

JIH SUN INTERNATIONAL BANK LTD.
FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
AND
INDEPENDENT AUDITORS' REPORT

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

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(English Translation)
JIH SUN INTERNATIONAL BANK LTD.

FINANCIAL STATEMENTS

Table of Contents

Contents	Page
. Cover Page	1
. Table of Contents	2
. Independent Auditors' Report	3
. Balance Sheets	4
. Statements of Income	5
. Statements of Changes in Stockholders' Equity	6
. Statements of Cash Flows	7
. Notes to Financial Statements	
1. Overview	8
2. Summary of Significant Accounting Policies	8~16
3. Reasons for and Effects of Accounting Changes	16
4. Summary of Major Accounts	17~49
5. Related-Party Transactions	50~53
6. Pledge	54
7. Significant Commitments and Contingencies	54-55
8. Significant Catastrophic Losses	55
9. Significant subsequent events	55
10. Others	55~58
11. Business Segment Financial Information	59

(English Translation)
Independent Auditors' Report

The Board of Directors
Jih Sun International Bank Ltd.

We have audited the accompanying balance sheets of Jih Sun International Bank Ltd. as of December 31, 2006 and 2005, and the related statements of income, changes in stockholders' equity, and cash flows for the years ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of China and the Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 4 (12), the Bank sold non-performing loans to asset management companies, resulting in a loss of \$5,445,069 thousand, \$5,282,396 thousand and \$6,768,699 thousand in 2005, 2004 and 2002, respectively. According to the Law Governing Merger of Financial Institutions, the Bank has capitalized the loss on the sale of non-performing loans to deferred expense account and is amortizing it equally over 60 months. If the loss on non-performing loans was recognized currently, deferred loss on disposal of non-performing loans would be decreased by \$11,621,017 thousand as of December 31, 2005. The undistributed earnings would be decreased by \$11,621,017 thousand as of December 31, 2005. Net loss would be increased by \$2,469,853 thousand for the years ended December 31, 2005.

In our opinion, except for the effects of not recognizing currently the loss on non-performing loans as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Jih Sun International Bank Ltd. as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years ended, in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and accounting principles generally accepted in the Republic of China.

As described in Note 3, the Bank obtained the approval letter from Financial Supervisory Commission, Executive Yuan at July 19, 2006, with the issuing number of FSC (6) 0950129783, changed to adopt the generally accepted accounting principles in the Republic of China and amortized all of the deferred loss on disposal of non-performing loans amounting of \$9,871,401 thousand during the period of the six months ended of June 30, 2006.

As described in Note 3, from January 1, 2006, the Bank adopted the Republic of China Statements of Financial Accounting Standards (SFAS) No. 34 “Financial Instruments: Recognition and Measurement” and SFAS No. 36 “Financial Instruments: Disclosure and Presentation”. In accordance to SFAS No. 34, the financial assets and liabilities at the beginning of 2006 are required to be revalued based on either fair value or net amortization cost. As the result of adoption of SFAS No. 34, the revaluation differences accounted for as cumulative effect of change in accounting principle and adjustments to shareholders’ equity amounted to \$62,988 thousand and \$15,043 thousand, respectively.

The bank has compiled the consolidated financial statements for the years 2006 and 2005 and we have issued an unqualified opinion with explanation paragraph and qualified opinion, respectively.

January 29, 2007
Taipei, Taiwan, R.O.C.

Note to Readers

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

JIH SUN INTERNATIONAL BANK CO., LTD.
BALANCE SHEETS
DECEMBER 31, 2006 AND 2005
(Expressed in Thousands of New Taiwan Dollars)

	2006	2005	Change in
	Amount	Amount	%
ASSETS			
Cash and cash equivalents (Notes 4(1))	\$ 7,662,142	9,139,649	(16)
Due from Central Bank and call loans to banks (Note 4(2))	23,610,536	11,584,914	104
Financial assets measured at fair value through profit or loss— net (Notes 4(3))	16,778,122	24,518,633	(32)
Bills and bonds purchased under resell agreements (Note 4(4))	5,662,964	5,628,784	1
Receivables—net (Notes 4(8))	9,788,176	12,142,688	(19)
Available-for-sale financial assets—net (Notes 4(5))	2,473,475	2,364,000	5
Discounted and loans—net (Notes 4(9))	178,294,329	192,194,880	(7)
Held-to-maturity financial assets—net (Notes 4(6))	478,796	478,796	-
Investments under the equity method— net (Notes 4(10))	27,130	38,615	(30)
Other financial assets—net (Notes 4(12))	2,179,772	3,710,445	(41)
Property and equipments— net (Notes 4(11))	5,428,392	5,536,617	(2)
Intangible assets (Notes 4(13))	1,217,293	1,559,958	(22)
Other assets—net (Notes 4(12))	3,915,770	15,488,629	(75)
TOTAL ASSETS	\$ 257,516,897	284,386,608	(9)
 LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities			
Deposits from Central Bank and other banks (Notes 4(15))	\$ 20,438,892	30,815,424	(34)
Payables (Notes 4(16))	4,575,686	4,594,810	-
Deposits and remittances (Notes 4(17) and 5(2))	200,235,690	212,609,951	(6)
Financial liabilities measured at fair value through profit or loss (Notes 4(14))	30,479	195,676	(84)
Liabilities for bills and bonds sold under repurchase agreements (Notes 4(4))	8,155,949	10,376,009	(21)
Financial debentures (Notes 4(18))	11,000,000	11,000,000	-
Other financial liabilities	86,400	87,300	(1)
Other liabilities	935,421	806,110	16
Total Liabilities	245,458,517	270,485,280	(9)
 Stockholders' equity			
Common stock (Note 4(20))	14,180,587	19,247,600	(26)
Capital Surplus	-	2,431	-
Retained earnings (Note 4(22))	(2,237,591)	(5,348,703)	(58)
Other items of stockholders' equity	115,384	-	-
Total stockholders' equity	12,058,380	13,901,328	(13)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 257,516,897	284,386,608	(9)

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

JIH SUN INTERNATIONAL BANK CO., LTD.
STATEMENTS OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005
(Expressed in Thousands of New Taiwan Dollars, Except for EPS)

	2006		2005		Change in %
	Amount		Amount		
Revenues					
Interest revenues	\$	10,776,526		11,805,669	(9)
Less: Interest expenses		(4,342,566)		(3,925,788)	11
Net interest income		6,433,960		7,879,881	2
Non-interest income:					
Service and commission income, net		170,241		431,401	(61)
(Loss) Gains on financial assets or liabilities measured at fair value through profit and loss		(254,139)		53,871	(572)
Dividend income from available-for-sale financial assets		32,670		31,763	3
Income from investment under the equity method (Note 4(10))		13,384		27,589	(51)
Foreign exchange gains		61,458		115,109	(47)
Loss on sale and amortization of deferred disposal of non-performing loans		(11,779,582)		(3,757,916)	(213)
Others, net		455,815		236,524	93
Net Revenues		(4,866,193)		5,018,222	(197)
Provisions for allowances and reserves (Note 4(9))		5,033,979		5,782,738	(13)
Operating Expenses					
Personnel Expenses		2,012,008		2,313,769	(13)
Depreciation and amortization expenses		692,233		475,388	46
Other operating and administrative expenses		1,831,596		2,035,831	(10)
Total operating expenses		4,535,837		4,824,988	23
Total expenses		9,569,816		10,607,726	10
Net loss before tax from continuing operations		(14,436,009)		(5,589,504)	(856)
Income tax (benefit) expense (Notes 2 (15) and 4(23))		(414,689)		6,943	(6,073)
Net loss after tax from continuing operations		(14,021,320)		(5,596,447)	5,217
Cumulative effect of changes in accounting principles(Note 3)		62,988		-	-
Net loss	\$	(13,958,332)		(5,596,447)	5,217
Earnings per share (EPS) (Notes 2(21) and 4(24))					
Basic EPS					
Loss from continuing operations	\$	(8.31)	(8.08)	(3.62)	(3.62)
Cumulative effect of changes in accounting principles		0.04	0.04	-	-
Net loss	\$	(8.27)	(8.04)	(3.62)	(3.62)

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

JIH SUN INTERNATIONAL BANK LTD.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(New Taiwan Dollars in Thousands)

	Common Stock	Capital Surplus	Retained Earnings		Unrealized gains on available- for-sale financial assets	Total
			Legal Reserve	Accumulative Deficit		
Balance, January 1, 2005	\$ 13,247,600	2,431	975,960	(728,216)	-	13,497,775
Increase capital with cash	6,000,000	-	-	-	-	6,000,000
Recover loss from legal reserve	-	-	(728,216)	728,216	-	-
Net loss for 2005	-	-	-	(5,596,447)	-	(5,596,447)
Balance, December 31, 2005	<u>\$ 19,247,600</u>	<u>2,431</u>	<u>247,744</u>	<u>(5,596,447)</u>	<u>-</u>	<u>13,901,328</u>
Balance, January 1, 2006	\$ 19,247,600	2,431	247,744	(5,596,447)	-	13,901,328
Recover loss from legal reserve and captial surplus	-	(2,431)	(247,744)	250,175	-	-
Recover loss from capital on August 23, 2006	(17,067,013)	-	-	17,067,013	-	-
Increase capital with cash on August 25, 2006	12,000,000	-	-	-	-	12,000,000
Net loss for 2006	-	-	-	(13,958,332)	-	(13,958,332)
Unrealized gains on available-for-sale financial assets	-	-	-	-	115,384	115,384
Balance, December 31, 2006	<u>\$ 14,180,587</u>	<u>-</u>	<u>-</u>	<u>(2,237,591)</u>	<u>115,384</u>	<u>12,058,380</u>

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

JIH SUN INTERNATIONAL BANK LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(New Taiwan Dollars in Thousands)

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Net loss	\$ (13,958,332)	(5,596,447)
Adjustments to reconcile netloss to net cash provided by operating activities:		
Depreciation	298,765	216,447
Property and equipments transferred to expenses	42,726	63,652
Amortization	393,468	258,941
Income from investments under the equity method	(13,384)	(27,589)
Gain on disposal of financial assets carried at cost	(1,978)	-
(Gain) loss on disposal of collateral assumed	(145,968)	110,943
Reversal gain of impairment of assets	(66,521)	(60,203)
Various reserves and provisions	5,033,979	5,782,738
Loss on sale and scrap of property and equipment	14,913	13,198
Gain on sale of property and equipment	(193)	(379)
Loss on sale of non-performing loans	158,565	782,699
Amortization deferred loss on disposal of non-performing loans	11,621,017	2,975,217
Change in assets and liabilities:		
Decrease in receivables	1,606,293	2,274,451
Decrease (Increase) in financial assets measured at fair value through profit and loss	5,335,051	(10,479,738)
(Decrease) Increase in payables	(19,124)	549,475
Decrease in available-for-sale financial assets	5,908	9,591
(Decrease) Increase in financial liabilities measured at fair value through profit and loss	(165,197)	183,679
Net cash provided by (use in) operating activities	<u>10,139,988</u>	<u>(2,943,325)</u>
Cash flows from investing activities:		
Increase in due from Central Bank and call loans to banks	(11,449,890)	(820,684)
(Increase) Decrease in bills and bonds purchased under resell agreements	(34,180)	9,910,082
Decrease (Increase) in discounted and loans	9,614,790	(12,247,752)
Dividend income under the equity method	24,869	50,314
Purchase of property and equipment	(283,003)	(336,319)
Proceeds from disposal property and equipment	35,018	685
Proceeds from disposal collateral assumed	399,894	24,288
Proceeds from disposal of financial assets carried at cost	4,662	-
Increase in other assets	(1,531,122)	(633,138)
Decrease (Increase) in other financial assets	1,527,988	(4,483,342)
Purchase of pledged collateral	(213,831)	(776,820)
Proceeds from purchase of the assets and liabilities of Trust Department of Taiwan Development Co., Ltd.	-	5,292,759
Proceeds from sale of non-performing loans	<u>1,300,022</u>	<u>1,582,588</u>
Net cash use in investing activities	<u>(604,783)</u>	<u>(2,437,339)</u>

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

JIH SUN INTERNATIONAL BANK LTD.
STATEMENTS OF CASH FLOWS (CONTD)
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(New Taiwan Dollars in Thousands)

	<u>2006</u>	<u>2005</u>
Cash flows from financing activities:		
(Decrease) Increase in deposits from Central Bank and other banks	(10,376,532)	148,110
(Decrease) Increase in bills and bonds sold under repurchased agreements	(2,220,060)	3,378,420
Decrease in deposits and remittances	(12,374,262)	(8,519,921)
Decrease in other financial liabilities	(900)	(75,270)
Capital injection by cash	12,000,000	6,000,000
Issued of financial debentures	-	2,000,000
Increase in other liabilities	129,313	231,358
Net cash (use in) provided by financing activities	<u>(12,842,441)</u>	<u>3,162,697</u>
Net decrease in cash and cash equivalents	(3,307,236)	(2,217,967)
Cash, beginning of the year	<u>14,988,270</u>	<u>17,206,237</u>
Cash, end of the year	<u>\$ 11,681,034</u>	<u>14,988,270</u>
 Supplemental disclosures of cash flow information:		
Income taxes paid during the year	<u>\$ 69,822</u>	<u>31,290</u>
Cash and cash equivalents:		
Cash (excluding time deposits due beyond 90 days)	\$ 7,662,142	9,139,649
Due from Central Bank and banks (excluding despoist reserve and call loans to banks)	4,018,892	3,443,161
Short-term bills due within 90 days	-	2,405,460
Total	<u>\$ 11,681,034</u>	<u>14,988,270</u>
 Investing and financing activities not affecting cash flows for proceeds from purchase of the Trust Department of Taiwan Development Co., Ltd:		
Bill and bonds purchases under resell agreements	\$ -	(3,324,606)
Increase in receivables	-	(2,319,181)
Increase in discounted and loans	-	(3,519,726)
Increase in property and equipments	-	(626,796)
Increase in intangible asset	-	(1,660,737)
Decrease in other financial assets	-	64,135
Increase in deposits from banks	-	1,620,742
Increase in payables	-	172,425
Increase in deposits and remittances	-	14,857,970
Increase in other liabilities	-	28,533
	<u>\$ -</u>	<u>5,292,759</u>
 Investing and financing activities not affecting cash flows for disposal of non-performing loans		
Deferred disposal of non-performing loans (other assets)	\$ -	(5,445,069)
discounted and loans (other assets)	-	7,027,657
	<u>\$ -</u>	<u>\$ 1,582,588</u>
 Investing and financing activities not affecting for Evaluation of available-for-sale financial assets :		
Available- for-sale financial assets	\$ (115,384)	-
Other items of stockholders' equity	115,384	-
	<u>\$ -</u>	<u>-</u>

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

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS
December 31, 2006 AND 2005

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

(1) OVERVIEW

Jih Sun International Bank Ltd. (the "Bank") was organized on June 25, 1990, and authorized by the Ministry of Finance to operate as a commercial bank on August 10, 1991. As of February 1, 1992, its paid-in capital amounted to \$10,000,000 and its establishment of the Bank was approved on March 26, 1992. Operations commenced on April 9, 1992. As of December 31, 2006, its outstanding capital stock amounted to \$14,180,587.

