

**(English Translation of Financial Report Originally Issued In Chinese)**

**JIH SUN INTERNATIONAL BANK LTD  
FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
AND  
INDEPENDENT AUDITORS' REPORT**

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

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(English Translation)  
**JIH SUN INTERNATIONAL BANK LTD.**

**FINANCIAL STATEMENTS**

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**(English Translation)**  
**Independent Auditors' Report**

The Board of Directors  
Jih Sun International Bank Ltd.

We have audited the accompanying balance sheets of Jih Sun International Bank Ltd as of December 31, 2008 and 2007 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 have conducted our audits in accordance with auditing standards generally accepted in the Republic of China and under the Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants. We were required to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement under those standards. Our audit work includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The assessments of the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation were also included in our audit. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jih Sun International Bank Ltd. as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the the years ended, in conformity with the "Regulations Governing the Preparation of Financial Reports by Public Banks", the related financial accounting standards of the "Business Entity Accounting Act" and of the "Regulation on Business Entity Accounting Handling" and accounting principles generally accepted in the Republic of China.

The bank has compiled the consolidated financial statements for the years 2008 and 2007 and we have issued an unqualified opinion.

KPMG  
**January 23, 2009**  
Taipei, Taiwan, R.O.C.

Note to Readers

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

The auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Report Originally Issued In Chinese)  
**JIH SUN INTERNATIONAL BANK CO., LTD.**  
**BALANCE SHEETS**  
**DECEMBER 31, 2008 AND 2007**  
(Expressed in Thousands of New Taiwan Dollars)

	<u>2008</u>	<u>2007</u>	Change in
	Amount	Amount	%
<b>ASSETS :</b>			
Cash and cash equivalents (Notes 4(A))	\$ 30,588,638	6,009,586	409
Due from Central Bank and call loans to banks (Note 4(B))	36,536,956	32,668,387	12
Financial assets measured at fair value through profit or loss— net (Notes 4(C))	5,493,287	8,369,812	(34)
Bills and bonds purchased under resell agreements (Note 4(D))	999,103	7,189,533	(86)
Receivables—net (Notes 4(F))	4,885,605	7,814,612	(37)
Discounted and loans—net (Notes 4(G))	138,644,887	166,902,058	(17)
Available-for-sale financial assets—net (Notes 4(E))	158,219	398,003	(60)
Investments under the equity method— net (Notes 4(H))	16,766	17,184	(2)
Other financial assets—net (Notes 4(J))	1,525,218	1,833,978	(17)
Property and equipment—net (Notes 4(I))	4,667,376	5,168,013	(10)
Intangible assets (Notes 4(K))	915,240	1,185,480	(23)
Other assets—net (Notes 4(J))	2,191,679	3,183,159	(31)
<b>TOTAL ASSETS</b>	<b>\$ 226,622,974</b>	<b>240,739,805</b>	<b>(6)</b>
 <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Liabilities :</b>			
Deposits from Central Bank and other banks (Notes 4(M))	\$ 10,799,605	15,788,814	(32)
Financial liabilities measured at fair value through profit or loss (Notes 4(L))	521,760	23,109	2,158
Liabilities for bills and bonds sold under repurchase agreements (Notes 4(D))	100,000	73,101	37
Payables (Notes 4(N))	2,862,081	4,097,162	(30)
Deposits and remittances (Notes 4(O))	196,634,933	202,191,927	(3)
Financial debentures (Notes 4(P))	7,000,000	7,000,000	-
Other financial liabilities	81,900	85,500	(4)
Other liabilities	293,143	1,017,788	(71)
<b>Total Liabilities</b>	<b>218,293,422</b>	<b>230,277,401</b>	<b>(5)</b>
 <b>Stockholders' equity :</b>			
Common stock (Note 4(R))	15,180,587	15,180,587	-
Accumulated deficit (Note 4(T))	(6,627,463)	(4,629,682)	(43)
Other items of stockholders' equity	(223,572)	(88,501)	153
<b>Total stockholders' equity</b>	<b>8,329,552</b>	<b>10,462,404</b>	<b>(20)</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 226,622,974</b>	<b>240,739,805</b>	<b>(6)</b>

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

(English Translation of Financial Report Originally Issued In Chinese)  
**JIH SUN INTERNATIONAL BANK CO., LTD.**  
**STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**  
(Expressed in Thousands of New Taiwan Dollars, Except for EPS)

	2008	2007	Change in %	
	Amount	Amount		
<b>Revenues :</b>				
Interest income	\$ 7,637,541	8,716,035	(12)	
Less: Interest expenses	(4,712,905)	(4,739,754)	(1)	
Net interest income	2,924,636	3,976,281	(26)	
Non-interest income:				
Service and commission income, net	772,095	1,694,643	(54)	
Gain(loss) on financial assets or liabilities measured at fair value through profit or loss	94,446	(213,428)	(144)	
Realized gain(loss) from available-for-sale financial assets	3,746	(84,770)	(104)	
Realized gain from held-to-maturity financial assets	-	12,722	-	
Income from investment under the equity method (Note 4(H))	3,041	3,449	(12)	
Foreign exchange (losses)gains	(15,861)	42,474	(137)	
Loss of impairment of assets	(262,629)	(166,101)	58	
Others - non interest gain, net (Note 4(N))	947,445	683,639	39	
Loss on sale and amortization deferred loss on disposal of non-performing loans	-	(611)	-	
<b>Net Revenues</b>	<b>4,466,919</b>	<b>5,948,298</b>	<b>(25)</b>	
Credit losses on loans (Note 4(G))	5,113,162	4,944,922	3	
<b>Operating Expenses :</b>				
Personnel Expenses	1,401,789	1,775,326	(21)	
Depreciation and amortization expenses	710,344	708,434	-	
Other operating and administrative expenses	1,393,870	1,600,031	(13)	
Total operating expenses	3,506,003	4,083,791	(14)	
Total expenses	8,619,165	9,028,713	(5)	
<b>Net loss before tax</b>	<b>(4,152,246)</b>	<b>(3,080,415)</b>	<b>(35)</b>	
<b>Income tax benefit</b> (Notes 4 (T))	<b>(354,465)</b>	<b>(688,324)</b>	<b>49</b>	
<b>Net loss</b>	<b>\$ (3,797,781)</b>	<b>(2,392,091)</b>	<b>(59)</b>	
	<b>Before</b>	<b>After</b>	<b>Before</b>	<b>After</b>
	<b>income tax</b>	<b>income tax</b>	<b>income tax</b>	<b>income tax</b>
EPS (Expressed in New Taiwan Dallarers)	<u>\$ (2.79)</u>	<u>(2.55)</u>	<u>(2.06)</u>	<u>(1.60)</u>
EPS (Expressed in New Taiwan Dallarers)-retroactively adjusted			<u>(2.30)</u>	<u>(1.79)</u>

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

(English Translation of Financial Report Originally Issued In Chinese)

**JIH SUN INTERNATIONAL BANK LTD.**

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

(Expressed in Thousands of New Taiwan Dollars)

	Common Stock	Accumulated Deficit		Unrealized gains (loss) on available-for-sale financial assets	Total
		Legal Reserve	Accumulative Deficit		
Balance, January 1, 2007	\$ 14,180,587	-	(2,237,591)	115,384	12,058,380
Increase capital with cash	1,000,000	-	-	-	1,000,000
Change in unrealized loss on available-for-sale financial assets	-	-	-	(203,885)	(203,885)
Net loss for 2007	-	-	(2,392,091)	-	(2,392,091)
Balance, December 31, 2007	15,180,587	-	(4,629,682)	(88,501)	10,462,404
Recover loss from capital on February 26, 2008	(1,800,000)	-	1,800,000	-	-
Increase capital with cash on February 29, 2008	1,800,000	-	-	-	1,800,000
Change in unrealized loss on available-for-sale financial assets	-	-	-	(135,071)	(135,071)
Net loss for 2008	-	-	(3,797,781)	-	(3,797,781)
Balance, December 31, 2008	<b>\$ 15,180,587</b>	-	<b>(6,627,463)</b>	<b>(223,572)</b>	<b>8,329,552</b>

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

(English Translation of Financial Report Originally Issued In Chinese)  
**JIH SUN INTERNATIONAL BANK LTD.**  
**STATEMENTS OF CASH FLOWS (CONT'D)**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**  
(Expressed in Thousands of New Taiwan Dollars)

	2008	2007
<b>Cash flows from operating activities :</b>		
Net loss	\$ (3,797,781)	\$ (2,392,091)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	265,313	299,358
Various reserves and provisions	5,113,162	4,944,922
Amortization	445,031	409,076
Investment dividends income recognized under the equity method	3,459	13,395
Income from investments under the equity method	(3,041)	(3,449)
Realized gains from held-to-maturity financial assets	-	(12,722)
Gain on disposal of collateral assumed	(143,054)	(279,590)
Loss of impairment of assets	262,629	166,101
Property and equipment transferred to expenses	2,005	103,508
Loss on disposal of property and equipment	3,882	5,902
Net (gain)loss on sale of property and equipment	(222,205)	1,374
Loss on sale and amortization deferred loss on disposal of non-performing loans	-	611
Change in assets and liabilities:		
Decrease in receivables	2,559,132	1,393,468
Decrease in financial assets measured at fair value through profit or loss	2,876,525	8,408,310
Decrease in available-for-sale financial assets	104,713	1,871,587
Decrease in payables	(1,235,081)	(478,524)
Increase (Decrease) in financial liabilities measured at fair value through profit or loss	498,651	(7,370)
Net cash provided by operating activities	6,733,340	14,443,866
<b>Cash flows from investing activities :</b>		
Decrease (Increase) in due from Central Bank and call loans to banks	22,933,341	(11,398,391)
Decrease (Increase) in bills and bonds purchased under resell agreements	6,190,430	(1,526,569)
Decrease in discounted and loans	23,677,641	7,095,670
Purchase of property and equipment	(178,074)	(151,612)
Proceeds from disposal property and equipment	650,980	1,849
Proceeds from disposal collateral assumed	676,698	920,278
Proceeds from disposal of held-to-maturity financial assets	-	506,094
Decrease in other assets	219,676	185,703
Purchase of computer software	(167,050)	(169,884)
Decrease in other financial assets	97,802	267,147
Purchase of collateral assumed	(6,273)	(472,025)
Net cash provided by (used in) investing activities	54,095,171	(4,741,740)

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**JIH SUN INTERNATIONAL BANK LTD.**  
**STATEMENTS OF CASH FLOWS (CONT'D)**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**  
(Expressed in Thousands of New Taiwan Dollars)

	2008	2007
<b>Cash flows from financing activities :</b>		
Decrease in deposits from Central Bank and other banks	(4,989,209)	(4,650,078)
Increase (decrease) in bills and bonds sold under repurchased agreements	26,899	(8,082,848)
(Decrease) increase in deposits and remittances	(5,556,994)	1,956,237
Decrease of financial debentures	-	(4,000,000)
Decrease in other financial liabilities	(3,600)	(900)
(Decrease) Increase in other liabilities	(724,645)	82,367
Capital increase by cash	1,800,000	1,000,000
Net cash use in financing activities	(9,447,549)	(13,695,222)
Net increase (decrease) in cash and cash equivalents	51,380,962	(3,993,096)
<b>Cash, beginning of the year</b>	7,687,938	11,681,034
<b>Cash, end of the year</b>	<b>\$ 59,068,900</b>	<b>7,687,938</b>
 <b>Supplemental disclosures of cash flow information :</b>		
Income taxes paid during the year	<b>\$ 5,085</b>	<b>4,617</b>
 <b>Cash and cash equivalents:</b>		
Cash	\$ 30,588,638	6,009,586
Deposits in Central Bank - general account and financial center	28,480,262	1,678,352
Total	<b>\$ 59,068,900</b>	<b>7,687,938</b>
 <b>Investing and financing activities not affect cash flows for evaluation of available-for-sale financial assets :</b>		
Available- for-sale financial assets	\$ 135,071	203,885
Other items of stockholders' equity	(135,071)	(203,885)
	<b>\$ -</b>	<b>-</b>

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



(English Translation of Financial Report Originally Issued in Chinese)

**JIH SUN INTERNATIONAL BANK LTD.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2008 AND 2007**

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

**(1) OVERVIEW**

Jih Sun International Bank Ltd. (the “Bank”) was founded and commenced its organization on June 25, 1990. It was 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. The operation of the Bank commenced on April 9, 1992. As of December 31, 2008, its outstanding capital stock amounted to \$15,180,587.

