

Date of publication: 31 January 2017

Stock Code : 2895

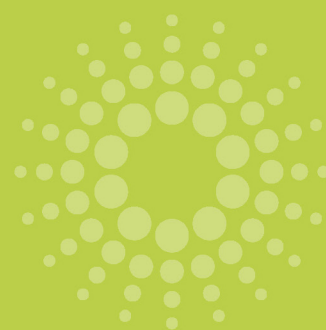
MOPS website : <http://newsmops.tse.com.tw>

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



陽信銀行
SUNNY BANK

2016 Annual Report



Spokesperson

Name : Ho, Kun-Tang

Position : Senior Vice President

TEL : (02) 2820-8166 Ext. 613

E-mail : splan@sunnybank.com.tw

The Deputy Spokesperson

Name : Kuo, Cheng-Hung

Position : Assistant Vice President

TEL : (02) 2820-8166 Ext. 731

E-mail : splan@sunnybank.com.tw

Address and Telephone Number of Head Office and Branch Offices
for details on "Service Network" Unit

Stock Transfer Agency

Name : Sunny Bank General Administration (Shareholders Section)

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

Website : [http : //www.sunnybank.com.tw](http://www.sunnybank.com.tw)

TEL : (02) 2820-8166 Ext. 575

Credit Rating Institution

Titles : Fitch Ratings Co., Ltd

Address : Rm. 1306, 13F., No.205, Dunhua N. Rd., Songshan Dist., Taipei
City 105, Taiwan (R.O.C.)

Website : [http : //www.fitchratings.com](http://www.fitchratings.com)

TEL : (02) 8175-7600

Names of CPAs certifying financial statements of the most recent year

Name : Shao, Chih-Ming 、 Wu, Yi-Chun

Business Office : Deloitte & Touche

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

Website : [http : //www.deloitte.com.tw](http://www.deloitte.com.tw)

TEL : (02) 2545-9988

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

Bank Website :

[http : //www.sunnybank.com.tw](http://www.sunnybank.com.tw)

CONTENTS

002 I. Letter to Shareholders

- 003 1. 2016 Operating Performance
- 004 2. Overview of the 2017 Business Plan
- 006 3. Future Development Strategies
- 006 4. Impact from External Competitive Environment, Regulatory Environment, and Macroeconomic Environment
- 006 5. Credit Rating

007 II. Bank Profile

- 008 1. Date of Registration
- 008 2. Company History

009 III. Corporate Governance Report

- 010 1. Organization
- 011 2. Board Directors and Supervisors
- 014 3. Distributions of Remuneration to Employees in the Last Year
- 017 4. Corporate Governance Operations
- 032 5. Alternation of CPA
- 033 6. The Bank's Chairman, President, and Financial or Accounting Managers, who ever served in CPA or Affiliated Associated Business in the Most Recent Years
- 033 7. Information on Related Party, Spouse, or Relatives within Second Degree of Kinship of the Bank's Ten Largest Shareholders
- 034 8. Numbers of Shares in the Same Reinvested Enterprises Held by the Bank and its Directors, Supervisors, President, Vice Presidents, Deputy Executive Vice Presidents, the Heads of Departments and Branches, and Enterprises Controlled Directly or Indirectly by the Bank, and Percentage of Consolidated Shareholding

035 IV. Capital Raising

- 036 1. Capital and Share
- 039 2. Issuance of Special Debentures
- 039 3. Issuance of Overseas Depositary Receipts
- 039 4. Employee Share Subscription Warrants and New Restricted Employee Shares
- 039 5. Merger or Entrusted for Other Financial Institutions
- 039 6. Fund Utilization Plans

040 V. Operations Overview

- 041 1. Contents of Business
- 052 2. The Employee Profile
- 053 3. Corporate Social Responsibility and Ethical Behavior
- 053 4. Number of Non-Supervisory Employees, Average Annual Employee Benefits Expenses and Difference Compared with Last Year
- 053 5. Information Infrastructure

056 VI. Special Remarks

- 057 1. Information on Affiliates
- 059 2. Private Placement of Marketable Securities and Bank debentures during the Most Recent Fiscal Year before publishing the Annual Report
- 060 3. Holding or Disposal of the Bank Stocks by Affiliates during the Most Recent Fiscal Year before publishing the Annual Report
- 060 4. Additional Supplementary Remarks
- 060 5. Any circumstance as described in Subparagraph 2 of Paragraph 3 of Article 36 of the Securities and Exchange Act which occurred during the past year and before publishing the Annual Report that could materially affect shareholders' equity or the prices of the company's securities

061 VII. Service Network


Financial Statements and Independent Auditor's Report

- I. Sunny Bank Ltd. And Subsidiaries
Consolidated Financial Statements for the Years Ended December 31,2016 and 2015 and Independent Auditor's Report
- II. Sunny Bank Ltd.
Financial Statements for the Years Ended December 31,2016 and 2015 and Independent Auditor's Report



1

I. Letter to Shareholders

1. 2016 Operating Performance
 2. Overview of the 2017 Business Plan
 3. Future Development Strategies
 4. Impact from External Competitive Environment, Regulatory Environment, and Macroeconomic Environment
 5. Credit Rating
- 

Dear Shareholders,

On behalf of Sunny Bank, we would like to thank all of you for your support and caring over the years. As shown in the economic analysis report, the driving force of world economy is still weak despite the gradual recovery this year (2017). Moreover, the marginal effect of long-term easing monetary policy is reduced. Fiscal policy will be prioritized over monetary policy as the major tool of promoting the economic growth in countries worldwide. According to the prediction data in January this year, the global economic growth is 2.8%, which is higher than 2.5% of last year (2016), and is estimated to increase to 3.1% next year (2018).

The manufacturing industry is reviving in most regions in the U.S., and corporate investments have improved. As the new administration takes office, it is expected to carry out a financial stimulation policy. It is estimated that the economic growth this year will be higher than that of the previous year, reaching 2.3%. Due to the impact of uncertain factors in the European region, such as slowdown in domestic demands and export demands, and the withdrawal of the United Kingdom from the European Union, the growth rate is estimated to drop to 1.5% this year. The emerging market and developing economies confront the shrinkage of the general financial environment, which result in the slight slowdown of growth, and is estimated to achieve a 4.5% growth. In the Asia-Pacific zone, after the two years of recession, the individual consumption in Japan increased in the last year, while the driving force of corporate investment and export is still weak. The country's economic growth is estimated to achieve 1.1% this year. The GDP of Mainland China in the previous year (2016) was RMB74,412.7 billion, with an economic growth rate of 6.7%, falling within its target of 6.5%~7%. Currently it is still in the state of adjusting its economic structure, so the economic growth will keep slowing down. It is estimated that China's economic growth rate in 2017 and 2018 will be 6.5% and 6.2% respectively.

The feeble recovery of global prosperity has resulted in a slowing external demand. According to the report released by the Directorate General of Budget, Accounting and Statistics, Executive Yuan, the economic growth in 2016 would be 1.40%, which would reach at 1.87% in 2017. Looking to the future, the economic recovery of Taiwan's major trading partners will tend to be steady, and the international prices of raw materials will be stabilized as well. As a result, the export volume is expected to increase continuously. However, some uncertain factors are still worth noting, such as the slow recovery of the world economy, the economic & trading policies adopted by the new U.S. administration, and the effect of U.K.'s withdrawal from the European Union.

At present, the competition of banking businesses in Taiwan is still fierce. Under such a difficult environment, the Bank will, with meticulous planning by our professional management team and dedication of all staffs, continue to strictly control the credit quality and proactively enhance the scale of all our services in order to increase our profit stably. In 2016, net income after tax came to NT\$ 2,339 million, an increase of NT\$ 281 million over the previous year's figure of NT\$2,057 million increased by 13.70%. The EPS is NT\$ 1.26 in 2016, compared with NT\$ 1.15 in 2015 increased by 9.57%.

To perfect the financial structure and improve the capital adequacy (BIS) ratio, the bank held a capital increase by cash of NT\$1,550 million, and issued the financial subordinated debt for five times, with a total amount of NT\$3,100 million in 2016. By the end of 2016, the capital amount exceeded NT\$20,000 million, with the capital adequacy (BIS) ratio reaching 11.36%. Looking ahead, the Bank will endeavor to maintain a steady operation and maximize the profit for all of our shareholders. The following is a summary of our 2016 operating performance and 2017 business plan:

1. 2016 Operating Performance

(1) Optimizing Operating Channels to Create Maximum Value

To elevate the channel value and operating synergy of the branches, the Bank upgraded the Xinfu Mini-Branch to a general branch in 2016.

(2) Business Plan and Strategy Implementation Results

The Bank endeavored to improve asset quality and achieved significant performance in 2016. At the end of 2016, our non-performing loan ratio was 0.09%; the loan-loss coverage ratio was 1,333.79%, turning it into one of the top 5 banks among 39 domestic banks. Regarding business development, the Bank's total deposit at the end of 2016 was NT\$344,998 million, with an increase of NT\$25,889 million compared with the NT\$319,108 million the previous year, the total loan was NT\$263,642 million, with an increase of NT\$22,915 million compared with the NT\$240,727 million the previous year. Signifying a good operating performance.

Unit: NT\$1,000 ; USD1,000

Main Business Items	2016	2015	Growth Rate Compared to Last Year (%)
Deposit (Year End Balance)	344,998,551	319,108,662	8.11
Loan (Year End Balance)	263,642,947	240,727,815	9.52
Wealth Management Business	12,481,169	13,905,704	(10.24)
Import / Export and Foreign Exchange Businesses (thousand in USD)	3,733,860	3,281,830	13.77
Trust Property Scale	52,280,986	51,619,087	1.28
Investments in Equity Method (Year End)	1,795,754	1,677,771	7.03

(3) Budget Execution

The Bank's overall operation has an obvious improvement in 2016. The scale of deposits and loans steadily increased and its earnings after tax reaching NT\$2,339 million.

(4) Financial Income / Expenditure and Profitability Analysis

The main financial incomes and expenditure, as well as the profitability items of the Bank are analyzed as below:

Unit: NT\$1000; For EPS in NT\$1.

Main Business Item	2016	2015	Compared to Last Year (%)
Net Interest Income	4,359,630	4,106,581	6.16
Net Non-Interest Income	1,681,110	1,633,183	2.93
Net Income	6,040,740	5,739,764	5.24
Bad Debt Expense & Guarantee Liability Provisions	34,288	185,703	(81.54)
Operating Expenses	3,321,139	3,190,638	4.09
Net Profit Before Tax	2,685,313	2,363,423	13.62
Net Profit After Tax	2,339,018	2,057,272	13.70
EPS Before Tax	1.45	1.32	9.85
EPS After Tax	1.26	1.15	9.57

Note: For the item Bad Debt Expense & Guarantee Liability Provisions, the Bank set aside more allowance in the last year as required by the competent authority. As a result, the Bad Debt Expense Provision is relatively reduced this year.

(5) Research and Development

The Bank's various divisions compile analyses of financial trends and research reports on bank operations and industry trends on both a regular and ad hoc basis in order to keep abreast of changes in the domestic and international economic situation and to facilitate the Bank growth. These reports are made available to all our staff as a reference source when forecasting market trends.

2. Overview of the 2017 Business Plan

The Bank works hard to provide customers with outstanding financial services that remain true to its corporate motto of "steadiness, proactiveness, professionalism, and enthusiasm". In the coming year, we will focus on the following tasks:

(1) Expanding the Business Scale

It is expected that the total amount of deposits (NTD and foreign currency) in 2017 will increase from NT\$344.99 billion at the end of 2016 to NT\$374.89 billion with an average annual growth of NT\$12.15 billion and an average business operation volume of NT\$362.74 billion; the total amount of loans (NTD and foreign currency) in 2017 will increase from NT\$263.64 billion at the end of 2016 to NT\$283.73 billion with an average annual growth of NT\$12.19 billion and the average business operation of NT\$274.91 billion. To expand its scale of deposits and loans, the Bank will set the minimum deposit / loan amount

and project schedule for each county / city Branch in 2017. It will not only focus on creating and enlarging the channel scale and economic benefits, but also visit customers and develop local markets with the spirit of offering customers a “smile service”. By doing so, the Bank will be able to promote the customer satisfaction level comprehensively and to expand the customer base.

(2) Increasing Revenue Diversity

Interest income is the main source of revenue for traditional commercial banks. To reach the profitable target of the Bank’s six-year growth project, the Bank not only continues to increase its scale of deposit and loans for generating more interest income, but also plans to increase the proportion of non-profit revenue (such as finance income, trust income, foreign exchange income, investment income and credit card income) through development strategies proposed by related business management departments:

- A. Finance: To continuously develop new accounts and strengthen management of financing strategies, projects and products.
- B. Trust: To continuously expand the scale of the real estate trust fund, voucher advance payment collection trust fund and family fortune trust fund; to open a testamentary trust fund, so as to achieve balanced development of businesses.
- C. Foreign exchange: To expand the trade finance and import/export businesses of DBU and OBU, enhance the performance of authorized foreign exchange branch and the e-commerce function of foreign exchange businesses.
- D. Investment: To expand the investment position, establish the most appropriate manpower configuration and professional investment operators, allocate and utilize short-term funds properly.
- E. Credit card: To actively increase the customer’s cardholding ratio and consumption amount, develop online business and increase the revenue generated from transaction fees.

(3) Continuing to Boost Income

The projected net profit of 2017 is based on 2016’s regular surplus before tax, which is NT\$2.7 billion plus the growth rate of 11.11% to get the total earnings before tax NT\$3.0 billion.

(4) Stabilizing Funding Sources and Reducing Funding Costs

In 2017 the Bank will be committed to maintain the stability of funding sources and reduce funding costs. That is, to satisfy our business development needs with stable funding. In the meantime, we will, on the premise that the deposit volume is stable, increase the proportion of demand deposit to reduce funding costs and enhance profitability.

(5) Adjusting Loan Structures

To have a steady operation and to cooperate with policies of the competent authorities, in 2017 the Bank has adjusted its lending target focus on SMEs loans and related services (such as trade finance, foreign exchanges), credit loans and other capital loans not listed in Article 72-2 of the Banking Act as they are offering a good profitability. Furthermore, under the consideration of risk control, the SME loans will be conducted by having a real estate security interest or small and medium business credit guarantee fund together with the second lien or offering of other valuable guarantees. In addition, it maintains the loans for Call Loan cases, to adjust the ratio of real estate loan in the total loan. Besides, it is also important to select the customers and learn about their actual operating status to ensure their repayment resources and capabilities to reduce the overall credit risk.

(6) Improving Asset Quality

The Bank’s goal is to ensure the non-performing loan ratio is under 0.08% and the loan-loss coverage ratio over 1,227.93% by the end of 2017. In addition, the Bank will strengthen the credit quality of new loans so as to reduce non-performing loan balance while working to collect distressed debts and increase recovery of bad debts as a way to continue to improve asset quality.

(7) Maintaining the BIS Ratio

To comply with regulations of competent authorities, to strengthen the Bank’s capital structure, and to gradually increase the BIS ratio according to the BASEL III schedule and have it reached 10.5% as soon as possible (as the 2019 standard level requested by BASEL III), the Bank will continue to pay attention to the proportion of loan products in 2017 in order to have the best allocation for risk assets. Besides, it will continue to increase level of profitability, increase capital in cash according to the plan, and issue subordinated bank debentures in order to increase its own capital and the BIS ratio.

(8) Developing e-Services

Following the popularization and prosperous development of telecommunications network and mobile technology,

emerging technology has gradually changed its payment methods and pattern. With diverse technology applications, banks have developed digital financial services as a new service pattern to create more values. Therefore, aiming to enhance our market competitions, Sunny Bank's major tasks in regard to electronic financial business in 2017 are:

- A. To plan "cloud counter" and provide online services such as digital deposit account and small-amount financing management.
- B. To continuously expand and increase the e-banking service items such as mobile APP and online banking platform, making these services more competitive.
- C. To promote the third-party payment service (collection, payment transfer and deposit payment services).
- D. To expand mobile payment services. In addition to the TSM mobile debit card and HCE mobile credit card that have been released currently, it plans to promote HCE mobile financial card, evaluate the development potential of Apple Pay, integrate the third-party payment system and provide an O2O e-commerce service.

3. Future Development Strategies

- (1) Maintaining sound operations and improving the Bank's financial structure.
- (2) Maintaining a good loan-to-deposit ratio and balanced development of deposit and lending business.
- (3) Ensuring risk management by strengthening risk control and credit approval criteria in order to improve the quality of loan assets.
- (4) Continuing to integrate and set up branches to enhance channel efficiency.
- (5) Implementing International Financial Reporting Standards (IFRS) in accordance with regulatory policy and continuing to enhance the efficiency of financial management in order to improve operational performance.
- (6) Enhance staff on job training and drawing up training programs to raise manpower quality.
- (7) Further developing core businesses to deepen relationships with customers, expand the customer base, and enhance customer contribution.
- (8) Continuing to expand overseas businesses to diversify income sources and enhance corporate competitiveness.

4. Impact from External Competitive Environment, Regulatory Environment, and Macroeconomic Environment

Despite a moderate recovery in the global economy, over-banking and weak capital demand in Taiwan, plus the benchmark interest rate continuously lowered by the central bank, have indirectly reduced the margin obtained by the banks from credit businesses.

In response to the Financial Supervisory Commission's "Banking 3.0" policy for creating a digital financial environment launched in 2015, the Bank will continue to strengthen and expand e-banking services through our mobile app and online banking platform, as well as the third-party payment system and services. In addition, the Executive Yuan launched the New Southbound Policy Promotion Program on September 5, 2016, with the aim to speed out the economic and trade cooperation in cross-strait and Southeast Asian regions. To keep in line with such trend, the Bank will be dedicated to promoting foreign exchange business, recruiting excellent international financial talents and expanding overseas sites, so as to diversify the sources of operating incomes. In the meantime, we will devise measures and revise internal guidelines or operating procedures in a timely manner in response to changes in regulations or the operational environment, so as to practice protection for consumers. To enhance competitiveness, we will also adapt our operational strategies to reflect the latest market and economic situation.

5. Credit Rating

On December 15 in 2016, Fitch Ratings has given the Bank "A-(tw)/ F2(twn)/ stable" for its long- and short-term credit ratings and rating outlook.

Chairman

CHEN, SHENG-HUNG (with seal)

President


DING, WEI-HAO (with seal)





2

II. Bank Profile

1. Date of Registration
 2. Company History
- 

1. Date of Registration

Date of Registration: September 1, 1997

Date of Commencement of Business: September 1, 1997

2. Company History

Previously known as “Yang Ming Shan Credit Cooperative”, the Bank was established on October 2, 1957 and reorganized as a bank on April 28, 1997, following approval by the Ministry of Finance. Later in the same year, Sunny Bank Corporation Ltd. officially started its operation on September 1, 1997. It was among the first group of credit cooperatives being reorganized into banks after the Ministry of Finance stipulated and issued “Standards and Regulations of Reorganizing Credit Cooperatives into Commercial Banks” on December 6, 1995 according to File No. Tai-Tsai-Jung No. 84784492.

On April 16, 1998, the Bank passed the ISO-9002 certification for its information and quality audit systems, and became the first certified bank in the nation. Before the annual meeting of shareholders held on June 4 of the same year, it announced this accreditation at a press conference and declared that it would uphold the quality policy of being “steadiness, proactiveness, professionalism, and enthusiasm” in order to have a sustainable business operation. Also to cooperate with the government policy and to solve issues of distressed financial institutions, Sunny Bank Co., Ltd. undertook the business of Yuanlin Credit Cooperative in Changhua and 2nd Credit Cooperative in Pingtung respectively on September 15, 2001. On August 24, 2002, it then took over the business of Tainan 5th Credit Cooperative and increased 21 branches in total. On July 20, 2004, it was approved to expand its business area and became a nationwide bank. To have competitive advantages in hand and to enlarge the scale and scope of its operation, Sunny Bank Co., Ltd merged with Kao Shin Commercial Bank on November 26, 2005, and increased its Branch number from 62 to 96. Later in September of 2007, the Bank established the Luotong Branch, which successfully expanded its service area to Eastern Taiwan. Then the Chupei, Chungsing and Changhua branches were successfully opened as well as the Eastern Taoyuan and Nangang branches (2010), Beitun Branch (2011), Tucheng and Keelung branches (2012). To have its service area covered every administration district in Taipei City, the Bank established the Wanhua Branch in 2013. To cooperate with FSC’s policy of balancing urban-rural development and improving the local financial services, the Bank has set up Hualien Branch, Miaoli Branch and Longjing Branch in 2014. To increase the distribution value of our branch offices and to cooperate with FSC policy mentioned above, the Bank has not only relocated Dali and Datong branches, but also set up Yunlin, Nantou, Taitung and Yilan branches in 2015. The Bank, which now has a network of 103 branch offices that covers principal administrative regions across the nation, has an even more complete financial service network. To promote the overall and regional business growth and operating development, the Bank upgraded the Xinhua mini-branch to a general branch in 2016. Not only can its branch offices support each other in business geographically, but also the Bank is managed, through complementary support of the region and channel integration, to enhance its market competitiveness and increase its market share and maximize its overall operating synergy.

To adapt to the rapidly changing financial market and to offer customers diversified financial services, the Bank not only bettered the operating capital, but also actively integrated itself into other financial areas and reinvested in Sunny Securities Co., Ltd., Sunny Life Insurance Brokerage Co., Ltd., Sunny Property & Insurance Brokerage Co., Ltd., Sunny Assets Management Co., Ltd., Sunny International Leasing Co., Ltd. and Sunny E-Commerce Co., Ltd.. These companies engage in brokerage, trading and settlement of listed and over-the-counter stocks, offer customers a variety of insurance products, carry out the purchase, valuation and auctioning of financial claims of financial institutions, and provide leasing and e-Business services. We hope to build on our existing customer contacts and regional presence in order to expand our services. In 2016, the Bank was approved to operate the life and property insurance agency business by the competent authority, and acquired the Sunny Life Insurance Agency Ltd., and Sunny Property Insurance Agency Ltd. by merger. The Insurance Agency Department was set up on January 20, 2017, which symbolized a new milestone in the development of the Bank in the insurance business. In the meantime, it integrates the bank resources and maximizes the operation synergy. Together with its advantage in site distribution and professional service, it provides the customer with better insurance service effectively.

The Bank will continue to focus on business development, to strengthen the quality and quantity of loans, and continue to clean up non-performing loans, minimize our all cost through expense assessment. We will raise capital adequacy ratio to strengthen financial and operational structure, diversify our incomes, improve customer service quality, enhance organizational efficiency, and to build an effective result-oriented culture to reach the goal of sustainable development.



3

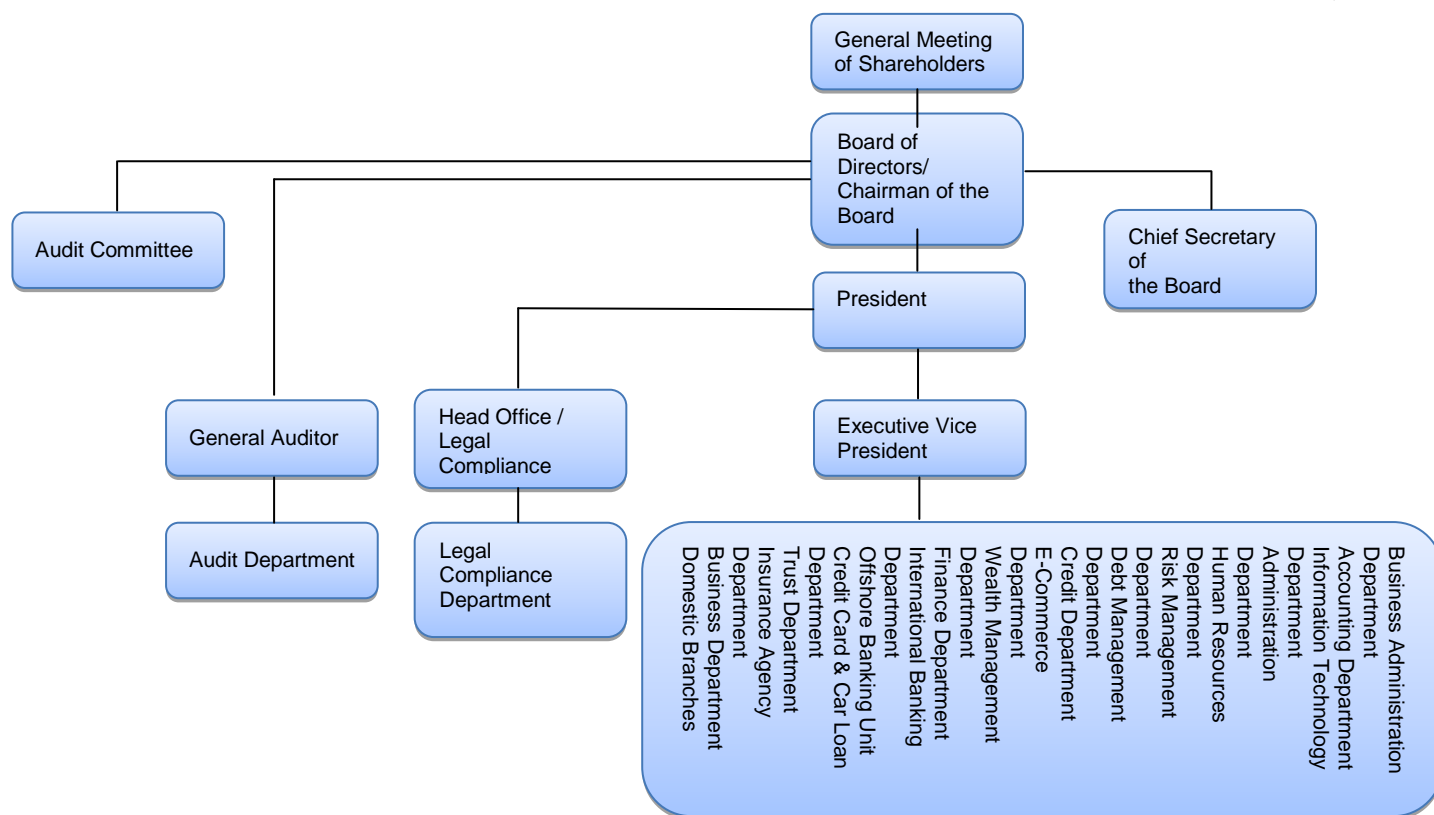
III. Corporate Governance Report

1. Organization
2. Board Directors and Supervisors
3. Distributions of Remuneration to Employees in the Last Year
4. Corporate Governance Operations
5. Alternation of CPA
6. The Bank's Chairman, President, and Financial or Accounting Managers, who ever served in CPA or Affiliated Associated Business in the Most Recent Years
7. Information on Related Party, Spouse, or Relatives within Second Degree of Kinship of the Bank's Ten Largest Shareholders
8. Numbers of Shares in the Same Reinvested Enterprises Held by the Bank and its Directors, Supervisors, President, Vice Presidents, Deputy Executive Vice Presidents, the Heads of Departments and Branches, and Enterprises Controlled Directly or Indirectly by the Bank, and Percentage of Consolidated Shareholding

1. Organization

(1) Organization Chart

As of January 31, 2017



(2) Major Business of Each Department

The Bank's headquarters is supported by the Business Administration Department, Accounting Department, Information Technology Department, Administration Department, Human Resources Department, Risk Management Department, Debt Management Department, Credit Department, E-Commerce Department, Wealth Management Department, Finance Department, Offshore Banking Unit, International Banking Department, Credit Card and Car Loan Department, Trust Department, Insurance Agency Department and Business Department; their major responsibilities are as follows:

- A. Business Administration Department: Operating strategies, administration policy, operating development plans and the overall marketing campaign proposal development and performance evaluation.
- B. Accounting Department: Operating budget compilation and review, approval and allocation, reconciliation and audit-related compilation, among other accounting management-related matters.
- C. Information Technology Department: Planning, drafting and management of the information business system and information operating system.
- D. Administration Department: Word processing, file management, general management, capital expenditures, and construction and repair.
- E. Human Resources Department: Staffing allocation, bank employee recruitment, hiring, appointment/dismissal, promotions, bank employees' local and foreign training and advanced study plans, budget and execution-related matters.
- F. Risk Management Department: The risk management policy, system, and mechanism's drafting, structuring and execution, as well as overall operating risk assessment, supervision, and control.
- G. Debt Management Department: Loan review follow-up evaluation, non-performing loan repayment collection, recourse debt collection, and pre-consultation's planning, supervision, and management.
- H. Credit Department: The Bank-wide lending policy drafting (revising) and loan review operations' supervision and management.
- I. E-Commerce Department: Operating strategy for e-banking, product development, management of e-banking systems and marketing

- J. Wealth Management Department: The wealth-management business's operating policy, business plan, operating objectives' drafting (revising) and management-related undertakings, related product research and development, marketing promotion, market research.
- K. Finance Department: The NTD-denominated and foreign currency-denominated capital operation and management, and financial and investment management.
- L. International Banking Department: Deposit and inward/outward remittance, import/export and foreign currency credit, trade finance and international banking related matters.
- M. Offshore Business Unit: The foreign exchange of offshore banking business's planning, promotion, and management.
- N. Credit Card and Car Loan Department: The credit card product and car loan business' planning, promotion, and management.
- O. Trust Department: The trust business' planning, promotion, and management.
- P. Insurance Agency Department: Insurance business, operation planning of life & property insurance products, product agency, and promotion.
- Q. Business Department: Operation of the deposit, exchange clearance, cashiering, representation, loan, foreign exchange, trust and money-management business processing.

The Bank also operates an audit department, which is charged with auditing the business, information, account administration, finance and articles in custody. The audit division and the auditors are under the command and supervision of the Chief Auditor. Legal Compliance Department is under the President. It is a unit that ensures legal compliance and is responsible for the planning, management and execution of legal compliance system. The Legal Compliance Department Manager, whom shall be designated by the President, is responsible for managing the Bank's legal compliance relevant affairs.

2. Board Directors and Supervisors

(1) Board and Supervisors

Baseline date: December 31, 2016

Position (Note 1)	Nationality or Place of Registrati on	Name	Gender	Date Elected (Emplo yed)	Term	Initial Elected Date (Note 2)	Holding at Election		Present Holding		Current Shares of Spouse and Minors		Holding Shares in Other Names		Education & Experience (Note 3)	Concurrent Positions at our Bank and Other Companies	Other Chief, Director or Supervisor as Spouse, Minors or any other Relatives within the second level relationships		
							Shares	Ratio %	Shares	Ratio %	Shares	Ratio %	Shares	Ratio %			Position	Name	Relations hip
Chairman	The Republic of China	Fu Li Yang Investment Co., Ltd.	Male	June 15, 2015	3 years	June 15, 2015	145,784,879	7.28	187,849,563	9.38	-	-	-	-	The 3rd to 7th Taipei City Councilor, President Director of Yang Ming Shan Credit Union, the 1st - 4th Chairman and 5th and 6th Managing Director of Sunny Bank, and the 4th & 5th legislator Graduated from University	Shareholder of Chuan Yam Construction Co., Ltd. and Chairman of Sunny Foundation	Director	Chen, Chin- Chia	Brothers
		Chen, Sheng-Hung					0	0.00	8,390,018	0.42	3,777,498	0.19	0	0.00			Manager	Ho, Li-Wei	Father & Son
							Manager	Chen, Ya-I	Father & Son										
Managing Director	The Republic of China	Liu, Chen-Sheng	Male	June 15, 2015	3 years	September 1, 1997	5,204,495	0.26	5,279,609	0.26	1,361,936	0.07	0	0.00	nterprise Co., Ltd.; Supervisor of Yang Ming Shan Credit Union; the 1st Director and the 2nd - 6th Managing Director of Sunny Bank; Chairman of Shihpai Tzuchiang General Market Co., Ltd.; graduated from Vocational High School	Director of Sunny Culture and Education Foundation	Assistant Vice President	Liu, Ming- Chieh	Father & Son
																	Manager	Liu, Ming-Che	Father & Son
																	Manager	Chen, Yao-Wen	Relatives by marriage
Managing Director	The Republic of China	Chang, Wu-Ping	Male	June 15, 2015	3 years	September 1, 1997	6,737,788	0.34	7,570,578	0.38	2,119,674	0.11	0	0.00	Director of Yang Ming Shan Credit Union; the 1st – 5th Director of Sunny Bank; the 6th Managing Supervisor of Sunny Bank; graduated from Senior Commercial High School	Shareholder of Ka Bi Trading Co., Ltd. and Chairman of Ping An Construction Co., Ltd.. Director of Sunny Culture and Education Foundation	None	None	None
Director	The Republic of China	Chen, Chin-Chia	Male			June 12, 2000	4,725,877	0.24	2,762,494	0.14	560,867	0.03	0	0.00	Co., Ltd.; the 2nd, 3rd, 5th and 6th Director of Sunny Bank; the 4th Managing Director of Sunny Bank; graduated from university	Director of Po Yun Enterprise Co., Ltd. and Director of Sunny Culture and Education Foundation. Chairman of Lichen Investment Co., Ltd.	Chairman	Chen, Sheng-Hung	Brothers

Director	The Republic of China	Hsieh, Yi-Tung	Male			June 22, 2009	399,264	0.02	609,011	0.03	1,440,145	0.07	0	0.00	Manager of The First Cooperative Association of Kaohsiung City; Assistant Manager of Business Department of Kao Shin Bank; and Branch Assistant Manager of Sunny Bank; the 5th and 6th Director of Sunny Bank; graduated from College	Assistance Vice President of Sunny Bank Branch	None	None	None
Director	The Republic of China	Ho, Shun-Cheng	Male	June 15, 2015	3 years	September 1, 1997	4,828,764	0.24	2,881,598	0.14	6,366,892	0.32	0	0.00	Person-in-Charge of Yuan Shun Jewelry Co., Ltd.; Director of Yang Ming Shan Credit Union; the 1st to 6th Director of Sunny Bank; Director of Sunny Life Insurance Brokerage Co., Ltd. and Director of Sunny Property Insurance Brokerage Co., Ltd.; graduated from Senior High School	Director of Hong Kuan Co., Ltd., Director of Sunny Culture and Education Foundation	None	None	None
Director	The Republic of China	Tsai, Wen-Hsiung	Male	June 15, 2015	3 years	September 1, 1997	7,513,765	0.38	6,668,264	0.33	4,551,636	0.23	0	0.00	C.P.A. of Chang Chi Union Accounting Office; Supervisor of Yang Ming Shan Credit Union; Director of Jui Hsiang Investment Co., Ltd.; the 1st – 6th Supervisor of Sunny Bank; Chairman of Sunny Securities Co., Ltd.; graduated from Graduate School	Director of Jui Hsiang Development Co., Ltd. and Director of Sunny Culture and Education Foundation	None	None	None
Director	The Republic of China	Chang, Shu-Ming	Male	June 15, 2015	3 years	June 15, 2015	6,649	0.00	7,469	0.00	0	0.00	0	0.00	Chairman of Cheng Yang Printing Co., Ltd., Chairman of Rising Sun Publishing Co., Ltd., Chairman of Ink Literary Monthly Co., Ltd., Chairman of Xinming Constructions Co., Ltd., Chairman of Gold Sunny Assets Management Co., Ltd.; graduated from college.	Printing Co., Ltd., Chairman of Rising Sun Publishing Co., Ltd., Director of Ink Literary Monthly Co., Ltd., Director of Hai Wang Printing Co., Ltd., , Director of Technology Books Co., Ltd., Director of Forward Graphic Enterprise Co., Ltd., Hai Wang Development and Constructions Co., Ltd., Director of Wisest Cultural Co., Ltd., Director of Xinming Constructions Co., Ltd., Director of Wisest Cultural Co., Ltd., Director of Jin Chen Investment Co., Ltd., Shareholder of Hai Wang Investment Co., Ltd., Person in Charge of Poet Tribe Magazine ("Shi Ren Bu Luo"), Person in Charge of Chen Yang Publishing, Person in Charge of Taiwan People ("Tai Wan Ren Min") Publishing, Shareholder of Lichen Investment Co., Ltd., Shareholder of Seaford Investment Ltd., Person in charge of Poet	Director	Chang, Shu-Hua	Brother

																Blog Magazine Publisher, Person in charge of Chengyang Publisher, Person in charge of Taiwan People's Publishing House			
Director	The Republic of China	Chang, Shu-Hua	Male	June 15, 2015	3 years	June 15, 2015	1,362	0.00	1,529	0.00	0	0.00	0	0.00	Chairman of Wisest Cultural Co., Ltd. and Jin Chen Investment Co., Ltd.; graduated from college, Chairman of Wisest Cultural Co., Ltd. and Jin Chen Investment Co., Ltd., Director of Hai Wang Development and Constructions Co., Ltd., Director of Rising Sun Publishing Co., Ltd., Shareholder of Xinming Constructions Co., Ltd., Shareholder of Hai Wang Investment Co., Ltd., Shareholder of Wisest Cultural Co., Ltd., Shareholder of Likun Investment Ltd.	Director	Chang, Shu-Ming	Brother	
Director	The Republic of China	Fu Li Yang Investment Co., Ltd.	Male	June 15, 2015	3 years	June 15, 2015	145,784,879	7.28	187,849,563	9.38	-	-	-	-	Manager of Trust Department of Taipei Business Bank; Manager of Business Department of Taipei Business Bank; Vice President & President of Sunny Bank; the 2nd-4th Director of Sunny Bank; 5th and 6th supervisor of Sunny Bank; Chairman of Sunny Securities Co., Ltd.; graduated from University	Director of Sunny Culture and Education Foundation	None	None	None
		Representative: Lin, Chin-Lung					0	0.00	1,843,587	0.09	1,516,688	0.08	0	0.00					
Independent Managing Director	The Republic of China	Wu, Wen-Cheng	Male	June 15, 2015	3 years	June 22, 2009	0	0.00	0	0.00	962,665	0.05	0	0.00	CPA of Guang Yan CPAs Co.; 5th and 6th Independent Managing Director of Sunny Bank; graduated from University	Supervisor of Young Fast Optoelectronics Co., Ltd.	None	None	None
Independent Director	The Republic of China	Wu, Fu-Kui	Male	June 15, 2015	3 years	June 15, 2015	0	0.00	0	0.00	0	0.00	0	0.00	Legislator, Delegates of National Assembly and Adjunct Lecturer of Department of Technology Management of Chung Hua University; graduated from graduate school	None	None	None	None
Independent Director	The Republic of China	Yang, Chang-Feng	Male	June 15, 2015	3 years	June 15, 2015	0	0.00	0	0.00	0	0.00	0	0.00	Director of AIPT International Law Office and Headquarter of AIPT Patent, Trademark and Law Office; graduated from graduate school	Chairman of AIPT Technology Co., Ltd., Chairman of Rui Yu Investment Co., Ltd., Chairman of AIPT Yu Feng Co., Ltd., Director of An Yi Investment Co., Ltd., Supervisor of AIPT Biotechnology Co., Ltd., Supervisor of Hong You Enterprise Co., Ltd.	None	None	None

Note1 : For institutional shareholder, shall remark name of the institution shareholders and fill the major institution Shareholders.

Note 2: The time of taking the position of bank Director or Supervisor shall be filled. Any interruption shall be noted in remarks.

Note 3: In regard to experiences related to current position, anyone who ever served in auditing CPA or affiliated associated business shall have position and duty specified.