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

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

The Bank's parent company is Jih Sun Financial Holding Co., Ltd. As of December 31, 2006, the Bank had 2,260 employees.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's financial statements were prepared in accordance with generally accepted accounting principles of the Republic of China, except for amortizing the loss on sale of non-performing loans over sixty months in according with the Law Governing Merger of Financial Institutions as described in Note 4 (12). The significant accounting policies were summarized as follows:

(A) Assets Impairment

Commencing from the year 2005, the Bank adopted SFAS No. 35 "Accounting for Impairment of Assets." In accordance with SFAS No. 35, unless inapplicable, the recoverable amount (individual assets or cash generating units other than goodwill) of an asset is estimated and compared with the carrying amount whenever there is an indication that the asset may be impaired. An impairment loss is recognized when the recoverable amount is less than the carrying amount (the higher of fair market value and value in use). For assets other than goodwill, reversal of impairment loss is recognized when the recoverable amount of the asset has increased from its prior period estimation, the carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior period.

The cash generating unit for goodwill needs to be tested annually and the recoverable amount less the carrying amount is recognized as impairment loss.

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

(B) Cash

Cash and cash equivalents refer to short-term and highly liquid investments that are readily convertible to known amounts of cash and with short-term maturities. Accordingly, interest rate fluctuations have little effect on their values.

Cash excludes reserve deposits with the Central Bank, but includes non-reserve deposits. Due from banks maturing within 90 days and remittance-in-transit are classified as cash. Call loans to banks and bills and bonds purchased under resell agreements due in 90 days are also classified as cash. Export remittances are not included as cash.

(C) Financial Instruments

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

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

- (a) Financial assets carried at fair value through profit or loss: Financial assets are classified as held for trading if they have been acquired principally for the purpose of selling or repurchasing in the near term. The derivative financial instruments held by the Bank, except for those designated as hedging instruments, are classified under this account. The financial assets such as the hybrid instrument which the main contract and embedded derivative should be separately identify but failed to separately revalue at acquiring date or at each balance sheet date, should be classified under this account.
- (b) Available-for-sale financial assets: At each balance sheet date the fair value is remeasured and the resulting gain or loss from such remeasurement is recognized directly in equity. If there is objective evidence that an available-for-sale financial asset is impaired, the carrying amount of the asset is reduced and impairment loss is recognized. If in a subsequent period, the amount of the impairment loss decreases as available-for-sale shall not be reversed through profit and loss. A gain or loss on available-for-sale financial assets is recognized directly in equity until the financial assets are derecognized, at which time the cumulative gain or loss previously recognized in equity is charged to profit and loss.
- (c) Held-to-maturity financial assets: The amortized cost, if there is objective evidence that a held-to-maturity financial asset is impaired, the carrying amount of the asset is reduced and impairment loss is recognized. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previous recognized impairment loss is reversed through the profit and loss. The carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized.

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

- (d) Financial assets carried at cost: Equity instruments with no quoted market price and whose fair value cannot be reliably measured are stated at cost. If there is objective evidence that financial assets carried at cost is impaired, the carrying amount of the assets is reduced and impairment loss is recognized. However, the impairment losses may not be reversed subsequently.
- (e) Debt investments without active market: The amortized cost, interest income and interest expense of debt investments without active market are determined by using the effective interest rate method. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previous recognized impairment loss is reversed through the profit and loss. The carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized.

As of December 31, 2005, the investments held by the Bank are classified into bills or securities purchased or long-term investment based on the intention of the investments. These investments are booked at the cost originally acquired and valued at the lower of total cost or market. The market values of listed or OTC securities are determined by the average closing prices of the last month of the accounting period and the open-end funds investments is by the unit net worth on balance sheet date. The unrealized loss of long-term investment from the decline in market value below cost is charged against stockholders' equity, and the unrealized loss of bills and securities purchased from the decline in market value below cost is recognized through profit and loss in the current period.

(D) Accounts receivable - credit card

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

(E) Allowance for Credit Losses

Allowance for credit losses is a significant estimate regularly evaluated by management for adequacy and is provided through a charge to provision for credit losses. In accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrued Loans" and "Regulations Governing Institution Engaging in Credit Card Business" issued by MOF, the management evaluates the quality of the overall portfolio, which comprises loans, accounts receivable, receivable-non-accrual accounts, outstanding guarantees and a review of specific delinquent claims.

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

(F) Investments under the equity method

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

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

(G) Property, Equipment and Depreciation

Property and equipment are stated at cost. Major additions, improvements, and replacements are capitalized, while maintenance and repairs are charged to current earnings. Interest incurred in the acquisition of property and until these property are ready for use is capitalized as part of the acquisition costs. Repairs and maintenance are expensed currently.

Depreciation is computed using the straight-line method over the government prescribed useful lives. Property and equipment still in use after their original estimated useful lives may be depreciated continuously over their estimated remaining useful lives. Useful lives of major property and equipment are as follows: buildings, 3 to 53 years; machinery and equipment, 5 to 10 years; transportation equipment, 3 to 6 years; other equipment, 3 to 8 years.

Gain or loss on disposal of property and equipment is accounted for the other non-interest gain or loss.

(H) Operation right

Operation right is resulted form the purchase of the operation right of the Trust department of Taiwan Development Corporation, which all amortized over a period of 60 months and are recorded as amortization expense.

(I) Deferred Charges

Deferred charges consist of capitalized costs of telephone line installation expense and purchase of computer software, which are amortized using the straight-line method over five years.

(J) Reserve for Guarantees

Reserve for guarantees is based on the collectible of guarantees and banker's acceptances receivables using their ending balances to estimate possible loss.

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

(K) Collateral Assumed

Collateral assumed are stated at estimated net realizable value, and any difference from the nominal value of the original claim is reflected as a credit loss. On the balance sheet date, if the collateral assumed are still unsold, their net realizable values are reassessed. If there is sufficient evidence indicating that market value is lower than book value, the difference is recognized as a current loss. Gain or loss on disposal of collateral assumed is accounted for the other non-interest gain or loss.

(L) Basis for Recovery of Allowance for Credit Loss on Loans and Advances

Overdue loans and past-due amounts that have been aggressively pursued and fall under one of the following circumstances are written off as bad debts after deducting the collectible amount.

- (a) The debt in full or in part is not collectible due to dissolution, disappearance, settlement or bankruptcy announcement of the debtor or other reasons.
- (b) Valuation of the debtor's assets including the collateral is rather low, or there is no repayment value after deduction of the preferences on the collateral, or the administrative expenses approximate or exceed the amount that can be paid to the Bank and there is no actual value.
- (c) There is no buyer and the Bank has not received any actual benefit despite numerous reduced price auctions of the debtor's assets including the collateral.
- (d) Overdue loans that are past due for two years and have not been repaid despite aggressive collection measures.
- (e) Overdue loans and past-due amounts which have been overdue for anywhere from six months to two years and are deemed uncollectible are written-off as bad debts after deducting the collectible amount.

(M) Foreign Currency Transactions

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

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

Foreign currency denominated assets and liabilities of overseas subsidiaries are translated at the spot rate on the balance sheet date. The components of their stockholders' equity is translated at the historical rate. Income statement accounts are translated at the weighted-average rate of the year, with difference reflected as cumulative translation adjustments to stockholders' equity.

(N) Income Tax

The Bank adopts SFAS No. 22 "Income Taxes" for the purposes of making inter- and intra-period income tax allocation, as well as for calculating the current income tax expense (benefit). Accordingly, the income tax effects from taxable temporary differences are recognized as deferred tax liability, while those deductible temporary differences, prior years' loss carry forward benefits, and investment tax credits are accounted for as deferred tax assets but subject to management's judgment as to whether the realization is more likely than not. Adjustments to prior year's income tax expenses are charged against current income tax expense. Investment tax credits are recognized in the current year. Income taxes separately levied on interest revenue from short-term bills are reported as current income tax expense. The classification of deferred income tax assets or liabilities as current or non-current is based on the nature of the related asset or liability or the estimated period of realization.

The 10% surtax on undistributed retained earnings is recorded as current expense on the date when the stockholders met and resolved not to distribute the earnings.

As a subsidiary of Jih Sun Financial Holding Company, the Bank files a consolidated corporate income tax return with its parent company. The difference between the consolidated income tax and the Bank's ordinary income tax as described above is adjusted at the parent company level and the Bank recognizes such difference as a payable or receivable.

(O) Pension Plan

The Bank has a defined benefit and contributory retirement plan for its employees. Under this plan, contribution is made annually to an independent pension fund at rates ranging from 4% to 8.5% of the employees monthly salary. In addition, the pension fund is independently managed by a Pension Fund Administration Committee and not included in the financial statements.

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

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

less than 6% of the employees' monthly wages and deposit the contribution in a personal retirement benefit account. However, the employee retirement plan maintained by the Bank has been amended to conform to this Act, the amendment is still waiting for the approval of the Board.

Under SFAS No. 18 "Accounting for Pensions", an actuarial valuation of a pension asset or liability is performed on the balance sheet date, and a minimum pension liability is recorded in the financial statements based on difference between the accumulated benefit obligation and the fair value of plan assets. Commencing from January 1, 1996, net periodic pension cost are recognized in accordance with SFAS No. 18 includes the current service cost, net transition asset or obligation, prior service cost and unrecognized gain (loss) on a pension plan which is amortized on straight-line basis over the expected average remaining service period of 15 years of the employees in accordance with the rules set by the SFB. The Bank contributes monthly no less than 2% of gross salary to the employee pension fund which is deposited into a designated depository account with the Central Trust of China.

Pursuant to the Act, the Bank also contributes cash at the rate of 6% of gross salary of each employee to the Council of Labor Affairs. This contribution is recognized as pension expenses for the current period when the contribution is actually made.

(P) Financial Assets Securitization

Under the Regulations for Financial Assets Securitization, the Bank, with the assistance of a trustee, securitized its financial assets for the purpose of offering asset-backed securities in the form of related beneficiary certificates through a special-purpose trust. Because the Bank surrendered its rights and control on these securitized financial assets, such financial assets are no longer recognized on the Bank's accounts, and the gain or loss from securitization is recognized thereon, except for the retained interests in the form of subordinated seller certificates necessary for credit enhancement, which are classified as other long-term bond investments because those certificates do not have quoted market prices.

The gain or loss from securitization of the financial assets is determined based on the difference between the proceeds from securitization and the carrying value of the securitized financial assets. The cost of each class of asset-backed securities, which is determined based on the previous carrying value of the securitized financial assets, is allocated in proportion to the fair value of each class of the asset-backed securities and the retained interests on the date of transfer. Because the securitized financial assets do not have a quoted market price, the fair value of each class of the asset-backed securities and the retained interests are evaluated based on the present value of future cash flows considering the expected credit loss rate, prepayment rate and discount rate on the financial assets.

The cash receipts of subordinated seller certificates from the trustee are accounted for using the interest revenue method in Held-to-Maturity investment.

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

(Q) Commitments and Contingencies

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

(R) Bills and Bonds Sold Under Repurchase Agreements

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

(S) Bills and Bonds Purchased Under Resell Agreements

Bills or bonds purchased with a commitment to resell them at predetermined price are treated as financing transactions. The difference between the purchase price and resell price is treated as interest revenue and recognized over the term of the agreement. On purchasing date, these agreements are recognized as the bills and bonds purchased under resell agreement.

