung exchange unit.

C. Strengthen foreign loan outstanding education training

Through exchange education training to increase branch exchange professional abilities, improve handling of the Exchange's business skills and help to enroll exchange elementary license.

D. Strengthen foreign loan outstanding product development

In order to improve customer service and market competitiveness, especially format the "international accounts receivable purchase business," project unit to process this business plan and preparation. Expect to provide this business in early 2008.

4. E-business banking

In recent years, the bank's business model is substantially being replaced by communication networks and computerized information, which has led to a major management challenge to the traditional financial services industry. Advanced technology and modern processes, in the financial industry, break open geographic space and restrictions, and change the traditional relationship between the parties, creating a new profit and competition model. This is another major change and challenge for the financial industry.

Financial industry competitive success depends on speed and cost competitiveness, and the banks with the advantage of IT will be the winners. Therefore, Internet banking will become a big part for domestic banks to enhance competition. Banks must actively promote e-banking business development, increase investment in computer equipment, use high-tech communications equipment and the Internet, and provide customers with fast, low-cost, and secure services.

According to the United States Department of Commerce, the bank's operating costs for Internet banking services is about 0.01 U.S. dollars for each transaction, the use of ATM to provide the services costs 0.27 U.S. dollars for each transaction, the cost of using telephone service is 0.52 dollars for each transaction, and each bank transaction costs 1.02 U.S. dollars. From transaction cost-effective analysis, Internet banking has the lowest cost, coupled with convenience and mobility, in the future, banks should increase their investment in computer equipment, and develop internet banking to gain customers and develop business.

5. Trust business

Trust is a behavior of using asset management as the main axis and dividing the ownership and management effectively, its goods have tax saving commodities, gain profit stability, safe transactions, and investment diversification, etc characteristics, through wealth management business's important cornerstone "Trust". - To offer customers choices, use professional trust experience, positively develop personal and corporate property management trust areas, and develop related business, to enable a sustained and stable trust growth business scale.

This year's main plans are as follows:

(1) Financial management trust

- A. With the Foreign Ministry new operating system, increase the regularly fixed foreign currency debit business.
- B. Expand OBU investment Oversea Mutual Funds and Bonds business with linkage debt business
- C. Financial site planning and internet ordering system.

(2) Real Estate Trust

- A. Combine trust and land financial credit, make landowners and contractors have mutual trust under the trust system, so the implementation of the project can be process smooth; contractors can also win the trust of consumers because of the trust system and help sales. Banks can also go through the transfer and have more protection to claims so that landowners, contractors, consumers, and banks will all be winners.
- B. Learn Real Estate (the development type) trust management professional capacity, offer follow-up plans for real estate investment trusts (REITs) and real estate securitization business.

(3) Money trust

- A. Promote "Lucky" real estate transaction safe trusts, so real estate transactions can have a safe and reliable transaction platform, and expect to combine realtors and agencies to enhance the bank's business volume and trust service fee income, to create a win-win-win situation.
- B. Promote using insurance, trust, financial investment services....., etc personal money trust business, to help the bank to provide the customers with a one take demand. Also, work with other companies and commodity industries for a strategic alliance to expand external access, and upgrade the service fee income, so the bank's market share rate and excellent reputation will increase.
- C. In view of the net assets of customer groups, provide exclusive wealth management services, help customers in the face of birth, marriage, property acquisition, retirement, death, etc for successful completion of short, medium and long-term financial goals. A holistic solution to meet the customer demand for life planning is the development of individual tailor made trustee planning services for client, and then reach Bank Asset Management.

(4)Securities trust

- A. "Employee benefit saving trust": Benefit saving trust receipts will improve the shortage of staff pension money. Compensate for the disadvantages of the new labor insurance system.
- B. Tax Planning: Develop the targeting of individual client customized trust plan services, and achieve asset management banking.

6. Investment business

(1) Voucher Operation Strategy

- A. Increase the rate of self guarantee and no guarantee clients, who choose to buy the NCD issued by the bank, to increase secondary market trading bond sources.
- B. Continue treasury participation in the central bank's standard purchase to increase bond sources and the use of future movements in expected interest rates. Adjust time period fund allocation and create the greatest gains.
- C. In order to expand business scope of securities, 2007's business is to be handled with "fixed rate commercial promissory note" (FRCP) primary market business, in addition to issuing long-term source of funds customers, but also to provide department stability.
- D. Actively expand operations conditions for sub-customers to obtain lower cost funding, to increase the margin.
- E. IRS service which works well with possible future interest rates in addition to avoiding customers holding financial commodities from bearing huge risks arising from the fluctuation of interest rates. The service undertakes the transactions for the purpose of "trading" so as to earn capital gains.
- F. With financial assets, security development has gradually assessed buying CLO, RMBS, REAT, REITS commodities, because it uses 6% separation tax to provide better leasing tax incentives. Therefore, the future will continue to assess the purchase of low-risk asset securitization products.

(2) Bonds Operation Strategy

Operation method will use a large range rebound to establish a long period of low public debt, along with the voucher movement of short-term operation, banned stop loss mechanism, in order

to maintain operating income.

A. Bonds

- a. Expected bonds operating amount: 40 00,000,000.
- b. Interest income: Interest income 78,000, 000. (The average rate estimates were 1.95%)
- c. Capital gains: 32,000, 000. (Expected rate will slowly go up, and limited to go down, good for short-terms, use the average 4 billion liability to earn the annual return 0.80% calculation)
- d. Interest payments: 48,600, 000. (Intended to buy back bonds to obtain funds 300,000,000, establishes liability operation site, predicted interest rate 1.62%).

B. Corporate Bonds

- a. If there is a good subject, after the project is approved by "auditing commission" transmitted to Board for approval, it is expected to invest \$1,000,000,000, with an average interest rate 2.10%, Interest income \$21, 000, 000.
- b. Foreign currency: It is expected to invest about NT 300,000,000, calculate with average rate 6.1%, interest income is \$ 18,300,000.

C. Beneficiary Certificate:

- a. Beneficiary Certificate: Expected to have \$ 300,000,000.
- b. Interest income: \$ 6,300,000. (Expected rate 2.1%)

D. Preferred Shares:

- a. Preferred Shares: Expected to have \$ 2,100,000,000.
- b. Interest income: \$ 9,950,000. (Expected rate 4.738%)

(3) Stock-operation strategy

Since China and Taiwan topics will continue to simmer, with the Chinese Olympic opportunities, and the new Microsoft Windows software VISTA", the Taiwan stock market has room for imagination, the estimate potential increasing rate is between 10 - 20%, the index will challenge 8,000-8, 500 points opportunities. Ministry of Finance maintains investment in the last year stock market amount was NT \$ 1 billion, operational direction is divided into the electronics and dissemination industrial two parts:

A. Electronics share: Sustained growth is the focus of operation, the subject and opportunities

Phone and its components, laptop and its parts, LCD, network communications, video game parts, and the electronics industry's PCB, IC design are all the expected sustain growth industries in 2007. From the growing industry to select strong growth momentum or having both growth and value characteristics subjects, are both the important operational direction in 2007.

2006's popular topics, transfer shares are the solar energy concept, low-priced computer IC, games, computer games, high-priced electronics stocks. But majority has already had the signs of Price-In becoming less popular. 2007 may be expecting the pursuit of growth model based conversion value; the return of evaluation will be an important opportunity for electronics shares. Under this investment logic, companies with operating growth, low earnings, low stock net price rate, financially stability will have the opportunity to stand up from the bottom. From the past two years overly pursuit growth and opportunity, the bank will

be coordinated with the slow global economic environment and the return to value investment, this is the most “changeable” investing direction of electronic industry in 2007.

- B. Dissemination of the industrial share: “The concept of Chinese” will be the most important issues dissemination of the industrial share, cyclical industries provide interval room China concept stocks derived mainly in the “lifestyles, and revenue-producing investment”, it focused on China's domestic food stocks, clothing brand from China, daily supplies, electronic products, if Chinese enterprises come to invest in Taiwan, it may stimulate business opportunities like- the revaluation effects from Chinese investment, Taiwan tourists visiting China which brings the domestic industrial growth, China's transportation opportunities, and the Chinese Olympic infrastructure business opportunities. If distinct by stocks, assets, tourism, and constructions they bare all the major beneficiaries' shares.

Steel and shipping business cycle strong industries will provide interval operation opportunities along with the ups and downs economy in 2007. And after the two card storm is over, it will also become the potential investment group in 2007.

(4) Beneficiary certificates (Fund) investment strategy

2007 Fund investment is divided into two parts; one part is the NT dollar denominated, to invest in the domestic Fund products. Another part is denominated in foreign currency and invests in the overseas funds approved by the domestic Securities Board. It will be divided into two categories in 2007, mainly because the approved fund can invest more, and it's easier to find investment opportunities, we expect to improve the overall investment rate of return, NT part is planning a large proportion to invest in the stock market and global bonds commodities, Foreign currency part is planning a largest proportion in the bonds and funds investment, mainly focus on foreign interest rates are much higher than Taiwan. Therefore, bonds return rate has the investment attractiveness.

(3) Market analysis

1, Banking Industry Operations

The asset quality of domestic banks has been improved dramatically under the financial reform policy conducted by our government. The overall overdraft ratio has decreased from the peak 8.09% in 2002 to the rate at the end of 2005. The reserve debt cover rate also reached 49.89%. The figures show that the ability of risk management of domestic banks has lifted enormously. However, the second financial reform, which also aims at reducing the number of financial institutes through merge and acquisition among themselves, does not achieve an obvious result. The revenues of banks mainly come from the interest imposed upon loans under very keen competition. There is no obvious increase of the income derived from commissions. The number of banks is still high. The banks cannot obtain sufficient interest difference from traditional loan services. Therefore, they positively devote themselves into consuming finance services with larger interest differences, which leads to the argument of double card interest difference in the latter half of last year. Looking to the future, in the face of international financial trends, in addition to large Asian Amount industry competition, more foreign banks beach mainland market, if Taiwan's financial institutions implement the reform objectives, this will enhance the international community's visibility and competitiveness, and create international arena development opportunities, and the hope of correcting the domestic financial environment than competitive posture; on the other hand, encourage small U.S. banks to continue to play their own strengths and niches, with large bank coexistence. Provide customers with more diversified and high quality services.

2. Supply, demand and growth of the market

(1) Supply

According to the statistics provided by the Central Bank, there is a total of 396 financial institutes and 5,872 branches in the Taiwan area (including domestic banks, small and medium business banks, branches of foreign banks, cooperatives, credit department of farmers' and fishermen's associations, trust and investment companies, bills companies, post offices, etc.). While meeting the trend of globalize financial market and linearization, domestic financial institutes shall have to face greater competitive pressure from foreign large-scale financial institutes. The local financial institutes will keep on merging and provide innovative products so as to expand the market share.

(2) Demand

As the financial market is getting liberalized and internationalized, there are multiple channels for corporate capital financing. In addition to the application of loans from financial institutes, corporations can issue common stocks, special stocks, common corporate bonds, convertible corporate bonds or trust certificates so as to directly obtain necessary capital in domestic and foreign markets and currency markets. As a result, the percentage of direct finance increases because direct finance can help to obtain the capital at a lower cost than that of traditional loans. The advanced countries in capitalized markets, like America, have 50% of direct finance. This shows that corporations become less reliant on traditional financing. Regarding personal finance, an increasing demand is shown. Various financial planning tools have been provided. Increasing personal finance services and financial management will enhance the commission income and banking services.

(3) Growth

For reinforcing the international competitiveness of the financial industry in Taiwan, our Government keeps on promoting the merge and acquisition of financial institutes so as to achieve the targets set by the 2nd financial reform. Though the financial institutes are still over saturated, a growing space may be found by trans-industrial marketing, multi-industrial alliances and introduction of new financial commodities under the governmental principles and directions of "generous business supervision and management and strict financial supervision and management". Strategic alliances by merging or introducing foreign capital can be conducted in order to achieve large-scale organizations and multiple services.

3. Dominance, Factors Influencing Prospects and Solutions

(1) Dominance

A. A total of 96 domestic branches mainly distribute in Taipei and Kaohsiung metropolis.

B. Good locations. Friendly and efficient services. Good interactions with customers.

C. Services divided into seven systems: general finance, corporate finance, consuming finance, branch operations, sales, administration, and auditing. Better management

and efficiency in management and operations are provided.

D. Establish corporate and consuming finance regional centers. Enhance sales performance and

quality of credit authorization. Transform branches as part of marketing network.

With the

establishment of processing centers, the manpower of branches can be reduced.

(2) Factors Influencing Prospects

A. Advantages

(a) The overall financial environment has become more and more sound. The authorities open and encourage the research and development of new types of financial commodities.

(b) The concept of investment and financial management has rooted in the mind of people. The concept of trust has also formed gradually.

(c) The economies are still growing at a slow speed. Suppliers have great demand in capital, which is beneficial for banks to promote related services.

B. Disadvantages

(a) The financial market opens more and more quickly. Domestic banks therefore face strong competition brought by international large-scale financial groups, which have their preferential advantages in trans-industrial and transnational management experience and integration of financial innovation and technology.

(b) The percentage of direct finance keeps on rising, which shall suppress the growth and profitability of traditional banking services.

(c) The interest rates have been gradually adjusted higher. However, the market is still over competitive; the interest difference between deposits and loans keeps shrinking when domestic banks take prices as a competitive measure.

C. Solutions

(a) Keep on investing resources. Strengthen the research and development of new financial commodities. Provide customer services with excellent quality and differentiation. Avoid malicious price competition.

(b) Re-plan the locations of branches and develop new marketing channels so as to show the distribution advantage of having 96 branches island wide.

(c) Keep on promoting capital increase plans so as to strengthen the operating capital of Sunny Bank Ltd.

(4) Study on Financial Commodities and Business Development

N/A

(5) Short-and long-term business development plan

Short-term plan is to reach the competent authority request financial ratios as the highest guiding principle, the current and the next two years is to improve the operating structure and the financial structure as the primary target, Plan through issuing 2nd position debt 5 billion to upgrade BIS and lower overdue loan ratios to below 2.5%, the provision for doubtful accounts to cover more than 40%.

Starting in the year after next year through the acquisition of high quality credit cooperatives and set up overseas branches to expand operating territory. Expected starting from 2013 to expand financial development through acquisitions and mergers of its neighboring, medium - and long-term business development plan are organized as follows:

Year	2007-2008	2009-2012	After 2013
Business development plan	Provide healthy management and improve financial structure	Merge credit cooperatives	Merge Insurance Companies
	Issue Subordinated Financial Debentures \$ 5,000,000,000	Set up overseas branches	

Two. Employee Profiles

Year		2005	2006	Until April 30, 2007
Number of staff	Chiefs	548	548	582
	Clerks	1977	1997	1970
	Officers	94	20	18
	Total	2619	2565	2570
Average age		33.87	33.58	33.69
Average service period		6.89	6.28	6.31
Education	Phd.	0%	0%	0%
	Masters	3.70%	4.05%	4.24%
	College	72.05%	76.80%	76.81%
	Senior high school	23.56%	18.64%	18.52%
	Below	0.69%	0.51%	0.43%
Number of employees holding different types of certificates				
Internal Control		1108	1217	1114
Trust Service Personnel		947	1349	1428
Trust Service Managers		259	407	398
Trust Service Supervisors		4	5	4
Life Insurance Personnel		1502	1725	1729
Investment-Oriented Insurance Personnel		323	661	770
Property Insurance Personnel		699	1445	1496
Financial Planners		363	433	425
Junior Foreign Exchange Personnel		193	349	383
Junior Credit Authorization Personnel		399	715	802
Senior Credit Authorization Personnel		18	20	21
Future Sales		99	291	318
Securities Sales		167	223	225
Senior Securities Sales		96	152	161
Securities Investment Trust Sales		57	117	31
Bills Sales		48	44	45
Risk Management of Financial Personnel		2	5	4
Credit financial personnel collateral valuation		1	21	20
Financial market knowledge and professional ethics		2	1260	1289
Labor regulations related investment adviser		2	573	714
Financial planning consultants (CFP)		1	1	1
Bills personnel		9	15	16
Investment securities analysts		1	4	4

3. Corporate responsibility and moral risks

For feedback from society, Sunny Bank Ltd. positively plays the role of “corporate civilian” apart from increasing our operational performance. We express our responsibilities to society by donating to academic and cultural activities. We promote good leisure and sponsor various sports activities, cultural and educational activities such as the Anniversary of Shih Lin Senior Commercial School, Sports Meets of Shih Pai Elementary School, State Baseball Tournaments, music performances, activities such as Chinese chess, “Go” chess, painting, seminars, parent-child summer camp, and scholarships, etc. We endeavor to contribute ourselves to the growth and progress of the academic and cultural activities in society.

4. Information Infrastructure

(1) Distribution and Maintenance of Major Information System Infrastructure

1. Taiwan's foreign currency transactions Tandem system.
2. Phone banking.
3. Mobil phone banking.
4. E- banking.
5. Trust system.
6. Wealth management system.
7. Auditing management system.
8. Bills and Bonds system.
9. MIS
10. RCE
11. ACH
12. Service management system.
13. Capital transfer system.
14. Foreign Exchange system.
15. Collection management system.
16. RPS
17. Online Seal system.
18. Intranet.

19. E-JCIC.
20. Online ATM system.
21. Anti-Spam system.
22. Intrusion Detection System and Network Flow Analysis System.
23. Router ACS.
24. Router LMS.
25. Anti-virus server system.
26. XML financial payments system.
27. E-LOAN system.

(2)Future development or acquisition plan:

1. Tandem system backup system establishment.
2. Internet Management audit system establishment.
3. Parking fee collection system establishment.
4. Real estate price computer operating system establishment.
5. Establishment of credit risk management plan.
6. Branch combine account unit business.
7. Corporate financial Credit computerized system.
8. Information security (data backup) and management automation for project strengthening.

(3) Emergency Backup and Security:

1. Purpose: reduce the impact brought by information loss and interruption of operations when disasters occur through regular backup and tests so as to recover the operation of the system.
2. Plans for Disasters:
 - (1) System backup center and project team.
 - (2) Evaluation on current organization of information office and environment.
 - (3) Reorganize the structure of systems and operating flows.
 - (4) Make disaster backup plans.
 - (5) Execute necessary training.
 - (6) Coordinate related documents.
 - (7) Propose revised plans while encountering problems.

3. Work Distribution

a. Disaster Command Team:

- (a) Send notices to each unit and start disaster recovery teams.
- (b) Consolidate commands. Coordinate and supervise recovery works.
- (c) Request Computer Company to support necessary hardware, software and technicians.
- (d) Supervise the performance of disaster maneuvers.

b. Backup Recovery Team:

- (a) in charge of daily backup work and preservation of media at other locations.
- (b) In charge of use and restoration of backup media.
- (c) In charge of re-establishment of systems.
- (d) In charge of system operations.
- (e) In charge of information security.
- (f) In charge of contacts and coordination with each unit.
- (g) In charge of information security and control.
- (h) Participate in test practices and make review reports.

4 Backup Plans:

a. Business impact analysis:

- (a) Confirm the range covered by the recovery plan.
- (b) Confirm the systems covered by the recovery plan.
- (c) Confirm the units covered by the recovery plan so as to setup the network.

b. Infrastructure Analysis:

- (a) Hardware: including CPU, Memory, Hard Disk capacity, Tape Driver, control panels, terminals, printers and other special facilities.
- (b) Network maps.
- (c) System software and applications.
- (d) Application systems in need of recovery and their recovery sequences.
- (e) Necessary consumables.

c. Sequence of Backup:

- (a) Software and applied software for special systems and their copy library and backup.
- (b) Backup of crucial information.
- (c) Setup schedule for backup and assign backup personnel.

5. Recovery Plan:

- a. System software and infrastructure setup: include the re-establishment of operation systems and library, infrastructure setup, user ID setup, user authorization, setup for authentication

sequences of operating systems.

- b. Internet connections: setup network according to network maps. Establish network authentication sequences and test connections.
- c. Recovery of application system and information: re-edit applications. Re-establish On-Line infrastructure and sequences of information restoration. Setup procedures for system authentication; confirm if the application systems are successfully re-established.
- d. Make plans for recovery: Setup a schedule for recovery at each phase.

5. Relationships between labor and employer

1. Current agreements between labor and employer and related practices:

(1) Employee Welfare:

- a. Labor insurance, health insurance and group insurance.
- b. Payment for employees not taking special leaves due to the need of work.
- c. Free health inspection.
- d. "Employee Welfare Committee": benefits for weddings, funerals, disasters and emergencies.
Bonus for Chinese New Year, Dragon Boat Festival and Moon Festival, Pension for activities

(2) Retirement System

- a. Establish Retirement Reserve 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 retirement 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 Manual: 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. Re-assignment of Work: for effective use of human resources, a special program has been developed for employees to choose their working place and positions.

2. Loss arising from disputes between labor and employer in recent years and by printing the annual report:

there is one dispute between labor and employer that is currently under legal process at the court.

The client was an employee who had already retired from Kao Shin Commercial Bank. The compensation will be appropriated from the pensions listed. If Sunny Bank Ltd. loses the case, it shall pay the above said pension difference and salary from the accounts of listed pension and salary expenditures.

6. Important contracts

Type of Contract	Client	Duration	Contents	Restrictions
Deposit Insurance policy	Central Deposit Insurance Corp.	Signed on Sept. 2, 1987	The Corp. at left is liable to domestic currency depositor or assigned trust capital beneficiary when the Bank is unable to perform its obligations.	The maximum indemnity for the same depositor is NTD 1 million.
Small & medium business credit guarantee contract	Small & Medium Business Credit Guarantee Fund	Signed on Dec. 1, 1997	For financing proposed by small and medium businesses, the Bank is able to apply for a credit guarantee from this Fund to amend the insufficient part when insufficient or without guarantee while such a proposal is generally reviewed and accepted.	The Bank undertakes credit authorization services and signs contracts for loans with small and medium businesses according to related regulations in credit authorization approved by authorized organizations and the conditions listed in the letter of guarantee of the Fund.
Credit rating agreement	Taiwan Rating Corporation	Signed on Dec. 23, 1999	Provide rating services upon request of the Bank.	The Bank shall provide complete, effective, accurate and reliable information.
Bank comprehensive insurance policy	Shinkong Insurance Co.	Jan. 1, 2007 Jan. 1, 2008	The Insurance company shall be liable to the dishonesty of employees, property at operating branches and offices, property in transportation, forgery of bills and securities, forgery of currency, mistakes, negligence and shortage of securities or contracts.	It is bounded by general conditions, special conditions and other restrictions listed in the letter of approval made by the Insurance company.
Procurement contract	Zhaofeng bank information system Ltd.	Jun. 28, 2006 Contracting	Hardware and software procurement	N/A
Procurement contract	Yifan Technology Co., Ltd.	Oct. 27, 2006 Contracting	Backup hardware and software procurement	N/A

7. Transactions of Securitized Commodity

N/A

Six, Financial overview

1. Condensed Balance Sheet

Unit: THOUSAND NT

Year (Note 2)		Recent 5 years financial data				
		2006	2005	2004	2003	2002
Items						
Cash & Cash Equivalents Due from Central Bank & Placement to Banks		16,984,891	16,815,172	9,855,918	9,468,556	8,965,311
Financial Assets at fair Value through Profit or Loss (Note3)		29,047,227	31,767,176	21,181,880	15,634,765	18,207,025
Bills & Bonds Purchased under Agreements to Resell		-	-	1,625,924	-	-
Available for Sale- Financial Assets		4,209,951	2,315,849	-	-	-
Loans & Advances		184,364,343	166,654,215	126,404,592	115,982,754	99,606,011
Account Receivables		5,087,618	4,800,369	4,534,525	4,361,587	1,400,380
Held-till-Maturity Financial Assets		287,498	315,815	-	-	-
Long-Term Investment under Equity Method		273,157	216,459	237,366	245,943	143,633
Fixed Assets (Property & Equipment)		9,686,166	9,662,124	7,426,864	7,114,017	6,775,788
Intangible Assets		1,366,814	1,355,756	579,447	642,891	706,613
Financial Assets under Cost Method		397,261	446,173	251,495	395,423	292,622
Other Assets		2,574,916	1,992,932	812,882	876,895	1,400,124
Total Assets		254,279,842	236,342,040	172,910,893	154,722,831	137,497,507
Deposits by Central Bank and Other Banks		10,038,458	8,377,938	9,380,041	8,889,159	4,662,165
Deposits and Remittances		213,010,449	202,965,741	146,038,213	133,337,851	121,642,910
Financial Liabilities at Fair Value through Profit or Loss		140	-	-	-	-
Bills & Bonds Sold under Agreements to Repurchase		8,127,593	5,774,401	4,107,736	-	-
Financial Debentures Payable		4,000,000	2,000,000	1,000,000	1,000,000	1,000,000
Preferred Stocks Liabilities		-	-	-	-	-
Accrued Pension Liabilities		208,737	272,286	26,329	17,923	6,910
Other Financial Liabilities		-	-	-	-	-
Other Liabilities		5,083,345	4,045,176	2,088,568	2,762,974	2,657,451
Total Liability	Before Distribution	240,468,722	223,435,542	162,640,887	146,007,907	129,976,694
	After distribution (Note 1)	240,468,722	223,449,128	162,662,870	146,017,334	129,983,952
Capital Stock		12,439,281	10,915,265	8,200,000	7,061,579	6,161,700
Legal Reserve		11,228	11,228	11,228	11,228	134,237
Retained Earnings	Before Distribution	1,555,944	1,980,005	2,058,778	1,642,117	1,232,134
	After Distribution (Note 1)	1,555,944	1,527,138	1,326,012	1,013,600	748,231
Unrealized Gains (loss) on Financial Instruments		22,272	-	-	-	-

Other interest items of the shareholders		(217,605)	-	-	-	-
Total Shareholders Equity	Before Distribution	13,811,120	12,906,498	10,270,006	8,714,924	7,528,071
	After Distribution (Note 1)	13,811,120	12,892,912	10,248,023	8,705,497	7,520,813

Note 1: 2006 earning allocation has not allocated the board of directors and staff remuneration dividend.

Note 2: The above financial information will be audited.

Note 3: 2002 to 2004 securities and securities purchased not to be re-classification, all listed account changes in the fair value of the profit and loss of financial assets.