(2) Institutional Shareholders

A. Major Institutional Shareholders

Baseline date: December 31, 2016

Name of Institutional Shareholder (Note 1)	Major Institutional Shareholders (Note 2)	Shareholding %
Fu Li Yang Investment Co., Ltd.	Hsueh Ling	99.77%

Note 1: For directors and supervisors acting as the representatives of institutional shareholders, this section shall indicate the names of the institutional shareholders.

Note 2: Name and holding percentage of major shareholders (10 largest shareholders) shall be listed. Major shareholders who are institutional shareholders shall fill "Major Shareholder as the Major Institutional Shareholders".

B. Major Shareholder of Institutional Shareholders: None

3. Distributions of Remuneration to Employees in the Last Year

(1) Name of Managers to Whom Employee's Bonuses are paid and the Distribution of Bonuses

As of Dec 31, 2016

Unit: NT\$1,000; %

Position (note 1)	Name (note 1)	Amount of stock (Note 2)	Amount of cash (Note 2)	Total	Ratio to Net Income after Tax (%)
Manager(Note 3)	President	Ding,Wei-Hao	-	15,826	0.68
	Secretary General	Wu Rui-Xiang			
	Senior Vice President	Ho,Kung-Tang			
	Vice President	Chang,Chi-Ming			
	Vice President	Kuo,Chih-Hung			
	Vice President	Chen Yang-You			
	Head Office /Legal Compliance Manager	Li, Wen-Kuang			
	Assistant Vice President	Chen,Cheng-Feng			
	Assistant Vice President	Liu, Ming-Chieh			
	Assistant Vice President	Chen I-Huan			
	Assistant Vice President	Chu Jia-Long			
	Assistant Vice President	He Li-Wei			
	Assistant Vice President	Lv Xin-You			
	Assistant Vice President	Yang Jin-Bing			
	Assistant Vice President	Long Wan-Li			
	Assistant Vice President	Song Ping-Ping			
	Assistant Vice President	Shen You-Xin			
	Assistant Vice President	Liu, Yen-Hsing			
	Assistant Vice President	Yu Shih-Rong			
	Assistant Vice President	Li Qing-Cheng			
	Assistant Vice President	Chen Xian-Qun			
	Assistant Vice President	Chen Hui-Lin			

Assistant Vice President	Lu, Kun-Fa			
Assistant Vice President	Wang Lian-Da			
Assistant Vice President	Hsieh Yi-Dong			
Assistant Vice President	Huang Xian-Zhang			
Assistant Vice President	Wang, Chien-Yi			
Assistant Vice President	Huang, Yen-Chun			
Assistant Vice President	Wang, Ya-Hsun			
Assistant Vice President	Li, Yu-Sheng			
Assistant Vice President	Kuo, Cheng-Hung			
Assistant Vice President	Gan Wu-Zheng			
Manager	Kuo, Su-Chu			
Manager	Ruan Jian-Zhong			
Manager	Hu Ji-Min			
Manager	Chen Yao-Wen			
Manager	Li Tai-Ru			
Manager	Chuang Jian-Ren			
Manager	Chang Min-Can			
Manager	Chen Zheng-Ting			
Manager	Lin Guo-Hong			
Manager	Chang Qiong-Wen			
Manager	Liu Ming-Zhe			
Manager	Li Jun-Zhe			
Manager	Chen Guo-Hui			
Manager	Jiang Dong-Sheng			
Manager	He Jun-Liang			
Manager	Qian Chuan-Ren			
Manager	Hu Jun-Wei			
Manager	Yang Yi-Zhen			
Manager	Lin Chen-Zhen			
Manager	Wei Jun-Zhi			
Manager	Zhang Jun-Xiong			
Manager	Liao De-Feng			
Manager	Liu Yi-Fang			
Manager	Li Ting-Tong			
Manager	Liu Hong-Qi			
Manager	Shi Bo-Fu			
Manager	Lin Yong-Zhen			
Manager	Lin Qing-Yuan			
Manager	Li Xu-Zhang			
Manager	Liu Guo-Yin			
Manager	Lin Yi-Ying			
Manager	Xu Sheng-Bin			
Manager	Xu Bao-Yuan			
Manager	Tsai Wei-Yong			
Manager	Yang Bao-Gui			
Manager	Yang Ying-Chong			
Manager	Chong Ling-Ling			
Manager	Ceng Jian-Jia			
Manager	Cheng Yuan-De			

	Manager	Chao Hui-Zhen				
	Manager	Tu Yong-Yan				
	Manager	Wu Sheng-Yi				
	Manager	Cheng Guang-Cheng				
	Manager	Li Ying-Shi				
	Manager	Huang Cheng-Jin				
	Manager	Lin Qing-Ji				
	Manager	Huang Shou-Wen				
	Manager	Jian Shi-Yao				
	Manager	Xu Jin-Gen				
	Manager	Fu Jian-Hua				
	Manager	Pan Cheng-Ren				
	Manager	Xu Chen-Huang				
	Manager	Liu Min-Xiang				
	Manager	Lv Han-Kun				
	Manager	Chao Yu-Qin				
	Manager	Li Jun-Yu				
	Manager	Cui Jing-Zhi				
	Manager	Xu Da-Guang				
	Manager	Zhuang Yong-Fu				
	Manager	Chen Yan-Zhu				
	Manager	Xu Zhen-Yuan				
	Manager	Zhong Min-Yuan				
	Manager	Shih Yong-Xiang				
	Manager	Wang Wei-Kuan				
	Manager	Kuo Jian-Yun				
	Manager	Lv Zhi-Hong				
	Manager	Kuo Mao-Qian				
	Manager	Pang Zhi-Wen				
	Manager	Geng Yu-Juan				
	Manager	Wu Rong-Ji				
	Manager	Lv Dong-Sheng				
	Manager	Pan Guang-Ju				
	Manager	Chen Yi-Xu				
	Manager	Chou Bai-Cheng				
	Manager	Lin Zhi-Qiang				
	Manager	Chou Zhi-Wei				
	Manager	Chen Bo-Zhi				
	Manager	Su Bo-Nian				
	Manager	Li Zong-Yan				
	Manager	Hsieh Zong-Yu				
	Manager	Chen Nian-Hui				
	Manager	Chang Xue-Fang				
	Manager	Lin Yu-Qin				
	Manager	Chen Yu-Liang				
	Manager	Yang Lian-Ze				
	Manager	Hong Rong-Zong				
	Manager	Chen Ya-Yi				
	Manager	Liu Zong-Xun				
	Manager	Wang Shun-Xiang				
	Manager	Cheng Yan-Qing				

Note 1: Individual names and positions shall be disclosed together with the distribution of profit as a summary.

Note 2: It is based on the employee remunerations (stock and cash) that are distributed for managers according to resolutions of the Board of Directors in the last year.

Where the amount cannot be estimated, last year's ratio of profit distribution shall be used to calculate the amount for this year. Net income after tax refers to the net profit stated in separate or individual financial statements of the last year.

Note 3: The scope of applications of the term "managers" shall refer to regulations of Letter Tai-Cai-Zheng-San-Zi No. 0920001301 issued by Financial Supervisory

Commission on March 27, 2003. Below is the scope of applications:

- (1) President and those with equivalent level
- (2) Vice President and those with equivalent level
- (3) Assistant Vice President and those with equivalent level
- (4) Director of Finance Department
- (5) Director of Accounting Department
- (6) Other people who manage corporate affairs and have the right to sign papers.

Note 4: For the Directors, President and Vice President that are distributed with employee bonuses (including stock and cash), it shall fill in this table in addition to table 1-2 in the Appendix 2

(2) Analysis of the Ratio between Total Remuneration for the Last Two Years to the Net Income After Tax, the Former Being Paid to Directors, Supervisors, President, and Vice Presidents; Description of Remuneration Payment Policy, Criteria, and Packages; Process for Determining Remuneration and Possible Impact on Business Performance and Future Risks

A. Analysis of the ratio between total remuneration for the last two years to the net income after tax, the former being paid to Directors, Supervisors, President, and Vice Presidents.

Remunerations to the Bank's Directors, President and Vice Presidents (including those stated in financial statements) in 2016 are reduced due to the increase of net profit after tax in 2016 and the re-election of Directors in 2015.

Position \ Ratio (note)	2016		2015	
	Sunny Bank	All Companies included in the Financial Statement Sunny	Sunny Bank	All Companies included in the Financial Statement
Directors	2.18%	2.18%	2.53%	2.72%
Supervisors	-	-	0.33%	0.34%
President and Vice Presidents	1.38%	1.42%	1.51%	1.66%

Note: The net profit after tax of the 2016 and 2015 individual financial statement were NT\$2,339,018,000 and NT\$2,057,272,000 respectively.

B. Remuneration payment policy, criteria, and packages; process for determining remuneration and connection to business performance and future risk

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

4. Corporate Governance Operations

(1) Operations of the Board of Directors

The Board of Directors held 6 meetings in the last year. The attendance of the directors and supervisors is as follows:

Title	Name (Note 1)	Attendance (Presence) in Person	Attendance by Proxy	Attendance (Presence) Rate (%) (Note 2)	Remarks
Chairman	Representative of Fu Li Yang Investment Co., Ltd.: Chen, Sheng-Hung	6	0	100	None
Director a	Liu, Chen-Sheng	5	0	83	None
Director b	Chang, Wu-Ping	6	0	100	None
Director c	Chen, Chin-Chia	0	0	0	None
Director d	Ho, Shun-Cheng	4	0	67	None

Director e	Tsai, Wen-Hsiung	5	0	83	None
Director f	Representative of Fu Li Yang Investment Co., Ltd.: Lin, Chin-Lung	6	0	100	None
Director g	Hsieh, Yi-Tung	6	0	100	None
Director h	Chang, Shu-Ming	6	0	100	None
Director i	Chang, Shu-Hua	6	0	100	None
Independent Director a	Wu, Wen-Cheng	6	0	100	None
Independent Director B	Wu, Fu-Kui	6	0	100	None
Independent Director C	Yang, Chang-Feng	6	0	100	None

Other Noticeable Particulars:

1. If one of the following situations occurs to the operations of the Board, the directors' names, term, proposal content, the opinions of all independent directors and the corporate handling of such opinions should be detailed:

(1) Items listed in Article 14-3 of the Securities and Exchange Act:

Date	Term/No. of Meeting	Proposal Content	Opinions of All Independent Directors	Company's Response for Such Opinions
January 15, 2016	The 7th term & 7th meeting	1. Loan for interested parties. 2. Disposal of land on Minsheng Section, Yuanlin City, Changhua County.	Approved	-
March 22, 2016	The 7th term & 8th meeting	1. Proposal for CPA appointment 2. Loan for interested parties 3. Amendments on the Bank's Operating Procedures for Financial Derivatives Transactions 4. Amendments on the Standards and Code of Internal Control System for the Stock Affairs Section of the Bank 5. Amendments on the internal audit enforcement rules	Approved	-
May 31, 2016	The 7th term & 9th meeting	1. Proposal for capital increase out of earnings with new stocks in 2015 2. Proposal for capital increase by cash in 2016 3. Proposal to merge Sunny Life Insurance Co., Ltd. and Sunny Property Insurance Co., Ltd.	Approved	For proposal 3 listed on the left, independent director Wu Wen-Cheng suggested evaluating the feasibility of fund reduction if it is not planned to be used in business after Sunny Securities Co., Ltd. acquired a large amount of funds. The Bank submitted the evaluation result in the 10 th board meeting of the 7 th term on August 16, 2016.
August 16, 2016	The 7th term & 10th meeting	1. Proposal to sell bonds issued by Kaupthing ehf	Approved	-

		2. Amendments on the Management Regulations on the Investment in Securities of the Bank 3. Amendments on the internal control system of self-run securities of the Bank 4. Amendments on the Bank's enforcement rules of the internal audit for securities firms (self-run securities business of the Financial Department) 5. Purchasing shares of Sunny Securities Co., Ltd.		
September 30, 2016	The 7th term & 11th meeting	1. Proposal to suspend sales of Kaupthing ehf bonds 2. Loan for interested parties 3. Amendments on the Bank's internal audit regulations	Approved	-
December 06, 2016	The 7th term & 12th meeting	1. Proposal to merge Sunny Life Insurance Agency Co., Ltd. and Sunny Property Insurance Agency Co., Ltd. 2. Amendments on the Bank's Operating Procedures for Financial Derivatives Transactions 3. Amendments on the 2017 annual audit plan of the Bank. 4. Proposal to conduct the 2017 annual audit plan based on the self-run securities business of the Financial Department of the Bank 5. Loan for interested parties	Approved	-

(2) Besides the above items, other resolutions of the Board to which independent directors show objection or reservation on with records or written statements: None

2. In regard to the execution of Directors' interest avoidance of any involving resolution, Directors' names, proposal content, reasons for interest avoidance and the voting participation should be included:

Date	Term/No.	Name of Directors	Proposal Content	Reason for Interest Avoidance	Voting Participation
January 15, 2016	The 7th term & 7th meeting	Chang Shu-Ming, Chang Shu-Hua	Credit granting	Loans to the interested parties as regulated by the Banks Act.	Discussion and voting avoided
March 22, 2016	The 7th term & 8th meeting	Chen Sheng-Hung, Liu Cheng-Sheng, Chang Wu-Ping, Ho Shun-Cheng, Tsai Wen-Hsiung, Lin Chin-Long	The Bank's donation to Sunny Culture & Education Foundation	Donation to interested parties as regulated by the Regulations Governing Procedure for Board of Directors Meetings of Public Companies	Discussion and voting avoided
March 22, 2016	The 7th term & 8th meeting	Chen Sheng-Hung	Credit granting	Loans to the interested parties as regulated by the	Discussion and voting avoided

				Banks Act	
March 22, 2016	The 7th term & 8th meeting	Chang Shu-Ming, Chang Shu-Hua	Credit granting	Loans to the interested parties as regulated by the Banks Act.	Discussion and voting avoided
May 31, 2016	The 7th term & 9th meeting	Chang Shu-Ming, Chang Shu-Hua	Credit granting	Loans to the interested parties as regulated by the Banks Act.	Discussion and voting avoided
September 30, 2016	The 7th term & 11th meeting	Chang Shu-Ming, Chang Shu-Hua	Credit granting	Loans to the interested parties as regulated by the Banks Act.	Discussion and voting avoided
December 06, 2016	The 7th term & 12th meeting	Chen Sheng-Hung	Credit granting	Loans to the interested parties as regulated by the Banks Act.	Discussion and voting avoided

3. Goals of enhancing the function of the Board of Directors of the year and the last year (such as establishing the Audit Committee to enhance the transparency of information) and an implementation assessment: None

Note 1: For the entity directors and supervisors, the name of entity shareholder and the name of its representative shall be disclosed.

Note 2: (1) If any director or supervisor resigns before the end of the year, the resignation date shall be specified in the Remarks column. As for the attendance (presence) rate (%), it shall be calculated based on the number of board meetings and the times of attendance (presence) in person during the service term.

(2) If any director or supervisor is re-elected before the end of the year, the former and current director/supervisor shall be listed and specified whether the director/supervisor is former/current/re-appointed, as well as the re-election date. As for the attendance (presence) rate (%), it shall be calculated based on the number of board meetings and the times of attendance (presence) in person during the service term.

(2) Operations of Audit Committee or Supervisors' Participation in the Operation of the Board

The Audit Committee held 6 meetings in the last year. The attendance of independent directors is as follows:

Title	Name	Attendance (Presence) in Person	Attendance by Proxy	Attendance (Presence) Rate (%) (Note)	Remarks
Independent Director a	Wu, Wen-Cheng	6	0	100	None
Independent Director b	Wu, Fu-Kui	6	0	100	None
Independent Director c	Yang, Chang-Feng	6	0	100	None

Other Noticeable Particulars:

1. If any of the following situations occurs to the operation of the Audit Committee, the date of the Board of Directors meeting, term of Board of Directors, proposal content, resolution of the Audit Committee and the Company's response shall be specified.

(1) Items listed in Article 14-5 of the Securities and Exchange Act:

Date	Term/No. of Meeting	Proposal Content	Resolution of the Audit Committee	Company's Response to the Opinion of the Audit Committee
January 15, 2016	The 1 st term & 6 th meeting	1. Proposal for the remunerations for directors, supervisors and employees in 2015 2. Loan for interested parties 3. Disposal of land on Minsheng Section, Yuanlin City, Changhua County	Approved	-
March 22, 2016	The 1 st term & 7 th meeting	1. Proposal for CPA appointment 2. Proposal to review the 2015 Business Report and Financial Statement 3. Proposal to review the remunerations for	Approved	-

		<p>directors, supervisors and employees in 2015</p> <p>4. Proposal of the 2015 earnings distribution</p> <p>5. Proposal for capital increase out of earnings with new stocks in 2015</p> <p>6. The Bank's donation to Sunny Culture & Education Foundation</p> <p>7. Loan for interested parties</p> <p>8. Amendments on the Bank's Operating Procedures for Financial Derivatives Transactions</p> <p>9. Amendments on the Standards and Code of Internal Control System for the Stock Affairs Section of the Bank</p> <p>10. Amendments on the internal audit enforcement rules</p> <p>11. Statement of the internal control system</p>		
May 31, 2016	The 1 st term & 8 th meeting	<p>1. Proposal to distribute remuneration for directors and supervisors in 2015</p> <p>2. Proposal for handling capital increase out of earnings with new stocks in 2015</p> <p>3. Proposal for handling capital increase by cash in 2016</p> <p>4. Proposal to merge Sunny Life Insurance Co., Ltd. and Sunny Property Insurance Co., Ltd.</p> <p>5. Loan for interested parties</p>	All proposals are passed. For proposal 4 listed on the left, the resolution "it should evaluate the feasibility of fund reduction if it is not planned to be used in business after Sunny Securities Co., Ltd. acquired a large amount of funds" is attached.	For the resolution attached for the proposal 4 listed on the left, the Bank submitted the evaluation result in the 10th board meeting of the 7th term on August 16, 2016.
August 16, 2016	The 1 st term & 9 th meeting	<p>1. Proposal to sell bonds issued by Kaupthing ehf</p> <p>2. Amendments on the Management Regulations on the Investment in Securities of the Bank</p> <p>3. Amendments on the internal control system of self-run securities of the Bank</p> <p>4. Amendments on the Bank's enforcement rules of the internal audit for securities firms (self-run securities business of the Financial Department)</p> <p>5. Audit of the Individual Financial Statement and the Consolidated Financial Statement of the Bank in the first half of 2016</p> <p>6. Purchasing shares of Sunny Securities Co., Ltd.</p>	Approved	-
September 30, 2016	The 1 st term & 10 th meeting	<p>1. Proposal to suspend sales of Kaupthing ehf bonds</p> <p>2. Loan for interested parties</p> <p>3. Amendments on the Bank's internal audit</p>	Approved	-

		regulations. 4. Appointment of CPA to present opinions for the reasonableness of shareholder cash distribution for the merger of Sunny Insurance Agency Co., Ltd. and Sunny Insurance Brokerage Co., Ltd.		
December 06, 2016	The 1 st term & 11 th meeting	1. Proposal to merge Sunny Life Insurance Agency Co., Ltd. and Sunny Property Insurance Agency Co., Ltd. 2. Amendments on the Bank's Operating Procedures for Financial Derivatives Transactions 3. Amendments on the 2017 annual audit plan of the Bank 4. Proposal to conduct the 2017 annual audit plan based on the self-run securities business of the Financial Department of the Bank 5. Loan for interested parties 6. Office rental renewal for Sunny Securities Co., Ltd.	Approved	-

(2) Besides the above items, other resolutions that were not passed by the Audit Committee but approved by more than two thirds of the directors:
None

2. In regard to the execution of the independent directors' interest avoidance of any involving resolution, independent directors' names, proposal content, reasons for interest avoidance and the voting participation should be included: None.
3. The communication between the independent director, internal audit manager and the CPA (the major items, methods and results of the communication on the corporate financial and business condition shall be included):
- (1) Internal audit report is submitted to the independent directors and the Audit Committee for review.
- (2) The status of internal audit work is submitted to each board meeting and audit committee meeting, which shall be presented by the general auditor. Moreover, full communication with the independent directors shall be ensured.
- (3) The financial audit institution, the CPA, the internal audit unit or the internal departments shall check the audit opinions and deficiencies on their own. The tracking and improvement status of items to be improved as listed in the internal control system statement are submitted to the board meeting and audit committee meeting, which shall be presented by the general auditor. Moreover, full communication with the independent directors shall be ensured.
- (4) The annual meeting shall be held among the directors, independent directors, general auditor and auditors, which shall be recorded as well. The record shall be submitted to the board meeting and the audit committee meeting.
- (5) The 2017 annual audit plan for the Bank and 2017 annual audit plan for the self-run bonds business of the Financial Department are submitted to the board meeting and audit committee meeting as required, which shall be presented by the general auditor. Moreover, full communication with the independent directors shall be ensured.
- (6) The annual and semi-annual consolidated financial statements are submitted to the board meeting and audit committee meeting as required, which shall be presented by the general auditor. Moreover, full communication with the independent directors shall be ensured.
- (7) The financial and business condition is submitted to each board meeting, which shall be presented by the manager of the Business Management Department, and full communication with the independent directors shall be ensured.

Notes:

- * If any independent director resigns before the end of the year, the resignation date shall be specified in the Remarks column. As for the attendance (presence) rate (%), it shall be calculated based on the number of audit committee meetings and the times of attendance (presence) in person during the service term.
- * If any independent director is re-elected before the end of the year, the former and current director/supervisor shall listed, and specified whether the director/supervisor is former/current/re-appointed, as well as the re-election date. As for the attendance (presence) rate (%), it shall be calculated based on the number of audit committee meetings and the times of attendance (presence) in person during the service term.

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

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

(4) Execution of Corporate Governance Execution Status and Deviations from "Corporate Governance Best-Practice Principles for The Banking Industry":

Evaluation Items	Execution (Note)			Discrepancy with Bank Industry's Corporate Governance Principles and Reasons
	Yes	No	Interpretations	
1. Ownership Structure and Shareholders' Equity (1) Does the Bank implement a set of internal procedures to handle shareholders' suggestions, queries, disputes and litigations and if relevant procedures are conducted accordingly? (2) Does the Bank keep track on the major shareholders and their ultimate controller? (3) Does the Bank set up a firewall and risk control mechanism to reduce risks involved in operations with its affiliates?	✓ ✓ ✓		(1) Stocks Affairs Section is set up under Administration Department for shareholders' related affairs. Communication channel is smooth. (2) Stock Services Section under the Administration Department is in charge of monitoring shareholding of shareholders. (3) Affiliated relevant affairs are conducted according to The Banking Act, regulations of the competent authority and the Bank's internal management rules	No Discrepancy
Organization and Responsibilities of the Board of Directors No Discrepancy (1) Apart from the Remuneration Committee and Audit Committee, does the Bank voluntarily set up other functional committees? (2) Does the Bank periodically evaluate the independence of CPAs?	✓ ✓	✓	(1) The Bank has, on April 14 of 2015, established Audit Committee and stipulated Regulations governing the Audit Committee. The Committee is formed by all Independent Directors. The Bank also stipulated regulations governing employee remunerations, rewards and awards. It is planned to set up Remuneration Committee. (2) The CPA engaged by the Bank each year are to meet the critical criterion of professionalism, responsibility and independence, and are required to submit a filing for motioning by the board when processing financial and taxation authentication.	No Discrepancy
3. Does a publically listed bank set up a special (concurrent) unit or personnel responsible for the corporate governance related affairs (including not limited to providing the data required by the directors and supervisors to implement the business, deal with the matters related to the board meetings and shareholders' meetings, handle the corporate registration and change registration, prepare the minutes of the board meetings and shareholders' meetings)?		✓	The Bank is not publically listed.	No Discrepancy
4. Does the Bank establish communication channels with interested parties?	✓		Smooth communication channels have been established as regulated.	No Discrepancy
5. Disclosure of Information (1) Does the Bank set up website to disclose financial and corporate governance relevant information? (2) Does the Bank have other information disclosure channels (such as establishing the English website, appointing a personnel to collect and disclose the Bank's information, implementing spokesman's system and placing information of the investor conference on the Bank's website)	✓ ✓		(1) The Bank website: http://www.sunnybank.com.tw , which discloses financial status and corporate governance information. (2) The Bank has appointed personnel to collect and disclose the Bank's information. It also established spokesman's system.	No Discrepancy
6. Does the Bank have other relevant information that facilitate the Bank's corporate governance practices (including but not limited to employees' rights and interests, cares to employees, investor relations, rights and benefits of interested parties, continuous education of Directors and Supervisors, implementation of risk management policy and risk evaluation standards, liability insurances purchased by the Bank for Directors	✓		1. Employees' rights and interests: (1) Employees are provided with labor insurance, health insurance and group insurance. (2) Meetings are held on a regular basis between employers and employees to maintain an open channel of communications. (3) Work principles are established and modified according to the changes in laws, labor	No Discrepancy

and Supervisors, and donations to political parties, stakeholders and public welfare groups)		<p>agreement or management system; work principles are provided at the Bank's internal website for employees' access after submitted to the bureaus of labor affairs of Taipei City governments.</p> <p>2. Cares to employees:</p> <p>(1) Free physical checkups for employees on a regular basis.</p> <p>(2) "Employee Welfare Committee" is established as legally required in order to provide employee welfare; such as birthday gift bonus, bonus for Chinese Lunar New Year, Dragon Boat Festival and Moon Festival and subsidies for weddings, funerals, emergencies, accidents, and club activities.</p> <p>3. Investor relations, rights and benefits of interested parties: It is posted in the Legal Disclosure Items of MOPS, which is available to the public. Through real and reliable information delivery, it improves the information transparency and the investor's trust towards the Bank. On the part of the interested party, it is subject to the "Operation Guidelines for Interested Parties" and "Guidelines for Credit Granting and Other Transactions for the Interested Parties".</p> <p>4. Continuous education of Directors and Supervisors: the Bank continues to keep the Directors and Supervisors updated with amendment to regulations of corporate governance and helps Directors and Supervisors arranging education courses.</p> <p>5. Risk management policy and risk measurement standard execution: The Bank has established Trust Department, Risk Management Department and Debt Management Department to proceed with load review on loan cases, including country risk, market risk, operational risk, and credit risk as well as debt collection and management to perform conscientious and complete risk management. Besides, the Bank has standardized operating procedures to prevent operational risks and conducted internal audit for implementation results.</p> <p>6. Client policy execution: the Bank has established customer service center to provide consultation services. It also set up client complaint channels to respond to customers' needs and to maintain their rights and benefits.</p> <p>7. Liability insurance on for Directors and Supervisors: the Bank has not purchased liability insurance for directors and supervisors.</p> <p>8. Donations to political parties, stakeholders and charity groups: The Bank has stipulated "Regulations Governing Donation Outlay" to regulate donations to political parties, stakeholders and charity groups. Please refer to "(6) Fulfillment of social responsibilities" for details of donation to interested parties and charity groups in 2016.</p>	
7. Detail the improvement based on the corporate governance assessment result announced by the TWSE Corporate Governance Center in the last year; propose the urgent matters and actions for the items not improved: The Bank is not listed for corporate governance assessment.			

Note : Whether "Yes" or "No" has been ticked the field "Execution" , it is a must to make descriptions in the field of "Interpretation" .

(5) The makeup and responsibility of a remuneration committee, and the state of its implementation:

None

(6) Internal control execution discloses the following:**A. Statement of Internal Control****Statement for the Internal Control System of Sunny Bank Co., Ltd.**

TO Financial Supervisory Commission

The internal control system of Sunny Bank Co., Ltd. from January 1 of 2016 to December 31 of 2016 was established in compliance with “the Implementation Rules for Bank Internal Audit and Internal Control System” and made effective in terms of risk management. It was audited by an independent auditing department which reports to the Board of Directors and the Audit Committee regularly (for the bank’s securities business, the Bank also determines if the design and implementation of the internal control system are effective based on the criteria provided in the “Guidelines for the Establishment of Internal Control Systems by Securities and Futures Related Organizations”). After careful evaluation, it is confirmed that the Bank’s internal control system and compliance with applicable law and regulations have been effective for the year stated. This Statement shall become a major part of the annual report and prospectus of the Bank and be made public. Any false representation or concealment in this Statement shall be subject to legal consequences as stipulated in Articles 20, 32, 171 and 174 of the Securities & Exchange Act.

Sincerely yours,

Declarers

Chairman:

Chen, Sheng-Hung (with seal & signature)

: 陳勝宏



President:

Ding, Wei-Hao (with seal & signature)

: 丁偉豪



General Auditor:

Chen, Cheng-Feng (with seal & signature)

: 陳正豐



Compliance Officer of the Head Office:

Li, Wen-Kuang (with seal & signature)

: 李文光



February 22th, 2017

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

Date: April 21, 2017

TO Financial Supervisory Commission :

The Bank (the extended company after merger) hereby makes the following Statement based on the self-evaluation result of Sunny Life Insurance Agency Co., Ltd. (the annihilated company after merger) on its internal control system from January 1 of 2016 to December 31 of 2016:

1. The Bank is aware that it is the duty of the directors and managerial team to establish, implement and maintain the internal control system, which is already formulated in the Bank. It aims to provide reasonable assurance for the goal achievement such as the soundness of the business operations, report reliability and regulatory compliance.
2. Due to the innate restriction of the internal control system, no matter how perfect the design is, the valid internal control system could only provide reasonable assurance for the achievement of the above three goals. Moreover, the changes in the environment and situation may also possibly change the validity of the internal control system. However, the internal control system of the Bank has a self-supervision mechanism. Once any deficiency is confirmed, the Bank will take corrective actions immediately.
3. The Bank judges whether the design and implementation of the internal control system are effective based on the criteria provided in the "Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies" which had been promulgated by the Financial Supervisory Commission's Securities and Futures Bureau), which shall at least include the following elements: 1. Control environment, 2. Risk evaluation, 3. Control operation, 4. Information and communication, and 5. Supervision operation.
4. The Bank has checked the validity of the design and implementation of the internal control system based on the criteria for internal control systems as listed above.
5. According to the above inspection result, the Bank believes the internal control system during the said period (including the awareness of operation soundness, report reliability and regulatory compliance) is effective in terms of the design and implementation, which can assure the achievement of above goals reasonably.
6. This Statement shall become a major part of the annual report and prospectus of the Bank and be made public. Any false representation or concealment in this Statement shall be subject to legal consequences as stipulated in Articles 20, 32, 171 and 174 of the Securities & Exchange Act.
7. The Statement was passed in the board meeting held on April 21, 2017. No one among the 11 attending directors showed any objection, and all of whom agreed with the content of the Statement. The Statement is hereby made.

Sincerely yours,

Declarers

Chairman:

Chen, Sheng-Hung (with seal & signature)

陳勝宏



President:

Ding, Wei-Hao (with seal & signature)

丁偉豪



Auditor:

Li Hui-Zhen (with seal & signature)

李慧珍



Compliance Officer of the Head Office:

Zhou, Bo-Cheng (with seal & signature)

周柏成



B. CPA Review Report

CPA Review Report

Deloitte & Touche
12th Floor, Hung Tai Financial Plaza
156 Min Sheng East Road, Sec. 3
Taipei 10596, Taiwan
Tel: +886(2) 2545-9988
Fax: +886(2) 4051-6888
www.deloitte.com.tw

To Sunny Bank :

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

The CPA is authorized by Sunny Bank to perform the above matters of 2016, and enclose the attached documents regarding audit scope, audit basis, audit procedures and audit results based on Article 31 of the same rule.

The review report is only for the reference purposes of Sunny Bank and the financial regulators. It is not for other purposes and shall not be disclosed to other persons.

Deloitte & Touche

CPA Shao Zhi-Ming (with seal and signature)



邵志明

Date: March 14, 2017

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

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

(8) Important Resolutions of the General Meeting of Shareholders and the Board of Directors Meeting during 2016 and the period up to the annual report publication date:

Shareholder's Meeting/Board Meeting	Date	Important Resolutions
General Meeting of Shareholders	May 16, 2016	<ol style="list-style-type: none">1. Passed the amendments on the Bank's Articles of Association2. Passed the Bank's 2015 Business Report and Financial Statements3. Passed the Bank's 2015 Surplus Distribution Proposal4. Passed capital increase of the Bank by earnings with new stocks
7 th term & 7 th board meeting	January 15, 2016	<ol style="list-style-type: none">1. Passed the proposal for setting up a micro financial corporation in Cambodia through re-investment2. Passed the amendments on the Bank's Rules of Organization3. Passed the amendments on the Bank's Articles of Association4. Passed the distribution rate and the related affairs of remunerations for directors, supervisors and employees5. Passed the loans for interested parties6. Passed the proposals related to the 2016 General Meeting of Shareholders7. Passed the proposal for disposing lands on Minsheng Section, Yuanlin City, Changhua County8. Passed the amendments on the Working Rules of the Bank9. Passed the amendments on the Employee Recruitment and Salary Assessment Regulations10. Resolution of manager appointment, transfer and promotion: Manager Qiu XX would be transferred to the Business Management Department without demotion, while the rest of the proposal was passed.
7 th term & 8 th board meeting	March 22, 2016	<ol style="list-style-type: none">1. Passed the proposal for CPA appointment2. Passed the 2015 Business Report and Financial Statement3. Passed the remunerations for directors, supervisors and employees in 20154. Passed the proposal for the 2015 surplus distribution5. Passed the proposal for capital increase out of earnings with new stocks in 20156. Passed the proposal for capital increase in Sunny International Leasing Co., Ltd.7. Passed the proposal for issuing long-term subordinated debt8. Passed the amendments on the Regulation Governing Credit Information Query Operation of the Bank9. Passed the proposal for the Insurance Department undertaking insurance

		<p>brokerage business concurrently</p> <p>10. Passed the proposal for Fair Customer Treatment Policies and Strategies</p> <p>11. Passed the proposal for changing the operations site of Da-An Branch</p> <p>12. Passed the proposal for donation to Sunny Culture & Education Foundation</p> <p>13. Passed the loans for interested parties</p> <p>14. Passed the monitoring mechanism and indicators of real estate loan concentration of the Bank</p> <p>15. Passed the amendments on the credit granting principles of the Bank</p> <p>16. Passed the amendments on the regulations of credit guarantee investigation and price evaluation</p> <p>17. Passed the amendments on the Bank's Operating Procedures for Financial Derivatives Transactions</p> <p>18. Passed the amendments on the Standards and Code of Internal Control System for the Stock Affairs Section of the Bank</p> <p>19. Passed the amendments on the internal audit enforcement rules</p> <p>20. Passed the statement of the internal control system</p> <p>21. Passed the proposal for manager promotion</p> <p>22. Passed the Regulation Managing the Personnel from Consult-to-Transfer Affiliates of the Bank</p>
7 th term & 9 th board meeting	May 31, 2016	<p>1. Passed the distribution of remuneration for directors, supervisors and employees in 2015</p> <p>2. Passed the baseline date for distributing cash dividends</p> <p>3. Passed the proposal for capital increase out of earnings with new stocks and related affairs in 2015</p> <p>4. Passed the proposal for capital increase by cash in 2016</p> <p>5. Passed the proposal for merger of Sunny Life Insurance Co., Ltd. and Sunny Property Insurance Co., Ltd.</p> <p>6. Passed the proposal for shareholding increase in Sunny E-commerce Co., Ltd.</p> <p>7. Passed the amendments on the Notes for Anti-Money Laundering and Countering Terrorism Financing</p> <p>8. Passed the proposal for foreign bonds trading business conducted by concurrent securities firm</p> <p>9. Passed the amendments on the Limits of Credit Risk Undertaking by the Bank for the Same Enterprise, the Same Affiliate or Group Enterprise</p> <p>10. Passed the amendments on the Regulations of Credit Risk Management for the Affiliates and the Group Enterprises</p> <p>11. Passed the amendments on the Real Estate Loan Operation Procedure</p> <p>12. Passed the loans for interested parties</p> <p>13. Passed the Mobile Phone Credit Card HCE Operation Plan</p> <p>14. Passed mPOS mobile Point of Sale (mobile collection and payment APP service) operation plan</p> <p>15. Passed the amendments on Personal Profile Security Maintenance Regulation of the Bank</p> <p>16. Passed the proposal for manager transfer and appointment</p>
7 th term & 10 th board meeting	August 16, 2016	<p>1. Passed the proposal for selling bonds issued by Kaupthing ehf</p> <p>2. Passed the amendments on the Management Regulations on Investment in Securities of the Bank.</p> <p>3. Passed the amendments on the internal control system of self-run securities of the Bank</p> <p>4. Passed the amendments on the Bank's enforcement rules of the internal audit for</p>

		<p>securities firms (self-run securities business of the Financial Department)</p> <p>5. Passed the data reported in 2016 based on the supervisory review principles followed by Taiwan banks</p> <p>6. Passed the amendments on the Bank's Transaction Records Management Policies and Procedures</p> <p>7. Passed the Individual Financial Statement and the Consolidated Financial Statement of the Bank in the first half of 2016</p> <p>8. Passed the donation to the Small & Medium Enterprise Credit Guarantee Fund of Taiwan</p> <p>9. Passed the proposal for upgrading the Xinfu Mini-branch to a general branch</p> <p>10. Passed the proposal for increasing funds in Sunny International Leasing Co., Ltd.</p> <p>11. Passed the proposal for purchasing shares of Sunny Securities Co., Ltd. in Sunny International Leasing Co., Ltd.</p> <p>12. The resolution of amendments on the Bank's Rules of Organization: The Business Management Department is authorized to determine whether to revise the wording related to "product research and development" under Article 23-2, while the rest of the proposal is passed. When such wording needs to be revised, it shall be reported during the next board meeting. (The proposal reported the revision of "product research and development" to "product agency" in the 11th board meeting held on September 30, 2016 by the 7th term of the Board.)</p> <p>13. Passed the proposal for issuing non-accumulative subordinated bonds without expiry date</p> <p>14. Passed the plan of purchasing land for building construction</p> <p>15. Passed the amendments on the Bank's authorized limit of credit granting, credit cards and car loans</p> <p>16. Passed the manager promotion, re-appointment, transfer and appointment</p>
7 th term & 11 th board meeting	September 30, 2016	<p>1. Passed the proposal for suspending sales of Kaupthing ehf bonds</p> <p>2. Passed the application of Taiwan Traveler Card</p> <p>3. Passed the proposal for loans for interested parties</p> <p>4. Passed the amendments on the internal audit regulation of the Bank</p> <p>5. Passed the operations plan of mPOS system of the Bank</p> <p>6. Passed the proposal of the second long-term subordinated debt in 2016</p> <p>7. Passed the amendments on the Notes for Anti-Money Laundering and Counter Terrorism Financing</p> <p>8. The resolution of purchasing and constructing office real estate:</p> <p>(1) The content of Article 1 is revised to: "To meet the organizational and business development needs, the regulation is stipulated based on the related regulations of the Company's Procedures for Acquisition or Disposal of Assets, which shall be followed by the related operations of purchasing and constructing office of the Bank". The explanatory note 3 (1) of the proposal is originally "Purpose (Article 1)". To cope with the amendments on the content of articles, it is revised to: "Purchase and Reference (Article 1)."</p> <p>(2) Items 1 and 2 under Article 3 are integrated into Item 1. The content is revised to: "When the Real Estate Purchasing Team holds a meeting, the convener shall be the chairperson of the meeting. The Business Management Department shall investigate the market conditions together with the Administration Department. After the suggested price is submitted</p>

		<p>to the Real Estate Purchasing Team for approval, it shall be submitted to the board meeting for final discussion.”</p> <p>(3) The rest of the proposal was passed.</p> <p>9. Passed the amendments on the Facilities and Equipments Purchasing Regulations</p> <p>10. Passed the manager transfer proposal</p>
7 th term & 12 th board meeting	December 06, 2016	<p>1. Passed the amendments on standards for various pre-alarming ratios of capital adequacy</p> <p>2. Passed the proposal for reporting to FSC about the subjects taking shares of the mini financial corporation in Cambodia</p> <p>3. Passed the amendments on the Bank's Articles of Association</p> <p>4. Resolution on the setting up of the Real Estate Purchasing Team: The team is composed of Director Chang Shu-Ming, Director Tsai, Wen-Hsiung and Independent Director Yang Chang-Feng, and Director Chang Shu-Ming is appointed as the convener. The rest of the proposal was passed.</p> <p>5. Passed the proposal for merger of Sunny Life Insurance Agency Co., Ltd. and Sunny Property Insurance Agency Co., Ltd.</p> <p>6. Passed the 2017 Budget Report and Operations Plan</p> <p>7. Passed the amendments on the Bank's Operating Procedures for Financial Derivatives Transactions</p> <p>8. Passed the amendments on the Regulations for Issuance of Foreign-currency Denominated Negotiable Certificate of Deposit by the Bank</p> <p>9. Passed the inspection result of investment exposure in Mainland China</p> <p>10. Passed the 2017 Annual Audit Plan of the Bank</p> <p>11. Passed the 2017 annual audit plan based on the self-run securities business of the Financial Department of the Bank</p> <p>12. Passed the amendments on the Bank's general rules for credit granting and credit investigation operation regulations</p> <p>13. Passed the proposal for loans for interested parties</p> <p>14. Passed the proposal for scrapping machines and equipment for Nanzhi Branch</p> <p>15. Passed the proposal for office rental renewal for Sunny Securities Co., Ltd.</p> <p>16. Passed the proposal for manager re-appointment and appointment</p>
7 th term & 13 th board meeting	January 16, 2017	<p>1. Passed the proposal for donation to Sunny Culture & Education Foundation</p> <p>2. Passed the proposal for capital increase</p> <p>3. Passed the cancellation of shares of the Bank held by Sunny Life Insurance Agency Co., Ltd.</p> <p>4. Passed the amendments on the Rules of Organization of the Bank</p> <p>5. Passed the amendments on the limits authorized for credit granting, credit cards and car loans of the Bank</p> <p>6. Passed the interest rate standards for various credit products in 2017</p> <p>7. Passed the operations plan regarding the collaboration with overseas institutions or assisting the overseas institutions in e-payment business in Taiwan</p> <p>8. Passed the proposals related to the 2017 General Meeting of Shareholders</p> <p>9. Passed the proposal for manager appointment and adjustment</p> <p>10. Passed the appointment of the General Auditor</p>

(9) The major content of record of written statements for any dissenting opinions from directors or supervisors regarding important resolutions of the Board in the most recent fiscal year before publishing the annual report: None

(10) The summary of resignation and discharging of people related to the Financial Report (including Chairman, President, Accounting Supervisors and Auditing Supervisors) in the most recent fiscal year before publishing the annual report:

Position	Name	Date of Arrival	Date of Dismissal	Reasons for Resignation or Dismissal
General Auditor	Tseng Yao-De	October 01, 2002	January 22, 2017	Retired

Note: Bank relevant personnel refer to the Chairman, President, Finance Manager, Accounting Manager, Interior Audit Manager and so on

5. Alternation of CPA

(1) Information about previous CPA

Change Date	June, 2016		
Change reason and description	Due to the internal job assignment and arrangement of Deloitte & Touche, CPAs are changed from Chen Jie-Zhong and Wu Yi-Jun to Shao Zhi-Ming and Wu Yi-Jun.		
Specify whether the appointer or the CPA terminated or refused to accept the appointment	Involved party	CPA	Appointer
	Situation		
	Voluntary termination of appointment	Inapplicable	Inapplicable
	No further acceptance (continuation) of appointment	Inapplicable	Inapplicable
Opinion and reason for the audit report other than unqualified opinion issued within the latest two years	None		
Different opinion with the issuer	Yes	-	Accounting principles or practice
		-	Disclosure of financial statement
		-	Inspection scope or steps
		-	Others
	No	✓	
	Remarks		None
Other disclosure items (that should be disclosed according to Items 1-4, Subparagraph 6, Article 10 of this Guidelines)	None		

(2) Information about the succeeding CPA:

Name of Accounting Firm	Deloitte & Touche
Name of CPA	CPA Shao Zhi-Ming
Appointment Date	June, 2016
Consultation items and results of the accounting method or accounting principle of specific transactions or the opinion that might be possibly issued for the financial statement before appointment	Inapplicable
Written opinion of the succeeding CPA for the items that the former CPA holds a different opinion	Inapplicable

(3) Feedback of the former CPA in regard to matters regulated in Subparagraph 1 and 2-3 of Paragraph 6 of Article 10 of Criteria Governing Information to be Published in Annual Reports of Banks: None.