(T) Available-for-Sale Financial Assets

Available-for Sale Financial Assets are initial recognition fair value, and account the transaction cost obtained or issued. Follow-up it measure fair value, and their value change is reconciliation of the Stockholder's Equity. Accumulated interests or losing is arranged in the financial assets that is net income.

Buy or selling financial assets was adopted commerce date in accountant date (The stock was adopted bargain date)

Cash dividend was arranged income in date of Ex-right, but it was invested in to make the part declared in previous year in current year, it was reduced cost of investment. Stock dividend was remembered the number of stock to increase, and increasing stock was calculated again the cost per share.

The stock dividend is not classified as the investment return, only remembers the number of share of stock to increase, and calculate the cost per share again according to the number of share of stock after increasing in note. The debt goods were difference between initial recognition the amount of money and expire among the amount of money that adopted the interest to amortize, admitted net income.

If there is objective evidence that an available-for-sale financial asset is impaired, the carrying amount of the asset is reduced and impairment loss is recognized. Impairment loss recognized in profit and loss for an investment in equity instrument classified as the amount of the impairment loss of the available-for-sale debt securities decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the precious recognized impairment loss is reversed through the profit and loss.

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

(U) Earning per share (EPS)

EPS is calculated by dividing the net income, net of preferred stock dividends, by the weighted-average shares outstanding during the period. In the case of capital increase through capitalization of retained earnings, capital surplus, or employee bonuses, EPS is retroactively adjusted, regardless of the period when such incremental shares remain outstanding.

(3) REASONS FOR AND EFFECT OF ACCOUNTING CHANGES

Commencing from the first quarter of 2005, the Bank adopted SFAS No. 35 "Accounting for Impairment of Assets." However, the adoption of this new accounting standard did not effect the Bank's results of operating because no impairment of assets was noted as of December 31, 2005.

The Bank originally adopted the Financial Institution Merger Law, which allowed the loss on disposal of non-performing loans are amortized over sixty periods, and the unamortized balance are recorded as other assets. However, the Bank obtained the approval letter from Financial Supervisory Commission, Executive Yuan change to adopt the generally accepted accounting principles in the Republic of China and amortized all of the deferred loss on disposal of non-performing loans amounting of \$9,871,401 during the period of the six months ended of June 30, 2006. If the deferred loss on disposal of non-performing loans were amortized over sixty month periods, the net loss before the extraordinary income and loss are decreased by \$8,121,784 for the year ended December 31, 2006; and the accumulated loss would be decreased \$8,121,784 and the deferred loss on disposal of non-performing loans and would be increased by \$8,121,784 as of December 31,2006.

Effective January 1, 2006, the Bank adopted the Republic of China Statements of Financial Accounting Standards (SFAS) No. 34 "Financial Instruments: Recognition and Measurement". However, due to the complexity of the transactions, the pro forma information using original method can not be provided. During initial recognition, financial assets and financial liabilities should be reclassified and measured with the fair value and amortized cost. As the result of adoption of SFAS No. 34, at January 1, 2006, the revaluation differences accounted for as cumulative effect of change in accounting principle and adjustments to Stockholders' equity amounted to \$62,988 and \$15,043, respectively. According to the Accounting Research and Development Foundation explanation letter, financial statements for the year ended as of December 31, 2005 needs to be classified using the new accounting accounts as of December 31, 2006, without restating, and there is no requirement to show the retroactive information of the prior year financial statements.

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

(4) SUMMARY OF MAJOR ACCOUNTS

(A) Cash and cash EQUIVALENTS

	December 31, 2006	December 31, 2005
Cash on hand	\$ 1,183,035	1,523,819
Petty cash	4,405	4,440
Checks for clearing	1,071,146	1,038,818
Foreign currency on hand	213,358	240,476
Bank deposit	5,190,198	6,332,096
Total	\$ 7,662,142	9,139,649

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

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

	December 31, 2006	December 31, 2005
General account	\$ 3,718,641	3,141,145
Deposit reserve	5,188,077	5,448,053
Financial center	300,251	302,016
Call loans to banks	14,403,567	2,693,700
Total	\$ 23,610,536	11,584,914

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

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

As of December 31, 2006 and 2005, the financial assets held for trading of the Bank were as follows:

	December 31, 2006	December 31, 2005
Government bonds	\$ 10,018,864	14,486,103
Corporate bonds	4,775,963	4,207,007
Convertible Corporate bonds	352,870	147,969
Overseas bonds	892,482	1,640,147
Listed and O.T.C. stock	601,616	576,927
Commercial paper	-	2,405,460
Beneficiary certificates	18,710	174,757
Overseas stock	13,049	10,938
Derivatives financial instruments	20,881	25,106
Financial asset securitized instruments	-	777,059
Future guarantee deposits	119,457	51,313
Valuation adjustment of financial assets	(35,770)	15847
Total	\$ 16,778,122	24,518,633

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

Government bonds and Corporate bonds under repurchase agreements were sold for \$8,155,949 and \$10,376,009 by December 31, 2006 and 2005, respectively.

(D) BILLS AND BONDS PURCHASED/ SOLD UNDER RESELL/REPURCHASE AGREEMENTS

As of December 31, 2006 and 2005, the bills and bonds purchased/ sold under resell/ repurchase agreements were as follows:

	December 31, 2006		
	Financial loan/ (borrow) amount	Due to resold/ repurchase term	Due to interest interval %
Bills and bonds purchase under resell agreements	\$ 5,662,964	January 2 to January 11, 2007	1.61 to 1.63
Bills and bonds sold under repurchase agreements	(8,155,949)	January 2 to February 7, 2007	1.62 to 1.645
	December 31, 2005		
	Financial loan/ (borrow) amount	Due to resold/ repurchase term	Due to interest interval %
Bills and bonds purchased under resell agreements	\$ 5,628,784	January 2 to January 10, 2006	1.375 to 1.41
Bills and bonds sold under repurchase agreements	(10,376,009)	January 2 to January 25, 2006	1.38 to 1.43

The bills and bonds under resell and under repurchase agreement transaction object were as Government bonds.

(E) AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31, 2006	December 31, 2005
Government bonds	\$ 1,871,588	1,877,496
Fixed revenue preferred stock	486,000	486,000
Listed and O.T.C. stock	504	504
Valuation adjustment of financial assets	(115,383)	-
Total	\$ 2,473,475	2,364,000

(F) HELD-TO-MATURITY FINANCIAL ASSETS

	December 31, 2006	December 31, 2005
Financial assets securitized instrument	\$ 478,796	478,796

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

(G) FINANCIAL ASSET SECURITIES

(a) Characteristic and income

In September 2004, the \$3,754,779 worth of carrying value of the Auto Loan Receivables was securitized by the Bank to Deutsche Bank AG, Taipei Branch for issuance of beneficiary certificates of \$4,514,205, which consisted of the following:

1. Investor certificates of \$4,035,409, with interest payable in accordance with the contract;
2. Subordinated seller certificates of \$478,796, bearing a fixed interest rate of 5.00%.

The holder of subordinated seller certificates of \$478,796 has the right to interest in excess of the fixed amount payable to the investors. If debtors fail to repay the securitized loans, the investor Deutsche Bank AG, Taipei Branch cannot exercise the right of recourse to the Bank. The repayment of the principal amount of subordinated seller certificates will be executed after the execution of the investor certificates and is affected by credit risk, repayment rate, and changes in interest rate on those transferred loans.

Under the securitization plan, loan repayments within a revolving period are appropriated as follows:

1. Interest payable for investor certificates;
2. The principal of investor certificates until the certificates are paid off;
3. The remainder, if any, as payments to the holders of subordinated seller's certificates.

(b) Key assumptions used in measuring retained interests

The key assumptions used in measuring the subordinated seller certificates arising from the loan securitization at the loans securitization dates and during the reporting period were as follows:

Repayment rate (annual rate)	1.02%
Weighted-average life (in years)	3.76
Expected credit losses rate (monthly rate)	0.04%
Discounting rate for residual cash flows	5.24%

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

(c) Sensitivity analysis

As of December 31, 2006, the key economic assumptions and sensitivity of the current fair value of residual cash flows with immediate 10% and 20% adverse changes in these assumptions were as follows:

Carrying amount of retained interests	\$	760,632
Weighted-average life (in years)		1.22
Repayment rate (annual rate)		1.02%
Impact on fair value with 10% adverse change		(69)
Impact on fair value with 20% adverse change		(143)
Expected credit losses (monthly rate)		0.04%
Discounting rate for residual cash flows		5.24%
Compensation rate of change		0%

(d) Cash flows

The cash flows received from and paid to securitization trusts are summarized as follows:

	<u>December 31,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>
Service profit received	\$ 5,999	16,876
Other cash flows received on reserved right	3,579	45,452
Service advances	(3,446)	(3,146)
Received from service advances	3,229	2,689

(e) Securitized assets, information on delinquencies, net credit losses, and un-securitized financial assets:

<u>Type of Loan</u>	<u>December 31, 2006</u>		
	<u>Total</u> <u>Principal of</u> <u>Loans</u>	<u>Principal of</u> <u>Loans 60 Days</u> <u>or More Past</u> <u>Due</u>	<u>Net</u> <u>Credit</u> <u>Losses</u>
Auto loans managed or securitized	\$ 21,123,715	<u>630,378</u>	<u>161,241</u>
Loans securitized	(351,041)		
Loans held for sale or securitization	(760,632)		
Loans held in portfolio	<u>\$ 20,012,042</u>		

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

Type of Loan	December 31, 2005		
	Total Principal of Loans	Principal of Loans 60 Days or More Past Due	Net Credit Losses
Auto loans managed or securitized	\$ 23,302,900	357,328	114,047
Loans securitized	(1,157,742)		
Loans held for sale or securitization	(739,116)		
Loans held in portfolio	\$ 21,406,042		

(f) As of December 31, 2006 and 2005, the carrying value of loans held for securitization amounting \$760,632 and \$739,116 were trusted by the Bank with Deutsche Bank AG, Taipei Branch, respectively.

(H) RECEIVABLES-NET

	December 31, 2006	December 31, 2005
Accounts receivable for credit cards	\$ 4,267,748	7,385,008
Interest receivable	1,042,149	1,382,452
Accounts receivable	366,412	194,270
Other receivables	305,663	262,481
Other receivables-Financial Holdings	498,200	104,539
Sold trade government bond receivable	297,795	-
Sold foreign currency securities receivable	248,665	-
Dividends receivables	60	2,276
Combined of Trust Department of Taiwan Development Co., Ltd.	-	650,000
Notes receivable	368	19,630
Sold non-performing loans receivable	896,657	-
Tax refund receivable	698	21,095
Factoring receivables - without recourse	1,978,876	2,312,075
Receivables income	-	971
Subtotal	9,903,291	12,334,797
Less: Allowance for bad debts	(115,115)	(192,109)
Net	\$ 9,788,176	12,142,688

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

(I) DISCOUNTED AND LOANS- NET

	December 31, 2006	December 31, 2005
Loans	\$ 173,527,633	191,553,423
Export remittances	106,526	135,387
Overdrafts	93,905	17,276
Delinquent loans	7,885,322	3,486,521
Sub-total	181,613,386	195,192,607
Less: Allowance for bad debts	(3,319,057)	(2,997,727)
Net	\$ 178,294,329	192,194,880

- (a) As of December 31, 2006 and 2005, the ratio of the Bank's equity capital to risk-based assets was 9.04% and 8.65%, respectively, and there were no loans written-off without prior recourse.
- (b) According to letters of the Bankers Association of the Republic of China at May 10, 2006 and, Financial Supervisory Commission, Executive Yuan at April 25, 2006, and April 27, 2006, the Bank participated the debt negotiation. For the six months ended December 31, 2006, according to the debts rearrangement that the total amount for the overdue loans and account receivable are readjusted to \$2,443,981.
- (c) As of December 31, 2006 and 2005, the balance of bad debt allowance on loans and advances amounted to \$3,494,496 and \$3,194,103, respectively, and the related thereof were as follows:

Item	Beginning Balance	Increase	Provision for debt Negotiation	Reclassification	Amount written off	Adjustment for exchange rate fluctuation	Ending Balance
December 31, 2006							
Allowance for bad debts - account receivables	\$ 192,000	744,478	334,995	1,062,911	(2,224,519)	-	109,865
Allowance for bad debts - other receivables	109	3,740	-	7,294	(5,890)	(3)	5,250
Allowance for bad debts - bills and discounts	18,091	-	-	-	-	(1)	18,090
Allowance for bad debts - short-term loans and overdrafts	93,787	14,064	82,247	-	(14,064)	(14)	176,020
Allowance for bad debts - short-term secured loans and overdrafts	1,360	-	-	-	-	-	1,360
Allowance for bad debts - medium-term loans	198,507	-	71,227	-	-	(315)	269,419
Allowance for bad debts - medium-term secured loans	6,418	-	604	-	-	-	7,022
Allowance for bad debts - long-term loans	16,743	176	-	-	(176)	-	16,743
Allowance for bad debts - long-term secured loans	84,634	-	-	-	-	-	84,634
Allowance for bad debts - delinquent loans	2,578,187	4,271,521	-	(1,070,205)	(2,977,674)	-	2,801,829
Allowance for guarantee reserve	4,267	-	-	-	-	(3)	4,264
Total	\$ 3,194,103	5,033,979	489,073	-	(5,222,323)	(336)	3,494,496

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

Item			Increase of purchase of the Trust Departmen t of Taiwan Developme nt Co., Ltd	Reclassificati on	Amount written off	Adjustment for exchange rate fluctuation	Ending Balance
December 31, 2005	Beginning Balance	Increase					
Allowance for bad debts - account receivables	\$ 371,930	1,180,850	-	(68,000)	(1,292,780)	-	192,000
Allowance for bad debts - other receivables	165	5,758	4,300	-	(10,129)	15	109
Allowance for bad debts-bills and discounts	18,089	-	-	-	-	2	18,091
Allowance for bad debts - short-term loans and overdrafts	93,736	3961	-	-	(3,961)	52	93,788
Allowance for bad debts - short-term secured loans and overdrafts	1,360	-	-	-	-	-	1,360
Allowance for bad debts - medium-term loans	196,748	-	600	-	-	1,158	198,506
Allowance for bad debts - medium-term secured loans	6,418	-	-	-	-	-	6,418
Allowance for bad debts - long-term loans	16,343	-	400	-	-	-	16,743
Allowance for bad debts - long-term secured loans	66,434	-	18,200	-	-	-	84,634
Allowance for bad debts - delinquent loans	1,653,969	4,592,169	-	68,000	(3,735,951)	-	2,578,187
Allowance for guarantee reserve	4,256	-	-	-	-	11	4,267
Total	\$ 2,429,448	5,782,738	23,500	-	(5,042,821)	1,238	3,194,103

(d) The Bank's delinquent loans consisted of various loans and other credit amounts which have been reclassified to "delinquent loans" account. Loans which are overdue for six months from the repayment due date are reclassified to "delinquent loans" account. The accrual of interest thereon is discontinued for internal purposes, but continues for external purposes. In addition, the interest accrual is noted in each sub-account through a memo entry. The accrued interest on overdue loans prior to reclassification into the "delinquent loans" account is combined with the principal amount and transferred to the "delinquent loans" account. As of December 31, 2006 and 2005, such loans and advances with discontinued interest accrual amounted to \$7,408,609 and \$3,154,240, respectively.