2. Abbreviated income statement

Unit: Thousand NTD (Net profit per share: NTD)

Year (Note 1) items	Recent 5 years financial data				
	2006	2005	2004	2003	2002
Net interest Income	3,753,822	3,389,571	3,290,356	2,784,776	2,642,396
Net Non-Interest Income	338,532	311,195	563,984	539,476	301,734
Bad Debt Expense for Margin Loans	1,067,420	297,285	68,668	-	270,517
Costs	3,252,810	2,612,488	2,481,494	2,149,923	1,778,643
Income from Continuing Operation Before Tax	(227,876)	790,993	1,304,178	1,174,329	894,970
Income from Continuing Operation After Tax	(170,271)	653,993	1,045,178	894,329	694,970
Income from Discontinued Operation (After Tax)	-	-	-	-	-
Extraordinary Loss (Net after Tax)	-	-	-	-	-
Cumulative Effects due to Changes in the Accounting Principles (Net After Tax)	199,077	-	-	-	-
Earning	28,806	653,993	1,045,178	894,329	694,970
EPS	0.02	0.69	1.18	1.05	0.81

Note 1: The above financial data shown in the recent five years have been audited and accredited by accountants.

3. Audited by CPAs for Years and Auditing Opinion

The Bank, from 2002 to 2003, has appointed Deloitte & Touche Guo Zeng-Hong, Chen Qing-xiang accountants to check opinions and issue an unqualified opinion on the report. 2004 causes of Deloitte & Touche internal accounting firm position adjustments Accountants for visa changes were Zeng Guo-Hong, and Shau Tze-Ming. By the banks engaging in securities and bond trading conditions attached to the sale of the original deal constantly, but since 2004, according to "open bank issued guidelines for the preparation of financial reports", to change the financing method; Another of the 94 banks in the high absorption merger and the introduction of new banks issued a communiqué Financial Accounting Standards No. 35 "production detracts from the accounting treatment guidelines," the 2004 to 2005 amendments formally issued an unqualified opinion checking report. 2006 still appointed Deloitte & Touche Shao Chih-Ming. Guo Zeng-Hong visas for the Bank to sell bad debts to assets management companies, its losses on "Financial Institution Merger Act" provisions were deferred and amortized over five years, and the introduction of new publication Financial Accounting Standards No. 34 Communiqué "financial products accounting treatment standards," No. 36 "Expressions of financial products and expose" and other relevant communiqués with the provisions of the new amendments, issued reservations checking the report.

4, Financial Analysis

(1) Financial ratios analysis

Analysis Items		Year (Note 2)	Recent 5 years financial analysis				
			2006	2005	2004	2003	2002
Operation Capability	Loan to Deposit Ratio (%)		87.59	83.17	87.53	87.84	82.65
	NPL ratio (%)		2.65	3.09	2.00	2.88	3.84
	Interest Expense to Average Deposit (%)		1.66	1.32	1.30	1.51	2.34
	Interest Income to Average Loan (%)		4.06	3.84	4.17	3.91	5.43
	Total Assets Turnover Ratio (times)		0.02	0.02	0.02	0.02	0.02
	Average Revenue per Employee (thousand dollars)		1,595	1,413	1,958	1,873	2,151
	Average Income per Employee (thousand dollars)		11	250	531	504	475
Profitability	Return on Tier 1 Capital (%)		(0.13)	7.43	14.61	15.64	12.95
	ROA(%)		0.01	0.32	0.64	0.61	0.54
	ROE(%)		0.22	5.64	11.01	11.01	9.60
	Net Interest Ratio (%)		0.70	17.67	27.12	26.90	23.61
	EPS (Dollars) (Note 1)		0.02	0.69	1.18	1.05	0.81
Financial Structure (%)	Liability to Total Asset		94.55	94.52	94.04	94.34	94.50
	Fixed Assets to Shareholders' Equity		70.13	74.86	72.32	81.63	90.01
Growth (%)	Asset Growth		7.59	36.68	11.76	12.53	16.70
	Profitability Growth		(102.05)	(39.35)	11.06	31.21	33.92
Cash Flow (%)	Cash Flow		-	-	-	9.95	41.01
	Cash flow to Dividend & Expenditure		-	-	-	47.39	-
	Cash Flow Reinvestment Ratio		-	-	-	-	-
Liquidity Reserve Ratio (%)			10.17	13.76	9.76	9.80	15.06
Outstanding balance of credit secured extended to related parties			2,505,400	2,607,587	2,317,633	3,199,749	3,339,006
Ratio of lines of credit secured to related parties to total outstanding credits (%)			1.32	1.51	1.76	2.63	3.23
Operation scale (%)	Market share of Asset		0.76	0.74	0.58	0.55	0.53
	Market share of Net Worth		0.46	0.46	0.40	0.31	0.29
	Market Share of Deposit		1.00	1.00	0.76	0.74	0.71
	Market Share of Loan		1.06	0.98	0.80	0.81	0.73
Note change in the ratio of change:							

1. Interest Expense to Average Deposit increased; mainly due to the deposit having higher interest rates.
2. Average Income per Employee, The first type of capital return, Assets return rate, Shareholder return rate, interest rate and net EPS decrease was due primarily to Net interest Income reduction.
3. Asset growth rate reduction was mainly due to 2005's merging with Kao-Hsin bank; therefore, its growth rate was higher than other years.
4. Gained profit growth rate reduction was mainly due to liability and operating expense increase so the pre-tax profit and loss was reduced.
5. Liquidity Reserve Ratio reduction was mainly due to loan increase, so the liquidity reserve was reduced.

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

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

Capital adequacy

Unit: THOUSAND NT

Analysis Items			Recent 5 years capital adequacy				
			2006	2005	2004	2003	2002
Equity capital	Tier 1 capital	Common Stock	12,439,281	10,915,265	8,200,000	7,061,579	6,161,700
		Non-Perpetual Preferred Stock	-	-	-	-	-
		No due date of non-cumulative Subordinated Debentures	-	-	-	-	-
		Equity received in advance	-	-	-	-	-
		Legal Reserve (Excluding Legal Reserve for Fixed Asset Appreciation)	11,229	11,229	11,229	11,229	134,238
		Legal Earning Reserve	1,519,508	1,323,310	1,009,757	741,458	532,967
		Special Earning Reserve	-	-	-	-	-
		Cumulative Earning	36,436	656,695	1,049,021	901,102	699,167
		Minority Shareholding	-	-	-	-	-
		Other Shareholders Equity	(217,833)	-	-	-	-
		Less : Goodwill	1,333,579	1,333,579	544,876	590,031	635,186
		Less : the sale of NPL unamortized losses	-	-	-	-	-
		Less : Capital deduction Items	335,209	226,316	244,431	320,684	218,128
		Total Tier 1 Capital	12,119,833	11,346,604	9,480,700	7,804,653	6,674,758
	Tier 2 Capital	Perpetual Preferred Stock	-	-	-	-	-
		Short-Term Subordinated Debentures	-	-	-	-	-
		Provident value of fixed assets	-	-	-	-	-
		Available for sale financial assets outstanding interest's 45%	10,125	15,145	122,676	139,135	130,305
		Convertible bonds	-	-	-	-	-
		Operation Reserve & Bad Debt Account	286,484	506,416	427,058	772,522	402,736
		Long-Term Subordinated Debentures	2,800,000	1,400,000	600,000	800,000	1,000,000
		Non-Perpetual Preferred Stock	-	-	-	-	-
		Non-Perpetual Preferred Stock and No due date Short-Term Subordinated Debentures total debt position in excess of one category of 15% of total capital	-	-	-	-	-
		Less : Capital deduction Items	335,209	226,316	244,431	320,684	218,128
		Total Tier 2 Capital	2,761,400	1,695,245	905,303	1,390,973	1,314,913
	Tier 3 Capital	Short-Term Subordinated Debentures	-	-	-	-	-
		Non-Perpetual Preferred Stock	-	-	-	-	-
		Category 3 capital Total	-	-	-	-	-
	Equity Capital		14,881,233	13,041,849	10,386,003	9,195,626	7,989,671
Risk-Weighted Asset	Credit Risk	Standardize Approach	152,075,214	138,392,246	100,563,678	93,496,734	76,804,476
		Inter Rating-Based Approach	-	-	-	-	-
		Securitization Framework	-	-	-	-	-
	Operation risk	Basic indicator Approach	-	-	-	-	-
		Standardized/Alternative Approach	-	-	-	-	-
		Advanced Measurement Approach	-	-	-	-	-

	Market risk	Standardized Approach	17,720,066	15,309,909	10,870,808	6,206,514	9,766,210
		Internal Model-based Approach	-	-	-	-	-
	Total Risk-Weighted Capital	169,795,280	153,702,155	111,434,486	99,703,248	86,570,686	
Capital Adequacy Rate			8.76	8.49	9.32	9.22	9.23
Tier 1 capital to Risk-weighted Asset (%)			7.14	7.38	8.51	7.83	7.71
Tier 2 capital to Risk-weighted Asset (%)			1.62	1.11	0.81	1.39	1.52
Tier 3 capital to Risk-weighted Asset (%)			0	0	0	0	0
Common Stock to Total Asset (%)			4.89	4.62	4.74	4.56	4.48

Note: 1. Equity capital = Tier 1 capital + Tier 2 capital + Tier 3 capital

2. Risk-Weighted Asset = Credit risk-weighted assets + Required capital for (Operational risk + Market risk) × 12.5

3. Capital Adequacy Ratio = Equity capital / Total risk-weighted assets

4. Tier 1 capital risk-weighted assets ratio = Tier 1 capital / Total risk-weighted assets

5. Tier 2 capital risk-weighted assets ratio = Tier 2 capital / Total risk-weighted assets

6. Tier 3 capital risk-weighted assets ratio = Tier 3 capital / Total risk-weighted assets

7. Common Share to Total Assets = Common share / Total assets

8. Equity capital for risk assets ratio in line with current standards

(2) Merge financial ratios analysis

Analysis Items		Year (Note 2)	Recent 5 years financial analysis				
			2006	2005	2004	2003	2002
Operation Capability	Loan to Deposit Ratio (%)		87.60	83.18	87.53	87.84	82.65
	NPL ratio (%)		2.65	3.09	2.00	2.88	3.84
	Interest Expense to Average Deposit (%)		1.66	1.32	1.30	1.51	2.34
	Interest Income to Average Loan (%)		4.06	3.84	4.17	3.91	5.43
	Total Assets Turnover Ratio (times)		0.02	0.02	0.02	0.02	0.02
	Average Revenue per Employee (thousand dollars)		1,583	1,405	1,958	1,873	2,151
	Average Income per Employee (thousand dollars)		11	243	531	504	475
Profitability	The first type of capital return (%)		(0.13)	7.43	14.61	15.64	12.95
	Assets return rate (%)		0.01	0.32	0.64	0.61	0.54
	Shareholder return rate (%)		0.22	5.64	11.01	11.01	9.60
	Net Interest Ratio (%)		0.69	17.28	27.12	26.90	23.61
	EPS (dollars) (Note 1)		0.02	0.69	1.18	1.05	0.81
Financial Structure (%)	Liability to Total Asset		94.55	94.51	94.04	94.34	94.50
	Fixed Assets to Shareholders' Equity		70.24	74.92	72.32	81.63	90.01
Growth (%)	Asset Growth		7.84	36.72	11.76	12.53	16.70
	Profitability Growth		(102.00)	(39.40)	11.06	31.21	33.92
Cash Flow (%)	Cash Flow		-	-	-	9.95	41.01
	Cash flow to Dividend & Expenditure		-	-	-	47.39	-
	Cash Flow Reinvestment Ratio		-	-	-	-	-
Liquidity Reserve Ratio (%)			10.17	13.76	9.76	9.80	15.06
Outstanding balance of credit secured extended to related parties			2,505,400	2,607,587	2,317,633	3,199,749	3,339,006
Ratio of lines of credit secured to related parties to total outstanding credits (%)			1.32	1.51	1.76	2.63	3.23
Operation	Market share of Asset		0.76	0.74	0.58	0.55	0.53

scale (%)	Market share of Net Worth	0.46	0.47	0.40	0.31	0.29
	Market Share of Deposit	1.00	1.00	0.76	0.74	0.71
	Market Share of Loan	1.06	0.98	0.80	0.81	0.73
Changes in the ratio of change: analysis with the parent company.						

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

Note 2: The above financial data shown in the recent five years has been audited and accredited by accountants.

Explanation 1: Calculation methods:

1. Operating Capability

(1) Loan to Deposit Ratio= Total deposits / Total loans

(2) NPL Ratio = Total non-performing loans / Total loans

(3) Interest Expense to Average Deposit = Total interest expense / Average deposits

(4) Interest income to Average Loan =Total interest income / Average loans outstanding

(5) Total Assets Turnover=Net operating income / Total assets

(6) Average Revenue per Employee = Operating revenue / Number of employees

(7) Average Income per Employee = After-tax profit / Number of employees

2. Profitability

(1) Return on Tier 1 Capital=Before-tax income/Average total amount of Tier 1 capital

(2) Return on Asset=After-tax income/Average total assets

(3) Return on Equity=After-tax income/Average net shareholder equity

(4) Net Income Ratio = After-tax income/Net income on operations

(5) EPS= (after-tax profit preferred shares dividends)/Weighted average of shares outstanding

3. Financial Structure

(1) Liability to Total Asset=Total Liabilities /Total Assets

(2) Fixed Assets to Shareholder Equity=Fixed assets / Shareholders' Equity

4. Growth Rate

(1) Asset Growth= (Total assets of current year-Total assets of Previous year)/Total assets of previous year

(2) Profitability Growth= (Pre-tax profit of current year-pre-tax profit of previous years)/Pre-tax Profit of Previous year

5. Cash Flow

(1) Cash Flow = Net operating cash flow / (placement & advance to other banks + commercial paper payable + financial asset at fair value through profit or loss + bills & bonds purchased under agreements to resell + payables of maturity with one year

(2) Cash Flow to Dividends & Expenditures=Net operating cash flow in the past five years/ (capital expenditures + cash dividends) in the past five year

(3) Cash Flow Reinvestment Ratio = meet business activities Cash flow net / net investment activities Cash flow

6. Liquidity Reserve Ratio=Liquid assets required by Central Bank/Liabilities for which the liquid reserve are allocated

7. Operation scale

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

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

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

(4) Market Share of Loan =Total loans/Total loans of financial institutions allowed to engage in the deposits and loan business

Explanation2: Liability deducted from the total system responsibility to ensure preparations, the sale of securities

losses preparations and loss by default loss by accident

Explanation3: Several things should be taken into consideration when using the above mentioned formulas.

- 1 It is calculated on a basis of weighted average number of shares instead of the number of shares issued by the end of the year.
- 2 Weighted average numbers of shares shall be calculated by considering the available period whenever there is cash increment and treasury stocks transactions.
- 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 surplus recapitalization or capital surplus recapitalization.
- 4 In case the preferred shares are non-convertible accumulated preferred shares, the annual dividends (whether distributed or not) shall be calculated by deducting or adding net loss after tax from or to net profit after tax.
- 5 In case preferred shares are not accumulative, the dividends of preferred shares shall be deducted from net profit after tax when there is any net profit after tax. When there is loss after tax, it is not necessary to adjust.

Explanation4: All financial institutions covering 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.

Explanation5: Interest income refers to the amount of income and non-interest income total amount.

Explanation6: Cash flow analysis of the measure should pay special attention to the following matters:

1. Net operating activities cash flow is the business activities net cash inflow in the table.
2. Capital expenditure means annual capital investment cash outflow.
3. Cash dividend including common stock and Preferred Shares cash dividend.
4. Fixed asset gross is before accumulated depreciation's fixed total assets.

Combined capital adequacy

Unit: THOUSAND NT

Analysis Items			Year	Recent 5 years capital adequacy				
			2006	2005	2004	2003	2002	
Equity capital	Tier 1 capital	Common Stock	12,439,281	10,915,265	8,200,000	7,061,579	6,161,700	
		Non-Perpetual Preferred Stock	-	-	-	-	-	
		No due date of non-cumulative Subordinated Debentures	-	-	-	-	-	
		Equity received in advance	-	-	-	-	-	
		Legal Reserve (Excluding Legal Reserve for Fixed Asset Appreciation)	11,229	11,229	11,229	11,229	134,238	
		Legal Earning Reserve	1,519,508	1,323,310	1,009,757	741,458	532,967	
		Special Earning Reserve	-	-	-	-	-	
		Cumulative Earning	36,639	656,695	1,049,021	901,102	699,167	
		Minority Shareholding	6,948	6,746	-	-	-	
		Other Shareholders Equity	(217,833)	-	-	-	-	
		Less : Goodwill	1,333,579	1,333,579	544,876	590,031	635,186	
		Less : the sale of NPL unamortized losses	-	-	-	-	-	
		Less : Capital deduction Items	204,960	123,916	244,431	320,684	218,128	
		Total Tier 1 Capital	12,257,233	11,455,750	9,480,700	7,804,653	6,674,758	
	Tier 2 Capital	Perpetual Preferred Stock	-	-	-	-	-	
		Short-Term Subordinated Debentures	-	-	-	-	-	
		Provident value of fixed assets	-	-	-	-	-	
		Available for sale financial assets outstanding interest's 45%	10,125	15,145	122,676	139,135	130,305	
		Convertible bonds	-	-	-	-	-	
		Operation Reserve & Bad Debt Account	286,484	506,416	427,058	772,522	402,736	
		Long-Term Subordinated Debentures	2,800,000	1,400,000	600,000	800,000	1,000,000	
		Non-Perpetual Preferred Stock	-	-	-	-	-	
		Non-Perpetual Preferred Stock and No due date Short-Term Subordinated Debentures total debt position in excess of one category of 15% of total capital	-	-	-	-	-	
		Less : Capital deduction Items	204,960	123,916	244,431	320,684	218,128	
		Total Tier 2 Capital	2,891,649	1,797,645	905,303	1,390,973	1,314,913	
		Tier 3 Capital	Short-Term Subordinated Debentures	-	-	-	-	-
			Non-Perpetual Preferred Stock	-	-	-	-	-
			Category 3 capital Total	-	-	-	-	-
	Equity Capital		15,148,882	13,253,935	10,386,003	9,195,626	7,989,671	
Risk-weighted Asset	Credit Risk	Standardize Approach	152,253,470	138,611,137	100,563,678	93,496,734	76,804,476	
		Inter Rating-Based Approach	-	-	-	-	-	
		Securitization Framework	-	-	-	-	-	
	Operation risk	Basic indicator Approach	-	-	-	-	-	
		Standardized/Alternative Approach	-	-	-	-	-	
		Advanced Measurement Approach	-	-	-	-	-	
	Market risk	Standardized Approach	17,767,421	15,356,846	10,870,808	6,206,514	9,766,210	
		Internal Model-based Approach	-	-	-	-	-	
	Total Risk-Weighted Capital		170,020,891	153,967,983	111,434,486	99,703,248	86,570,686	
Capital Adequacy Rate			8.91	8.61	9.32	9.22	9.23	
Tier 1 capital to Risk-weighted Asset (%)			7.21	7.44	8.51	7.83	7.71	
Tier 2 capital to Risk-weighted Asset (%)			1.70	1.67	0.81	1.39	1.52	
Tier 3 capital to Risk-weighted Asset (%)			0	0	0	0	0	
Common Stock to Total Asset (%)			4.89	4.62	4.74	4.56	4.48	

Note: 1.Equity capital = Tier 1 capital +Tier 2 capital +Tier 3 capital

2. Risk-Weighted Asset =Credit risk-weighted assets + Required capital for (Operational risk+ Market risk) ×12.5

3. Capital Adequacy Ratio=Equity capital/Total risk-weighted assets

4. Tier 1 capital risk-weighted assets ratio=Tier 1 capital /Total risk-weighted assets

5. Tier 2 capital risk-weighted assets ratio = Tier 2 capital /Total risk-weighted assets

6. Tier 3 capital risk-weighted assets ratio = Tier 3 capital /Total risk-weighted assets

7. Common Share to Total Assets =Common share /Total assets

8. Equity capital for risk assets ratio in line with current standards

Auditing Statement by Supervisors Sunny Bank Ltd

It is hereby to approve the 2006 Annual Report, financial statements (balance sheet, income statement, statement of changes in equity, and cash flow statement), index of properties and surplus distribution proposals made and submitted by the Board of Directors. The Balance Sheet, Income statement, Statement of Changes in Equity and Cash Flow Statement have been audited and certified by CPAs Kuo Cheng Hung and Shao Chih Ming of and Deloitte & Touche Taiwan. After reviewing the results by other supervisors and me, all statements are approved. Therefore, the Annual Report is thus prepared according to Article 219 of Corporate Law.

To 2007 Shareholders' Meeting

Executive Supervisor	Hsu Bo-Shuong
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Supervisor	Tsai Wen-Shuong
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Supervisor	Chen Shen-Zong
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Supervisor	Gau Ming-Zhi
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Supervisor	Jiang Chuen-Hwai
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April 24, 2007

6. Financial statement

Auditing report by CPAs

To: Sunny Bank Corp. Ltd.

The Balance Sheet dated December 31, 2005 and 2006, Income Statement, Statement of Changes in Equity and Cash Flow Statement dated from Jan. 1 to Dec. 31, 2005 and 2006 submitted by Sunny Bank Ltd. have been audited and certified by us. The above financial statements are made and edited by the management of Sunny Bank Ltd.. We are in charge of stating our opinions toward the above listed financial statements based on auditing results.

The auditing process was planned and conducted according to the regulations on auditing and certification of the financial statements of the financial industry by CPAs and general auditing standards so as to ensure if there are no dishonest statements of the financial statements in a reasonable manner. The auditing process includes spot-check of the amounts listed in the financial statements and disclosure of auditing evidence. In addition, the accounting principles adopted by the financial statements and major accounting estimations made by the management as well as the overall expression of the financial statements are evaluated. It is believed that such auditing process can provide reasonable evidence for the opinions expressed.

As described in Note 26 attached to the Financial Statements, Sunny Bank Ltd. used Oct. 30, 2006 as the base day, the sale of liability to asset management companies has the loss of over \$784, 846,000, according to the "Financial Institution Merger Law" can be amortized for five years stipulation, unamortized balance account list in "other assets – Loss of non-recognized sale of liability" is inconsistent with generally accepted accounting principles. If the sale losses were not deferred, then the Dec. 31, 2006 other assets – Loss of non-recognized sale of liability should reduce the loss of \$771,766,000, and the interests and retain a surplus of 2006 which should both be reduced to \$771, 766,000.

In our opinion, besides the Loss of sale of liability not being recognized in that year according to the generally accepted accounting principles regulations, in the major aspects of the financial statements listed in the first paragraph are made in accordance with the standards of financial statements of public issuing banks and generally recognized accounting principles which shall adequately state the financial conditions on Dec. 31, 2005 and 2006, and operating results and cash flow in 2005 and 2006 of Sunny Bank Ltd.

As described in Note 1 attached to the Financial Statements, Sunny Bank Ltd. merged Kao Shin Commercial Bank on November 26, 2005. As described in Note 3 attached to the Financial Statements, Sunny Bank Ltd. has started adopting No. 34 of "Accounting Principle of Financial Commodities" and No.36 of "Express and Reveal of Financial Commodities" published on the gazette of financial accounting principles since Jan.1, 2006. And also match the communiqué Financial Accounting Standards No. 1 "the design of financial accounting concepts and financial statements," No. 5 "Equity investment in the long-term equity accounting principles" and No. 25 "Corporate merging-Purchase Law accounting" amendments, the long-term equity investment costs and net shareholding difference listed in goodwill and merger reputation, will not be amortized since Jan.1, 2006.

The detailed accounts shown in the 2006 financial statements made by Sunny Bank Ltd. are for supplementary and analysis which has been audited by us based on the process described in the second paragraph. In our opinion, the major aspects of the detailed accounts are in consistent with the related information shown in the financial statements listed in the first paragraph.

The 2006 consolidated financial statements of Sunny Bank Ltd. and its subsidiaries were completed auditing by us and the auditing report of the modified reserve opinion was submitted and filed on Feb. 14, 2007 for reference.