6. The Bank's Chairman, President, and Financial or Accounting Managers, who ever served in CPA or Affiliated Associated Business in the Most Recent Years: None

7. Information on Related Party, Spouse, or Relatives within Second Degree of Kinship of the Bank's Ten Largest Shareholders

As of December 31, 2016

Unit: Share, %

Name (Note 1)	Shareholding		Shareholding by Spouse and Minors		Shareholding entitled to other name		10 largest shareholders and related parties as defined under the Statement of Financial Accounting Standards No. 6 (Note 3)		Remark
	Share	% (Note 2)	Share	% (Note 2)	Share	% (Note 2)	Title or Name	Relationship (Note 2)	
Fu Li Yang Investment Co., Ltd	187,849,563	9.38	0	0	0	0	Chuan Yang Construction Co.,Ltd.	Controlled by the same person	None
Shareholder Representative of Fu Li Yang Investment Co., Ltd.: Chen, Sheng-Hung	8,390,018	0.42	3,777,498	0.19	0	0	None	None	None
Institutional Shareholder Representative of Fu Li Yang Investment Co., Ltd.	1,843,587	0.09	1,516,688	0.08	0	0	None	None	None
Chuan Yang Construction Co.,Ltd.	81,382,382	4.06	0	0	0	0	Fu Li Yang Investment Co., Ltd	Controlled by the same person	None
Hai Wang Printing Co., Ltd.	78,924,369	3.94	0	0	0	0	Jin Chen Investment Co., Ltd. Hai Wang Investment Co., Ltd.	Controlled by the same person	None
The First Insurance Co.,Ltd.	76,646,984	3.83	0	0	0	0	None	None	None
Sheng Yang Construction Co.,Ltd.	49,186,045	2.46	0	0	0	0	None	None	None
Farglory Life Insurance Co., Ltd.	43,000,467	2.15	0	0	0	0	None	None	None
Jin Chen Investment Co., Ltd.	21,065,315	1.05	0	0	0	0	Hai Wang Investment Co., Ltd. Hai Wang Printing Co., Ltd.	Controlled by the same person	None
Hua Wei Investment Co., Ltd.	16,409,054	0.82	0	0	0	0	None	None	None
He Zhu Investment Co., Ltd.	14,491,863	0.72	0	0	0	0	None	None	None
Hai Wang Investment Co., Ltd.	14,090,088	0.70	0	0	0	0	Hai Wang Printing Co., Ltd.. Jin Chen Investment Co., Ltd.	Controlled by the same person	None

Note 1: Top 10 Shareholders shall be listed and institutional shareholders shall have their names and representative listed separately..

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

Note 3: Regarding shareholders disclosed in the list (including natural and judicial persons), their relationship between one another shall be disclosed according to the Regulations Governing the Preparation of Financial Reports by Public Banks.

8. Numbers of Shares in the Same Reinvested Enterprises Held by the Bank and its Directors, Supervisors, President, Vice Presidents, Deputy Executive Vice Presidents, the Heads of Departments and Branches, and Enterprises Controlled Directly or Indirectly by the Bank, and Percentage of Consolidated Shareholding

As of December 31, 2016

Unit: Share, %


Invested Enterprises (Note)	The Bank's Investment		The Investment Affiliate Directly or Indirectly Controlled and by the Bank, its Directors, Supervisors, President, Vice Presidents, Executive Vice Presidents, the Heads of Departments and Branches		Omnibus Investment	
	Share	%	Share	%	Share	%
Sunny Securities Co., Ltd.	50,200,000	100.00	0	0.00	50,200,000	100.00
Sunny Life Insurance Brokerage Co., Ltd.	2,100,000	39.99	3,150,042	60.01	5,250,042	100.00
Sunny Property Insurance Agent Co., Ltd.	121,000	20.00	484,000	80.00	605,000	100.00
Gold Sunny Assets Management Co., Ltd.	15,000,000	100.00	0	0.00	15,000,000	100.00
Sunny International Leasing Co., Ltd.	93,000,000	100.00	0	0.00	93,000,000	100.00
Sunny E-commerce Co., Ltd.	5,000,000	100.00	0	0.00	5,000,000	100.00
Financial Information Service Co., Ltd.	12,621,960	2.42	0	0.00	12,621,960	2.42
Taiwan Financial Asset Service Corp	5,000,000	2.94	0	0.00	5,000,000	2.94
Taiwan Depository And Clearing Corp.	1,023,757	0.29	0	0.00	1,023,757	0.29
Sunlight Asset Management Ltd.	66,587	1.11	0	0.00	66,587	1.11
Taiwan Mobile Payment Co., Ltd.	600,000	1.00	0	0.00	600,000	1.00

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



4

IV. Capital Raising

1. Capital and Share
 2. Issuance of Special Debentures
 3. Issuance of Overseas Depositary Receipts
 4. Employee Share Subscription Warrants and New Restricted Employee Shares
 5. Merger or Entrusted for Other Financial Institutions
 6. Fund Utilization Plans
- 

1. Capital and Share

(1) Source of Capital

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

Year/month	Par value	Authorized Capital Stock		Paid-up Capital		Remarks	
		Shares	Amount	Shares	Amount	Source of Capital Stock	Others
July, 2016	NT\$10	3,000,000	30,000,000	1,743,674	17,436,742	Capital increase out of earnings NT\$ 1,046,204,530	According to the approval announced on the website of Securities and Futures Bureau, FSC on June 28, 2016
November, 2016	NT\$10	3,000,000	30,000,000	2,003,294	20,032,946	Capital increase by cash NT\$1,550,000,000	According to FSC approval letter: Jin-Guan-Zheng-Fa No. 1050036116 issued on September 12, 2016

Note 1: Shall list data of the year until the date of publishing the annual report.

Note 2: Regarding the part of capital increase, it is a must to mark the effective (approval) date and document number.

Note 3: Those who issue stocks with the amount lower than par value shall be marked in noticeable way.

Note 4: If monetary claims against the company or technology needed by the company are offset against share payments, such information shall be specified, the type and amount of such offset shall also be noted.

Note 5: Prominently indicate any instance of private placement

Unit: shares

Stock Type	Authorized Capital Stock			Remarks
	Outstanding stock (Note)	Un-issued shares	Total	
Common Stock	2,003,294,669	996,705,331	3,000,000,000	Non-Listed & OTC Bank Stock

Note: Including the 490,856 shares of the mother company held by the affiliate that are considered treasury stocks.

(2) Structure of Shareholders

As of December 31, 2016

Shareholder Structure	Government Institutions	Financial Institutions	Other Corporations	Individuals	Foreign institutions and Foreigners	Total
No. of Shareholders	2	1	262	125,090	5	125,360
No of Shareholding	90,488	502	805,474,904	1,197,724,939	3,836	2,003,294,669
Shareholding (%)	0.00	0.00	40.20	59.80	0.00	100.00

(3) Equity Distribution

Par value: NT\$ 10
As of December 31, 2016

Grades	No. of Shareholders	Shareholdings	Shareholding (%)
1 to 999	70,409	22,216,934	1.11
1,000 to 5,000	43,307	101,162,908	5.05
5,001 to 10,000	3,469	23,343,106	1.17
10,001 to 15,000	1,442	17,015,859	0.85
15,001 to 20,000	657	11,542,326	0.58
20,001 to 30,000	962	23,327,926	1.16
30,001 to 50,000	1,285	49,762,147	2.48
50,001 to 100,000	1,467	101,064,876	5.04
100,001 to 200,000	1,223	165,168,102	8.24
200,001 to 400,000	630	173,983,103	8.68
400,001 to 600,000	182	87,860,551	4.39
600,001 to 800,000	91	62,265,542	3.11
800,001 to 1,000,000	48	42,216,260	2.11
1,000,001 to 999,999,999	188	1,122,365,029	56.03
Total	125,360	2,003,294,669	100.00

(4) List of Major Shareholders

As of December 31, 2016

Major Shareholders	No. of Shares	Shareholding (%)
Shares		
Fu Li Yang Investment Co., Ltd.	187,849,563	9.38
Chuan Yang Construction Co., Ltd.	81,382,382	4.06
Hai Wang Printing Co., Ltd.	78,924,369	3.94
The First Insurance Co., Ltd.	76,646,984	3.83
Sheng Yang Construction Co., Ltd.	49,186,045	2.46
Farglory Life Insurance Co., Ltd.	43,000,467	2.15
Jin Chen Investment Co., Ltd.	21,065,315	1.05
Hua Wei Investment Co., Ltd.	16,409,054	0.82
He Zhu Investment Co., Ltd.	14,491,863	0.72
Hai Wang Investment Co., Ltd.	14,090,088	0.70

Note: Shareholders who hold 1% or more of shares, or top ten shareholders.

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

Unit: NT\$, 1,000 shares

Item	Year	2016	2015	As of January 31 of the year (Note 2)
Price/ share	Maximum	Note 1	Note 1	Note 1
	Minimum	Note 1	Note 1	Note 1
	Average	Note 1	Note 1	Note 1
Net worth/share	Before Distribution	11.87	11.95	12.13
	After Distribution	Note 3	11.09	12.13
Earnings/share	Weighted Average No. of Shares	1,857,544	1,784,727	2,002,804
	Earnings/share Before the Adjustment (Note 4)	1.26	1.22	0.13

		After the Adjustment (Note 4)	-	1.15	-
Earnings/share	Cash Dividend		Note 3	0.2	-
	Free Distribution	Earnings Distribution	Note 3	0.6	-
		Capital surplus distribution	Note 3	-	-
	Unpaid Dividend		Note 3	-	-
Analysis on investment returns	P/E		Note 1	Note 1	Note 1
	Price / dividend yield		Note 1	Note 1	Note 1
	Cash dividend yield		Note 1	Note 1	Note 1

Note 1: Not applicable because the Bank is not a listed company.

Note 2: The financial data for January 31, 2017, have not been audited and certified by accountants.

Note 3: Distribution of earnings in 2016 will be decided at the 2017 annual general meeting of shareholders.

Note 4: Where stock distribution shall be retroactively adjusted, it is a must to list earnings per share before and after the adjustment.

(6) Equity Policy and Distribution

A. Dividend Policy

In the event of earnings made at the end of the fiscal year, said earnings shall be used to pay taxes and cover losses from previous years, and 30% of after-tax earnings shall be set aside as legal reserve, unless and until the accumulated legal reserve equals the Bank's paid-in capital; then special surplus reserve shall be set aside or reversed according to relevant regulations.

Where there is any surplus, the Board of Directors shall combine it with non-distributed surplus of previous year and submit the bonus distribution proposal to General Meeting of Shareholders for distribution. The surplus shall be distributed in stock or cash dividends. Unless and until the accumulated legal reserve equals the Bank's paid-in capital, maximum cash payouts shall not exceed 15% of the Bank's paid-in capital. In order to maintain a sound financial structure and capital adequacy, the Bank will distribute dividends according to its capital budgeting. The Bank follows the principle of retaining capital to distribute stock dividends; however, in the event of a capital budget surplus and a capital adequacy ratio higher than is required by the regulator, cash dividends may be distributed, which cannot be less than 10% of total dividends. Stock dividends may be distributed instead of cash dividends if the latter are no more than NT\$0.1 per share.

B. Proposed dividend distribution at the annual general meeting of shareholders

The Bank's proposal for 2016 earnings distribution is a stock dividend of NT\$0.50 per share and a cash dividend of NT\$0.20 per share.

(7) Effect of Free Distribution Proposed at this General Meeting of Shareholders to the Bank's Operation Performance and EPS

No announcement on the 2017 Financial Forecast is made by the Bank. According to Tai-Cai-Zheng-Yi-Zhi Letter No. 00371 issued by Securities and Futures Commission of the Ministry of Finance on February 1, 2000, those who do not announce their financial statements do not need to disclose this information.

(8) Remunerations Paid to Employees, Directors and Supervisors

A. Percentage or range of employee bonuses and compensation for Directors and supervisors as stipulated in the Bank's Articles of Incorporation

Where there is any profit of the year, the Bank shall, depending on the status of profitability, allocate 2% to its employees and less than 1% to Directors and Supervisors as remunerations. However, if there is any cumulative deficiency, the Bank shall reserve a certain amount to make up the deficiency.

Employees' remunerations shall be distributed in stock or cash and the distributed targets shall be the Bank's employees who comply with certain qualifications. Remunerations to Directors and Supervisors shall be distributed mainly in Cash.

The distribution ratio of remunerations to employees, Directors and Supervisors as well as the distribution methods and targets shall be finalized at Board of Directors meeting, which shall be participated by more than two third of Directors and agreed by more than half of participant Directors, and reported to General Meeting of Shareholders.

- B. The basis for estimating the amount of remunerations to employees, Directors and supervisors, for calculating the number of shares to be distributed as bonuses, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.

Total employee bonuses and compensation for Directors and supervisors in 2016 are estimated at NT\$83,051,000. This estimate is based on the probable amount of distribution, based on past experience. If a different amount is decided at the annual general meeting of shareholders, this will be treated as a change in accounting estimates and the amount will be paid within the same fiscal year.

- C. Employee bonuses proposed by the Board of Directors

(A) Distributed NT\$55,367,000 to employees as cash bonuses and NT\$27,684,000 to Directors as compensations.

(B) The value of proposed distribution of bonus shares to employees and the size of such an amount as a percentage of the after-tax net income presented in the parent company only financial reports or individual financial reports for the current period and total employee bonuses: No information is to be disclosed as the Bank does not have plans to distribute bonus shares to its employees.

(C) Imputed EPS after any proposed distribution of employee bonuses and board director/supervisor compensation: Not applicable as employee bonuses and board director/supervisor compensation have been listed as expenditures of current years since 2008.

- D. Actual distribution of remunerations to employees, Directors and supervisors in the previous fiscal year (including the number of shares distributed, value, and share prices). In the event of any discrepancy between the actual distribution and the recognized remunerations to employees, Directors and supervisors, describe the discrepancy, its cause, and how it will be resolved.

The annual general meeting of shareholders passed a resolution on May 16, 2016, to distribute NT\$48,730,000 to employees and NT\$24,365,000 to Directors and supervisors. There is no discrepancy with employee bonuses and board director / supervisor compensations as stated in 2015 Financial Statements.

(9) Shares Purchased by the Bank: None

2. Issuance of Special Debentures: None

3. Issuance of Overseas Depositary Receipts: None

4. Employee Share Subscription Warrants and New Restricted Employee Shares: None

5. Merger or Entrusted for Other Financial Institutions: None

6. Fund Utilization Plans: None


The issuance of bank debentures is focused on mid- to long-term funds on the purpose of increase loan amount. The raised funds are used in loans with relatively higher profitability to increase the contributions of loan spread to surplus. Besides, fund operating efficiency is enhanced with an expectation of accumulating annual surplus generated from bank debentures at maturity. Whenever there is any regression in global economy, a dramatic decrease in domestic stock market, and a low long-term interest rate, the newly issued bank debentures will be used to pack back old bank debentures with relatively higher interest rate.

To increase capital adequacy ratio, the Bank has issued Subordinated bank debentures in 2002, 2006, 2007, 2009, 2010, 2011, 2012, 2013, 2014, 2015 and 2016. Most of them can be calculated as the Tier-2 seven-year Subordinated bank debentures. Besides, the Bank has, at the end of 2015, 2016, issued non-maturity non-cumulative Subordinated bank debentures that can be calculated as Tier-1 capital at the end of 2016 with a total amount of NT\$1400 million, helping to stabilize the Bank's long-term funds and to enhance its ability of undertaking risks. Therefore, it is known that the Bank has, through various fund raising channels, reached its goal of enhancing capital structure and business development



5

V. Operation Overview

1. Contents of Business
 2. The Employee Profile
 3. Corporate Social Responsibility and Ethical Behavior
 4. Number of Non-Supervisory Employees, Average Annual Employee Benefits Expenses and Difference Compared with Last Year
 5. Information Infrastructure
- 

1. Contents of Business

(1) Business Overview

A. Main Business

(A) Deposits

As of the end of 2016, total deposits balance at NT\$344,998,551,000, an increase of NT\$25,889,889,000 compared with NT\$319,108,662,000 at the end of 2015, of which the demand deposits accounts comprised 34.40% of the total deposit balance, and the time deposits accounts made up the remaining 65.60% of the total deposit balance.

Unit: NT\$1,000

Item \ Year	Balance at the end of 2016	Balance at the end of 2015	Annual Growth Rate (%)
Deposits	344,998,551	319,108,662	8.11

Deposit Balance Comparison

Unit: NT\$1,000

Item \ Year	2016		2015	
	Balance at the end of year	Percentage (%)	Balance at the end of year	Percentage (%)
Checking deposits	3,167,562	0.92	2,703,884	0.85
Checking deposits	36,001,670	10.44	31,844,431	9.98
Foreign exchange demand deposits	7,966,290	2.31	6,034,074	1.89
Demand savings deposit	70,737,167	20.50	67,635,045	21.19
Employee saving deposits	793,735	0.23	725,639	0.23
Time deposits	80,784,707	23.41	73,396,888	23.00
Foreign exchange time deposits	17,040,207	4.94	18,311,926	5.74
Negotiable certificates of deposit	12,922,100	3.75	10,158,100	3.18
Time savings deposits	115,585,113	33.50	108,298,675	33.94
Total	344,998,551	100.00	319,108,662	100.00

(B) Lending

The total balance of loans were at NT\$263,642,947,000 as of the end of 2016, increased by NT\$22,915,132,000 compared with NT\$240,727,815,000 at the end of 2015.

Unit: NT\$1,000

Item \ Year	Balance at the end of 2016	Balance at the end of 2015	Annual Growth Rate (%)
Loans	263,642,947	240,727,815	9.52

Loan Balance Comparison

Unit: NT\$1,000

Item \ Year	2016		2015	
	Balance at the end of year	Percentage (%)	Balance at the end of year	Percentage (%)
Short-term loans	23,461,341	8.90	22,447,296	9.32
Short-term secured loans	59,850,232	22.70	52,134,597	21.66

Medium-term loans	27,802,583	10.55	23,677,811	9.84
Medium-term secured loans	75,857,531	28.77	65,512,680	27.21
Long-term loans	1,548,758	0.59	1,853,961	0.77
Long-term secured loans	74,925,019	28.42	74,929,660	31.13
Non-performing loans	107,714	0.04	71,228	0.03
Export negotiation	89,769	0.03	100,582	0.04
Total	263,642,947	100.00	240,727,815	100.00

a. Loans to Individuals

In regard to housing loan policies, the Bank has, apart from advantageous housing loans provided through the Government's policy of "Subsidies for Purchase and Maintenance Housing Loans", selected item with explicit payment source and good collateral position, increased offer rate to reduce notional amount through pricing strategy, and been proactively undertaken short- and mid-term guarantee working capital as well as the Bank's / other banks' subordinated loans for clients with good interest / principal payment records to enhance the efficiency of using the Bank's capital and interest income. Besides, in regard to credit policy, the Bank has launched mail loan to mitigate the regression of credit loan. Until the end of 2016, the balance of loans offered to individuals (excluding car loan) was NT\$115,220million (the balance of housing loan was NT\$114,853 million and the balance of credit loan was NT\$366 million) with an increase of NT\$2,114 million (growth rate of 1.87%) comparing with NT\$113,106 billion at the end of 2015.

b. Loans to Corporates

The Bank launched "Hou-You-Li 218" loan offering project in 2016 to adjust its credit structure and to proactively promote SMEs' credit guarantee fund, SME real estates, credit for large-sized businesses, the Bank has specially selected quality clients or those who have made specific contributions to the Bank and further developed deposit management, salary transfer and other derivative businesses to create a comprehensive marketing effect. Until the end of 2016, the balance of loans offered to businesses (excluding car loans) was NT\$126,705 million with an increase of NT\$18,088 million (growth rate of 16.65%) compared with NT\$108,617 million at the end of 2015 (the growth rate of loans offered to SMEs was 17.38% and, following the increasing amount of loans year by year, the Bank was awarded as Number 3 in Group B of "The 11th Enhancement Project on Loans offered to SMEs by Domestic Banks", and Number 1 in the Regional Development Award-Group Rating in Huatung and Off-island Areas, and Number 1 of Group B of the "Phase-III of the Loans Granted for Creative Industry by Taiwan Banks; the growth rate of loans offered to large-sized businesses was 13.98%)."

(C) Trade Finance and Foreign exchange

For the foreign exchange business, balance for foreign exchange deposit (including OBU) at the end of 2016 was US\$774,687,000, or an increase of US\$38,421,000 from US\$736,266,000 at the end of 2015 with a growth of 5.22%. Balance for foreign exchange loan (including OBU) at the end of 2016 was US\$498,413,000, or an increase of US\$64,174,000 from US\$434,239,000 at the end of 2015, up by 14.78%. For 2016 import/export and exchange service were US\$445,681,000 and US\$3,288,179,000, respectively, totaling US\$3,733,860,000, an increase of US\$452,030,000 from US\$3,281,830,000 at the end of 2015.

Unit: USD1,000

Year Item	2016	2015	Growth Rate (%)
Foreign currency deposit (Blance)	774,687	736,266	5.22
Foreign currency loan (Blance)	498,413	434,239	14.78
Import / Exchange Services (Total Amount)	445,681	406,248	9.71
Remittance Services (including simplified currency exchange services) (Total Amount)	3,288,179	2,875,582	14.35

Income from Trade Finance and FX (NT\$1,000)	528,256	438,707	20.41
--	---------	---------	-------

(D) Credit Card

In 2016, there were 27,656 credit cards issued in the year and 89,207 cards were in circulation at the end of December 2016. In 2017, 2,810 credit cards were issued until February and 90,001 credit cards were in circulation.

- Consumption amount: credit card consumption during 2016 amounted to NT\$3,177 million with an increase of NT\$324 million compared to 2015.
- Revolving Credit Balance: The revolving credit balance at the end of December 2016 is NT\$241 million with a decrease of NT\$14 million compared with the amount at the end of December 2015.

Unit: cards, NT\$1,000

Year Item	2016	2015
Total number of card issued	566,473	538,817
Total number of valid cards in circulation	50,260	38,212
Total consumption amount	3,177,440	2,853,574
Revolving Credit Balance	241,326	254,965

(E) E-Commerce

As the Bank actively develops its digital finance business, the rate of using personal online banking, mobile banking APP and enterprise online banking is increased year by year. Moreover, the Bank opened the 3rd-party payment service (iSunny Tool) and iSunny APP in May 2016. Then it released the online filing of Bank3.0 TSM Financial Card, HCE Credit Card, iSunny Tool and APP (QR Code collection and payment APP) successively in October 2016. All these are to create diversified mobile payment service model, and provide the financial service experience as the customers need.

(F) Wealth Management Business

The Bank develops diverse financing products. The professional research team focuses on the market research and introduces new financial products based on the customer demands (such as the Long-term Care, and Medical Care products). Moreover, the team adjusts the recommendations for investment layout according to the market status (for example: When the market status is fluctuating, bond operation is recommended for investing in funds. When the market is in a slump, investment in insurance products will be recommended). The sales volume and income changes of various financing products invested by the Bank in the latest period are listed in the Table below:

Unit: NT\$1,000

Year Item	2016		2015	
	Sales Volume	Income	Sales Volume	Income
Trust funds	4,356,374	132,027	6,954,999	221,600
Insurance	8,124,795	647,160	6,950,705	501,275
Total	12,481,169	779,187	13,905,704	722,876

(G) Trust

The bank ended 2016, the balance of trust assets for management was NT\$52,280,986,000 with an increase of NT\$661,899,000 (1.28% increased) comparing with NT\$51,619,087,000 at the end of 2015.

- The balance of money trust asset at the end of 2016 was NT\$29,697,506,000, counting 56.80% of the Bank's trust business
- The balance of real estate trust asset at the end of 2016 was NT\$21,321,440,000, counting 40.78% of the Bank's trust business.
- As of the end of 2016, the value of security trust was NT\$19,872,000, counting 0.04% of the Bank's trust business.
- The balance of trust of loans and security interests was NT\$1,242,168,000, counting 2.38 % of the Bank's trust

business.

- e. Real Estate Trust: Mainly based on development trust and trust with pre-sale home payment trust.
- f. Money Trust: Mainly on specific money trust, prepayment trust, real estate (“Good Home”) transaction security trust, and affairs governing the safeguards of securities, investment and trust funds.

Other affiliated businesses :

- a. In 2016, the total assets for guaranty bond of operation was NT\$465,000,000 with an increase and growth rate the same with NT\$465,000,000 in 2015.
- b. In 2016, the undertaken certification amount was NT\$930,419,000 with a decrease of NT\$2,125,454,000 (decrease rate of 56.22%) comparing with NT\$1,195,035,000 in 2015.

Unit: NT\$1,000

Item \ Year	2016	2015
Trust	52,280,986	51,619,087
Trust of money	29,697,506	31,577,549
Specific trust of money to invest domestic and foreign beneficiary certificates	23,738,624	24,809,687
Other trusts of money	2,384,557	1,969,476
Custody of securities investment and trust funds	3,574,325	4,798,386
Trust of real estate	21,321,440	18,799,370
Trust of securities	19,872	0
Trust of money claim and guaranteed right of object	1,242,168	1,242,168
Other affiliated businesses	0	0
Custody of operating bonds	465,000	465,000
Certification	930,419	2,125,454

(H) Investment

The Bank’s 2016 gain on securities trade amounted to NT\$693,382,000, while the figure for 2015 was NT\$470,588,000. The details of the gain/loss are described below:

a. Gain (loss) on bonds:

This is the interest income and disposal gain (loss) derived from trading all levels of governments bonds, corporate bonds (NTD / USD) and bank debentures. The Bank generated NT\$265,885,000 of gain in 2015 and NT\$509,752,000 in 2016. The increase in interest and profits were caused by an increased bond position of NT\$19.5 billion in 2016; and a decreased interest rate of Taiwanese bond market and an increased bond price, where the bonds were at high price level.

b. Gain (loss) on stocks:

This is the gain (loss) made from buying and selling stocks of public and OTC companies. The stock index of 2015 was affected by the economy of Mainland China and caused a slowdown of the global economy. The stock index of 2015 decreased 10.41% with a loss of NT\$6,989,000. The stock index of 2016 increased 10.98%, with a gain of NT\$12,048,000.

c. Gain (loss) on beneficiary certificates:

This is the gain (loss) made from buying and selling funds, where the bank had a profit of NT\$29,243,000 in 2015 and NT\$1,286,000 in 2016. Due to the slowdown of global economic growth and the withdrawal of the United Kingdom from the European Union, the risk of global trading and economic depression was increased. So the Bank

reduced the investment in funds, while the profit was mainly from monetary funds.

d. Gain (loss) on short-term commercial papers

This is the interest income, disposal gain (loss) and transaction fees derived from buying and selling short-term commercial papers (including CP2 and NCD etc.). The profit was NT\$172,389,000 in 2015 and NT\$157,948,000 in 2016. Although the transaction of short-term commercial papers increased dramatically and the Bank participated in the bidding of non-guarantee commercial paper issued by several government-owned corporations in recent years, the profit of the 2015 short-term commercial papers decreased by NT\$14,441,000 comparing with the previous year due to the lower annual percentage yield in 2016. Furthermore, the interest income of short-term commercial papers and disposal benefits were also adjusted by the increase/decrease of certifying and underwriting businesses of surplus volumes.

e. Gain (loss) on valuation:

This is the gain (loss) on valuation of securities according to market prices, where the Bank had a loss of NT\$7,604,000 in 2015 and a loss of NT\$3,472,000 in 2016. Stock items have affected the valuation, where the sold stock position has created a loss in valuation and the reduced position is counted as disposal loss.

f. Stock dividends:

These are the cash dividends distributed by listed and OTC companies, where the cash dividend distributed in 2015 was NT\$17,664,000 and NT\$15,820,000 in 2016. To sum up, in regard to the Bank's performance in securities trade, the stock index of 2015 decreased 10.41% with a deficit of NT\$6,989,000, and the Bank received a profit of NT\$29,243,000 from beneficiary certificates and a loss of NT\$7,604,000 from valuation (mainly affected by stock items). In total, the Bank obtained a net profit of NT\$470,588,000 from various businesses throughout the year. In 2015, the stock index increased 10.98% and the Bank received a profit of NT\$12,048,000 from stocks, a profit of NT\$1,286,000 from beneficiary certificates and a loss of NT\$3,472,000 (mainly affected by beneficiary certificates). In total, the Bank obtained a net profit of NT\$693,382,000.

Income from Investment in Securities from 2015 to 2016

Unit: NT\$1,000

Year Item	2016	2015	Increase / decrease
Bonds	509,752	265,885	243,867
Stocks	12,048	(6,989)	19,037
Beneficiary certificates	1,286	29,243	(27,957)
Short-term commercial papers	157,948	172,389	(14,441)
Evaluation gain or loss	(3,472)	(7,604)	4,132
Stock dividend	15,820	17,664	(1,844)
Total investment income	693,382	470,588	222,794

B. Assets of Each Business as a Percentage of Total Assets and Changes thereto

Unit: NT\$1,000

Year Business Items	2016		2015	
	Amount	Asset %	Amount	Asset %
Total Assets	396,898,579	100.00	361,829,295	100.00
Net loan and discount	260,550,705	65.65	237,737,794	65.70
Securities available for sale	65,789,356	16.58	70,594,664	19.51
Due from CBC and Banks	16,909,331	4.26	21,151,246	5.85

Total Liabilities	373,119,909	94.01	340,984,015	94.24
Deposits and remittances	345,010,425	86.93	319,117,827	88.20
Bank debentures payable	13,500,000	3.40	10,400,000	2.87
Due to CBC and Banks	6,943,606	1.75	5,573,606	1.54

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

C. Net Income from Operations as a Percentage of Total Net Income and Changes thereto

Unit: NT\$1,000

Year Business Items	2016		2015	
	Amount	Ratio	Amount	Ratio
Net interest income	4,359,630	72.17	4,106,581	71.55
Net fee income	1,166,302	19.31	1,056,997	18.41
Others	514,808	8.52	576,186	10.04
Total net income	6,040,740	100.00	5,739,764	100.00

(2) Business Plan of the Year

A. Deposit Business

- (A) Adjust the proportion of demand deposit and time deposit, to lower the cost and to increase the benefit of total deposits.
- (B) To simplify operating procedures and to enhance the service efficiency
- (C) Considering credit clients nearby branch offices as the main basis while increasing NTD and USD deposits.

B. Loan Business

To continuously improve the loan structure, the Bank not only continues to focus on the promotion of personal real estate for security and profitability, but also selects SMEs with good quality, profitability and capacity for offering purchase real estate loans. Further subordinated loan of the Bank or from other banks is promoted continuously, the loan term and conditions is subject to credit scale. A high interest rate and a short-term loan will enhance the Bank's asset use of efficiency.

(A) Implementation of Auditing and Project Assessment

- a. Auditing of internal operation and management performance in 2016:

The bank will continue to carry out assessment on short- and mid-term guarantee revolving of housing loan, full guarantee for SME real estates, SME credit guarantee and the number of new SME clients, the incentive of increasing scores in regard to full guarantee for SME real estates and in total volume amount are motivated branch offices taking relevant activities.

- b. The Bank has launched the "Jin-Ji-Bao-Xi 300" loan promotion project, which provides incentives and encouragements to support branch offices engaging in above stated business activities.

- (B) Credit risk will be intensified. Clients with sufficient credit capability will be selected based on the "principles for the acceptance of small and medium enterprise loan applications." Underwriting, field survey and follow up review implemented continually.

C. Foreign Exchange Business

(A) Enhancement on Drawing USD deposits

To solicit a stable source of foreign currency, with a reasonable interest margin between deposits/loans, the Bank has launched a foreign currency deposit activities to expand the foreign currency deposit and further increase the profits generated from foreign exchange.

- (B) Developing potential customers from foreign exchange inward/outward remittance business

The import/export collection, Letter of Credit and foreign currency loan businesses are probably from I/O remittance business, leading foreign trade business to a great growth.

- (C) Carrying out the branches to develop SME import/export business

To cope with the international economic recession, the branches are encouraged to engage the SME import/export business with low risk. It aims to elevate the quality and quantity of foreign currency loans of the Bank under risk control.

(D) Strengthening e-commerce function of foreign exchange

The foreign exchange business of the Bank has opened the enterprise online banking and mobile APP functions. This year it will open the function of large-denomination foreign exchange settlement, with the expectation to make the online banking more perfect. In the future, it will still enhance the e-commerce function of foreign exchange business, so as to achieve the purpose of business promotion and image publicity.

D. Credit Card Business

(A) Issuance of Credit Cards :

Based on the principles of maintaining a stable and sound operation, the Bank's credit card services are provided to serve the Bank's clients as its primary mission. However, to follow the innovation development of the times, 2016 was year when the Bank developed its mobile payment system, which was prepared and planned in 2015, and then officially put into use in Q4 of 2016. Besides, to increase client loyalty and the range of card applications, the Bank cooperated with iPASS corporation to issue "iPASS" (officially launched in March of 2016). This service is integrated with another type of easy-to-pay tool (deposit-type electronic wallet), enabling clients to use the service in transportation and channels for small amount purchases. After the issuance, the card has won the wide support from the customer, resulting in dramatic increase of number of cards issued.

Following the technology progress and the development and popularization of smart phones, credit card like payment cards have progressed from the use of contact (bar magnetic / chip) to non-contact (NFC) design. The original card design is also transformed from substantial cards to SIM cards, SD cards and virtual cards (with codes only). The overall payment environment is changed with the development and prevalence of smartphones, so the Bank should develop a new type of mobile payment function to meet the customer requirements. Therefore, the mobile payment function will be the Bank's primary task in the future.

To respond to multiple credit card markets, the Bank continues to develop and provide diversified cards. It is expected to, with a complete product map, satisfy clients' diverse demands. For example, to provide VIP business cards to clients holding largest assets and business clients, or platinum card or iPASS joint name card to general clients, helping them to handle applications of life. It should focus on increasing the credit card holding rate, and the cards are mostly issued by its branch offices channels.