(e) As of December 31, 2006 and 2005, the un-accrued interest revenue for loans and advances with overdue interest and principal, amounted to \$537,250, and \$316,409, respectively.

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

(J) INVESTMENTS UNDER THE EQUITY METHOD

<u>Name of invested company</u>	<u>December 31, 2006</u>		<u>December 31, 2005</u>	
	Percentage of Ownership	Book value	Percentage of Ownership	Book value
Jin Sun Life Insurance Agent Co., Ltd.	99.00	<u>\$ 27,130</u>	99.00	<u>38,615</u>

Investment income recognized under the equity method for the year ended December 31, 2006 and 2005 were as follows:

	<u>2006</u>	<u>2005</u>
Jin Sun Life Insurance Agent Co., Ltd.	\$ <u>13,384</u>	<u>27,589</u>

(K) PROPERTY AND EQUIPMENTS

<u>December 31, 2006</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Land	\$ 2,630,262	-	2,630,262
Buildings	2,647,532	578,786	2,068,746
Transportation equipments	8,134	6,104	2,030
Other equipments	1,235,524	743,524	492,000
Leasehold improvements	289,396	190,076	99,320
Construction in progress	1,998	-	1,998
Prepayment for equipments	134,036	-	134,036
Total	<u>\$ 6,946,882</u>	<u>1,518,490</u>	<u>5,428,392</u>

<u>December 31, 2005</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Land	\$ 2,646,894	-	2,646,894
Buildings	2,639,302	503,790	2,135,512
Transportation equipments	9,462	6,629	2,833
Other equipments	1,155,873	631,181	524,692
Leasehold improvements	313,153	173,751	139,402
Construction in progress	4,351	-	4,351
Prepayment for equipments	82,933	-	82,933
Total	<u>\$ 6,851,968</u>	<u>1,315,351</u>	<u>5,536,617</u>

(a) As of December 31, 2006 and 2005, the total insurance coverage for property and equipments amounted to approximately \$4,205,291 and \$3,183,376, respectively.

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

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

(L) OTHER FINANCIAL ASSETS AND OTHER ASSETS/

	<u>December 31, 2006</u>	<u>December 31, 2005</u>
Other Financial Assets:		
Financial assets carried at cost	\$ 714,692	724,976
Short-term advances	779,661	2,135,271
Refundable deposits	642,154	735,336
Delinquent loans-non transferred from loans	99,325	114,862
Allowance for bad debts-delinquent loans - non transferred from loans	(56,060)	-
Total other financial assets	<u>\$ 2,179,772</u>	<u>3,710,445</u>
Other Assets:		
Deferred income tax assets	\$ 4,679,242	1,669,975
Less: Allowance for deferred income tax assets	(4,679,242)	(1,669,975)
Sub-total	<u>-</u>	<u>-</u>
Collateral assumed	2,864,618	2,902,785
Less: Allowance for collateral assumed	(78,632)	(145,153)
Collateral assumed-net	<u>2,785,986</u>	<u>2,757,632</u>
Other deferred assets	207,379	186,792
Prepayment account	917,620	912,712
Sundry assets	4,785	10,476
Deferred loss on disposal of non-performing loans	-	11,621,017
Total	<u>\$ 3,915,770</u>	<u>15,488,629</u>

As of December 31, 2006 and 2005, the above refundable deposits included approximately \$0 of rental deposit only, without related rental payments. Therefore using an annual interest rate of 2.015% and 1.55% for 2006 and 2005, respectively, the rental expense and corresponding interest income, calculated from the refundable deposits amounted to approximately \$586 and \$472, respectively, and was reflected in the financial statements.

In 2005, 2004 and 2002, the Bank sold non-performing loans amounting to \$7,027,657, \$5,697,374 and \$7,215,208, respectively, to an asset management company for \$1,582,588, \$414,978 and \$446,509, respectively. The sale resulted in a loss of \$5,445,069, \$5,282,396 and \$6,768,699, respectively. In accordance with Article 15, Section 5 of the Law Governing Merger of Financial Institutions, the Bank amortized the loss equally over 60 months, with the unamortized balance reflected as deferred expenses. The amortization amounts were \$1,749,616 and \$2,975,217 for the years of 2006 and 2005, respectively.

The Bank obtained the approval letter from Financial Supervisory Commission, Executive Yuan at July 19, 2006, with the issuing number of FSC (6) 0950129783, changed to adopt the generally accepted accounting principles in the Republic of China and amortized all of the deferred loss on disposal of non-performing loans amounting of to \$9,871,401 as of June 30, 2006.

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

Since of 2006, the Bank amortized the loss on disposal of non-performing loans equally over 60 months in accordance with Article 15, Section 5 of the Law Governing Merger of Financial Institutions which is not General Accepted Accounting Principle. If the loss on non-performing loans were recognized currently, deferred assets would be decreased by \$11,621,017 as of December 31, 2005. Undistributed earnings would be decreased by \$11,621,017 as of December 31, 2005; net loss of 2005 would be increased by \$2,469,853 and the pro-forma net loss was \$8,066,300; the net loss of 2006 would be decreased by \$1,749,616 and \$9,871,401 (totaling \$11,621,017) and the pro-forma net loss was \$2,337,315.

(M) INTANGIBLE ASSETS

	<u>December 31, 2006</u>	<u>December 31, 2005</u>
Goodwill	\$ 32,914	37,616
Operation right	1,184,379	1,522,342
Total	<u>\$ 1,217,293</u>	<u>1,559,958</u>

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

	<u>December 31, 2006</u>	<u>December 31, 2005</u>
Derivative financial liabilities	\$ 33,104	94,297
Value adjustment for financial liabilities at fair value adjustment	(2,535)	101,379
Derivative financial liabilities	<u>\$ 30,479</u>	<u>195,676</u>

For the year ended December 31, 2006, net realized losses on financial liabilities of the Bank amounted to \$132,225 and net unrealized losses amounted \$12,667.

(O) DEPOSITS FROM CENTRAL BANK AND OTHER BANKS

	<u>December 31, 2006</u>	<u>December 31, 2005</u>
Deposits from Central Bank	\$ 13,310	13,651
Deposits form banks	5,223,388	6,305,310
Loan financing from banks	42,598	-
Call loans from banks	1,504,800	9,556,003
Post Office transfer deposits	13,654,796	14,940,640
Total	<u>\$ 20,438,892</u>	<u>30,815,424</u>

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

(P) PAYABLES

	<u>December 31, 2006</u>	<u>December 31, 2005</u>
Factoring payable	\$ 892,516	1,069,468
Interest payable	1,078,634	1,132,113
Accrued expenses	576,153	601,263
Other payables	536,338	446,086
Notes payable for clearing payable	1,071,146	1,038,818
Payables for purchase of foreign currencies marketable securities	163,497	-
Accounts payable	161,346	202,139
Collection payable	96,056	79,097
Forward exchange contract payable	-	25,826
Total	<u>\$ 4,575,686</u>	<u>4,594,810</u>

(Q) DEPOSITS AND REMITTANCES

	<u>December 31, 2006</u>	<u>December 31, 2005</u>
Checking deposits	\$ 1,075,876	1,244,185
Bank checks	114,234	104,488
Demand deposits	18,398,400	17,122,870
Time deposits	57,589,458	62,402,808
Savings deposits	123,055,294	131,735,600
Outward remittance and remittance pending release	2,428	-
Total	<u>\$ 200,235,690</u>	<u>212,609,951</u>

As of December 31, 2006 and 2005, negotiable certificates of time deposits amounted to \$5,511,100 and \$8,720,800, respectively.

(R) FINANCIAL DEBENTURES

	<u>December 31, 2006</u>	<u>December 31, 2005</u>
Financial debentures	\$ 11,000,000	11,000,000
Less: Amortization of discount	-	-
Net	<u>\$ 11,000,000</u>	<u>11,000,000</u>

(a) On September 25, 2002, the Bank issued senior financial debentures totaling \$5,000,000. Terms and conditions of the issuance are as follows:

1. Issue price: At face value.
2. Issue period: From September 25, 2002, to September 25, 2007.
3. Interest rate: Fixed rate of 3.975%.
4. Interest accrual: Annual interest payments.
5. Repayment of principal: Full repayment of principal at maturity.

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

(b) On October 25, 2004, the Bank issued senior financial debentures totaling \$4,000,000. Terms and conditions of the issuance are as follows:

1. Issue price: At face value.
2. Issue period: From October 25, 2004, to April 25, 2010.
3. Interest rate: Fixed rate of 3.95%.
4. Interest accrual: Annual interest payments.
5. Repayment of principal: Full repayment of principal at maturity.

(c) On July 5, 2005, the Bank issued senior financial debentures totaling \$2,000,000. Terms and conditions of the issuance are as follows:

1. Issue price: At face value.
2. Issue period: From July 5, 2005 to July 5, 2012.
3. Interest rate: Fixed rate of 2.93%.
4. Interest accrual: Annual interest payments.
5. Repayment of principal: Full repayment of principal at maturity.

(S) PENSION PLAN

The Bank has a contributory retirement plan covering all regular employees. Effective from May 1, 1997, the Bank was covered by the Labor Standards Law and revised its plan to comply with the requirements under this law. However, qualified employees under the plan are still entitled to the employer contributions under the previous employee pension plan.

Under the previous employee pension plan, the Bank's monthly pension contributions ranged from 4% to 8.5% of total monthly salaries of the employees. The employees' contribution to the plan is based on a fixed rate of 3% of total monthly salaries regardless of employee classification. According to the plan, upon retirement, the employee is paid the employee's total contribution and related earnings, in addition to the employer's total contribution and related earnings directly from the Bank's designated retirement fund account to the employee.

The employee pension benefit payments under the Labor Standards Law are computed on the basis of 2 units for each of the first 15 years of service, and 1 unit for each service year thereafter, up to a maximum of 45 units. Any fraction of a year less than 6 months is counted as half a year and any fraction of a year more than 6 months is counted as one year of service. Each unit of retirement payment is equal to the average monthly salary at the time of approved retirement.

As of December 31, 2006 and 2005, the Bank's pension fund balance changes thereon were as follows:

	December 31, 2006	December 31, 2005
Beginning balance	\$ 46,704	50,129
Add: Interest	867	833
Less: Current year's payments	(7,592)	(4,258)
Fund balance	\$ 39,979	46,704

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

Since May 1, 1997, the Bank has complied with the Labor Standards Law and the related changes in the Bank's pension fund contributions were as follows:

	December 31, 2006	December 31, 2005
Beginning balance	\$ 148,796	134,537
Add: Current year's contributions	2,017	17,630
Interest	3,203	-
Less: Current year's payments	-	(3,371)
Fund balance	\$ 154,016	148,796

Effective April 15, 2001, the pension fund was reflected as part of pension fund assets. As of December 31, 2006 and 2005, the pension fund amounted to \$149,417 and \$146,459, respectively.