The main operations of the Bank 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 and changed its name to Jih Sun International Bank, Ltd., in order to expand business and promote the Bank’s image. Furthermore, in order to fully utilize the 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, 2008, the Bank had 1,667 employees.

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Company’s financial statements were prepared in conformity with the “Rules Governing the Preparation of Financial Statements by Public Issued Bank”, “Business Entity Accounting Act,” the “Regulation on Business Entity Accounting Handling” and accounting principles generally accepted in the Republic of China. The significant accounting policies were summarized as follows:

**(A) Principles of Statements of Cash Flows:**

The statements of cash flows are compiled based upon cash equivalents, reserve deposits with the Central Bank (general account), and deposits on Financial center.

**(B) Accounting Using of Estimates**

The preparation of financial statements in conformity with the aforementioned guidelines, law and principles requires management to make reasonable assumptions and estimates of matters that are inherently uncertain. The actual results may differ from management’s estimates.

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

(C) Assets Impairment

In accordance with SFAS No. 35, unless inapplicable, the recoverable amount (individual assets or cash generating units other than goodwill) of an asset is estimated and compared with the carrying amount whenever there is an indication that the asset may be impaired. An impairment loss is recognized when the recoverable amount is less than the carrying amount (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.

(D) 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.

(E) Cash Equivalents

Cash comprise of cash on hand, checks for clearing, petty cash and depositing on the other bank deposit.

(F) 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.

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

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

- (a) Financial assets carried at fair value through profit or loss: Financial assets 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 remeasure 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.

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.

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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

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

- (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.

(G) Derivative Financial Instruments

(a) Foreign Exchange Forward Contracts

Foreign-denominated assets and liabilities of foreign exchange forward contracts are recorded in New Taiwan Dollars and translated using exchange rates in effect as transactions occur. Gain or loss due to exchange rate discrepancies at maturity is included in current earnings. On the balance sheet date, unsettled positions are adjusted by the forward exchange rate of the remaining period of contracts, with differences caused thereby reflected as current exchange gain or losses.

Accounts receivable payables arising from forward contracts are offset on the balance sheet date, with the balance reflected as an asset or a liability.

(b) Non-Delivery Forward (NDF) Contracts

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

(c) Foreign Currency Swaps

Memo entries of notional principals are made on the contract date for foreign currency swaps. On the balance sheet date, forward accounts receivable are offset against the related payables, with the difference reflected as an asset or a liability. Interest is accrued over the duration of contracts as receivable or payable for trading swaps. Gains and losses on settlement due to differences from the prevailing rate are included in current earnings. Gains and losses on unsettled positions are computed by the differences between the contract and forward rates for the remaining contract periods. Interest is accrued on non-trading currency swaps over the duration of contracts. Receivables or payables accrued and the hedged positions are reported as current interest revenue or expense.

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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

(d) Option

Only memo entries of notional principals are made on the contract date for options. Premium paid or collected is reflected as other assets or other liabilities. Differences in the market value of premium on the balance sheet date are stated as exchange gain or loss. Gain or loss resulting from the exercise of options is recognized currently as transaction gain or loss.

(e) Future trading

Only memo entries of notional principals are made on the contract date for futures. Premium is reflected as guarantee deposits paid or guarantee deposits received when paid or collected. Differences in the market value of premium on the balance sheet date are stated as exchange gain or loss. Gain or loss resulting from the exercise of futures is recognized currently as transaction gain or loss.

(f) Interest rate swaps

As no principal amounts are exchanged for interest swaps upon settlement, the transactions are recorded in the memo account on the contract dates. For interest rate swap contracts used for purposes other than trading, net interest received or paid upon each settlement, or accrued on the balance sheet date, is recorded as an adjustment to interest income or expense of the items being hedged.

(H) Bills and Bonds Sold Under Repurchase Agreements / Bill and Bonds Purchased Under Resell 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.

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.

(I) 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.

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

(J) 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 non-performing loan claims. The Bank classifies its credit assets on and off balance sheet. Normal credit assets shall be classified as "Category One." The remaining unsound credit assets shall be evaluated based on the status of the loan collaterals and the length of time overdue. Assets that require special mention shall be classified as "Category Two," assets that are substandard shall be classified as "Category Three," assets that are doubtful shall be classified as "Category Four," and assets for which there is loss shall be classified as "Category Five."

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

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

- (a) The loan cannot be recovered in full or in part because the debtors have dissolved, gone into hiding, reached a settlement, declared bankruptcy, or for other reasons.
- (b) The collateral and property of the primary/subordinate debtors have been appraised at a very low value or become insufficient to repay the loan after the subtraction of senior mortgages; or the execution cost approaches or possibly exceeds the amount that the bank might collect [from the debtor(s)] where there is no financial benefit in execution.
- (c) The primary/subordinate debtor's collateral has failed to sell at successive auctions where the price of such collateral has been successively lowered, and there is no financial benefit to be derived from the bank's taking possession of such collateral.
- (d) More than two (2) years have elapsed since the maturity date of the non-performing loans or non-accrual loans, and the efforts of collection have failed.

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

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

(K) 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.

(L) 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, 5 to 60 years; transportation equipment, 5 years; other equipment, 3 to 5 years; leasehold improvements, 5 years.

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

(M) Goodwill and Intangible Assets

(a) Computer software and operation right

The Bank's operation rights was resulted from the solely acquisition of the assets, liabilities and the operation value of the operation rights for setting-up branches from the trust business of Taiwan Land Development Corporation.

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

After serious assessments, all intangible assets in the Bank have its estimated useful life. The amortization of intangible assets was recognized as an expense on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

**(English Translation)**  
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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

The estimated useful lives for the current and comparative periods are as follows:

1. Computer Software            5 years
2. Operation Right              5 years

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

b) Goodwill

The goodwill arises from merger or fair market value of net assets, the goodwill can be recognized when the purchase price is greater than fair market value of net assets. The goodwill arise from merger does not need to be amortized; however, the amount of goodwill needs to be measured at the cost after deduction of accumulated impairment each year.

Goodwill relating to cash-generating units is tested for impairment in a regular period each year. Impairment losses are recognized when the recoverable amount is less than the carrying amount. Impairment losses cannot be reversed once an impairment loss has been recognized.

(N) 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, accounted for loss of impairment of assets. Gain or loss on disposal of collateral assumed is accounted for the other non-interest gain or loss.

(O) 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.



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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.

**(P) 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.

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

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

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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

**(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) Earning per share (EPS)**

EPS is calculated by dividing the net income(loss), 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 paid for or before the year 2008, EPS is retroactively adjusted. When the capital decreased against deficit losses, EPS also is retroactively adjusted.

**(S) Employee bonuses, Directors' and Supervisors' remuneration**

Employee bonuses and directors' emoluments appropriated after January 1, 2008 are accounted for by Interpretation (96)052 issued by the Accounting Research and Development Foundation. The company estimates the amount of employee bonuses and directors' emoluments according to the Interpretation and recognizes it as expenses. Differences between the amount approved in the shareholders' meeting and recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss.

**(3) REASONS FOR AND EFFECT OF ACCOUNTING CHANGES**

As of January 1, 2007, according to the Republic of China Statements of Financial Accounting Standards (SFAS) No. 37 "Accounting for Intangible Assets", during initial recognition, the computer software and operation right original classified are deferred debit items should be reclassified. As the result of adoption of SFAS No. 37, there is no effect for net income and earning per share for year 2007.

As of January 1, 2008, Republic of China Statements of Financial Accounting Standards (SFAS) No.39 "Accounting for Share-based Payment" and the (96) No.52 explanation letter of Accounting Research and Development Foundation was first adopted. The adoption of the above regulations had no effects on profit or loss and earning per share for the year 2008.

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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

**(4) SUMMARY OF MAJOR ACCOUNTS**

**(A) CASH AND CASH EQUIVALENTS**

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Cash on hand	\$ 1,049,572	1,238,217
Petty cash	4,000	4,075
Checks for clearing	556,466	645,438
Foreign currency on hand	236,896	239,300
Bank deposit	28,741,704	3,882,556
Total	<u>\$ 30,588,638</u>	<u>6,009,586</u>

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**

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
General account	\$ 28,164,603	1,377,814
Deposit reserve	4,752,668	5,728,599
Financial center	315,659	300,538
Call loans to banks	3,304,026	25,261,436
Total	<u>\$ 36,536,956</u>	<u>32,668,387</u>

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

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

As of December 31, 2008 and 2007, the financial assets held for trading of the Bank were as follows:

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Government bonds	\$ 3,148,090	6,438,579
Corporate bonds	1,600,837	1,701,161
Convertible Corporate bonds	80,254	304,906
Overseas bonds	181,757	16,972
Listed and O.T.C. stock	14,742	6,000
Overseas stock	-	23,970
Derivatives financial instruments	1,125	12,975
Future guarantee deposits	19,457	60,136
Valuation adjustment of financial assets	447,025	(194,887)
Total	<u>\$ 5,493,287</u>	<u>8,369,812</u>

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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

Government bonds under repurchase agreements were sold for \$100,000 and \$73,101 by December 31, 2008 and 2007, respectively. Net gain (losses) on the financial assets for trading of the Bank amounted to \$19,383 and (\$277,824) by 2008 and 2007, respectively.

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

As of December 31, 2008 and 2007, the bills and bonds purchased/ sold under resell/ repurchase agreements were as follows:

	<b>December 31, 2008</b>		
	<b>Financial loan/ (borrow) amount</b>	<b>Due to resold/ repurchase term</b>	<b>Due to interest interval %</b>
Bills and bonds purchase under resell agreements	\$ 999,103	6-Jan-09	0.65
Bills and bonds sold under repurchase agreements	(100,000)	5-Jan-09	0.40

	<b>December 31, 2007</b>		
	<b>Financial loan/ (borrow) amount</b>	<b>Due to resold/ repurchase term</b>	<b>Due to interest interval %</b>
Bills and bonds purchase under resell agreements	\$ 7,189,533	2-Jan to 10-Jan , 08	1.92-1.96
Bills and bonds sold under repurchase agreements	(73,101)	8-Jan-08	1.95

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

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

	<b>December 31, 2008</b>	<b>December 31, 2007</b>
Listed and O.T.C. stock	\$ 381,791	486,504
Valuation adjustment of financial assets	(223,572)	(88,501)
<b>Total</b>	<b>\$ 158,219</b>	<b>398,003</b>

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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

(F) RECEIVABLES-NET

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Accounts receivable for credit cards	\$ 2,391,744	3,064,108
Accounts receivable	102,892	801,965
Interest receivable	556,484	806,928
Tax refund receivable	-	698
Factoring receivables - without recourse	911,206	1,846,492
Other receivables-Financial Holdings	744,760	941,656
Other receivables	166,437	179,310
Receivable from sold trading government bond	107,083	163,586
Receivable from sold foreign currency securities	-	65,474
Subtotal	<u>4,980,606</u>	<u>7,870,217</u>
Less: Allowance for bad debts	(95,001)	(55,605)
Net	<u><u>\$ 4,885,605</u></u>	<u><u>7,814,612</u></u>

(G) DISCOUNTED AND LOANS- NET

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Loans	\$ 136,135,742	161,839,932
Export remittances	4,900	591,479
Discount	6,667	-
Overdrafts	3,534	4,462
Non-accrual loans	4,521,637	6,462,625
Sub total	<u>140,672,480</u>	<u>168,898,498</u>
Less: Allowance for bad debts	(2,027,593)	(1,996,440)
Net	<u><u>\$ 138,644,887</u></u>	<u><u>166,902,058</u></u>

- (a) As of December 31, 2008 and 2007, the ratio of the Bank's equity capital to risk-based assets was 8.58% and 8.75%, 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. As of December 31, 2008 and 2007, according to the debts rearrangement that the total amount for the overdue loans and account receivable are readjusted to \$618,429 and \$1,009,836 respectively.