Deloitte & Touche Taiwan

Accountant Shao Chih Ming

Approved doc. No. Tai Tsai Cheng Liu Tze

0930128050 by the Security and

Futures Exchange Committee, Ministry
of Finance

Accountant Kuo Cheng Hung

Approved doc. No. Tai Tsai Cheng Liu Tze

0920123784

by the Security and Futures Exchange
committee, Ministry of Finance

Feb. 14, 2007

Sunny Bank Ltd
Balance Sheet
December 31, 2006 and 2005

				Unit: Thousand NTD (par value: NTD)				刪除: NTDTD	
C o d e	A s s e t	D e c . 3 1 , 2 0 0 6 Amount	D e c . 3 1 , 2 0 0 5 Amount	Percentage c h a n g e s (%)	C o d e	liabilities and stockholders' equity	D e c . 3 1 , 2 0 0 6 Amount	D e c . 3 1 , 2 0 0 5 Amount	Percentage c h a n g e s (%)
11000	Cash (Note4)	\$ 5,785,872	\$ 5,549,431	4		Liabilities			
					21000	Deposits by Central bank and other banks(Note 16)	\$ 10,038,458	\$ 8,377,938	20
11500	Due from Central Bank and placement to other banks (Note5)	11,199,019	11,265,741	(1)	22000	Financial liabilities at fair value through profit or loss, net (Note 2, 3 and 6)	140	-	-
12000	Financial assets at fair value through profit or loss, net (Note 2, 3, 6 and 27)	29,047,227	31,767,176	(9)	22500	Bills and bonds sold under agreements to repurchase (Note 2)	8,127,593	5,774,401	41
					23000	Account Payables	4,415,896	3,332,613	33
13000	Accounts receivable – net (Note 2, 7 and 26)	5,087,618	4,800,369	6	23500	Deposits and remittances (Note 17 and 26)	213,010,449	202,965,741	5
					24000	Subordinated financial debentures (Note 18)	4,000,000	2,000,000	100
13500	Loan and advances to customers (Note 2, 8 and 26)	184,364,343	166,654,215	11	29521	Land preparation for VAT (Note 2 and 13)	264,110	344,749	(23)
					29500	Other liabilities (Note 2, 19 and 24)			
14000	Available for sale financial asset, net (Note 2, 3 and 9)	4,209,951	2,315,849	82		Total liabilities	<u>612,076</u> <u>240,468,722</u>	<u>640,100</u> <u>223,435,542</u>	(4) 8
						Stockholders' Equity			
						Share capital			
						Common stock of par value per share : authorized and issued 2,000,000 and 1,243,928 thousand shares, respectively, in 2006 ; authorized and issued 1,200,000,000 and 1,091,526 thousand shares in 2005			
14500	Held-to-maturity financial asset (Note 2, 3 and 10)	287,498	315,815	(9)	31001				
15000	Long-Term Investments under equity methods, net (Note 2, 3 and 11)	273,157	216,459	26			<u>12,439,281</u>	<u>10,915,265</u>	14
15503	Financial Assets under Cost Method (Note 2, 3 and 12)	397,261	446,173	(11)	31501	Capital surplus	3,646	3,646	-
	Fixed asset (Note 2 and 13)				31515	Capital Premium			-
	Cost				31599	Asset premium income	3,081	3,081	-
18501	Land	6,907,870	6,856,984	1	31500	Other	<u>4,501</u>	<u>4,501</u>	-
18521	Housing and construction	2,843,817	2,833,394	-		Total Capital Surplus	<u>11,228</u>	<u>11,228</u>	-
18551	Miscellaneous facilities	<u>1,118,231</u>	<u>1,041,591</u>	7	32001	Retained earnings:	1,519,508	1,323,310	15
	Cost Total	10,869,918	10,731,969	1	32011	Legal reserve	<u>36,436</u>	<u>656,695</u>	(94)
	Revaluation	<u>183,047</u>	<u>183,047</u>	-	32000	Inappropriate earnings	<u>1,555,944</u>	<u>1,980,005</u>	(21)
	Cost and revaluation	11,052,965	10,915,016	1	32523	Total Retained earnings	<u>22,272</u>	<u>-</u>	-
	Less : accumulated depreciation	<u>1,505,764</u>	<u>1,331,688</u>	13	32542	Unrealized gains (loss) on financial products	<u>(217,605)</u>	<u>-</u>	-
18571	Construction in progress	9,547,201	9,583,328	-	30000	Treasury stock -18,955 Thousand Shares	<u>13,811,120</u>	<u>12,906,498</u>	7
18500	Net fixed asset	<u>9,686,166</u>	<u>9,662,124</u>	-		Total Stockholders' Equity			
19000	Intangible asset (Note 1, 2 and 14)	<u>1,366,814</u>	<u>1,355,756</u>	1					
19500	Other assets (Note 2, 15, 21, 216, 27 and 28)	<u>2,574,916</u>	<u>1,992,932</u>	29					
10000	Total assets	<u>\$ 254,279,842</u>	<u>\$ 236,342,040</u>	8		Total Liabilities and Stockholders' Equity	<u>\$ 254,279,842</u>	<u>\$ 236,342,040</u>	8

The Notes attached construe a part of this financial statement.

Please refer to the auditing statement made by Deloitte & Touche Taiwan on Feb.14, 2007.

Chairman: Chen Shen-Hong

Manager: Tzo San-He

Accounting manager: Young Lien-Tza

Sunny Bank Ltd
Income Statement
January 1 to December 31, 2005 & 2006

C o d e		2006	Unit: Thousand NTD (EPS: NTD) 2005	Percentage (%)
		Amount	Amount	
41000	Interest income (Note 2 and 26)	\$ 7,208,773	\$ 5,690,005	27
51000	Interest expense (Note 26)	<u>3,454,951</u>	<u>2,300,434</u>	50
	Net interest income	<u>3,753,822</u>	<u>3,389,571</u>	11
	Other-non-interest income			
49100	Fees and commission income (Note 2)	597,337	501,935	19
49200	Gain (loss) on financial instruments at fair value through profit or loss (Note 3 and 26)	303,390	393,467	(23)
49500	Investment income under the equity method, net (loss) (Note 2 and 11)	7,719	(30,759)	125
49600	Foreign exchange gain (loss)	(39,318)	52,268	(175)
48005	Financial Assets under Cost Method (Note 3)	25,173	193,279	(87)
48051	Rental income	47,199	27,352	73
48063	Property trading net income (loss)	101,620	(2,247)	4,622
58021	Loss of sale of bad debt	(13,080)	-	-
58089	Other bad debt expense	(732,751)	(764,529)	(4)
49800	Other non-interest income (loss) (Note 3)	<u>41,243</u>	<u>(59,571)</u>	169
	Total other-non-interest income	<u>338,532</u>	<u>311,195</u>	9
	Net income	<u>4,092,354</u>	<u>3,700,766</u>	11
51500	Bad Debt Expenses for Margin Loans (Note 8)	<u>1,067,420</u>	<u>297,285</u>	259

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C o d e		2006	2005	Percentage (%)
		Amount	Amount	
	Operating Expenses (Note 22)			
58500	Personnel costs	\$ 2,114,968	\$ 1,626,134	30
59000	Depreciation and Amortization	218,264	256,642	(15)
59500	Other general and administrative expense	<u>919,578</u>	<u>729,712</u>	26
	Total Expenses	<u>3,252,810</u>	<u>2,612,488</u>	25
61001	Income (Loss) from Continuing Operations before Income Tax	(227,876)	790,993	(129)
61003	Income tax Expense (benefit) (Note 2 and 21)	<u>57,605</u>	(<u>137,000</u>)	142
61005	Tax departments continue to operate income (loss)	(170,271)	653,993	(126)
63500	Cumulative effect of changes in accounting principle (Less income tax expense 12, 605 thousand dollars after net) (Note3 and 21)	<u>199,077</u>	<u>-</u>	-
69000	Net benefits	<u>\$ 28,806</u>	<u>\$ 653,993</u>	(96)
C o d e		Profit before T a x	Profit before T a x	
69500	EPS (Note 23)			
	Basic EPS			
69501	Net income(loss) before cumulative effect of changes in accounting principle	(\$ 0.20) (\$ 0.15)	\$ 0.83 \$ 0.69	
69507	Cumulative effect of changes in accounting principle			
		<u>0.18</u> <u>(\$ 0.02)</u>	<u>0.17</u> <u>\$ 0.02</u>	<u>-</u> <u>\$ 0.83</u>
				<u>-</u> <u>\$ 0.69</u>

The Notes attached construe a part of this financial statement.
Please refer to the auditing statement made by Deloitte & Touche Taiwan on Feb.14, 2007.

Chairman: Chen Shen-Hong

Manager: Tzo San-He

Accountingmanager: Young Lien-Tza

Sunny Bank Ltd
Changes in Stockholders' Equity
For the years ended December 31, 2006 and 2005

Unit: Thousand NTDT\$

	<u>I s s u e d s h a r e c a p i t a l</u>		Capital surplus	<u>R e t a i n e d s u r p l u s (N o t e 2 0)</u>			Financial products Unrealized loss b e n e f i t s	Treasury stock (Note 2 and 2 5)	
	<u>thousand shares</u>	<u>Amount</u>	<u>(N o t e 2 0)</u>	<u>L e g a l r e s e r v e</u>	<u>I n a p p r o p r i a t e e a r n i n g s</u>	<u>T o t a l</u>	<u>(Note 2 and 3)</u>		<u>T o t a l</u>
Balance at January 1,2005	820,000	\$ 8,200,000	\$ 11,228	\$ 1,009,757	\$ 1,049,021	\$ 2,058,778	\$ -	\$ -	\$ 10,270,006
Appropriation of retained earning									
Legal reserve	-	-	-	313,553	(313,553)	-	-	-	-
Directors' and supervisions' bonuses	-	-	-	-	(21,983)	(21,983)	-	-	(21,983)
Employee Bonus	2,198	21,983	-	-	(21,983)	(21,983)	-	-	-
Stock Dividend-8.4%	68,880	688,800	-	-	(688,800)	(688,800)	-	-	-
Issuance common share for Merger Kaoshih Bank—Nov 2005	200,448	2,004,482	-	-	-	-	-	-	2,004,482
2005 Net Income	-	-	-	-	653,993	653,993	-	-	653,993
Balance at Dec. 31,2005	1,091,526	10,915,265	11,228	1,323,310	656,695	1,980,005	-	-	12,906,498
The interests of shareholders adjusted Items from the new published first application and revised Financial Accounting Principles	-	-	-	-	-	-	(7,191)	-	(7,191)
2005 Appropriation of retained earning:									
Legal reserve	-	-	-	196,198	(196,198)	-	-	-	-
Directors' and supervisions' bonuses	-	-	-	-	(13,586)	(13,586)	-	-	(13,586)
Employee Bonus	1,358	13,586	-	-	(13,586)	(13,586)	-	-	-
Stock Dividend-3.9%	42,570	425,695	-	-	(425,695)	(425,695)	-	-	-
Issuance of common stock for cash-Oct. 2006	108,474	1,084,735	-	-	-	-	-	-	1,084,735
2006 Net Income	-	-	-	-	28,806	28,806	-	-	28,806
Change of unrealized gain (loss)on available-for-sale financial assets	-	-	-	-	-	-	29,463	-	29,463
Treasury stock repurchase	-	-	-	-	-	-	-	(217,605)	(217,605)
Dec. 31, 2006 balance	<u>1,243,928</u>	<u>\$ 12,439,281</u>	<u>\$ 11,228</u>	<u>\$ 1,519,508</u>	<u>\$ 36,436</u>	<u>\$ 1,555,944</u>	<u>\$ 22,272</u>	<u>(\$ 217,605)</u>	<u>\$ 13,811,120</u>

The Notes attached construe a part of this financial statement.
Please refer to the auditing statement made by Deloitte & Touche Taiwan on Feb.14, 2007.

Chairman: Chen Shen-Hong

Manager: Tzo San-He

Accounting manager: Young Lien-Tza

Sunny Bank Ltd
Statement of Cash Flow
For the years ended December 31, 2006 and 2005

Unit: Thousand NTD

	2006	2005
Cash flow from operating activities:		
Net income(loss)	\$ 28,806	\$ 653,993
Cumulative effect of changes in accounting principle	(199,077)	-
Provision for bad debts of margin loans	1,067,420	297,285
Other bad debts expenses	732,751	764,529
Asset impairment	-	70,000
Loss of sale of bad debt	13,080	-
Depreciation	195,455	171,862
Amortization	22,809	84,780
Investment loss (income) under equity method	(7,719)	30,759
Cash dividends from investments under equity method	1,021	-
Disposal of fixed assets loss	4,024	569
Disposal of foreclosed asset loss (gain)	(105,644)	1,678
Gain in financial assets at fair value through profit or loss	(111,530)	(393,467)
Loss (gain) on sale of available-for-sale financial assets	(5,450)	8,012
Gain on financial assets under cost method	-	(183,966)
Deferred income tax	(139,344)	(116,334)
Increase on trading of financial assets	(5,706,564)	(3,985,353)
Decrease (increase) in account receivable	(1,020,250)	269,163
Increase account payable	1,083,283	1,266,672
Net cash provided by operating activities	<u>(4,146,929)</u>	<u>(1,059,818)</u>
Cash flow from investing activities:		
Decrease (increase) in financial assets at fair value through profit (loss)	8,737,260	(8,653,016)
Increase on available for sale financial assets	(3,133,785)	(50,140,771)
Proceeds from disposal of available-for-sale financial assets	1,267,405	50,706,972
Decrease (increase) on held to maturity financial assets	28,317	(160,356)
Decrease (increase) on financial assets under cost method	48,912	(213,203)
Proceed from financial assets under cost method	-	286,418
Increase on long-term investment under equity method	(50,000)	-

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	2006	2005
Decrease in bills and bonds purchased under agreements to resell	\$ -	\$ 1,625,924
Decrease in due from Central Bank and placements to other banks	66,722	5,065,469
Increase in loans and advances to customers	(20,173,697)	(9,089,657)
Acquisition of fixed assets	(224,914)	(119,435)
Proceeds from disposal of fixed assets	1,393	-
Proceed from disposal of foreclosed assets	322,168	2,649
Proceed from bad debts	610,000	-
Increase intangible	(25,175)	(13,387)
Decrease (increase) other assets	103,910	(75,652)
Net cash provided by acquisition	-	1,342,135
Net cash used in investing activities	(12,421,484)	(9,435,910)
Cash flow financing activities:		
Increase in bills and bonds securities sold under agreements to repurchase	2,353,192	1,666,665
Increase (decrease) in deposits by Central Bank and other banks	1,660,520	(524,180)
Increased deposits and remittances	10,044,708	12,243,882
Increase subordinated financial debentures payable	2,000,000	-
Decrease other liabilities	(107,110)	(81,407)
Issuance common stock for cash	1,084,735	-
Directors' and supervisors' bonus	(13,586)	(21,983)
Treasury stock repurchase	(217,605)	-
Net cash provided by financial activities	16,804,854	13,282,977
Net increase in cash	236,441	2,787,249
Cash at beginning of year	5,549,431	2,762,182
Cash at end of year	\$ 5,785,872	\$ 5,549,431
Supplementary disclosure of cash flow:		
Cash payment of interest	\$ 3,342,781	\$ 2,093,891
Cash payment of income tax	\$ 139,891	\$ 448,518

The Notes attached construe a part of this financial statement.
Please refer to the auditing statement made by Deloitte & Touche Taiwan on Feb.14, 2007.

Chairman:Chen Shen-Hong

Manager:Tzo San-He

Accounting manager:Young Lien-Tza

Sunny Bank Ltd.

Notes for Financial Statements

In 2006 and 2005

(Unless otherwise specified, all amounts are in thousand NTD)

1. History and Services

We are a public issuing company covering the following services: (1) services of commercial banks approved by the Banking Law; (2) savings and trust services and (3) other related services approved by the authorized organizations. There are a total of 96 operating units in Taiwan by the end of 2006.

The Trust Department of Sunny Bank Ltd. undertakes planning, management and operations of trust investment services regulated by the Banking Law and trust services in investment of domestic securities and funds.

The numbers of employees at the end of 2006 and 2005 are 2565 and 2,619 respectively.

November 26, 2005 is regarded as the standard date on which Sunny Bank Ltd. merged Kao Shin Commercial Bank. After the merge, Sunny Bank Ltd. serves as the sustainable bank. The stock exchange ratio of Kao Shin Commercial Bank to Sunny Bank Ltd. is 1.2048:1. New common shares of 200,448,000 which is a total of NTD 2,004,482,000 have been issued due to the above said merge. The rights and obligations arising from the newly issued common shares after the said merge are of the same as those originally issued by Sunny Bank Ltd. The said merge case has been approved by the Financial Supervisory Commission, Executive Yuan and Commerce Dept. of Ministry of Economic Affairs. A revised registration has also been finished. The rights and obligations of Kao Shin Commercial Bank shall be undertaken comprehensively by Sunny Bank Ltd. after merge.

The accounting management of Sunny Bank Ltd. merging Kao Shin Commercial Bank is in accordance with the regulations stipulated in Financial and Accounting Principles Gazette, No. 25 "Corporate Merge – Accounting Management of Acquisition Law". The assets and liabilities of Kao Shin Commercial Bank are entered into accounts based on fair values on the standard merge date. The acquisition cost is the amount of shares issued based on the merge stock exchange ratio deducting the fair value of recognizable net assets of Kao Shin Commercial Bank. The difference derived from the above deduction is listed as goodwill. The assets, liabilities and goodwill undertaken due to the said merge are as follows:

Assets undertaken

Cash	\$ 1,342,135
Deposit of the Central Bank and other banks	9,237,474
Bills and securities bought in	598,981
Accounts receivable	1,299,536
Pre-paid accounts	72,308
Loans	31,457,251
Long-term Equity Investment	93,779
Fixed Assets	2,288,256
Guarantee Undertaken	867,319
Other Assets	61,559
Deferred income tax	103,130

Liabilities Undertaken

Deposit of the Central Bank and other banks	145,865
Accounts Payable	479,331
Advance Accounts	32,662
Deposit & Remittance	44,059,858
Financial Bonds	1,000,000
Reserve for Land Value-added Tax	198,982
Other Liabilities	<u>409,455</u>
Net Assets	1,095,575
New Shares issued after merge	<u>2,004,482</u>
Goodwill	<u>\$ 908,907</u>

The 2005 income of Sunny Bank Ltd. includes the business results calculated from November 27, 2005 to December 31, 2005 of Kao Shin Commercial Bank. The related information of operational results after merge is listed below:

	<u>2005</u>
Operating Revenues	<u>\$8,182,162</u>
Profit (loss) before extraordinary gain or loss listed	<u>(\$ 126,296)</u>
Net Profit (Loss)	<u>(\$ 126,296)</u>
	<u>Pre-tax</u> <u>After tax</u>
Basic EPS	<u>(\$0.05)</u> <u>(\$0.12)</u>

2. Summary of Significant Accounting Policies

The financial statements are made in accordance with the standards of financial statements of public issuing banks and generally recognized accounting principles. While making financial statements according to the above mentioned standards and principles, it is necessary for us to adopt reasonable estimated amounts to list reserves against bad debts, fixed assets depreciation, reserve against guarantees, pension, depreciation of the guarantees undertaken, loss of asset reduction as well as income tax since estimation is usually done under uncertain circumstances. Therefore, the estimated amounts could be different from actuality.

Having some banking characteristics, it is difficult to regulate operation cycles. Therefore, the assets and liabilities are not divided into current and non-current accounts while they are listed in the sequences of relative current characters. In addition, the analysis on expiration of assets and liabilities is described in Note 29. The descriptions of important accounting policies are as follows:

Principles for Making Financial Statements

The financial statements include the accounts of domestic head office and branches, and OBU. The joint accounts of domestic head office and branches, and OBU balance each other while making financial statements.

Financial assets and liabilities at fair value through profit or loss

Changes in the fair value of interest include loss of financial commodity's purpose of the transaction, which is financial asset or financial debts. The view from the original series, designated to measure the fair value and changes in fair value loss is recognized that financial interests or financial asset debt 's original recognition, fair value is measured, and continued after the evaluation to measure the fair value and changes in fair value recognized year loss benefits. According to the examples, the purchase or sale of financial products are under the delivery date method.

Derivative products failed to meet hedge accounting; classification is the purpose of the transaction financial asset or financial debts. Fair value is positive, as a financial asset; fair value is negative, as financial debts.

Fair value : The listing of securities is the balance sheet day ending price, beneficial certificates is the balance sheet day net assets value, domestic bonds is the Taiwan securities service balance sheet day reference price, other markets financial products use evaluation method to estimate the fair value.

Allowance for doubtful accounts

In accordance with the "Regulations of Reserve for Evaluated Banking Assets Loss and Collections for non-performing Loans" by the Executive Yuan's Financial Supervisory Commission BPK the overdue

loans and other authorized credit accounts are due and haven't been paid off and have been approved by the Board, as collection accounts together with estimated interest receivable.

Transfer from loans to allowance for doubtful accounts listed in the discount and loan accounts, if they are non-listed in transfer from loans to allowance for doubtful accounts then list in other assets.

Provision for doubtful accounts and ensure responsibility to prepare

Sunny Bank Ltd. will list bad debts reserve and guarantee reserve (listed into the account of other liabilities) against the potential risks arising from specific debts and overall debt combinations by evaluating the possible losses derived from loans, accounts receivable, interest receivable, other accounts receivable, collection account, all guarantees and acceptance receivable.

In accordance with the "Regulations of Reserve for Evaluated Banking Assets Loss and collections for Non-performing Loans" by the Ministry of Finance, Sunny Bank Ltd. will make evaluations on the possibilities of receiving authorized credit assets of customers based on their financial positions, past transactions, deferred payment of principal and interest and the appraisal of specific debt guarantee. Full amount of loan asset without a chance to receive is listed as loss. 50% of the balance of loan asset with difficulty to receive is listed as loss. Starting from July, 2005, amend to paying attention, except to recover, difficult to recover, and cannot recovery's bad credit asset, respectively use 2%, 10%, or 50% of liability balance and all balance for allowance for doubtful debts and guarantee duty preparation's minimum standards. However, this amendment has no major impact to the Bank Financial statements.

Sunny Bank Ltd. will submit the debts which are confirmed for their being unable to receive to the Board of Directors and offset such debts after approval.

Available for sale financial asset

Available for sale financial asset from original recognition, fair value measurement, and made or distributed transaction costs; evaluation follow-up to fair value measurement, and changes in the value of the interests of the shareholders as adjusted items, accumulation of interests loss or loss on financial assets except for those listed, included in the current year loss benefits, in the usual transactions to buy or sell financial assets used delivery date accounting treatment.

Fair value basis: domestic corporate bond-counter sale of the securities lent center asset debts sheet date reference price no loose financial market's commodities, evaluation to estimate the fair value method.

If the objective is to reduce loss of evidence, loss is recognized. If follow-up Period reduced loss amount decreased, preparation for the sale of product rights by loss decreased amount is recognized as an adjustment of the interests of the shareholders items; Prepare for the sale of commodity's debt reduction if the loss amount decreased significantly with the loss recognized after the incident occurred, and to be recognized as rotary year loss benefits.

Held-to-maturity financial asset

Held-to-maturity financial asset to the interest law after amortization costs measure, original recognition, the fair value measurement, plus made or distributed transaction costs, in addition to the series. Value reduction or loss is recognized when amortization loss benefits, in the usual transactions to buy or sell financial assets, will use the closing date accounting treatment.

If there is loss objective evidence, then recognize the loss. In the future if the loss amount decreased significantly with the loss recognized after the incident occurred, and to be recognized as rotary year loss benefits.

Long-Term Investments under Equity Method

Long-term investment under equity method is to calculate using investment cost plus (or minus) according to shareholding proportion to recognize investment company's net profit (or net loss) and increase (or decrease) of the capital reserve fund or retained surplus. Investment by the company net profits (or net loss), recognized investment interests (or loss); cash dividend when it is cut as an investment item. Introduce equity or equity method for the first time, investment costs have made equity the net difference (over under), a five-year amortization on average, but starting on Jan. 1, 2006, according to the new Financial Accounting Standards bulletin provisions, goodwill will not amortize, however, the annual loss is regularly tested, and special items occur or environmental change shows that goodwill may reduce, also is processed by the loss tests. If measured by the recoverable amount, and there is significant loss, then recognize the loss according to its loss parts.

When investment companies distribute stock dividends, do not list in investment income, note only increased number of shares.

Financial Assets under Cost Measure

Commodity investment cannot be reliably be measured by fair value, including unlisted stocks, use the originally recognized cost to measure. If there is loss' objective evidence, then recognize the loss, the loss amount cannot be rotated.

Fixed asset

Fixed asset is calculated by cost (or cost plus re-evaluated increment) deducting accumulated depreciation. Major renovation and improvement will be listed as capital expenditure. Fees for maintenance will be listed as annual expenses.

The depreciation of fixed assets is calculated by linear methods. The value is calculated and listed according to the following: houses and architecture, 3 to 60 years; miscellaneous facilities, 3 to 15 years. The depreciation of fixed assets exceeding their duration still in use will be calculated by the original method based on estimated years for further use.

While re-evaluating fixed assets, net amount will be credited to capital reserve in addition to adding the increment of re-evaluated assets and reserve for land value-added tax. The depreciation is calculated based on durable years remained upon the re-evaluation.

Sunny Bank Ltd. and its subsidiaries determine the cash generating unit which fixed assets and goodwill belong to in accordance with No. 35 of the Financial & Accounting Principles Gazette. The evaluations on impairment loss will be made based on the above said cash generating unit. If there is a major impairment loss arising from such assets after evaluating the carrying value based on related amount receivable, a reduction on the carrying value shall be made from the goodwill listed in the cash generating unit first. Then, the rest impairment loss will be amortized proportionally shall be made from the carrying values of other assets listed in the cash generating unit. Afterwards, the recoverable amount of the impairment loss will be listed as profits if related amount of accounts receivable increases. However, the carrying value of fixed assets after the recovery of impairment loss shall not exceeds the carrying value of the related assets before their being listed as impairment loss with the deduction of depreciation listed. The recovery of impairment loss of goodwill shall not be allowed. While disposing fixed assets, the related costs, increment of re-evaluation and accumulated appreciation will be deducted from the accounts. The loss and profit arising thereof will be listed as loss or profit in that year according to their account categories.

Intangible asset

The goodwill generated from the bank's merger or bearing adopt the line method over a 15-year average amortization. However, starting from Jan. 1, 2006, according to the new Financial Accounting Standards bulletin provisions, goodwill will not amortize, however, the annual loss undergoes regular testing.

If the goodwill and its relevant recoverable amount account value have significant loss, recognize the loss from its lost part. Subsequently if the recoverable amount of goodwill increased, the loss cannot be rotated.

Computer software adopts the line method over an average of three years of amortization.

Other assets

Bear collateral recorded by affordable prices, and at the end of the year, use its recoverable amount to measure book value, if there is significant loss, list the loss according to its lost parts. Subsequently if the recoverable amount increased, the loss rotation can be recognized as gain; however, the bear collateral book value after its rotation cannot exceed the asset's book value under the non-recognized loss condition.

Conditional trading securities and bonds

Conditioned bonds and bills transactions are calculated at cost. The difference arising from buy and sell will be listed in interest revenue and expenses respectively

Pension

The payment of pension which has been confirmed is listed according to net pension cost under precise calculation. Unlisted temporary net payment of asset and the balance of pension will be

amortized in linear approach on a basis of 22 years. The payment of pension shall be made from pension reserve and then offset against pension liability.

The confirmed appropriation of pension is made during the period the related employee provides his or her services. The amount of such pension appropriated shall be listed into the accounts of expenses of the current year.

Revenues of Interest and Commission

Interest derived from loans will be calculated on a practical basis. Non-performing loans converted to collection accounts will be added no more interest starting from the date of conversion. Such loans will be listed as income while receiving cash. The booking of interest revenue due to extension of bailout agreement will be listed as deferred income (into the accounts of other liabilities) starting from the date of booking. Such interest revenue will be listed as income upon receipt of cash.

Commission is paid in cash and will be listed upon completion of payment.

Treasury stock

Buy back shares issued as Treasury stock, will be paid the cost debited Treasury stock, with the rights and interests of the shareholders as reduction items.

Income Tax

Income tax is distributed over periods. Such a method can deduct the income tax effect arising from temporary difference and investment deductions. Such part will be listed as deferred income tax assets. Further evaluation on its reliability will be conducted so as to list reserve for related evaluated amount. The income tax effect of temporary difference arising from tax is listed as deferred tax liability.

The deductions of income tax arising from procurement of facilities or technology, R&D and personnel training will be listed in the period those deductions occur.