To increase the card consumption amount and utilization rate, the clients' preference and their category are

analyzed according to different festival, seasonal and client demands. Moreover, various card consumption marketing activities and gift redemptions are held. For the clients who do not use the credit card for a long period of time, various promotion activities are also planned. Moreover, the Bank will strengthen segment marketing. For specific consumption types or large amount of consumption, such as online shopping on e-commerce platform, insurance premium or overseas tour fare, it provides preferential schemes for repayment, so as to increase the consumption amount and customer loyalty.

(B) Acquiring Business :

At the moment, there are 33 domestic acquirers. According to the credit card data published by FSC in December of 2016, CTBC has 103,323 appointed shops, which count the most. Starting from the launch of acquiring service in December of 2015 to December of 2016, the Bank has accumulated 367 appointed shops with a total transaction amount over NT\$1 billion. In 2017, the bank it will continue to launch "e-interest demand deposit" project with high interest rate, which will be activated and promoted in the cooperating stores. It could increase the transaction volume of the existing stores and make a promotion among the customers granted with credit by the Bank. Finally, it will facilitate the increase of deposit amount in the Bank, provide complete financial service, strengthen the partnership with enterprise customers, and promote the growth of other businesses such as loan granting and financing.

E. Electronic Banking

(A) The Bank continuously optimizes the functions and procedures of e-banking services such as mobile APP of online banking, personal online banking and enterprise online banking. It promotes online filing of Bank3.0 APP service to provide the customer with convenient business application method, so as to improve the efficiency of service provided by the Bank.

(B) The Bank integrates iSunny tool+ APP (QR code collection and payment APP) with a third-party payment service

provider, to provide the service of payment for APP shopping and offline payment for online shopping. By taking the mobile device as the main axis, it expands the mobile cash flow collection and payment service.

- (C) It continuously promotes the TSM financial card and HCE credit card, expands the mobile payment system, and plans for the HCE financial card to provide diverse mobile payment tools.
- (D) Use the cross-border settlement system of the FISC, it cooperates with Alipay to release the cross-border inward/outward remittance and 020 collection and payment agency services. It aims to satisfy the demands wherein the customer pays for online shopping on platforms of Mainland China enables payment in Taiwan.
- (E) The “Cloud Counter” service is in the works, which is to provide cloud digital financial services such as issuing digital deposit account, small-amount wealth management, online credit card application and appointment of opening account.
- (F) It carries out the digital financial seed personnel program throughout the Bank, so as to cultivate the financial competency of the employees and improve the overall financial capability of the Bank.

F. Wealth Management Business

The Bank’s wealth management activities aim to have a sustainable operation and stable growth. It has not only enhanced wealth management personnel’s professional capability through a well-structured training plan, but also provided clients an even more quality, professional and efficient financing and wealth management service through its complete network of branch offices.

G. Trust Business

(A) Real Estate Trust :

- a. Development Trust: To continue real estate development trust coordinated with land and construction loans. To cooperate with constructors to conduct integrated trust associated with landlord’s willingness for co-construction or real estate trust that is provided to areas with expropriation and urban planning that involves with relatively larger number of people and longer expectation period.
- b. Management Trust: After setting up the property management account, the tenant deposits go directly into the designated trust account (if the property is the Bank’s collateral, the rental can be the payment resource of the loan).
- c. Pre-Sale Home Payment Trust: as requested by competent authority and for trust clients developed by the Bank, the pre-sale home payment trust is promoted for the protection of clients’ interests.

(B) Money Trust :

- a. Real Estate Transaction Security Trust: Coordinated with the real estate mortgage business for promoting real estate transaction payment security trust and related peripheral operations.
- b. Prepayment Trust: To expand, promote and integrate with instant prepaid card service for credit card acquirers, gift voucher traders and gift voucher issuing firms; and to release the supply platform mechanism and the mobile voucher integration service combined with iSunny Tool; and to increase the highlights for the client signing gift voucher trust with the Bank, so as to expand the scale of trust assets of gift vouchers effectively.
- c. General Money Trust: It includes the family fortune trust (including three modules: the children’s education plan/pension plan/disabled caretaker plan), insurance trust and public trust fund for apartments and buildings, and other monetary trust products. It plans to increase the promotion incentives of branches in the way of trust project, with the expectation of marketing such products through the branch channels. It assists the customers in assets protection and assets transfer through trust mechanism, and also provides other functions such as complete control and customized design.
- d. Specific Money Trust: To enhance the accounting automation of fund business in order to effectively reduce manual operation costs and risks. The fund system service function and interface are also upgraded to increase the client satisfaction level.

(3) Market Analysis

A. Analysis on Area of the Banking Service Operations

According to the economic analysis report released by the Ministry of Economic Affairs, the driving force of world economy is still weak despite the gradual recovery this year (2017). Moreover, the marginal effect of long-term easing monetary policy is reduced. The financial policy will replace the monetary policy as the major tool of promoting the

economic growth in countries worldwide. In terms of the domestic financial environment, it is still in the situation of over-banking and a weak capital demand in Taiwan, plus the benchmark interest rate is continuously lowered by the central bank, which have indirectly reduced the margin obtained by the banks from credit businesses.

With the financial liberalization and internationalization policy, the foreign banks and financial holding corporations take advantage of the group resources and innovation technologies to establish a close relationship with the customers in Taiwan. Using the overseas sites and money flow platform in the group, it provides Taiwan enterprises with cross-national financial services, resulting in much stress of domestic banking operators. In response to the Financial Supervisory Commission's "Banking 3.0" policy for creating a digital financial environment launched in 2015, Taiwan banks also follows the advancement of information and communication technologies such as mobile communication, social community media, big data and cloud technologies, and keeps in line with the trend and information development, which actively promotes e-financial service and related businesses and provides the consumers with more convenient financial service. In addition, the Executive Yuan launched the New Southbound Policy Promotion Program on September 5, 2016, with the aim of speeding up the economic and trade cooperation in cross-strait and Southeast Asian regions, and to bring brand new commercial opportunities. It will also make the domestic banks actively expand their overseas business and enter the market in Asia-Pacific and Southeast Asian regions.

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

(A) The Supply Side

According to the CBC statistics, as of the end of December, 2016, the total of financial institutions (including domestic banks, small and medium business banks, foreign bank branches in Taiwan, credit cooperatives, credit departments of farmers' and fishermen's associations, Department of Savings & Remittance of Chunghwa Post Co., trust investment companies, and life insurance companies) is 429 companies with 6,031 branches.

It is difficult to improve the status of slimmer interest spread as interest rates are still lingering low level in recent years, and price competition becomes more intense among homogeneous domestic banks. Domestic government-owned and private financial institutions continue to undertake organizational adjustments, pay more attention to improve the financial structure, strengthen risk management, comply with laws and regulations, increase transaction fee income and conduct product innovation and marketing activities.

(B) The Demand Side

Following the popularization and progress of communications network and mobile technology, emerging technologies have gradually changed the payment pattern and type. E-commerce gradually and closely bonds with every industry. The important role of cash flow played by banks in the industrial chain of e-commerce helps create greater added values. As a result, the key needs is the services related to electronic banking, ranging from mobile payment, integral investment suggestions, tax planning, wealth management as well as digital technology, offer better interactions and experiences for the client.

With a steady deregulation in the cross-strait and south-east Asian financial policy, local banks now carry out more business activities in overseas through the establishment of affiliates, branch offices, representative offices and OBU to expand the financial map to Mainland China and South-East Asia. Therefore, finding appropriate oversea business locations and increasing the percentage of offshore profits will become a major task in the future.

(C) Potential Growth

To have a stable operation and to cooperate with policies of the competent authority, banks will gradually switch their loaning strategy from housing loans to SME loans, peripheral products (such as trade finance) and personal loans that are more profitable through the widening of interest margin. Those lower the threshold and cost of funds of the capital market, which benefit to corporate businesses. For better risk management, the SME loans will be required with subordinated real estate as collaterals or credit fund guarantee or provision of other valuable collaterals. Client screening will be enforced and efforts will be made to find out the exact business operation status of clients in order to secure the payments source and lower the overall lending risks.

C. Competitive Niches, Outlook and Solutions

(A) Competitive Niches

- a. A network of a total 103 domestic branches, mainly located in metropolitan Taipei and Kaohsiung. Principal administration areas have established branches with a complete financial service network.

- b. Good locations, friendly and efficient services and smooth interaction with clients
- c. Vying for a good reputation and stable operating foundation, the bank also actively seeks to promote corporate banking, consumer banking, wealth management, foreign exchange, trust, among other services, with which to continue improving its financial structure and excelling its service efficiency.
- d. Set up a Financial Consultant (FC) in the Northern, Central and Southern regions, with a professional, financial personnel in each branch, to provide the customer a comprehensive one-stop shopping with adequate, comprehensive and diverse financial services, maximizing the cross-marketing synergy.

(B) Outlooks

a. Advantages

- (a) The overall financial environment has become sounder. The authorities have opened and encouraged research and development of new financial products.
- (b) The concept of investment has rooted in people's mind and the concept of trust has also formed gradually.
- (c) With gradually open cross-strait financial business and internationalization policy, the government continues loosening up limitations on business and regulations, which will help develop the overall structure of financial industry.
- (d) As the Bank's asset quality continues to improve, operational development will become more sound.
- (e) The Bank will continue to plan the establishment and relocation of branch offices in order to expand its financial services and to promote the comprehensive channel value.
- (f) The central bank has lifted the credit control policy for the real estate market (particularly residential properties), and increased the percent required for some house mortgage, which facilitates the development of the Bank's credit business.

b. Disadvantages

- (a) As the phenomenon of over-competition in domestic banking industry is less likely to be eliminated in a short time, the sales of all types of financial products have created a price war. Although the Bank has some advantages in traditional deposit and lending services, the bank, relying primarily on the conventional deposit and lending service, may be kept from expanding the interest rate spread to excel the operating revenue.
- (b) With resources and IT technology through the global network provided by the parent company, foreign banks are posing a threat to local banks' wealth management and SME banking services.
- (c) Confronted with financial holding companies' advantages in economies of scale and distribution, the Bank not only forms strategic alliance with insurance and securities channels, but also focuses on cross-strait financial markets and global services for its development. With the diverse content of its products and resource sharing, it creates enormous pressure to the promotion for medium and small banks business.

c. Solutions

- (a) Continuing to inject resources and stepping up new financial product research and development to offer the client with differentiated quality service in a bid to curtail negative pricing competition.
- (b) Continuously adjusting the Bank's branch office allocation and improve the channel performance to maximize its channel advantages with 103 nationwide branch offices.
- (c) Utilizing the bank's existing operating foundation to actively excel the overall marketing functionalities to deep-root the business banking and foreign exchange service, and by fully expanding into the consumer banking services and wealth management domains.
- (d) To intensify employees' trainings, realize their passion towards the services, enhance the efficiency of the organization and bring the corporate culture into full play.
- (e) Improving security codes and system performance of online banking to ensure the transaction security of our clients; launching electronic banking services and relevant business to increase clients' satisfaction level and enhance the Bank's market competitiveness.
- (f) By expanding the scope of foreign exchange business and recruiting good hands specialized in international finance to grasp the opportunity of financial openness and stabilize the Bank's deployment enter of the Financial Market of Asia Pacific.

(4) Research on Financial Products and Business Development:

- A. Size and profit/loss of major financial products and business units added in the recent two years and the period up to the annual report publication date.
- (A) For the major financial products of the last two years, please refer to I. 2016 Operating Performance under I. Letter to Shareholders.

(B) New business units set up in the last two years

To improve the profit and performance of the Bank, and to strengthen the business integration effectiveness, the Bank acquired Sunny Life Insurance Agency Co., Ltd. and Sunny Property Insurance Brokerage Co., Ltd. through a merger in 2016. Moreover, the Insurance Agency Department was set up in the head office to be engaged in the insurance agency business.

- B. Research and development spending and future research development plan in the recent two years.

The contactless financial card was issued in September 2016, with the expenditure of NT\$980,000. The Bank was the third one in Taiwan to issue such card, and won the recognition of “E-financial Business-The Best Innovation and Excellence Award” granted by Financial Information Service Co., Ltd.

To meet the requirements of anti-money laundering and combatting the financing of terrorism stipulated by FSC, the Bank purchased the SWIFT SANCTIONS SCREENING in 2015. With the real-time and global sanction list built on the system, the professional and complete anti-money laundering regulations adopted by countries worldwide, as well as the automated device for message filtering and screening, it was expected to carry out the function of anti-money laundering in practice. Such system was put into use officially in September 2016.

To strengthen the anti-money laundering control mechanism and prevent the foreign currency transaction by cash getting involved in international money-laundering cases, the Bank intensified the settlement limit of those who were not our customers. For each transaction, we confirmed the source of flow of funds, and performed the operation of Know Your Customer (KYC). For the unsettled transactions of our customers (such as depositing cash in the foreign exchange deposit and purchasing the financial products of foreign currency), the Bank defined the privilege of the branch managers and the authorization levels of the head office. Through layered responsibility and management mechanism, it strictly controlled the quality of foreign currency in cash, with the hope of reducing the risk of money laundering and terrorism financing of the Bank.

(5) Long and Short Term Business Development Plans

- A. Short-term business development plans

The Bank's primary goal is to strengthen its business constitution and to improve its financial structure in order to maintain a good loan-to-deposit ratio and to have a balanced development of deposit and loan services. The Bank aims to, through deepening the client relation and promoting “service motivated business”, expand its client base and maximize their contribution.

The Bank plans to increase capital with cash or issue subordinated bank debentures to ensure its operating fund and to enhance its capital adequacy ratio. Besides, it is the Bank's goal to maintain its non-performing loan ratio under 0.08% and the loan-loss coverage ratio over 1,227.93% by the end of 2017.

- B. Mid- and long-term business development plan

From the mid-term perspective, the Bank plans to launch branch relocation in order to enhance the overall channel value, operating performance and nationwide market shares in order to maximize benefits of economy of scale and synergies. In the meantime, it also continues to maintain its capital structure and cooperate the BASEL III schedule to gradually increase its capital adequacy ratio (BIS) to 10.5% (BASEL III required standard by 2019). The Bank also implemented the “Six Year Sales Growth Plan”, heading towards the goal of reaching NT\$500 billion of total assets and NT\$4 billion of net profit as its mid-term goals.

In regard to its long-term perspective, the Bank aims to expand its international financial map, extend the financial peripheral businesses, strengthen the integration of financial services and innovate new products, so as to realize diverse income and enhance the capital continuously. It will further enhance its competitiveness and profitability, ensuring a sustainable development and operation.

2. The Employee Profile

Year		2016	2015	As of January 31, 2016
Number of Employees	Executives	127	125	124
	Senior Officers	413	386	417
	Clerks	1,375	1,371	1,379
	Total	1,915	1,882	1,920
Average Age		40.16	39.72	40.15
Average years of service		11.27	11.16	11.23
Education background	PhD	0.16%	0.11%	0.16%
	Master	8.98%	8.82%	8.91%
	College	82.30%	82.15%	82.34%
	Senior High School	8.36%	8.66%	8.39%
	Under Senior High School	0.21%	0.27%	0.21%
	Total	100.00%	100.00%	100.00%
Professional licenses held by employees	Basic Proficiency Test for Bank Internal Control	1,139	1,145	1,142
	Proficiency Test for Trust Operations Personnel	1,406	1,448	1,408
	Trust Operations Management Personnel	441	436	440
	Trust Operations Supervisor	10	10	9
	Proficiency Test for Life Insurance Specialist	1,567	1,560	1,572
	Proficiency Test for Investment-oriented Insurance Personnel	746	760	748
	Proficiency Test for Property Insurance Personnel	1,481	1,497	1,482
	Proficiency Test for Financial Planning Personnel	352	366	353
	Basic Proficiency Test for International Banking Personnel	385	399	386
	Basic Proficiency Test for Bank Lending Personnel	691	701	691
	Advanced Proficiency Test for Bank Lending Personnel	18	20	18
	Proficiency Test for Futures Specialist	254	270	253
	Proficiency Test for Securities Specialist	234	210	234
	Proficiency Test for Senior Securities Specialist	161	167	160
	Proficiency Test for Securities Investment Trust and Consulting Professionals (3 Sections)	133	137	132
	Proficiency Test for Bill Finance Specialist	58	61	58
	Proficiency Test for Financial Risk Management Personnel	3	3	3
	Proficiency Test for Bank Collateral Appraisal Personnel	16	16	16
	Qualification of Financial Market Knowledge &	1,458	1,451	1,460

Professional Ethics Test			
Qualification of Investment Trust and Consulting Regulations Test	921	921	920
Consultant of Financial Planning (CFP)	5	4	5
Proficiency Test for Bond Specialist	20	17	20
Proficiency Test for Securities Investment Analyst	5	5	5
Proficiency Test for Life Insurance Representative to Sell Foreign Currency Receiving and Paying in Non-Investment Oriented Insurance Products	607	571	611
Certificate of Completion of Risk Management for Foreign Exchange Derivatives Course	166	175	167

Note: Shall fill data of the year up to the annual report publication date.

3. Corporate Social Responsibility and Ethical Behavior

- (1) Donated NTD5 million to Bureau of Social Affairs, Tainan City Government (for Earthquake on February, 06)
- (2) Donated NT\$1.5 million to Sunny Culture and Education Foundation
- (3) Donated NT\$100,000 to the Diabetes Association of the Republic of China
- (4) Sponsored Kaohsiung Sunny Bank Women Football Team in the name of the Bank, to support the development of Taiwan sports activities and cultivate the local football talents
- (5) The Bank shows care for disadvantaged group and fulfills the corporate social responsibilities for a long time. The annual welfare scheme "Dream Come True for Children in Remote Areas" has been carried out since 2013, which has visited nearly 40 elementary schools in rural areas such as Hsinchu County, Nantou County, Pingtung County, Great Cishan area of Kaohsiung City, Miaoli County, Hualien County, and Taitung County. It has provided physical materials for about 1,300 children, making them feel the warmth from the society. The children were inspired and encouraged to build dreams in the scheme with profound significance.
- (6) To respond to the government's policy of saving power and reducing carbon emission and to support the goal of having a sustainable environmental development, the Bank has invested over NT\$14 million to replace all of its lighting equipment with LED lights to reduce energy waste. This action was recognized and praised by governmental institutions.

4. Number of Non-Supervisory Employees, Average Annual Employee Benefits Expenses and Difference Compared with Last Year

Year	2016	2015
Business Items		
Number of non-supervisor employees	1,410	1,392
Average welfare expenses	834,808	791,413
Growth rate (%)	5.20	3.14

5. Information Infrastructure

(1) Major Information Systems and Maintenance thereof

1. NTD and foreign currency banking system HP Non-Stop mainframe;
2. Telephone banking;
3. Online banking (mobile APP);
4. The trust system
5. The Wealth management system;
6. The bills and bonds system

-
7. RCE
 8. ACH
 9. The stock affairs management system
 10. The collection management system
 11. Online seal comparison system
 12. E-JCIC
 13. The internet ATM system;
 14. The XML financial payments system
 15. The E-LOAN system
 16. E-Billing system
 17. Client Service Center CTI
 18. Corporate finance lending system;
 19. Business client consignment processing
 20. OTC electronic bond trading system;
 21. Credit card issuance and accounting system;
 22. Sunny Online Shopping
 23. International leasing system;
 24. Router instant information source system;
 25. SWIFT foreign exchange online system
 26. CBC information sharing system
 27. Reimbursement and issuance system
 28. Bill centralized custody system
 29. TEJ Taiwan Economic Journal system
 30. SMS system
 31. Insurance agency & brokerage management system
 32. TDCC connection system
 33. E-form system
 34. The 3rd-party payment tool iSunny
 35. Online filing of Bank 3.0
 36. Mobile payment system

(2) Plans for System Development or Procurement

1. To add enterprise banking function on the collection system;
2. Eloan system(car loan + credit loan);
3. Router change for the core backbone of the Bank/pre-warning software for network device fault;
4. Bandwidth load control and alarming software for the core backbone of the Bank;
5. To change ATM connection architecture from enclosed SNA and open TCP/IP, which also needs to meet the primary enhancement of ATM protection as required by the Trade Union of the Bank;
6. To construct DDoS attack prevention mechanism;
7. Debit financial card;
8. To detect computer system information security;
9. To upgrade customer service system/phone banking;
10. To transpose credit card issuance and accounting system;
11. To upgrade enterprise credit review system, added with collateral management system;
12. Foreign currency bonds, shares, funds and vouchers system;
13. Acquiring management system;
14. To add the function of online trust account issuance on mutual fund system;
15. To add the function of return rate (including interest) on mutual fund system;
16. To add the function of professional investors/customers on overseas bond system;
17. To upgrade AD and Windows Update System;

18. To replace the seal comparison system;
19. To replace ATM, automated passbook update machine, chip reader and decoder;
20. To replace terminal servers of branch offices;
21. Housing loan review system;
22. Collateral (real estate) valuation assessment system;
23. Electronic transcript claiming(by batch) system;
24. Real-time card issuance system of branch;
25. Seizure management system
26. Online remote video instruction system;
27. Digital deposit account and small-amount financing management APP (cloud counter)
28. To integrate and optimize iSunny tool, cross-border payment, collection and payment APP
29. To optimize online banking and mobile banking APP
30. HCE financial card and Apple Pay


(3) Emergency Back-Up and Security Measures

- 1.Goal: In times of disaster, our employees, who are regularly drilled in such measures, will use the regular back-ups to restore systems and undertake a recovery plan to maintain banking operations and minimize the impact of computer data loss and the interruption to operations.
- 2.Scope of business continuity plan
 - (1) System back-up center and task force
 - (2) Evaluation of organization and environment of current IT office
 - (3) Reorganization of system structure and operating system process
 - (4) Setting up of disaster back-up plan
 - (5) Training plans to be carried out where needed
 - (6) Compilation of relevant documents
 - (7) Revision of plans in light of problems



6

VI. Special Remarks

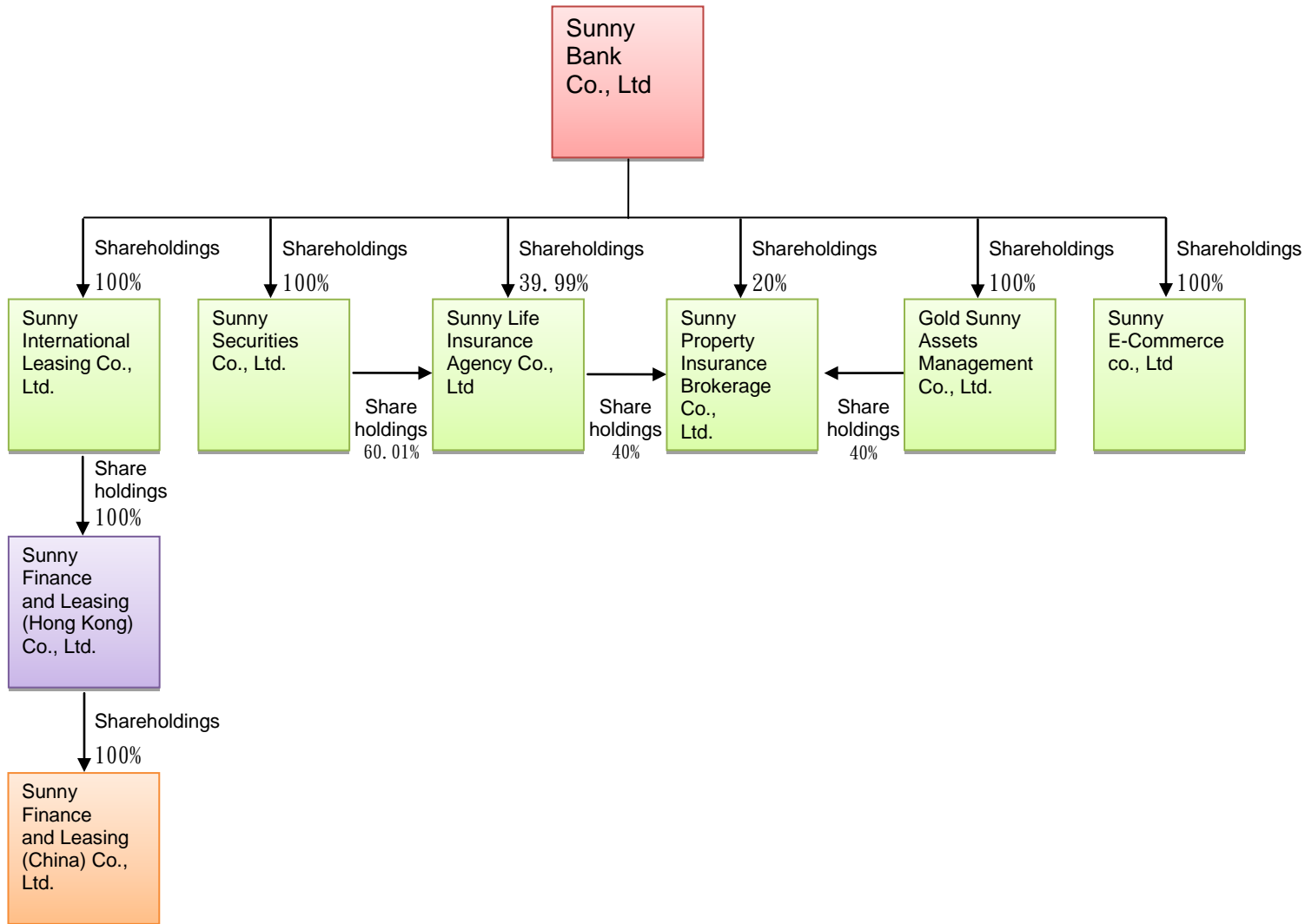
1. Information on Affiliates
 2. Private Placement of Marketable Securities and Bank debentures during the Most Recent Fiscal Year before publishing the Annual Report
 3. Holding or Disposal of the Bank Stocks by Affiliates during the Most Recent Fiscal Year before publishing the Annual Report
 4. Additional Supplementary Remarks
 5. Any circumstance as described in Subparagraph 2 of Paragraph 3 of Article 36 of the Securities and Exchange Act which occurred during the past year and before publishing the Annual Report that could materially affect shareholders' equity or the prices of the company's securities
- 

1. Information on Affiliates

(1) Affiliates' Status

A. Organization Chart of Affiliates

As of December 31, 2016



B. Basic Information on Affiliates

Unit: NT\$ 1,000, except those with notes

Company	Date of Establishment	Address	Paid-in Capital	Major Business
Sunny Securities Co.,Ltd.	Feb 4, 1998	B2, No.165, Sec. 5, MinshengE. Rd., Songshan Dist., Taipei City	502,000	Marketable Securities Entrusting and Trading in the stock exchange, as well as futures introducing broker Business
Sunny Life Insurance Agency Co., Ltd.	Feb 15, 2001	2F., No.205, Chang'an W. Rd.,Datong Dist., Taipei City	52,500	Life Insurance Brokerage
Sunny Property Insurance Brokerage Co.,Ltd.	Aug 14, 2003	2F., No.205, Chang'an W. Rd.,Datong Dist., Taipei City	6,050	Property Insurance Brokerage
Gold Sunny Assets Management Co., Ltd.	Oct 23, 2006	5F., No.255, Zhongzheng Rd.,Shilin Dist., Taipei City	150,000	Financial Institution Creditor's Right(Money) Appraisal and Auction
Sunny International Leasing Co., Ltd.	Nov 28, 2012	6F., No.88, Sec. 1, Shipai Rd.,Beitou Dist., Taipei City	930,000	Leasing business

Sunny Finance and Leasing (Hong Kong) Co., Ltd.	Jan 24, 2013	Unit 1405-1406, Dominion Centre, 43-59 Queen's. Road East, Wan Chai, Hong Kong	USD18,500,000	Financing, leasing and investment businesses
Sunny Finance and Leasing (China) Co., Ltd.	May 20, 2013	Unit D, 19F, No. 398, Middle Huaihai Road, Huangpu District, Shanghai City	USD18,500,000	Financing and leasing businesses
Sunny E-Commercial Co., Ltd	Aug 1, 2014	6F, No. 88, Section 1, Shipai Road, Beitou District, Taipei City	50,000	E-commerce, mobile payment platform operations and management

C. Hold the same data of shareholders of affiliated companies: None

D. Directors, Supervisors and President of Affiliates

December 31, 2016
Unit: 1,000 shares and %

Company Name	Title	Name	Shareholdings	
			Shares	%
Sunny Securities Co.,Ltd.	Chairman	Representative of Sunny Bank Co., Ltd. Chou San-Ho	502,000	100.00
	Director	Representative of Sunny Bank Co., Ltd. Kuo Cheng-Hung		
	Director	Representative of Sunny Bank Co., Ltd. Huang Yen-Chun		
	Director	Representative of Sunny Bank Co., Ltd. Wang Chien-Yi		
	Director	Representative of Sunny Bank Co., Ltd. Li Wen-Kuang		
	Supervisor	Representative of Sunny Bank Co., Ltd. Sung Ping-Ping		
	President	Feng Chin-Chu	-	-
Sunny Life Insurance Brokerage Co., Ltd.	Chairman	Representative of Sunny Bank Co., Ltd. Chao Fu-Tien	2,100	39.99
	Director	Representative of Sunny Bank Co., Ltd. Chang Chi-Ming		
	Director	Representative of Sunny Bank Co., Ltd. Huang Cheng-Nan		
	Director	Representative of Sunny Bank Co., Ltd. Chen, Cheng-Feng		
	Supervisor	Representative of Sunny Securities Co., Ltd. Chao Fu-Tien	3,150	60.01
	President	Lu I-Hsiu	-	-
Sunny Property Insurance Brokerage Co., Ltd.	Chairman	Representative of Sunny Life Insurance Brokerage Co., Ltd. Chao Fu-Tien	242	40.00
	Director	Representative of Sunny Life Insurance Brokerage Co., Ltd. Huang Cheng-Nan		
	Director	Representative of Sunny Bank Co., Ltd. Chang Chi-Ming	121	20.00
	Director	Representative of Sunny Bank Co., Ltd. Chen, Cheng-Feng		
	Supervisor	Representative of Gold Sunny Assets Management Co.,Ltd. Tseng Yao-Te	242	40.00
	President	Chen Chao-Hsiung	-	-
Gold Sunny Assets Management Co.,Ltd.	Chairman	Representative of Sunny Bank Co., Ltd. Lin Chih-Liang	15,000	100.00
	Director	Representative of Sunny Bank Co., Ltd. Cheng Yan-Qing		
	Director	Representative of Sunny Bank Co., Ltd. Li Yu-Sheng		
	Supervisor	Representative of Sunny Bank Co., Ltd. Chen Hui-Ling		
	President	Chen Yu-Li	-	-

Sunny International Leasing Co., Ltd.	Chairman	Representative of Sunny Bank Co., Ltd. Lin Yi-Tsun	93,000	100.00
	Director	Representative of Sunny Bank Co., Ltd. Ho Li-Wei		
	Director	Representative of Sunny Bank Co., Ltd. Kan Wu-Cheng		
	Supervisor	Representative of Sunny Bank Co., Ltd. Liu, Tsung-Hsun		
	President	Liu Chiung-Sen	-	-
Sunny Finance and Leasing (Hong Kong) Co., Ltd.	Director	Representative of Sunny International Leasing Co., Ltd. Lin Yi-Tsun	18,500	100.00
Sunny Finance and Leasing (China) Co., Ltd.	Executive Board Director	Representative of Sunny Finance and Leasing (Hong Kong) Co., Ltd. Liu Chiung-Sen	-	100.00
	Supervisor	Representative of Sunny Finance and Leasing (Hong Kong) Co., Ltd. Kan Wu-Cheng		
Sunny E-Commercial Co., Ltd.	Chairman	Representative of Sunny Bank Co., Ltd. Wang Ya-Hsun	5,000	100.00
	Director	Representative of Sunny Bank Co., Ltd. Sung Ping-Ping		
	Director	Representative of Sunny Bank Co., Ltd. Cheng Yen-Ching		
	Supervisor	Representative of Sunny Bank Co., Ltd. Lin Chia-Chang		

E. Operations of Affiliated Companies

Unit: NT\$1,000, except the EPS is in NTD

Company	Capital	Total Assets	Total Liabilities	Net Value	Operating Income	Operating Income	Current Profit /Loss (After Tax)	Earnings Per Share (After Tax)
Sunny Securities Co., Ltd.	502,000	795,512	207,401	588,111	56,163	(18,615)	28,400	0.57
Sunny Life Insurance Brokerage Co., Ltd.	52,500	225,610	66,307	159,303	751,874	88,129	74,034	14.10
Sunny Property Insurance Brokerage Co., Ltd.	6,050	9,267	560	8,707	12,293	591	494	0.82
Gold Sunny Assets Management Co., Ltd.	150,000	357,843	186,233	171,610	35,984	16,436	16,456	1.10
Sunny International Leasing Co., Ltd.	930,000	2,263,374	1,305,702	957,672	93,379	45,319	47,754	0.51
Sunny Finance and Leasing (Hong Kong) Co., Ltd.	597,162	596,628	575	596,053	-	(5)	15,737	-
Sunny Finance and Leasing (China) Co., Ltd.	597,162	583,698	24,583	559,115	36,975	21,358	15,870	-
Sunny E-Commercial Co., Ltd.	50,000	46,218	7,926	38,292	9,022	(7,018)	(7,012)	(1.40)

(2) Consolidated Financial Statements Covering Affiliated Enterprises

Please see "Annex I: Financial Statements".

(3) Reports on Affiliations: Not Applicable

2. Private Placement of Marketable Securities and Bank debentures during the Most Recent Fiscal Year before publishing the Annual Report: None

3. Holding or Disposal of the Bank Stocks by Affiliates during the Most Recent Fiscal Year before publishing the Annual Report

Baseline date: January 31, 2017

Unit: NT1,000; shares; %

Affiliates (Note 1)	Paid-in Capital	Source of Fund	Shareholdings of the Bank	Date of acquisiti on or disposal	Shares and Amount Acquired (Note 2)	Shares And Amount Disposed (Note 2)	Profit Loss	Shares and Amount Held as of publication Date of the (Note 3)	Pledge Creation (Note 4)	The Bank's Endorseme nt & Guarantee to	The Bank's Loans to Affiliates
Sunny Securities Co., Ltd.	502,000	Self-owned Capital	100.00	-	-	-	-	-	-	500 million	200 million
Sunny Life Insurance Brokerage Co., Ltd.	52,500	Self-owned Capital	39.99	-	-	-	-	(Note 5)	-	-	-
Sunny Property Insurance Brokerage Co., Ltd.	6,050	Self-owned Capital	20.00	-	-	-	-	-	-	-	-
Gold Sunny Assets Management Co., Ltd.	150,000	Self-owned Capital	100.00	-	-	-	-	-	-	80 million	-
Sunny International Leasing Co., Ltd.	930,000	Self-owned Capital	100.00	-	-	-	-	-	-	-	-
Sunny E-Commercial Co., Ltd	50,000	Self-owned Capital	100.00	-	-	-	-	-	-	-	-

Note 1: Please list respectively by affiliates.

Note 2: The amount refers to the actual acquisition or disposal amount.

Note 3: The holding or disposal situation shall be listed respectively.

Note 4: Please detail its influence on the financial performance and financial situation of the Bank.

Note 5: The Bank acquired Sunny Life Insurance Agency Co., Ltd. and Sunny Property Insurance Brokerage Co., Ltd. on January 20, 2017, and cancelled the 490,856 shares held by Sunny Life Insurance Agency Co., Ltd. under law.

Note 6: The amounts endorsed by the Bank for its affiliates are credit amounts with implied warranties or support agreements.