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- (c) As of December 31, 2008 and 2007, the balance of bad debt allowance on loans and advances amounted to \$2,126,862 and \$2,081,211, respectively, and the related thereof were as follows:

Item	Beginning Balance	Increase	Received	Provision for debt negotiation	Amount written off	Reclassification	Adjustment for exchange rate fluctuation	Ending Balance
<b>December 31, 2008</b>								
Allowance for bad debts - account receivables	\$ 51,363	368,793	-	19,565	(417,413)	67,362	-	89,670
Allowance for bad debts - other receivables	4,242	1,082	-	-	-	-	7	5,331
Allowance for bad debts - bills and discounts	18,090	-	-	-	-	(15,000)	1	3,091
Allowance for bad debts - short-term loans and overdrafts	184,112	11,602	(561)	(1,181)	(11,602)	-	23	182,393
Allowance for bad debts - short-term secured loans and overdrafts	1,360	-	-	-	-	-	-	1,360
Allowance for bad debts - medium-term loans	263,158	-	-	-	-	-	5	263,163
Allowance for bad debts - medium-term secured loans	7,022	-	-	-	-	-	-	7,022
Allowance for bad debts - long-term loans	16,743	-	-	-	-	-	-	16,743
Allowance for bad debts - long-term secured loans	84,634	-	-	-	-	-	-	84,634
Allowance for bad debts - non-accrual loans	1,446,224	4,731,685	-	-	(4,656,360)	(52,362)	-	1,469,187
Allowance for guarantee reserve	4,263	-	-	-	-	-	5	4,268
<b>Total</b>	<b>\$ 2,081,211</b>	<b>5,113,162</b>	<b>(561)</b>	<b>18,384</b>	<b>(5,085,375)</b>	<b>-</b>	<b>41</b>	<b>2,126,862</b>

Item	Beginning Balance	Increase	Received	Provision for debt negotiation	Amount written off	Reclassification	Adjustment for exchange rate fluctuation	Ending Balance
<b>December 31, 2007</b>								
Allowance for bad debts - account receivables	\$ 109,865	578,872	-	60,802	(612,176)	(86,000)	-	51,363
Allowance for bad debts - other receivables	5,250	1,224	-	-	-	(2,230)	(2)	4,242
Allowance for bad debts - bills and discounts	18,090	-	-	-	-	-	-	18,090
Allowance for bad debts - short-term loans and overdrafts	176,020	16,025	(149)	8,249	(16,025)	-	(8)	184,112
Allowance for bad debts - short-term secured loans and overdrafts	1,360	-	-	-	-	-	-	1,360
Allowance for bad debts - medium-term loans	269,419	-	-	33,795	(40,916)	-	860	263,158
Allowance for bad debts - medium-term secured loans	7,022	-	-	-	-	-	-	7,022
Allowance for bad debts - long-term loans	16,743	-	-	-	-	-	-	16,743
Allowance for bad debts - long-term secured loans	84,634	-	-	-	-	-	-	84,634
Allowance for bad debts - non-accrual loans	2,801,829	4,348,801	526	-	(5,793,162)	88,230	-	1,446,224
Allowance for guarantee reserve	4,264	-	-	-	-	-	(1)	4,263
<b>Total</b>	<b>\$ 3,494,496</b>	<b>4,944,922</b>	<b>377</b>	<b>102,846</b>	<b>(6,462,279)</b>	<b>-</b>	<b>849</b>	<b>2,081,211</b>

- (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, 2008 and 2007, such loans and advances with discontinued interest accrual amounted to \$4,269,650 and \$6,119,370, respectively.

- (e) As of December 31, 2008 and 2007, the un-accrued interest revenue for loans and advances with overdue interest and principal, amounted to \$219,154, and \$427,715, respectively.

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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

(H) INVESTMENTS UNDER THE EQUITY METHOD

<u>Name of invested company</u>	<u>December 31, 2008</u>		<u>December 31, 2007</u>	
	<u>Percentage of Ownership</u>	<u>Book value</u>	<u>Percentage of Ownership</u>	<u>Book value</u>
Jih Sun Insurance Agency Co., Ltd.	<b>99.00</b>	<b><u>\$ 16,766</u></b>	<b>99.00</b>	<b><u>17,184</u></b>

Investment income recognized under the equity method for the year ended December 31, 2008 and 2007 were as follows:

	<u>2008</u>	<u>2007</u>
Jih Sun Insurance Agency Co., Ltd.	<b><u>\$ 3,041</u></b>	<b><u>3,449</u></b>

(I) PROPERTY AND EQUIPMENTS

<u>December 31, 2008</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Land	\$ 2,476,201	-	2,476,201
Buildings	2,355,361	652,803	1,702,558
Transportation equipment	4,770	4,271	499
Other equipment	1,179,006	925,563	253,443
Leasehold improvements	387,760	251,481	136,279
Construction in progress	9,150	-	9,150
Prepayment for equipment	89,246	-	89,246
Total	<b><u>\$ 6,501,494</u></b>	<b><u>1,834,118</u></b>	<b><u>4,667,376</u></b>

<u>December 31, 2007</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Land	\$ 2,630,262	-	2,630,262
Buildings	2,640,317	642,747	1,997,570
Transportation equipment	6,704	5,264	1,440
Other equipment	1,169,266	826,616	342,650
Leasehold improvements	321,808	214,696	107,112
Construction in progress	15,275	-	15,275
Prepayment for equipment	73,704	-	73,704
Total	<b><u>\$ 6,857,336</u></b>	<b><u>1,689,323</u></b>	<b><u>5,168,013</u></b>

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

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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

(J) OTHER FINANCIAL ASSETS AND OTHER ASSETS

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
<b>Other Financial Assets:</b>		
Financial assets carried at cost	\$ 688,131	697,289
Accumulated loss - financial assets carried at cost	(47,201)	-
Short-term advances	595,257	635,033
Refundable deposits	289,031	358,022
Non-performing loans transferred from non-accrual loans	-	168,537
Allowance for bad debts-non-performing loans transferred from non-accrual loans	-	(24,903)
Total other financial assets	<u>\$ 1,525,218</u>	<u>1,833,978</u>
<b>Other Assets:</b>		
Deferred income tax assets	\$ 5,671,710	4,883,693
Less: Allowance for deferred income tax assets	(5,671,710)	(4,883,693)
Sub-total	-	-
Collateral assumed	2,043,715	2,590,177
Less: Allowance for collateral assumed	(343,962)	(128,534)
Collateral assumed-net	1,699,753	2,461,643
Prepayment account	487,326	716,880
Sundry assets	4,600	4,636
Total	<u>\$ 2,191,679</u>	<u>3,183,159</u>

As of December 31, 2008 and 2007, the above refundable deposits were approximately \$59,246 and \$47,564 of rental deposit only, without related rental payments. Therefore using an annual interest rate of 2.62% and 2.175% for December 31, 2008 and 2007, respectively, the rental expense and corresponding interest income, calculated from the refundable deposits amounted to approximately \$817 and \$658, respectively, and was reflected in the financial statements.

(K) INTANGIBLE ASSETS

<u>Original cost and repeat estimated increase in</u>	<u>Goodwill</u>	<u>Operation right</u>	<u>Computer software</u>	<u>Total</u>
January 1, 2007	\$ 37,616	1,522,342	269,090	1,829,048
Purchase	-	-	169,884	169,884
December 31, 2007	<u>\$ 37,616</u>	<u>1,522,342</u>	<u>438,974</u>	<u>1,998,932</u>
January 1, 2008	\$ 37,616	1,522,342	438,974	1,998,932
Purchase	-	-	174,791	174,791
December 31, 2008	<u>\$ 37,616</u>	<u>1,522,342</u>	<u>613,765</u>	<u>2,173,723</u>



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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

<b>Amortization and Impairment loss</b>	<b>Goodwill</b>	<b>Operation right</b>	<b>Computer software</b>	<b>Total</b>
January 1, 2007	\$ (4,702)	(337,963)	(61,711)	(404,376)
Amortization, 2007	-	(330,525)	(78,551)	(409,076)
December 31, 2007	<u>\$ (4,702)</u>	<u>(668,488)</u>	<u>(140,262)</u>	<u>(813,452)</u>
January 1, 2008	\$ (4,702)	(668,488)	(140,262)	(813,452)
Amortization, 2008	-	(330,524)	(114,507)	(445,031)
December 31, 2008	<u>\$ (4,702)</u>	<u>(999,012)</u>	<u>(254,769)</u>	<u>(1,258,483)</u>

  

<b>Book Value</b>	<b>Goodwill</b>	<b>Operation right</b>	<b>Computer software</b>	<b>Total</b>
January 1, 2007	<u>\$ 32,914</u>	<u>1,184,379</u>	<u>207,379</u>	<u>1,424,672</u>
December 31, 2007	<u>\$ 32,914</u>	<u>853,854</u>	<u>298,712</u>	<u>1,185,480</u>
January 1, 2008	<u>\$ 32,914</u>	<u>853,854</u>	<u>298,712</u>	<u>1,185,480</u>
December 31, 2008	<u>\$ 32,914</u>	<u>523,330</u>	<u>358,996</u>	<u>915,240</u>

For the year ended December 31, 2008 and 2007, intangible assets amortized the expenses of the Bank is accounted for the operating expenses and amounted to \$445,031 and 409,076, respectively.

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

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Derivative financial liabilities	\$ 1,600	14,152
Value adjustment for financial liabilities at fair value adjustment	520,160	8,957
Derivative financial liabilities	<u>\$ 521,760</u>	<u>23,109</u>

For the year ended December 31, 2008 and 2007, net gain and losses on financial liabilities of the Bank amounted to \$75,063 and \$64,396.

(M) DEPOSITS FROM CENTRAL BANK AND OTHER BANKS

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Deposits from Central Bank	\$ 2,515	22,434
Deposits form banks	2,140,239	2,932,467
Loan financing from banks	-	94,660
Call loans from banks	196,506	579,200
Post Office transfer deposits	8,460,345	12,160,053
Total	<u>\$ 10,799,605</u>	<u>15,788,814</u>

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(N) PAYABLES

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Accounts payable	\$ 105,551	730,857
Accrued expenses	172,075	194,967
Interest payable	1,016,470	1,050,373
Factoring payable	369,874	677,803
Collection payable	24,448	37,097
Notes payable for clearing payable	556,466	645,438
Purchase trade government bond payable	264,175	49,827
Payables for purchase of foreign currencies marketable securities	-	65,362
Other payables	353,022	645,438
Total	<u>\$ 2,862,081</u>	<u>4,097,162</u>

(O) DEPOSITS AND REMITTANCES

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Checking deposits	\$ 866,018	1,047,006
Bank checks	244,015	110,279
Demand deposits	14,931,524	20,339,265
Time deposits	75,459,700	67,024,478
Savings deposits	105,133,310	113,662,461
Pending remittance	366	8,438
Total	<u>\$ 196,634,933</u>	<u>202,191,927</u>

As of December 31, 2008 and 2007, negotiable certificates of time deposits amounted to \$1,445,400 and \$4,714,100, respectively.

(P) FINANCIAL DEBENTURES

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Financial debentures	\$ 7,000,000	7,000,000
Less: Amortization of discount	-	-
Net	<u>\$ 7,000,000</u>	<u>7,000,000</u>

(a) 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.

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(b) 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.

(c) On April 3, 2007, the Bank issued senior financial debentures totaling \$1,000,000. Terms and conditions of the issuance are as follows:

1. Issue price: At face value.
2. Issue period: From April 3, 2007 to April 3, 2014
3. Interest rate: Fixed rate of 3.00%.
4. Interest accrual: Annual interest payments.
5. Repayment of principal: Full repayment of principal at maturity.

**(Q) PENSION PLAN**

For the portion of the retirement plan adopting the defined contribution scheme, in accordance with the New Act, the Company provides monthly contributions to the Bureau of Labor Insurance of 6% of the worker's monthly wages. The amount of contribution is recognized as expense of the current period.

As of December 31, 2008 and 2007, the Bank's pension fund balance changes thereon were as follows:

	<b>December 31, 2008</b>	<b>December 31, 2007</b>
Beginning balance	\$ 33,225	39,979
Add: Interest	862	839
Less: Current year's payments	(1,976)	(7,593)
Fund balance	<b>\$ 32,111</b>	<b>33,225</b>

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:

	<b>December 31, 2008</b>	<b>December 31, 2007</b>
Beginning balance	\$ 162,619	154,016
Add: Current year's contributions	11,574	6,994
Interest	6,023	7,163
Less: Current year's payments	(701)	(5,554)
Fund balance	<b>\$ 179,515</b>	<b>162,619</b>

Effective April 15, 2001, the pension fund was reflected as part of pension fund assets. As of December 31, 2008 and 2007, the pension fund amounted to \$154,852 and \$150,868, respectively.