The adjustment of income tax made in the previous year shall be included in the income tax of this year.

The extra 10% of income tax arising from the non-distributed surplus will be listed as expenses according to the Board of Directors.

If the income tax calculated according to "Income basic regulation" since 2006 is greater than general income tax then the increasing amount should be listed in the income tax expense for the year.

Loss Contingency

Assets or liabilities might have occurred on the same date of the Balance Sheet. The amount of loss can be reasonably calculated in loss contingency and will be listed in the accounts loss of the year. When the amount of loss cannot be reasonably calculated or loss might have occurred, such conditions shall be described in the notes of financial statements.

Foreign Currency Transactions

Foreign exchange is listed into the accounts in original currency transacted. Foreign currency accounts

of loss and profit are converted to New Taiwan Dollars based on the exchange rates announced by the Central Bank and transferred to NTD accounts at end of every month. The foreign currency accounts of assets and liabilities which are not generated from forward exchange transaction contracts are converted to New Taiwan Dollars based on the exchange rates on Balance Sheet date. The difference arising from such conversion will be listed as exchange loss and profit of the current year.

Re-Classifications of Accounts

The accounts of 2005 Annual Report are reclassified in accordance with the 2006 Annual Report.

3. Reasons for and Effects on Accounting Changes

Starting from Jan. 1, 2006, the bank adopted the new published financial accounting standards No. 34 communiqué “financial products accounting treatment guidelines” and No. 36 “gold Expressions of financial products and expose”, and other communiqué amendment regulations.

(1) First application and publication of the new amendments to the Financial Accounting Standards communiqué’s impact

First application in the above mentioned new principles and relevant amendment regulations, the bank will properly classify the financial assets and financial liability (including derivative financial products). The original account listed amount adjustment belongs to the financial commodities using fair value method and listed as income by fair value changes, which are listed as cumulative effect of change in accounting principles; available for sale financial products under fair value measurement will be listed as shareholders equity adjustment items. The above accounting changes that impact on the Jan. 1, 2006 financial statements are as follows:

	Cumulative effect of change in accounting principles (Tax)	Adjustments to stockholders equity(Tax)
Financial assets at fair value		
through profit or loss	\$ 199,077	\$ -
Available for sale financial assets	-	(7,191)
	<u>\$ 199,077</u>	<u>(\$ 7,191)</u>

(2) First application and publication of the new amendments to the Financial Accounting Standards communiqué’s re-classification of subjects

According to Corporate Accounting Research and Development Foundation (94) No. 16 provisions, in 2006’s first application of Financial Accounting Standards No. 34 communiqué prepared by the Financial Comparison statements, 2005 Financial statements should be according to 2006’s

accounting subject for re - classification, but not renumbering; However, similar subjects evaluation methods may be different, description should be noted.

The Bank's financial commodities evaluation method, the accounting policies adopted in 2005 is different than in 2006, the description is as follows:

1. Bills and Securities Bought In

The bills and securities bought in are calculated on a basis of total cost or market price, whichever is lower. When market price is lower than cost, reserve against loss of depreciation is listed. When market price rebounds, the listed reserve shall be balanced. While selling out, the cost of shares and beneficiary certificates is calculated on a basis of moving average method and the cost of others is calculated in specific identification method.

2. Long-term equity investment

In costing approach, the value of long-term equity investment is calculated at cost. The cash dividends distributed by the invested companies will be listed as investment revenues. Equity investment in listed companies is calculated at market price when face value is higher than market price and the reserve for depreciation loss will be listed. Unrealized depreciation loss is listed as a deduction of equity. When market price rebounds, the equity will be balanced against the listed reserve. Regarding the equity investment in unlisted companies, the face value will be adjusted and listed in the accounts of investment loss after confirming the investment is depreciated and there is little hope for rebound.

The stock dividends distributed by invested companies will not be listed in the accounts of investment revenues. Instead they will be noted as increase of shares.

The value of other long-term investments is calculated on a basis of cost.

The cost for selling out long-term invested targets is calculated in moving average method.

When converting long-term equity investment to bills and securities bought in, a comparison will be made between current listed cost and market price. When market price is lower than cost, the equity investment will be listed in the accounts of depreciation loss. The market price will be taken as a new cost.

3. Derivative financial products

Liabilities and assets arising from forward foreign exchange contracts for the purpose of transactions will be listed into accounts based on the forward exchange rates agreed in such contracts. Upon the settlement on contract expiry date, the loss or surplus arising from the difference between spot and forward exchange rates will be listed into settled accounts of the year. In case such contracts have not expired at the end of the year, liabilities and assets in foreign currency will be converted and adjusted based on the forward exchange rates over the remaining period of the contracts. The exchange

difference arising thereof will be listed into accounts of loss and profit of the year. Accounts receivable and payable arising from such contracts will be balanced at the end of the year and the difference will be listed into accounts of assets or liabilities.

For meeting the capital demand where foreign exchange and transactions of different currencies occur, liabilities and assets arising from foreign change which are categorized to immediate transactions will be listed into accounts based on the spot exchange rate on contracted date while those categorized to future transactions will be listed into accounts based on the contracted forward exchange rate. The difference between spot and forward exchange rates will be amortized in linear method over the contract period and listed into accounts of interest revenue or expenses. The accounts receivable and payment arising thereof will be balanced at the end of the year and the difference will be listed into accounts of assets or liabilities.

Assets exchange means to exchange stocks of convertible bonds with fixed raising interest rate.

Assets exchange contract helps to prevent from risk of interest rate arising from convertible bonds.

Therefore the interest receivable calculated based on contracted date and balance sheet date will be listed into accounts of interest revenue.

With the Bank since Jan. 1, 2006 New Releases and revised Financial Accounting Standards communiqués, 2005 financial statements are re-categorized as follows:

	<u>Before re-classification</u>	<u>After the re-classification</u>
<u>Balance Sheets</u>		
Acquisition of bills and securities bonds	\$ 34,398,840	\$ -
Other long-term investment under cost method	446,173	-
Financial assets at fair value through profit or loss	-	31,767,176
Available for sale financial assets	-	2,315,849
Held-to-maturity financial assets	-	315,815
Financial assets under cost method	<u>-</u>	<u>446,173</u>
	<u>\$ 34,845,013</u>	<u>\$ 34,845,013</u>
<u>Statement of Income</u>		
The sale of securities and securities net benefits	\$ 350,993	\$ -
Proceed long-term investments under method, net	183,966	-
Operating income—Other	43,775	-
Gain (loss) on financial instruments at fair value through profit or loss, net	-	393,467
Gain on financial assets under method	-	193,279
Loss on other non-interest income, net	<u>-</u>	<u>(8,012)</u>
	<u>\$ 578,734</u>	<u>\$ 578,734</u>

4. Cash

	<u>Dec. 31, 2006</u>	<u>Dec. 31, 2005</u>
Cash in hand	\$ 2,725,492	\$ 2,608,282
Checks for clearing	2,522,365	2,188,436
Due from other banks	<u>538,015</u>	<u>752,713</u>
	<u>\$ 5,785,872</u>	<u>\$ 5,549,431</u>

5. Due from Central Bank and Placement to Other Banks

	<u>Dec. 31, 2006</u>	<u>Dec. 31, 2005</u>
Deposit reserve	\$ 7,971,011	\$ 6,838,406
Placement to other banks	2,847,816	2,154,961
Due from Central Banks	<u>380,192</u>	<u>2,272,374</u>
	<u>\$ 11,199,019</u>	<u>\$ 11,265,741</u>

Deposit reserve is appropriated to the deposit reserve account at the Central Bank at legal reserve rate and based on the monthly average balance of deposits. At the end of 2006 and 2005, NTD5, 556,666 and NTD 5,473,601,000 are respectively shown in the deposit reserve account. Such deposit reserve cannot be used before the monthly adjustment.

6. Financial commodities at Fair Value through Profit or loss

	<u>Dec. 31, 2006</u>	<u>Dec. 31, 2005</u>
<u>Trading financial asset</u>		
Financing commercial paper	\$ 14,209,250	\$ 9,502,257
Negotiable certificates of deposit	1,415,000	-
Asset security of commercial paper	1,244,645	-
Beneficiary certificates	729,260	833,681
Common stocks on market	456,191	721,463
Interval bond spreads	97,950	-
Government bonds	-	1,117,784
Other	<u>61,771</u>	<u>63,208</u>
	<u>18,214,067</u>	<u>12,238,393</u>
<u>Financial assets at fair value through profit or loss</u>		
Negotiable certificates of deposit	10,635,737	19,233,263
Government bonds	<u>197,423</u>	<u>295,520</u>
	<u>10,833,160</u>	<u>19,528,783</u>
	<u>\$ 29,047,227</u>	<u>\$ 31,767,176</u>
<u>Trading liabilities</u>		
Foreign currency SWAP;	<u>\$ 140</u>	<u>\$ -</u>

The main purpose of directing the transactions of derivative financial products, on 2006 and 2005 is to correspond with the customer demands and the foreign exchange fun adjustment and risk management.

Until the end of 2006 and 2005, the non-expired derivative financial commodity contract amount (principal) is as follows:

	<u>Dec. 31, 2006</u>	<u>Dec. 31, 2005</u>
<u>Trading:</u>		
Foreign currency SWAP;	\$ 618,683	\$ -
Interval bond spreads	97,950	-
Asset Swap	32,650	131,440
Forwarding Exchange	-	103,042

7. Receivables-Net

	<u>Dec. 31, 2006</u>	<u>Dec. 31, 2005</u>
Account receivable for credit card	\$ 2,977,335	\$ 3,901,102
Foreign remittances of account receivable	637,632	-
Proceeds from disposal of bad debts of account receivable	590,000	-
Interest receivable	535,778	523,027
Tax refundable	164,182	118,742
Acceptance receivable	125,529	174,352
Other	<u>257,778</u>	<u>406,391</u>
	5,288,234	5,123,614
Less : allowance for bad and doubtful accounts	<u>200,616</u>	<u>323,245</u>
	<u>\$ 5,087,618</u>	<u>\$ 4,800,369</u>

8. Loans and Advances to Customers-Net

	<u>Dec. 31, 2006</u>	<u>Dec. 31, 2005</u>
Short-term loans	\$ 17,884,848	\$ 13,785,900
Short-term secured loans	21,386,065	22,107,526
Medium-term loans	24,536,446	24,832,047
Medium-term secured loans	16,717,705	17,152,646
Long-term loans	8,584,486	7,963,932
Long-term secured loans	93,386,661	78,925,175
Non-performing loans	3,988,903	4,012,174
Remittance and discounts for export	<u>90,021</u>	<u>35,831</u>
	186,575,135	168,815,231
Less :allowance for bad and doubtful accounts	<u>2,210,792</u>	<u>2,161,016</u>
	<u>\$ 184,364,343</u>	<u>\$ 166,654,215</u>

At the end of 2006 and 2005 has ceased domestic interest Credit's balance of \$3, 988, 903,000 and \$4,012,174,000. 2006 and 2005 interest's internal un-provided income amounts are \$156,223,000 and \$95,500,000. Detail's provision for doubtful accounts and changes in the situation are as follows:

	<u>2006</u>		
	<u>Specific provision</u>	<u>General Provision</u>	<u>T o t a l</u>
Beginning balance	\$ 2,005,290	\$ 155,726	\$ 2,161,016
Provisions for doubtful accounts	1,017,003	50,417	1,067,420
Accounts settlement adjustment	-	(31)	(31)
Write-off	(1,536,219)	-	(1,536,219)
Recovery write-off of loans	<u>518,606</u>	<u>-</u>	<u>518,606</u>
Ending balance	<u>\$ 2,004,680</u>	<u>\$ 206,112</u>	<u>\$ 2,210,792</u>

	2005		
	Specific provision	General Provision	T o t a l
Beginning balance	\$ 1,406,405	\$ 12,595	\$ 1,419,000
Provisions for doubtful accounts	154,154	143,131	297,285
Allowance related to acquisition of Kao-Hsin bank	855,429	-	855,429
Write-off	(963,325)	-	(963,325)
Recovery write-off of loans	<u>552,627</u>	<u>-</u>	<u>552,627</u>
Ending balance	<u>\$ 2,005,290</u>	<u>\$ 155,726</u>	<u>\$ 2,161,016</u>

9. Available for sale financial assets

	<u>Dec. 31, 2006</u>	<u>Dec. 31, 2005</u>
Government bonds	\$ 1,600,918	\$ 1,816,432
Government collateral of commercial paper	1,292,600	-
Financing commercial paper	1,079,191	499,417
Corporate Bonds	234,205	-
Notes of links Commodity Index Fund	<u>3,037</u>	<u>-</u>
	<u>\$ 4,209,951</u>	<u>\$ 2,315,849</u>

10. Held-to-maturity financial asset

	<u>Dec. 31, 2006</u>	<u>Dec. 31, 2005</u>
Beneficiary Certificate	<u>\$ 287,498</u>	<u>\$ 315,815</u>

The bank investment securities benefit 2006 and 2005's due dates are July 2011, and April 2033.
The effective interest rate is 1.62-2.7%.

11. Long-Term Investments under Equity Method

	<u>Dec. 31, 2006</u>		<u>Dec. 31, 2005</u>	
	Amount	Shareholding %	Amount	Shareholding %
Unlisted in common marketing				
Sunny Securities Co.	\$ 211,391	97.02	\$ 204,799	97.02
Sunny asset management company	49,106	100.00	-	-
Yllien insurance agent company	10,934	39.99	10,102	39.99
Yllien insurance broker company	<u>1,726</u>	20.00	<u>1,558</u>	20.00
	<u>\$ 273,157</u>		<u>\$ 216,459</u>	

Equity-denominated investments and equity investment loss related to its interests, by accountants auditing financial statements calculated.

All the accounts of subsidiaries have been incorporated into the preparation of the merger 2006 financial statements.

12. Financial assets under cost method

	<u>Dec. 31, 2006</u>	<u>Dec. 31, 2005</u>
Unlisted marketing common stocks:		
Financial Information Service Co. Ltd.	\$ 115,771	\$ 115,771
Taiwan financial asset services Co. Ltd.	50,000	50,000
Taiwan depository & Clearing Corporation	21,490	70,402
Unlisted marketing preferred stocks		
Bank of Pan Hsin	110,000	110,000
Glory Insurance Co. Ltd.	<u>100,000</u>	<u>100,000</u>
	<u>\$ 397,261</u>	<u>\$ 446,173</u>

The accumulated special shares invested in Bank of PanHsin total 11,000,000 shares. The issuance period lasts for 6 years. The stock interest rate is 4.5%. The shares will be bought back at the issuing price upon maturity. There is a total of 10,000,000 of convertible special shares with registered right of Glory Insurance. The issuance period lasts for 3 years. The stock interest rate is 5%. The above shares of Glory Insurance shall be converted to common shares or called back at issuing price within three years after the issuance.

The above mentioned stock investment own by our bank can not have market quotations and the fair values can not be reliably measured, so it's measured by cost.

13. Fixed assets

	<u>Dec. 31, 2006</u>	<u>Dec. 31, 2005</u>
Following revaluation:		
Land	\$ 161,211	\$ 161,211
Housing and construction	<u>21,836</u>	<u>21,836</u>
	<u>\$ 183,047</u>	<u>\$ 183,047</u>
Accumulated depreciation is as follows:		
Housing and construction	\$ 662,717	\$ 589,159
Miscellaneous facilities	<u>843,047</u>	<u>742,529</u>
	<u>\$ 1,505,764</u>	<u>\$ 1,331,688</u>

According to the Bank of the Act provides that in 1982, 1991 and 1993 for the re-valuation, and 1982 for land outside the top asset valuation.

14. Intangible asset

	<u>Dec. 31, 2006</u>	<u>Dec. 31, 2005</u>
Goodwill	\$ 1,333,579	\$ 1,333,579
Computer Software	<u>33,235</u>	<u>22,177</u>
	<u>\$ 1,366,814</u>	<u>\$ 1,355,756</u>

15. Other assets

	<u>Dec. 31, 2006</u>	<u>Dec. 31, 2005</u>
Foreclosed Assets	\$ 1,075,399	\$ 1,339,706
Net loss not recognized as sales of bad debts	771,766	-
Deferred income tax assets	380,853	241,509
Guarantee deposits & margins paid.	304,480	260,955
Collateral fixed deposit certificates	-	100,000
Other	<u>42,418</u>	<u>50,762</u>
	<u>\$ 2,574,916</u>	<u>\$ 1,992,932</u>

16. Deposits by Central Bank and other bank

	<u>Dec. 31, 2006</u>	<u>Dec. 31, 2005</u>
Deposits by other banks	\$ 5,035,867	\$ 2,600,100
Bank deposits	<u>5,002,591</u>	<u>5,777,838</u>
	<u>\$ 10,038,458</u>	<u>\$ 8,377,938</u>

17. Deposits and remittances

	<u>Dec. 31, 2006</u>	<u>Dec. 31, 2005</u>
Savings deposits	\$ 149,525,553	\$ 145,974,246
Time deposits	44,471,049	40,481,527
Demand deposits	15,657,581	13,668,605
Checking deposits	3,057,171	2,558,523
Public Treasury Deposits	239,598	273,367
Remittance	<u>59,497</u>	<u>9,473</u>
	<u>\$ 213,010,449</u>	<u>\$ 202,965,741</u>

18. Subordinated Financial Debentures

Subordinated financial debentures carry interest rates are 2.55-4.35 %. The interest is paid every six months or annually. The principal will be paid at one time on expiry date. Pay off in Dec. 2012.

19. Other liabilities

	<u>Dec. 31, 2006</u>	<u>Dec. 31, 2005</u>
Accrued pension liabilities	\$ 208,737	\$ 272,286
advance receipts	192,824	173,540
guarantee deposit received	91,630	98,875
Reserve guarantee fund	41,505	41,505
Other	<u>77,380</u>	<u>53,894</u>
	<u>\$ 612,076</u>	<u>\$ 640,100</u>

20. Stockholders' Equity

The capital reserve generated from the disposal of assets premium cannot be used other than reimbursing loss in accordance with related regulations. The premium derived from issuing of stocks at a price exceeding face value and the capital reserve generated from donation can be appropriated to the account of capital and such increased new shares will be distributed to shareholders in proportion of shareholdings. The capital stock appropriated from capital reserve shall be at a limited ratio every year.

According to the articles of Sunny Bank Ltd., the annual surplus after final accounts shall reimburse previous loss first in addition to tax payable in accordance with related regulations and laws. Then 30% of the remaining annual surplus will be appropriated to legal reserve when legal reserve does not reach the amount of total paid-in capital. Then Sunny Bank Ltd. will make special reserve or retain surplus based on our needs. The final remained surplus will be distributed as follows:

- (1) Rewards for Directors and Supervisors: 3%
- (2) Employee bonus: 3%
- (3) Stock dividends: 94%

When the previously mentioned legal reserve does not reach the amount of total capital, the maximum cash surplus distribution shall not exceed 15% of total capital.

The bank allocated surplus, must make provisions of the law then the interests of shareholders by amount (such as financial commodity's unrealized loss benefits) and the sale of bad debts not listed loss considered missing unamortized balance, since each tax year, the surplus or before unallocated surplus sets a special reserve fund. Subsequently the interests of shareholders reduce the amount or amortize the sale of bad debts not listed loss considered missing, on a rotating or amortization of the allocation of the surplus.

For a sound financial structure and balance capital adequacy, dividend payment based on the bank capital budget planning, stock dividend distributed to retain the principle of the necessary funds; For according to the budget surplus capital and capital adequacy rate higher than that of the competent

authority the required standards, they are part of a cash dividend payment, and shall not be less than the total dividend of 10% If the distribution of the cash dividend per share is less than \$ 0.1, changed to a stock dividend payment.

The distribution of surplus shall be approved at the Shareholders' Meeting convened and listed into accounts the year after.

The 2006 surplus distribution has not been decided by the Board of Directors by the date of auditing statement by CPAs. Please visit "Public Information Service" for related approval and details.

The 2005 and 2004 surplus distribution proposed by the Board of Directors and approved at the Shareholders' Meeting of Sunny Bank Ltd. in May 2006 and in June 2005 and the dividend per share are as follows:

	allocation of surpluses case		Per share Dividend (\$)	
	2005	2004	2005	2004
Legal reserve and paid-in surplus	\$ 196,198	\$ 313,553		
Directors' and supervisors' remuneration	13,586	21,983		
Employees bonus-stock dividends	13,586	21,983		
Stock Dividend	425,695	688,800	\$ 0.39	\$ 0.84

If the rewards for directors and supervisors and employee bonus in 2005 and 2004 are listed into the accounts of expenses, the changes of dividend per share are as follows:

	2005	2004
(1)Original EPS after tax	<u>\$ 0.69</u>	<u>\$ 1.18</u>
(2)EPS based operator Tax	<u>\$ 0.66</u>	<u>\$ 1.13</u>

According to our regulations, legal reserve shall be continuously appropriated until it reaches the amount of stock capital. Legal reserve can be used to reimburse loss. Half of the legal reserve while reaching 50% of the paid-in stock capital can be appropriated to stock capital.

While making surplus distribution before 1997 (included), our shareholders shall not have any tax deductions. While making surplus distribution after 1998 (included), the tax deductions for shareholders except those who are the residents of R.O.C. can be calculated based on the rate of tax deduction on dividend distribution date.

21. Income tax

Income basic tax regulations" has been implement starting from Jan. 1, 2006, the calculation based on income tax law calculation taxable income amount, plus income tax law and other laws' tax discount and calculate the basic tax by the 10% tax rate, the basic tax and the tax calculated according to income tax law, select the greater one to pay that year's income tax, the bank has been taking the impact into the income tax consideration.

Income tax expense (interest) constitutes items are as follows:

	2006	2005
income tax payable	\$ -	(\$ 172,977)
Deferred income tax	139,344	116,334
Taxed Separately of Short-term Commercial Papers	(94,073)	(57,167)
Filing the Undistributed Earnings of tax increase	(493)	(19,696)
Adjustments in accordance with Income tax previous year	<u>222</u>	(3,494)
	45,000	(137,000)
Cumulative effect of changes in accounting principle		
Cost sharing income tax expenses	<u>12,605</u>	-
Income tax benefit of cumulative effect of changes in accounting principle	<u>\$ 57,605</u>	(<u>\$137,000</u>)

Net deferred income tax assets (listed into the accounts of other assets) are as follows:

	D e c . 3 1 , 2 0 0 6	D e c . 3 1 , 2 0 0 5
Loss carry forwards	\$ 211,136	\$ -
Allowance for bad and doubtful debts in excess of tax limited	161,795	223,957
Other	<u>7,922</u>	<u>17,552</u>
	<u>\$ 380,853</u>	<u>\$ 241,509</u>

Until the end of 2006, the bank, after deductions for the tax liability is as follows:

L e g a l b a s i s	Offset Items	A l l o w a n c e c a n b e o f f s e t	Y e t o f f s e t b a l a n c e	F i n a l o f f s e t
Income Tax Law	loss carry forwards	\$ 15,867	\$ 15,867	99
	loss carry forwards	<u>195,269</u>	<u>195,269</u>	100
		<u>\$ 211,136</u>	<u>\$ 211,136</u>	

The rate of deferred income tax adopted by Sunny Bank Ltd. is 25%.

The balances of tax credit are NTD 66,287,000 in 2006 and NTD 201,854,000 in 2005 respectively.

The tax credit rates for surplus distribution are 36.43% estimated in 2006 and 30.06% in 2005.

The tax credits distributed to our shareholders are calculated on a basis of tax credit balance arising from surplus distribution on the surplus distribution date. Therefore, the 2006 estimated tax credit rate may be different from the numbers of various tax credits calculated according to the income tax law and may need to adjust.

The un-appropriated surplus before 1997 (included) separately listed in 2006 and 2005 accounts are of the same. That is NTD 11,000.

The income tax applications by 2004 made by Sunny Bank Ltd. have been reviewed and approved by the taxation office. In 2005 income tax applications, tax credit derived from medium interest of bonds is NTD 1,304,000. The tax credit derived from medium interest of bonds which have not been declared totals NTD 92,000 in 2006.

22. Employment. Depreciation and amortization Costs

	2006	2005
Personnel costs		
Pay	\$ 1,319,872	\$ 1,016,222
Bonus	484,999	384,823
Pensions	119,643	81,566
Insurance	131,519	98,310
Other	58,935	45,213
	<u>\$ 2,114,968</u>	<u>\$ 1,626,134</u>
Depreciation	<u>\$ 195,455</u>	<u>\$ 171,862</u>
Amortization	<u>\$ 22,809</u>	<u>\$ 84,780</u>

23. EPS

	2006		2005	
	Profit before	T a x	P r o f i t before	T a x
Basic EPS				
Continue business sector's net profit (loss)	(\$ 0.20)	(\$ 0.15)	\$ 0.83	\$ 0.69
Cumulative effect of change in accounting principles	<u>0.18</u>	<u>0.17</u>	<u>-</u>	<u>-</u>
This year Net benefits (loss)	<u>(\$ 0.02)</u>	<u>\$ 0.02</u>	<u>\$ 0.83</u>	<u>\$ 0.69</u>

The numerators and denominators for calculating EPS are as follows:

	Amount (Molecular)		thousand shares	EPS (\$)	
	Profit before	T a x	(Denominator)	Profit before	T a x
<u>2006</u>					
Basic EPS	<u>(\$ 16,194)</u>	<u>\$ 28,806</u>	<u>1,149,671</u>	<u>(\$0.02)</u>	<u>\$0.02</u>
<u>2005</u>					
Basic EPS	<u>\$790,993</u>	<u>\$653,993</u>	<u>951,710</u>	<u>\$0.83</u>	<u>\$0.69</u>

The influence of free stock distribution has been listed for retroactive adjustment while calculating EPS. The EPS before tax and after tax in 2005 respectively decreases from NTD 0.87 and NTD 0.72 to NTD 0.83 and NTD 0.69 due to retroactive adjustment.

24. Pensions

Regulations relating to retirement are set for formal employees. The pension for retired employees will be paid on a basis of years of employment and the average monthly salary in the latest six months before retirement.

3.76% of monthly salary of an employee is appropriated as pension reserve. Such reserve will be handed to our Pension Reserve Supervisory Committee and deposited at Central Trust of China under the name of this Committee.