4. Additional Supplementary Remarks: None

5. Any circumstance as described in Subparagraph 2 of Paragraph 3 of Article 36 of the Securities and Exchange Act which occurred during the past year and before publishing the Annual Report that could materially affect shareholders' equity or the prices of the company's securities: None



VII. Service Network



Unit Name	Address		Tel.	
Administration Management Department	11271	No. 90, Sec. 1, Shihpai Rd., Peitou Dist., Taipei City	(02)	2820-8166
Business Department	11163	No. 255, Chungcheng Rd., Shihlin Dist., Taipei City	(02)	2882-2330
Shih Pai Branch	11271	No. 90, Sec. 1, Shihpai Rd., Peitou Dist., Taipei City	(02)	2823-8480
Pei Tou Branch	11246	No. 152, Kuangming Rd., Peitou Dist., Taipei City	(02)	2891-7361
Shih Lin Branch	11169	No. 82, Tapei Rd., Shihlin Dist., Taipei City (	(02)	2882-3660
Ta Tun Branch	11252	2 No. 304, Chunggho St., Peitou Dist., Taipei City (	(02)	2891-9196
Chien Tan Branch	11166	No. 131, Tunggho St., Shihlin Dist., Taipei City (	(02)	2885-4181
She Tzu Branch	11173	No. 260, Sec. 5, Yenping N. Rd., Shihlin Dist., Taipei City	(02)	2812-1112
Lan Ya Branch	11155	No. 169, Sec. 6, Chungshan N. Rd., Shihlin Dist., Taipei City	(02)	2836-2072
Tien Mu Branch	11153	No. 15, Tienmu E. Rd., Shihlin Dist., Taipei City	(02)	2873-2500
She Chung Branch	11175	No. 220, Shechung St., Shihlin Dist., Taipei City	(02)	2815-1415
Chi Lin Branch	10459	No. 304 Chihlin Rd., Chungshan Dist., Taipei City	(02)	2561-1188
Cheng Kung Branch	11489	No.70, Sec. 4, Chengkung Rd., Neihu Dist., Taipei City	(02)	2792-2433
Min Sheng Branch	10589	No. 167, Sec. 5, Minsheng E. Rd., Sungshan Dist., Taipei City	(02)	2760-6335
Yen Chi Branch	10558	No. 11, Yenchi St., Sungshan Dist., Taipei City	(02)	2578-6201
Mu Cha Branch	11648	No. 96, Sec. 3, Mucha Rd., Wenshan Dist., Taipei City	(02)	2234-5890
Lung Chiang Branch	10475	No. 49, Lane 356, Lungchiang Rd., Chungshan Dist., Taipei City	(02)	2516-5945
Nan king Branch	10553	No. 132, Sec. 4, Nanking Ed., Rd., Sungshan Dist., Taipei City	(02)	2579-0229
Ching Mei Branch	11669	No. 95-12, Chinghou St., Wenshan Dist., Taipei City	(02)	2930-0202
Chung Hsing Branch	10478	No. 36, Sec. 3, Minsheng E. Rd., Chungshan Dist., Taipei City	(02)	2516-5268
Hsin Yi Branch	10681	No. 188, Sec. 4, Hsinyi Rd., Taan Dist., Taipei City	(02)	2706-8388
Chung Ho Branch	23553	No. 245, Chienyi Rd., Chunggho Dist., New Taipei City	(02)	2222-5199
Yung Ho Branch	23443	No. 188, Sec. 1, Chungshan Rd., Yungho Dist., New Taipei City	(02)	2626-5899
Lu Chou Branch	24747	No. 393, Chihsien Rd., Luchou Dist., New Taipei City	(02)	8282-2068
Pan Chiao Branch	22063	No. 133, Sec. 1, Szuchuan Rd., Panchiao Dist., New Taipei City	(02)	2955-0008
Tai Shan Branch	24347	No. 110, Sec. 1, Mingchih Rd., Taishan Dist., New Taipei City	(02)	2297-9797
Hsin Ho Mini-Branch	23570	No. 89, Huahsin St., Chunggho Dist., New Taipei City	(02)	8941-9339
His Chou Branch	22072	No. 89, Sec. 3, Tuhsing Rd., Panchiao Dist., New Taipei City	(02)	2681-9960
Ku Ting Branch	10080	No. 40, Sec. 2, Tingchou Rd., Chungcheng Dist., Taipei City	(02)	8269-2288

Unit Name	Address		Tel.	
Hsin Chuang Branch	24260	No. 533, Lungan Rd., Hsinchuang Dist., New Taipei City	(02)	8201-9069
San Chung Branch	24151	No. 108, Sec. 4, Tzuchiang Rd., Sanchung Dist., New Taipei City	(02)	8981-7171
Shuang Ho Branch	23566	No. 722, Chingping Rd., Chunggho Dist., New Taipei City	(02)	8242-3919
Ta Yeh Mini-Branch	33049	No. 55, Sec. 1, Tayeh Rd., Taoyuan City, Taoyuan County	(03)	347-8899
Fuh Sing Branch	10547	No. 143, Fuhsing N. Rd., Sungshan Dist., Taipei City (	(02)	2719-6166
Tao Yuan Branch	33048	No. 32-20, Chungshan E. Rd., Taoyuan City, Taoyuan County	(03)	336-0555
Ta An Branch	11056	No. 225, Sec. 3, Hoping E. Rd., Hsinyi Dist., Taipei City	(02)	2733-7711
Hsin Tien Branch	23148	No. 263-5, Chungcheng Rd., HsinTien Dist., New Taipei City	(02)	8911-7676
Hsin Fu Mini-Branch	24247	No. 800, Hsingfu Rd., Hsinchuang Dist., New Taipei City	(02)	2998-3366
Yuan Lin Branch	51052	No. 12, Chinghsiu Rd., Yuanlin Town, Changhua County	(04)	832-2171
She Tou Mini-Branch	51141	No. 257, Sec. 2, Yuanchi Rd., Shetou Hsiang, Changhua County	(04)	872-1017
Ping Tung Branch	90074	No. 70, Chungcheng Rd., Pingtung City, Pingtung County	(08)	732-6123
Chung Cheng Mini-Branch	90062	No. 293, Chungcheng Rd., Pingtung City, Pingtung County	(08)	736-0811
Hsin Pu Branch	22049	No. 245, Szuwei Rd., Panchiao Dist., New Taipei City	(02)	8253-7789
Kaohsiung Branch	80766	No. 192, Chiuju 1st Rd., Sanmin Dist., Kaohsiung City	(07)	384-3163
Chung Hua Branch	70168	No. 102, Sec. 3, Chunghua E. Rd., East Dist., Tainan City	(06)	267-0751
Chia Yi Branch	60089	1F & 2F, No. 296 & 298, Chunghsing Rd., West Dist., Chiayi City	(05)	234-2023
Tainan Branch	70050	No. 148, Sec. 2, Chungyi Rd., Jhongxi Dist., Tainan City	(06)	228-2171
Chien Kang Branch	70262	No. 370, Sec. 2, Chienkang Rd., South Dist., Tainan City	(06)	261-2136
Tung Ning Mini-Branch	70160	No. 247, Tungning Rd., East Dist., Tainan City (	(06)	237-5141
An Shun Branch	70941	No. 202, Sec. 1, Anho Rd., Annan Dist., Tainan City	(06)	256-3146
His Hua Branch	70847	No. 359, Sec. 2, Chunghua W. Rd., Anping Dist., Tainan City	(06)	297-9880
International Banking Department	10547	2F, No. 143, Fuhsing N. Rd., Sungshan Dist., Taipei City	(02)	2719-1616
Hsin Chu Branch	30041	No. 247, Chungyang Rd., East Dist., Hsinchu City (	(03)	515-3608
Ching Wu Branch	40147	No. 188, Chingwu E. Rd., East Dist., Taichung City	(04)	2211-2368
Tsuo Ying Branch	81357	No. 102, Poai 2nd Rd., Tsuoying Dist., Kaohsiung City	(07)	556-0128
Taichung Branch	40354	No. 159, Sec. 1, Taichungkang Rd., West Dist., Taichung City	(04)	2310-9996
Hsiang Shang Branch	40356	No. 166, Sec. 1, Hsiangshang S. Rd., West Dist., Taichung City	(04)	2472-2528
Nei Hu Branch	11493	No. 250, Sec. 1, Neihsu Rd., Neihsu Dist., Taipei City	(02)	2658-6698

Unit Name	Address		Tel.	
Chung Li Branch	32097	No. 171, Chienhsing Rd., Chungli Dist, Taoyuan City (	(03)	428-1116
Wu Ku Branch	24872	No. 12, Sec. 1, Chunghsing Rd., Wuku Dist., New Taipei City	(02)	8976-9000
Lin Sen Branch	30061	No. 109, Hsita Rd., East Dist., Hsinchu City	(03)	610-0189
Hsin Hsing Branch	80049	No. 6, Chungcheng 4th Rd., Hsinhsing Dist., Kaohsiung City	(07)	288-4131
Ching Nien Branch	80252	No. 169-1, Chingnien 1st Rd., Lingya Dist., Kaohsiung City	(07)	331-8526
San Feng Branch	80749	No. 293, Chunghua 3rd Rd., Sanming Dist., Kaohsiung City	(07)	231-5101
Szu Wei Branch	80245	No. 159, Chunghua 4th Rd., Lingya Dist., Kaohsiung City	(07)	333-3701
Ta Kung Branch	80342	No. 40, Takung Rd., Yencheng Dist., Kaohsiung City (	(07)	531-5105
Ta Shun Branch	80787	No. 41, Tashun 2nd Rd., Sanmin Dist., Kaohsiung City	(07)	386-1622
Hai Kuang Branch	81346	No. 190, Tsuoyingta Rd., Tsuoying Dist., Kaohsiung City	(07)	582-3511
Chien Chen Branch	80266	No. 281, Santuo 2nd Rd., Lingya Dist., Kaohsiung City	(07)	711-0046
Ping Teng Branch	80745	No. 283, Tzuli 1st Rd., Sanmin Dist., Kaohsiung City (	(07)	321-4622
Hsiao Gang Branch	81254	No.615, Hongping Rd., Xiaogang Dist., Kaohsiung City	(07)	806-5171
Li Wen Branch	81358	No. 75, Liwen Rd., Tsuoying Dist., Kaohsiung City	(07)	558-0711
Yu Chang Branch	81156	No. 803, Chiachang Rd., Nantzu Dist., Kaohsiung City	(07)	364-6530
Chien Kuo Branch	80289	No. 124, Wumiao Rd., Lingya Dist., Kaohsiung City	(07)	715-3513
Wu Chia Branch	83084	No. 368, Wuchia 2nd Rd., Fengshan Dist., Kaohsiung City	(07)	726-0801
Ting Li Branch	80789	No. 142, T ingli Rd., Sanmin Dist., Kaohsiung City	(07)	346-5955
Nan Tzu Branch	81162	No. 55, Nantzu Rd., Nantzu Dist., Kaohsiung City	(07)	353-5513
Chi Shan Branch	84243	No. 158, Chungshan Rd., Chishan Dist., Kaohsiung City	(07)	661-2081
Mei Nung Mini-Branch 8	84348	No. 25, Sec. 1, Chungcheng Rd., Meinung Dist., Kaohsiung City	(07)	681-8346
Lin Yuan Mini-Branch	83248	No. 136, Tunglin W. Rd., Linyuan Dist., Kaohsiung City	(07)	643-8141
Kang Shan Branch	82065	No. 16, Tate 1st Rd., Kangshan Dist., Kaohsiung City (	(07)	623-6182
Li Gang Branch	90546	No. 43, Ligang Rd., Chunlin Village, Ligang Hsiang, Pingtung County	(08)	775-7735
Yung Kang Branch	71049	No. 625, Chunghua Rd., Yungkang Dist., Tainan City	(06)	203-6607
Jen Te Branch	71743	No. 273, Sec. 2, Chungcheng Rd., Jente Dist., Tainan City	(06)	270-6361
Taipei Branch	10451	No. 43, Sec. 1, Mingsheng E. Rd., Chungshan Dist., Taipei City	(02)	2563-3710
Chang An Branch	10350	No. 205, Changan W. Rd., Tatung Dist., Taipei City	(02)	2559-5500
Luo Tung Branch	26548	No. 205, Changan W. Rd., Tatung Dist., Taipei City	(03)	957-1259

Unit Name	Address		Tel.	
Chu Pei Branch	30264	No. 232 & 236, East Sec. 1, Kuangming 6th Rd., Chupei City, Hsinchu County	(03)	658-5818
Chung Hsin Branch	24144	1F, No. 28, Sec. 4, Chunghsin Rd., Sanchung Dist., New Taipei City	(02)	2977-9886
Chang Hua Branch	50063	No.187, Siaoyang Rd., Changhua City, Changhua County	(04)	728-9399
East Tao Yuan Branch	33044	No.523, Jingguo Rd., Taoyuan City, Taoyuan County	(03)	316-1859
Nan Gang Branch	11578	No.97, Sec. 2, Nangang Rd., Nangang Dist., Taipei City	(02)	2785-1001
Bei Tun Branch	40462	No.172, Sec. 4, Wenxin Rd., North Dist., Taichung	(04)	2292-5258
Tu Cheng Branch	23645	No.2, Ln. 33, Sec. 3, Jincheng Rd., Tucheng Dist., New Taipei City	(02)	8261-1818
Kee Lung Branch	20145	No.117, Xin 1st Rd., Xinyi Dist., Keelung City	(02)	2422-2828
Wan Hua Branc	10864	1F., No.207, Sec. 2, Xiyuan Rd., Wanhua Dist., Taipei City	(02)	2305-8699
Hua Lien Branch	97342	200 Sec. 2nd, Chun-Hwa Rd., Gi An Villiage, Hua Lien County	(03)	853-9396
Miao Li Branch	36305	205 Ta-Tung Rd., Gon-Guan Villiage, Miao Li County	(037)	222-618
Long Gin Branch	43448	256-258 Taiwan 5th Ave., Long-Gin District, Taichun City	(04)	2633-0898
Yun Lin Branch	63344	No.39, Fuxing Rd., Tuku Township, Yunlin County	(05)	662-8889
Nan Tou Branch	55141	No.122, Yuanji Rd., Mingjian Township, Nantou County	(049)	273-3855
Da Li Branch	41266	No.666, Sec. 2, Guoguang Rd., Dali Dist., Taichung City	(04)	2482-0329
Da Tong Branch	10363	No.118, Sec. 3, Chengde Rd., Datong Dist., Taipei City	(02)	2598-8979
Tai Tung Branch	95493	No.112, Taiping Rd., Beinan Township, Taitung County	(089)	380-675
Yi Lan Branch	26441	No.181, Sec. 1, Yuanshan Rd., Yuanshan Township, Yilan County	(03)	923-1919



Sunny Bank Ltd. And Subsidiaries

Consolidated Financial Statements for the
Years Ended December 31,2016 and 2015 and
Independent Auditor's Report



DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The Bank and its subsidiaries required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2016 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

SUNNY BANK LTD.

March 14, 2017

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Sunny Bank Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Sunny Bank Ltd. (the Bank) and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank and subsidiaries as of December 31, 2016 and 2015, and their consolidated financial performance and their consolidated cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks, the Regulations Governing the Preparation of Financial Reports by Securities Firms, the guidelines issued by the authority, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements of Financial Institutions by Certified Public Accountants, the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, and auditing standards generally accepted in the Republic of China. Our responsibilities under those regulations and standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Bank and subsidiaries in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Bank and subsidiaries' consolidated financial statements for the year ended December 31, 2016 are stated as follows:

Impairment of Loans and Receivables

As described in Note 5 to the consolidated financial statements, when evaluating the impairment of loans and receivables, the Bank and subsidiaries' management assess whether there are any observable indications of impairment before collectively assess the impairment. The indications may include observable data indicating that there has been an adverse change in the payment status of borrowers or delayed payments in the related nations and its economic conditions. When analyzing expected cash flows, management's estimate is based on historical loss experience for assets with similar credit risk characteristics, such as default rate, recovery rate, collateral values, and discount rates used by the Bank and subsidiaries, which are critical judgments and estimates and need to comply with applicable regulations and laws. Therefore, impairment of loans and receivables has been identified as a key audit matter.

Please refer to Note 4 to the consolidated financial statements for the Bank and subsidiaries' accounting policies related to impairment evaluation on loans and receivables, Note 5 for critical accounting judgments and key sources of estimation uncertainty, and Notes 10 and 11 for related presentations and disclosures.

We performed the following audit procedures in respective of the above key audit matter. We understood and assessed management's methodology of impairment of loans and receivables. We evaluated whether the assumptions and inputs used appropriately reflected historical default rate and recovery rate of loans and receivables collectively. We assessed the reasonableness of expected future cash flows, collateral values and discount rates used by the Bank and subsidiaries, and performed sampling on loans and receivable cases to verify their completeness and accuracy. We also considered related regulations and guidelines issued by the authorities and examined whether the classification and recognition of impairment of loans and receivables complied with the related regulations and guidelines.

Other Matter

We have also audited the parent company only financial statements of Sunny Bank Ltd. as of and for the years ended December 31, 2016 and 2015 on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, the Regulations Governing the Preparation of Financial Reports by Securities Firms, the guidelines issued by the authority, IFRS, IAS, IFRIC, and SIC endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Bank and subsidiaries' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank and subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Bank and subsidiaries' financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank and subsidiaries' internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank and subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank and subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chih-Ming Shao and Yi-Chun Wu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 14, 2017

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with 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 consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

SUNNY BANK LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

ASSETS	2016		2015	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	\$ 8,305,831	2	\$ 5,447,455	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Note 7)	16,909,331	4	21,151,246	6
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	11,768,419	3	9,734,953	3
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 4 and 9)	1,388,427	-	5,000	-
RECEIVABLES, NET (Notes 4, 5, 10, 11 and 39)	3,921,566	1	3,549,774	1
CURRENT TAX ASSETS (Note 37)	36,450	-	36,858	-
DISCOUNTS AND LOANS, NET (Notes 4, 5, 11 and 39)	260,816,501	66	238,052,110	66
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 4, 12 and 41)	65,789,356	17	70,594,664	19
HELD-TO-MATURITY FINANCIAL ASSETS (Notes 4, 13 and 41)	14,131,821	4	1,904,361	1
OTHER FINANCIAL ASSETS, NET (Notes 4, 11, 14 and 41)	4,030,856	1	1,513,173	-
PROPERTY AND EQUIPMENT, NET (Notes 4 and 15)	9,485,108	2	9,485,506	3
INVESTMENT PROPERTIES, NET (Notes 4 and 16)	179,088	-	89,675	-
INTANGIBLE ASSETS, NET (Notes 4 and 17)	1,072,468	-	1,063,409	-
DEFERRED TAX ASSETS (Notes 4 and 37)	117,806	-	222,922	-
OTHER ASSETS, NET (Notes 4, 18 and 41)	<u>243,702</u>	<u>-</u>	<u>372,170</u>	<u>-</u>
TOTAL	<u>\$ 398,196,730</u>	<u>100</u>	<u>\$ 363,223,276</u>	<u>100</u>
LIABILITIES AND EQUITY				
DUE TO THE CENTRAL BANK AND OTHER BANKS (Note 19)	\$ 6,943,606	2	\$ 5,573,606	1
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	13,256	-	16,621	-
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE (Notes 4, 12, 13 and 20)	3,600,338	1	2,850,039	1
PAYABLES (Notes 21 and 25)	3,664,146	1	2,679,094	1
CURRENT TAX LIABILITIES (Note 37)	178,543	-	24,103	-
DEPOSITS AND REMITTANCES (Notes 22 and 39)	344,605,249	87	318,609,421	88
BANK DEBENTURES (Note 23)	13,500,000	3	10,400,000	3
SHORT-TERM BORROWINGS	1,150,000	-	1,201,000	-
OTHER FINANCIAL LIABILITIES	269,915	-	319,997	-
PROVISIONS (Notes 4, 11, 24 and 25)	78,079	-	282,475	-
DEFERRED TAX LIABILITIES (Notes 4 and 37)	112,071	-	119,200	-
OTHER LIABILITIES (Note 26)	<u>302,857</u>	<u>-</u>	<u>302,440</u>	<u>-</u>
Total liabilities	<u>374,418,060</u>	<u>94</u>	<u>342,377,996</u>	<u>94</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK (Notes 4 and 27)				
Ordinary shares	<u>20,032,947</u>	<u>5</u>	<u>17,436,742</u>	<u>5</u>
Capital surplus	<u>49,042</u>	<u>-</u>	<u>48,717</u>	<u>-</u>
Retained earnings				
Legal reserve	1,492,736	-	875,554	-
Special reserve	24,936	-	87,810	-
Unappropriated earnings	<u>2,553,630</u>	<u>1</u>	<u>2,189,843</u>	<u>1</u>
Total retained earnings	<u>4,071,302</u>	<u>1</u>	<u>3,153,207</u>	<u>1</u>
Other equity	<u>(371,113)</u>	<u>-</u>	<u>210,122</u>	<u>-</u>
Treasury shares	<u>(3,508)</u>	<u>-</u>	<u>(3,508)</u>	<u>-</u>
Total equity	<u>23,778,670</u>	<u>6</u>	<u>20,845,280</u>	<u>6</u>
TOTAL	<u>\$ 398,196,730</u>	<u>100</u>	<u>\$ 363,223,276</u>	<u>100</u>

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

SUNNY BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST REVENUE	\$ 7,320,570	117	\$ 7,172,897	120	2
LESS: INTEREST EXPENSE	<u>2,838,093</u>	<u>45</u>	<u>2,927,074</u>	<u>49</u>	(3)
NET INTEREST (Notes 4, 28 and 39)	<u>4,482,477</u>	<u>72</u>	<u>4,245,823</u>	<u>71</u>	6
NET REVENUES OTHER THAN INTEREST (Note 4)					
Commission and fee revenues, net (Note 29)	1,295,306	21	1,189,182	20	9
Gains on financial assets and liabilities at fair value through profit or loss (Notes 4 and 30)	99,724	2	129,035	2	(23)
Realized gains on available-for-sale financial assets (Note 31)	158,029	2	94,019	1	68
Foreign exchange gains	19,126	-	123,062	2	(84)
Reversal of impairment loss (impairment loss) on assets (Note 32)	5,932	-	(22,700)	-	126
Securities brokerage income	35,884	1	39,410	1	(9)
Gains on financial assets carried at cost	37,037	1	29,972	-	24
Purchased claim revenue received	30,074	-	37,898	1	(21)
Rental income	61,836	1	58,575	1	6
Other noninterest net revenues (Note 33)	<u>12,653</u>	<u>-</u>	<u>43,129</u>	<u>1</u>	(71)
Total net revenues other than interest	<u>1,755,601</u>	<u>28</u>	<u>1,721,582</u>	<u>29</u>	2
TOTAL NET REVENUES	<u>6,238,078</u>	<u>100</u>	<u>5,967,405</u>	<u>100</u>	5
ALLOWANCE FOR DOUBTFUL ACCOUNTS AND GUARANTEES (Notes 4, 5, 11 and 39)	<u>49,050</u>	<u>1</u>	<u>219,541</u>	<u>4</u>	(78)

(Continued)

SUNNY BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
OPERATING EXPENSES					
Employee benefits (Notes 4, 25, 34 and 39)	\$ 2,116,459	34	\$ 2,071,462	35	2
Depreciation and amortization (Notes 4 and 35)	230,015	3	182,801	3	26
Others (Note 36)	<u>1,118,736</u>	<u>18</u>	<u>1,096,737</u>	<u>18</u>	2
Total operating expenses	<u>3,465,210</u>	<u>55</u>	<u>3,351,000</u>	<u>56</u>	3
INCOME BEFORE INCOME TAX	2,723,818	44	2,396,864	40	14
INCOME TAX EXPENSE (Notes 4 and 37)	<u>384,800</u>	<u>6</u>	<u>339,592</u>	<u>5</u>	13
NET INCOME	<u>2,339,018</u>	<u>38</u>	<u>2,057,272</u>	<u>35</u>	14
OTHER COMPREHENSIVE INCOME (Note 4)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation (Note 25)	(31,305)	(1)	(68,880)	(1)	(55)
Income tax benefit relating to items that will not be reclassified subsequently (Note 37)	<u>5,322</u>	<u>-</u>	<u>11,710</u>	<u>-</u>	(55)
	<u>(25,983)</u>	<u>(1)</u>	<u>(57,170)</u>	<u>(1)</u>	(55)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations	(49,342)	(1)	(22,366)	-	121
Unrealized gain (loss) on available-for-sale financial assets	(539,313)	(8)	199,490	3	(370)
Income tax benefit relating to items that may be reclassified subsequently	<u>7,420</u>	<u>-</u>	<u>1,836</u>	<u>-</u>	304
	<u>(581,235)</u>	<u>(9)</u>	<u>178,960</u>	<u>3</u>	(425)
Other comprehensive income (loss) for the year, net of income tax	<u>(607,218)</u>	<u>(10)</u>	<u>121,790</u>	<u>2</u>	(599)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,731,800</u>	<u>28</u>	<u>\$ 2,179,062</u>	<u>37</u>	(21)

(Continued)

SUNNY BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
NET PROFIT ATTRIBUTABLE TO:					
Owners of the Bank	\$ 2,339,018	38	\$ 2,057,272	34	14
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	-
	<u>\$ 2,339,018</u>	<u>38</u>	<u>\$ 2,057,272</u>	<u>34</u>	14
TOTAL COMPREHENSIVE INCOME					
ATTRIBUTABLE TO:					
Owners of the Bank	\$ 1,731,800	28	\$ 2,179,062	37	(21)
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	-
	<u>\$ 1,731,800</u>	<u>28</u>	<u>\$ 2,179,062</u>	<u>37</u>	(21)
EARNINGS PER SHARE (Note 38)					
Basic	<u>\$1.26</u>		<u>\$1.15</u>		
Diluted	<u>\$1.26</u>		<u>\$1.15</u>		

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

(Concluded)

SUNNY BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Bank							Exchange Differences on Translating Foreign Operations	Other Equity	Treasury Shares	Non-controlling Interests	Total Equity
	Share Capital		Capital Surplus	Retained Earnings			Unrealized Gain (Loss) on Available-for-sale Financial Assets					
	Shares in Thousand	Ordinary Shares		Legal Reserve	Special Reserve	Unappropriated Earnings	Total					
BALANCE AT JANUARY 1, 2014	1,588,372	\$ 15,883,719	\$ 43,950	\$ 278,433	\$ 87,810	\$ 2,057,559	\$ 2,423,802	\$ 33,083	\$ (1,921)	\$ (3,508)	\$ 1	\$ 18,379,126
Appropriation of the 2014 earnings												
Legal reserve	-	-	-	597,121	-	(597,121)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(317,674)	(317,674)	-	-	-	-	(317,674)
Share dividends	95,302	953,023	-	-	-	(953,023)	(953,023)	-	-	-	-	-
Net income for the year ended December 31, 2015	-	-	-	-	-	2,057,272	2,057,272	-	-	-	-	2,057,272
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	-	(57,170)	(57,170)	(20,530)	199,490	-	-	121,790
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	-	2,000,102	2,000,102	(20,530)	199,490	-	-	2,179,062
Issue of ordinary shares for cash	60,000	600,000	-	-	-	-	-	-	-	-	-	600,000
Value of share-based payment under employee share options	-	-	4,680	-	-	-	-	-	-	-	-	4,680
From differences between equity purchase price and carrying amount arising from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	(1)	(1)
Adjustments to capital surplus of cash dividends to subsidiary	-	-	87	-	-	-	-	-	-	-	-	87
BALANCE AT DECEMBER 31, 2015	1,743,674	17,436,742	48,717	875,554	87,810	2,189,843	3,153,207	12,553	197,569	(3,508)	-	20,845,280
Appropriation of the 2015 earnings												
Legal reserve	-	-	-	617,182	-	(617,182)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(348,735)	(348,735)	-	-	-	-	(348,735)
Share dividends	104,621	1,046,205	-	-	-	(1,046,205)	(1,046,205)	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(62,874)	62,874	-	-	-	-	-	-
Net income for the year ended December 31, 2016	-	-	-	-	-	2,339,018	2,339,018	-	-	-	-	2,339,018
Other comprehensive loss for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(25,983)	(25,983)	(41,922)	(539,313)	-	-	(607,218)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	2,313,035	2,313,035	(41,922)	(539,313)	-	-	1,731,800
Issue of ordinary shares for cash	155,000	1,550,000	-	-	-	-	-	-	-	-	-	1,550,000
Value of share-based payment under employee share options	-	-	232	-	-	-	-	-	-	-	-	232
Adjustments to capital surplus of cash dividends to subsidiary	-	-	93	-	-	-	-	-	-	-	-	93
BALANCE AT DECEMBER 31, 2016	2,003,295	\$ 20,032,947	\$ 49,042	\$ 1,492,736	\$ 24,936	\$ 2,553,630	\$ 4,071,302	\$ (29,369)	\$ (341,744)	\$ (3,508)	\$ -	\$ 23,778,670

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

SUNNY BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 2,723,818	\$ 2,396,864
Adjustments for:		
Depreciation expenses	213,642	170,269
Amortization expenses	16,373	12,532
Allowance for doubtful accounts and guarantees	49,050	219,541
Interest expenses	2,838,093	2,927,074
Interest revenues	(7,320,570)	(7,172,897)
Dividend income	(52,857)	(48,153)
Decrease in provisions	(232,976)	(45,361)
Share-based payments	232	4,680
Loss (gain) on disposal of property and equipment	432	(140)
Gain on disposal of available-for-sale financial assets	(142,209)	(76,257)
Impairment loss (reversal of impairment loss) on financial assets	(5,932)	8,208
Impairment loss on non-financial assets	-	14,492
Changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank and call loans to other banks	(1,150,397)	2,199,653
Decrease (increase) in financial assets at fair value through profit or loss	(2,032,465)	8,667,286
Decrease (increase) in receivables	103,332	(269,159)
Increase in discounts and loans	(22,806,907)	(22,581,721)
Increase (decrease) in due to the Central Bank and banks	1,370,000	(910,000)
Increase (decrease) in financial liabilities at fair value through profit or loss	(3,365)	9,314
Increase (decrease) in securities sold under agreements to repurchase	750,299	(1,053,380)
Increase (decrease) in payables	954,935	(342,795)
Increase in deposits and remittances	25,995,828	32,330,066
Net cash generated from operations	1,268,356	16,460,116
Interest received	7,131,069	7,004,224
Dividends received	52,857	48,153
Interest paid	(2,806,125)	(2,903,424)
Income tax paid	(119,223)	(137,896)
Net cash generated from operating activities	5,526,934	20,471,173
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	(567,476,240)	(552,101,893)
Proceeds from disposal of available-for-sale financial assets	571,566,896	530,295,164
Purchase of held-to-maturity financial assets	(12,284,140)	(841,105)
Payments for property and equipment	(221,340)	(345,517)
Proceeds from disposal of property and equipment	3	158
Payments for intangible assets	(15,892)	(7,758)
Payments for investment properties	(89,413)	(40,861)
Increase in other financial assets	(2,512,382)	-

(Continued)

SUNNY BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
Decrease in other financial assets	\$ -	\$ 1,596,692
Decrease in other assets	<u>126,539</u>	<u>29,127</u>
Net cash used in investing activities	<u>(10,905,969)</u>	<u>(21,415,993)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(51,000)	(320,000)
Issue of bank debentures	3,100,000	1,800,000
Repayment of bank debentures on maturity	-	(500,000)
Increase (decrease) in other financial liabilities	(51,881)	167,628
Increase (decrease) in other liabilities	417	(5,179)
Cash dividends	(348,642)	(317,587)
Proceeds from issue of ordinary shares	1,550,000	600,000
Acquisition of subsidiary	<u>-</u>	<u>(1)</u>
Net cash generated from financing activities	<u>4,198,894</u>	<u>1,424,861</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>29,632</u>	<u>(120,205)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,150,509)	359,836
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>12,381,558</u>	<u>12,021,722</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 11,231,049</u>	<u>\$ 12,381,558</u>

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets at December 31, 2016 and 2015:

	December 31	
	2016	2015
Cash and cash equivalents in consolidated balance sheets	\$ 8,305,831	\$ 5,447,455
Due from the Central Bank and call loans to other banks reclassified as cash and cash equivalents under IAS 7 "Statement of Cash Flows"	1,536,791	6,929,103
Securities purchased under agreements to resell reclassified as cash and cash equivalents under IAS 7 "Statement of Cash Flows"	<u>1,388,427</u>	<u>5,000</u>
Cash and cash equivalents in consolidated statements of cash flows	<u>\$ 11,231,049</u>	<u>\$ 12,381,558</u>

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

(Concluded)

SUNNY BANK LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Sunny Bank Ltd. (the “Bank”) is a public company that deals with: (1) businesses eligible for commercial banks to operate as stated in the Act of Banking; (2) all kinds of deposit and trust business; (3) other relevant businesses approved by central authorities; (4) planning, management and operating a trust businesses stated in the Act of Banking (Department of Trust), as well as investment of national negotiable securities and trust operations. Until December 31, 2016, the Bank had 103 branches nationwide in total.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on March 14, 2017.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission (FSC) for application starting from 2017

Rule No. 10610000830, No. 1060002308, and No. 1050026834 issued by the FSC stipulated that starting January 1, 2017, the Group should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks and the IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) issued by the IASB and endorsed by the FSC for application starting from 2017.

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014

(Continued)

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014
	(Concluded)

Note 1: Unless stated otherwise, the above New or amended IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application in 2017 of the above IFRSs and related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Group’s accounting policies, except for the following:

1) Amendment to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets”

The amendment clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which impairment loss has been recognized or reversed is fair value less costs of disposal, the Group is required to disclose the fair value hierarchy. If the fair value measurements are categorized within Level 2 or Level 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using present value technique. The amendment will be applied retrospectively.

2) Annual Improvements to IFRSs: 2010-2012 Cycle

When the amended IFRS 13 becomes effective in 2017, the short-term receivables and payables with no stated interest rate will be measured at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 24 was amended to clarify that a management entity providing key management personnel services to the Group is a related party of the Group. Consequently, the Group is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

3) Annual Improvements to IFRSs: 2011-2013 Cycle

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required to determine whether the investment property acquired is acquisition of an asset or a business combination.

4) Amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks and the Regulations Governing the Preparation of Financial Reports by Securities Firms

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed by the FSC for application starting from 2017. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Bank are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Bank has significant transaction. If the transaction or balance with a specific related party is 10% or more of the Bank's respective total transaction or balance, such transaction should be separately disclosed by the name of each related party.

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group continues assessing other possible impacts that application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks and the Regulations Governing the Preparation of Financial Reports by Securities Firms will have on the Group's financial position and financial performance, and will disclose these other impacts when the assessment is completed.

b. New IFRSs in issue but not yet endorsed by the FSC

The Group has not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC.

The FSC announced that IFRS 9 and IFRS 15 will take effect starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of investment property”	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

(Concluded)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group’s debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

- a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;
- b) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

Impairment of financial assets

IFRS 9 requires impairment loss on financial assets to be recognized by using the “Expected Credit Losses Model”. The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

Transition

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period and restatement of prior periods is not required.

2) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, the Regulations Governing the Preparation of Financial Reports by Securities Firms, the guidelines issued by the authority, and IFRSs as endorsed and issued into effect by the FSC.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- c. Level 3 inputs are unobservable inputs for the asset or liability.

Since the operating cycle in the banking industry cannot be reasonably identified, the accounts included in the Group's financial statements were not classified as current or noncurrent. Nevertheless, accounts were properly categorized in accordance with the nature of each account and sequenced by their liquidity. Please refer to Note 44 for the maturity analysis of assets and liabilities.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Bank and the entities controlled by the Bank (i.e. its subsidiaries).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Bank.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Please refer to Table 4.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Bank.

The consolidated entities as of December 31, 2016 and 2015 were as follows:

Investor Company	Subsidiary	Business Nature	Percentage of Shareholding (%)	
			December 31 2016	December 31 2015
Sunny Bank Ltd.	Sunny Securities Co., Ltd. ("Sunny Securities Co.")	Accepting orders to sell and purchase negotiable securities in centralized markets and its sales office, and dealing with commodity trading business	100.00	98.72
Sunny Bank Ltd.	King Sunny Assets Management Co., Ltd. ("King Sunny Assets Management Co.")	Business related to the financial institution creditor's right (money) purchase	100.00	100.00
Sunny Bank Ltd.	Sunny Life Insurance Brokerage Co., Ltd. ("Sunny Life Insurance Brokerage Co.")	Life insurance brokerage business	39.99	39.99
Sunny Bank Ltd.	Sunny Property & Insurance Brokerage Co., Ltd. ("Sunny Property & Insurance Co.")	Property and insurance brokerage business	20.00	20.00
Sunny Bank Ltd.	Sunny International Leasing Co. ("Sunny International Leasing Co.")	Financing and leasing business	100.00	100.00
Sunny Bank Ltd.	Sunny E-Commercial Co., Ltd. ("Sunny E-Commercial Co.")	Internet, software design, information processing and retailing service	100.00	-
Sunny Securities Co.	Sunny Life Insurance Brokerage Co.	Life insurance brokerage business	60.01	60.01
Sunny Life Insurance Brokerage Co.	Sunny Property & Insurance Co.	Property and insurance brokerage business	40.00	40.00
King Sunny Assets Management Co.	Sunny Property & Insurance Co.	Property and insurance brokerage business	40.00	40.00
Sunny International Leasing Co.	Sunny Finance Lease (HK) Limited	Financing and leasing business	100.00	100.00
King Sunny Assets Management Co.	Sunny E-Commercial Co.	Internet, software design, information processing and retailing service	-	100.00
Sunny Finance Lease (HK) Limited	Sunny Finance and Leasing (China) Co., Ltd.	Financing and leasing business	100.00	100.00

Foreign Currencies

In preparing the financial statements of each group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income which was attributed to owners of the Bank and non-controlling interests, respectively.

Financial Instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a. Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and loans and receivables.

1) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

A financial asset is designated as at fair value through profit or loss upon initial recognition if:

- a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise without this designation; or
- b) The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- c) The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

Fair value is determined in the manner described in Note 43.

Financial assets designated as at fair value through profit or loss shall be stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 43.

Investments in equity instruments under financial assets at fair value through profit or loss that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are subsequently measured at cost less any identified impairment loss at the end of each reporting period and presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in profit or loss.

2) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that either are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Fair value is determined in the manner described in Note 43.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts on financial instrument acquisition or issue) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are recognized in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

3) Held-to-maturity investments

Government bonds, which are above certain credit ratings and on which the Group has positive intent and ability to hold to maturity, are classified as held-to-maturity investments.

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

4) Loans and receivables

Loans and receivables (including receivables, cash and cash equivalent, and other financial assets) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include demand deposits and investments with original maturities within three months from the date of acquisition, highly liquid, readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b. Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

In determining the allowance for credit losses and provision for losses on guarantees, the Group assesses the collectability of discounts and loans, receivables, and other financial assets, as well as guarantees and acceptances as of the balance sheet date.

Loans and receivables are assessed for impairment at the end of each reporting period and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the foregoing discounts and loans, receivables, and other financial assets, the estimated future cash flows of the asset have been affected. Objective evidence of impairment could include:

- Debtors' liabilities are reclassified as overdue on the measurement date.
- Debtors have unpaid interest or overdue capital on the measurement date.
- Those are warned based on the Bank's mechanism of for abnormal or alerting borrower.
- Debtors who have submitted requests to the Bank due to financial difficulties.
- Those who ever participated in debt negotiation.

For financial assets carried at amortized cost, such as loans, receivables, and other financial assets, are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Bank's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with a default on loans, receivables, and other financial assets.

The amount of the impairment loss on financial assets carried at amortized cost is the difference between the asset carrying amount and the present value of estimated future cash flows, after taking into account the related collaterals and guarantees, discounted at the original effective interest rates. The carrying amount of the discounts and loans, receivables, and other financial assets is reduced through the use of an allowance account.

Under the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans" (the "Regulations"), the Bank evaluates credit losses on the basis of the estimated collectability. In accordance with the Regulations, credit assets are classified as normal assets, assets that require special mentioned, assets with substandard, assets with doubtful collectability, and assets on which there is loss. The Bank evaluates value of collaterals of specified loans and assesses recover abilities of nonperforming loans.

Based on the above Regulations, the minimum allowance for credit losses and provision for losses on guarantees for assets that are normal excluding claims against ROC government agencies that require special mentioned, assets that are substandard, assets with doubtful collectability, and assets on which there is loss were 2%, 10%, 50% and 100%, respectively of outstanding. For enhanced risk management by banks, FSC issued Letter No. 10300329440, which requires domestic banks to allocate an allowance of at least 1.5% of repair loans and construction loans before 2016. In addition, under FSC Letter No. 10410001840, Category 1 credits granted to enterprises in the China region should be covered by an allowance of at least 1.5% of the balance of these credits before 2015.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for that financial asset because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available-for-sale debt securities, impairment loss are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced through the use of an allowance account, accumulated impairment account, or book value. When those financial assets are considered uncollectible, they are written off against the allowance account and accumulated impairment account. Subsequent recoveries of amounts previously written off are debited against the bad debt expense or credited against the allowance account in according with Regulations Governing the Preparation of Financial Reports by Public Banks.

c. Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by the Group is classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Equity and debt instruments are recognized at the proceeds received, net of direct issue costs.

a. Measurement and recognition

Except the following situation, all the financial liabilities are measured at amortized cost using the effective interest method:

1) Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 43.

2) Financial guarantee contracts

Financial guarantee contracts issued by the Group is initially recognized at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at amortized cost.

If obligation of a financial guarantee contract will most likely to be paid, it will be measured at the higher of the best estimate or the amortized amount of the obligation under the contract.

b. Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Derivative Financial Instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts and currency swap contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss.

Repurchase and Reverse Repurchase Transactions

Securities purchased under agreements to resell (reverse repurchase) agreements and securities sold under agreements to repurchase are generally treated as collateralized financing transactions. Interest earned on reverse repurchase agreements or interest incurred on repurchase agreements is recognized as interest income or interest expense over the life of each agreement.

Margin Loans and Stock Loans

Margin loans pertain to the provision of funds to customers for them to buy securities. The securities bought by customers are used to secure these loans and are recorded through memo entries as “collateral securities.” The collateral securities are returned when the loans are repaid.

Stock loans are securities lent to customers for short sales. The deposits received from customers on securities lent out are credited to “deposits on short sale.” The securities sold short are recorded as “stock loans” using memo entries. The proceeds of the sales of securities lent to customers less any dealer’s commission, financing charges and securities exchange tax are recorded under “short sales proceeds payable.” When the customers return the stock certificates to Sunny Securities Co., Sunny Securities Co. gives back to customers the deposits received and the proceeds of the sales of securities.

“Refinancing borrowings” refer to borrowings obtained from the Bank by securities finance corporations when they have insufficient securities for margin loan purchases and short sale of securities. Guarantee deposits or collaterals are recorded as refinancing guarantee deposit. Payments collected from the clients in short sales and guarantee deposits from securities finance corporations are recorded as “short sales proceeds payable” and “refinancing deposits receivable,” respectively.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss.