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

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Discount rate	2.50%	3.50%
Wages adjusted rate	2.00%	2.00%
Expected rate of return on plan assets	2.50%	2.50%
	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Service cost	\$ 2,943	5,857
Interest cost	3,989	5,009
Expected return on plan assets	(8,005)	(7,855)
Amortization of unrecognized transition loss	(1,492)	(1,616)
Amortization of gain and loss	(1,513)	(615)
Curtailment or Settlement	(4,490)	(15,172)
Net pension cost	<u>\$ (8,568)</u>	<u>(14,392)</u>
	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Vested benefit obligation	\$ 1,079	657
Non-vested benefit obligation	110,013	81,992
Accumulated benefit obligation	111,092	82,649
Effect of future salary increase	47,652	31,349
Projected benefit obligation	158,744	113,998
Fair value of pension assets	(334,367)	(313,487)
Funded status	(175,623)	(199,489)
Unrecognized transition loss	5,826	7,459
Unrecognized gain or loss	19,760	60,263
Accrued pension liabilities (Prepaid pension cost)	<u>\$ (150,037)</u>	<u>(131,767)</u>

As of December 31, 2008 and 2007, the vested benefit obligation amounted to \$1,306 and 735, respectively. Else, the labor pension extract increase pension cost amounted to \$65,932 and \$68,874 as of December 31, 2008 and 2007, respectively.

**(R) 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 \$15,180,587, divided into 1,518,059 thousand shares as of December 31, 2007.

During the shareholders' meeting, the bank resolved recover loss form capital amounted to \$1,800,000 as of January 25, 2008. During the shareholders' meeting, the bank increase capital with cash amounted to 180,000 thousand shares at par value of \$10 per share, amounted to \$1,800,000 as of January 28, 2008.

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The Bank's authorized and outstanding common stock amounted to \$15,180,587, divided into 1,518,059 thousand shares as of December 31, 2008.

**(S) 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. The annual after-tax net income should exceed \$700,000, and then 70% of the excess shall be distributed as cash dividends.

The bank has accumulated loss as of December 31, 2008 and 2007. Therefore, there is no earning distribution and no estimation for the employee bonuses and the directors' and supervisors' remuneration for the year of 2008 for the Bank. The related information could be found in the Market Observation Post System.

**(T) 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.

	<b>2008</b>	<b>2007</b>
Current income tax	\$ 5,085	2,820
Income tax benefit resulting from tax incentives	(317,372)	(672,889)
Over-estimation of prior year' expenses	(42,178)	(18,255)
Income tax benefit	<u>\$ (354,465)</u>	<u>(688,324)</u>

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- (a) The Bank's statutory income tax rate is 25%. From January 1, 2006, Income Tax Basic Regulation calculates basic tax. As of December 31, 2008 and 2007, the income tax expense (benefit) was calculated as follows:

	<u>2008</u>	<u>2007</u>
Income tax benefit calculated at statutory tax rate	\$ (1,038,061)	(770,103)
Effect on income tax of adjusting items:		
Tax exempt securities transaction	(34,194)	(85,073)
Loss from bond transactions	40,555	55,494
Tax separately levied on marketable securities tax	(4,752)	(2,250)
Tax separately levied on marketable securities transaction	5,085	2,820
Gain on domestic investment interests-net	(3,999)	(11,334)
Gain on land transactions	(73,423)	(17,076)
Tax exempt OBU income	(45,009)	(24,576)
Deferred income tax assets adjustment	1,037,967	1,081,900
Difference in allowance for credit loss exceeding the prescribed limit	86,633	(317,404)
Loss on market upswing of collateral assumed	53,857	38,920
Unrealized exchange gain- net	(296)	(884)
Unrealized derivative instruments(gain) loss - net	(30,318)	50,642
Over-estimation of prior years income tax expense	(42,178)	(18,255)
Loss on impairment of other financial assets	11,800	2,606
Others	(760)	(862)
Subtotal	<u>(37,093)</u>	<u>(15,435)</u>
Income tax benefit from jointly filed tax return	<u>(317,372)</u>	<u>(672,889)</u>
Income tax benefit	<u><u>\$ (354,465)</u></u>	<u><u>(688,324)</u></u>

- (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:

	<u>December 31, 2008</u>		<u>December 31, 2007</u>	
	<u>Amount</u>	<u>Tax effect</u>	<u>Amount</u>	<u>Tax effect</u>
Non-current deferred tax assets:				
Operating loss carry forwards	\$19,974,614	4,993,653	14,897,897	3,724,474
Investment tax credits	326,994	68,098	33,279	8,319
Amortization non-performing loans	2,589,870	647,468	4,735,363	1,183,841
Valuation allowance	<u>(22,741,441)</u>	<u>(5,671,710)</u>	<u>(19,534,773)</u>	<u>(4,883,693)</u>
Non-current deferred tax assets	150,037	37,509	131,766	32,941
Non-current deferred tax liabilities:				
Pension expense	<u>150,037</u>	<u>37,509</u>	<u>131,766</u>	<u>32,941</u>
Non-current deferred tax assets-net	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

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

<u>Year occurred</u>	<u>Available tax credits</u>	<u>Expiration year</u>
2005	\$ 2,996	2009
2006	1,094	2010
2007	62,443	2011 (the \$60,000 from investment on High Speed Rail can be deducted to the year of 2009)
2008 (Estimated)	1,565	2012
Total	<u><u>\$ 68,098</u></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 ten years following the loss.

As of December 31, 2008, the Bank's unused carry forwards and expiration dates were as follows:

<u>Period of loss</u>	<u>Year of expiration</u>	<u>Amount</u>
2005	2016	\$ 4,931,995
2006	2017	4,869,347
2007	2018	5,146,164
2008 (Estimated)	2019	5,027,108
Total		<u><u>\$ 19,974,614</u></u>

- (e) Details of undistributed earnings were as follows:

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Earned prior to December 31, 1997	\$ -	-
Earned after January 1, 1998	(6,627,463)	(4,629,682)
	<u><u>\$ (6,627,463)</u></u>	<u><u>(4,629,682)</u></u>
The Amount of the Imputation Credit	<u><u>\$ 378,060</u></u>	<u><u>368,296</u></u>
	<u><u>2008 (Estimated)</u></u>	<u><u>2007 (Actual)</u></u>
The rate of the imputation credit on distributed earnings	<u><u>0%</u></u>	<u><u>0%</u></u>

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(U) EARNINGS PER SHARE

As of December 31, 2008 and 2007, the Bank's basic EPS were as follows:

	<u>2008</u>		<u>2007</u>	
	<u>Before tax</u>	<u>After tax</u>	<u>Before tax</u>	<u>After tax</u>
Basic EPS :				
Net loss	<u>\$ (4,152,246)</u>	<u>(3,797,781)</u>	<u>(3,080,415)</u>	<u>(2,392,091)</u>
The weighted-average number of shares outstanding ( in thousands shares)	<u>1,489,043</u>	<u>1,489,043</u>	<u>1,494,497</u>	<u>1,494,497</u>
The weighted-average number of shares outstanding-retroactively adjusted ( in thousands shares)			<u>1,338,059</u>	<u>1,338,059</u>
Basic EPS ( in NT Dallars)	<u>\$ (2.79)</u>	<u>(2.55)</u>	<u>(2.06)</u>	<u>(1.60)</u>
Basic EPS-retroactively adjusted ( in NT Dallars)			<u>(2.30)</u>	<u>(1.79)</u>

(V) FINANCIAL INSTRUMENTS

(a) Fair Value of Financial Instruments

<u>Non-derivative financial instruments</u>	<u>December 31, 2008</u>	
	<u>Book Value</u>	<u>Fair Value</u>
Financial Assets:		
Cash Equivalents	\$ 30,588,638	30,588,638
Due from Central Bank and call loans to banks	36,536,956	36,536,956
Financial assets measured at fair value through profit	4,929,000	4,929,000
Bills and bonds purchased under resell agreements	999,103	999,103
Receivables— net	4,885,605	4,885,605
Discounted and loans— net	138,644,887	138,644,887
Available-for-sale financial assets-net	158,219	158,219
Other financial assets— net	1,525,218	1,525,218



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<b>Non-derivative financial instruments</b>	<b>December 31, 2008</b>	
	<b>Book Value</b>	<b>Fair Value</b>
Financial Liabilities:		
Deposits from Central Bank and other banks	\$ 10,799,605	10,799,605
Financial Liabilities measured at fair value through	521,760	521,760
Liabilities for bills and bonds sold under repurchase agreements	100,000	100,000
Payables	2,862,081	2,862,081
Deposits and remittances	196,634,933	196,634,933
Financial debentures	7,000,000	7,000,000
Other financial liabilities	81,900	81,900

<b>Non-derivative financial instruments</b>	<b>December 31, 2007</b>	
	<b>Book Value</b>	<b>Fair Value</b>
Financial Assets:		
Cash	\$ 6,009,586	6,009,586
Due from Central Bank and call loans to banks	32,668,387	32,668,387
Financial assets measured at fair value through profit	8,265,698	8,265,698
Bills and bonds purchased under resell agreements	7,189,533	7,189,533
Receivables— net	7,814,612	7,814,612
Discounted and loans— net	166,902,058	166,902,058
Available-for-sale financial assets-net	398,003	398,003
Other financial assets— net	1,833,978	1,833,978

<b>Non-derivative financial instruments</b>	<b>December 31, 2007</b>	
	<b>Book Value</b>	<b>Fair Value</b>
Financial Liabilities:		
Deposits from Central Bank and other banks	\$ 15,788,814	15,788,814
Financial liabilities measured at fair value through profit or loss-net	23,109	23,109
Liabilities for bills and bonds sold under repurchase agreements	73,101	73,101
Payables	4,097,162	4,097,162
Deposits and remittances	202,191,927	202,191,927
Financial debentures	7,000,000	7,000,000
Other financial liabilities	85,500	85,500

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<b>Derivative financial instruments</b>	<b>December 31, 2008</b>		<b>December 31, 2007</b>	
	<b>Nominal Principal</b>	<b>Fair Value</b>	<b>Nominal Principal</b>	<b>Fair Value</b>
<b>Financial Assets:</b>				
Forward contract	\$ 478,281	24,081	2,403,175	5,134
Futures	-	19,457	23,821	59,861
SWAP	529,030	45,286	-	-
Currency option	358,764	38,059	1,528,577	21,447
Interest rate goods	32,000,000	437,404	31,048,860	17,672
<b>Financial Liabilities:</b>				
Forward contract	352,700	14,946	-	-
SWAP	643,878	49,904	475,454	1,647
Currency option	358,764	38,059	1,528,577	21,447
Foreign currency stock options	-	-	178,727	15
Interest rate instruments	32,000,000	418,851	-	-

(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.

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(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:

	<b>Based on quoted market prices</b>	<b>Determined value by using valuation techniques</b>
	<b>December 31, 2008</b>	<b>December 31, 2008</b>
<b>Non-derivative Financial instruments</b>		
<b>Assets</b>		
Cash	\$ -	30,588,638
Due from Central Bank and call loans to banks	-	36,536,956
Financial assets measured at fair value through profit or loss— net	4,929,000	-
Bills and bonds purchased under resell agreements	-	999,103
Receivables— net	-	4,885,605
Discounted and loans -net	-	138,644,887
Available-for-sale financial assets— net	158,219	-
Other financial assets— net	-	1,525,218
<b>Non-derivative Financial instruments</b>		
<b>Liabilities</b>		
Deposits from Central Bank and other banks	-	10,799,605
Liabilities for bills and bonds sold under repurchase	-	100,000
Payables	-	2,862,081
Deposits and remittances	-	196,634,933
Financial debentures	-	7,000,000
Other financial liabilities	-	81,900
<b>Derivative Financial instruments</b>		
<b>Assets</b>		
Forward contract	-	24,081
Futures	19,457	-
SWAP	45,286	-
Currency options	-	38,059
Interest rate goods	-	437,404
<b>Liabilities</b>		
Forward contract	-	14,946
SWAP	49,904	-
Currency options	-	38,059
Interest rate instruments	-	418,851

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	<b>Based on quoted market prices</b>	<b>Determined value by using valuation techniques</b>
	<b>December 31, 2007</b>	<b>December 31, 2007</b>
<b><u>Non-derivative Financial instruments</u></b>		
Assets		
Cash	\$ -	6,009,586
Due from Central Bank and call loans to banks	-	32,668,387
Financial assets measured at fair value through profit or loss— net	8,241,374	24,324
Bills and bonds purchased under resell agreements	-	7,189,533
Receivables— net	-	7,814,612
Discounted and loans -net	-	166,902,058
Available-for-sale financial assets— net	398,003	-
Other financial assets— net	-	1,833,978
<b><u>Non-derivative Financial instruments</u></b>		
Liabilities		
Deposits from Central Bank and other banks	-	15,788,814
Liabilities for bills and bonds sold under repurchase	-	73,101
Payables	-	4,097,162
Deposits and remittances	-	202,191,927
Financial debentures	-	7,000,000
Other financial liabilities	-	85,500
<b><u>Derivative Financial instruments</u></b>		
Assets		
Forward contract	-	5,134
Futures	59,861	-
Currency options	-	21,447
Interest rate goods	-	17,672
Liabilities		
SWAP	1,647	-
Currency options	-	21,447
Foreign Currency stock options	15	-

- (d) As of December 31, 2008 and 2007, the gain (loss) arising from the fair value evaluation of financial instruments by using quoted market prices amounted to \$116,855 and (\$197,117) respectively. The current evaluation gain(loss) arising from using valuation techniques method to determine the changes of the fair value were \$4,416 and \$24,903, respectively.