The employee retirement regulations stipulated by Sunny Bank Ltd. in accordance with "Labor Standards Law" represent confirmed payment of pension. "Employee Pension Regulations" has been executed since July 1, 2005. Employees may continue choosing the pension regulations indicated in "Labor Standards Law" or choose the pension system indicated in "Employee Pension Regulations" and maintain the years of employment accepted by the Regulations. In addition, Sunny Bank appropriates the amount of 6% of monthly salary of an employee into the personal pension account starting from July 1, 2005 in accordance with the pension regulations stipulated in "Employee pension Regulations", which is the confirmed appropriated pension. The pension cost listed in 2006 and 2005 by Sunny Bank Ltd. is NTD 62,744,000 and NTD 25,548,000.

The related information on the pension of Sunny Bank Ltd. is as follows:

(1) Net pension cost

	<u>2006</u>	<u>2005</u>
Cost of service	\$ 41,464	\$ 53,936
Interest cost	28,716	20,051
Expected return on plan assets	(15,916)	(17,374)
Amortization	<u>2,635</u>	<u>(595)</u>
Net pensions cost	<u>\$ 56,899</u>	<u>\$ 56,018</u>

(2) Adjustment of Pension Appropriation and Accounts of Balance Sheet

	<u>D e c . 3 1 , 2 0 0 6</u>	<u>D e c . 3 1 , 2 0 0 5</u>
Payment obligations		
Vested benefit obligation	\$ 265,125	\$ 247,186
Non-vested benefit obligation	<u>298,579</u>	<u>499,103</u>
Accumulative obligation	563,704	746,289
Effect of future increased salary	<u>183,655</u>	<u>292,514</u>
Expected obligation	747,359	1,038,803

(Next page)

(Continued from the last page)

	<u>Dec. 31, 2006</u>	<u>Dec. 31, 2005</u>
Fair market price of pension	<u>(\$515,250)</u>	<u>(\$573,693)</u>
Appropriation	232,109	465,110
Unlisted temporary net payment assets	62,407	67,208
Unlisted pension balance	<u>(85,779)</u>	<u>(260,032)</u>
Pension liabilities accountable (listed into the accounts of other liabilities)	<u>\$ 208,737</u>	<u>\$ 272,286</u>

(3) Vested payment according to employee retirement regulations	<u>\$ 329,124</u>	<u>\$ 313,170</u>
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	<u>2006</u>	<u>2005</u>
(4) Presumption of payment of pension		
Discount rate	2.75%	3%
Increase rate of future salary	2.5%	2.5%
Expected return on investment of retirement fund assets	3%	3%

(5) Appropriation and payment of Pension reserve

	<u>2006</u>	<u>2005</u>
Appropriation	<u>\$ 55,809</u>	<u>\$ 72,310</u>
Payment	<u>\$ 173,555</u>	<u>\$ 41,865</u>

25. Treasury stock

The Bank purchased 18,955,000 stocks back from the shareholders who have issues with the merger of Kao-Hsin bank with the price of \$ 11.48 per share in Aug. 2006. The Treasury stock held by the bank shall not be entitled to Dividend distributions and voting rights according to the Company Law.

26. Related Party Transactions

(1) Person's name and relationship

<u>Relations name</u>	<u>Relationship</u>
Sunny Securities Co.	Subsidiary
Sunny Asset Management Co.	Subsidiary
Yilien Insurance Broker company	Invested that is controlled by the Bank
Yilien insurance Agent company	Invested that is controlled by the Bank
Other relationship of related party	Directors, supervisors, managers, within 2 nd degree relatives of the Chairman and General Managers of Sunny Bank Ltd.

(2) Significant transaction with related parties

1. Loan

Other relationship of
related party

Dec. 31, 2006			Dec. 31, 2005		
balance	Subject percentage(%)	Interest Rates (%)	balance	Subject percentage (%)	Interest Rates (%)
<u>\$ 940,464</u>	<u>0.50</u>	2.29-9.05	<u>\$ 1,228,672</u>	<u>0.73</u>	1.98-11.7

In accordance with Articles 32 and 33 of Banking Law, all credit authorization shall be with guarantee except consumers' loans within limit quota and government loans. Guarantee shall be sufficient to obtain guarantee credit authorization.

2. Deposits

	Dec. 31, 2006			Dec. 31, 2005		
	balance	Subject percentage (%)	Interest Rates (%)	balance	Subject percentage (%)	Interest Rates (%)
Other relationship of related party	\$ 356,730	0.17	0-9	\$ 690,126	0.34	0-9
Sunny Asset Management Co.	29,533	0.01	0.2	-	-	-
Yilien insurance Agent company	17,441	0.01	0.2	10,696	0.01	0.2
Yilien Insurance Broker company	4,447	-	0.2	3,555	-	0.2
Sunny Securities Co.	<u>2,456</u>	<u>-</u>	0.2	<u>4,843</u>	<u>-</u>	0.2
	<u>\$ 410,607</u>	<u>0.19</u>		<u>\$ 709,220</u>	<u>0.35</u>	

3. Interest income

	2006		2005	
	Amount	Subject percentage (%)	Amount	Subject percentage (%)
Other relationship of related party	<u>\$ 37,811</u>	<u>0.52</u>	<u>\$ 23,446</u>	<u>0.41</u>

4. Interest Costs

	2006		2005	
	Amount	Subject percentage (%)	Amount	Subject percentage (%)
Other relationship of related party	\$ 8,818	0.26	\$ 6,611	0.29
Other	<u>101</u>	<u>-</u>	<u>78</u>	<u>-</u>
	<u>\$ 8,919</u>	<u>0.26</u>	<u>\$ 6,689</u>	<u>0.29</u>

5. Brokers Charges (Account out Changes in the fair value of interest include loss of financial asset's and debts Net profit reduction)

	2006		2005	
	Amount	Subject percentage (%)	Amount	Subject percentage (%)
Sunny Securities Co.	<u>\$ 13,707</u>	<u>4.52</u>	<u>\$ 10,954</u>	<u>2.78</u>

6. Rental revenue

The bank and Sunny Securities Co. signed lease agreements. The lease period is to Dec. 14, 2009, 2006 and 2005's deposits are both 800,000 dollars, and the rent is due every month. 2006 and 2005's yearly rental income respectively is 9,561,000 dollars and 9,600,000 dollars.

The bank and Sunny Asset Management Co. signed business lease rental period is to Dec. 4, 2009, at the end of 2006, the deposit is 12,000 dollars, and the rent is due monthly. 2006's rental income is 6,000 dollars.

The bank and the relevant parties renting lease refers to the market price to set the rental rate and according to general payment terms.

7. Credit

The bank used open bid method to sell 2,327 bad credit accounts, the account amount of which is 1,394,846,000, to Sunny Asset Management. The base date is Nov. 30, 2006, the transaction price is 610,000,000 dollars, the price will be financed from the lease day to Dec. 26, 2009, in accordance with contract provisions, the Bank will trace the bad debt current and future rights, benefits, and lawsuits from the base day to Sunny Asset Management Co. Bad debts sale loss is 784,846,000 dollars, According to "Financial Institution Merger Act" provisions are deferred and amortized over five years, until the end of 2006 unamortized balance is 771,766,000 dollars. This amount will be listed for other assets - The sale of bad debts not listed loss. Until the end of 2006, receivables sales amount balance is 590,000,000 listed in the receivables account.

The banks and the relevant parties' transactions, besides giving discount rates under the employee account regulation limited amount, other transaction conditions are the same as with non-relevant parties.

27. Pledged Assets

The assets offered as guarantees by our Bank are as follows:

	Dec. 31,2006	Dec. 31,2005
Designated in financial assets at fair value through profit or loss	\$ 2,077,900	\$ 2,116,000
other assets-Refundable deposits	304,480	260,955
-pledged Certificate deposits	<u>-</u>	<u>100,000</u>
	<u>\$ 2,382,380</u>	<u>\$ 2,476,955</u>

The above-mentioned assets are offered and deposited at the court as the deposit for performing provisional seizure against obligors, deposit for lease, reserve for credit card payment, compensation reserve required by the Trust Department, savings deposit of bill providers and guarantees for central bank remittance system. In addition, negotiable C/Ds are also provided as guarantee against daily overdraw for central bank real-time total clearing mechanism. The quota for such guarantee is subject to change from time to time and the quota remained at the end of the day can be taken as current reserve.

28. Important Promises and Contingency

- (1) Lease contract: the lease of places for each operating unit will expire by April 2011. The refundable deposit totals NTD 113,617,000 (account list in other assets). The rental totals NTD 45,848,000 in 2006. The contracted rental payable in the next five years is as follows:

Year	Amount
96	\$ 40,401
97	29,150
98	22,141
99	3,755
100	1,273

(2) Trust Assets Liabilities and Properties Index

Trust Balance Sheet
December 31, 2006

Trust Assets		Trust Liabilities	
Bank deposits	\$ 118,214	Other Liabilities	\$ 5
Short-term investments -		Trust Capital -	
Fund Investment	11,411,848	monetary trust	14,250,197
Bond investment	2,499,263	Real Estate Trust	1,002,728
Stock Investment	1,064,285	Securities trust	1,064,285
Real Estate -		Accumulate loss	
Land	<u>980,020</u>	Principal	(524,063)
		accumulative loss	
		Net Loss	<u>280,478</u>
	<u>\$ 16,073,630</u>		<u>\$ 16,073,630</u>

Trust Properties Index
December 31 2006

Investment Items	Account Amount	
Bank deposits		\$ 118,214
Short-term investments -		
Fund Investment –NT Trust	\$ 3,339,446	
-Foreign currency Trust	8,061,420	
-Lifetime contract	10,982	
Trust		
Bond investment –NT Trust	251,816	
-Foreign currency Trust	2,247,447	
Stock Investment	<u>1,064,285</u>	14,975,396
Real Estate -Land		<u>980,020</u>
		<u>\$ 16,073,630</u>

Trust Income Statement

2006

Investment Items	Account out Amount	
Trust revenue		
Interest income	\$ 418	
Preferred stock cash dividends revenue	185,917	
Property transactions gain	311,189	
Achieved Capital Profits	<u>42,733</u>	\$ 540,257
Trust Costs		
Management expenses	129,905	
Tax expenditures	35,274	
Service fees	2,432	
Property transactions loss	81,847	
Income tax fees	85	
Other expenses	<u>10,236</u>	<u>259,779</u>
		<u>\$ 280,478</u>

Trust Balance Sheet

December 31, 2005

Trust asset	Trust Liabilities
Bank deposits \$ 54,458	Trust Capital -
Short-term investments -	monetary trust \$ 8,042,281
Fund Investment 5,481,936	Real Estate Trust <u>302,214</u>
Bond investment 2,505,887	
Real Estate -	
Land <u>302,214</u>	
<u>\$ 8,344,495</u>	<u>\$ 8,344,495</u>

Trust Properties Index

December 31, 2005

Investment Items	Account out Amount	
Bank deposits		
Other money trust -Survival	\$ 8,688	
-Considering	<u>45,770</u>	\$ 54,458
Short-term investments -		
Fund Investment -NT Trust	4,434,824	
-Foreign currency Trust	1,047,112	
Bond investment -NT Trust	285,728	
-Foreign currency Trust	<u>2,220,159</u>	7,987,823
Real Estate -Land		<u>302,214</u>
		<u>\$ 8,344,495</u>

29. Maturity Analysis of Assets and Liabilities

The maturity period for assets and liabilities of our Bank is on a basis of the remaining period from the balance sheet date to the expiry date. Assets and liabilities having contracted expiry dates will be analyzed on a basis of the contracted expiry date. Assets and liabilities without contracted expiry dates will be analyzed on a basis of the expected dates of asset realization or debt redemption.

	Dec. 31, 2006			
	Within 1 year	1-7 years	Over 7 years	Total
<u>Assets</u>				
Cash	\$ 5,785,872	\$ -	\$ -	\$ 5,785,872
Due from Central Bank and placement to other bank	11,199,019	-	-	11,199,019
Financial assets at fair value through profit or loss	28,883,811	163,416	-	29,047,227
Account receivables Total	5,288,234	-	-	5,288,234
Loan and advances to customers	45,638,746	42,121,386	98,815,003	186,575,135
Available for sale financial asset	3,025,161	1,062,162	122,628	4,209,951
Held-to-maturity financial asset	-	287,498	-	287,498
	<u>\$ 99,820,843</u>	<u>\$ 43,634,462</u>	<u>\$ 98,937,631</u>	<u>\$ 242,392,936</u>
<u>Liabilities</u>				
Deposits by Central Bank and other bank	\$ 10,038,458	\$ -	\$ -	\$ 10,038,458
Liabilities with callable bonds and bills	8,127,593	-	-	8,127,593
Account payables	4,415,896	-	-	4,415,896
Deposits and remittances	207,589,020	5,421,429	-	213,010,449
Subordinate financial debentures	-	4,000,000	-	4,000,000
	<u>\$ 230,170,967</u>	<u>\$ 9,421,429</u>	<u>\$ -</u>	<u>\$ 239,592,396</u>

	Dec. 31, 2005			
	Within 1 year	1-7 years	Over 7 years	Total
<u>Assets</u>				
Cash	\$ 5,549,431	\$ -	\$ -	\$ 5,549,431
Due from Central Bank and placement to other bank	11,265,741	-	-	11,265,741
Bills and securities purchased	34,398,840	-	-	34,398,840
Account receivables	5,123,614	-	-	5,123,614
Loan and advances to customers	43,105,995	39,109,119	86,600,117	168,815,231
	<u>\$ 99,443,621</u>	<u>\$ 39,109,119</u>	<u>\$ 86,600,117</u>	<u>\$ 225,152,857</u>
<u>Liabilities</u>				
Liabilities with callable bonds and bills	\$ 5,774,401	\$ -	\$ -	\$ 5,774,401
Due from Central Bank and placement to other bank	8,377,938	-	-	8,377,938
Account payables	3,332,613	-	-	3,332,613
Deposits and remittances	195,234,648	7,731,093	-	202,965,741
Subordinate financial debentures	-	2,000,000	-	2,000,000
	<u>\$ 212,719,600</u>	<u>\$ 9,731,093</u>	<u>\$ -</u>	<u>\$ 222,450,693</u>

30. Information on Financial Products

(1) Fair value information on financial assets

	Dec. 31,2006		Dec. 31,2005	
	Book value	Fair value	Book value	Fair value
<u>Financial assets</u>				
Financial assets equivalent				
at fair value and book value	\$ 22,376,989	\$ 22,376,989	\$ 21,976,497	\$ 21,976,497
Gain (loss) on financial assets at fair value				
through profit or loss	29,047,227	29,047,227	31,767,176	31,767,176
Available for sale financial assets	4,209,951	4,209,951	2,315,849	2,315,849
Loans and advances to customers	184,364,343	184,364,343	166,654,215	166,654,215
Held-to-maturity financial asset	287,498	287,498	315,815	315,815
<u>Financial liabilities</u>				
Financial assets equivalent				
at fair value and book value	235,684,026	235,684,026	220,549,568	220,549,568
Gain (loss) on financial liabilities at fair				
value through profit or loss Financial				
liabilities	140	140	-	-
Account payable-Subordinated Financial				
Debentures	4,000,000	4,000,000	2,000,000	2,000,000

On Jan. 1, 2006 the Bank adopted communiqué Financial Accounting Standards No. 34 "Financial Commodity Accounting standards," by the application of the new bulletin from Changes in accounting principles cumulative impact and the interests of shareholders adjustments related descriptions are shown in Note3.

(2) The methods and presumptions for estimating the fair values of financial products by our Bank are as follows:

1. The fair values of short-term financial products are calculated at the face value shown on the Balance Sheet. It is because that the expiry dates and expected disposal dates of such financial products are close to each other and such face values should be a reasonable basis for calculating fair values. This method is applied to cash, deposits at the Central Bank and other banks, cash equivalents, accounts receivable, pledged Certificate deposits, refundable deposit, liabilities with callable bonds and bills, Central bank deposit, accounts payable as well as received deposits.
2. Changes in the fair value of interest include loss of financial and asset's debts. Available for sale financial asset and Held-to-maturity financial asset, if there's market quotations, then use this price as market fair value. If no market price is available, evaluation is used to estimate. The banks Evaluation methods use estimates Total and assumptions, and Financial market participants when commodity pricing is used to make assumptions and estimates of information.

3. Loan and advances to customers, deposits and remittance are financial assets and liabilities with interests which are calculated at fluctuating interest rates. The contracted interest rates are not far different from current market interest rates therefore the face value will be regarded as its fair value.
4. Long-term investment under equity method and the financial assets under caused method all belong to unlisted company stock, because there is no open market price, the fair value assessment amount variation interval is not very small, and the variation interval assessment opportunities can not be assessed reasonably, because the fair value can not be reliably measured, so the fair value is not revealed.
5. The fair values of financial bonds are calculated at the discount value of expected cash flow. The discount rate is on a basis of a bond interest rate (with similar conditions like expiry date) which Sunny Bank Ltd. can obtain.

Since it is not necessary to list the fair values for part of our financial products and non-financial products, the above listed total fair value does not represent the total value of Sunny Bank Ltd.

- (3) In the methods and assumptions used by the bank to decide the financial commodities fair value include other market publicly decided price and assessment under evaluation method, the publicly decided price and evaluation methods estimate amount are respectively as follows.

	Publicly decided price amount	Evaluation methods and estimated amount
	D e c . 3 1 , 2 0 0 5	D e c . 3 1 , 2 0 0 6
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	\$ 12,018,611	\$ 17,028,616
Available for sale financial asset	1,838,160	2,371,791

The Bank of 2006, due to the decision to open price and evaluation methods and estimated fair value changes in the evaluation recognized a net loss interest's amount, respectively \$97,805,000 and \$13, 725,000.

(4) Financial Products with Credit Risk Other Than Those Indicated in the Balance Sheet

A great amount of credit occurs due to the operations of loans and credit cards services. Most of the credit lasts for over 7 years. The interest rate of loans ranges from 0% to 19.73% in 2006 and from 0% to 19.3% in 2005. The highest average interest rate for credit card reaches between 19.71% and 18.25%. Sunny Bank Ltd. also offers guarantee for customer performance to the third party. The foresaid guarantee agreement usually lasts for one year. The maturity dates for the guarantee agreements vary from each other.

The contract amounts of financial products with credit risk other than those indicted in the Balance Sheet are as follows:

	Dec. 31,2006	Dec. 31,2005
Loan commitments	\$ 5,986,003	\$ 6,528,677
Guarantees and Master L/C	4,555,709	4,510,040
Credit card commitment	939,665	15,055,580

The full payment for related financial products will not be made by the expiry date. Therefore, the contract amounts do not represent future cash outflow. That means, future cash requirement will be lower than contract amounts. In case the credit quota runs up or other guarantees totally lose their values, the maximum loss occurs when the credit risk amount equals to contract amounts.

Strict credit evaluation will be conducted while offering loans, guarantees and master L/C by our Bank. We will request specific customers to provide proper guarantees before we appropriate the approved loans to them. The ratios of loans with guarantees to total loans are 71.83% in 2006 and 71.69% in 2005. The guaranty against loans, guarantee and master L/C usually requested could be real estate, C.D, current securities or other properties. When customers breach the agreement, our Bank will be forced to execute its obligations on such guaranty.

No guaranty is required for using credit cards. Periodical evaluation on the credit of card holders will be conducted. Credit quota will be adjusted if necessary.

(5) Over Centralization of Credit Risk

When the transactions of financial products concentrate on a certain person, or many persons yet engaged in similar commercial business having similar economic characteristics, or persons being similarly influenced by economic or other conditions, there are over centralized credit risks. Our Bank does not centralize our transactions on a single customer or single relative person. The information of over centralization of credit risk which accounts for at least 10% of credit balance of our Bank are as follows:

	Dec. 31,2006		Dec. 31,2005	
	Amount	%	Amount	%
Manufacturing industry	<u>\$ 18,941,898</u>	<u>10</u>	<u>\$ 18,050,418</u>	<u>11</u>

31. Risk Management Policies and Practices and Major Risks

(1) Credit Risk

1. Loan asset quality

Item \ Year	Dec. 31,2006		Dec. 31,2005	
	Amount	All overdue loans ratio for lenders (%)	Amount	All overdue loans ratio for lenders (%)
overdue loans category A	\$3,950,820	2.12	\$3,914,713	2.32
overdue loans category B	996,218	0.53	1,295,571	0.77
Total overdue loans	4,947,038	2.65	5,210,284	3.09
The non-reportable amount of overdue loans	\$137,358		NA	
The non-reportable amount of overdue receivable payment	1,006,404		NA	

Note: (1) Overdue loans are in accordance with “Regulations on Reserving Allowance for Asset Impairment and Allowance for Bad Debts from Overdue Loans and Nonperforming Loans in Bank”.

(2) Overdue loans category A and overdue loans category B definition shall, in accordance with April 19, 2005 Bank Board's (1) Part No. 0941000251.

(3) Overdue loans ratio = overdue loans /loan balance

(4) The non-reportable amount of overdue loans and The non-reportable amount of overdue receivable payment is according to the Executive Yuan's financial supervisory commission April 25, 2006 Ministry of Financial Management (1) No. 09510001270 regulation for disclosure.

2. Credit Risk Centralization

Item \ Year	Dec. 31,2006		Dec. 31,2005	
Credit to persons interested	\$2,505,400		\$2,607,587	
Ratio of credit to persons interested	1.32		1.51	
Ratio of stock mortgage	0.10		0.98	
Centralization of Specific Industries (credit quota accounting for the top 3 of total credit)	Other industries	Ratio (%)	Other industries	Ratio (%)
	Manufacturing	10	Manufacturing	11
	Wholesale and retail trade	5	Wholesale and retail trade	7
	Construction industry	5	Construction industry	6

3. Please refer to Note 2 for Policies of Listing Loss Arising from Loans.

4. Please refer to Note 30 for the information on over credit risk centralization other than the items indicated in Balance Sheet.

(2) Market risk

1. Average values of assets and liabilities generating interest and current average interest rates:

	2006		2005	
	Average	average interest rate %	Average	average interest rate %
<u>Assets</u>				
Cash-Central bank	\$ 430,481	0.41	\$ 805,482	0.80
Due from Central Bank and placement to other bank	9,997,096	1.98	8,128,371	1.56
Securities and securities purchased	-	-	24,409,034	1.53
Financial assets at fair value through profit or loss	28,998,335	1.65	-	-
Available for sale financial asset	2,984,572	1.88	-	-
Held-to-maturity financial asset	292,977	2.11	-	-
Receivables	3,485,258	8.31	4,117,173	11.82
Bills and bonds purchased under agreements to resell	-	-	1,034,762	0.97
Loan and advances to customers	176,555,747	3.51	133,514,803	3.73
<u>Liabilities</u>				
Bill and bonds sold under agreements to repurchases	6,984,995	1.33	4,487,359	1.08
Due to banks	9,647,391	1.68	8,983,981	1.52
Demand deposits	13,368,433	0.29	9,761,507	0.25
Demand Savings deposits	50,487,966	0.67	39,198,922	0.66
Time deposits	31,346,132	1.96	29,329,273	1.59
Time Savings deposits	96,638,244	1.96	68,870,356	1.69
Government deposits	188,320	0.98	255,611	0.72
Negotiable certificates of deposit	10,056,076	1.63	9,372,481	1.42
Financial debenture	3,252,688	3.51	1,097,222	3.89

The above average value is calculated on a basis of daily average values of assets and liabilities generating interests.

2. Interest rate sensitivity information

Dec. 31, 2006

Interest rate sensitivity analysis balance sheet

Unit: NT thousand dollars, %

Items	1 to 90 days (include)	91 to 180 days (include)	181 days to 1 year (include)	1Year	Total
Interest rate sensitive of assets	\$ 172,724,000	\$ 13,758,000	\$ 3,520,000	\$ 27,610,000	\$ 217,612,000
Interest rate sensitive of liabilities	111,374,000	80,260,000	26,507,000	6,649,000	224,790,000
Interest rate sensitivities gaps	61,350,000	(66,502,000)	(22,987,000)	20,961,000	(7,178,000)
Interest rate sensitive equity, net					13,811,120
Ratio of Interest rate sensitive asset to liabilities (%)					96.81%
Ratio of Interest rate sensitive spreads to net equity (%)					(51.97%)

Note: This table is to fill the head office and branches at home and abroad part of the NT (not include Foreign currency) amount.

Dec. 31, 2006

Interest rate sensitivity analysis balance sheet

Unit: US thousand dollars, %

Items	1 to 90days (include)	91 to 180days (include)	181 days to 1 Year (include)	1Year	Total
Interest rate sensitive assets	\$ 81,834	\$ 64,237	\$ 5,255	\$ 36,638	\$ 187,964
Interest rate sensitive of liabilities	126,256	15,548	22,054	-	163,858
Interest rate sensitive gaps	(44,422)	48,689	(16,799)	36,638	24,106
Interest rate sensitive equity, net					-
Ratio of interest rate sensitive assets to liabilities (%)					114.71%
Ratio of interest rate sensitive assets to liabilities (%)					-%

Note: This table is making the head office and domestic branches. International Financial business branch and overseas branches total U.S. dollars amount, or does not include asset and or debts Items.