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. Assets are depreciated over the shorter of the lease term and their useful lives using the straight-line method.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes, as well as property interest held under an operating lease if the definition of an investment property is met). Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

Investment properties under construction of which the fair value is not reliably measurable are stated at cost less accumulated depreciation and accumulated impairment loss until either such time as the fair value becomes reliably measurable or construction is completed (whichever comes earlier).

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

a. The Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

b. The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheets as a finance lease obligation.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Intangible Assets

a. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

b. Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

c. Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss.

Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributable goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Collaterals Assumed

Collaterals assumed are recorded at cost and revalued at the lower of cost or net fair value as of the balance sheet date.

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to

determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to the individual cash-generating units; otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss.

When an impairment loss subsequently is reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Provisions

Provisions, including those arising from contractual obligation specified in service concession arrangement to maintain or restore the infrastructure before it is handed over to the grantor, are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Employee Benefits

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

b. Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Bank's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

c. Preferential interest on employees' deposits

The Bank offers preferential interest rate to its current employees and retired employees for their deposits within a prescribed amount. The preferential rate in excess of market interest rate is considered employees benefits.

Under Article 30 of the Regulations Governing the Preparation of Financial Reports by Public Banks, if the Bank's preferential deposit interest rate for as stated in the employment contract exceeds the market interest rate, the excess will be subject to IAS 19 "Employee Benefits" upon the employee's retirement. The actuarial valuation assumptions and parameters are based on those announced by authority, if any.

Revenue Recognition

a. Interest income and expense

Except for financial assets and liabilities at fair value through profit or loss, all interest-earning financial assets and interest-bearing financial liabilities are accrued using the effective interest rate method and are accounted for as interest revenue and interest expense in the consolidated statement of comprehensive income.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the interest rate that is used to discount the future cash flows when assessing impairment.

Transaction costs and all other premium or discounts associated with the loans and receivables are adjusted to the carrying amount of the loans and receivables. The calculation of effective interest rate includes transaction costs and all other premium or discounts paid or received by the Bank that is an integral part of the effective interest rate.

Interest should not be accrued for loans that are transferred to nonperforming loans. The interest revenue on those loans/credits is recognized upon collection.

Under Ministry of Finance (MOF) regulations, the interest revenue on structured loans is recognized upon collection.

Interest income from revolving credit card receivables and cash advance is recognized on an accrual basis.

b. Commission revenue

Commission fee revenue and expenses are recognized when loans or other services are provided. Service fees on significant projects are recognized when the project has been completed, for instance, loans syndicated fees are recognized over the period during which the service is performed, or as an adjustment to the effective interest rate on the loan and receivables.

Annual fee income is the membership fee received from card members and is recognized when card members fail to meet the criteria for annual fee exemption.

c. Dividend income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Share-based Payment Arrangements

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Bank's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vesting immediately.

Income Tax

Income tax expense represents the sum of the currently payable and deferred tax.

a. Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are generally recognized for deductible temporary differences, unused loss carry forward and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax for the period

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future years.

Impairment Loss on Loans and Receivables

The Group reviews loan portfolios to assess impairment periodically. In determining whether an impairment loss should be recorded, the Group makes judgments on whether there are any observable data indicating that impairment. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers (e.g., payment delinquency or default), or economic conditions that correlate with defaults on assets. When analyzing expected cash flows, management's estimate is based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to decrease the difference between estimated loss and actual loss.

Impairment losses on loans and receivables are shown in Note 11.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2016	2015
Cash on hand	\$ 2,963,968	\$ 3,089,953
Checks for clearing	2,027,519	715,185
Bank deposits and due from other banks	<u>3,314,344</u>	<u>1,642,317</u>
	<u>\$ 8,305,831</u>	<u>\$ 5,447,455</u>

7. DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS

	December 31	
	2016	2015
Deposit reserve - checking accounts	\$ 5,848,061	\$ 5,437,452
Deposit reserve - demand accounts	9,233,097	8,426,026
Deposit reserve - foreign currencies	33,149	28,005
Call loans and overdraft to banks	1,194,323	6,646,266
Due from the Central Bank - interbank settlement funds	<u>600,701</u>	<u>613,497</u>
	<u>\$ 16,909,331</u>	<u>\$ 21,151,246</u>

Under a directive issued by the Central Bank of the ROC, deposit reserves of bank are determined monthly at prescribed rates based on average balances of customers' deposits. Except for deposit reserve - demand account should not be used, except for adjusting the deposit reserve amount monthly. Other deposit reserves can be withdrawn momentarily anytime at no interest.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2016	2015
Held-for-trading financial assets		
Commercial papers	\$ 11,761,432	\$ 9,274,170
Forward contracts	4,563	-
Currency swap contracts	2,424	7,078
Beneficial certificates	-	350,636
Government bonds	-	52,213
Stocks	-	32,767
	<u>11,768,419</u>	<u>9,716,864</u>
Financial assets designated at fair value through profit or loss		
Convertible corporate bonds	-	18,089
	<u>\$ 11,768,419</u>	<u>\$ 9,734,953</u>
Held-for-trading financial liabilities		
Currency swap contracts	\$ 12,797	\$ 16,443
Forward contracts	<u>459</u>	<u>178</u>
	<u>\$ 13,256</u>	<u>\$ 16,621</u>

The Group engages in derivative transactions mainly to accommodate customers' needs, control their capital movement and manage its own risk.

Outstanding derivative contracts (nominal) are shown as follows:

	December 31	
	2016	2015
Currency swap contracts	\$ 1,625,798	\$ 1,568,604
Forward contracts	109,572	13,194
Convertible corporate bonds with interest rate swap contracts	-	18,000
Convertible corporate bonds with short position option contracts	-	18,000

9. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

	December 31	
	2016	2015
Bank debentures	\$ 1,285,091	\$ -
Corporate bonds	103,336	-
Government bonds	<u>-</u>	<u>5,000</u>
	<u>\$ 1,388,427</u>	<u>\$ 5,000</u>
Amounts of resell agreements	<u>\$ 1,390,184</u>	<u>\$ 5,005</u>
Dates of resell agreements	2017.1.3- 2017.1.17	2016.1.12

Securities purchased under agreement to resell are not underlying for agreements to repurchase.

10. RECEIVABLES, NET

	December 31	
	2016	2015
Lease receivables	\$ 1,998,482	\$ 1,922,787
Interest receivables	900,114	605,318
Credit card receivables	546,489	510,452
Account receivable - settlement	182,542	195,769
Purchased claim receivables	179,308	205,771
Acceptances	74,908	150,597
Account receivables	5,702	1,001
Other receivables	<u>364,803</u>	<u>343,158</u>
	4,252,348	3,934,853
Less: Allowance for credit losses (Note 11)	<u>330,782</u>	<u>385,079</u>
Net amount	<u>\$ 3,921,566</u>	<u>\$ 3,549,774</u>
Minimum lease payments receivables	\$ 2,186,943	\$ 2,099,175
Less: Unearned finance income	<u>188,461</u>	<u>176,388</u>
Present value of minimum lease payment	<u>\$ 1,998,482</u>	<u>\$ 1,922,787</u>

11. DISCOUNTS AND LOANS, NET

	December 31	
	2016	2015
Export negotiation	\$ 89,769	\$ 100,582
Short-term loans	23,461,341	22,447,296
Secured short-term loans	59,850,232	52,134,597
Margin loan receivables	265,796	314,316
Medium-term loans	27,802,583	23,677,811
Secured medium-term loans	75,857,531	65,512,680
Long-term loans	1,548,758	1,853,961
Secured long-term loans	74,925,019	74,929,660
Nonperforming loans transferred from loans	<u>107,714</u>	<u>71,228</u>
	263,908,743	241,042,131
Less: Allowance for credit losses	3,100,797	2,985,087
Premium or discount on discounts and loans	<u>8,555</u>	<u>(4,934)</u>
Net amount	<u>\$ 260,816,501</u>	<u>\$ 238,052,110</u>

Please refer to Note 44 for the analysis of impairment loss on receivables, and discounts and loans.

The Group assessed the collectability of discounts and loans, and receivables to determine the required allowance and to appropriately provide for guarantee liability. Movements of the allowance of discounts and loans, receivables, nonperforming loans transferred from other than loans and guarantee liabilities are shown as follows:

	2016						
	Discounts and Loans			Receivables	Non-performing Loans Transferred from Other than Loans	Provision for Guarantee Liability	Total
	Specific Risk	General Risk	Subtotal				
Balance, January 1	\$ 8,357	\$ 2,976,730	\$ 2,985,087	\$ 385,079	\$ 1,671	\$ 28,573	\$ 3,400,410
(Reversal) provisions	(5,782)	116,320	110,538	(61,508)	2,853	(2,833)	49,050
Write-off	(579,042)	-	(579,042)	(19,661)	(15,367)	-	(614,070)
Recovery of written-off credits	586,906	-	586,906	25,333	14,779	-	627,018
Reclassification	-	-	-	2,222	(2,222)	-	-
Effect of exchange rate charges	(2,692)	-	(2,692)	(683)	-	-	(3,375)
Balance, December 31	<u>\$ 7,747</u>	<u>\$ 3,093,050</u>	<u>\$ 3,100,797</u>	<u>\$ 330,782</u>	<u>\$ 1,714</u>	<u>\$ 25,740</u>	<u>\$ 3,459,033</u>

	2015						
	Discounts and Loans			Receivables	Non-performing Loans Transferred from Other than Loans	Provision for Guarantee Liability	Total
	Specific Risk	General Risk	Subtotal				
Balance, January 1	\$ 464,361	\$ 1,881,285	\$ 2,345,646	\$ 507,416	\$ 1,815	\$ 21,966	\$ 2,876,843
(Reversal) provisions	(813,662)	1,095,445	281,783	(68,849)	-	6,607	219,541
Write-off	(557,353)	-	(557,353)	(58,207)	(13,805)	-	(629,365)
Recovery of written-off credits	909,954	-	909,954	(152)	18,593	-	928,395
Reclassification	-	-	-	4,932	(4,932)	-	-
Effect of exchange rate charges	5,057	-	5,057	(61)	-	-	4,996
Balance, December 31	<u>\$ 8,357</u>	<u>\$ 2,976,730</u>	<u>\$ 2,985,087</u>	<u>\$ 385,079</u>	<u>\$ 1,671</u>	<u>\$ 28,573</u>	<u>\$ 3,400,410</u>

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2016	2015
Negotiable certificates of deposits	\$ 36,525,825	\$ 40,902,352
Government bonds	22,317,093	15,382,918
Commercial papers	3,079,691	10,360,432
Bank debentures	2,242,173	2,250,124
Corporate bonds	1,055,342	1,156,153
Beneficial certificates	342,331	209,738
Stocks	<u>226,901</u>	<u>332,947</u>
	<u>\$ 65,789,356</u>	<u>\$ 70,594,664</u>

As of December 31, 2016 and 2015, the principal of bond investments amounting to \$0 and \$2,000,000, had been sold under repurchase agreements, respectively.

Please refer to Note 41 for information on available-for-sale financial assets pledged as security.

13. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31	
	2016	2015
Government bonds	<u>\$ 14,131,821</u>	<u>\$ 1,904,361</u>

As of December 31 2016 and 2015, the principal of bond investments amounting to \$3,600,000 and \$850,000, had been sold under repurchase agreements, respectively.

Please refer to Note 41 for information relating to held-to-maturity financial assets pledged as security.

14. OTHER FINANCIAL ASSETS, NET

	December 31	
	2016	2015
Financial assets carried at cost		
Unlisted common stocks		
Financial Information Service Co., Ltd.	\$ 115,771	\$ 115,771
Taiwan Financial Asset Service Co., Ltd.	50,000	50,000
Taiwan Depository and Clearing Co., Ltd.	21,490	21,490
Protop Technology Co., Ltd.	10,782	10,782
Taiwan Mobile Payment Co., Ltd.	6,000	6,000
Sunny Real Estate Management Co., Ltd.	3,000	3,000
	<u>207,043</u>	<u>207,043</u>
Less: Accumulated impairment loss	<u>10,782</u>	<u>10,782</u>
	<u>196,261</u>	<u>196,261</u>
Debt instruments with no active markets		
Structured products	85,437	122,402
Structured time deposit	66,161	73,892
Less: Accumulated impairment loss	<u>66,161</u>	<u>73,892</u>
	<u>85,437</u>	<u>122,402</u>
Other financial assets		
Time deposits not qualifying as cash and cash equivalents	<u>3,747,274</u>	<u>1,192,833</u>
Nonperforming loans transferred from other than loans	3,598	3,348
Less: Allowance for credit losses (Note 11)	<u>1,714</u>	<u>1,671</u>
	<u>1,884</u>	<u>1,677</u>
	<u>\$ 4,030,856</u>	<u>\$ 1,513,173</u>

The above financial assets carried at cost held by the Group have no active market and whose fair value cannot be reliably measured; therefore they were measured at cost less impairment at the end of reporting period.

The fair value of the debt instruments with no active markets held by the Group was determined by valuation approach.

Please refer to Note 41 for information relating to other financial assets pledged as security.

15. PROPERTY AND EQUIPMENT, NET

	For the Year Ended December 31, 2016								
	Land	Buildings	Machinery Equipment	Transportation Equipment	Other Equipment	Leasehold Improvement	Prepayments for Equipment and Construction in Progress	Lease Assets	Total
Cost									
Balance, January 1	\$ 7,293,171	\$ 2,931,866	\$ 780,686	\$ 48,498	\$ 754,229	\$ 26,745	\$ 84,695	\$ 117	\$ 11,920,007
Additions	-	-	51,673	11,724	43,402	687	113,910	-	221,396
Disposals	-	-	(57,683)	(3,667)	(11,831)	(208)	-	(117)	(73,506)
Reclassification	-	-	23,163	-	30,558	-	(61,332)	-	(7,611)
Effect of foreign currency exchange differences	-	-	-	(104)	(35)	-	-	-	(139)
Balance, December 31	<u>7,293,171</u>	<u>2,931,866</u>	<u>797,839</u>	<u>56,451</u>	<u>816,323</u>	<u>27,224</u>	<u>137,273</u>	<u>-</u>	<u>12,060,147</u>

(Continued)

For the Year Ended December 31, 2016									
	Land	Buildings	Machinery Equipment	Transportation Equipment	Other Equipment	Leasehold Improvement	Prepayments for Equipment and Construction in Progress	Lease Assets	Total
<u>Accumulated depreciation</u>									
Balance, January 1	\$ -	\$ 1,244,201	\$ 475,834	\$ 32,293	\$ 648,000	\$ 24,105	\$ -	\$ 68	\$ 2,424,501
Depreciation	-	65,330	93,853	6,204	47,238	968	-	49	213,642
Disposals	-	-	(57,505)	(3,667)	(11,682)	(100)	-	(117)	(73,071)
Effect of foreign currency exchange differences	-	-	-	(10)	(23)	-	-	-	(33)
Balance, December 31	-	1,309,531	512,182	34,820	683,533	24,973	-	-	2,565,039
<u>Accumulated impairment loss</u>									
Balance, January 1	10,000	-	-	-	-	-	-	-	10,000
Balance, December 31	10,000	-	-	-	-	-	-	-	10,000
<u>Net amount</u>									
Balance, December 31	\$ 7,283,171	\$ 1,622,335	\$ 285,657	\$ 21,631	\$ 132,790	\$ 2,251	\$ 137,273	\$ -	\$ 9,485,108

(Concluded)

For the Year Ended December 31, 2015									
	Land	Buildings	Machinery Equipment	Transportation Equipment	Other Equipment	Leasehold Improvement	Prepayments for Equipment and Construction in Progress	Lease Assets	Total
<u>Cost</u>									
Balance, January 1	\$ 7,341,110	\$ 2,931,866	\$ 865,087	\$ 43,502	\$ 734,492	\$ 30,153	\$ 64,417	\$ 262	\$ 12,010,889
Additions	-	-	251,577	6,534	27,967	1,560	59,439	-	347,077
Disposals	-	-	(352,339)	(1,538)	(21,714)	(4,968)	-	(145)	(380,704)
Reclassification	(47,939)	-	16,361	-	13,491	-	(39,161)	-	(57,248)
Effect of foreign currency exchange differences	-	-	-	-	(7)	-	-	-	(7)
Balance, December 31	<u>7,293,171</u>	<u>2,931,866</u>	<u>780,686</u>	<u>48,498</u>	<u>754,229</u>	<u>26,745</u>	<u>84,695</u>	<u>117</u>	<u>11,920,007</u>
<u>Accumulated depreciation</u>									
Balance, January 1	-	1,178,645	774,273	28,692	625,978	27,245	-	88	2,634,921
Depreciation	-	65,556	53,896	5,125	43,739	1,828	-	125	170,269
Disposals	-	-	(352,335)	(1,524)	(21,714)	(4,968)	-	(145)	(380,686)
Effect of foreign currency exchange differences	-	-	-	-	(3)	-	-	-	(3)
Balance, December 31	<u>-</u>	<u>1,244,201</u>	<u>475,834</u>	<u>32,293</u>	<u>648,000</u>	<u>24,105</u>	<u>-</u>	<u>68</u>	<u>2,424,501</u>
<u>Accumulated impairment loss</u>									
Balance, January 1	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Balance, December 31	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
<u>Net amount</u>									
Balance, December 31	<u>\$ 7,283,171</u>	<u>\$ 1,687,665</u>	<u>\$ 304,852</u>	<u>\$ 16,205</u>	<u>\$ 106,229</u>	<u>\$ 2,640</u>	<u>\$ 84,695</u>	<u>\$ 49</u>	<u>\$ 9,485,506</u>

The above items of property and equipment were depreciated on a straight-line basis over the following estimated lives:

Items	Years
Buildings	7 to 61 years
Machinery equipment	3 to 9 years
Transportation equipment	3 to 21 years
Other equipment	3 to 21 years
Leasehold improvement	25 years, depreciates over the lease period if below 25 years
Lease assets	2 years

The Group does not have property and equipment pledged as security.

16. INVESTMENT PROPERTY, NET

	December 31	
	2016	2015
Land	\$ 135,375	\$ 87,973
Buildings	<u>43,713</u>	<u>1,702</u>
	<u>\$ 179,088</u>	<u>\$ 89,675</u>

The movements of investment property are summarized as follow:

	December 31	
	2016	2015
<u>Cost</u>		
Balance, January 1	\$ 89,675	\$ 875
Addition	89,413	40,861
Reclassifications	<u>-</u>	<u>47,939</u>
Balance, December 31	<u>\$ 179,088</u>	<u>\$ 89,675</u>

The above buildings of investment property shall be depreciated on a straight-line basis over an estimated useful lives of 7-61 years when construction is completed.

The Group's management was unable to reliably determine the fair value of investment property because these investment properties are apartments and commercial buildings still under construction and the alternative reliable measurements of fair value are not available.

17. INTANGIBLE ASSETS, NET

	December 31	
	2016	2015
Goodwill	\$ 1,034,579	\$ 1,034,579
Computer software	<u>37,889</u>	<u>28,830</u>
	<u>\$ 1,072,468</u>	<u>\$ 1,063,409</u>

The movements of intangible assets are shown as follows:

	For the Year Ended December 31	
	2016	2015
Balance, January 1	\$ 1,063,409	\$ 1,056,420
Additions	15,892	7,758
Amortization	(14,444)	(10,078)
Reclassifications	<u>7,611</u>	<u>9,309</u>
Balance, December 31	<u>\$ 1,072,468</u>	<u>\$ 1,063,409</u>

The Group takes impairment review of goodwill annually or more frequently if events or changes in circumstance indicate goodwill impairment. After assessment, the Group found no objective evidence that goodwill had been impaired.

The above items of intangible assets with definite life were amortized on a straight line basis over the following years.

<u>Item</u>	<u>Years</u>
Computer software	2-5 years

18. OTHER ASSETS, NET

	December 31	
	2016	2015
Collaterals assumed		
Cost	\$ 20,859	\$ 20,859
Less: Accumulated impairment loss	<u>20,859</u>	<u>20,859</u>
Collaterals assumed, net	-	-
Refundable deposits	160,568	172,174
Prepayments	34,844	63,920
Operating deposits, clearing and settlement fund	17,520	16,578
Others	<u>30,770</u>	<u>119,498</u>
	<u>\$ 243,702</u>	<u>\$ 372,170</u>

19. DUE TO THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2016	2015
Due to banks	\$ 3,745,000	\$ 4,275,000
Call loans from banks	1,900,000	-
Deposits from Chunghwa Post Co., Ltd.	<u>1,298,606</u>	<u>1,298,606</u>
	<u>\$ 6,943,606</u>	<u>\$ 5,573,606</u>

20. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	December 31	
	2016	2015
Government bonds	<u>\$ 3,600,338</u>	<u>\$ 2,850,039</u>
Agreed-upon repurchase price	<u>\$ 3,601,851</u>	<u>\$ 2,850,801</u>
Maturity date	2017.1.9-2.9	2016.1.4-2.18

21. PAYABLES

	December 31	
	2016	2015
Notes and checks in clearing	\$ 2,027,519	\$ 715,185
Accrued expenses	563,732	536,188
Interest payables	424,462	394,345
Accounts payable for settlement	173,638	188,383
Acceptances payable	75,031	150,508
Bill for collection	52,328	306,464
Other payables	<u>347,436</u>	<u>388,021</u>
	<u>\$ 3,664,146</u>	<u>\$ 2,679,094</u>

22. DEPOSITS AND REMITTANCES

	December 31	
	2016	2015
Checking	\$ 3,167,460	\$ 2,703,623
Demand	43,793,886	37,571,360
Time deposits	110,516,014	101,665,914
Savings	187,116,015	176,659,359
Remittances	11,874	9,165
	<u>\$ 344,605,249</u>	<u>\$ 318,609,421</u>

23. BANK DEBENTURES

To raise capital for its financial operation and increase its capital adequacy ratio, the Bank obtained approval to issue bank debentures, as follows:

	Maturity Date	Rates	December 31	
			2016	2015
First subordinated bank debentures issued in 2010 (A)	2010.04.30-2017.04.30	Fixed interest rate of 3.25%. Interest is paid annually.	\$ 570,000	\$ 570,000
First subordinated bank debentures issued in 2010 (B)	2010.04.30-2017.04.30	Variable interest rate plus 1.83%. Interest is paid annually.	230,000	230,000
Second subordinated bank debentures issued in 2010 (A)	2010.10.29-2017.10.29	Fixed interest rate of 3.25%. Interest is paid annually.	500,000	500,000
Second subordinated bank debentures issued in 2010 (B)	2010.10.29-2017.10.29	Variable interest rate plus 1.71%. Interest is paid annually.	300,000	300,000
Third subordinated bank debentures issued in 2010	2010.11.11-2017.10.11	Fixed interest rate of 3.25%. Interest is paid annually.	400,000	400,000
First subordinated bank debentures issued in 2011 (A)	2011.06.27-2018.06.27	Fixed interest rate of 2.85%. Interest is paid annually.	100,000	100,000
First subordinated bank debentures issued in 2011 (B)	2011.06.27-2018.06.27	Fixed interest rate of 1.25%. Interest is paid annually.	500,000	500,000
Second subordinated bank debentures issued in 2011	2011.09.30-2018.09.30	Variable interest rate plus 1.17%. Interest is paid annually.	200,000	200,000
First subordinated bank debentures issued in 2012 (A)	2012.05.30-2019.05.30	Fixed interest rate of 2.45%. Interest is paid annually.	500,000	500,000
First subordinated bank debentures issued in 2012 (B)	2012.05.30-2019.05.30	Variable interest rate plus 0.97%. Interest is paid annually.	600,000	600,000
Second subordinated bank debentures issued in 2012	2012.06.29-2019.05.29	Fixed interest rate of 2.45%. Interest is paid annually.	200,000	200,000
First subordinated bank debentures issued in 2013 (A)	2013.04.30-2020.04.30	Fixed interest rate of 2.45%. Interest is paid annually.	1,450,000	1,450,000
First subordinated bank debentures issued in 2012 (B)	2013.04.30-2020.04.30	Variable interest rate plus 0.77%. Interest is paid annually.	50,000	50,000
First subordinated bank debentures issued in 2014 (A)	2014.03.31-2021.03.31	Fixed interest rate of 2.35%. Interest is paid annually.	1,450,000	1,450,000
First subordinated bank debentures issued in 2014 (B)	2014.03.31-2021.03.31	Variable interest rate plus 0.67%. Interest is paid annually.	50,000	50,000
Second subordinated bank debentures issued in 2014	2014.08.26-2021.08.26	Fixed interest rate of 2.35%. Interest is paid annually.	700,000	700,000
Third subordinated bank debentures issued in 2014	2014.12.30-2021.12.30	Fixed interest rate of 2.45%. Interest is paid annually.	800,000	800,000
Second subordinated bank debentures issued in 2015	2015.10.08-2022.10.08	Fixed interest rate of 2.50%. Interest is paid annually.	400,000	400,000
Third subordinated bank debentures issued in 2015	2015.11.10-2022.11.10	Fixed interest rate of 2.50%. Interest is paid annually.	500,000	500,000
Fourth subordinated non-accumulating redeemable bank debentures issued on December 24, 2015	No maturity date	Fixed interest rate of 4.50%. Interest is paid annually.	700,000	700,000
Fifth subordinated non-accumulating redeemable bank debentures issued on December 31, 2015	Redeemable at par after 7 years from the date of issue.			
First subordinated bank debentures issued in 2016	2016.01.27-2023.01.27	Fixed interest rate of 4.50%. Interest is paid annually.	200,000	200,000
Second subordinated bank debentures issued in 2016 (A)	2016.08.19-2023.08.19	Fixed interest rate of 2.46%. Interest is paid annually.	1,100,000	-
Second subordinated bank debentures issued in 2016 (B)	2016.08.19-2023.08.19	Fixed interest rate of 2.00%. Interest is paid annually.	530,000	-
		Variable interest rate plus 1.08%. Interest is paid annually.	170,000	-

(Continued)

	Maturity Date	Rates		December 31	
				2016	2015
Third subordinated non-accumulating redeemable bank debentures issued on August 19, 2016	No maturity date.	Fixed interest rate of 4.35%. Interest is paid annually.	\$	300,000	\$ -
Fourth subordinated bank debentures issued in 2016	2016.09.20- 2023.09.20 Principal is repayable on maturity date.	Fixed interest rate of 2.00%. Interest is paid annually.		800,000	-
Fifth subordinated non-accumulating redeemable bank debentures issued on October 18, 2016	No maturity date.	Fixed interest rate of 4.35%. Interest is paid annually.		200,000	-
				<u>\$ 13,500,000</u>	<u>\$ 10,400,000</u>

(Concluded)

24. PROVISIONS

	December 31	
	2016	2015
Provisions for employee benefits (Note 25)	\$ 43,578	\$ 241,999
Provisions for guarantee liabilities (Note 11)	25,740	28,573
Provisions for decommissioning liabilities	8,761	8,861
Provisions for claims	<u>-</u>	<u>3,042</u>
	<u>\$ 78,079</u>	<u>\$ 282,475</u>

25. PROVISIONS FOR EMPLOYEE BENEFITS

	December 31	
	2016	2015
Recognized in consolidated balance sheets (accounts payable and provisions)		
Defined benefit plans	\$ 39,593	\$ 238,039
Defined contribution plans	12,095	11,448
Preferential interest rate plan for employees' deposits	<u>3,985</u>	<u>3,960</u>
	<u>\$ 55,673</u>	<u>\$ 253,447</u>

a. Defined benefit plans

The Bank and Sunny Securities Co. adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. They each contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name.

Before the end of each year, the Bank and Sunny Securities Co. assess the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Bank and Sunny Securities Co. are required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund deposited in the Trust department of Bank of Taiwan is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy or strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2016	2015
Present value of defined benefit obligation	\$ 727,191	\$ 722,808
Fair value of plan assets	<u>(687,598)</u>	<u>(484,769)</u>
Net defined benefit liability	<u>\$ 39,593</u>	<u>\$ 238,039</u>

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2015	<u>\$ 689,384</u>	<u>\$ (510,893)</u>	<u>\$ 178,491</u>
Service cost			
Current service cost	9,989	-	9,989
Net interest expense (income)	<u>14,331</u>	<u>(10,678)</u>	<u>3,653</u>
Recognized in profit or loss	<u>24,320</u>	<u>(10,678)</u>	<u>13,642</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	7,835	7,835
Actuarial loss - changes in demographic assumptions	367	-	367
Actuarial loss - changes in financial assumptions	1,836	-	1,836
Actuarial loss - experience adjustments	<u>62,014</u>	<u>(3,172)</u>	<u>58,842</u>
Recognized in other comprehensive income	<u>64,217</u>	<u>4,663</u>	<u>68,880</u>
Contributions from the employer	-	(22,950)	(22,950)
Benefits paid	<u>(55,113)</u>	<u>55,089</u>	<u>(24)</u>
Balance at December 31, 2015	<u>722,808</u>	<u>(484,769)</u>	<u>238,039</u>
Service cost			
Current service cost	9,894	-	9,894
Net interest expense (income)	<u>12,299</u>	<u>(8,332)</u>	<u>3,967</u>
Recognized in profit or loss	<u>22,193</u>	<u>(8,332)</u>	<u>13,861</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	2,612	2,612
Actuarial loss - changes in demographic assumptions	361	-	361
Actuarial loss - changes in financial assumptions	1,806	-	1,806
Actuarial loss - experience adjustments	<u>30,010</u>	<u>(3,484)</u>	<u>26,526</u>
Recognized in other comprehensive income	<u>32,177</u>	<u>(872)</u>	<u>31,305</u>
Contributions from the employer	-	(243,612)	(243,612)
Benefits paid	<u>(49,987)</u>	<u>49,987</u>	<u>-</u>
Balance at December 31, 2016	<u>\$ 727,191</u>	<u>\$ (687,598)</u>	<u>\$ 39,593</u>

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, the Group's return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2016	2015
Discount rate(s)	1.375%	1.750%
Expected rate(s) of salary increase	1.500%-2.000%	1.875%-2.000%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would decrease/increase as follows:

	December 31	
	2016	2015
Discount rate(s)		
0.25% increase	<u>\$ (15,262)</u>	<u>\$ (16,273)</u>
0.25% decrease	<u>\$ 15,813</u>	<u>\$ 16,887</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 15,174</u>	<u>\$ 16,251</u>
0.25% decrease	<u>\$ (14,715)</u>	<u>\$ (15,737)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2016	2015
The expected contributions to the plan for the next year	<u>\$ 14,240</u>	<u>\$ 22,691</u>
The average duration of the defined benefit obligation	10-12 years	11-12 years

b. Defined contribution plans

The Bank, Sunny Securities Co., King Sunny Asset Management Co., Sunny Life Insurance Brokerage Co., Sunny Property & Insurance Co., Sunny International Leasing Co. and Sunny E-Commercial Co. of the Group, adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Under the LPA, the Group makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

The total expense recognized in profit or loss for the years ended December 31, 2016 and 2015 was \$69,022 and \$63,555, respectively, which represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

c. Preferential interest on employees’ deposits

The Bank offers preferential interest on employees’ deposits to both current and retired employees.

The preferential interest on employees’ deposits for the years ended December 31, 2016 and 2015 had not been assessed by an independent valuer because there is very little number of employees that meet those relevant criteria, instead the Bank’s management gauged those assumptions used in the most recent actuarial valuation report for the estimate of the preferential interest on employee’s deposits.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	Valuation at December 31	
	2016	2015
Discount rate	4%	4%
Expected return on employees’ deposits	2%	2%
Withdrawal percentage of preferential deposits	1%	1%
The probability of preferential interest on employees’ deposits is canceled within ten years	50%	50%

The amounts included in the consolidated balance sheets on the Bank’s obligations on the preferential interest on employees’ deposits were as follows:

	December 31	
	2016	2015
Present value of preferential interest on employees’ deposits	\$ 3,985	\$ 3,960
Fair value of plan assets	<u>-</u>	<u>-</u>
Provision of preferential interest on employees’ deposits	<u>\$ 3,985</u>	<u>\$ 3,960</u>

The Bank expects to make a contribution of \$0 to the preferential interest on employees’ deposits for the years ended December 31, 2016 and 2015.

26. OTHER LIABILITIES

	December 31	
	2016	2015
Advance receipts	\$ 191,439	\$ 180,402
Guarantee deposits received	104,407	104,588
Others	<u>7,011</u>	<u>17,450</u>
	<u>\$ 302,857</u>	<u>\$ 302,440</u>

27. EQUITY

Common Shares

a. Share capital

	December 31	
	2016	2015
Number of shares authorized (in thousands)	<u>3,000,000</u>	<u>2,000,000</u>
Shares authorized	<u>\$ 30,000,000</u>	<u>\$ 20,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>2,003,295</u>	<u>1,743,674</u>
Shares issued	<u>\$ 20,032,947</u>	<u>\$ 17,436,742</u>

In their meeting on June 15, 2016, the Bank's stockholders resolved to issue 104,621 thousand shares by earnings reallocated as capital, with a par value of NT\$10 each, which increased the share capital issued and fully paid to \$18,482,947. The above transaction was approved by authorities, and the record date of earnings capitalization was July 22, 2016.

In their meeting on June 15, 2015, the Bank's stockholders resolved to issue 95,302 thousand shares by earnings reallocated as capital, with a par value of NT\$10 each, which increased the share capital issued and fully paid to \$16,836,742. The above transaction was approved by authorities, and the record date of earnings capitalization was August 7, 2015.

To increase the Bank's cash and operating capital, raise its capital adequacy ratio, the Bank's board of directors resolved to issue 155,000 thousand ordinary shares with par value of \$10 each on May 31, 2016 which increased the issued and paid up capital to \$20,032,947. The above transaction was approved by Securities and Futures Bureau of Financial Supervisory Commission on September 12, 2016, the record date of earnings capitalization had been determined by the board to be December 9, 2016 and the change to the issued and paid up capital been registered on December 22, 2016.

To increase the Bank's cash and operating capital, raise its capital adequacy ratio, the Bank's board of directors resolved to issue 60,000 thousand ordinary shares with par value of \$10 each on October 13, 2015 which increased the issued and paid up capital to \$17,436,742. The above transaction was approved by Securities and Futures Bureau of Financial Supervisory Commission on November 4, 2015, the record date of earnings capitalization had been determined by the board to be December 29, 2015 and the change to the issued and paid up capital been registered on January 8, 2016.

The shares of the capital issued for a cash increase were reserved for the Bank's employees in accordance with Company's Act article 267. The grant date was the date that the employees' subscribed and the fair value determined at the grant date of the equity-settled share-based payments is recognized as an expense and capital surplus - employee share options. Related compensation cost of employee share options recognized for the years ended December 31, 2016 and 2015 were \$232 and \$4,680, respectively.

In 2016 and 2015 the compensation cost calculated based on employees' subscription of new shares reserved and issued for capital increased by cash were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	The First Subscription in 2016 (Base Date: December 9, 2016)	The First Subscription in 2015 (Base Date: December 29, 2015)
Grant-date share price	\$9.02	\$10.29
Exercise price	\$10	\$10
Expected volatility	13.87%	23.46%
Expected life (years)	0.15	0.13
Risk-free interest rate	0.27%	0.46%

The volatility was based on average annualized standard daily return rate of interbank, and refer to expected duration reversing back with grant-date.

Capital Surplus

	December 31	
	2016	2015
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (a)</u>		
Arising from issuance of common shares	\$ 18,072	\$ 18,034
<u>May be used to offset a deficit only</u>		
Lost employee share options	30,790	30,596
Treasury stock transactions (b)	<u>180</u>	<u>87</u>
	<u>\$ 49,042</u>	<u>\$ 48,717</u>

- Such capital surplus may be used to offset a deficit; in addition, when the Bank has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Bank's capital surplus and once a year).
- Such capital surplus arises from when cash dividends are distributed to the Bank's subsidiaries who owns the Bank's shares as dividends.

Retained Earnings and Dividend Policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on May 16, 2016 and, in that meeting, had resolved amendments to the Bank's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation.

Under the dividend policy as set forth in the amended Articles, where the Bank made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 30% of the remaining profit. According to the Company Law, the appropriations for legal reserve should be made until it equals to the Bank's paid-in capital. The Bank's board may propose the appropriation of dividends and bonuses to be distributed to shareholders based on accumulated unappropriated earnings. The appropriation may be in the form of share dividend or cash dividend, with the approval of stockholders. For the policies on distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, please refer to Employee benefits expenses in Note 34.

Under the Company Act, legal reserve shall be appropriated until it has reached the Bank's paid-in capital. This reserve may be used to offset a deficit. If the Bank has no deficit and the legal reserve has exceeded 25% of the Bank's paid-in capital, the excess may be transferred to capital or distributed in cash. In addition, the Banking Act provides that, before the balance of the reserve reaches the aggregate par value of the outstanding capital stock, cash allocation should not exceed 15% of the aggregate par value of the outstanding capital stock of the Bank.

Items referred to under Rule No. 1010012865, Rule No. 1010047490, Rule No. 1030006415 and Rule No. 10510001510 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Bank.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Bank.

For the Bank's sound financial structure and capital adequacy, appropriations from earnings are mainly in the form of share dividends based on the capital budget plan. Earnings may be appropriated in cash if the Bank has no deficit and the legal reserve meets the standard set by the authorities. Cash dividends should not be less than 10% of the total dividends distributed and if cash dividends falls below NT\$0.1 per share, stock dividends should be distributed instead.

The appropriations from the 2015 and 2014 earnings were proposed in the shareholders' meetings on May 16, 2016 and June 15, 2015, respectively. The appropriations, including dividends per share, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2015	2014	2015	2014
Net income	\$ 2,057,272	\$ 1,990,403		
Adjustments of investments accounted for by the equity method	(795)	2,643		
Adjustment of actuarial loss on defined benefit plans	(56,375)	(6,860)		
Legal reserve	(617,182)	(597,121)		
Reversal of special reserve	62,874	-		
Cash dividends	(348,735)	(317,674)	\$ 0.2	\$ 0.2
Share dividends	<u>(1,046,205)</u>	<u>(953,023)</u>	0.6	0.6
	<u>\$ 50,854</u>	<u>\$ 118,368</u>		

The appropriations of earnings for 2016 had been proposed by the Bank's board of directors on March 14, 2017. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Beginning unappropriated earnings	\$ 240,595	
Remeasurement on defined benefit plans recognized in retained earnings	(26,081)	
Unappropriated earnings adjusted for equity investment	<u>98</u>	
Adjusted unappropriated earnings	214,612	
Net profit after tax for the year ended 2016	2,339,018	
30% Legal reserve	(701,705)	
Special Reserve	<u>(357,872)</u>	
Earnings available for appropriation	1,494,053	
Share dividends	(1,001,402)	\$ 0.5
Cash dividends	<u>(400,561)</u>	0.2
Ending retained earnings	<u>\$ 92,090</u>	

The appropriations of earnings for 2016 are subject to the resolution of the shareholders' meeting to be held on May 8, 2017.