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(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 (i.e.: Greeks, PVBP, DV01.....). Using the methods of VaR (Value at Risk) to estimate position's exposure. VaR is estimated for the most probable loss resulting form the market price changes at special period and confidence level.

A. The recognized 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 2008 were as follows: (a hundred million)

99% C.L ten days VaR	Season average	Season high	Season low
Exchange instrument	0.130	0.234	0.049
Interest instrument	0.044	0.093	0.015
Equity instrument	0.037	0.025	0.011
Distribution effective	(0.079)	(0.090)	(0.027)
VaR	0.131	0.262	0.048
99% C.L one day VaR	Season average	Season high	Season low
Exchange instrument	0.042	0.076	0.016
Interest instrument	0.014	0.030	0.005
Equity instrument	0.013	0.009	0.004
Distribution effective	(0.027)	(0.030)	(0.009)
VaR	0.042	0.085	0.016

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VaR for the fourth season ended 2007 were as follows: (a hundred million)

99% C.L ten days VaR	Season average	Season high	Season low
Exchange instrument	0.82	0.95	0.76
Interest instrument	0.23	0.20	0.27
Equity instrument	0.35	0.39	0.31
Distribution effective	(0.51)	(0.42)	(0.59)
VaR	0.89	1.12	0.88
99% C.L one day VaR	Season average	Season high	Season low
Exchange instrument	0.26	0.30	0.24
Interest instrument	0.07	0.06	0.09
Equity instrument	0.12	0.13	0.10
Distribution effective	(0.16)	(0.12)	(0.19)
VaR	0.29	0.37	0.24

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 (i.e.: Greeks, PVBP, DV01.....) and follows the guidance of the Jih Sun Holdings Co. Whether the ten days VaR quota with 99% confidence level is over limit or not, if over limit, business unit need to comply with the follow-up procedure.

2. Credit Risk

	December 31, 2008		December 31, 2007	
	Book Value	Maximum exposure to credit risk	Book Value	Maximum exposure to credit risk
<b>Non-derivative financial instruments</b>				
Financial assets:				
Trading purpose financial instruments				
Stock investment	\$ 14,600	-	29,924	-
Bond investment	4,914,400	1,525,837	8,235,774	1,601,432
Bills and bonds purchased under resell agreements	999,103	80,918	7,189,533	232,240
Available-for-sale financial assets				
Stock investment	158,219	155,731	398,003	395,000

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

	December 31, 2008		December 31, 2007	
	Nominal principal	Maximum exposure to credit risk	Nominal principal	Maximum exposure to credit risk
<b>Derivative Financial instruments</b>				
Forward contract	\$ 478,281	19,452	2,403,175	15,280
Future	-	-	23,821	17,080
SWAP	529,030	16,377	-	27,430
Options	358,764	39,021	1,528,577	29,269
Interest instruments	32,000,000	430,132	31,048,860	412,704

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:

	December 31, 2008		December 31, 2007	
	Book Value	Maximum exposure to credit risk	Book Value	Maximum exposure to credit risk
<b>Type of industries</b>				
Financial industries	\$ 1,960,741	1,508,093	4,368,246	3,685,096
Construction industries	898,694	851,391	1,392,872	1,245,562
Other	137,813,045	84,573,893	163,137,380	104,282,858
Total	<b>\$140,672,480</b>	<b>86,933,377</b>	<b>168,898,498</b>	<b>109,213,516</b>
<b>Geographic location</b>				
Domestic	\$132,596,169	79,125,661	164,375,481	104,690,499
Other	8,076,311	7,807,716	4,523,017	4,523,017
Total	<b>\$140,672,480</b>	<b>86,933,377</b>	<b>168,898,498</b>	<b>109,213,516</b>

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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

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 0.04% 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).

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

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Loans commitments	\$ 13,899,043	17,609,871
Credit card commitments	57,993,826	60,971,387
Financial guarantee and commercial letter of credit	1,380,308	3,134,899
	<u>\$ 73,273,177</u>	<u>81,716,157</u>

As of December 31, 2008 and 2007, unused loans commitments were \$13,899,043 and \$17,609,871, respectively and unused credit card commitments were \$56,035,525 and \$58,485,061, respectively.

As of December 31, 2008 and 2007, 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 77.94%. 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 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.



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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 flows with the periodical pricing evaluation. Therefore, the cash flow risk is also low.

Due analysis was as follows:

Financial instrument	December 31, 2008			
	Under 1 month		Over 1 month to 3 month	
	Amount	Refund Amount	Amount	Refund Amount
Asset				
Cash and cash equivalents	\$ 20,838,638	20,838,638	7,750,000	7,750,000
Due from Central Bank and call loans to banks	36,536,956	36,536,956	-	-
Trading purpose financial assets	882,586	882,586	-	-
Receivables(excluding allowance for bad debts)	1,294,255	1,294,255	536,338	536,338
Available-for-sale financial assets	158,219	158,219	-	-
Bills and bonds purchased under resell agreements	999,103	999,103	-	-
Loans (excluding non accrual loans and allowance for bad debts)	4,657,087	4,657,087	4,307,540	4,307,540
Other financial assets (excluding non accrual loans)	7,349	7,349	101,279	101,279
Total	<u>\$ 65,374,193</u>	<u>65,374,193</u>	<u>12,695,157</u>	<u>12,695,157</u>
Liabilities:				
Deposits from Central Bank and other banks	\$ 2,276,290	2,276,290	1,097,820	1,097,820
Trading purpose financial liabilities	521,760	521,760	-	-
Bills and bonds sold under repurchase agreements	100,000	100,000	-	-
Payables	1,498,918	1,498,918	327,116	327,116
Deposits and remittances	79,254,928	79,254,928	26,207,187	26,207,187
Financial debentures	-	-	-	-
Other financial liabilities	-	-	-	-
Total	<u>\$ 83,651,896</u>	<u>83,651,896</u>	<u>27,632,123</u>	<u>27,632,123</u>
Net currency gap	<u>\$ (18,277,703)</u>	<u>(18,277,703)</u>	<u>(14,936,966)</u>	<u>(14,936,966)</u>

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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

<b>Financial instrument</b>	<b>December 31, 2008</b>			
	<b>Over 3 month to 1 year</b>		<b>Over 1 year to 2 year</b>	
	<b>Amount</b>	<b>Refund Amount</b>	<b>Amount</b>	<b>Refund Amount</b>
<b>Asset</b>				
Cash and cash equivalents	\$ 2,000,000	2,000,000	-	-
Due from Central Bank and call loans to banks	-	-	-	-
Trading purpose financial assets Receivables(excluding allowance for bad debts)	697,960	697,960	1,843,156	1,843,156
Available-for-sale financial assets Bills and bonds purchased under resell agreements	-	-	-	-
Loans (excluding non accrual loans and allowance for bad debts)	12,770,060	12,770,060	11,317,593	11,317,593
Other financial assets (excluding non accrual loans)	453,686	453,686	27,400	27,400
<b>Total</b>	<b>\$ 18,247,576</b>	<b>18,247,576</b>	<b>14,012,292</b>	<b>14,012,292</b>
<b>Liabilities:</b>				
Deposits from Central Bank and other banks	\$ 7,275,495	7,275,495	150,000	150,000
Trading purpose financial liabilities Bills and bonds sold under repurchase agreements	-	-	-	-
Payables	988,799	988,799	47,248	47,248
Deposits and remittances	85,615,685	85,615,685	3,576,862	3,576,862
Financial debentures	-	-	4,000,000	4,000,000
Other financial liabilities	3,600	3,600	12,300	12,300
<b>Total</b>	<b>\$ 93,883,579</b>	<b>93,883,579</b>	<b>7,786,410</b>	<b>7,786,410</b>
<b>Net currency gap</b>	<b>\$ (75,636,003)</b>	<b>(75,636,003)</b>	<b>6,225,882</b>	<b>6,225,882</b>

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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

<b>Financial instrument</b>	<b>December 31, 2008</b>			
	<b>Over 2 year to 3year</b>		<b>Over 3 year to 4year</b>	
	<b>Amount</b>	<b>Refund Amount</b>	<b>Amount</b>	<b>Refund Amount</b>
<b>Asset</b>				
Cash and cash equivalents	\$ -	-	-	-
Due from Central Bank and call loans to banks	-	-	-	-
Trading purpose financial assets	1,008,817	1,008,817	406,919	406,919
Receivables(excluding allowance for bad debts)	-	-	-	-
Available-for-sale financial assets	-	-	-	-
Bills and bonds purchased under resell agreements	-	-	-	-
Loans (excluding non accrual loans and allowance for bad debts)	7,830,843	7,830,843	7,302,032	7,302,032
Other financial assets (excluding non accrual loans)	9,698	9,698	11,069	11,069
<b>Total</b>	<b>\$ 8,849,358</b>	<b>8,849,358</b>	<b>7,720,020</b>	<b>7,720,020</b>
<b>Liabilities:</b>				
Deposits from Central Bank and other banks	\$ -	-	-	-
Trading purpose financial liabilities	-	-	-	-
Bills and bonds sold under repurchase agreements	-	-	-	-
Payables	-	-	-	-
Deposits and remittances	1,980,271	1,980,271	-	-
Financial debentures	-	-	2,000,000	2,000,000
Other financial liabilities	14,100	14,100	14,100	14,100
<b>Total</b>	<b>\$ 1,994,371</b>	<b>1,994,371</b>	<b>2,014,100</b>	<b>2,014,100</b>
<b>Net currency gap</b>	<b>\$ 6,854,987</b>	<b>6,854,987</b>	<b>5,705,920</b>	<b>5,705,920</b>

**(English Translation)**  
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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

<b>Financial instrument</b>	<b>December 31, 2008</b>			
	<b>Over 4 year to 5 year</b>		<b>Over 5 year</b>	
	<b>Amount</b>	<b>Refund Amount</b>	<b>Amount</b>	<b>Refund Amount</b>
<b>Asset</b>				
Cash and cash equivalents	\$ -	-	-	-
Due from Central Bank and call loans to banks	-	-	-	-
Trading purpose financial assets	547,465	547,465	106,384	106,384
Receivables(excluding allowance for bad debts)	-	-	-	-
Available-for-sale financial assets	-	-	-	-
Bills and bonds purchased under resell agreements	-	-	-	-
Loans (excluding non accrual loans and allowance for bad debts)	5,686,078	5,686,078	82,279,610	82,279,610
Other financial assets (excluding non accrual loans)	3,735	3,735	911,002	911,002
<b>Total</b>	<b>\$ 6,237,278</b>	<b>6,237,278</b>	<b>83,296,996</b>	<b>83,296,996</b>
<b>Liabilities:</b>				
Deposits from Central Bank and other banks	\$ -	-	-	-
Trading purpose financial liabilities	-	-	-	-
Bills and bonds sold under repurchase agreements	-	-	-	-
Payables	-	-	-	-
Deposits and remittances	-	-	-	-
Financial debentures	-	-	1,000,000	1,000,000
Other financial liabilities	14,100	14,100	23,700	23,700
<b>Total</b>	<b>\$ 14,100</b>	<b>14,100</b>	<b>1,023,700</b>	<b>1,023,700</b>
<b>Net currency gap</b>	<b>\$ 6,223,178</b>	<b>6,223,178</b>	<b>82,273,296</b>	<b>82,273,296</b>