3. Major Foreign Currency Net Positions

Dec. 31, 2006			Dec. 31, 2005		
Original currency	Converted to NTD		Original currency	Converted to NTD	
USD 25,889	\$ 845,291		US 24,514	\$ 805,537	
Euro 105	4,521		Yen 49,031	13,660	
Swiss franc 159	4,246		HKD 2,383	10,101	
Thai Baht 3,686	3,375		AUD 343	8,236	
Pound 47	3,021		NZ 366	8,211	

(3) Liquidity Risk

1. Profitability

Year		2006	2005
Item			
ROA (%)	Profit before	(0.01)	0.39
	Tax	0.01	0.32
ROE (%)	Profit before	(0.12)	6.83
	Tax	0.22	5.64
Net Profit Ratio (%)		0.70	17.67

2. Analysis on Maturity of Assets and Liabilities

NT maturity term structure analysis Table

Dec. 31, 2006

Unit: NT thousand dollars

	Total	Amount in the remaining period to Maturity				
		1 to 30days	31days to 90days	91days to 180days	181days to 1Year	Over 1 year
Capital provided	\$247,769,000	\$ 55,917,000	\$ 8,471,000	\$ 8,265,000	\$ 12,785,000	\$162,331,000
Capital used	308,239,000	42,964,000	31,485,000	39,672,000	75,312,000	118,806,000
Gaps	(60,470,000)	12,953,000	(23,014,000)	(31,407,000)	(62,527,000)	43,525,000

U.S. maturity term structure analysis Table

Dec. 31, 2006

Unit: US thousand dollars

	Total	Amount in the remaining period to Maturity				
		1 to 30days	31days to 90days	91days to 180days	181days to 1Year	Over 1 year
Capital provided	\$ 195,602	\$ 56,934	\$ 32,538	\$ 64,237	\$ 5,255	\$ 36,638
Capital used	165,143	100,738	26,803	15,548	22,054	-
Gaps	30,459	(43,804)	5,735	48,689	(16,799)	36,638

NT maturity term structure analysis Table

Dec. 31, 2005

Unit: NT thousand dollars

	Total	Amount in the remaining period to Maturity				
		0 to 30days	31days to 90days	91days to 180days	181days to 1Year	1Years
Assets	\$249,861,000	\$57,628,000	\$ 8,047,000	\$ 9,137,000	\$ 15,686,000	\$159,363,000
Liabilities	250,228,000	37,760,000	14,596,000	40,000,000	59,386,000	98,486,000
Gaps	(367,000)	19,868,000	(6,549,000)	(30,863,000)	(43,700,000)	60,877,000
Accumulative gaps	(367,000)	19,868,000	13,319,000	(17,544,000)	(61,244,000)	(367,000)

Note: this list only includes the amounts in NTD in the Head Office and domestic branches.

32. Capital adequacy

According to the Banking Law and other related regulations, the basic capital-risky assets ratio of a bank shall not be lower than 8% so as to maintain a healthy foundation of banks. The authorized governmental unit is entitled to limit surplus distribution of a bank in case such ratio is lower than that specified.

	Dec. 31, 2006	Dec. 31, 2005
Self-owned capital, net	\$ 14,881,233	\$ 13,041,848
Risk-based assets	169,795,280	153,702,154
Capital adequacy ratio(%)	8.76%	8.49%
Tier 1 risk-based capital ratio(%)	7.34%	7.53%
Tier 2 risk-based capital ratio (%)	1.82%	1.25%
Tier 3 risk-based capital ratio (%)	-	-
Capital less items risk-based capital ratio	0.39%	0.29%
Equity ratio (%)	4.89%	4.62%

33. Transactions made by persons interested including borrowers, guarantors and guaranty provider

Category	Households	Total end Amount	Compliance cases	
			Normal loan	overdue loans
Consumer loans	439	\$ 112,370	\$ 112,028	\$ 342
Mortgage loan for employees	351	1,628,089	1,625,352	2,737
Other loans to interested parties	9	765,046	765,046	-
Loans to others with interested parties acting as guarantors	306	1,553,036	1,550,223	2,813
Secured loans with collateral from interested parties	337	2,293,439	2,290,702	2,737

34. Descriptions of Other Items

No other descriptions other than the Attachments.

35. Financial Information by Department

(1) Industry information

The business which Sunny Bank Ltd. operates belongs to single industry in accordance with the Banking Law.

(2) Distinction between information

Until the end of 2006 banks abroad have not established operating departments.

(3) Admission to export information

Until the end of 2006 the bank doesn't have export admission.

(4) Major customers

The banks do not have net income exceeds Admission Interests of over 10% from a single client.

Sunny Bank Ltd

Information of Invested Companies with Major Influence and Control

2006

Attachment

Unit: Thousand NTD

Name of the Investor	Name of the Invested	Invested Location	Invested Main Operations	Original Investment Amount		Held by Investor at Year-End			Net Income of Invested	Gain Recognized During the period	Remarks
				End	Year Early	Shares (Thousand)	Ratio (%)	Book Amount			
The bank	Sunny Securities Co.	Taipei city	Investment Securities business	\$ 276,274	\$ 276,274	29,300	97.02	\$ 211,391	\$ 6,794	\$ 6,592	Subsidiary
	Sunny Asset Management Co.	Taipei city	Purchasing non-performing loans	50,000	-	5,000	100.00	49,106	(894)	(894)	Subsidiary
	Yilien insurance Agent company	Taipei city	Life insurance agency business	6,000	6,000	600	39.99	10,934	3,197	1,732 (Note)	Invested company pricing by equity approach
	Yilien Insurance Broker company	Taipei city	Property insurance brokers business	1,000	1,000	121	20.00	1,726	1,443	289	Invested company pricing by equity approach

Note: Including investment gains at NTD 1,266,000, the amortization of the difference between investment cost and net equity at NTD 466,000.

Sunny Bank Ltd
Cash and Cash Equivalents Detail Table
Dec. 31, 2006

Table1

Unit: Thousand NTD

Name	Annual Interest Rates (%)	Amount
Inventory NT		\$ 2,507,598
Checks for clearing		2,522,365
Due from other banks	0-0.325	538,015
Inventory Foreign currency (Note)		<u>217,894</u>
		<u>\$ 5,785,872</u>

Note: Foreign currency and Conversion rate listed below:

Currency	Original currency Amount (thousand dollars)	Exchange rate
Yen	\$ 206,192	\$ 0.2742
US	2,779	32.6500
HKD	7,195	4.2000
Euro	941	42.9100

Sunny Bank Ltd
Financial commodities at Fair Value through Profit or Loss Detail Table
Dec. 31, 2006

Table2

Unit: Thousand NTD

Financial Commodities	Financial Commodities Name	Maturity Date	Total value	Interest rates (%)	Acquisition costs	Fair value (Note 2) Total
Financial assets at fair value through profit or loss						
Trading assets:						
Financing commercial paper	Fu Hwa Securities	2007.1.15-2007.2.8	\$ 1,140,000	1.68-1.72	\$ 1,136,857	\$ 1,136,857
	Veterans Project	2007.1.23-2007.3.12	1,000,000	2.00-2.01	996,164	996,430
	Capital group Securities	2007.1.3-2007.1.16	600,000	1.71-1.73	599,638	599,642
	President Securities	2007.1.3-2007.2.14	450,000	1.72-1.74	448,820	448,825
	ZongTsu-Dee-He	2007.1.4-2007.1.26	420,000	1.70-1.71	419,264	419,266
	Baocheng constructors	2007.1.4	396,800	1.68	396,226	396,227
	Other (Note 1)	2007.1.2-2007.4.23	10,229,100	1.67-1.8	10,211,908	10,212,003
					14,208,877	14,209,250
Asset security of commercial paper	Land Bank Taihsin	2007.2.13-2007.2.26	1,250,000	1.77-1.83	1,244,542	1,244,645
Negotiable certificates of deposit	Bank of PanHsin Songjiang	2007.1.16-2007.10.17	800,000	1.73-1.98	800,000	800,229
	Jihsun Bank	2007.1.19-2007.5.15	390,000	1.71-1.80	392,415	392,422
	Hsinchu Commercial Bank	2007.1.17	110,000	1.71	110,637	110,638
	Other (Note 1)	2007.1.5-2007.8.9	110,900	1.70-2.0	111,709	111,711
					1,414,761	1,415,000
Beneficiary certificates (Note 1)			-	-	692,650	729,260
Common stock on market (Note 1)			-	-	387,178	456,191
Interval bond gaps (Note 1)			-	-	97,950	97,950
Other (Note 1)			-	-	48,621	61,771
					18,094,579	18,214,067
Financial assets designated at fair value:						
Negotiable certificates of deposits (Note3)	Central Bank	2007.1.1-2007.12.12	10,635,000	1.69-1.90	10,635,000	10,635,737
Government bonds (Note 1 and 3)		2007.8.15-2011.5.30	167,500	4.62-8.00	205,978	197,423
					10,840,978	10,833,160
					\$ 28,935,557	\$ 29,047,227
Financial liabilities designated at fair value:						
Net gain (loss) on valuation and disposal of trading liabilities						
SWAP;			-		\$ -	\$ 140

Note 1: There was no balance reaching all the subjects' amount 5%.

Note 2: Bonds are the each period reference prices on balance sheet day of Taiwan securities service; Beneficiary certificates is the net value on the balance sheet; common stocks on market price is the balance sheet ending price; other market's financial commodities, estimate fair value under evaluation methods.

Note3: Negotiable certificates of deposit, a total \$2,077,900,000 has been provided as guarantee.

Note4: Financial assets and liabilities designated at fair value includes punishment interests \$176, 165,000, evaluation interests \$111,530,000 and dividend of \$15, 695,000.

Sunny Bank Ltd
Available for sale financial asset detail table
Dec. 31, 2006

Table3

Unit: Apart from price is NT \$, others are thousand dollars

Financial Commodities	Financial Commodities Name	Abstract		Denomination	Interest rates (%)	Acquisition costs	Evaluation Adjustment	Fair value (Note 2)	
		Coupon payment date	Maturity Date					Unit Price	Total
Government bonds	Central Claims 91-9	10.11	2007.10.11	\$ 400,000	2.5	\$ 402,086	\$ 128	\$100.5534	\$ 402,214
	Central Claims 92-6	7.15	2008.7.15	400,000	1.5	399,400	(1,213)	99.5467	398,187
	Central Claims 91-6	7.30	2007.7.30	250,000	2.63	251,122	35	100.4628	251,157
	Central Claims 95-1	1.6	2011.1.6	200,000	1.75	200,069	(1,238)	99.4158	198,831
	Other (Note 1)		2008.1.17-2019.1.22	305,800	1.63-6.88	<u>336,065</u>	<u>14,464</u>		<u>350,529</u>
						<u>1,588,742</u>	<u>12,176</u>		<u>1,600,918</u>
Asset security of commercial paper	Land Bank of Taiwan		2007.2.13-2007.2.26	1,293,000	1.85-2.24	<u>1,286,429</u>	<u>6,171</u>		<u>1,292,600</u>
Financing commercial paper	Asia Cement		2007.3.12	300,000	1.81	298,721	1,389		300,110
	Gem Terminals		2007.3.29	250,000	1.92-2.01	248,873	676		249,549
	Other (Note 1)		2007.1.3-2007.3.23	530,000	1.78-2.23	<u>527,605</u>	<u>1,927</u>		<u>529,532</u>
						<u>1,075,199</u>	<u>3,992</u>		<u>1,079,191</u>
Corporate Bonds	Formosa Petrochemical	10.20	2011.10.20	200,000	2.09	199,830	163		199,993
	Yangming Shipping	11.23	2012.11.23	30,000	6.02	<u>34,214</u>	(<u>2</u>)		<u>34,212</u>
						<u>234,044</u>	<u>161</u>		<u>234,205</u>
Links Commodity Index Fund Bonds			2011.3.30	-	-	<u>3,265</u>	(<u>228</u>)		<u>3,037</u>
						<u>\$ 4,187,679</u>	<u>\$ 22,272</u>		<u>\$ 4,209,951</u>

Note 1: There was no balance reaches the entire subject amount 5%.

Note 2: Bonds are the Taiwan securities service each period reference price on Dec. 31, 2006

Sunny Bank Ltd
Long-Term Investments under Equity method Details Table
2006

Table4

Unit: Thousand NTD

Investment Company Name	Beginning balance		This year increased		This year decreased (Note 1)		Interests Act on the right of recognition Investment interests (loss) (Note 2)	End balance		
	thousand shares	Amount	thousand shares	Amount	thousand shares	Amount		thousand shares	Shareholding%	Amount
Sunny Securities Co.	29,300	\$ 204,799	-	\$ -	-	\$ -	\$ 6,592	29,300	97.02	\$ 211,391
Sunny asset management company	-	-	5,000	50,000	-	-	(894)	5,000	100.00	49,106
Yilien insurance agent company	600	10,102	-	-	-	900	1,732	600	39.99	10,934
Yilien insurance broker company	121	<u>1,558</u>	-	<u>-</u>	-	<u>121</u>	<u>289</u>	121	20.00	<u>1,726</u>
		<u>\$ 216,459</u>		<u>\$ 50,000</u>		<u>\$ 1,021</u>	<u>\$ 7,719</u>			<u>\$ 273,157</u>

Note 1: Cash Dividend.

Note 2: It is according to the same period investment by the company to auditing accountants' financial statements calculated.

Sunny Bank Ltd
Fixed assets Detail Table
2006

Table5

Unit: Thousand NTD

Items	Beginning balance	This year		End balance	
		increased	decreased		
Cost					
Land	\$ 6,856,984	\$ 50,886	\$ -	\$ 6,907,870	
Housing and construction	2,833,394	10,423	-	2,843,817	
Miscellaneous facilities	<u>1,041,591</u>	<u>103,436</u>	<u>26,796</u>	<u>1,118,231</u>	
	<u>10,731,969</u>	<u>164,745</u>	<u>26,796</u>	<u>10,869,918</u>	
Revaluation					
Land	161,211	-	-	161,211	
Housing and construction	<u>21,836</u>	<u>-</u>	<u>-</u>	<u>21,836</u>	
	<u>183,047</u>	<u>-</u>	<u>-</u>	<u>183,047</u>	
Cost and Revaluation	<u>10,915,016</u>	<u>\$ 164,745</u>	<u>\$ 26,796</u>	<u>11,052,965</u>	
Less : accumulated depreciation					
Housing and construction	589,159	\$ 73,558	\$ -	662,717	
Miscellaneous facilities	<u>742,529</u>	<u>121,897</u>	<u>21,379</u>	<u>843,047</u>	
	<u>1,331,688</u>	<u>\$ 195,455</u>	<u>\$ 21,379</u>	<u>1,505,764</u>	
	9,583,328			9,547,201	
Construction in progress	<u>78,796</u>	<u>\$ 174,706</u>	<u>\$ 114,537</u>	<u>138,965</u>	
	<u>\$ 9,662,124</u>			<u>\$ 9,686,166</u>	

Sunny Bank Ltd
Payables Detail Table
Dec. 31, 2006

Table6

Unit: Thousand NTD

Items	Amount
Bills payable	\$ 2,522,365
Foreign Exchange payable	637,910
Interest payable	603,504
Expenses payable	242,748
Other (Note)	<u>409,369</u>
	<u>\$ 4,415,896</u>

Note: Each items amount does not exceed this subject's amount 5%.

Sunny Bank Ltd
Deposits and remittances Details Table
Dec. 31,2006

Table7

Unit: Thousand NTD

Items	Amount
Savings deposits	
Interest-drawing saving deposits	\$ 73,174,690
Demand Savings deposits	51,341,619
Non-interest-drawing time savings deposits	23,788,770
Staff accounts deposits	1,048,027
Installment savings deposits	172,447
	<u>149,525,553</u>
Time deposits	
Time deposits	31,118,111
Negotiable certificates of deposit	10,084,000
Foreign currency time deposits	3,268,938
	<u>44,471,049</u>
Demand deposits	
Demand deposits	14,725,286
Foreign currency demand deposits	932,295
	<u>15,657,581</u>
Checking deposits	
Checking deposits	2,616,950
Bank checking	440,221
	<u>3,057,171</u>
Government deposits	<u>239,598</u>
Remittances	<u>59,497</u>
	<u>\$ 213,010,449</u>

Sunny Bank Ltd
Subordinated Financial Debentures Detail Table
Dec. 31, 2006

Table8

Unit: Thousand NTD

Name	Issue Period	Term of principal repayment	Interest Rates (%)	Issue Total
The First Series of the Subordinated Financial Debentures in 2002 (1st issuance)	2002.11.13-2008.5.13	Repaid on maturity; payable every half-year, since date of issue	3.85	\$ 1,000,000
The First Series of the Subordinated Financial Debentures in 2002 (2 nd issuance)	2002.12.18-2012.12.18	Repaid on maturity; payable every year, since date of issue	4.35	1,000,000
The First Series of the Subordinated Financial Debentures in 2006(1st issuance)	2006.5.16-2011.11.16	Repaid on maturity; payable every year, since date of issue	2.55	<u>2,000,000</u>
				<u>\$4,000,000</u>

Sunny Bank Ltd
Interest income Detail Table
2006

Table9

Unit: Thousand NTD

Items	Amount
Interest income of loans	
Short –term loans	\$ 1,094,223
Medium-term loans	1,882,467
Long –term loans	2,867,196
Overdraft	<u>109,752</u>
	<u>5,953,638</u>
Financial asset Interest	<u>513,117</u>
Credit card cycle Interest rate	<u>289,664</u>
Other banks interest income	
Deposit reserve	84,285
Placement to other banks	904
Due from Central Banks	<u>113,434</u>
	<u>198,623</u>
Foreign exchange interest	<u>149,897</u>
Other	<u>103,834</u>
	<u>\$ 7,208,773</u>

Sunny Bank Ltd
Interest Expenses Detail Table
2006

Table 10

Unit: Thousand NTD

Items	Amount
Deposit interest	
Interest-drawing savings deposits	\$ 1,432,357
Time deposits	614,148
Installment and non-interest-drawing time saving deposits	461,974
Demand Savings deposits	262,931
Negotiable certificates of deposit	163,504
Staff accounts deposits	74,895
Demand deposits	38,549
government deposits	<u>1,837</u>
	<u>3,050,195</u>
Other bank interest	
Deposits transferred from Post Office	73,838
Placement to other banks	55,110
Deposits by other banks	34,976
Other	<u>33,338</u>
	<u>197,262</u>
Interest of subordinated financial debentures	<u>114,137</u>
Bills and bonds purchased under agreements to resell	<u>93,146</u>
Other	<u>211</u>
	<u>\$ 3,454,951</u>

Sunny Bank Ltd
Net Service Fee Income Detail Table
2006

Table 11

Unit: Thousand NTD

Items	Amount
Service fee income	
Loans business	\$ 214,081
Trust business	201,584
Credit card business	87,448
Acting business	60,637
Custodial fees	24,211
Guarantee fee	23,369
Other (Note)	<u>81,215</u>
	<u>692,545</u>
Charges Expenditure	
Credit card business	46,754
Loan business	20,064
Other (Note)	<u>28,390</u>
	<u>95,208</u>
Net service fees income	<u>\$ 597,337</u>

Note: All amounts have not been exceeding the subject amount 5%.

Sunny Bank Ltd
Operating Expenses Tables
2006

Table 12

Unit: Thousand NTD

Items	Amount
Wages and Bonus	\$ 1,804,871
Taxes	243,564
Depreciation	195,455
Insurance	131,519
Pensions	119,643
Amortization	22,809
Other (Note)	<u>734,949</u>
	<u>\$ 3,252,810</u>

Note: This entire amount has not been exceeding subject's amount 5%.

7. Consolidated financial statements of parent-subsidary companies audited by CPAs

Related Corporate Merger Financial Statement

Sunny Bank Ltd. Based on the “Consolidated Operational Statements of Affiliated Companies, Consolidated Financial Statements of Affiliated Companies, Affiliated Statement Preparation Principles”, the preparation of Consolidated Financial Statements of Affiliated Companies’ company should be the same with the preparation of Consolidated financial statements of parent-subsidary companies’ company according to the Financial Accounting Standards No. 7 communiqué , and the relevant information needed to be revealed in the Consolidated Financial Statements of Affiliated Companies are all revealed in the Consolidated financial statements of parent-subsidary companies, so no further Consolidated Financial Statements of Affiliated Companies.

We hereby declare

Sunny Bank Ltd

Chairman: Chen Shen-Hong

Feb. 14,2007

Auditing Report by CPAs

To: Sunny Bank Ltd.

The Consolidated Balance Sheet dated December 31, 2005 and 2006; Consolidated Income Statement, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement from Jan. 1 to Dec. 31, 2005 and 2006 submitted by Sunny Bank Ltd. and its subsidiaries have been audited and certified by us. The above financial statements are made and edited by the management of Sunny Bank Ltd. We are in charge of stating our opinions toward the above listed financial statements based on auditing results.

The auditing process was planned and conducted according to the regulations on auditing and certification of the financial statements of the financial industry by CPAs and general auditing standards so as to ensure there are no dishonest statements of the financial statements in a reasonable manner. The auditing process includes spot-check of the amounts listed in the financial statements and disclosure of auditing evidence. In addition, the accounting principles adopted by the financial statements and major accounting estimations made by the management as well as the overall expression of the financial statements are evaluated. It is believed that such auditing process can provide reasonable evidence for the opinions expressed.

As described in Note 26 attached to the Financial Statements, Sunny Bank Ltd. used Oct. 30, 2006 as the base day, the sale of liability to asset management companies has the loss of over \$784,846,000, according to the "Financial Institution Merger Law" can be amortized for five years stipulation, unamortized balance account list in "other assets – Loss of non-recognized sale of liability" is inconsistent with generally accepted accounting principles. If the sale losses were not deferred, then the Dec. 31, 2006 other assets – Loss of non-recognized sale of liability should reduce the loss of \$771,766,000, and the interests and retain a surplus of 2006 which should both be reduced to \$771,766,000.

In our opinion, besides the Loss of sale of liability not being recognized in that year according to the generally accepted accounting principles regulations, in the major aspects of the financial statements listed in the first paragraph are made in accordance with the standards of financial statements of public issuing banks and generally recognized accounting principles which shall adequately state the financial conditions on Dec. 31, 2005 and 2006, and operating results and cash flow in 2005 and 2006 of Sunny Bank Ltd.

As described in Note 1 attached to the Financial Statements, Sunny Bank Ltd. merged Kao Shin Commercial Bank on November 26, 2005. As described in Note 3 attached to the Financial Statements, Sunny Bank Ltd. has started adopting No. 34 of "Accounting Principle of Financial Commodities" and No.36 of "Express and Reveal of Financial Commodities" published on the gazette of financial accounting principles since Jan.1, 2006. And also match the communiqué Financial Accounting Standards No. 1 "the design of financial accounting concepts and financial statements," No. 5 "Equity investment in the long-term equity accounting principles" and No. 25 "Corporate merging-Purchase Law accounting" amendments, the long-term equity investment costs and net shareholding difference listed in goodwill and merger reputation, will not be amortized since Jan.1, 2006.

Deloitte & Touche Taiwan

Accountant Shao Chih Ming

Approved doc. No. Tai Tsai Cheng Liu Tze

0930128050 by the Security and

Futures Exchange Committee, Ministry
of Finance

Accountant Kuo Cheng Hung

Approved doc. No. Tai Tsai Cheng Liu Tze

0920123784

by the Security and Futures Exchange
committee, Ministry of Finance

Feb.14,2007

Sunny Bank Ltd. and its Subsidiaries
Consolidated Balance Sheet
December 31, 2006 and 2005

				Unit: Thousand NTD, (EPS: NT)			
				Percentage changes			
C o d e	A s s e t	D e c . 3 1 , 2 0 0 6 Amount	D e c . 3 1 , 2 0 0 5 Amount	Percentage c h a n g e s (%)	C o d e	liabilities and stockholders' equity	Percentage c h a n g e s (%)
11000	Cash (Note4)	\$ 5,844,517	\$ 5,573,087	5		Liabilities	
					21000	Deposits by Central bank and other banks(Note 16)	20
11500	Due from Central Bank and placement to other banks (Note5)	11,199,019	11,265,741	(1)	22000	Financial liabilities at fair value through profit or loss, net (Note 2, 3 and 6)	-
12000	Financial assets at fair value through profit or loss, net (Note 2, 3, 6 and 27)	29,070,905	31,790,803	(9)	22500	Bills and bonds sold under agreements to repurchase (Note 2)	41
					23000	Account Payables	50
					23500	Deposits and remittances (Note 17 and 26)	5
13000	Accounts receivable – net (Note 2, 7 and 26)	5,699,440	4,810,451	18	24000	Subordinated financial debentures (Note 18)	100
					29521	Land preparation for VAT (Note 2and 13)	(23)
13500	Loan and advances to customers (Note 2, 8 and 26)	184,364,343	166,654,215	11	29500	Other liabilities (Note 2, 19 and 24)	
14000	Available for sale financial asset, net (Note 2, 3 and 9)	4,209,951	2,315,849	82	20000	Total liabilities	(2) 8
						Stockholders' Equity	
						Share capital	
						Common stock of par value per share : authorized and issued 2,000,000 and 1,243,928 thousand shares, respectively, in 2006 ; authorized and issued 1,200,000,000 and 1,091,526 thousand shares in 2005	
14500	Held-to-maturity financial asset (Note 2, 3 and10)	287,498	315,815	(9)	31001		
15000	Long-Term Investments under equity methods, net (Note 2, 3 and 11)	12,660	11,660	9			
15503	Financial Assets under Cost Method (Note 2, 3 and 12)	397,261	446,173	(11)	31501	Capital surplus	-
						Capital Premium	-
					31515	Asset premium income	-
					31599	Other	-
					31500	Total Capital Surplus	-
	Fixed asset (Note 2 and 13)					Retained earnings:	
	Cost				32001	Legal reserve	15
18501	Land	6,907,870	6,856,984	1	32011	Inappropriate earnings	(94)
18521	Housing and construction	2,872,869	2,862,446	-	32000	Total Retained earnings	(21)
18551	Miscellaneous facilities	1,170,909	1,093,716	7		Unrealized gains (loss) on financial products	-
	Cost Total	10,951,648	10,813,146	1	32542	Treasury stock -18,955 Thousand Shares	-
	Revaluation	183,047	183,047	-		Stockholders' Equity	7
	Cost and revaluation	11,134,695	10,996,193	1	38101	Minor Equity	3
	Less : accumulated depreciation	1,568,470	1,385,896	13	30000	Total Stockholders' Equity	7
		9,566,225	9,610,297	-			
18571	Construction in progress	138,965	78,796	76			
	Less : accumulated depreciation		15,121	(100)			
18500	Net fixed asset	9,705,190	9,673,972	-			
19000	Intangible asset (Note 1, 2 and 14)	1,366,814	1,355,756	1			
19500	Other assets (Note 2, 15 , 21 , 2 16 , 27 and 28)	2,760,702	2,177,786	27			
10000	Total assets	\$ 254,918,300	\$ 236,391,308	8		Total Liabilities and Stockholders' Equity	8

The Notes attached construe a part of this financial statement.
Please refer to the auditing statement made by Deloitte & Touche Taiwan on Feb.14, 2007.