The bank has measured projected benefit obligation of accumulated assumption, reconciliation of plan funded status and accrued pension cost were as follows:

	December 31, 2006	December 31, 2005
Discount rate	3.50%	3.50%
Wages adjusted rate	3.00%	3.00%
Expected rate of return on plan assets	2.50%	2.50%

	December 31, 2006	December 31, 2005
Service cost	\$ 7,467	17,580
Interest cost	5,100	5,614
Expected return on plan assets	(7,731)	(7,238)
Amortization of unrecognized transition loss	(1,738)	(1,738)
Amortization of gain and loss	(426)	-
Curtailment or Settlement	(14,753)	-
Net pension cost	\$ (12,081)	14,218

	December 31, 2006	December 31, 2005
Vested benefit obligation	\$ 570	499
Non-vested benefit obligation	90,932	90,105
Accumulated benefit obligation	91,502	90,604
Effect of future salary increase	52,366	55,790
Projected benefit obligation	143,868	146,394
Fair value of pension assets	(306,264)	(297,351)
Funded status	(162,396)	(150,957)
Unrecognized transition loss	9,699	12,167
Unrecognized gain or loss	42,307	38,680
Accrued pension liabilities (Prepaid pension cost)	\$ (110,380)	(100,110)

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

As of December 31, 2006 and 2005, the vested benefit obligation amounted to \$570 and 499, respectively. Else, the labor pension extract increase pension cost amounted to \$78,976 and \$43,367 as of December 31, 2006 and 2005, respectively.

(T) COMMON STOCK

The Bank's original authorized, issued and outstanding capital stock of \$10,000,000 was divided into 1,000,000 thousand shares at \$10 par value per share. After subsequent stock issuances resulting from capital increases over the years, the Bank's authorized and outstanding common stock amounted to \$19,247,600, divided into 1,924,760 thousand shares as of December 31, 2005.

During the shareholders' meeting, the bank resolved recover loss form legal capital amounted to \$17,067,013 and increase capital with cash amounted to 1,200,000 stock at par value of \$10 per share, amounted to \$12,000,000 as of July 21, 2006. The Bank's authorized and outstanding common stock amounted to \$14,180,587, divided into 1,418,059 thousand shares as of December 31, 2006.

(U) RETAINED EARNINGS DISTRIBUTION

In accordance with the Bank's Articles of Incorporation, its net income after deduction of income tax and offset against prior year cumulative losses shall be set aside as legal reserve, and the remainder, if any, shall be distributed in its entirety. In compliance with Article 44 of the Banking Law, the ratio of the Bank's equity capital to its risk-based assets should not be less than 8%, and distribution of stock dividends shall have preference. Should the annual after-tax net income exceed \$700,000, then 70% of the excess shall be distributed as cash dividends. The bank has accumulated loss as of December 31, 2006, therefore, there is no earning distribution. The related information could to found in the Market Observation Post System.

(V) INCOME TAX

According to regulations stipulated by Ruling Letter No. 910458039 dated February 22, 2003, "Principles and regulations of profit-seeking businesses filing joint tax returns in accordance with Article 49 of the Financial Holding Company Law and Article 40 of Enterprise Merger Law", when a financial holding company holds more than 90% of the shares of a domestic subsidiary, the financial holding company and the subsidiary can file a joint tax return once the financial holding company has held more than 90% of the subsidiary for 12 months during a taxable year. The Company jointly filed income tax returns for 2003 and earnings distribution for 2002 for the Company, Jih Sun Financial Holding Co., Ltd and its affiliate Jih Sun Securities Co., Ltd.

The joint filing of the tax returns of the Company, Jih Sun Financial Holding Co., Ltd and its affiliate Jih Sun Securities Co., Ltd. resulted in a lowered tax burden due to tax incentives received, and management efficiency was enhanced because the individual company's tax burden was fairly distributed.

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

	<u>December 31, 2006</u>	<u>December 31, 2005</u>
Current income tax	\$ 6,708	21,390
Current deferred income tax liabilities, net	-	(3,388)
Income tax benefit resulting from tax incentives	(334,368)	(11,059)
Overestimation of prior year' expenses	(87,029)	-
Income tax (benefit) expense	<u>\$ (414,689)</u>	<u>6,943</u>

- (a) The Bank's statutory income tax rate is 25%. From January 1, 2006, Income Tax Basic Regulation calculates basic tax. As of 2006 and 2005, the income tax expense (benefit) was calculated as follows:

	<u>2006</u>	<u>2005</u>
Income tax calculated at statutory tax rate	\$ (3,593,255)	(1,397,376)
Effect on income tax of adjusting items:		
Tax exempt securities transaction	(37,859)	40,306
Gain from bond transactions	37,656	(21,154)
Tax separately levied on marketable securities tax	(5,225)	(9,488)
Tax separately levied on marketable securities transaction	6708	21,390
Dividend income	(23,089)	(34,190)
Gain on land transactions	(8,093)	(1,647)
Tax exempt OBU income	(16,036)	(26,972)
Operating loss carryforwards	3,202,448	1,310,777
Allowance for credit loss exceeding the prescribed limit	117,562	168,062
Loss on market upswing of collateral assumed	(16,630)	(23,736)
Unrealized exchange loss (gain)- net	10,386	(26,198)
Unrealized derivative instruments loss - net	1,113	21,616
Prior years expense under or over amount	(87,029)	-
Other	(3,346)	(14,447)
Income tax (benefit) expense	<u>\$ (414,689)</u>	<u>6,943</u>

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

- (b) Details of temporary differences between financial and tax reporting purposes which resulted in deferred income tax assets and liabilities, operating loss carry forwards, and income tax deductions were as follows:

	December 31, 2006		December 31, 2005	
	Amount	Tax effect	Amount	Tax effect
Deferred tax assets:				
Operating loss carry forwards	\$10,674,432	2,668,608	6,689,216	1,672,304
Investment tax credits	31,132	7,783	68,216	17,054
Amortization non-performing loans	8,121,784	2,030,446	-	-
Valuation allowance	<u>(18,716,968)</u>	<u>(4,679,242)</u>	<u>(6,679,900)</u>	<u>(1,669,975)</u>
Non-current deferred tax assets	110,380	27,595	77,532	19,383
Non-current deferred tax liabilities:				
Pension expense	<u>110,380</u>	<u>27,595</u>	<u>77,532</u>	<u>19,383</u>
Non-current deferred tax assets-net	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

- (c) The Bank's available investment tax credits and their related expiration years were as follows:

Year occurred	Available tax credits	Expiration year
2003	\$ 1,956	2007
2004	1,714	2008
2005	2,996	2009
2006	1,117	2010
Total	<u>\$ 7,783</u>	

- (d) The tax authorities have assessed the Bank's income tax returns through 2002. According to ROC income tax laws, losses can be carried forward to offset taxable income for five years following the loss.

As of December 31, 2006, the Bank's unused carry forwards and expiration dates were as follows:

Period of loss	Year of expiration	Amount
2002	2007	\$ 1,134,756
2005	2010	4,978,211
2006 estimated	2011	4,561,465
Net		<u>\$ 10,674,432</u>

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

(e) Details of undistributed earnings were as follows:

	<u>December 31, 2006</u>	<u>December 31, 2005</u>
Earned prior to December 31, 1997	\$ -	-
Earned after January 1, 1998	(2,237,591)	(5,596,447)
	<u>\$ (2,237,591)</u>	<u>(5,596,447)</u>
The Amount of the Imputation Credit	<u>\$ 358,213</u>	<u>334,481</u>
	<u>2006 (expect)</u>	<u>2005 (actual)</u>
The rate of the imputation credit on distributed earnings	<u>0%</u>	<u>0%</u>

(W) EARNINGS PER SHARE

Earnings per share are calculated based on the weighted-average number of common shares outstanding during each period, except for the capitalization of retained earnings or capital surplus, for which the computation of shares outstanding is retroactively adjusted. The weighted-average number of shares outstanding for the year ended 2006 and 2005 was 1,736,327 and 1,544,204 thousands, respectively.

(X) FINANCIAL INSTRUMENTS

(a) Fair Value of Financial Instruments

<u>Non-derivative Financial instruments</u>	<u>December 31, 2006</u>	
	<u>Book Value</u>	<u>Fair Value</u>
Financial Assets:		
Cash	\$ 7,662,142	7,662,142
Due from Central Bank and call loans to banks	23,610,536	23,610,536
Financial assets measured at fair value through profit or loss-net	16,643,201	16,643,201
Bills and bonds purchased under resell agreements	5,662,964	5,662,964
Available-for-sale financial assets-net	2,473,475	2,473,475
Receivables— net	9,788,176	9,788,176
Discounted and loans— net	178,294,329	178,294,329
Held-to-maturity financial assets	478,796	478,796
Investments under the equity method	27,130	27,130
Other financial assets— net	2,179,772	2,179,772

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

Non-derivative Financial instruments	December 31, 2005	
	Book Value	Fair Value
Financial Assets:		
Cash	\$ 9,139,64	9,139,649
Due from Central Bank and call loans to banks	11,584,914	11,584,914
Financial assets measured at fair value through profit or loss-net	24,438,151	24,438,151
Bills and bonds purchased under resell agreements	5,628,784	5,628,784
Available-for-sale financial assets-net	2,364,000	2,364,000
Receivables— net	12,142,688	12,142,688
Discounted and loans— net	192,194,880	192,194,880
Held-to-maturity financial assets	478,796	478,796
Investments under the equity method	38,615	38,615
Other financial assets— net	3,710,445	3,710,445

Non-derivative Financial instruments	December 31, 2006	
	Book Value	Fair Value
Financial Liabilities:		
Deposits from Central Bank and other banks	\$ 20,438,892	20,438,892
Payables	4,575,686	4,575,686
Deposits and remittances	200,235,690	200,235,690
Bills and bonds sold under repurchase agreements	8,155,949	8,155,949
Financial debentures	11,000,000	11,000,000
Other financial liabilities	86,400	86,400

Non-derivative Financial instruments	December 31, 2005	
	Book Value	Fair Value
Financial Liabilities:		
Deposits from Central Bank and other banks	\$ 30,815,424	30,815,424
Payables	4,594,810	4,594,810
Deposits and remittances	212,609,951	212,609,951
Bills and bonds sold under repurchase agreements	10,376,009	10,376,009
Financial debentures	11,000,000	11,000,000
Other financial liabilities	87,300	87,300

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

Derivative financial instruments	December 31, 2006		December 31, 2005	
	Nominal Principal	Fair Value	Nominal Principal	Fair Value
Financial Assets:				
Forward contract	\$ 440,064	2,470	1,630,244	-
Futures	418,773	107,330	170,117	39,185
SWAP	4,514,490	3,498	3,065,928	-
Taiwan currency stock options	-	-	243,805	2,135
Currency option	1,289,527	19,081	1,026,675	17,992
Equity goods	-	-	164,250	-
Interest rate goods	24,340,860	2,542	20,902,720	21,170
Financial Liabilities:				
Forward contract	1,410,204	129	2,639,378	-
SWAP	1,817,445	6,250	2,450,665	6,751
Taiwan currency stock options	42,350	1,271	-	886
Currency option	1,426,777	19,081	831,825	13,007
Foreign currency stock options	216,709	3,567	315,775	3,530
Interest rate goods	24,340,860	181	20,606,750	-

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

1. Fair value of short-term financial instruments is estimated by their book value on balance sheet date. Since these instruments have short-term maturities, the book value is adopted as a reasonable basis in estimating the fair value. The method is applied to cash and cash equivalents, due from Central Bank and call loans to banks, securities purchased under resell agreements, receivables, deposits from Central bank and other banks, remittances, securities sold under repurchase agreements, payables and deposits from banks.
2. If quoted market price is unavailable then the fair value is determined based on certain valuation techniques. The estimation and assumptions of valuation techniques adopted by the Bank are identical to those adopted by other market participants.
3. Fair value of long-term liabilities is estimated by the present value of expected future cash flows. The discount rate is based on rates of equivalent loans available elsewhere; that is, loans with similar maturity date and terms (close to maturity date).
4. Fair value of financial derivatives is established by the amount of cash to be paid or to be received, assuming that the contract will be terminated on the balance sheet date. In general, it includes unrealized gains or losses on outstanding contracts of the current period. There are reference reports from financial institutions for most of the financial derivatives of the Bank.

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

- (c) The fair value of the financial instruments of the Bank, which were based on quoted market price or determined by using certain valuation techniques were as follows:

	Based on quoted market prices December 31, 2006	Determined value by using valuation techniques December 31, 2006
<u>Non-derivative Financial instruments</u>		
Assets		
Cash	\$ -	7,662,142
Due from Central Bank and call loans to banks	-	23,610,536
Financial assets measured at fair value through profit or loss— net	13,942,876	2,700,325
Bills and bonds purchased under resell agreements	-	5,662,964
Available-for-sale financial assets— net	1,890,489	582,986
Receivables— net	-	9,725,063
Discounted and loans -net	-	178,294,329
Held-to-maturity financial assets— net	-	478,796
Other financial assets— net	-	2,179,772
<u>Non-derivative Financial instruments</u>		
Liabilities		
Deposits from Central Bank and other banks	-	20,438,892
Payables	-	4,575,686
Deposits and remittances	-	200,235,690
Bills and bonds sold under repurchase agreement	-	8,155,949
Financial debentures	-	11,000,000
Other financial liabilities	-	86,400
<u>Derivative Financial instruments</u>		
Assets		
Forward contract	-	2,470
Futures	107,330	-
SWAP	3,498	-
Currency options	-	19,081
Interest rate goods	-	2,542
Liabilities		
Forward contract	-	129
SWAP	6,250	-
Taiwan currency stock options	1,271	-
Currency options	-	19,081
Foreign Currency stock options	3,567	-
Interest rate goods	-	181

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

(d) For the year ended December 31, 2006, the loss arising from the fair value evaluation of financial instruments by using quoted market prices and valuation techniques amounted to \$1,510 and 2,943, respectively.