Other Equity Items

- a. Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31 2016	2015
Balance at January 1	\$ 12,553	\$ 33,083
Exchange differences arising on translating the financial statements of foreign operations	(49,342)	(22,366)
Income tax related to gains arising on translating the financial statements of foreign operations	<u>7,420</u>	<u>1,836</u>
Balance at December 31	<u>\$ (29,369)</u>	<u>\$ 12,553</u>

- b. Unrealized gain (loss) on available-for-sale financial assets

	For the Year Ended December 31 2016	2015
Balance at January 1	\$ 197,569	\$ (1,921)
Unrealized gain (loss) arising on revaluation of available-for-sale financial assets	(397,104)	275,747
Realized gain arising on revaluation of available-for-sale financial assets	<u>(142,209)</u>	<u>(76,257)</u>
Balance at December 31	<u>\$ (341,744)</u>	<u>\$ 197,569</u>

Non-controlling Interests

	For the Year Ended December 31	
	2016	2015
Balance at January 1	\$ -	\$ 1
Attributable to non-controlling interests:		
Non-controlling interest arising from acquisition of Sunny Life Insurance Brokerage Co. (Note 40)	-	(1)
Balance at December 31	<u>\$ -</u>	<u>\$ -</u>

Treasury Shares

The Bank's shares held by its subsidiaries at the end of the reporting periods were 491 thousands of shares, and transferred to treasury share from investment by the equity method with book value \$7.14 per share.

Under the Securities and Exchange Act, the Bank shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote. The subsidiaries holding treasury shares, however, retain shareholders' rights, except the rights to participate in any share issuance for cash and to vote.

28. NET INTEREST

	For the Year Ended December 31	
	2016	2015
Interest revenue		
Discounts and loans	\$ 6,337,304	\$ 6,276,531
Marketable securities held	671,435	559,985
Due from banks and call loans to banks	158,473	161,181
Others	<u>153,358</u>	<u>175,200</u>
	<u>7,320,570</u>	<u>7,172,897</u>
Interest expense		
Deposits	2,418,773	2,565,232
Bank debentures	325,425	229,345
Others	<u>93,895</u>	<u>132,497</u>
	<u>2,838,093</u>	<u>2,927,074</u>
	<u>\$ 4,482,477</u>	<u>\$ 4,245,823</u>

29. COMMISSION AND FEE REVENUE, NET

	For the Year Ended December 31	
	2016	2015
Commission and fee revenue		
Agency service	\$ 771,837	\$ 641,696
Trust and related business	207,697	294,467
Loan services	180,875	164,753
Credit card business	44,304	44,177
Others	<u>193,738</u>	<u>164,905</u>
	<u>1,398,451</u>	<u>1,309,998</u>
Commission and fee expense		
Credit card business	37,185	30,271
Interbank services	15,211	15,027
Agency service	9,476	35,579
Remittance business	6,680	6,405
Trust and related business	4,435	5,959
Others	<u>30,158</u>	<u>27,575</u>
	<u>103,145</u>	<u>120,816</u>
	<u>\$ 1,295,306</u>	<u>\$ 1,189,182</u>

30. GAINS ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	For the Year Ended December 31	
	2016	2015
Interest revenue	<u>\$ 40,598</u>	<u>\$ 100,807</u>
Dividend income	<u>-</u>	<u>419</u>
Disposal (loss) gain		
Commercial paper	9,070	8,330
Beneficial certificates	2,115	29,243
Convertible corporate bonds with interest rate swap contracts	318	1,072
Bonds	(172)	(26)
Stocks	(2,227)	(25,078)
Derivative financial instruments		
Currency swap contracts	47,482	36,679
Forward contracts	<u>2,739</u>	<u>(278)</u>
	<u>59,325</u>	<u>49,942</u>
Gain (loss) on valuation		
Stocks	937	(777)
Convertible corporate bonds with interest rate swap contracts	(89)	(312)
Bonds	(191)	777
Beneficial certificates	(636)	(7,086)
Commercial paper	(3,493)	(206)
Derivative financial instruments		
Forward contracts	4,282	45
Currency swap contracts	<u>(1,009)</u>	<u>(14,574)</u>
	<u>(199)</u>	<u>(22,133)</u>
	<u>\$ 99,724</u>	<u>\$ 129,035</u>

31. REALIZED GAINS ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

	For the Year Ended December 31	
	2016	2015
Dividend income	\$ 15,820	\$ 17,762
Gains on disposal of bonds	127,820	61,490
Gains on disposal of stocks	14,275	14,674
Gains on disposal of commercial paper	944	93
Losses on disposal of beneficial certificates	<u>(830)</u>	<u>-</u>
	<u>\$ 158,029</u>	<u>\$ 94,019</u>

32. REVERSAL OF IMPAIRMENT LOSS (IMPAIRMENT LOSS) ON ASSETS

	For the Year Ended December 31	
	2016	2015
Other financial assets	\$ 5,932	\$ (8,208)
Other assets	<u>-</u>	<u>(14,492)</u>
	<u>\$ 5,932</u>	<u>\$ (22,700)</u>

33. OTHER NONINTEREST REVENUES

	For the Year Ended December 31	
	2016	2015
Government grants income	\$ 1,067	\$ 10,470
(Allowance) reversal of allowance for lawsuit compensation liabilities	(27)	11,576
Gain (loss) on disposal of property and equipment	(432)	140
Others	<u>12,045</u>	<u>20,943</u>
	<u>\$ 12,653</u>	<u>\$ 43,129</u>

34. EMPLOYEE BENEFIT EXPENSE

	For the Year Ended December 31	
	2016	2015
Salaries and wages	\$ 1,704,072	\$ 1,693,718
Labor insurance, national health insurance and group life insurance	143,794	140,269
Pension costs	82,883	77,197
Other employee benefits expense	<u>185,710</u>	<u>160,278</u>
	<u>\$ 2,116,459</u>	<u>\$ 2,071,462</u>

a. Employees' compensation and remuneration of directors for 2016 and 2015

In compliance with the Company Act as amended in May 2015 and the amended Articles of Incorporation of the Bank approved by the shareholders in their meeting in May 2016, the Bank accrued employees' compensation and remuneration of directors at the rates no less than 2% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors.

The employees' compensation and remuneration to directors, accrued at 2% and 1%, for the years ended December 31, 2016 and 2015 which have been approved by the Bank's board of directors on March 14, 2017 and March 22, 2016, respectively, were as follows:

	For the Year Ended December 31	
	2016	2015
	Cash	Cash
Employees' compensation	\$ 55,367	\$ 48,730
Remuneration of directors	27,684	24,365

If there is a change in the amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2015.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2017 and 2016 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

b. Bonus to employees and remuneration of directors and supervisors for 2014

The bonus to employees and remuneration of directors and supervisors for 2014 which have been approved in the shareholders' meeting on June 15, 2015 were \$39,917 and \$19,959, respectively.

There was no difference between the amounts of the bonus to employees and the remuneration of directors and supervisors approved in the shareholders' meeting on June 15, 2015 and the amounts recognized in the consolidated financial statements for the year ended December 31, 2014.

Information on the bonus to employees and remuneration of directors and supervisors resolved by the shareholders in their meeting in 2015 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

35. DEPRECIATION AND AMORTIZATION EXPENSE

	For the Year Ended December 31	
	2016	2015
Depreciation expense		
Property and equipment	\$ 213,642	\$ 170,269
Amortization expense	<u>16,373</u>	<u>12,532</u>
	<u>\$ 230,015</u>	<u>\$ 182,801</u>

36. OTHER OPERATING EXPENSES

	For the Year Ended December 31	
	2016	2015
Taxation	\$ 459,281	\$ 462,626
Insurance	154,365	147,542
Rent	74,304	72,542
Repairs	61,834	51,526
Postage	53,869	53,056
Public utilities	41,264	47,029
Others	<u>273,819</u>	<u>262,416</u>
	<u>\$ 1,118,736</u>	<u>\$ 1,096,737</u>

37. INCOME TAXES RELATING TO CONTINUING OPERATIONS

- a. Major components of tax expense recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2016	2015
<u>Current tax</u>		
In respect of the current year	\$ 273,461	\$ 75,955
Income tax on unappropriated earnings	-	18,124
Adjustments for prior years	<u>610</u>	<u>75,892</u>
	<u>274,071</u>	<u>169,971</u>
<u>Deferred tax</u>		
In respect of the current year	<u>110,729</u>	<u>169,621</u>
Income tax expense recognized in profit or loss	<u>\$ 384,800</u>	<u>\$ 339,592</u>

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2016	2015
Profit before tax from continuing operations	<u>\$ 2,723,818</u>	<u>\$ 2,396,864</u>
Income tax expense calculated at the statutory rate (17%)	\$ 463,049	\$ 407,467
Nondeductible expenses in determining taxable income	1,456	31,364
Tax-exempt income	(61,229)	(64,405)
Unrecognized deductible temporary differences	(20,254)	(116,283)
Income tax on unappropriated earnings	-	18,124
Land value increment tax	-	(14,720)
Effect of different tax rate of Group entities operating in other jurisdictions	1,168	2,049
Adjustments for prior years' tax	610	75,892
Others	<u>-</u>	<u>104</u>
Income tax expense recognized in profit or loss	<u>\$ 384,800</u>	<u>\$ 339,592</u>

As the status of 2017 appropriations of earnings is uncertain, the potential income tax consequences of 2016 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2016	2015
<u>Deferred tax</u>		
In respect of the current year:		
Remeasurement on defined benefit plan	\$ 5,322	\$ 11,710
Translation of foreign operations	<u>7,420</u>	<u>1,836</u>
Total income tax recognized in other comprehensive income	<u>\$ 12,742</u>	<u>\$ 13,546</u>

c. Current tax assets and liabilities

	December 31	
	2016	2015
Current tax assets		
Tax refund receivable	<u>\$ 36,450</u>	<u>\$ 36,858</u>
Current tax liabilities		
Income tax payable	<u>\$ 178,543</u>	<u>\$ 24,103</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2016

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Com- prehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for credit losses	\$ 142,054	\$ (45,289)	\$ -	\$ 96,765
Defined benefit obligation	41,078	(39,048)	5,322	7,352
Exchange difference on foreign operations	-	-	5,924	5,924
Unrealized loss on foreign exchange	-	3,369	-	3,369
Provisions	1,608	(411)	-	1,197
Deferred revenue	762	106	-	868
Preferential interest deposits for employees	673	4	-	677
Payable for annual leave	<u>-</u>	<u>210</u>	<u>-</u>	<u>210</u>
	186,175	(81,059)	11,246	116,362
Loss carryforwards	<u>36,747</u>	<u>(35,303)</u>	<u>-</u>	<u>1,444</u>
	<u>\$ 222,922</u>	<u>\$ (116,362)</u>	<u>\$ 11,246</u>	<u>\$ 117,806</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Com- prehensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Land value increment tax	\$ 106,829	\$ -	\$ -	\$ 106,829
Unrealized gain on foreign exchange	8,308	(8,308)	-	-
Unrealized gain on investments accounted for using the equity method	2,567	2,675	-	5,242
Translation of foreign operations	<u>1,496</u>	<u>-</u>	<u>(1,496)</u>	<u>-</u>
	<u>\$ 119,200</u>	<u>\$ (5,633)</u>	<u>\$ (1,496)</u>	<u>\$ 112,071</u> (Concluded)

For the year ended December 31, 2015

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Com- prehensive Income	Others	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Allowance for credit losses	\$ 98,016	\$ 44,038	\$ -	\$ -	\$ 142,054
Defined benefit obligation	30,912	(1,544)	11,710	-	41,078
Provisions	7,615	(6,007)	-	-	1,608
Preferential interest deposits for employees	669	4	-	-	673
Deferred revenue	<u>951</u>	<u>(189)</u>	<u>-</u>	<u>-</u>	<u>762</u>
	<u>138,163</u>	<u>36,302</u>	<u>11,710</u>	<u>-</u>	<u>186,175</u>
Loss carryforwards	<u>251,559</u>	<u>(214,812)</u>	<u>-</u>	<u>-</u>	<u>36,747</u>
	<u>\$ 389,722</u>	<u>\$ (178,510)</u>	<u>\$ 11,710</u>	<u>\$ -</u>	<u>\$ 222,922</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Land value increment tax	\$ 133,325	\$ (14,720)	\$ -	\$ (11,776)	\$ 106,829
Unrealized gain on foreign exchange	4,968	3,340	-	-	8,308
Unrealized gain on investments accounted for using the equity method	76	2,491	-	-	2,567
Translation of foreign operations	<u>3,332</u>	<u>-</u>	<u>(1,836)</u>	<u>-</u>	<u>1,496</u>
	<u>\$ 141,701</u>	<u>\$ (8,889)</u>	<u>\$ (1,836)</u>	<u>\$ (11,776)</u>	<u>\$ 119,200</u>

e. Information about unused loss carryforward

Loss carryforward of Sunny Securities Co. as of December 31, 2016 comprised:

Unused Amount	Expiry Year
\$ 5,250	2022
<u>3,244</u>	2023
<u>\$ 8,494</u>	

Loss carryforward of Sunny E-Commercial Co. as of December 31, 2015 comprised:

Unused Amount	Expiry Year
\$ 502	2024
4,026	2025
<u>7,012</u>	2026
<u>\$ 11,540</u>	

f. The information on the integrated income tax system is as follows:

1) The Bank and its subsidiaries do not have unappropriated earnings generated before January 1, 1998.

2) The information on the imputation credit account is as follows:

	December 31	
	2016	2015
The Bank	\$ 137,945	\$ 102,947
Sunny Securities Co.	37,048	32,796
King Sunny Assets Management Co.	15,385	15,336
Sunny Life Insurance Brokerage Co.	6,558	5,128
Sunny Property & Insurance Co.	578	657
Sunny International Leasing Co.	7,662	3,149
Sunny E-Commercial Co.	-	-

3) Creditable tax ratio

	The Excepted Creditable Tax Ratio Generated in 2016 (%)	The Actual Creditable Tax Ratio Generated in 2015 (%)
Sunny Securities Co.	20.48	20.48
King Sunny Assets Management Co.	20.48	20.48
Sunny Life Insurance Brokerage Co.	20.48	19.76
Sunny Property & Insurance Co.	20.48	20.48
Sunny International Leasing Co.	20.48	20.48
Sunny E-Commercial Co.	-	-

The Bank's expected creditable ratio for distribution of earning for the year ended December 31, 2015 is 5.40%; the actual creditable ratio for cash and share dividends for the year 2014 are 4.99% and 5.75%, respectively.

g. Income tax assessments

	<u>Examined Year</u>
The Bank	2014
Sunny Securities Co.	2014
King Sunny Assets Management Co.	2015
Sunny Life Insurance Brokerage Co.	2014
Sunny Property & Insurance Co.	2014
Sunny International Leasing Co.	2014
Sunny E-Commercial Co.	2015

38. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	<u>2016</u>	<u>2015</u>
Basic earnings per share	<u>\$ 1.26</u>	<u>\$ 1.15</u>
Diluted earnings per share	<u>\$ 1.26</u>	<u>\$ 1.15</u>

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on July 22, 2016. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2015 were as follows:

Unit: NT\$ Per Share

	<u>Before Adjusted Retrospectively</u>	<u>After Adjusted Retrospectively</u>
Basic earnings per share	<u>\$ 1.22</u>	<u>\$ 1.15</u>
Diluted earnings per share	<u>\$ 1.22</u>	<u>\$ 1.15</u>

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share from continuing operations were as follows:

Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	<u>2016</u>	<u>2015</u>
Profit for the year attributable to owners of the Bank	<u>\$ 2,339,018</u>	<u>\$ 2,057,272</u>

Shares

(In Thousand Shares)

	For the Year Ended December 31	
	2016	2015
Weighted average number of ordinary shares in computation of basic earnings per share	1,857,544	1,784,727
Effect of potentially dilutive ordinary shares:		
Employees' compensation	<u>5,575</u>	<u>5,656</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>1,863,119</u>	<u>1,790,383</u>

If the Bank offered to settle compensation or bonuses paid to employees in cash or shares, the Bank assumed the entire amount of the compensation or bonus would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

Subsidiaries holding the Bank's stock for investing purposes and not for stock buyback would not have significant influence on the Bank's earnings per share.

39. TRANSACTIONS WITH RELATED PARTIES

In addition to the disclosed in other notes to the consolidated financial statement, relationships with the Group and significant transactions, as well as the Bank and related party are summarized as follows:

a. Related parties

<u>Name</u>	<u>Relationship with the Bank and Subsidiaries</u>
King Sunny Assets Management Co. (King Sunny)	Subsidiary of the Bank
Rising Sun Publishing Co., Ltd.	Related party in substance
Cherng Yang Printing Co., Ltd.	Related party in substance
Chang Feng Engineering Ltd.	Related party in substance
Chuan Yang Construction Co., Ltd.	Related party in substance
Hai Wong Printing Co., Ltd.	Related party in substance
Cooperation Star Enterprise Ltd. (CSE)	Related party in substance
Gloria Solar Co., Ltd.	Related party in substance
United Giant International Limited Taiwan Branch (B.V.I.)	Related party in substance
Forward Graphic Enterprise Co., Ltd.	Related party in substance
Fashion Beauty Internation Co., Ltd.	Related party in substance
Other related persons	<ul style="list-style-type: none"> • Directors, supervisors, managers and their relatives within the second degree of consanguinity • The subsidiaries' directors supervisors managers

1) Loans

Category	December 31, 2016							
	Number of Accounts or Name of Related Party	Highest Balance	Average Balance	Ending Balance	Normal	Overdue	Type of Collaterals	Is the Transaction at Arm's Length
Consumer loans for employees	8	\$ 2,674	\$ 1,959	\$ 1,914	\$ 1,914	\$ -	-	Yes
Housing mortgage loans	80	679,969	551,592	536,415	536,415	-	Land and building for residential use	Yes
Others:	Rising Sun Publishing Co Ltd	40,666	40,410	40,144	40,144	-	Land and building for commercial use	Yes
	Cherng Yang Printing Co Ltd	738,138	516,606	446,000	446,000	-	Vacant land	Yes
	Gloria Solar Co., Ltd.	96,905	82,492	96,905	96,905	-	The Bank's certificates of deposit pledge of security	Yes
	United Giant International Limited Taiwan Branch (BVI)	586	518	457	457	-	Vehicles	Yes
	Chuan Yang Construction Co Ltd	520,000	470,765	494,000	494,000	-	Land and building for commercial use	Yes
	Forward Graphic Enterprise Co., Ltd.	40,000	21,257	40,000	40,000	-	Land and building for commercial use	Yes
	Hai Wong Printing Co Ltd	961,204	876,818	956,404	956,404	-	Land and plant	Yes
	Fashion Beauty Internation Co., Ltd.	919	657	423	423	-	55% of SEM credit guarantee fund	Yes
	15	251,695	226,906	241,078	241,078	-	Land and plant Land and building for commercial use Farm land Vehicles Vacant land	Yes

Category	December 31, 2015							
	Number of Accounts or Name of Related Party	Highest Balance	Average Balance	Ending Balance	Normal	Overdue	Type of Collaterals	Is the Transaction at Arm's Length
Consumer loans for employees	16	\$ 5,708	\$ 4,012	\$ 3,660	\$ 3,660	\$ -	-	Yes
Housing mortgage loans	93	673,190	552,241	578,179	578,179	-	Land and building for residential use	Yes
Others:	Rising Sun Publishing Co., Ltd.	41,169	40,923	40,666	40,666	-	Land and building for commercial use	Yes
	Cherng Yang Printing Co., Ltd.	319,638	259,578	318,638	318,638	-	Vacant land	Yes
	Chang Feng Engineering Ltd.	2,559	2,376	2,175	2,175	-	The Bank's certificates of deposit pledge of security	Yes
	United Giant International Limited Taiwan Branch (B.V.I.)	670	474	586	586	-	Vehicles	Yes
	Chuan Yang Construction Co., Ltd.	520,000	460,671	520,000	520,000	-	Land and building for commercial use	Yes
	Hai Wong Printing Co., Ltd.	601,938	597,261	592,338	592,338	-	Land and plant	Yes
	Cooperation Star Enterprise Ltd. (CSE)	7,000	3,687	7,000	7,000	-	Farmland	Yes
	15	297,581	242,359	208,367	208,367	-	Land and plant Land and building for commercial use Cervicitis of deposit Farm land Vehicles Vacant land	Yes

2) Deposits

	December 31, 2016		
	Ending Balance	% of the Account Balance	Annual Interest Rates (%)
Others	<u>\$ 1,694,589</u>	<u>1</u>	0-4.8
	December 31, 2015		
	Ending Balance	% of the Account Balance	Annual Interest Rates (%)
Others	<u>\$ 1,698,004</u>	<u>1</u>	0-4.5

3) Interest revenue

	For the Year Ended December 31			
	2016		2015	
	Amount	%	Amount	%
Others	<u>\$ 57,494</u>	<u>1</u>	<u>\$ 49,652</u>	<u>1</u>

4) Interest expense

	For the Year Ended December 31			
	2016		2015	
	Amount	%	Amount	%
Others	<u>\$ 14,647</u>	<u>1</u>	<u>\$ 14,819</u>	<u>1</u>

5) Sale of nonperforming loans

On the record date of July 25, 2007, the Bank sold 41,272 accounts of nonperforming loans that worth \$1,041,038 to King Sunny Assets Management Co. in a public tender bid for \$858,000, which was agreed to be paid in installments and expiring on July 31, 2010. However the time of payment had expired and supplementary contract was signed to extend the expiry date to 2012, which had been extended again to July 31, 2018. The Bank had transferred all rights, benefits and action for recourse onto King Sunny Assets Management Co. in accordance with the provisions of contract.

Factored trade receivables for the years ended December 31, 2016 and 2015 were as follows:

	For the Year Ended December 31	
	2016	2015
Factored trade receivables (included in receivables, net)	\$ 25,668	\$ 98,149
Less: Allowance for credit losses	<u>25,668</u>	<u>98,149</u>
	<u>\$ -</u>	<u>\$ -</u>

For the years ended December 31, 2016 and 2015, such gain on reversal of bad debt were \$72,481 and \$87,716, respectively.

Transactions between the Bank and its subsidiaries and related parties were at arm's length, except for the preferential interest rates offered to employees for their savings and loans of up to certain amounts.

b. Compensation of key management personnel

The management personnel are composed of directors, general manager, vice general manager and other employee whose job grade is at least as high as the former.

	For the Year Ended December 31	
	2016	2015
Short-term employee benefits	\$ 134,240	\$ 133,025
Post-employment benefits	<u>2,543</u>	<u>2,232</u>
	<u>\$ 136,783</u>	<u>\$ 135,257</u>

40. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

The Group acquired 42 shares of Sunny Life Insurance Brokerage Co. in 2015, and its percentage of ownership is 0.01%.

The above transactions were accounted for as equity transactions, since the Group did not cease to have control over these subsidiaries.

	Sunny Life Insurance Brokerage Co.
Cash consideration paid	\$ (1)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>1</u>
Differences arising from equity transaction	<u>\$ -</u>

41. PLEDGED OR MORTGAGED ASSETS

In addition to those disclosed in other Notes, the following assets had been provided as refundable deposits:

	December 31	
	2016	2015
Available-for-sale financial assets	\$ 4,800,000	\$ 3,517,300
Held-to-maturity financial assets	319,400	282,297
Other financial assets, net	221,856	125,800
Other asset - guarantee deposits	160,568	172,174
- operating guarantee deposits	17,520	16,578
- pledge deposits	14,832	36,000
- specialized discharge account	6,406	37,020

The above pledge assets are mainly for 1) the deposit of enforcing provisional seizure asset of debtor, deposit of tenanting operating office, reserve of credit card payment, compensation reserve of trust department, deposit of notes dealers' reserve, operating deposits of securities dealers, operating guarantee deposits of insurance agents, bond payment settlement reserves for the electronic bond trading system, and loan commitments providing for financial institutions; 2) Implementing real-time gross settlement to comply CBC Interbank Funds Transfer System; therefore, providing deposits for secured daily overdrafts. The line of secured may be changed at any time and unused amount may qualify as liquid reserves; 3) providing authorities cash, government bond or bank debentures as operating guarantee deposits according to Regulations Governing Securities Firms and Regulations Governing the Operation of Futures Introducing Broker Business by Securities Firms; 4) providing Insurance Bureau of Financial Supervisory Commission as deposits of insurance agent.

42. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2016 and 2015 were as follows:

	December 31	
	2016	2015
Receipts under custody	\$ 673,978	\$ 806,575
Travelers' checks consigned-in	38,713	41,627
Securities under custody	15,206,270	14,957,486
Trust assets	52,280,986	51,619,087

43. HIERARCHY AND FAIR VALUE INFORMATION

a. Fair value information

1) Overview

Fair value is the proceeds that could be received or amounts need be settled upon selling an asset or transferring a liability in an orderly transaction between market participants on the measurement date (i.e. exit price).

Financial assets and financial liabilities are initially measured at fair value, usually the transaction value. Apart from some financial instruments carried at amortized cost, all other subsequent measurements are at fair value. The best evidence for fair value is the quoted market price in an active market. But if this quoted market price is not available because there is no active market for the financial instrument, the fair value is determined using valuation models, Bloomberg, the quote system of Reuters, and/or quotations provided by counterparties.

2) Hierarchy information of fair value

a) Level 1

Level 1 financial instruments are traded in active market and have the identical price for the same financial instruments. "Active market" should fit the following characteristics:

- i. All financial instruments in the market are homogeneous;
- ii. Willing buyers and sellers exist in the market all the time;
- iii. The public can access the price information easily.

b) Level 2

The products categorized in this level have the prices that can be inferred from either direct or indirect observable inputs other than the active market's prices.

c) Level 3

The fair prices of the products in this level are based on the inputs other than the direct market data. Unobservable inputs are inputs such as historical volatilities used in option pricing model. Historical volatility typically does not present current market participants' expectations about future volatility.

b. Fair value of financial instruments measured at fair value

1) Hierarchy information of fair value

The Group's financial instruments are measured at fair value and on a recurring basis.

Fair value hierarchy as at December 31, 2016

Assets and Liabilities Item	December 31, 2016			
	Total	Level 1	Level 2	Level 3
<u>Measured on a recurring basis</u>				
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Beneficial certificates	\$ 11,761,432	\$ -	\$ 11,761,432	\$ -
Available-for-sale financial assets				
Stocks	226,901	226,901	-	-
Bonds	25,614,608	-	25,614,608	-
Others	39,947,847	342,331	39,605,516	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss	6,987	-	6,987	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	13,256	-	13,256	-

Fair value hierarchy as at December 31, 2015

Assets and Liabilities Item	December 31, 2015			
	Total	Level 1	Level 2	Level 3
<u>Measured on a recurring basis</u>				
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Stocks	\$ 32,767	\$ 32,767	\$ -	\$ -
Bonds	52,213	-	52,213	-
Others	9,624,806	350,636	9,274,170	-
Financial assets designated at fair value through profit or loss	18,089	-	18,089	-
Available-for-sale financial assets				
Stocks	332,947	332,947	-	-
Bonds	18,789,195	-	18,789,195	-
Others	51,472,522	209,738	51,262,784	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss	7,078	-	7,078	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	16,621	-	16,621	-

2) Fair value measurement technique

The fair values of financial assets and financial liabilities that have standard terms and conditions and are traded in active markets, including government bonds, are their quoted market prices.

In an active market, price quotations from stock exchanges, brokers, underwriters, industry associations, pricing service agencies and/or other responsible authorities are readily available and can be obtained timely, the price is representative of the actual and frequently traded financial instruments. Otherwise, a market is inactive. Generally, unusually wide bid-ask spreads, large price movements and a small volume of transactions are indications of an inactive market.

The basis and categories of fair value estimation for financial instruments with an active market are as follows:

- Listed stock and TWSE stock: Closing price published by Taiwan Stock Exchange and Taipei Exchange as of the balance sheet date;
- Beneficial certificate: Net asset declared by an investment trust company;
- Government bond: Settlement price or theoretical price published by Taipei Exchange as of the balance sheet date multiplied by 100;
- Corporate bonds: Calculated using the yield rate published by Taipei Exchange on the measurement date as the discount rate; foreign currency corporate bonds estimated on the basis of the quotes published by Bloomberg or Reuters;
- Bank debentures: Estimated on the basis of the quotes published by Bloomberg or Reuters;

- f) Commercial paper: Determined using the discount rate based on TAIBIR 02 published by TDCC on the measurement date;
- g) Cross-currency swap contract: Result of the valuation of the financial instrument at maturity based on swap points published by Reuters and then discounted at TAIBOR.

For financial instruments with no active market, their fair value is estimated using valuation models or quotations provided by the counterparty. Valuation models involve cross-referencing with financial instruments whose nature or condition is similar to those of the no-active-market financial instrument, using discounted cash flow analysis and other valuation models. For these models, market information on the consolidated balance sheet date is used (for example the applicable yield curve and the average interest rate quotation by Reuters for commercial paper).

Fair values of nonstandard financial instruments with lower complexities, such as interest rate swaps and derivative instruments without quoted market prices, are based on estimates using valuation models widely used by market participants.

Fair values of financial instruments with higher complexities such as derivative instruments and securitization products are based on estimates used industry-wide or on self-designed valuation models. Some of the parameters used in these models are not directly observable from the market and might require management to rely on carefully made assumptions.

The basis and categories of fair value estimation for financial instruments with no active market are as follows:

For valuation models, the Group uses the appropriate hypothesized parameters, which the Group believes will help it to determine the fair value of the financial instrument shown in the Group's balance sheet. The pricing information and parameters used during the valuation process are carefully selected, and are properly adjusted depending on market conditions.

The fair values of derivative financial instruments are based on estimates using valuation models widely accepted by market participants, such as discounted cash flow analysis. For forward contracts, fair values are estimated on the basis of the current foreign exchange rates.

3) Credit risk valuation adjustment is set out below:

Credit risk valuation refers to the fair value adjustment for counter party credit risk for over-the-counter (OTC) derivatives. Credit risk valuation consists of credit valuation adjustment and debit valuation adjustment.

Credit valuation adjustment adopts for derivative contracts trading in other than exchange market, over-the-counter, and reflects the non-performance risk of counter party on fair value.

Debit valuation adjustment adopts for derivative contracts trading in other than exchange market, over-the-counter, and reflects the non-performance risk of the Group on fair value.

The Group calculated debit and credit valuation adjustment based on models with inputs of Probability of Default (PD) and Loss Given Default (LGD) multiplying Exposure at Default (EAD).

The Group takes external ratings for PD for counter parties who have external ratings and for those who do not have external ratings, the Group follows the Taiwan Exchange's Guidance on IFRS 13 CVA and DVA disclosures, and take 60% to be the PD of counter parties.

The Group takes mark-to-market fair value of OTC derivative instruments to be the EAD.

The Group takes credit risk valuation adjustment into valuation of the fair value of financial instruments, thus reflect the credit quality of counter parties and the Group.

4) Transfers between Level 1 and Level 2

The Group transferred some New Taiwan dollar-denominated Central Government bonds and corporate bonds Level 1 to Level 2 because the Group determined that these investments were not in an active market.

5) Reconciliation of Level 3 and quantitative information about the significant unobservable inputs (Level 3) used in the fair value measurement

The Group has no level 3 financial assets or liabilities as at December 31, 2016 and 2015 and thus would not disclose quantitative information of such.

c. Fair value of financial instruments that are not measured at fair value

1) Fair value information

Except as detailed in the following table, management believes the carrying amounts of financial assets such as Cash and cash equivalents, due from the Central Bank and other banks, securities purchased under agreements to resell, receivables, discounts and loans, guarantee deposits, operating guarantee deposits, clearing and settlement fund, pledged deposits, and specialised discharge account; and financial liabilities such as deposits from the Central Bank and other banks, securities sold under agreement to repurchased, payables, deposits and remittances, bank debentures, short-term borrowings, other financial liabilities, and guarantee deposits received recognized in the consolidated financial statements approximate their fair values and hence no additional disclosure was provided.

Items	Carrying Amount	Fair Value
<u>December 31, 2016</u>		
Financial assets		
Held-to-maturity financial assets	\$ 14,131,821	\$ 13,677,290
<u>December 31, 2015</u>		
Financial assets		
Held-to-maturity financial assets	1,904,361	1,934,256

2) Hierarchy information of fair value of financial instruments

Assets and Liabilities Item	December 31, 2016			
	Total	Level 1	Level 2	Level 3
Financial assets				
Held-to-maturity financial assets	\$ 13,677,290	\$ -	\$ 13,677,290	\$ -

Assets and Liabilities Item	December 31, 2015			
	Total	Level 1	Level 2	Level 3
Financial assets				
Held-to-maturity financial assets	\$ 1,934,256	\$ -	\$ 1,934,256	\$ -

3) Valuation Techniques

Methods and assumptions applied in estimating the fair values of financial instruments not carried at fair value are as follows:

- a) The carrying amounts of financial instruments such as cash and cash equivalents, due from the Central Bank and other banks, securities purchased under agreement to resell, receivables, refundable deposits, operating deposits and clearing and settlement fund, pledge deposits, specialized discharge account, due to the Central Bank and other banks, securities sold under agreement to repurchased, payables (excluded tax payables), guarantee deposits received, short-term borrowings and other financial liabilities approximate its fair value because of the short maturity or the similarity of the carrying amount and future price.
- b) Discounts and loans (include nonperforming loans): The Group usually uses base rate (floating rate) as loan rate because it can reflect market rate. Thus, using its carrying amount to consider the probability of repossession and estimate its fair value is reasonable. Long-term loans with fixed rate should estimate its fair value by its discounted value of expected cash flow. Because this kind of loans is not significant in this item, using its carrying amount to consider the probability of repossession and estimate its fair value should be reasonable.
- c) Held-to-maturity financial assets: Held-to-maturity financial assets with quoted price in an active market are using market price as fair value; held-to-maturity financial assets with no quoted price in an active market are estimated using valuation methods or the counterparty's price.
 - i. New Taiwan dollar Central Government Bond: The fair values of subordinated government bonds as determined by the GreTai Securities Market are used as basis for valuation.
 - ii. New Taiwan dollar corporate bonds and financial debentures: Future cash flows are discounted using the applicable yield curve provided by the GreTai Securities Market to gauge the present value of these cash flows.
- d) Deposits and remittances: Considering banking industry's characteristic, since deposits have one year maturity and measured by market rate (market value), using carrying value to assess fair value is reasonable. Because deposits with three years maturity are measured by discounted cash flow, using carrying value to assess fair value is reasonable.
- e) Bank debentures: The coupon rate of the debentures issued by the Bank is comparable to market rates; thus, the discounted value of expected future cash flows reasonably reflect their fair value.
- f) Other financial asset - financial carried at cost: The fair value of financial carried at cost cannot be reliably measured because it has no quoted price in an active market, the variability interval of fair value measurements is significant or the probability of the estimations in the variability interval cannot be reasonably assessed. Hence, the fair value is not disclosed.
- g) Other financial asset - debt investments without active market: Debt investments without active market using transaction price as fair value if there is quoted price; debt investments without quoted price are estimated by valuation methods. The valuation methods are measured by discounted cash flow.

44. FINANCIAL RISK MANAGEMENT

a. Overview

The Group has risk management policies to maintain the asset secured and ensure the asset and the quality of financial statements are comply with related regulations. The main risks the Group facing are including credit risks, market risks, operating risks, liquid risks, interest rate risks and other related risks.

Risk management policies and procedures are documented and approved by the board of directors for identify, valuate, monitor, report and control the above risks.

b. Risk management framework

Risk management of the Group is exercised by risk management department with risk management policies approved by the board of directors. The risk management structures of the Bank included the board of directors, risk management committee, assets and liabilities management committee, management level, internal audit, risk management department and other operating units. Sunny Securities Co. has set up a risk management committee independent from other operating units and directly reports to the board of directors. The risk management structures of Sunny Securities included the board of directors, risk management committee and other operating units.

c. Credit risk

1) Sources and definitions of credit risk

a) The Bank

Credit risk is the risk of financial loss if a borrower, issuer or counterparty fails to meet an obligation under a contract. It arises principally from lending, trade finance, treasury and credit derivatives. The issuer's credit risk should be considered as part of the market risk when the investment target is securities in an active market.

b) Sunny Securities Co.

Credit risk is the primary risk faced by Sunny Securities Co., and it mainly comes from issuer's credit risk and counterparty's credit risk.

- i. Issuer's credit risk is the risk of financial loss if issuer fails to meet an obligation under a contract due to bankruptcy or liquidation;
- ii. Counterparty's credit risk is the risk of financial loss if counterparty fails to meet an obligation to fulfill delivery or payment for financial instruments.

2) Policies and strategies

To identify existing and potential credit risks and ensure credit risks are under control, the Group has stipulated in its standards that business reporting units should make a detailed analysis of its current products and services, including all transactions recorded in banking books, trading books, and balance sheets and all those off balance sheet items. Before proposing new products and services, business reporting units should set proper control guidelines based on the different levels of risk and the nature of the credit or other business transactions to determine the required risk management procedures.

3) Procedures of credit risk management

For the prevention of over-concentration of credit risks, credit guidelines specify credit limits for individual trading counterparties and for groups of counterparties.

In addition, credit limits are set for different geographical areas, industries and countries, and these limits are reported timely to the Risk Management Committee and the Board of Directors.

4) Credit risk hedge or mitigation policies

For mitigation credit exposures, the Group has set up several policies covering such areas as collateral valuation; otherwise, make a clear definition of it may take any kind of deposits as an offset when the debtor's credit depreciated. For those small and medium enterprises with insufficient collateral, the Group may strengthen claim right through transfer to Small and Medium Enterprise Credit Guarantee Fund of Taiwan.

5) The maximum credit exposure of the financial instruments held by the Group

a) The Bank

Maximum credit exposures of assets on balance sheet (excluding collaterals and other credit enhancement instruments) are almost equivalent to its carrying value. The maximum credit exposures (excluding collaterals, other credit enhancement instruments and undrawn maximum exposure) off balance sheet are shown as follows:

Off-Balance Sheet Items	The Maximum Credit Exposure	
	December 31	
	2016	2015
Undrawn loan commitments	\$ 3,345,115	\$ 2,184,674
Undrawn credit card commitments	8,368,234	7,459,998
Standby letters of credit	707,904	590,078
Guarantees	2,574,021	2,857,247
Total	\$ 14,995,274	\$ 13,091,997

Financial effects of maximum credit exposures of collaterals, enforceable master netting arrangements and other credit enhancement instruments on and off consolidated balance sheet are shown as follows:

December 31, 2016	Collaterals	Enforceable Master Netting Arrangements	Other Credit Enhancement Instruments	Total
<u>On-balance sheet items</u>				
Receivables				
Others	\$ 237,185	\$ -	\$ 131,403	\$ 368,588
Discounts and loans	206,047,642	-	52,173,252	258,220,894
<u>Off-balance sheet items</u>				
Undrawn loan commitments	454,922	-	2,890,193	3,345,115
Standby letters of credit	-	-	707,904	707,904
Guarantees	-	-	2,574,021	2,574,021

December 31, 2015	Collaterals	Enforceable Master Netting Arrangements	Other Credit Enhancement Instruments	Total
<u>On-balance sheet items</u>				
Receivables				
Others	\$ 220,093	\$ -	\$ 200,644	\$ 420,737
Discounts and loans	188,641,114	-	47,440,947	236,082,061
<u>Off-balance sheet items</u>				
Undrawn loan commitments	58,348	-	2,126,326	2,184,674
Standby letters of credit	-	-	590,078	590,078
Guarantees	-	-	2,857,247	2,857,247

The Bank has a strict evaluation procedure and reviews the evaluation results regularly to control and minimize off-balance sheet credit risk exposures.

b) Sunny Securities Co.