**(English Translation)**  
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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

<b>Financial instrument</b>	<b>December 31, 2008</b>	
	<b>Total</b>	
	<b>Amount</b>	<b>Refund</b>
Asset		
Cash and cash equivalents	\$ 30,588,638	30,588,638
Due from Central Bank and call loans to banks	36,536,956	36,536,956
Trading purpose financial assets	5,493,287	5,493,287
Receivables(excluding allowance for bad debts)	4,980,606	4,980,606
Available-for-sale financial assets	158,219	158,219
Bills and bonds purchased under resell agreements	999,103	999,103
Loans (excluding non accrual loans and allowance for bad debts)	136,150,843	136,150,843
Other financial assets (excluding non accrual loans)	1,525,218	1,525,218
<b>Total</b>	<b>\$ 216,432,870</b>	<b>216,432,870</b>
Liabilities:		
Deposits from Central Bank and other banks	\$ 10,799,605	10,799,605
Trading purpose financial liabilities	521,760	521,760
Bills and bonds sold under repurchase agreements	100,000	100,000
Payables	2,862,081	2,862,081
Deposits and remittances	196,634,933	196,634,933
Financial debentures	7,000,000	7,000,000
Other financial liabilities	81,900	81,900
<b>Total</b>	<b>\$ 218,000,279</b>	<b>218,000,279</b>
<b>Net currency gap</b>	<b>\$ (1,567,409)</b>	<b>(1,567,409)</b>

**(English Translation)**  
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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

<b>Financial instrument</b>	<b>December 31, 2007</b>			
	<b>Under 1 month</b>		<b>Over 1 month to 3 month</b>	
	<b>Amount</b>	<b>Refund Amount</b>	<b>Amount</b>	<b>Refund Amount</b>
Asset				
Cash and cash equivalents	\$ 6,009,586	6,009,586	-	-
Due from Central Bank and call loans to banks	32,668,387	32,668,387	-	-
Trading purpose financial assets	134,038	134,038	-	-
Receivables(excluding allowance for bad debts)	2,545,322	2,545,322	819,577	819,577
Available-for-sale financial assets	398,003	398,003	-	-
Bills and bonds purchased under resell agreements	7,189,533	7,189,533	-	-
Loans (excluding non accrual loans and allowance for bad debts)	1,261,698	1,261,698	13,187,645	13,187,645
Other financial assets (excluding non accrual loans)	70,653	70,653	105,833	105,833
<b>Total</b>	<b>\$ 50,277,220</b>	<b>50,277,220</b>	<b>14,113,055</b>	<b>14,113,055</b>
Liabilities:				
Deposits from Central Bank and other banks	\$ 3,401,415	3,401,415	1,788,492	1,788,492
Trading purpose financial liabilities	23,109	23,109	-	-
Bills and bonds sold under repurchase agreements	73,101	73,101	-	-
Payables	2,123,104	2,123,104	544,858	544,858
Deposits and remittances	87,505,531	87,505,531	34,200,787	34,200,787
Financial debentures	-	-	-	-
Other financial liabilities	-	-	-	-
<b>Total</b>	<b>\$ 93,126,260</b>	<b>93,126,260</b>	<b>36,534,137</b>	<b>36,534,137</b>
<b>Net currency gap</b>	<b>\$ (42,849,040)</b>	<b>(42,849,040)</b>	<b>(22,421,082)</b>	<b>(22,421,082)</b>

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

<b>Financial instrument</b>	<b>December 31, 2007</b>			
	<b>Over 3 month to 1 year</b>		<b>Over 1 year to 2 year</b>	
	<b>Amount</b>	<b>Refund Amount</b>	<b>Amount</b>	<b>Refund Amount</b>
Asset				
Cash and cash equivalents	\$ -	-	-	-
Due from Central Bank and call loans to banks	-	-	-	-
Trading purpose financial assets	224,456	224,456	2,076,034	2,076,034
Receivables(excluding allowance for bad debts)	3,550,190	3,550,190	955,128	955,128
Available-for-sale financial assets	-	-	-	-
Bills and bonds purchased under resell agreements	-	-	-	-
Loans (excluding non accrual loans and allowance for bad debts)	18,839,538	18,839,538	14,123,417	14,123,417
Other financial assets (excluding non accrual loans)	487,139	487,139	4,204	4,204
<b>Total</b>	<b>\$ 23,101,323</b>	<b>23,101,323</b>	<b>17,158,783</b>	<b>17,158,783</b>
Liabilities:				
Deposits from Central Bank and other banks	\$ 10,028,907	10,028,907	570,000	570,000
Trading purpose financial liabilities	-	-	-	-
Bills and bonds sold under repurchase agreements	-	-	-	-
Payables	1,312,183	1,312,183	117,017	117,017
Deposits and remittances	73,022,593	73,022,593	5,970,184	5,970,184
Financial debentures	-	-	-	-
Other financial liabilities	900	900	14,100	14,100
<b>Total</b>	<b>\$ 84,364,583</b>	<b>84,364,583</b>	<b>6,671,301</b>	<b>6,671,301</b>
<b>Net currency gap</b>	<b>\$ (61,263,260)</b>	<b>(61,263,260)</b>	<b>10,487,482</b>	<b>10,487,482</b>

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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

<b>Financial instrument</b>	<b>December 31, 2007</b>			
	<b>Over 2 year to 3year</b>		<b>Over 3 year to 4year</b>	
	<b>Amount</b>	<b>Refund Amount</b>	<b>Amount</b>	<b>Refund Amount</b>
Asset				
Cash and cash equivalents	\$ -	-	-	-
Due from Central Bank and call loans to banks	-	-	-	-
Trading purpose financial assets	3,162,222	3,162,222	861,071	861,071
Receivables(excluding allowance for bad debts)	-	-	-	-
Available-for-sale financial assets	-	-	-	-
Bills and bonds purchased under resell agreements	-	-	-	-
Loans (excluding non accrual loans and allowance for bad debts)	11,818,880	11,818,880	6,641,561	6,641,561
Other financial assets (excluding non accrual loans)	5,806	5,806	3,678	3,678
<b>Total</b>	<b>\$ 14,986,908</b>	<b>14,986,908</b>	<b>7,506,310</b>	<b>7,506,310</b>
Liabilities:				
Deposits from Central Bank and other banks	\$ -	-	-	-
Trading purpose financial liabilities	-	-	-	-
Bills and bonds sold under repurchase agreements	-	-	-	-
Payables	-	-	-	-
Deposits and remittances	1,492,832	1,492,832	-	-
Financial debentures	4,000,000	4,000,000	-	-
Other financial liabilities	14,100	14,100	14,100	14,100
<b>Total</b>	<b>\$ 5,506,932</b>	<b>5,506,932</b>	<b>14,100</b>	<b>14,100</b>
<b>Net currency gap</b>	<b>\$ 9,479,976</b>	<b>9,479,976</b>	<b>7,492,210</b>	<b>7,492,210</b>



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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

<b>Financial instrument</b>	<b>December 31, 2007</b>			
	<b>Over 4 year to 5 year</b>		<b>Over 5 year</b>	
	<b>Amount</b>	<b>Refund Amount</b>	<b>Amount</b>	<b>Refund Amount</b>
Asset				
Cash and cash equivalents	\$ -	-	-	-
Due from Central Bank and call loans to banks	-	-	-	-
Trading purpose financial assets	1,477,783	1,477,783	434,208	434,208
Receivables(excluding allowance for bad debts)	-	-	-	-
Available-for-sale financial assets	-	-	-	-
Bills and bonds purchased under resell agreements	-	-	-	-
Loans (excluding non accrual loans and allowance for bad debts)	7,339,665	7,339,665	89,223,469	89,223,469
Other financial assets (excluding non accrual loans)	1,416	1,416	1,011,615	1,011,615
<b>Total</b>	<b>\$ 8,818,864</b>	<b>8,818,864</b>	<b>90,669,292</b>	<b>90,669,292</b>
Liabilities:				
Deposits from Central Bank and other banks	\$ -	-	-	-
Trading purpose financial liabilities	-	-	-	-
Bills and bonds sold under repurchase agreements	-	-	-	-
Payables	-	-	-	-
Deposits and remittances	-	-	-	-
Financial debentures	2,000,000	2,000,000	1,000,000	1,000,000
Other financial liabilities	14,100	14,100	28,200	28,200
<b>Total</b>	<b>\$ 2,014,100</b>	<b>2,014,100</b>	<b>1,028,200</b>	<b>1,028,200</b>
<b>Net currency gap</b>	<b>\$ 6,804,764</b>	<b>6,804,764</b>	<b>89,641,092</b>	<b>89,641,092</b>

**(English Translation)**  
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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

<b>Financial instrument</b>	<b>December 31, 2007</b>	
	<b>Total</b>	
	<b>Amount</b>	<b>Refund</b>
Asset		
Cash and cash equivalents	\$ 6,009,586	6,009,586
Due from Central Bank and call loans to	32,668,387	32,668,387
Trading purpose financial assets	8,369,812	8,369,812
Receivables(excluding allowance for bad debts)	7,870,217	7,870,217
Available-for-sale financial assets	398,003	398,003
Bills and bonds purchased under resell agreements	7,189,533	7,189,533
Loans (excluding non accrual loans and allowance for bad debts)	162,435,873	162,435,873
Other financial assets (excluding non accrual loans)	1,690,344	1,690,344
Total	<b>\$ 226,631,755</b>	<b>226,631,755</b>
Liabilities:		
Deposits from Central Bank and other banks	\$ 15,788,814	15,788,814
Trading purpose financial liabilities	23,109	23,109
Bills and bonds sold under repurchase agreements	73,101	73,101
Payables	4,097,162	4,097,162
Deposits and remittances	202,191,927	202,191,927
Financial debentures	7,000,000	7,000,000
Other financial liabilities	85,500	85,500
Total	<b>\$ 229,259,613</b>	<b>229,259,613</b>
Net currency gap	<b>\$ (2,627,858)</b>	<b>(2,627,858)</b>

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)**

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

As of December 31, 2008 and 2007, 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, 2008					
	0-30 days	31-90 days	91-180 days	180 days-1 year	Over 1 year	Total
Assets:						
Due from Central Bank, bank deposit and call loans to banks	\$ 55,528,660	7,700,000	1,550,000	500,000	-	65,278,660
Trading purpose financial assets	882,587	-	-	748,826	3,861,874	5,493,287
Bills and bonds purchased under resale agreements	999,103	-	-	-	-	999,103
Available-for-sale financial assets	-	-	-	-	158,219	158,219
Loans (excluding non accrual loans)	110,994,988	4,312,332	1,616,875	2,911,486	16,315,162	136,150,843
Short-term advances	595,257	-	-	-	-	595,257
<b>Total</b>	<b>\$169,000,595</b>	<b>12,012,332</b>	<b>3,166,875</b>	<b>4,160,312</b>	<b>20,335,255</b>	<b>208,675,369</b>
Liabilities:						
Deposits from Central Bank and other banks	\$ 10,679,605	100,000	-	20,000	-	10,799,605
Bills and bonds sold under repurchase agreements	100,000	-	-	-	-	100,000
Deposits and remittances	101,058,979	21,114,549	20,953,764	48,722,284	4,785,357	196,634,933
Financial debentures	-	-	-	-	7,000,000	7,000,000
<b>Total</b>	<b>\$111,838,584</b>	<b>21,214,549</b>	<b>20,953,764</b>	<b>48,742,284</b>	<b>11,785,357</b>	<b>214,534,538</b>
Interest sensitive gap	<b>\$ 57,162,011</b>	<b>(9,202,217)</b>	<b>(17,786,889)</b>	<b>(44,581,972)</b>	<b>8,549,898</b>	<b>(5,859,169)</b>

Financial instrument	December 31, 2007					
	0-30 days	31-90 days	91-180 days	180 days-1 year	Over 1 year	Total
Assets:						
Due from Central Bank, bank deposit and call loans to banks	\$ 35,100,943	500,000	50,000	900,000	-	36,550,943
Trading purpose financial assets	-	-	107,653	250,842	8,011,317	8,369,812
Available-for-sale financial assets	-	-	-	-	398,003	398,003
Loans (excluding non accrual loans)	124,407,614	5,735,500	3,641,138	3,392,669	25,258,952	162,435,873
Short-term advances	635,033	-	-	-	-	635,033
<b>Total</b>	<b>\$160,143,590</b>	<b>6,235,500</b>	<b>3,798,791</b>	<b>4,543,511</b>	<b>33,668,272</b>	<b>208,389,664</b>
Liabilities:						
Bills and bonds sold under repurchase agreements	73,101	-	-	-	-	73,101
Deposits and remittances	125,446,031	23,178,129	15,944,537	33,602,251	4,020,979	202,191,927
Financial debentures	-	-	-	-	7,000,000	7,000,000
<b>Total</b>	<b>\$125,519,132</b>	<b>23,178,129</b>	<b>15,944,537</b>	<b>33,602,251</b>	<b>11,020,979</b>	<b>209,265,028</b>
Interest sensitive gap	<b>\$ 34,624,458</b>	<b>(16,942,629)</b>	<b>(12,145,746)</b>	<b>(29,058,740)</b>	<b>22,647,293</b>	<b>(875,364)</b>

**(English Translation)**  
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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

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

As of December 31, 2008 and 2007, the effective interest rate of financial instruments held and issued by the Bank is classified by currency as follows:

<b>Financial instrument item</b>	<b>2008</b>	<b>2007</b>
Due from Central Bank, bank deposit and call loans to banks	1.80	2.51
Bills and bonds purchase under resell agreements	1.82	1.81
Available-for-sale financial assets (return rate)	0.90	2.32
Held-to-maturity financial assets(including gain/loss at matured date)	-	4.45
Discounted and loans	3.82	4.22
Deposits from Central Bank and others banks	2.29	2.13
Bills and bonds sold under repurchase agreements	1.67	1.73
Financial debentures	3.52	3.67
Deposits and remittances	1.92	1.71

(f) 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 achieves 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 subsidiary 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.