Chairman: Chen Shen-Hong

Manager: Tzo San-He

Accounting manager: Young Lien-Tza

Sunny Bank Ltd. and its Subsidiaries
Consolidated Income Statement
For the years ended December 31, 2006 and 2005

Unit: Thousand NTD, EPS: NTD

C o d e		2006	2005	Percentage (%)
		Amount	Amount	
41000	Interest income (Note 2 and 26)	\$ 7,208,762	\$ 5,690,135	27
51000	Interest expense (Note 26)	<u>3,454,924</u>	<u>2,300,432</u>	50
	Net interest income	<u>3,753,838</u>	<u>3,389,703</u>	11
	Other-non-interest income			
49100	Fees and commission income (Note 2)	676,390	564,753	20
49200	Gain (loss) on financial instruments at fair value through profit or loss (Note 3 and 26)	318,547	400,237	(20)
49500	Investment income under the equity method, net (loss) (Note 2 and 11)	2,021	487	315
49600	Foreign exchange gain (loss)	(39,318)	52,268	(175)
48005	Financial Assets under Cost Method (Note 3)	25,173	193,279	(87)
48051	Rental income	37,632	17,752	112
48063	Property trading net income (loss)	101,620	(2,420)	4,299
55000	Loss of sale of assets impairment	-	(86,635)	100
58089	Other bad debt expense	(732,751)	(764,529)	(4)
49800	Other non-interest income (loss) (Note 3)	<u>34,971</u>	<u>17,851</u>	96
	Total other-non-interest income	<u>424,285</u>	<u>393,043</u>	8
	Net income	<u>4,178,123</u>	<u>3,782,746</u>	10
51500	Bad Debt Expenses for Margin Loans (Note 8)	<u>1,067,420</u>	<u>297,285</u>	259

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C o d e		2006	2005	Percentage (%)
		Amount	Amount	
	Operating Expenses (Note 22)			
58500	Personnel costs	\$ 2,158,482	\$ 1,670,404	29
59000	Depreciation and Amortization	226,762	266,655	(15)
59500	Other general and administrative expense	<u>954,377</u>	<u>758,015</u>	26
	Total Expenses	<u>3,339,621</u>	<u>2,695,074</u>	24
61001	Income (Loss) from Continuing Operations before Income Tax	(228,918)	790,387	(129)
61003	Income tax Expense (benefit) (Note 2 and 21)	<u>57,441</u>	(<u>136,814</u>)	142
61005	Tax departments continue to operate income (loss)	(171,477)	653,573	(126)
63500	Cumulative effect of changes in accounting principle (Less income tax expense 12, 605 thousand dollars after net) (Note3 and 21)	<u>200,486</u>	<u>-</u>	-
69000	Net benefits	<u>\$ 29,009</u>	<u>\$ 653,573</u>	(96)
69601	Consolidated equity	\$ 28,806	\$ 653,993	(96)
69603	Minor equity	<u>203</u>	(<u>420</u>)	148
69600		<u>\$ 29,009</u>	<u>\$ 653,573</u>	(96)
C o d e		Profit before T a x	Profit before T a x	
69500	EPS (Note 23)			
	Basic EPS			
69501	Net income(loss) before cumulative effect of changes in accounting principle	(\$ 0.20) (\$ 0.15)	\$ 0.83 \$ 0.69	
69507	Cumulative effect of changes in accounting principle			
		<u>0.18</u> (\$ <u>0.02</u>)	<u>0.17</u> \$ <u>0.02</u>	<u>-</u> \$ <u>0.83</u>
				<u>-</u> \$ <u>0.69</u>

The Notes attached construe a part of this financial statement.
Please refer to the auditing statement made by Deloitte & Touche Taiwan on Feb.14, 2007.

Chairman:Chen Shen-Hong

Manager:Tzo San-He

Accounting manager:Young Lien-Tza

Sunny Bank Ltd. and its Subsidiaries
Consolidated Statement of Changes in Equity
2006 and 2005 Jan. 1 to Dec. 31

Unit: Thousand NTD										
	Issued share capital		Capital surplus	Retained surplus (Note 20)			Financial products Unrealized loss benefits	Treasury stock (Note	Minor	
	thousand shares	Amount	(Note 20)	Legal reserve	Inappropriate earnings	Total	(Note 2 and 3)	2and 25)	Equity	Total
Balance at January 1,2005	820,000	\$ 8,200,000	\$ 11,228	\$ 1,009,757	\$ 1,049,021	\$ 2,058,778	\$ -	\$-	\$-	\$ 10,270,006
Influence of first consolidation of subsidiaries										
Appropriation of retained earning	-	-	-	-	-	-	-	-	7,166	7,166
2004 Appropriation of retained earning:										
Legal reserve	-	-	-	313,553	(313,553)	-	-	-	-	-
Directors' and supervisions' bonuses	-	-	-	-	(21,983)	(21,983)	-	-	-	(21,983)
Employee Bonus	2,198	21,983	-	-	(21,983)	(21,983)	-	-	-	-
Stock Dividend-8.4%	68,880	688,800	-	-	(688,800)	(688,800)	-	-	-	-
Issuance common share for Merger Kaoshih Bank—Nov 2005	200,448	2,004,482	-	-	-	-	-	-	-	2,004,482
2005 Net Income	-	-	-	-	653,993	653,993	-	-	(420)	653,573
Balance at Dec. 31,2005	1,091,526	10,915,265	11,228	1,323,310	656,695	1,980,005	-	-	6,746	12,913,244
The interests of shareholders adjusted Items from the new published first application and revised Financial Accounting Principles	-	-	-	-	-	-	(7,191)	-	-	(7,191)
2005 Appropriation of retained earning:										
Legal reserve	-	-	-	196,198	(196,198)	-	-	-	-	-
Directors' and supervisions' bonuses	-	-	-	-	(13,586)	(13,586)	-	-	-	(13,586)
Employee Bonus	1,358	13,586	-	-	(13,586)	(13,586)	-	-	-	-
Stock Dividend-3.9%	42,570	425,695	-	-	(425,695)	(425,695)	-	-	-	-
Issuance of common stock for cash-Oct. 2006	108,474	1,084,735	-	-	-	-	-	-	-	1,084,735
2006 Net Income	-	-	-	-	28,806	28,806	-	-	203	29,009
Change of unrealized gain (loss)on available-for-sale financial assets	-	-	-	-	-	-	29,463	-	-	29,463
Treasury stock repurchase	-	-	-	-	-	-	-	(217,605)	-	(217,605)
Dec. 31, 2006 balance	<u>1,243,928</u>	<u>\$ 12,439,281</u>	<u>\$ 11,228</u>	<u>\$ 1,519,508</u>	<u>\$ 36,436</u>	<u>\$ 1,555,944</u>	<u>\$ 22,272</u>	<u>(\$217,605)</u>	<u>\$6,949</u>	<u>\$ 13,818,069</u>

The Notes attached construe a part of this financial statement.
Please refer to the auditing statement made by Deloitte & Touche Taiwan on Feb.14, 2007.

Chairman: Chen Shen-Hong

Manager: Tzo San-He

Accounting manager: Young Lien-Tza

Sunny Bank Ltd. and its Subsidiaries
Consolidated Cash Flow Statement
2006 and 2005 Jan. 1 to Dec. 31

	Unit: Thousand NTD	
	2006	2005
Cash flow from operating activities:		
Net income(loss)	\$29,009	\$653,573
Cumulative effect of changes in accounting principle	(200,486)	-
Adjustment Items		
Provision for bad debts of margin loans	1,067,420	297,285
Other bad debt expenses	732,751	764,529
Asset impairment loss	-	86,635
Depreciation	203,953	181,875
Amortization	22,809	84,780
Decrease (increase) in financial asset at fair value through profit or loss	(112,981)	(389,283)
Gain on sale of available for sale financial asset	(5,450)	8,012
Net income of investment under equity method	(2,021)	(487)
Invested of cash dividend under equity	1,021	-
Net income of financial assets under cost method	-	(183,966)
Provision for reserve of fault loss	2,481	2,080
Loss on disposal of fixed assets	4,024	742
Loss (gain) on disposal of foreclosed assets	(105,644)	1,678
Decrease (increase in deferred income tax assets	(139,168)	(116,520)
The purpose of the transaction financial asset increased	(5,703,755)	(4,013,164)
Decrease (increased) in account receivable	(1,621,740)	259,081
Increase in account payable	<u>1,686,739</u>	<u>1,278,861</u>
Net cash provided by operating activities	(<u>4,141,038</u>)	(<u>1,084,289</u>)
Cash flow from investing activities:		
Decrease (increase) in financial liabilities at fair value through profit or loss	8,737,260	(8,653,016)
Increase available for sale financial assets	(3,133,785)	(50,140,771)
Proceeds from disposal of available-for-sale financial assets	1,267,405	50,706,972
Decrease (increase) held to maturity financial assets	28,317	(160,356)
Decrease (increase) financial assets under cost method)	48,912	(213,203)

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	2006	2005
Decrease (increase) in due from Central Bank and placement to other banks	\$66,722	\$5,065,469
Decrease (increase) in bills and bonds purchased under agreements to resell	-	1,625,924
Increase in loans and advances to customers	(18,777,548)	(9,089,657)
Acquisition of fixed assets	(225,467)	(120,941)
Proceeds from disposal of fixed assets	1,393	-
Proceeds from disposal of financial assets under cost method	-	286,418
Proceeds from disposal of foreclosed assets	322,168	2,649
Increase in intangible assets	(25,175)	(13,387)
Decrease (increase) in other assets	(684,085)	(251,182)
Net cash provided by acquisition	-	<u>1,342,135</u>
Net cash used in investing activities	(<u>12,373,883</u>)	(<u>9,612,946</u>)
Cash flow from financial activities:		
Increase in bills and bonds securities sold under agreements to repurchase	2,353,192	1,666,665
Increase (decrease) in deposits by Central Bank and other banks	1,660,520	(1,147,968)
Increase in deposits and remittances	10,017,561	12,862,827
Increase in Subordinated Financial Debentures payable	2,000,000	-
Decrease (increase) other liabilities	(98,466)	(71,593)
Issuance of stock for cash	1,084,735	-
Directors' and supervisions' bonuses	(13,586)	(21,983)
Treasury stock repurchase	(<u>217,605</u>)	-
Net cash provided by financial activities	<u>16,786,351</u>	<u>13,287,948</u>
Effects of first-time inclusion of certain subsidiaries in the consolidated financial statements	-	<u>220,192</u>
Net increase in cash	271,430	2,810,905
Cash at beginning of year	<u>5,573,087</u>	<u>2,762,182</u>
Cash at end of year	<u>\$5,844,517</u>	<u>\$5,573,087</u>
Supplementary disclosure of cash flow		
Cash payment of interest	<u>\$3,342,781</u>	<u>\$2,093,891</u>
Cash payment of income tax	<u>\$140,116</u>	<u>\$448,834</u>

The Notes attached construe a part of this financial statement.
(Please refer to the auditing statement made by Deloitte & Touche Taiwan on Feb.14, 2007.)

Chairman:Chen Shen-Hong

Manager:Tzo San-He

Accounting manager:Young Lien-Tza

8. Financial difficulties arising from the affiliated businesses
N/A

Seven, Review of Financial Position and Operation Results/Analysis and Assessment of Risk Management

1. Financial status analysis

Unit: Thousand NTD

Item \ Year	2006	2005	Difference	
			Amount	%
Cash due from Central Bank and placement to other banks	\$ 16,984,891	\$ 16,815,172	\$ 169,719	1
Financial assets at fair value through profit or loss	29,047,227	31,767,176	(2,719,949)	(9)
Available for sale financial asset	4,209,951	2,315,849	1,894,102	82
Loans and advances to customers	184,364,343	166,654,215	17,710,128	11
Receivables	5,087,618	4,800,369	287,249	6
Held-to-maturity financial asset	287,498	315,815	(28,317)	(9)
Long-term investments under equity method	273,157	216,459	56,698	26
Fixed asset	9,686,166	9,662,124	24,042	-
Intangible assets	1,366,814	1,355,756	11,058	1
Financial assets under cost method	397,261	446,173	(48,912)	(11)
Other assets	2,574,916	1,992,932	581,984	29
Total assets	254,279,842	236,342,040	17,937,802	8
Deposits by Central Bank and other banks	10,038,458	8,377,938	1,660,520	20
Deposits and remittances	213,010,449	202,965,741	10,044,708	5
Financial liabilities at fair value through profit or loss	140	-	140	-
Bills and bonds sold under agreements to repurchases	8,127,593	5,774,401	2,353,192	41
Accounts payable	4,415,896	3,332,613	1,083,283	33
Subordinate financial debentures	4,000,000	2,000,000	2,000,000	100
Land preparation for VAT	264,110	344,749	(80,639)	(23)
Other liabilities	612,076	640,100	(28,024)	(4)
Total liabilities	240,468,722	223,435,542	17,033,180	8
Stockholders' Equity	12,439,281	10,915,265	1,524,016	14
Capital surplus	11,228	11,228	-	-
Retained earnings	1,555,944	1,980,005	(424,061)	(21)
Unrealized gain (loss) on financial commodities	22,272	-	22,272	-
Treasury stock	(217,605)	-	(217,605)	-
Total Stockholders' Equity	13,811,120	12,906,498	904,622	7
Descriptions of Increases and Decreases: 1. Available for sale financial asset increase mainly is induced by the asset security of commercial paper and financing commercial bills investment increase. 2. Long-term investment under equity method increase mainly is induced by adding Sunny Asset Management Company Ltd. 3. Other assets increase mainly is induced by selling bad debts.				

4. Deposits by Central Bank and other banks increase mainly is induced by other banks placement increase.
5. Financial liabilities at fair value through profit or loss and unrealized gain (loss) on financial commodities increase mainly is induced by first application of the Financial Accounting Standards No. 34 Communiqué "Financial Commodities's Accounting Guidelines".
6. Bills and bonds sold under agreements to repurchases increase mainly is induced by average interest rate lower than the Bank deposits, so the amount is increased.
7. Payables increase mainly is induced by Meet Spot Foreign Exchange and Meet Notes to be exchanged increase.
8. Subordinate financial debentures increase mainly is induced by Issue 2nd position Subordinated Financial Debentures.
9. Land preparation for VAT decrease mainly is induced by the 2005 merger of Kao-Hsin bank, and asset Property transfer payments land VAT.
10. Retained earnings decrease mainly is induced by lender bad debts cost and business costs increase because the net benefits decrease.
11. Treasury stock increase and buy back mainly is induced by the merger of Kao-Hsin bank disputed shareholder's stock.

2. Operating results analysis

Unit: Thousand NTD

Item \ Year	2006	2005	Changes	
			Amount	%
Net Interest Income	\$ 3,753,822	\$ 3,389,571	\$ 364,251	11
Net Non-Interest Income	338,532	311,195	27,337	9
Net Income	4,092,354	3,700,766	391,588	11
Bad Debt Expense for Margin Loan	1,067,420	297,285	770,135	259
Operating Expense	3,252,810	2,612,488	640,322	25
Earning Before Tax	(227,876)	790,993	(1,018,869)	(129)
Income Tax Gain (Expense)	57,605	(137,000)	194,605	142
Cumulative Effect of Change in Accounting Principle	199,077	-	199,077	-
Earning	\$ 28,806	\$ 653,993	(\$ 625,187)	(96)
Descriptions of Increases and Decreases: 1. Increase on bad debt expense for margin loans mainly is induced by bad debts remarket increase. 2. Business Costs increase mainly is induced by personnel costs increase. 3. Profit before interests and Net benefits decrease mainly is induced by lender bad debts cost and Business Costs increase. 4. Changes in accounting principles cumulative impact increase mainly is induced by 2006 first time application of the Financial Accounting Standards No. 34 Communiqué "Financial Commodities'Accounting Guidelines".				

3. Cash flow analysis

(1) Analysis on liquidity in the latest years:

The 2006 operating activities and the net cash flow in recent five years show negative figures.

(2) Analysis on cash flow in the future year:

Unit: Thousand NTD

Balance of Annually Initial Cash	Anticipated net cash flow generating from annual operations	Anticipated annual cash outflow	Anticipated amount of cash surplus (insufficiency) + . -	Measures taken for anticipated cash insufficiency	
				Investment Plan	Investment Plan
\$5,785,872	(\$2,260,849)	(\$27,860,174)	(\$24,335,151)	-	\$30,690,490

1. Analysis on changes of cash flow in 2006:

(1) Business activities: Net cash outflow mainly is induced by expected purpose of the transaction Financial asset increase.

(2) Investment activities: Net cash outflow mainly is induced by expected designated changes in the fair value of interest include loss of financial assets. Available for sale financial asset and lenders increase.

(3) Financing activities: Net cash inflow mainly is induced by expected Deposits increase. Issue 2nd position Subordinated Financial Debentures and Cash replenishment.

2. Measures taken for anticipated cash insufficiency and analysis on liquidity:

Expected business activities and investment activities cash shortfalls will be expected to increase deposits. Issue 2nd position Subordinated Financial Debentures and cash replenishment.

4. Influence Imposed by Major Capital Expenditures

Unit: Thousand NTD

Items	Actual or the expected source of funds	Actual or expected date of completion	Funding Total	Actual or intended use of funds case				
				2004	2005	2006	2007	2008-2011
Land, housing & architecture	Own funds	2004-2007	3,298,734	349,159	2,264,495	0	685,080	
Other facilities	Own funds	2004-2007	641,035	139,350	199,686	242,402	59,597	

5. Reinvestment Policies

N/A

6. Analysis and Risk assessment Management Matters

(1) Various qualitative risks and Quantitative Information

Bank's risk Management organizational structure and policies

Set up under the Board risk management, to manage credit risk, market risk, operation risk, liquidity risk, and other risks. Board of Management and staff at all levels jointly participate and promote the implementation through risk identification, measure, and offset. By using monitoring and reporting procedures, and trading activities it is possible to maintain the risk within a bearable range, in between risk and reward there is balance, thereby enhancing shareholder value.

Methods of measuring and controlling risks and related quantitative information

1. General Disclosure:

(1) Credit Risk Management:

Credit Risk means because of the lender or opponent or bad financial situation or other reasons cause the contract to be unfulfilled, so there is a loss risk. In order to effectively implement the bank's credit risk control to reduce the bank's credit risk loss the bank focus is on limited amount authorization, large amount of credit, credit concentration, transaction opponent, credit audit, credit quality, credit combination, etc, to set auditing and management measures so monitoring can find weaknesses in the risk management and propose improvement measures.

(2) Market risk Management:

Market risk refers to market price changes (such as market interest rates, exchange rates, commodities prices and stock prices changes) cause the bank's balance sheet and possible loss. For the effective implementation of market risk management, to reduce the bank's market loss risk, the bank focus is on the transaction, authorized amount limit, transaction subjects and parts, transaction opponent, evaluation method, stop loss amount limit, income changes, etc, set auditing and

management measures so monitoring can find weaknesses in the risk management and propose improvement measures.

(3)Operational risk Management:

Operational risk refers to the bank due to internal operations, staff and system dysfunctional mistake or loss risk caused by outside events. To effectively implement the operation risk management, to reduce the bank's operational loss risk, the bank focus is mainly on loss events, internal control, compliance with the law, and emergency response plans. Set auditing and management measures so monitoring can find weaknesses in the risk management and propose improvement measures.

2. Credit Risk items that should be exposed:

In-list Items - Risky Assets of Credit
Dec. 31, 2006

Unit: Thousand NTD, %

Item	Risk weight	Risky assets
Cash	0	0
debt of ROC central government or debt guaranteed by the central government	0	0
Debts guaranteed by cash, deposit at Sunny Bank Ltd., bonds issued by ROC central government or Central Bank of China, bonds issued by the central governments or central banks registered in economic cooperation and development organizations	0	0
Debt of or debt guaranteed by the governmental units other than the central government	10	0
Debt for domestic banks and their guarantee	20	679,743
Balance of export negotiation and bought-in remittance for	20	18,004
Loans guaranteed by real estate for residence	50	52,303,911
Debt and other assets other than those listed above	100	94,637,037
Total		147,638,695

Items not included in the list —Risky Assets of Credit

Dec. 31, 2006

Unit: Thousand NTD

Items	Risky assets
General transactions not in the list	4,430,241
Derivative financial products	728
Bills and Bonds with RP agreement	5,549
Bills and Bonds with RS agreement	0
Total	4,436,518

3. Market risk items that should be exposed Items:

Listed Market Risk Capital and Risky Assets

Dec. 31, 2006

Unit: Thousand

Type of Risk	Capital Appropriated	Risky Assets
Interest rate	1,185,220	14,815,256
Equity	189,869	2,373,360
Foreign exchange	42,516	531,450
Products	-	0
Options disposed by simplified method	-	0
Total	1,417,605	17,720,066

(2) Influence of Changes in Foreign and Domestic Policies and Laws on Banking Financial Operations and Related Measures

A. Important domestic and foreign policy and legal Changes

1. Financial Supervisory Commission, Executive Yuan alerted domestic banks to use the new Basel Capital Agreement Capital adequacy regulations from 2007, and announced "Bank Capital Adequacy Management approach," the amendment draft was Dec. 19, 2006, and published and implemented from Jan. 4, 2007.
2. Basel Bank Supervisory Committee published "Core principles for Effective Banking Supervision" and "Core Principle Methodology" as the bank's supervision organization to assess its supervision quality and promote financial revolution international standard on Oct. 5, 2006 No. 14 session of the International Banking Conference officials announced the revision.
3. Financial Supervisory Commission, Executive Yuan published "Financial Institutions Non-Operational Used Places Management Method" on Dec. 29, 2006 to increase the effectiveness and reason of monitoring such places, and simplify the relevant declaration and administration.
4. Financial Supervisory Commission, Executive Yuan set "Financial institutions operating commission of others to handle internal operating system and procedural method," on Sept. 18, 2006, regulated Financial institutions to set internal operation system and control procedure in commission item range, customers rights confirmation, risk management, and internal control principle.

B. Our bank is familiar with relevant domestic and foreign important policies and legal changes, if the bank's financial business is expected to be affected, inform the relevant units to set correspondent measures and process employee education training; if the bank's internal regulation, or operation procedures do not match the new law, then responsible units should amend.

(3) Influence of Changes in Technology and Industries on Banking Financial Operations and Related Measures

The financial environment is getting more complicated. The liberalization, internationalization and computerization of financial market and the applications and development of financial related information technology are rapidly changing the patterns of competition among banks. The application of online network enables the services provided by banks to no longer be limited within physical branches. Through friendly webpage design, customers get to know the services of banks more. The banks can also promote a variety of commodities through the internet for creating a more convenient environment for customers and increase the loyalty of customers. For adapting to such change, Sunny Bank Ltd. continues making research and development so as to increase the convenience and functions of

e-banking. Sunny Bank Ltd. keeps on strengthening a user-friendly environment and security for transactions for customers.

(4) Influence of Change in Image on Sunny Bank Ltd. and Relative Measures

Sunny Bank Ltd. has been holding quality policies of “stability, prospects, professionalism and enthusiasm” to achieve sustainable operations since its establishment. The assessment on the image of Sunny Bank Ltd. from customers is positive.

(5) Expected effects and possible risks for merging:

1. Anticipated Effectiveness

- a. Effectively enlarge market share and increase the number of customers.
- b. Enhance market recognition and effectively raise brand value.
- c. Lift the overall operation value of Sunny Bank Ltd.
- d. Raise the function of price negotiation to lower cost or increase revenue.
- e. Generate the effectiveness of economic scale.

2. Possible Risks

- a. The functions of Headquarters should be reinforced accordingly so as to handle the expansion of management and avoid branches from ineffective operations and negligent management.
- b. There should a complete plan for information transmission and communication system so as to effectively transmit company policies.

(6) Expected effects and possible risks of expansion of branches

The anticipated effectiveness is the same as that described in the previous paragraph. The risks arising from management and operations of Sunny Bank Ltd. may be increased after the expansion of branches; such risks will be lowered as much as possible through the professional and humane management.

(7) Risks arising from centralized business:

N/A

(8) Influence and Risk of Changes in Operational Rights:

N/A

(9) Significant Lawsuit or non-suit events or administrative litigation

A. Lawsuit or non-suit events arising from collection cases:

- (A) Business Financial and consumer payments mortgages: 3, 130 cases
- (B) Small amount loan: 3,165 cases
- (C) Credit card: 64 cases

B. In 2005 and by the date of printing this annual report, major lawsuits, non-suits or administrative litigation which have been verdict or in proceedings may result in great influence on depositors, shareholders' equity or security prices, cases with over NT\$3,000,000 are shown as follows:

(A) 1st Case: lawsuit in connection with the confirmation of the existence of debt.

(a) Lawsuit commencing from: April 26, 2004.

(b) Major parties: plaintiff – Chen Li Hsueh Chin

Defendant: Sunny Bank Ltd. and Central Deposit Insurance Corp., Ltd.

Participants: Huang Ching Hsing and Cheng Mei Li.

- (c) Dispute: the plaintiff requested to confirm the debt obligation of Huang Ching Hsing of employee capital stock of Pingtung 2nd Credit Cooperative and severance pay and the debt obligation of Cheng Mei Li for employee capital stock.
- (d) Target Amount: NTD 3,612,172
- (e) Result by the date of printing this annual report: Sunny Bank Ltd. won the case (Determined on 2006.05.07)
- (B) 2nd Case: Request to confirm the inexistence of the debt on mortgage and discharge of mortgage registration
 - (a) Lawsuit commencing from: December 9, 2004
 - (b) Major Parties: plaintiff – Lai Chun Feng and Chung Yu Chen
Defendant – Sunny Bank Ltd
 - (c) Dispute: the plaintiff request against Sunny Bank Ltd. to confirm the inexistence of debt on mortgage and discharge of mortgage registration
 - (d) Target Amount: NTD 15,600,000.
 - (e) Result by the date of printing this annual report:
 - (1) Sunny Bank Ltd. lost the case in the 1st verdict.
 - (2) Sunny Bank Ltd. appeals against the 1st verdict. The case is still in proceedings at Taiwan High Court.
- (C) 3rd Case: a lawsuit in relating to confirm the inexistence of the debt arising from promissory notes.
 - (a) Lawsuit commencing from: April 6, 2005
 - (b) Major parties: plaintiff – Lai Chun Feng and Chung Yu Chen
Defendant: Sunny Bank Ltd.
 - (c) Dispute: the plaintiffs claim against Sunny Bank Ltd. for the confirmation of the inexistence of the debt arising from the related promissory notes since Sunny Bank Ltd. claims to the court for determining that the promissory notes are fabricated.
 - (d) Target Amount: NTD 10,000,000.
 - (e) Result by the date of printing this annual report: the case is in proceedings at Shih Lin District Court, Small Claims Court. The debt mentioned in the 3rd case is the same as the 2nd case.
- (D) 4th Case: lawsuit in connection with return of deposit
 - (a) Lawsuit commencing from: April 14, 2005
 - (b) Major parties: plaintiffs – Chao Tung Hsin and Wang Huei Chun
Defendant: Sunny Bank Ltd.
 - (c) Dispute: the plaintiffs claim that Sunny Bank Ltd. does not fulfill its obligations in management in a careful manner which leads to their deposit withdrawn illegally by the third party. Therefore, a lawsuit is made against Sunny Bank Ltd. for the return of their deposit.
 - (d) Target Amount: NTD 25,000,000 plus interest at an annual rate of 5% commencing from the next day after the copy of pleading arrives at the court till the date of redemption.
 - (e) Result by the date of printing this annual report:
 - (1) Sunny Bank Ltd. won the case in the 1st verdict.
 - (2) The plaintiffs appeal against the 1st verdict. The case is still in proceedings at Taiwan High Court.
- (E) 5th Case: non-suit event in regarding to the procuring price of the merge with Kao Shih

Commercial Bank made by dissentient shareholders.