(e) Financial risk information

1. Market risk

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

A. The recognize of Market risk : Market risk estimate model include interest, FX, Equity,

Commodity etc, risk factors.

B. The measure of Market risk:

a. VaR (Value at Risk)

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

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

Method: using EWMA to estimate fluctuation rate.

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

VaR for the fourth season ended 2006 were as follows: (a hundred million)

99% C.L ten days VaR	Season average	Season high	Season low
Exchange instrument	1.01	0.90	1.14
Interest instrument	2.21	1.04	0.38
Equity instrument	1.31	1.57	1.33
Distribution effective	(0.15)	(0.08)	(0.41)
VaR	1.64	2.01	1.38
99% C.L one day VaR	Season average	Season high	Season low
Exchange instrument	0.32	0.29	0.37
Interest instrument	0.22	0.33	0.12
Equity instrument	0.43	0.52	0.44
Distribution effective	(0.05)	(0.03)	(0.13)
VaR	0.53	0.66	0.45

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

C. The control of market risk

The bank will use the budget earning of the RAROC(Risk-adjusted Return of Capital) to Calculate, the ten days VaR quota with 99% confidence level and submit to the risk manage commission and the board of directors of the Jih Sun Holdings Company for approval.

D. The management of risk market

The bank internally recognize, measure, control and manage for market risk, in addition to traditional position authorize quota, loss or income limitation quota, risk index quota (ie: Greeks, PVBP, DV01.....) and follows the guidance of the Jih Sun Holdings Co. Whether the ten days VaR quota with 99% confidence level is over limit or not, if over limit, business unit need to comply with the follow-up procedure.

2. Credit Risk

	December 31, 2006	
Non-derivative Financial instruments	Book Value	Maximum exposure to credit risk
Financial assets:		
Trading purpose financial instruments		
Stock investment	\$ 669,881	-
Bond investment	15,953,169	878,465
Benefit securities	20,151	-
Available-for-sale financial assets		
Stock investment	585,444	-
Bond investment	1,888,031	-
Held-to-maturity financial assets	478,796	478,796
	December 31, 2005	
Non-derivative Financial instruments	Book Value	Maximum exposure to credit risk
Financial assets:		
Trading purpose financial instruments		
Stock investment	\$ 576,927	-
Bond investment	19,910,650	825,326
Commercial paper	2,405,460	-
Benefit securities	174,757	-
Available-for-sale financial assets		
Stock investment	486,504	-
Bond investment	1,877,496	-
Held-to-maturity financial assets	478,796	478,796

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

	December 31, 2006	
Derivative Financial instruments	Book Value	Maximum exposure to credit risk
Forward contract	\$ 440,064	16,447
Future	418,773	-
SWAP	4,514,490	6,863
Options	1,289,527	15,471
Interest instruments	24,340,860	33,744

	December 31, 2005	
Derivative Financial instruments	Book Value	Maximum exposure to credit risk
Forward contract	\$ 1,630,244	33,141
Future	170,117	-
SWAP	3,065,928	12,568
Options	1,270,480	9,664
Interest instruments	20,902,720	85,475

The amount of credit risk of the Bank was referring to contracts with positive fair value on balance sheet date. Possible loss may incur in the event of non-performance by counter-parties to contracts of financial instruments issued or held by the Bank. However, a credit rating of the counter-parties will be deliberately evaluated before entering into the transactions such as loans and certain guarantees. Moreover, the sufficiency of collaterals provided by counter-parties will also be evaluated. If the counter-parties failed to perform the obligations, the Bank grants the right of injunction to those collaterals. Therefore the credit risk of the Bank is reduced, such procedures has effectively reduced the credit risk of the Bank. Furthermore, the transaction amount is within the range of credit rating, so the possibility of breaching the contract is low. The effective reduction of credit risk from fair value and net settlement of collaterals received are not considered while presenting the maximum exposure to credit risk.

Information on concentrations of credit risk

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

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

<u>Type of industries</u>	<u>December 31, 2006</u>	
	<u>Book Value</u>	<u>Maximum exposure to credit risk</u>
Financial industries	\$ 121,209,017	4,462,112
Construction industries	65,859,150	32,929,575
Other	180,522,652	132,468,549
Total	<u>\$ 367,590,819</u>	<u>169,860,236</u>

<u>Type of industries</u>	<u>December 31, 2006</u>	
	<u>Book Value</u>	<u>Maximum exposure to credit risk</u>
Financial industries	\$ 122,359,526	8,637,575
Construction industries	61,509,443	30,754,722
Other	226,908,220	171,000,874
Total	<u>\$ 410,777,189</u>	<u>210,393,171</u>

<u>Area of local</u>	<u>December 31, 2006</u>	
	<u>Book Value</u>	<u>Maximum exposure to credit risk</u>
Domestic	\$ 358,471,615	166,358,926
Other	9,119,204	3,501,310
Total	<u>\$ 367,590,819</u>	<u>169,860,236</u>

<u>Area of local</u>	<u>December 31, 2005</u>	
	<u>Book Value</u>	<u>Maximum exposure to credit risk</u>
Domestic	\$ 401,866,879	206,965,721
Other	8,910,310	3,427,450
Total	<u>\$ 410,777,189</u>	<u>210,393,171</u>

Financial instruments with off-balance-sheet credit risk

Because the Bank provides loans and issues credit cards, it has substantial credit commitments with most of the credit commitments confined within one year. Commitments credit interest interval 0.03% to 20%. Credit cards interest the most high to 20%. Furthermore, the Bank provides guarantees endorsements and commercial letters of credit as guarantee for clients' obligations to third parties (included in loan commitments).

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

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

	December 31, 2006	December 31, 2005
Loans commitments	\$ 55,571,854	68,869,000
Credit card commitments	68,848,207	88,442,047
Financial guarantee and commercial letter of credit	2,928,775	5,890,676
	\$ 127,348,836	163,201,723

As of December 31, 2006 and 2005, unused loans commitments were \$55,571,854 and \$68,869,000, respectively and unused credit card commitments were \$65,379,285 and \$81,788,757, respectively.

As of December 31, 2006 and 2005, non-cancelable credit limit of unused loans commitments were \$0.

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

When the bank provides loans commitments, financial guarantees, and business credit card, strictly credit approval needs to be provided. Before the bank approved loans, the proper collateral needs to provide. The rate of guarantee loan to total loan is 61.75%. The holding guarantee rate of financial guarantee and business credit letter is between 0% to 100% with average rate of 13.00%. The collaterals for the loan, financial guarantees and business credit letter are cash, inventory, securities or other assets. When the customers default, the bank will execute the right of the collaterals and other guarantee right.

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

3. Liquidity Risk

The notional principals of financial derivatives are used mainly to calculate payables or receivables of parties, rather than the amounts actually paid or received. Actual settlements are generally lower than the amount of notional principals. The financial derivatives held by the Bank are mainly for the foreign currencies denominated contracts which are active trading and the contrary transactions are readily available to offset positions. Therefore, the liquidity risk is deemed low. The bank manages future cash flow with the periodical pricing evaluation.

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

Due analysis was as follows:

Financial instrument	December 31, 2006			
	Under 1 month		Over 1 month to 3 month	
	Amount	Refund Amount	Amount	Refund Amount
Asset				
Trading purpose financial asset	\$ 1,095,232	1,095,232	157,546	157,546
Due from Central Bank and call loans to banks	23,610,536	23,610,536	-	-
Available-for-sale financial assets	504	504	-	-
Bills and bonds purchased under resell agreements	5,662,964	5,662,964	-	-
Loans and advance	11,766,770	11,766,770	4,480,978	4,480,978
Held-to-maturity financial assets	-	-	-	-
Total	\$ 42,136,006	42,136,006	4,638,524	4,638,524
Liabilities:				
Deposits from Central Bank and other banks	\$ 3,562,872	3,562,872	1,071,000	1,071,000
Trading purpose financial liabilities	30,479	30,479	-	-
Bills and bonds sold under repurchase agreements	7,899,828	7,899,828	256,121	256,121
Deposits and remittances	95,730,502	95,730,502	28,501,513	28,501,513
Financial debentures	-	-	-	-
Total	\$107,223,681	107,223,681	29,828,634	29,828,634
Net currency gap	\$ (65,087,675)	(65,087,675)	(25,190,110)	(25,190,110)

Financial instrument	December 31, 2006			
	Over 3 month to 1year		Over 1 year to 2 year	
	Amount	Refund Amount	Amount	Refund Amount
Asset				
Trading purpose financial asset	\$ 995,611	995,611	965,965	965,965
Due from Central Bank and call loans to banks	-	-	-	-
Available-for-sale financial assets	-	-	186,000	186,000
Bills and bonds purchased under resell agreements	-	-	-	-
Loans and advance	18,252,285	18,252,285	18,550,310	18,550,310
Held-to-maturity financial assets	-	-	-	-
Total	\$ 19,247,896	19,247,896	19,702,275	19,702,275
Liabilities:				
Deposits from Central Bank and other banks	\$ 1,800,224	1,800,224	350,000	350,000
Trading purpose financial liabilities	-	-	-	-
Bills and bonds sold under repurchase agreements	-	-	-	-
Deposits and remittances	71,000,009	71,000,009	5,001,349	5,001,349
Financial debentures	5,000,000	5,000,000	-	-
Total	\$ 77,800,233	77,800,233	5,351,349	5,351,349
Net currency gap	\$ (58,552,337)	(58,552,337)	14,350,926	14,350,926

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

Financial instrument	December 31, 2006			
	Over 2 year to 3year		Over 3 year to 4 year	
	Amount	Refund amount	Amount	Refund Amount
Asset				
Trading purpose financial asset	\$ 2,451,759	2,451,759	4,804,483	4,804,483
Due from Central Bank and call loans to banks	-	-	-	-
Available-for-sale financial assets	300,000	300,000	-	-
Bills and bonds purchased under resell agreements	-	-	-	-
Loans and advance	16,210,416	16,210,416	12,614,440	12,614,440
Held-to-maturity financial assets	478,796	478,796	-	-
Total	\$ 19,440,971	19,440,971	17,418,923	17,418,923
Liabilities:				
Deposits from Central Bank and other banks	-	-	-	-
Trading purpose financial liabilities	-	-	-	-
Bills and bonds sold under repurchase agreements	-	-	-	-
Deposits and remittances	2,317	2,317	-	-
Financial debentures	-	-	4,000,000	4,000,000
Total	\$ 2,317	2,317	4,000,000	4,000,000
Net currency gap	\$ 19,438,654	19,438,654	13,418,923	13,418,923

Financial instrument	December 31, 2006			
	Over 4 year to 5 year		Over 5 year	
	Amount	Refund Amount	Amount	Refund Amount
Asset				
Trading purpose financial asset	\$ 1,142,778	1,142,778	5,164,748	5,164,748
Due from Central Bank and call loans to banks	-	-	-	-
Available-for-sale financial assets	-	-	1,986,971	1,986,971
Bills and bonds purchased under resell agreements	-	-	-	-
Loans and advance	8,614,000	8,614,000	83,912,000	83,912,000
Held-to-maturity financial assets	-	-	-	-
Total	\$ 9,756,778	9,756,778	91,063,719	91,063,719
Liabilities:				
Deposits from Central Bank and other banks	-	-	-	-
Trading purpose financial liabilities	-	-	-	-
Bills and bonds sold under repurchase agreements	-	-	-	-
Deposits and remittances	-	-	-	-
Financial debentures	-	-	2,000,000	2,000,000
Total	-	-	2,000,000	2,000,000
Net currency gap	\$ 9,756,778	9,756,778	89,063,719	89,063,719

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

<u>Financial instrument</u>	<u>December 31, 2006</u>	
	<u>Amount</u>	<u>Refund Amount</u>
Asset		
Trading purpose financial asset	\$ 16,778,122	16,778,122
Due from Central Bank and call loans to banks	23,610,536	23,610,536
Available-for-sale financial assets	2,473,475	2,473,475
Bills and bonds purchased under resell agreements	5,662,964	5,662,964
Loans and advance	174,401,199	174,401,199
Held-to-maturity financial assets	478,796	478,796
Total	<u><u>\$ 223,405,092</u></u>	<u><u>223,405,092</u></u>
Liabilities:		
Deposits from Central Bank and other banks	6,784,096	6,784,096
Trading purpose financial liabilities	30,479	30,479
Bills and bonds sold under repurchase agreements	8,155,949	8,155,949
Deposits and remittances	200,235,690	200,235,690
Financial debentures	11,000,000	11,000,000
Total	<u><u>226,206,214</u></u>	<u><u>226,206,214</u></u>
Net currency gap	<u><u>\$ (2,801,122)</u></u>	<u><u>(2,801,122)</u></u>

4. Cash flow risk and fair value risk rising from interest rate fluctuation:

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

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

A. Information of expected interest rate reset date and maturity date:

As of December 31, 2006, the reset and maturity dates are not affected by the contract date. The interest rate risk exposures on assets and liabilities of the Bank were shown below. Non-derivative financial assets and liabilities were presented at book value (prior to deducting evaluation adjustments), derivative financial assets and liabilities were presented at book value allocated to time bands by reference to the earlier of the next interest rate reset date or maturity date (whichever earlier). The financial instruments held or issued by the Bank were as follows:

Financial instrument	December 31, 2006					Total
	0-30 day	31-90 day	91-100 day	181day-1 year	Over 1 year	
Asset						
Due from Central Bank and call loans to banks	\$23,610,536					23,610,536
Trading purpose financial assets	1,095,232	157,546	5,598	990,013	14,529,733	16,778,122
Available-for-sale financial assets	-	-	-	-	2,473,475	2,473,475
Held-to-maturity financial assets	-	-	-	-	478,796	478,796
Loans	96,234,364	2,981,455	4,422,909	21,371,830	48,610,980	173,621,538
Short-term advance	779,661	-	-	-	-	779,661
Total	\$121,719,793	3,139,001	4,428,507	22,361,843	66,092,984	217,742,128
Liabilities						
Deposits	\$ 9 5,730,502	28,501,513	12,283,840	58,716,169	5,003,666	200,235,690
Financial debentures	-	-	-	-	11,000,000	11,000,000
Total	\$ 95,730,502	28,501,513	12,283,840	58,716,169	16,003,666	211,235,690
Interest sensitive gap	\$ 25,989,291	(25,362,512)	(7,855,333)	(36,354,326)	50,089,318	6,506,438

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

As of December 31, 2006 and 2005, the effective interest rate of financial instruments held and issued by the Bank is classified by currency as follows:

Financial instrument item	NTD	
	December 31, 2006	December 31, 2005
Bills and bonds purchase under resell agreements	1.48	1.20
Available-for-sale financial assets (return rate)	7.85	3.03
Held-to-maturity financial assets	0.80	3.97
Loans and advance payments	4.77	5.04
Bills and bonds sold under repurchase agreements	1.48	1.22
Financial debentures	3.77	3.86
Deposits and remittances	1.56	1.41

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

5. The control of the risk and exposure quantity

General pattern disclosure

A. The rule of risk management

- a. The risk management system of the science, the analysis risk of the cautious objective achieve reasonable return.
- b. The enterprise units carry out daily management operation for the risk management structure of the efficiency and set the risk management segment to provide periodic risk management report for the director of board which was the control risk of the efficiency in time. If it found the important exposure risk, it could damage financial and business situation or act on law to adopt proper step in time and report for the director of board.
- c. The business scale, credit risk, market risk, operation risk, and future operation tendency of the Jih Sun holding and its son corporation for all the risk management function control their capital satisfaction. The all exposure, oneself capital, liabilities characteristics of the Jih Sun holding corporation carry out the investment allocation to control the every investment risk.

B. The risk management system makes use of characteristics

- a. Immediately: The Jih Sun holding and its son corporation's decision process could take place the risk to raise risk prior announcement report, prevent stratagem and avoid method to bring into full play risk management system immediately.
- b. Effectively: The Jih Sun holding and its son corporation face suitable risk management procedure, control method and emergent change plan to keep the effective of the risk management system.

C. The risk management system could recognize and control relevant risk at least as follow:

- a. Investment risk: The possible effect of the short-term capital and long-term investment does the important risk disclosure and benefit analysis:
 - 1) Short capital used: According to market risk.

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

- 2) Long-term investment
 - A) The investment risk management of the control right: The risk system, financial structure, pay off its debts ability, and relevant risk disclosure of the passive investment corporation.
 - B) The investment risk management of the no-control right: disclosure the passive investment corporation effect and corporation govern situation.
 - C) The national risk management : The analysis of the politics risk and economics situation in the investment nation or area disclose and conclude relevant management index disclosure and draw up matching stratagem.
- b. Assets and liabilities risk: Deposit, loans and asset allocation were main function for financial organization. It must face the assets and liabilities period structure un-balance situation of the long-term or short-term investment to assume liquidity risk and potential interest change to lead to interest risk:
 - 1) Liquidity risk: Besides meet the principal institution relevant reserve rule and the lowest currency rate, to set up liquidity deficiency analysis, conclude management index and set up index limit draw up matching stratagem to prevent liquidity un-good event to happen.
 - 2) Structure interest risk: To draw up interest sensitive balance sheet, set up interest sensitive deficiency analysis, conclude management index and set up index limit to draw up matching stratagem and hedge plan to decrease the exposure degree of the interest risk.
- c. Market risk: To operate financial instrument actively and expand the jobs facing market factor (as interest, stock price and rate of exchange, etc.) change to lead to the unstable of assets price. To set up the science method and market risk management system and conclude management index and set up index limit to evaluate the exposure degree of the market risk effectively.
- d. Credit risk: To operate financial instrument actively and expand the jobs facing transaction oppose or credit customers possible loss or financial worse without carrying out the contract's credit risk. According to the industrial characteristics set up with one accord the evaluated method of the assets quality and classes, compute and control the most exposure, periodic review, lift allowance for loss and reverse. Besides control and collect the credit information of all transaction opposes and credit customers, draw up the credit policy evaluated system and assets dispersed rule, conclude management index to decrease the risk of the breaking a promise and concentrated.

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

- e. Operation risk (include law risk): The transaction and between information of the Jih Sun holding and its son corporation carry out any things to cause the internal events' operation people to lead to direct risk as system unsuitable, personnel carelessness, control unsuitable and system abnormality etc, or outside events as fraud, the dispute of the customers and the product, operation lawsuit etc, cause indirect risk. To review the internal operation handbook, operation process, information safety sheltered system and meted emergent plan in period or un-period. The process point of all potential possible loss revised suitable system for every process to set up the authority scope of any level people. When the events happen, the effect of the character and relative loss must record. The operation management units collect, analysis and induce loss data to conclude management index and decrease repeat happened risk.

6. As required by the Trust Business Law Enforcement Rules, Article No. 17, the balance sheet and the property index of trust accounts were as follows:

TRUST BALANCE SHEET

Trust Assets	December 31, 2006	Trust Liabilities	December 31, 2006
Cash in Bank	\$ 1,199,825		
Bonds	12,226,444		
Stock	1,035,894		
Fund	13,618,560		
Real Estate	9,156,872		
Long-term investment – bond investment	3,353,108		
Monetary obligation trust	-	Trust Capital	40,590,703
Total Trust Assets	\$ 40,590,703	Total Trust Liabilities	40,590,703
Trust Assets	December 31, 2005	Trust Liabilities	December 31, 2005
Cash in Bank	\$ 69,638		
Bonds	8,057,356		
Stock	28,023		
Fund	8,514,184		
Real Estate	8,093,598		
Monetary obligation trust	307,484	Trust Capital	25,070,283
Total Trust Assets	\$ 25,070,283	Total Trust Liabilities	25,070,283

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

TRUST PROPERTY INDEX

<u>Investment Item</u>	<u>December 31, 2006</u>	<u>December 31, 2005</u>
Bonds	\$ 12,226,444	8,057,356
Stock	1,035,894	28,023
Fund	13,618,560	8,514,184
Deposit	1,199,825	69,638
Long-term Investment – bond investment	3,353,108	-
Monetary obligation trust	-	307,484
Real Estate (net)	9,156,872	8,093,598
Total	<u>\$ 40,590,703</u>	<u>25,070,283</u>

(Y) Other Non-Interest Gain Or Loss

<u>Investment Item</u>	<u>2006</u>	<u>2005</u>
Gain on financial assets carried at cost-net	\$ 19,187	109,169
Gain on sale of stocks carried at cost	1,978	-
Gain (loss) on sale of collateral assumed	145,968	(110,943)
Reversal gain of impairment of assets	66,521	60,203
Lease revenue-operating assets	29,422	25,344
Gain on sale of property and equipment	193	379
Loss on sale and disposal of property and equipments	(14,913)	(13,198)
Received of bad debts	214,845	144,473
Others	(7,386)	21,097
Total	<u>\$ 455,815</u>	<u>236,524</u>

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

(5) RELATED-PARTY TRANSACTIONS

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

<u>Name of Related Party</u>	<u>Relationship with the Company</u>
Jih Sun Financial Holding Co., Ltd.	Parent company of the Company
Jih Sun Life Insurance Agent Co., Ltd.	Invested company accounted for under the equity method
Jih Sun Securities Co., Ltd.	Its president is the spouse of the president of the Company
Jih Sun Futures Co., Ltd.	A subsidiary of Jin Sun Securities Co., Ltd.
Jih Sun Managed Futures Co., Ltd	A subsidiary of Jin Sun Securities Co., Ltd.
Jih Sun Financial Services (Cayman) Ltd.	A subsidiary of Jin Sun Securities Co., Ltd.
Jih Sun Venture Capital Co., Ltd	A subsidiary of Jin Sun Securities Co., Ltd.
Jih Sun Cresvalue Securities International Ltd	A subsidiary of Jin Sun Securities Co., Ltd.
My Humble House Co., Ltd	The Company's directors as the chairman spouses
Jih Sun Securities Investment Consulting Co., Ltd.	A subsidiary of the Company
Yung Sheng Assets Management Co., Ltd.	A subsidiary of the Company
Yong Da Investment Co., Ltd.	A subsidiary of the Company
Jih Sun educated foundation	A subsidiary of the Company
Taiwan Sun Flower Co., Ltd.	The Company's directors as the company's director and supervisors
Other related parties	The Company's directors, supervisors, relatives and spouses

(B) Material transactions with related parties:

(a) Deposit

<u>Name of Related Party</u>	<u>Ending Balance</u>	<u>Maximum Balance</u>	<u>Interest Revenue</u>	<u>Interest Interval %</u>
For the year ended December 31, 2006				
Jih Sun Securities Co., Ltd.	\$ 594,130	1,624,992	3,390	0~2.35%
Jih Sun Life Insurance Agent Co., Ltd.	32,286	51,287	86	0~0.2%
Jih Sun Financial Holding Co., Ltd.	2,950,933	13,433,545	47,642	0~1.9%
Jih Sun Securities Investment Consulting Co., Ltd.	83,755	119,131	1,305	0~2.13%
Jih Sun Futures Co., Ltd.	3,406,358	4,085,110	48,590	0~2.35%
Jih Sun Managed Futures Co., Ltd	164,984	219,295	3,232	0~2.13%
Others	336,675	930,371	6,176	0~7.27%
Total	<u>\$ 7,569,121</u>		<u>110,421</u>	

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

Name of Related Party	Ending Balance	Maximum Balance	Interest Revenue	Interest Interval %
For the year ended December 31, 2005				
Jih Sun Securities Co., Ltd.	\$ 227,053	1,305,823	3,665	0~1.8%
Jih Sun Life Insurance Agent Co., Ltd.	44,854	109,291	237	0~0.2%
Jih Sun Financial Holding Co., Ltd.	2,082,634	6,470,334	13,270	0~1.28%
Jih Sun Securities Investment Consulting Co., Ltd.	78,798	85,798	1,092	0~1.8%
Jih Sun International Leasing & Finance Co., Ltd	14,643	31,616	36	0~0.2%
Jih Sun Futures Co., Ltd.	3,577,908	6,780,882	28,200	0~1.8%
Jih Sun Venture Capital Co., Ltd	171,783	193,338	2,266	0~1.8%
Jih Sun Managed Futures Co., Ltd	172,327	193,534	2,772	0~1.8%
Others	387,410	739,902	4,679	0~7.05%
Total	\$ 6,757,410		56,253	

(b) Loan

Name of Related Party	Ending Balance	Maximum Balance	Interest Revenue	Interest interval %
For the year ended December 31, 2006				
Jih Sun Securities Co., Ltd.	\$ 1,000,000	1,000,000	414	2.00%
Others	116,274	150,540	3,072	2.15%-3.63%
Total	\$ 1,116,274		3,486	

Name of Related Party	Ending Balance	Maximum Balance	Interest Revenue	Interest Interval %
For the twelve months ended December 31, 2005				
My Humble House Co., Ltd	\$ 40,000	59,000	1,324	2.31%
Others	83,815	84,677	1,415	1.99%~3.34%
Total	\$ 123,815		2,739	

As of December 31, 2006 and 2005, the Bank's guaranteed line of credit to Jih Sun Securities Co., Ltd. both amounted to \$1,100,000. As of December 31, 2006 and 2005, the loan balance was \$1,000,000 and \$0.

As of December 31, 2006 and 2005, there was no delinquency in the credit line provided to related parties. Allowance for bad debts was similarly provided as that of general financing and was computed at the rate of 1% of the loan balance. For the related-party credit policy, the Bank follows the requirements under Articles 32, 33, 33-1, 33-2, 33-4, 33-5 of the Banking Law, and does not provide credit loans without collateral. For collateralized loans, the collateral normally consists of a full guarantee, and the terms (including interest rate, collateral and related appraisal, guarantor requirement, loan term, repayment method of principal and interest, etc.) must not be superior to those of other parties for similar types of loan. Financing provided to a related party, which individually or cumulatively amounts to \$100,000 or 1% of the Bank's net worth, whichever is lower, must be presented to the Board of Directors and

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

Supervisors for review. This Board meeting must be attended by two-thirds of the directors and approved by three-fourths of the directors in attendance. The terms and conditions of loans to related parties are not superior to those given to non-related parties.

As of December 31, 2006, there were no off-balance sheet commitments between the Bank and its related parties. As of the year ended 2006 the My Humble House Co., Ltd is not recognized as related parties.

(c) Rental contract

Item	December 31, 2006	December 31, 2005
Rental expenses	\$ 26,506	47,721
Rental revenues	6,544	6,164

(d) Property transaction

As of December 31, 2005, the Bank sells a batch property to Jih Sun Securities Co., Ltd for \$140.