**(English Translation)**  
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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

- B. The risk management system makes use of characteristics
- a. Immediately: The Jih Sun holding and its subsidiary'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 financial holding and its subsidiary 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.
    - 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 performance 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 stipulate relevant management index 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 liquidity rate, to set up liquidity deficiency analysis, conclude management index and set up index limit and draw up matching stratagem to prevent liquidity un-good event to happen.

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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

- 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 business 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 business facing transaction opponent or credit customer 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 opponent 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.
  
- e. Operation risk (include law risk): The transaction and between information of the Jih Sun financial holding and its subsidiary 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.

(English Translation)  
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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

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

**TRUST BALANCE SHEET**

<u>Trust Assets</u>	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Cash in Bank	\$ 451,572	411,897
Bonds	8,612,376	18,079,395
Securities	3,833,632	3,132,660
Funds	14,984,112	17,013,985
Real Estate-net		
Land of the principal	3,379,756	4,502,501
Principal house and building	169,481	192,300
Construction in process of the principal	1,817,392	1,497,237
Monetary obligation trust	372,260	2,264,986
Securities in custody	844,676	-
Other assets	2,000	13,686
<b>Total Trust Assets</b>	<b><u>\$ 34,467,257</u></b>	<b><u>47,108,647</u></b>
<u>Trust Liabilities</u>	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Payables	\$ 135,800	135,800
Other Liabilities	2,215	1,173
Advance collections	-	956
Payable for securities in custody	844,676	-
Trust Capital		
Monetry trust	23,865,980	35,302,923
Securities trust	3,705,603	3,067,994
Real estate trust	5,634,052	6,165,227
Monetry obligation and real right of pledge	416,946	2,418,363
Reserves and accumulated losses		
The principal adds up to the profit and loss	5,577,701	(3,104,459)
Net income for the period	(5,715,716)	3,120,670
<b>Total Trust Liabilities</b>	<b><u>\$ 34,467,257</u></b>	<b><u>47,108,647</u></b>

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

**TRUST PROPERTY LIST**

<u>Investment Item</u>	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Bonds	\$ 8,612,376	18,079,395
Securities	3,833,632	3,132,660
Funds	14,984,112	17,013,985
Cash in Bank	451,572	411,897
Monetary obligation trust	372,260	2,264,986
Real Estate-net		
Land of the principal	3,379,756	4,502,501
Principal house and building	169,481	192,300
Construction in process of the principal	1,817,392	1,497,237
Securities in custody	844,676	-
Other assets	2,000	13,686
<b>Total</b>	<b><u>\$ 34,467,257</u></b>	<b><u>47,108,647</u></b>

**TRUST INCOME STATEMENT**

<u>Investment Item</u>	<u>2008</u>	<u>2007</u>
Trust revenues		
Principal interest income	\$ 3,974	2,866
Principal rent income	15,785	9,621
Principal cash dividend	1,163,796	2,033,983
Gain on sales of properties	430,801	1,706,314
Trust expenses		
Principal administration expenses	26,812	143,099
Principal tax expenses	4,269	3,410
Principal interest expenses	60	21
Loss on sales of properties	7,297,230	483,786
Principal other expenses	706	-
Principal income tax expenses	995	1,798
<b>Total</b>	<b><u>\$ (5,715,716)</u></b>	<b><u>3,120,670</u></b>



**(English Translation)**  
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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

(Y) Other Non-Interest Gain

	<u>2008</u>	<u>2007</u>
Gain on financial assets carried at cost-net	\$ 146,654	28,913
Gain on sale of collateral assumed	143,054	279,590
Lease revenue-operating assets	29,165	30,997
Gain(loss) on sale of property and equipment	222,205	(1,374)
Loss on disposal of property and equipment	(3,882)	(5,902)
Received of bad debts	364,622	293,716
Others	45,627	57,699
Total	<u>\$ 947,445</u>	<u>683,639</u>

**(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 Insurance Agency 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 Jih Sun Securities Co., Ltd.
Jih Sun Managed Futures Co., Ltd.	A subsidiary of Jih Sun Securities Co., Ltd.
Jih Sun Securities Investment Consulting Co., Ltd.	A subsidiary of Jih Sun Securities Co., Ltd.
Jih Sun Securities Investment Trusting Co., Ltd.	A subsidiary of Jih Sun Securities Co., Ltd.
Yong Da Investment Co., Ltd.	Related party in substance.
Shinsei Bank	Related party in substance. (the parent company of the one is top 10 stockholders of the Bank's parent company)
Other related parties	The Bank's directors, supervisors, general manage, relatives and spouses for the aforementioned persons and chief offices for each departments (branches)

**(English Translation)**  
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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

(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>
As of December 31, 2008				
Jih Sun Securities Co., Ltd.	\$ 6,269,370	14,031,222	32,721	0-2.71%
Jih Sun Insurance Agency Co., Ltd.	36,616	57,715	69	0-0.20%
Jih Sun Financial Holding Co., Ltd.	30,973	7,872,760	19,145	0-2.29%
Jih Sun Securities Investment Consulting Co., Ltd.	76,819	82,785	1,801	0-2.71%
Jih Sun Futures Co., Ltd.	5,596,734	9,383,638	86,055	0-2.70%
Jih Sun Managed Futures Co., Ltd	154,909	160,812	4,014	0-2.71%
Jih Sun Securities Investment Trusting Co., Ltd.	145,051	797,440	7,632	0-2.73%
Others	249,841	935,381	7,162	0-7.95%
Total	<u><u>\$ 12,560,313</u></u>		<u><u>158,599</u></u>	
As of December 31, 2007				
Jih Sun Securities Co., Ltd.	\$ 1,809,683	6,671,282	10,945	0-2.58%
Jih Sun Insurance Agency Co., Ltd.	26,036	58,421	70	0-0.20%
Jih Sun Financial Holding Co., Ltd.	2,498,562	5,308,189	52,403	0-2.29%
Jih Sun Securities Investment Consulting Co., Ltd.	80,292	135,969	1,636	0-2.52%
Jih Sun Futures Co., Ltd.	4,617,180	7,242,693	61,078	0-2.58%
Jih Sun Managed Futures Co., Ltd	160,605	259,830	3,539	0-2.52%
Others	380,575	865,801	6,933	0-7.74%
Total	<u><u>\$ 9,572,933</u></u>		<u><u>136,604</u></u>	

(b) Rental contract

<u>Item</u>	<u>2008</u>	<u>2007</u>
Rental expense	\$ 22,071	26,930
Rental revenues	10,693	8,089

(c) Loan

December 31, 2008							
Classification	Amount or Related Party Name	Maxium balance	Ending balance	Agreement		Collateral	Terms of trade different or not with non-related party
				Normal loans	Overdue loans		
Employee consumer loan	3	3,263	2,906	2,906	-	Deposit	NO
Personal house mortagaed loan	25	97,051	84,549	84,549	-	Real estate	NO

**(English Translation)**  
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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

December 31, 2007							
Classification	Amount or Related Party Name	Maxium balance	Ending balance	Agreement		Collateral	Terms of trade different or not with non-related party
				Normal loans	Overdue loans		
Personal house mortgaed loan	26	113,659	92,035	92,035	-	Real estate	NO
Other Loan	Jih Sun Securities Co., Ltd.	460,000	460,000	460,000	-	Marketable securities and credit	NO

As of December 31, 2008 and 2007, the Bank's guaranteed line of credit to Jih Sun Securities Co., Ltd. amounted to \$900,000 and \$1,100,000 respectively. As of December 31, 2008 and 2007, the loan balance was \$0 and \$460,000.

As of December 31, 2008 and 2007, there was no non-forming 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 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 the year ended 2008, there were no off-balance sheet commitments between the Bank and its related parties.

(d) Property transaction

As of December 31, 2008 and 2007, the Bank sells a batch property which book value was 29 and 11 to Jih Sun Financial Holding Co., Ltd for \$13 and \$5, and loss on sale was for \$16 and \$6.

As of December 31, 2008 and 2007, the Bank sells a batch property which book value was 16 and 2,966 to Jih Sun Securities Co., Ltd for \$19 and \$1,678, and gain and loss on sale was for \$3 and \$1,288.

As of December 31, 2007, the Bank sells a batch property which book value was 38 to Jih Sun Futures Co., Ltd for \$13, and loss on sale was for \$25.

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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

As of December 31, 2008, the Bank sold its securities of Taiwan Futures Exchange to Jih Sun Securities Co., Ltd in the financial year at the price of \$178,550, which original cost in \$37,917, and the related gain of the transaction is \$140,633.

The Bank purchased international syndicated loans amounting of \$485,760(equivalent to USD \$16,000) from MMI International Limited from Shinsei Bank (Japan) during the year of 2008.

(e) Others

1. As of December 31, 2008 and 2007, the Bank handling securities delivery for securities brokerage firm allocation fees amounted to \$130,682 and \$163,687 respectively.
2. As of December 31, 2008 and 2007, the Bank Stock brokerage fees amounted to \$1,269 and \$2,746, respectively.
3. As of December 31, 2008 and 2007, 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:

	2008		2007	
	Interest revenue	Ending balance	Interest revenue	Ending balance
Jih Sun Securities Co., Ltd.	\$ 4,527	-	3,208	493,001

Bonds sold under repurchase agreements:

	2008		2007	
	Interest expenses	Ending balance	Interest expenses	Ending balance
Jih Sun Securities Co., Ltd.	\$ 260	-	6,003	-

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

4. As of December 31, 2007, the bank sold available-for-sale bonds to Jih Sun Securities Co., Ltd. amounted to \$1,865,456.
5. As of December 31, 2008 and 2007, the bank paid expense for stock agent to Jih Sun Securities Co., Ltd. amounted to \$720 and \$660, respectively.

**(English Translation)**  
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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

6. Tax refund receivable from joint filing of tax:

	<b>December 31, 2008</b>		<b>December 31, 2007</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Jih Sun Financial Holding Co., Ltd	<b>\$ 744,760</b>	<b>14.95</b>	<b>941,656</b>	<b>11.96</b>

7. As of December 31, 2008 and 2007, the bank paid service expense for to Jih Sun Futures Co., Ltd. amounted to \$39,096 and \$13,265, respectively.
8. As of December 31, 2008 and 2007, the bank sold fund bonus for to Jih Sun Securities Investment Trusting Co., Ltd. amounted to \$7,347 and \$13,467, respectively.
9. The commission income are \$152,726 and \$108,802 from Jih Sun Insurance Agency Co., Ltd. and during the year of 2008 and 2007.

(C) Salary information for main management

As of December 31, 2008 and 2007, the bank's directors 、supervisors, general manager and vice general managers are as follows .