- (a) Non-suit commencing from: January 20, 2006
 - (b) Major parties: plaintiffs: Lin Wen Yu and the rest in a total of 13 persons.
 - (c) Dispute: the plaintiffs object the merge case and claim to the court to make a verdict on the price which Sunny Bank Ltd. acquires Kao Shin Commercial Bank.
 - (d) Requirement: the plaintiffs holding the shares of Sunny Bank Ltd. request the court to make a verdict on the procuring price per share as NTD 12.44.
 - (e) Result by the date of printing this annual report:
 - (1) 1st verdict on the procuring price per share as NTD 11.48.
 - (2) The plaintiffs appeal against the 1st verdict; both sides have admission agreements on procuring shares, the case was withdrawn.
- (F) 6th Case: lawsuit in connection with the confirmation of the non-existence of debt.
- (a) Non-suit commencing from: Nov.30, 2006
 - (b) Major parties: Plaintiff: Wong Lue- Tzen.
Defendant: Sunny Bank Ltd.
 - (c) Dispute: the plaintiff requested to confirm the debt obligation not existed.
 - (d) Requirement: NTD 2,000,000
 - (e) Result by the date of printing this annual report: the case is in proceedings at Shih Lin District Court, Small Claims Court.
- (G) 7th Case: lawsuit in connection with the requirement of loss compensation.
- (a) Non-suit commencing from: Feb.5, 2007
 - (b) Major parties: Plaintiff: Sunny Bank Ltd.
Defendant: Tsao Bo-Yue (whose real name: Tsao Tsung-Zong)
 - (c) Dispute: requested the plaintiff to be responsible for the loss compensation.
 - (d) Requirement: NTD 1,000,000 plus interest at an annual rate of 5% commencing from Feb. 23, 2004 till the date of redemption.
 - (e) Result by the date of printing this annual report: the case is in proceedings at Shih Lin District Court, Small Claims Court.

(10) Other important risks and correspondent measures

N/A

7. Crisis Management Mechanism

"Disaster Contingency Policies" and "Emergent Financing and Related Procedures" are set to deal with crisis.

(1) Disaster Contingency Policies

1. Targets: establish major crisis management and contingency procedures, improve the understanding of employees for disaster contingency policies and strengthen precautions in order to reduce damage, effectively raise financing on disaster, restore normal operations, stabilize customers' lives after disaster, recover social and economic orders as well as achieve a peaceful society.
2. Contingency Policies:
 - A. Precautions : (a) holds educational trainings and practices. (b) Strengthen protection and inspection for facilities.

- B. Actions: the contingency team shall actively gather at the Management Department of the Head Office and coordinate each unit to deal with such emergency.
- C. Actions after stabilizing disaster: (a) the emergency contact person of each suffered unit shall check each branch or administrative office upon disaster or after disaster being stabilized and report the facts to the chief executive director of the contingency team. (b) Measures for controlling the consequences caused by disasters. (c) Confirmation on the safety of employees and customers. (d) Make announcements to customers to avoid customer panic and negative influence on customers' rights. (e) Confirmation of loss and evaluation on capital requirements.

(2) Emergent Financing and Related Procedures

1. Purpose: the contingency plans are made in accordance with the "Regulations of Liquidity Risks" so as to tackle the great loss of deposit in the emergent period and further to make capital financing upon major accidents.
2. Related Contingency Procedures:
 - A. The chief of the Financial Department shall suggest Chairman to call for an emergent Assets and Liabilities Management Committee Meeting to : (a) evaluate market influence and trend; (b) examine current liquid positions; (c) plan sources of capital financing and (d) decide the procedures against the disaster.
 - B. Actions immediately taken: (a) list cash liquid position of all currencies; (b) dispose the investment positions of bills, bonds and securities; (c) obtain other banks capital in fixed period; (d) Extend the expiry dates for liabilities of Sunny Bank Ltd. and avoid centralized expiry dates; (e) Reduce liquid position gap; (f) discuss if it is necessary to raise NCD and other interest rates for deposits for financing capital and (g) temporarily cease large amount of corporate loans and general credit loans.
3. Steps of Financing:
 - A. Confirm the capital able to be used at Sunny Bank Ltd. and capital financing sources (including Type A of reserve at the Central Bank, Type B of reserve at the Central Bank, Capital center, deposits at other banks, financial bonds, securities, etc.)
 - B. Dumping of investment positions: (a) confirm the investment positions owned; (b) review the market for liquid assets ready to sell out and (c) calculate market prices and profit or loss after dumping.
 - C. Dumping of foreign exchange positions: dump foreign positions in all currencies.
 - D. Obtain other banks loans: (a) confirm loans required; (b) take the advantage of the relationships established to obtain other banks support and (c) obtain long-term other banks financial support under the persuasion by authoritative units.
 - E. Expand bills and bonds with RP conditions: (a) confirm RP position; (b) take the advantage of the relationships established to persuade customers or other banks support.
 - F. Keep depositors of Sunny Bank Ltd.: (a) confirm sources of deposits; (b) take the advantage of relationships established to keep our customers from disengagement.
 - G. Rediscount and financing services by the Central Bank: review qualified securities for rediscount and make financing in accordance with the "Regulations of Financing Banks by the Central Bank".

8. Other important events

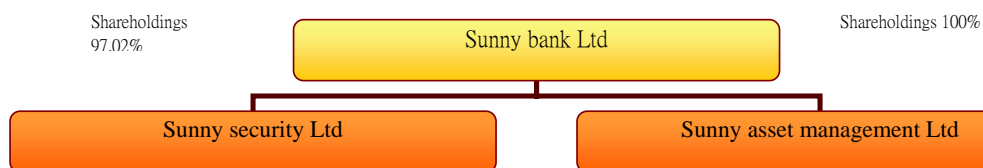
N/A

Eight, Special Accompanying Notes

1. Consolidated Operational Statements of Affiliated Companies

1. Operations of Affiliated Companies

(1) Organization Chart of Affiliated Companies



(2) Relevant basic corporation information

Unit: Thousand NTD

Corporate Name	Sunny Securities Ltd	Sunny asset management Ltd
Setup date	June 9, 1998	Oct. 16, 2006
Address	Taipei City, Min-shen E. Rd. Sec. 5, No. 167, B1	Taipei city, Shihpai Rd. Sec. 1, No. 88, 2F
Admission Capital Amount	\$302,000	\$50,000
Principal place of business Items	Entrusted with securities services	Financial Agencies monetary claims Admission Bought business

(3) Hold the same data of shareholders of affiliated companies: N/A

(4) Directors and Supervisors of Affiliated Companies

Name of Company	Title	Name	Shareholdings	
			Shares (thousand)	Percentage
Sunny Securities Ltd.	Chairman	Chen Yong-Ray	29,300	97.02%
	Director	Chen Hwe-Ling	29,300	
	Director	Chih Jih-Zhong	29,300	
	Director	Chen Hwe-Ming	29,300	
	Director	Lee Wen-Guang	29,300	
	Supervisor	Shih Yie-Fang	29,300	
Sunny asset management Ltd	Chairman	Lin Ming-Jheng	5,000	100%
	Director	Lan Yue-Lin	5,000	
	Director	Lin Jin-Yue	5,000	
	Supervisor	Guo Tze Hong	5,000	

2. Operations of Affiliated Companies

Unit: Thousand NTD (EPS: NTD)

Corporate Name	Capital Amount	asset total value	debts Total	Net	Operating income	This period loss Interests (Tax)	EPS (Tax)
Sunny Securities Co.	\$302,000	\$291,305	\$57,845	\$233,460	\$106,667	\$6,794	\$0.22
Sunny asset management Ltd	\$50,000	\$639,570	\$590,465	\$49,105	\$0	(\$894)	(\$0.18)

2. Main branch and domestic branches List

	Unit Name	Address	Tel
	Headquarter	111 No. 255 .Jong-Zhang Rd. Shih-Lin Dist. Taipei City	(02) 2820-8166
04	Head Office	112 No. 90 Sec. 1 Shih-Pai Rd. Bai-Tou Dist. Taipei City	(02) 2820-8166
01	Domestic Banking Department	111 No. 255 .Jong-Zhang Rd. Shih-Lin Dist. Taipei City	(02) 2882-2330
02	Shih-Pai Branch	112 No. 90 Sec. 1 Shih-Pai Rd. Bai-Tou Dist. Taipei City	(02) 2823-8480
03	Bai-Tou Branch	112 No. 152 Kuan-Ming Rd. Bai-Tou Dist. Taipei City	(02) 2891-7361
05	Shih- Lin Branch	111 No. 82 Da-Bai Rd. Shih-Lin Dist. Taipei City	(02) 2882-3660
06	Da-Tune Branch	112 No. 304 Jong He St. Bai-Tou Dist. Taipei City	(02) 2891-9196
07	Jian-Tain Branch	111 No. 131 Tong-He St. Shih-Lin Dist. Taipei City	(02) 2885-4181
08	Shir-Tze Branch	111 No. 260 Sec. 5, Yen-Ping N Rd. Shih-Lin Dist. Taipei City	(02) 2812-1112
09	Lan-Ya Branch	111 No. 169 Sec. 6, Jong-San N Rd. Shih-Lin Dist. Taipei City	(02) 2836-2072
10	Tian-Mu Branch	111 No. 15 Tian-MuE Rd. Shih-Lin Dist. Taipei City	(02) 2873-2500
11	Sih-Jong Branch	111 No. 220 Sih-Jong St. Shih-Lin Dist. Taipei City	(02) 2815-1415
12	Ji-Lin Branch	104 No. 304. Ji-Lin Rd. Jong-San Dist Taipei City	(02) 2561-1188
13	Cheng-Kong Branch	114 No. 70 Sec. 4, Cheng-Kong Rd. Nei-Hu Dist. Taipei City	(02) 2792-2433
14	Credit Card Dept.	112 No. 88 Sec. 1, Shih-Pai Rd. Bai-Tou Dist. Taipei City	(02) 2822-0122
15	Min-Shen Branch	105 No. 167 Sec. 5, Min-Shen E Rd. Song-San Dist. Taipei City	(02) 2760-6335
16	Yen-Ji Branch	105 No. 11 Yen-Ji St. Song-San Dist. Taipei City	(02) 2578-6201
17	Mu-Zah Branch	116 No. 96 Sec. 3, Mu-Zah Rd. Wen-San Dist. Taipei City,	(02) 2234-5890
18	Long-Jiang Branch	104 No. 49 Lane 356, Long-Jiang Rd. Jong-San Dist., Taipei City	(02) 2516-5945
19	Nan-Jing Branch	105 No.132 Sec. 4, Nan-Jing E Rd. Song-San Dist. Taipei City	(02) 2579-0229
20	Jing-Mei Branch	116 No. 95-12 Jing-Hou St. Wen-San Dist. Taipei City	(02) 2930-0202
21	Jong-Xing Branch	104 No. 36 Sec. 3, Min-Shen E Rd. Jong-San Dist. Taipei City	(02) 2516-5268
22	Xing-Yi Branch	106 No. 188 Sec. 4, Xing-Yi Rd. Da-An Dist. Taipei City	(02) 2706-8388
23	Jong-He Branch	235 No. 245 Jian-Yi Rd. Jong-He City, Taipei County	(02) 2222-5199
24	Trust Dept.	104 2 F No. 36 , Sec. 3, Min-Shen E Rd. Jong-San Dist. Taipei City	(02) 2517-5608
25	Yong-He Branch	234 No. 188 Sec. 1, Jong-San Rd. Young-He City, Taipei County	(02) 2926-5899
26	Lu-Tso Branch	247 No. 393 Ji-Xian Rd. Lu-Tso City, Taipei County	(02) 8282-2068
27	Ban-Chiao Branch	220 No. 133 Sec. 1, Shih-Tzung Rd. Ban-Chiao City, Taipei County	(02) 2955-0008
28	Tai-San Branch	243 No. 110 Sec. 1, Ming-Tze Rd. Tai-San Town, Taipei County	(02) 2297-9797
29	Xing-he Branch	235 No. 89 Hua-Xing St. Jong-He City, Taipei County	(02) 8941-9339
30	Xi-Tso Branch	220 No. 89 Sec. 3, Du-Xing Rd. Ban-Chiao City, Taipei County	(02) 2681-9960
31	Ku-Ting Branch	100 No. 40 Sec. 2, Ding-Tso Rd. Jong-Zeng Dist. Taipei City,	(02) 8369-2288
32	Xing-Chuang Branch	242 No. 533 Long-Aan Rd. Xing-Chuang city, Taipei County,	(02) 8201-9069
33	San-Tsong Branch	241 No. 108 Sec. 4, Tze-Chiang Rd. San-Tsong City, Taipei County,	(02) 8981-7171
34	Financial Dept.	112 No. 88 Sec. 1, Shih-Pai Rd. Bai-Tou Dist. Taipei City	(02) 2820-8166
35	Shoun-He Branch	235 No. 722 Jing-Ping Rd. Jong-He city, Taipei County	(02) 8242-3919
36	Da-Yeh Branch	330 No. 55 Sec. 1, Da-Yeh Rd. Tao-Yuan city, Tao-Yuan County	(03) 347-8899
37	Fu-Xing Branch	105 No. 143 Fu-Xing N. Rd. Song-San Dist. Taipei City,	(02) 2719-6166
38	Tao-Yuan Branch	330 No. 32-20 Jong-San E. Rd. Tao-Yuan city, Tao-Yuan County,	(03) 336-0555
39	Da-Aan Branch	110 No. 225 Sec. 3, Ho-Ping E. Rd. Xing-Yi Dist. Taipei City	(02) 2733-7711
40	North 2 Dist. Corporate Region	114 No. 252 Sec. 1, Nei-Hu Rd. Nei-Hu Dist Taipei City,.	(02) 2799-2199

	Unit Name	Address	Tel
41	North 1 Dist. Consuming Region	111 5F No. 255, Jong-Zhang Rd. Shih-Lin Dist. Taipei City	(02) 2882-5528
42	North 2 Dist. Consuming Region	105 No. 132 Sec. 4, Nan-JingE Rd. Song-San Dist. Taipei City	(02) 2577-3969
43	Central Dist. Consuming Region	403 2 F No. 159 , Sec. 1, Tajongkang Rd. W Dist. Tajong City,	(04) 2328-1188
44	North3 Dist. Consuming Region	234 7F No. 168, Sec. 1, Jong-San Rd., Young-He City, Taipei County	(02) 8923-8008
45	North 1 Dist. Corporate Region	104 2 F No. 43 , Sec. 1, Min-Shen E Rd. Jong-San Dist. Taipei City	(02) 2511-6856
46	Taipei County Corporate Region	220 2 F No. 133 , Sec. 1, Shih-Tsung Rd. Ban-Chiao City, Taipei County,	(02) 8951-7877
47	South 2 Dist. Consuming Region	708 2 F No. 359 , Sec. 2, Jong-Hwa W. Rd. Tainan City	(06) 298-5598
48	Tainan Dist. Corporate Region	701 4 F No. 102 , Sec. 3, Jong-Hwa E. Rd. Tainan City,	(06) 336-3738
49	Central Dist. Corporate Region	403 6F No. 421 , Ing-Tsai Rd. W Dist. Tajong City,	(04) 2328-1205
50	International Banking Department	105 2 F No. 143 Fu-XingN Rd., Song-San Dist. Taipei City	(02) 2719-1616
51	Xing-Dian Branch	231 No. 263-5 Jong-Zhang Rd Xing-Dian City Taipei County	(02) 8911-7676
52	Xing-Fu Branch	242 No. 800 Xing-Fu Rd. Xing-Chuang City, Taipei County,	(02) 2998-3366
53	Hua-Cheng Branch	510 No. 12 Jing-Sho Rd. Yuan-Lin town Zang-Hwa County, ,	(04) 832-2171
54	Kaohsiung Dist. Corporate Region	813 3 F No. 75 , Lee-wen Rd. Zuo-Ing Dist. Kaohsiung City,	(07) 556-8028
55	San-Min Branch	510 No. 38 San-Ming St. Yuan-Lin town, Zang-Hwa County,	(04) 832-2160
56	Shir-Tou Branch	511 No. 257 Sec. 2, Yuan-Ji Rd. Shir-Tou Town, Zang-Hwa County,	(04) 872-1017
57	Ping-Dong Branch	900 No. 70 Jong-Zhang Rd. Ping-Dong City	(08) 732-6123
58	Jong-Zeng Branch	900 No. 293 Jong-Zhang Rd. Ping-Dong City,	(08) 736-0811
59	Tze-Yo Branch	900 No. 114 W. sec. Tze-Yo Rd. Ping-Dong City,	(08) 753-9224
60	Xing-Pu Branch	220 No. 245 Shih-Wei Rd. Ban-Chiao City, Taipei County,	(02) 8253-7789
61	Kaohsiung Branch	849 No. 192 Jo-zu-yi Rd San-Min Dist. Kaohsiung City,	(07) 384-3163
62	Jong-Hwa Branch	701 No. 102 .Sec. 3, Jong-HwaE Rd E Dist. Tainan City,	(06) 267-0751
63	Jia-Yi Branch	600 No. 467 Jong-Xing Rd. Jia-Yi City,	(05) 234-2023
64	Tao-Chu Dist. Consuming Region	330 3 F No. 173 , Jian-Xing Rd. Jong-Lee City, Tao-Yuan County,	(03) 468-2229
65	Tainan Branch	700 No. 148 Sec. 2, Jong-Yi Rd. Tainan City,	(06) 228-2171
66	Jian-Kan Branch	702 No. 370 Sec. 2, Jian-Kan Rd. Tainan City,	(06) 261-2136
67	Dong-Ning Branch	701 No. 247 Dong-Ning Rd. Tainan City,	(06) 237-5141
68	Aan-Soon Branch	709 No. 202 Sec. 1, Aan-He Rd. Tainan City,	(06) 256-3146
69	Xi-Hua Branch	708 No. 359 Sec. 2, Jong-Hwa W. Rd. Tainan City,	(06) 297-9880
70	Offshore Banking Unit	105 2 F No. 143 , Fu-XingN Rd. Song-San Dist. Taipei City,	(02) 2719-1616
71	Xing-Chu Branch	300 No. 247 Jong-Young Rd. Hsinjue City,	(03) 515-3608
72	Jing-Wu Branch	401 No. 188 Jing-Wu E. Rd. E Dist. Tajong City,	(04) 2211-2368
73	Zuo-Ing Branch	813 No. 102 Bo-ei 2 Rd. Zuo-Ing Dist. Kaohsiung City,	(07) 556-0128
74	South 1Dist. Consuming Region	813 5 F No. 75 , Lee-Wen Rd. Zuo-Ing Dist. Kaohsiung City,	(07) 556-6707
75	Lin Ya Branch	802 No. 22 Fu-Xing 2 Rd. Lin-Ya Dist. Kaohsiung City,	(07) 331-0066
76	Tajong Branch	403 No. 159 Sec. 1, Tai-jong kang Rd. W Dist. Tajong City,	(04) 2310-9996
77	Xian-Shan	403 No. 166 Sec. 1, Xian-ShanSouth Rd. W Dist. Tajong City,	(04) 2472-2528
78	Nei-Hu Branch	114 No. 250 Sec. 1, Nei-Hu Rd. Nei-Hu Dist. Taipei City,	(02) 2658-6698
79	Jong-Lee Branch	330 No. 171 Jian-Xing Rd. Jong-Lee City, Tao-Yuan County,	(03) 428-1116
80	Wu-Goo Branch	248 No. 12 Sec. 1, Jong-Xing Rd. Wu-Goo Town, Taipei County,	(02) 8976-9000
81	Lin-Shen Branch	300 1 F No. 196 , Lin-Shen Rd. E Dist. Hsinjue City,	(03) 610-0189
82	Xin-Xing Branch	800 No. 6 Jong-Zeng 4 Rd. Xin-Xing Dist. Kaohsiung City,	(07) 288-4131

	Unit Name	Address	Tel
83	Ching-Nian Branch	802 No. 169-1 Ching-Nian1 Rd. Lin-Ya Dist. Kaohsiung City,	(07) 331-8526
85	San-Fong Branch	849 No. 293 Jong-Hwa3 Rd. San-Min Dist. Kaohsiung City,	(07) 231-5101
86	Shih- Wei Branch	802 No. 159 Jong-Hwa4 Rd. Lin-Ya Dist. Kaohsiung City,	(07) 333-3701
87	Da-Kong Branch	803 No. 40 Da-kong Rd. Yen-Tseng Dist. Kaohsiung City,	(07) 531-5105
88	Da-Soon Branch	849 No. 41 Da-Soon 2 Rd. San-Min Dist. Kaohsiung City,	(07) 386-1622
89	Hai-Kuan Branch	813 No. 190 Zuo-Ing-Da Rd. Zuo-Ing Dist. Kaohsiung City,	(07) 582-3511
90	Chien-Tzen Branch	802 No. 281 San-Duo 2 Rd. Lin-Ya Dist. Kaohsiung City,	(07) 711-0046
91	Ping-Deng Branch	849 No. 283 Tze-Lee 1 Rd. San-Min Dist. Kaohsiung City,	(07) 321-4622
92	Ming-Tzu Branch	802 No. 218 Jong-Zeng 2 Rd. Xin-Xing Dist. Kaohsiung City,	(07) 224-2426
93	Xiao-Kan Branch	812 No. 178-1 Kan-Tsung Rd. Xiao-Kan Dist. Kaohsiung City,	(07) 806-5171
94	North Dist. Levy Trial Center	104 2 F No. 36 , Sec. 3, Min-Shen E Rd. Jong-San Dist. Taipei City,	(02) 2503-2875
95	Lee-Wen Branch	813 No. 75 Lee wen Rd. Zuo-Ing Dist Kaohsiung City,.	(07) 558-0711
96	Yo-Tson Branch	811 No. 803 Jia-Tson Rd. Nan-Tze Dist. Kaohsiung City,	(07) 364-6530
97	Jian-Kou Branch	802 No. 124 Wu-Meow Rd. Lin-Ya Dist. Kaohsiung City,	(07) 715-3513
98	Wu-Jia Branch	830 No. 368 Wu-Jia 2 Rd. Fong-San city, Kaohsiung County,	(07) 726-0801
99	Ding-Lee Branch	849 No. 142 Ding-Lee Rd. San-Min Dist. Kaohsiung City,	(07) 346-5955
100	Nan-Tze Branch	811 No. 55 Nan-Tze Rd. Nan-Tze Dist. Kaohsiung City,	(07) 353-5513
101	Chi-San Branch (include Hua-Xing)	842 No. 158 Jong-San Rd. Chi-San Town, Kaohsiung County,	(07) 661-2081
102	Lio-Gwe Branch	844 No. 94 Kuan-Fu Rd. Yi-Pao Villiage, Lio-Gwe Town, Kaohsiung County,	(07) 689-2741
103	Mei-Long Branch	843 No. 25 Sec. 1, Jong-Zhang Rd. Mei-Long Town, Kaohsiung County,	(07) 681-8346
104	South Dist. Levy Trial Center	813 3 F No. 75 , Lee Wen Rd. Zuo-Ing Dist Kaohsiung City,.	(07) 556-8028
105	Kuan-Ting Branch	845 No. 104 Jong-Zhang Rd. Kuan-Ting Villiage, Nei-Men Town, Kaohsiung County	(07) 667-3081
107	Lin-Yuan Branch	832 No. 372 Lin-Yuan N Rd. Lin-Yuan Villiage, Lin-Yuan Town, Kaohsiung County,	(07) 643-8141
108	Kang-San Branch	820 No. 339 Kang-San Rd. Kang-San Town, Kaohsiung County,	(07) 623-6182
109	Jong-San Branch	900 1 F No. 187 , Jong-San Rd. Ping-Dong City,	(08) 733-1053
110	Lee-Kang Branch	905 No. 43 Lee-Kang Rd. Chung-Lin, Lee-Kang Town, Ping-Dong County,	(08) 775-7735
111	Dong-Kang Branch	928 No. 166 Jong-Zhang Rd. Dong-Kang Town, Ping-Dong County,	(08) 832-0887
112	Tsao-Tso Branch	920 No. 211 Yen-Ping Rd. Tsao-Tso Town, Ping-Dong County,	(08) 789-9665
113	Jia-Lee Branch	722 No. 277 Xing-Shen Rd Jian-Nan,, Jia-Lee Town, Tainan County,	(06) 721-7398
115	Yong-Kang Branch	710 No. 625 Jong-Hwa Rd. Yong-Kang City Tainan County,	(06) 203-6607
116	Jin-Hua Branch	702 No. 153. 155 Sec. 2, Jin-Hua Rd. S Dist. Tainan City,	(06) 264-7117
117	Zen-De Branch	717 No. 273 Sec. 2, Jong-Zhang Rd. Zen-De town, Tainan County,	(06) 270-6361
118	Kuan-Hua Branch	600 No. 119 Kuan-Hua Rd. E Dist. Jia-Yi City,	(05) 228-5830
119	Taipei Branch	104 No. 43 Sec. 1, Min-Shen E Rd. Jong-San Dist. Taipei City,	(02) 2563-3710
120	Chiang-Aan Branch	103 No. 205 Chiang-Aan W Rd. Da-Tong Dist. Taipei City,	(02) 2559-5500
891	Wealth Management Dept.	104 2 F No. 2 , Sec. 3, Min-Shen E Rd. Jong-San Dist. Taipei City,	(02) 2516-6399

陽信商業銀行股份有限公司



董事長 陳勝宏