(e) Others

1. As of December 31, 2006 and 2005, the Bank handling securities delivery for securities brokerage firm allocation fees amounted to \$126,004 and \$108,893 respectively.
2. As of December 31, 2006 and 2005, the Bank Stock brokerage fees amounted to \$4,165 and \$2,954, respectively.
3. As of December 31, 2006 and 2005, related parties operates bills and bonds purchased/sold under resell/repurchase agreements transactions ending balance and generated interest revenue and interest expense as follows:

Bonds purchased under resell agreements:

	December 31, 2006		December 31, 2005	
	Interest revenue	Ending balance	Interest revenue	Ending balance
Jih Sun Securities Co., Ltd.	\$ 67	-	1,874	-

Bonds sold under repurchase agreements :

	December 31, 2006		December 31, 2005	
	Interest expense	Ending balance	Interest expense	Ending balance
Jih Sun Securities Co., Ltd.	\$ 36,159	2,148,107	24,902	3,891,096

Bonds under agreements transactions and no-related transactions pact correspond.

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

4. As of December 31, 2006 and 2005, the bank paid expense for stock agent to Jih Sun Securities Co., Ltd. amounted to \$520 and \$440 respectively.
5. As of December 31, 2006 and 2005, the bank doesn't do bank acceptance and commercial paper for related parties.
6. Tax refund receivable from joint filing of tax :

	December 31, 2006		December 31, 2005	
	Amount	%	Amount	%
Jih Sun Financial Holding Co., Ltd.	\$ 498,200	5.03	104,539	0.86

7. As of December 31, 2006 and 2005, the bank paid service expense for to Jih Sun Futures Co., Ltd. amounted to \$7,302 and \$33,783, respectively.
8. As of December 31, 2006, the bank sold non-performing loans for Yung Sheng Assets Management Co., Ltd. amounted to \$1,457,668. Sale price amounted to \$1,300,022 and the related loss amounted to \$157,646.
9. As of December 31, 2005, the bank authorized and issue to consult of financial debentures for Jih Sun Securities Investment Consulting Co., Ltd., paid to consulted expenses amounted to \$1,000, approximately.

(C) Transactions in which related parties act as borrower, guarantor, and collateral provider

December 31, 2006				
Category	Number of clients	Ending balance	Normal loan	Overdue loan
Consumer loans	211	\$ 35,414	34,927	487
Employee mortgage loans	176	378,358	378,358	-
Credit transactions in which related parties act as borrower	581	2,182,694	2,182,694	-
Credit transactions in which related parties act as guarantor	239	2,750,017	2,750,017	-
Credit transactions in which related parties act as collateral provider	-	-	-	-
December 31, 2005				
Category	Number of clients	Ending balance	Normal loan	Overdue loan
Consumer loans	130	\$ 20,684	20,684	-
Employee mortgage loans	208	413,412	413,412	-
Credit transactions in which related parties act as borrower	295	610,924	610,924	-
Credit transactions in which related parties act as guarantor	304	1,982,311	1,976,842	5,469
Credit transactions in which related parties act as collateral provider	-	-	-	-

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

(6) PLEDGED ASSETS: NONE

(7) SIGNIFICANT COMMITMENTS AND CONTINGENCIES

- (A) As of December 31, 2006 and 2005, contracts for equipment purchase and office renovations were approximately \$269,684 and \$188,846, respectively, of which \$85,532 and \$108,490 were paid respectively.
- (B) As of December 31, 2006 and 2005, the Bank acted as an agent for various collections amounting to approximately \$519,954 and \$859,155, respectively.
- (C) As of December 31, 2006 and 2005, the Bank handled several guarantees (including joint handling of foreign exchange transactions); the related outstanding guarantee deposits were approximately \$3,999,540 and \$9,789,207, respectively.
- (D) As of December 31, 2006 and 2005, the Bank had outstanding bank acceptance liabilities, which amounted to approximately \$482,345 and \$607,809, respectively, and letters of credit, which amounted to approximately \$1,043,045 and \$1,914,377, respectively.
- (E) As of December 31, 2006 and 2005, the Bank acted as custodian of post-dated checks for its clients (excluding next day's checks for clearing) which amounted to approximately \$26,342,934 and \$29,436,772, respectively.
- (F) As of December 31, 2006 and 2005, the bank under repurchase transaction due to others consigned government bonds book value were \$0.
- (G) As of December 31, 2006 and 2005, the Bank was entrusted with the sale of U.S dollar traveler's checks of \$182,217 and 188,655, respectively.
- (H) As of December 31, 2006, the Bank paid rent on a monthly or quarterly basis according to the rental contract. The estimated future rent payable and accrued interest on deposits treated as rent for the next five years were as follows:

<u>Year</u>	<u>Interest on deposits treated as rent</u>	<u>Rent payable</u>	<u>Present value</u>
1.1.2007 ~ 12.31.2007	Note	\$ 167,549	143,683
1.1.2008 ~ 12.31.2008	Note	103,320	92,362
1.1.2009 ~ 12.31.2009	Note	72,287	65,162
1.1.2010 ~ 12.31.2010	Note	42,259	38,864
1.1.2011 ~ 12.31.2011	Note	1,596	1,477

Note: As of December 31, 2006, the above interest on deposits treated as rent was based upon rent-free deposits and deposits in excess of 3 months' rent of \$55,058 and at 2.015% annual interest rate for the rental period.

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

- (I) According to SFAS No. 28 "Financial Disclosures for Financial Institutions", major commitments and contingencies required to be disclosed by the Bank are as follows:
- (a) All of the Bank's credit commitments can be cancelled by the accelerated terms'. Therefore, As of December 31, 2006 and 2005, the Bank had no non-cancelable credit commitments and credit commitments that require significant payment to be canceled.
 - (b) As of December 31, 2006 and 2005, the Bank had direct credit guarantees consisting of general guaranteed bonds (corporate bonds) which amounted to \$83,775 and \$165,916, respectively, and guarantee letters for financial guarantees of loans and securities (commercial paper), which amounted to \$1,885,731 and \$5,349,625, respectively.
 - (c) As of December 31, 2006 and 2005, the Bank had performance bonds of \$1,314,647 and \$1,591,372, respectively. Auction deposits were both \$0, and guarantee letters issued for specified transactions were \$2,030,034 and \$4,273,666, respectively. In addition, as of December 31, 2006 and 2005, the Bank still had credit line for financial undertaking of \$5,113,692 and \$5,309,978, respectively.

(8) SIGNIFICANT CATASTROPHIC LOSS : NONE

(9) SIGNIFICANT SUBSEQUENT EVENTS : NONE

(10) OTHERS

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

Nature	Function	2006	2005
		Operating Expenses	Operating Expenses
Personnel Expense			
Salaries and Wages	\$	1,714,278	2,007,588
Insurance		124,435	153,171
Pension Expenses		95,775	63,822
Other Expenses		77,520	89,188
Depreciation		298,765	216,447
Wastage		331,758	157,203
Amortizations		61,710	101,738

- (B) The bank, after a bidding procedure made on January 27, 2005, won the tender offer of 6 billion dollars made by Taiwan Development & Trust Corporation to the Bank, thereby absorbing its' trust department 's operation , assets and liabilities excluding non performance loan, non operating real estate, foreclosed property and exploitative assets. Until December 31, 2005, the operating and property conveyance agreement was compacted. Conveyance date and payday will be on August 6, 2005. As of August 6, 2005 the Bank has received 5.35 billion dollars and received other obligations on February 3, 2006.

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

(C) As required by SFAS No. 28 "Financial Disclosures for Financial Institutions", additional information disclosed by the Bank is as follows:

(a) Loans asset quality, concentrations of credit risk, loan and temporary loss, and loan loss provision policy:

1. Loans asset quality

Item	December 31, 2006	
	Amount	%
The first type of overdue loans	\$ 7,925,813	4.36
The second type of overdue loans	1,811,187	1.00
Overdue loans	9,737,000	5.36

Item	December 31, 2005	
Overdue loans	\$	5,333,693
Delinquent loans		3,601,383
Overdue loans rate		2.73%
Allowance for loans and delinquent loans losses		(2,997,727)

2. As of December 31, 2006 and 2005, there were certain concentrations of loan authorization risk as follows:

Item	December 31, 2006		December 31, 2005	
Related parties loans authorization amount	\$	1,843,043		1,033,758
Related parties loans authorization rate		1.03		0.51
Stock mortgage loans rate		2.50		2.69
Certain industry concentrations of loan authorization	Industry Characteristics	Rate	Industry Characteristics	Rate
	Manufacturing	13.09	Manufacturing	14.72
	Wholesale and resale	7.56	Wholesale and resale	9.26
	Financial and Insurance	6.10	Construction	5.59

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

	December 31, 2006		December 31, 2005	
	Average amount	Average rate (%)	Average amount	Average rate (%)
Interest-earning assets	\$ 234,275,955	4.19	243,967,061	4.77
Interest-bearing liabilities	252,421,996	1.72	259,478,872	1.51

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

(c) Interest rate sensitivity information

Interest rate sensitive assets and liabilities analysis sheet(NTD)					
Unit: in NTD 1,000; %					
Item	1- 90 day	91 – 180 day	181day – 1 year	Over 1 year	Total
Interest rate sensitive assets	\$134,365,125	3,966,148	7,377,907	66,456,343	212,165,523
Interest rate sensitive liabilities	109,399,088	74,179,200	29,997,456	6,464,297	220,040,041
Interest sensitivity gap	24,966,037	(70,213,052)	(22,619,549)	59,992,046	(7,874,518)
Net value	-	-	-	11,906,479	11,906,479
Interest-rate-sensitive asset to interest rate sensitive liability ratio					96.42
Interest rate sensitivity gap to net value ratio					(66.14)

Interest rate sensitive assets and liabilities analysis sheet(USD)					
Unit: in USD 1,000; %					
Item	1- 90 day	91 – 180 day	181day – 1 year	Over 1 year	Total
Interest rate sensitive assets	\$ 265,290	18,996	15,972	68,649	368,907
Interest rate sensitive liabilities	268,916	15,053	35,332	375	319,676
Interest sensitivity gap	(3,626)	3,943	(19,360)	68,274	49,231
Net value	-	-	-	5,277	5,277
Interest-rate-sensitive asset to interest rate sensitive liability ratio					115.40
Interest rate sensitivity gap to net value ratio					932.94

(d) Main Foreign Currency Net Position

Foreign Currency Amount	December 31, 2006		December 31, 2005	
	Currency	NTD	Currency	NTD
1. JPY		(208,247)	1. USD	(556,043)
2. EUR		(160,830)	2. GBP	269,224
3. USD		86,583	3. JPY	(170,418)
4. GBP		(86,018)	4. CHF	120,885
5. CAD		36,116	5. CAD	56,599

(e) Profitability and maturity analysis of assets and liabilities:

1. Profitability:

Unit: %

Item	December 31, 2006	December 31, 2005
Return on total assets (Before tax)	(5.33)	(2.02)
Return on total assets (After tax)	(5.17)	(2.02)
Return on equity (Before tax)	(111.22)	(40.80)
Return on equity (After tax)	(108.02)	(40.85)
Net income ratio	(288.14)	(111.52)

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

2. Maturity analysis of assets and liabilities :

NTD Maturity analysis						
Unit: in NTD 1,000						
	Total	Within 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 years
Assets	\$ 245,093,846	46,883,716	4,062,098	5,712,287	27,626,114	160,809,631
Liabilities	297,141,161	60,187,510	31,232,899	32,411,468	74,285,897	99,023,387
Gap-to-net	(52,047,315)	(13,303,794)	(27,170,801)	(26,699,181)	(46,659,783)	61,786,244

USD Maturity analysis						
Unit: in USD 1,000						
	Total	Within 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 years
Assets	\$ 491,982	247,509	30,927	10,252	33,144	143,150
Liabilities	427,257	276,568	40,478	26,667	52,939	30,605
Gap-to-net	64,725	(2,059)	(9,551)	(16,415)	(19,795)	112,545

3. Capital adequacy:

Unit: in NTD 1,000; %

	December 31, 2006	December 31, 2005
Capital net	\$ 16,397,579	19,607,152
Risk assets	181,443,086	226,759,165
Capital adequacy ratio	9.04	8.65
The first capital to weight risk assets ratio	6.63	5.68
The second capital to weight risk assets ratio	3.09	3.53
The third capital to weight risk assets ratio	-	-
Common stock equity to total assets ratio	4.68	4.89

4. Reclassification

Certain accounts in year year's financial statements were reclassified to conform to the presentation adopted in the current year's financial statements which was according to SFAS No. 34 " Financial Instrument Accounting Standard. "

(English Translation)
JIH SUN INTERNATIONAL BANK LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2006 AND 2005

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

(11) BUSINESS SEGMENT FINANCIAL INFORMATION

(1) Industrial Information

The Bank operates as a commercial bank in accordance with the business scope under the Banking Law, Article No.3. Its major operations include managing customer deposits, extending loans, acting as collection agent, and investing in government bonds, securities, short-term bills, financial debentures, and exchange transactions.

(2) Geographical and export sales information

The Bank has no overseas branch and operates only in domestic. It has no overseas-generated operating revenue.

(3) Major customer information

The Bank has no customer accounting for revenue in excess of 10% of its total revenue in the income statement.