	<b>2008</b>	<b>2007</b>
Salaries	\$ 28,053	28,920
Bonus and special allowances	9,995	8,164
Business executive expenses	2,130	2,142
Employee dividend	-	-
Total	<b>\$ 40,178</b>	<b>39,226</b>

**(6) PLEDGED ASSETS:**

<b>Pledged assets</b>	<b>December 31, 2008</b>	<b>December 31, 2007</b>
Government bonds	\$ 100,000	73,101

**(7) SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

- (A) As of December 31, 2008 and 2007, contracts for equipment purchase and office renovations were approximately \$49,791 and \$49,049, respectively, of which \$47,233 and \$35,802 were paid respectively.
- (B) As of December 31, 2008 and 2007, the Bank acted as an agent for various collections amounting to approximately \$293,842 and \$612,662, respectively.

**(English Translation)**  
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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

- (C) As of December 31, 2008 and 2007, the Bank handled several guarantees (including joint handling of foreign exchange transactions); the related outstanding guarantee deposits were approximately \$1,797,613 and \$2,426,958, respectively.
- (D) As of December 31, 2008 and 2007, the Bank had outstanding bank acceptance liabilities, which amounted to approximately \$73,709 and \$391,230, respectively, and letters of credit, which amounted to approximately \$488,760 and \$2,058,048, respectively.
- (E) As of December 31, 2008 and 2007, the Bank acted as custodian of post-dated checks for its clients (excluding next day's checks for clearing) which amounted to approximately \$11,394,787 and \$16,034,591, respectively.
- (F) As of December 31, 2008 and 2007, the Bank was entrusted with the sale of U.S dollar traveler's checks of \$61,627 and \$147,382, respectively.
- (G) As of December 31, 2008, 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>
1.1.2009 ~ 12.31.2009	Note	\$ 195,015	181,643
1.1.2010 ~ 12.31.2010	Note	142,055	132,960
1.1.2011 ~ 12.31.2011	Note	81,733	76,233
1.1.2012 ~ 12.31.2012	Note	32,325	30,177
1.1.2013 ~ 12.31.2013	Note	11,879	11,194

Note: As of December 31, 2008, the above interest on deposits treated as rent of \$59,246 and at 2.62% annual interest rate for the rental period.

- (H) 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, 2008 and 2007, the Bank had no non-cancelable credit commitments and credit commitments that require significant payment to be canceled.
- (b) As of December 31, 2008 and 2007, the Bank had direct credit guarantees consisting of general guaranteed bonds (corporate bonds) which amounted to \$62,831 and \$83,775, respectively, and guarantee letters for financial guarantees of loans and securities (commercial paper), which amounted to \$859,000 and \$992,000, respectively.
- (c) As of December 31, 2008 and 2007, the Bank had performance bonds of \$820,145 and \$1,116,020, respectively. Auction deposits were both \$0, and guarantee letters issued for specified transactions were \$875,782 and \$1,351,183, respectively.

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

(I) Due to the fact that the Bank is acting as the guarantor of Tan-Tai Construction Company, Taipei City Hydraulic Engineering Office issued a claim against the Bank, the Bank is sentenced to pay to Tan-Tai Construction Company, \$30,637, by Taipei District Court. However, the Bank appeal the case to a higher court, and this case is still in progress.

**(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:

<u>Nature</u>	<u>Function</u>	<u>2008</u>	<u>2007</u>
		<u>Operating Expenses</u>	<u>Operating Expenses</u>
Personnel Expense			
Salaries and Wages	\$	1,180,481	1,499,109
Insurance		100,185	107,604
Pension Expenses		58,705	76,875
Other Expenses		62,418	91,738
Depreciation Expenses		265,313	299,358
Amortization Expenses		445,031	409,076

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

(B) 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 advance loss, and loan loss provision policy:

1. Loans asset quality

Business/Project		December 31, 2008				
		Overdue loans	Total loan amount	Overdue loans rate	Allowance for bad debts	Coverage rate of allowance for bad debts
Corporate finance	Guarantee	1,426,551	26,734,279	5.34%	338,022	23.70%
	Non-Guarantee	1,146,137	31,247,804	3.67%	903,811	78.86%
Consumer finance	Home mortgage	898,903	68,037,484	1.32%	161,449	17.96%
	Cash card	-	-	-%	-	-%
	Small credit loan	1,313,956	4,329,672	30.35%	203,348	15.48%
	Other	Guarantee	151,057	6,345,642	2.38%	11,730
Non-Guarantee		716,375	3,977,599	18.01%	409,233	57.13%
Total Loan		5,652,979	140,672,480	4.02%	2,027,593	35.87%
		Overdue accounts	Receivables	Overdue accounts rate	Allowance for bad debts	Coverage rate of allowance for bad debts
Credit card		71,629	2,969,188	2.41%	41,833	58.40%
Factoring receivables - without recourse		-	911,206	-%	-	-%

Business/Project		December 31, 2007				
		Overdue loans	Total loan amount	Overdue loans rate	Allowance for bad debts	Coverage rate of allowance for bad debts
Corporate finance	Guarantee	1,578,980	34,505,407	4.58%	278,102	17.61%
	Non-Guarantee	1,253,556	41,592,552	3.01%	551,298	43.98%
Consumer finance	Home mortgage	943,842	72,386,400	1.30%	165,442	17.53%
	Cash card	-	-	-%	-	-%
	Small credit loan	2,219,504	7,584,829	29.26%	295,243	13.30%
	Other	Guarantee	281,663	6,599,235	4.27%	22,886
Non-Guarantee		1,257,161	6,230,075	20.18%	683,469	54.37%
Total Loan		7,534,706	168,898,498	4.46%	1,996,440	26.50%
		Overdue accounts	Receivables	Overdue accounts rate	Allowance for bad debts	Coverage rate of allowance for bad debts
Credit card		98,455	3,682,534	2.67%	51,363	52.17%
Factoring receivables - without recourse		-	1,148,309	-%	-	-%



**(English Translation)**  
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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

2. As of December 31, 2008 and 2007, there were certain concentrations of loan authorization risk as follows:

<b>December 31, 2008</b>			
Rank	Conglomerate's name	Loans authorization amount	% of net worth of the Bank
1	FORMOSA PLASTICS	3,825,750	45.93%
2	KINPO GROUP	1,837,407	22.06%
3	CHI MEI	1,484,099	17.82%
4	ELANSAT	1,409,434	16.92%
5	TAINAN SPINNING	1,222,923	14.69%
6	HANSHIN	1,172,440	14.08%
7	TATUNG	1,003,315	12.05%
8	WALSIN	989,295	11.88%
9	WEI JING	895,261	10.75%
10	ORIX	831,464	9.98%

<b>December 31, 2007</b>			
Rank	Conglomerate's name	Loans authorization amount	% of net worth of the Bank
1	FORMOSA PLASTICS	2,932,008	28.02%
2	KINPO GROUP	2,258,744	21.59%
3	ELANSAT	1,614,002	15.43%
4	CHINATRUST FINANCIAL HOLDING	1,543,466	14.75%
5	ORIX	1,481,717	14.16%
6	TAINAN SPINNING	1,368,693	13.08%
7	TATUNG	1,313,032	12.55%
8	CHI MEI	1,283,771	12.27%
9	HANSHIN	1,230,488	11.76%
10	YUNG CHIN CONSTRUCTION	1,214,392	11.61%

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

	<b>December 31, 2008</b>		<b>December 31, 2007</b>	
	<b>Average amount</b>	<b>Average rate (%)</b>	<b>Average amount</b>	<b>Average rate (%)</b>
Interest-earning assets	\$ 210,457,203	3.43	213,467,899	4.02
Interest-bearing liabilities	215,386,550	1.99	219,601,126	1.84

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

(c) Interest rate sensitivity information

**Interest rate sensitive assets and liabilities analysis sheet(NTD) Unit: in NTD 1,000; %**

ITEM	1-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Interest rate sensitive assets	\$ 170,323,496	3,110,665	3,962,689	15,426,203	192,823,053
Interest rate sensitive liabilities	82,038,743	58,134,479	47,220,178	11,781,109	199,174,509
Interest sensitivity gap	88,284,753	(55,023,814)	(43,257,489)	3,645,094	(6,351,456)
Net value	-	-	-	8,020,332	8,020,332
Interest-rate-sensitive asset to interest rate sensitive liability ratio					96.81
Interest rate sensitivity gap to net value ratio					(79.19)

**Interest rate sensitive assets and liabilities analysis sheet(USD) Unit: in USD 1,000; %**

ITEM	1-90 days	91-180 days	181days-1 year	Over 1 year	Total
Interest rate sensitive assets	\$ 228,934	1,046	4,194	113,993	348,167
Interest rate sensitive liabilities	137,492	160,054	30,694	130	328,370
Interest sensitivity gap	91,442	(159,008)	(26,500)	113,863	19,797
Net value	-	-	-	8,763	8,763
Interest-rate-sensitive asset to interest rate sensitive liability ratio					106.03
Interest rate sensitivity gap to net value ratio					225.92

(d) Main Foreign Currency Net Position

<b>Foreign Currency Amount</b>	<b>2008</b>		<b>2007</b>	
	<b>Currency</b>	<b>NTD</b>	<b>Currency</b>	<b>NTD</b>
1. USD		127,217	1. USD	(202,281)
2. EUR		3,503	2. JPY	21,871
3. HKD		(1,871)	3. EUR	(4,655)
4. NZD		(1,868)	4. AUD	3,098
4. AUD		804	5. SGD	1,004

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

1. Profitability:

Unit: %

Item	2008	2007
Return on total assets (Before tax)	(1.78)	(1.24)
Return on total assets (After tax)	(1.63)	(0.96)
Return on equity (Before tax)	(44.19)	(27.36)
Return on equity (After tax)	(40.42)	(21.24)
Net income ratio	(85.02)	(40.21)

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

2. Maturity analysis of assets and liabilities:

NTD Maturity analysis Unit: in NTD 1,000						
Financial instrument	Total	1-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Assets	\$ 212,778,976	56,708,792	11,587,911	6,821,030	7,877,477	129,783,766
Liabilities	268,888,315	33,689,670	41,796,518	50,261,270	105,016,982	38,123,875
Gap-to-net	(56,109,339)	23,019,122	(30,208,607)	(43,440,240)	(97,139,505)	91,659,891

USD Maturity analysis Unit: in USD 1,000						
Financial instrument	Total	1-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Assets	\$ 388,269	166,413	18,477	7,366	4,590	191,423
Liabilities	417,303	179,418	84,435	45,526	53,547	54,377
Gap-to-net	(29,034)	(13,005)	(65,958)	(38,160)	(48,957)	137,046

(f) Special matters:

	Description and amount
Within one year, any fine was levied for violations of the Banking Law.	None
Within one year, any deficiency for which an official reprimand was issued by Ministry of Finance.	None
Within one year, the individual or aggregated loss exceeded NT\$50 million dollars, resulted from employee corruption, accidental material events, or failure to follow the "Guidelines for the Security Maintenance of Financial Institutions".	None
Within one year, the chairman of the board of directors or employee who violated the law in the course of business, resulting in an indictment by the prosecutor.	None
Within one year, any fine was levied by governmental authority for violations of the related regulation.	None
Others	None

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

3. Capital adequacy:

Items		December 31, 2008	June 30, 2007	December 31, 2007
Own Capital	The first class capital	\$ 10,787,514	11,978,427	12,490,324
	The second class capital	-	1,359,881	2,119,467
	The third class capital	-	-	-
	Total Capital	10,787,514	13,338,308	14,609,791
Credit risks	Standard	112,628,101	132,131,361	149,293,293
	Internal evaluation	-	-	-
	Securitisation of the assets	-	-	-
Operation Risk	Basic index	11,026,729	13,391,798	13,391,800
	Standard or alternative standard	-	-	-
	Advance evaluation	-	-	-
Market risk	Standard	2,037,864	6,143,541	4,265,749
	Internal model	-	-	-
Total weighted risk assets		125,692,694	151,660,700	166,950,842
Capital adequacy ratio		8.58%	8.79%	8.75%
The first class capital to weighted risk assets ratio		8.58%	7.90%	7.48%
The second class capital to weighted risk assets		- %	0.90%	1.27%
The third class capital to weighted risk assets ratio		- %	- %	- %
Common stock to total assets ratio		6.70%	6.61%	6.31%

**(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.