The amounts of the maximum credit exposures of assets in the balance sheet (excluding collaterals and other credit enhancement instruments) are almost equal to their carrying values. The amounts of the maximum credit exposures of Sunny Securities Co. are because cash deposit in financial institutions like banks, held debt securities issued or guarantee by banks and margin loans receivables those mainly in Taiwan. The explanations of credit risks of financial assets are as follow:

- i. Cash and cash equivalent are mainly includes time deposits, demand deposits and check deposits in domestic financial institutions.
- ii. Margin loans receivables pertain to the provision of funds to customers for them to buy securities. Margin loans receivables represents the amount given to customers. The securities bought by customers are used to secure these loans and keep the margin maintenance ratio at 130% for complying Operating Rules for Securities Firms Handling Margin Purchases and Short Sales of Securities.
- iii. Accounts receivables are creditor's right derived from the business operated by securities dealers including closing price receivable, interest receivable of financing from credit transactions and receivables generated from consignment trading of securities. As accounts receivables of Sunny Securities Co. mainly derived from consignment operations, the trading settlements are trading with stock exchanges and OTC with low credit risks.
- iv. Other current assets are the cash provided for pledge or other restricted usage. The counterparties of Sunny Securities Co. belong to good reputation domestic banks with low credit risks.
- v. Other non-current assets are mainly included operating deposits, clearing and settlement fund and refundable deposits. Operating deposits are saving in good reputation domestic banks and clearing and settlement fund is saving in stock exchange for compensation use if any side of securities transaction counterparty fails to fulfill the obligation, both of two institutions are with low credit risks. Refundable deposits are cash or other assets preserve out of Sunny Securities Co. as guarantee at good reputation banks or plenty of counterparties with few amounts for each, therefore, the credit risks being diversified and keep the risk exposures in low degree.

6) Credit risk concentration of the Bank

When financial instruments transactions concentrated on counter-party, which engaged in similar business activities, had similar economic characteristics and abilities to execute contracts, the credit risk concentration arises.

Credit risk concentrations can arise in the Bank's assets, liabilities or off-balance sheet items through the execution or processing of transactions (either product or service) or through a combination of exposures across these broad categories. It includes credit, loan and deposits, call loan to banks, investment, receivables and derivatives. The Bank maintains a diversified portfolio, limits its exposure to any one geographic region, country or individual creditor and monitors its exposures continually. The Bank's most significant concentrations of credit risk is summarized by industry, region and collateral as follows:

a) By industry

By Industry	December 31			
	2016		2015	
	Amount	%	Amount	%
Private enterprise	\$ 119,546,813	45.34	\$ 102,939,309	42.76
Government organization	7,539,588	2.86	6,115,309	2.54
Foreign organization	14,040,568	5.33	12,317,017	5.12
Non-profit organization	827,762	0.31	741,041	0.31
Natural person	121,687,128	46.16	118,613,907	49.27
Financial institution	1,088	-	1,232	-
Total	\$ 263,642,947	100.00	\$ 240,727,815	100.00

b) By geographical area

The Group's operations are mainly in Taiwan.

c) By collateral

By Collaterals	December 31			
	2016		2015	
	Amount	%	Amount	%
Unsecured	\$ 36,399,423	13.81	\$ 31,668,107	13.16
Secured				
Stocks	2,838,124	1.08	3,390,837	1.41
Bonds	2,016,715	0.76	1,039,380	0.43
Real estate	209,682,743	79.53	192,820,963	80.10
Movable properties	6,482,265	2.46	5,667,340	2.35
Notes receivable	20,282	0.01	28,294	0.01
Guarantees	5,193,877	1.97	5,165,751	2.15
Others	1,009,518	0.38	947,143	0.39
Total	\$ 263,642,947	100.00	\$ 240,727,815	100.00

7) Credit quality and impairment assessment

Some financial assets such as cash and cash equivalents, due from Central Bank and call loans to other banks, financial asset at fair value through profit or loss, securities purchased under agreement to resell, refundable deposits, operating deposits and clearing and settlement fund are regarded as very low credit risk owing to the good credit rating of counterparties.

Except for the analysis above, other financial assets' analyses are summarized as follows:

- a) Good: Exposures demonstrate a good capacity to meet financial commitments, with low default risk and/or low levels of expected loss.
- b) Moderate: Exposures require closer monitoring and demonstrate an average to fair capacity to meet financial commitments, with moderate default risk.
- c) Substandard: Exposures require varying degrees of special attention and default risk is of greater concern.

a) Discounts and loans and receivables

December 31, 2016	Neither Overdue Nor Impaired				Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+(C)-(D)
	Group 1	Group 2	Group 3	Subtotal (A)				With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Receivables (Notes 1 and 2)										
Credit card receivables	\$ 282,712	\$ 14,204	\$ 136,313	\$ 433,229	\$ 116,320	\$ 344	\$ 549,893	\$ 25,106	\$ 1,682	\$ 523,105
Others	3,084,087	160,536	76,792	3,321,415	8,314	376,167	3,705,896	269,250	36,458	3,400,188
Discounts and loans	182,049,867	62,139,116	14,297,707	258,486,690	2,803,659	2,618,394	263,908,743	123,977	2,976,820	260,807,946

December 31, 2015	Neither Overdue Nor Impaired				Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+(C)-(D)
	Group 1	Group 2	Group 3	Subtotal (A)				With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Receivables (Note 1)										
Credit card receivables	\$ 241,552	\$ 11,608	\$ 131,390	\$ 384,550	\$ 128,884	\$ 172	\$ 513,606	\$ 30,847	\$ 1,521	\$ 481,238
Others	2,887,372	132,800	31,474	3,051,646	6,479	366,470	3,424,595	306,971	47,411	3,070,213
Discounts and loans	161,847,875	62,074,379	12,474,123	236,396,377	2,318,412	2,327,342	241,042,131	111,155	2,873,932	238,057,044

Note 1: Receivables included nonperforming loans transferred from other than loans.

Note 2: The receivables as of December 31, 2016 excluded spot exchange transactions receivables amounting to \$157.

- b) Credit analysis by customer type for discounts and loans neither overdue nor impaired are as follows:

December 31, 2016	Neither Overdue Nor Impaired			
	Low	Medium	High	Total
Consumer banking				
Mortgage	\$ 78,239,778	\$ 29,435,292	\$ 4,201,041	\$ 111,876,111
Microcredit	101,502	16,825	525,571	643,898
Car loan	2,148,790	1,942,884	1,408,263	5,499,937
Corporate banking				
Major enterprises	22,853,884	9,529,164	6,831,055	39,214,103
SMEs	78,440,117	21,214,951	1,331,777	100,986,845
Margin operations	265,796	-	-	265,796
Total	\$ 182,049,867	\$ 62,139,116	\$ 14,297,707	\$ 258,486,690

December 31, 2015	Neither Overdue Nor Impaired			
	Low	Medium	High	Total
Consumer banking				
Mortgage	\$ 75,915,018	\$ 28,996,605	\$ 5,052,379	\$ 109,964,002
Microcredit	133,088	15,538	628,755	777,381
Car loan	1,779,189	1,545,768	1,230,731	4,555,688
Corporate banking				
Major enterprises	18,190,107	11,993,946	4,415,546	34,599,599
SMEs	65,516,157	19,522,522	1,146,712	86,185,391
Margin operations	314,316	-	-	314,316
Total	\$ 161,847,875	\$ 62,074,379	\$ 12,474,123	\$ 236,396,377

c) Credit analysis for marketable securities

December 31, 2016	Neither Overdue Nor Impaired				Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)	Net Total (A)+(B)+(C)-(D)
	Low	Medium	High	Total (A)					
Available-for-sale financial assets (Note 1)									
Investment in bonds	\$ 22,520,279	\$ 3,048,907	\$ 45,422	\$ 25,614,608	\$ -	\$ -	\$ 25,614,608	\$ -	\$ 25,614,608
Others	37,696,791	1,609,395	299,330	39,605,516	-	-	39,605,516	-	39,605,516
Held-to-maturity financial assets									
Investment in bonds	14,131,821	-	-	14,131,821	-	-	14,131,821	-	14,131,821
Other financial assets (Note 2)									
Investment in stocks	-	-	-	-	-	10,782	10,782	10,782	-
Others	-	3,832,711	-	3,832,711	-	66,161	3,898,872	66,161	3,832,711

Note 1: Available-for-sale financial assets excluded equity investments and beneficial certificate whose original cost amounted to \$285,737 and \$367,540, and valuation adjustment amounted to \$(58,836) and \$(25,209).

Note 2: Other financial assets excluded equity investment of financial assets carried at cost, whose original cost was \$196,261.

December 31, 2015	Neither Overdue Nor Impaired				Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)	Net Total (A)+(B)+(C)-(D)
	Low	Medium	High	Total (A)					
Available-for-sale financial assets (Note 1)									
Investment in bonds	\$ 15,585,329	\$ 3,203,866	\$ -	\$ 18,789,195	\$ -	\$ -	\$ 18,789,195	\$ -	\$ 18,789,195
Others	50,074,861	738,852	449,071	51,262,784	-	-	51,262,784	-	51,262,784
Held-to-maturity financial assets									
Investment in bonds	1,904,361	-	-	1,904,361	-	-	1,904,361	-	1,904,361
Other financial assets (Note 2)									
Investment in stocks	-	-	-	-	-	10,782	10,782	10,782	-
Others	-	1,315,235	-	1,315,235	-	73,892	1,389,127	73,892	1,315,235

Note 1: Available-for-sale financial assets excluded equity investments and beneficial certificate whose original cost amounted to \$405,853 and \$208,000, and valuation adjustment amounted to \$(72,906) and \$1,738.

Note 2: Other financial assets excluded equity investment of financial assets carried at cost, whose original cost was \$196,261.

8) Aging analysis of overdue but unimpaired financial assets

Delayed procedures by borrowers and other administrative reasons could result in financial assets becoming overdue but not impaired. According to the Group's internal risk management policies, financial assets overdue within 90 days are not considered impaired unless other evidence proves otherwise.

Aging analysis of overdue but unimpaired financial assets is as follows:

Item	December 31, 2016		
	Overdue by Less Than One Month	Overdue by One to Three Months	Total
Accounts receivable Credit card	\$ 102,795	\$ 13,525	\$ 116,320

	Overdue by Less Than 120 Days	Overdue by 120 to 149 Days	Overdue by 150 to 180 Days	Overdue by 181 Days	Total
Receivables - others	\$ 6,741	\$ 528	\$ 247	\$ 798	\$ 8,314
Discounts and loans					
Consumer banking					
Mortgage	1,955,780	16,659	8,220	97,336	2,077,995
Microcredit	104,110	165	157	-	104,432
Car loan	19,890	2,201	161	7,117	29,369
Corporate banking					
Major enterprises	84,668	-	-	-	84,668
SMEs	492,273	8,958	4,001	1,963	507,195

Item	December 31, 2015		
	Overdue by Less Than One Month	Overdue by One to Three Months	Total
Accounts receivable Credit card	\$ 119,998	\$ 8,886	\$ 128,884

	Overdue by Less Than 120 Days	Overdue by 120 to 149 Days	Overdue by 150 to 180 Days	Overdue by 181 Days	Total
Receivables - others	\$ 5,449	\$ 360	\$ 239	\$ 431	\$ 6,479
Discounts and loans					
Consumer banking					
Mortgage	1,531,828	21,988	13,500	50,082	1,617,398
Microcredit	132,993	117	-	344	133,454
Car loan	19,172	-	-	-	19,172
Corporate banking					
Major enterprises	89,776	-	-	-	89,776
SMEs	448,381	2,299	275	7,657	458,612

9) Analysis of financial asset impairment

Lehman structured notes that had been recorded as debt instruments with no active market were assessed as impaired because of the drop in the issuer's credit; hence, the Group recognized accumulated impairment losses of \$66,161 and \$73,892 as of December 31, 2016 and 2015, respectively.

Analysis of the impairment of discounts and loans and receivables is summarized as follows:

Item		Discounts and Loans		Allowance for Credit Losses	
		December 31		December 31	
		2016	2015	2016	2015
With objective evidence of impairment	Individually assessed	\$ 2,618,394	\$ 2,327,342	\$ 52,368	\$ 46,297
	Collectively assessed	2,803,659	2,318,412	71,609	64,858
With no objective evidence of impairment	Collectively assessed	258,486,690	236,396,377	2,976,820	2,873,932

Item		Receivables		Allowance for Credit Losses	
		December 31		December 31	
		2016	2015	2016	2015
With objective evidence of impairment (Note)	Individually assessed	\$ 371,799	\$ 362,346	\$ 262,581	\$ 301,712
	Collectively assessed	105,764	124,455	31,775	36,106
With no objective evidence of impairment	Collectively assessed	3,778,226	3,451,400	38,140	48,932

Note: The receivables as of December 31, 2016 exclude the amount of the spot exchange transaction receivables amounting to \$157.

10) Management policies of collaterals assumed

The Group's collaterals assumed are all real estate and securities as of December 31, 2016 and 2015. Related information is shown in Note 18.

Collaterals assumed are classified as other assets. The Bank may dispose of collaterals whenever it available to sell, the trading amounts are used to net off the payable.

11) Disclosures prepared in conformity with Regulations Governing the Preparation of Financial Reports by Public Banks

a) Overdue loans and receivables

Date			December 31, 2016				
Item			Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate loan	Secured		\$ 26,657	\$ 97,289,176	0.03%	\$ 1,171,854	4,396.05%
	Unsecured		8,210	46,050,046	0.02%	466,492	5,682.00%
Consumer loan	Mortgage (Note 4)		87,974	32,689,750	0.27%	398,873	453.40%
	Cash card		-	-	-	-	-
	Microcredit (Note 5)		1,599	366,823	0.44%	10,600	662.91%
	Others (Note 6)	Secured	104,147	81,278,470	0.13%	980,635	941.59%
		Unsecured	3,893	5,968,682	0.07%	72,343	1,858.28%
Total			232,480	263,642,947	0.09%	3,100,797	1,333.79%
			Overdue Receivables	Accounts Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card (Note 8)			344	549,893	0.06%	26,788	7,787.21%
Accounts receivable - factoring with no recourse (Note 7)			-	-	-	-	-

Date			December 31, 2015				
Item			Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate loan	Secured		\$ 14,459	\$ 83,173,347	0.02%	\$ 1,051,822	7,274.51%
	Unsecured		3,923	40,311,786	0.01%	436,188	11,118.74%
Consumer loan	Mortgage (Note 4)		86,075	35,040,946	0.25%	447,897	520.36%
	Cash card		-	-	-	-	-
	Microcredit (Note 5)		1,193	481,005	0.25%	14,603	1,224.06%
	Others (Note 6)	Secured	66,426	74,945,134	0.09%	948,522	1,427.94%
		Unsecured	3,020	6,775,597	0.04%	86,055	2,849.50%
Total			175,096	240,727,815	0.07%	2,985,087	1,704.83%
			Overdue Receivables	Accounts Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card (Note 8)			172	513,606	0.03%	32,368	18,818.60%
Accounts receivable - factoring with no recourse (Note 7)			-	-	-	-	-

Note 1: For loan business: Overdue loans represent the amounts of overdue loans reported in accordance with “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrual Loans”.

For Credit card business: Overdue receivables are regulated by the Banking Bureau letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: For loan business: $NPL\ ratio = NPL / Total\ loans$.

For Credit card business: $Delinquency\ ratio = Overdue\ receivable / Account\ receivables$.

Note 3: For loan business: $Coverage\ ratio = LLR / NPL$

For credit card business: $Coverage\ ratio = Allowance\ for\ credit\ losses / Overdue\ receivables$.

Note 4: Household mortgage loan is a financing to be used by a borrower to buy, build, or fix a dwelling, and the dwelling owned by the borrower, spouse, or children is used to fully secure the loan.

Note 5: Micro credit is regulated by the Banking Bureau letter dated December 19, 2005 (Ref. No. 09440010950).

Note 6: Others in consumer loans refers to secured or unsecured loans excluding mortgage, cash card, micro credit, and credit cards.

Note 7: For account receivables - factoring with no recourse, as required by the Banking Bureau letter dated July 19, 2005 (Ref. No. 094000494), and allowance for bad debts is recognized once no compensation is made from factoring or insurance within three months.

Note 8: Included nonperforming loans transferred from other than loans.

b) Excluded NPLs and excluded overdue receivables

Date	December 31			
	2016		2015	
Item	Excluded NPL	Excluded Overdue Receivables	Excluded NPL	Excluded Overdue Receivables
As a result of debt negotiation and loan agreements (Note 1)	\$ 3,898	\$ -	\$ 5,501	\$ -
As a result of consumer debt clearance (Note 2)	5,535	1,736	7,359	2,073

Note 1: The disclosure of excluded NPLs and excluded overdue receivables resulting from debt negotiations and loan agreements is based on the Banking Bureau letter dated April 25, 2006 (Ref. No. 09510001270).

Note 2: The disclosure of excluded NPLs and excluded overdue receivables resulting from consumer debt clearance is based on the Banking Bureau's letter dated September 15, 2008 (Ref. No. 09700318940).

c) Concentration of credit extensions

Year	December 31, 2016		
Rank (Note 1)	Industry Category (Note 2)	Total Credit Consists of Loans (Note 3)	Percentage of Net Worth (%)
1	Group A (other metal working activities)	\$ 3,202,807	13.47
2	Group B (ocean transportation)	2,710,389	11.40
3	Group C (constructions)	2,429,358	10.22
4	Company D (short-term accommodation services)	1,950,816	8.20
5	Group E (real estate developments)	1,927,579	8.11
6	Group F (real estate developments)	1,853,647	7.80
7	Group G (other financial service activities)	1,789,770	7.53
8	Group H (manufacture of man-made fibers)	1,633,750	6.87
9	Group I (investment advisory services)	1,337,020	5.62
10	Company J (refrigerated warehousing and storage)	1,301,750	5.47

Year	December 31, 2015		
Rank (Note 1)	Industry Category (Note 2)	Total Credit Consists of Loans (Note 3)	Percentage of Net Worth (%)
1	Group A (ocean transportation)	\$ 3,270,142	15.69
2	Group B (smelting and refining of iron and steel)	2,495,042	11.97
3	Group C (other financial brokers)	1,998,860	9.59
4	Group D (real estate developments)	1,988,067	9.54
5	Group E (real estate developments)	1,533,799	7.36
6	Group F (petro chemical raw material manufacturing)	1,464,675	7.03
7	Group G (investments and consultants)	1,207,650	5.79
8	Group H (real estate developments)	1,192,630	5.72
9	Group I (refrigerated warehousing and storage)	1,156,750	5.55
10	Company J (cotton and wool)	1,080,863	5.19

Note 1: Ranking of top 10 groups (excluding government or state - owned utilities) whose total credit consists of loans.

Note 2: Groups were those as defined in Articles 6 of the Supplementary Provisions to the Taiwan Stock Exchange Corporation's Rules for Review of Securities Listings Law.

Note 3: Total credit is the sum of all loans (including import and export bills negotiated, discounts, overdrafts, short-term loans, short-term secured loans, marginal receivables, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, and nonperforming loans), exchange bills negotiated, account receivables factored without recourse, acceptances receivable, and guarantee deposit issued.

d. Liquidity risk management

1) Definition of liquidity risk

a) The Bank

Liquidity risk means the risk the Bank cannot realize asset or obtain financing to provide capital to fulfill obligation then suffer loss. It may cut down the cash resource from loan operations, transactions and investing activities. Under some extreme situations, insufficient liquidity may cause possibility of overall balance sheet positions goes downward, sell the assets and fail to perform the loan commitments.

b) Sunny Securities Co.

Liquidity risk refers to an enterprise's inability to convert an asset or security into cash to meet obligations as they become due (also called capital risks). Market risk refers to the Group's difficulty in transacting its open positions resulting from market fluctuations due to a lack of market depth or due to market confusion.

2) Policies of liquidity risk management

a) The Bank

The procedures of liquidity risk managements perform individually and monitor by independent risk management departments. The monitoring procedures are summarized as follows:

- i. Monitoring future cash flows to ensure daily capital mobility would able to meet to needs.
- ii. Maintaining adequate realizable high liquidity assets for any unexpected accidents.
- iii. Monitoring the liquidity ratio with internal management purpose and external supervisors' regulations.
- iv. Managing bond due dates

The monitoring and reporting procedures for estimating future cash flows are applied daily, weekly and monthly. The estimates are based on an analysis of the maturity dates of the financial liabilities and the dates when expected financial assets can be turned into cash. Related information is reported timely to the Bank's Risk Management Committee and Board of Directors.

b) Sunny Securities Co.

Sunny Securities Co. maintains the need of cash and cash equivalent, high mobility securities and sufficient financing line of banks to ensure financial flexibility. Bank loan is a main resource of liquidity for Sunny Securities Co., the unutilized of bank loan are \$820,000 and \$690,000, respectively as of December 31, 2016 and 2015.

3) Maturity analysis of financial assets and non-derivative financial liabilities held to manage liquidity risk

a) Financial assets held to manage liquidity risk

The Group holds cash and premium interest-generating assets with high liquidity to fulfill payment obligations and meet any potential urgent capital needs. The financial assets the Group holds to manage liquidity risks include cash and cash equivalents, due from the Central Bank and call loans to other banks, financial assets at fair value through profit or loss, discounts and loans, available-for-sale financial assets, held-to-maturity investments, and debt instruments with no active markets.

b) Maturity analysis of non-derivative financial liabilities

Cash outflow analysis of non-derivative financial liabilities of the Group is summarized in the following tables. The amounts are provided on a contract cash flow basis so some of the amounts will not match the amounts in the consolidated balance sheet.

Maturity analysis of operating lease commitments is summarized as follows:

December 31, 2016	Less Than 30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Due to the Central Bank and other banks	\$ 2,629,613	\$ 660,804	\$ 2,199,367	\$ 1,462,782	\$ -	\$ 6,952,566
Securities sold under agreements to repurchase	3,101,604	500,247	-	-	-	3,601,851
Payables	2,816,352	63,284	172,546	-	113,232	3,165,414
Deposits and remittances	46,444,293	50,761,811	55,100,120	107,572,288	84,979,809	344,858,321
Bank debentures	25,138	26,454	866,253	1,243,372	11,500,000	13,661,217
Short-term borrowings	-	1,010,425	140,000	-	-	1,150,425
Other financial liabilities	269,915	-	-	-	-	269,915

December 31, 2015	Less Than 30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Due to the Central Bank and other banks	\$ 130,992	\$ 2,482,979	\$ 910,699	\$ 2,060,014	\$ -	\$ 5,584,684
Securities sold under agreements to repurchase	2,250,448	600,353	-	-	-	2,850,801
Payables	2,208,059	-	-	-	-	2,208,059
Deposits and remittances	143,475,806	41,163,080	44,496,164	81,634,301	8,109,576	318,878,927
Bank debentures	25	-	92,021	20,664	10,400,000	10,512,710
Short-term borrowings	775,922	345,000	-	81,000	-	1,201,922
Other financial liabilities	319,950	10	16	22	-	319,998

4) Maturity analysis of derivative financial liabilities

Derivative instruments of total clearing and settlement

The Group's derivative instruments of total clearing and settlement are mainly forward contracts and currency swap contracts. Derivative instrument of total clearing and settlement of the Group is summarized in the following tables. The table disclosures with cash flow base and may not be matched with consolidated balance sheet. Maturity analysis of derivative instruments of total clearing and settlement are as follow:

December 31, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Derivative instruments of exchange rates						
Cash outflow	\$ 1,169,592	\$ 8,842	\$ 5,322	\$ -	\$ -	\$ 1,183,756
Cash inflow	1,157,619	8,600	5,198	-	-	1,171,417
Cash outflow	1,169,592	8,842	5,322	-	-	1,183,756
Cash inflow	1,157,619	8,600	5,198	-	-	1,171,417
Net cash flow	(11,973)	(242)	(124)	-	-	(12,339)

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Derivative instruments of exchange rates						
Cash outflow	\$ 943,361	\$ 1,349	\$ -	\$ -	\$ -	\$ 944,710
Cash inflow	929,308	1,318	-	-	-	930,626
Cash outflow	943,361	1,349	-	-	-	944,710
Cash inflow	929,308	1,318	-	-	-	930,626
Net cash flow	(14,053)	(31)	-	-	-	(14,084)

5) Maturity analysis of off balance sheet items

According to the greatest amount of obligation might be asked to fulfill to list in following table. The table disclosures with cash flow base and may not be matched with consolidated balance sheet.

December 31, 2016	Under 1 Year	1-5 Years	Over 5 Years	Total
Undrawn loan commitments	\$ -	\$ 2,544,770	\$ 800,345	\$ 3,345,115
Undrawn credit card commitments	1,125,363	4,318,790	2,924,081	8,368,234
Standby letters of credit	707,904	-	-	707,904
Guarantees	2,083,274	479,164	11,583	2,574,021
Total	3,916,541	7,342,724	3,736,009	14,995,274

December 31, 2015	Under 1 Year	1-5 Years	Over 5 Years	Total
Undrawn loan commitments	\$ 334,890	\$ 1,799,911	\$ 49,873	\$ 2,184,674
Undrawn credit card commitments	204,627	6,474,881	780,490	7,459,998
Standby letters of credit	590,078	-	-	590,078
Guarantees	2,333,046	514,201	10,000	2,857,247
Total	3,462,641	8,788,993	840,363	13,091,997

6) Maturity analysis of lease commitments

Lease commitment refers to operating lease and finance lease.

Operating lease commitment is the minimum lease payment to be made by the Group under irrevocable operating lease conditions, as the lessee or lessor.

Finance lease commitment refers to the future obligations payable under a finance lease when the Group acts as the lessee.

Maturity analysis of lease commitments is summarized as follows:

December 31, 2016	Less than 1 Year	1-5 Years	Over 5 Years	Total
Operating lease commitments				
Operating lease expense (lessee)	\$ 75,666	\$ 159,438	\$ 8,684	\$ 243,788
Operating lease income (lessor)	60,764	207,449	71,689	339,902
Financial lease income (lessor)	471,756	1,715,187	-	2,186,943

December 31, 2015	Less than 1 Year	1-5 Years	Over 5 Years	Total
Operating lease commitments				
Operating lease expense (lessee)	\$ 62,120	\$ 144,062	\$ 3,869	\$ 210,051
Financial lease expense (lessee)	52	-	-	52
Operating lease income (lessor)	54,661	190,692	59,007	304,360
Financial lease income (lessor)	851,345	1,247,830	-	2,099,175

7) Disclosures prepared in conformity with Regulations Governing the Preparation of Financial Reports by Public Banks

a) Maturity analysis of assets and liabilities of the Bank (New Taiwan dollars)

	December 31, 2016						
	Total	0 to 10 Days	11 to 30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 372,363,543	\$ 51,496,954	\$ 26,614,469	\$ 26,164,363	\$ 35,833,927	\$ 55,474,696	\$ 176,779,134
Main capital outflow on maturity	445,604,698	25,420,369	24,508,762	54,950,189	68,902,159	132,756,774	139,066,445
Gap	(73,241,155)	26,076,585	2,105,707	(28,785,826)	(33,068,232)	(77,282,078)	37,712,689

	December 31, 2015						
	Total	0 to 10 Days	11 to 30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 337,263,909	\$ 44,554,954	\$ 34,693,790	\$ 18,799,929	\$ 38,422,611	\$ 51,164,280	\$ 149,628,345
Main capital outflow on maturity	392,683,705	20,565,782	23,070,584	51,292,167	62,364,891	124,783,894	110,606,387
Gap	(55,419,796)	23,989,172	11,623,206	(32,492,238)	(23,942,280)	(73,619,614)	39,021,958

Note: The amounts shown in this table are the Bank's position denominated in NTD.

b) Maturity analysis of assets and liabilities of the Bank (U.S. dollars)

	December 31, 2016					
	Total	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 882,911	\$ 268,364	\$ 100,408	\$ 95,820	\$ 65,739	\$ 352,580
Main capital outflow on maturity	847,628	375,522	195,532	103,378	166,452	6,744
Gap	35,283	(107,158)	(95,124)	(7,558)	(100,713)	345,836

	December 31, 2015					
	Total	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 831,903	\$ 273,229	\$ 187,888	\$ 57,598	\$ 27,502	\$ 285,686
Main capital outflow on maturity	801,103	333,158	218,136	112,763	134,006	3,040
Gap	30,800	(59,929)	(30,248)	(55,165)	(106,504)	282,646

Note: The amounts shown in this table are the Bank's position denominated in USD.

e. Market risk

1) The Bank

a) Definition of market risk

Market risk arises from market changes (such as those referring to interest rates, exchange rates, equity securities and commodity prices) which may cause the fluctuation of a financial instrument's fair value or future cash flow. The Bank's net revenue and investment portfolio value may fluctuate when risk factors above change.

b) Management strategies

In accordance with the risk management limit approved by the board of directors, the Bank supervises every loss limit and position at risk such as credit, profit valuation and operation stress testing, and reporting to risk management committee and the board then for reference to management decision making.

c) Management procedures

i. Identification and measurement

The operating and risk management department should identify the resources and risk factors of market risks with operation analysis and production analysis periodically. Setting appropriate market risk valuation methods for different risk factors included principle limit, bond limit, securities limit, PVBP and duration. Managers of operating department should value market risk exposures including position line, stop loss line and concentration market risk.

ii. Supervision and reporting

The Bank's market risk management department prepares risk management reports such as those on daily market valuations, value at risk and risk limits. If the risk is over the limit, the department should report this situation to the transaction department and appropriate managers in the risk management department. The department should also collect and organize bank market risk exposure information, risk value, risk limit rules, and information on situations in which limits are exceeded, analyze security investments, and submit regularly to the board of directors reports on the collected information and security investment analysis.

d) Trading book risk management policies

i. Identification and measurement

The trading book is an accounting book of the financial instruments and physical commodities held for trading or hedged by the Bank. Held-for-trading position refers to revenues earned from practical or impractical trading differences. Positions that should not be recorded in the trading book are recorded in the banking book.

ii. Procedures

Traders may autonomously operate and manage positions within the range of authorized limits and the approved trading strategy. The market risk management department supervises trading positions based on market information and evaluates market information which is calculated into the pricing model.

e) Trading book interest rate risk management

Interest rate risk refers to a decrease in earnings and value of financial instruments due to adverse interest rate fluctuations. Major instruments with interest rate risk include securities and derivative instruments.

i. Strategies

Interest rate risk management enhances resilience of the Bank, preventing to suffer loss from change in interest rate.

ii. Procedures

The Bank has an interest rate index monitoring system based on management strategy and market conditions; monitoring interest rate risk limits have been approved by the board of directors.

f) Exchange rate risk management

i. Definitions

Exchange rate risk refers to the incurrence of loss from the exchange of currencies in different timing. The Bank's major financial instruments exposed to exchange rate risk spot contract and forward contracts.

ii. Policies, procedures and measurements

To control the exchange rate risk, the Bank sets trading limit and stop-loss limit and requires the dealing room, dealers, etc., to observe these limits.

g) Equity risk management

i. Definitions

Market risk of equity securities is the risk that stock or stock index prices and/or their implied volatility will change (specific risk) or that the general market will give rise to conditions that will negatively affect security prices.

ii. Purposes

To avoid the price of equity securities suffering severe fluctuations results the Bank's financial position and profit getting worse, and enhance the operating efficiency and strengthen the business.

iii. Procedures

To control equity risk, the Bank sets investment position limits and stop-loss limits. The limits are approved by the board of directors. Within the limit of authority, The Bank sets investment position limits and stop-loss limits for each dealer.

h) Market risk measurement technique

i. Stress testing

The Bank uses stress testing to measure its investment portfolio risk and uses several hypotheses about market conditions to measure market risk and expected maximum loss of holding positions. The Bank's stress testing included risk factors, emerging markets and temporary markets, the result of testing would be report to management and some of the resting would be minute adjusted by different sectors, and usually performing with scenario analysis.

ii. Sensitivity analysis

Interest risks

Under the assumption that other variants remain the same, if the yield interest curve of December 31, 2016 and 2015 move 100 basis points upwards, the Bank's income before tax will have a decrease of \$23,221 and \$10,006, respectively, whereas its other comprehensive income will have a decrease of \$69,173 and \$883,283, respectively. If the yield interest curves of December 31, 2016 and 2015 move 100 basis points downwards, the Bank's income before tax will have an increase of \$23,392 and \$9,942, whereas its other comprehensive income will have an increase of \$73,588 and \$1,025,946, respectively.

Exchange rate risks

Under the assumption that other variants remain the same, if the exchange rate of December 31, 2016 and 2015 depreciate 3% for USD/NTD and EUR/NTD, and 5% for JPY/NTD and other currencies/NTD also depreciate 5%, the Bank's income before tax will have a decrease of \$26,744 and \$25,482.

Under the assumption that other variants remain the same, if the exchange rate of December 31, 2016 and 2015 appreciate 3% for USD/NTD and EUR/NTD, and 5% for JPY/NTD and other currencies/NTD also appreciate 5%, the Bank's income before tax will have an increase of \$26,744 and \$25,482.

Equity securities price risks

Under the assumption that other variants remain the same, if the price of domestic equity securities of December 31, 2016 and 2015 increase 15%, and the price of foreign equity securities also increase 20%, the Bank's income before tax will have an increase of \$0 and \$57,511, and its other comprehensive income will also have an increase of \$85,385 and \$81,403.

Under the assumption that other variants remain the same, if the price of domestic equity securities of December 31, 2016 and 2015 drop 15%, and the price of foreign equity securities also drop 20%, the Bank's income before tax will have a decrease of \$0 and \$57,511, and its other comprehensive income will also have a decrease of \$85,385 and \$81,403.

Above analyses are based on the assumption that the trends and historical data of all equity instruments are the same.

Summarized of sensitivity analysis as shown below:

December 31, 2016			
Main Risks	Variation	Effectuated Amount	
		Equity	Profit
Exchange rate risks (major currencies)	USD/NTD, EUR/NTD increased 3%	\$ -	\$ 26,441
Exchange rate risks (major currencies)	USD/NTD, EUR/NTD decreased 3%	-	(26,441)
Exchange rate risks (minor currencies)	JPY/NTD, other currencies/NTD increased 5%	-	303
Exchange rate risks (minor currencies)	JPY/NTD, other currencies/NTD dropped 5%	-	(303)
Interest rate risks	Yield curve increased 100 BPS	(69,173)	(23,221)
Interest rate risks	Yield curve decreased 100 BPS	73,588	23,392
Equity securities price risks	Domestic equity securities price increase 15%	85,385	-
Equity securities price risks	Foreign equity securities price increase 20%	-	-
Equity securities price risks	Domestic equity securities price decrease 15%	(85,385)	-
Equity securities price risks	Foreign equity securities price decrease 20%	-	-

December 31, 2015			
Main Risks	Variation	Effectuated Amount	
		Equity	Profit
Exchange rate risks (major currencies)	USD/NTD, EUR/NTD increased 3%	\$ -	\$ 25,356
Exchange rate risks (major currencies)	USD/NTD, EUR/NTD decreased 3%	-	(25,356)
Exchange rate risks (minor currencies)	JPY/NTD, other currencies/NTD increased 5%	-	126
Exchange rate risks (minor currencies)	JPY/NTD, other currencies/NTD dropped 5%	-	(126)
Interest rate risks	Yield curve increased 100 BPS	(883,283)	(10,006)
Interest rate risks	Yield curve decreased 100 BPS	1,025,946	9,942
Equity securities price risks	Domestic equity securities price increase 15%	81,403	57,511
Equity securities price risks	Foreign equity securities price increase 20%	-	-
Equity securities price risks	Domestic equity securities price decrease 15%	(81,403)	(57,511)
Equity securities price risks	Foreign equity securities price decrease 20%	-	-

i) Exchange rate risks

Exchange rate risks of holding net positions in foreign currencies are shown as below:

December 31						
	2016			2015		
	Foreign Currency	Exchange Rate	Converted to NTD	Foreign Currency	Exchange Rate	Converted to NTD
Financial assets						
USD	\$ 692,477	32.279	\$ 22,352,450	\$ 684,459	33.066	\$ 22,632,333
RMB	565,976	4.622	2,615,942	522,130	5.032	2,627,360
EUR	29,800	33.930	1,011,112	7,381	36.140	266,764
HKD	143,201	4.162	596,003	62,151	4.266	265,136
JPY	1,202,147	0.276	331,552	916,016	0.275	251,630
Financial liabilities						
USD	635,948	32.279	20,527,754	624,773	33.066	20,658,736
RMB	431,479	4.622	1,944,296	509,542	5.032	2,564,017
EUR	29,508	33.930	1,001,212	3,782	36.140	136,695
AUD	30,013	23.310	699,597	26,570	24.160	641,926
ZAR	140,167	2.370	332,196	124,973	2.130	266,193
JPY	919,056	0.276	253,476	915,786	0.275	251,566
SGD	9,154	22.310	204,221	252	23.420	5,910
HKD	46,256	4.162	192,517	22,620	4.266	96,498

j) Disclosures prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks

i. Interest rate sensitivity information (New Taiwan dollars)

December 31, 2016

Items	1-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 277,136,216	\$ 20,754,986	\$ 1,841,491	\$ 47,639,227	\$ 347,371,920
Interest rate-sensitive liabilities	137,723,716	133,928,876	51,578,661	17,637,184	340,868,437
Interest rate-sensitive gap	139,412,500	(113,173,890)	(49,737,170)	30,002,043	6,503,483
Net worth					23,731,009
Ratio of interest rate-sensitive assets to liabilities (%)					101.91%
Ratio of interest rate-sensitive gap to net worth (%)					27.40%

December 31, 2015

Items	1-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 261,249,092	\$ 23,478,228	\$ 1,149,462	\$ 28,153,511	\$ 314,030,293
Interest rate-sensitive liabilities	140,873,900	114,407,112	40,567,050	15,034,361	310,882,423
Interest rate-sensitive gap	120,375,192	(90,928,884)	(39,417,588)	13,119,150	3,147,870
Net worth					20,949,660
Ratio of interest rate-sensitive assets to liabilities (%)					101.01%
Ratio of interest rate-sensitive gap to net worth (%)					15.03%

Note 1: The above amounts include only New Taiwan dollars held by the Bank, and exclude contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities are affected by interest rate changes.

Note 3: Interest rate-sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets/Interest rate-sensitive liabilities (in New Taiwan dollars).

ii. Interest rate sensitivity information (U.S. dollars)

December 31, 2016

United: US\$1,000

Items	1-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 636,922	\$ 54,309	\$ 2,832	\$ 74,898	\$ 768,961
Interest rate-sensitive liabilities	506,790	101,698	166,199	-	774,687
Interest rate-sensitive gap	130,132	(47,389)	(163,367)	74,898	(5,726)
Net worth					6,623
Ratio of interest rate-sensitive assets to liabilities (%)					99.26%
Ratio of interest rate-sensitive gap to net worth (%)					(86.46%)

December 31, 2015

United: US\$1,000

Items	1-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 649,305	\$ 44,736	\$ 9,404	\$ 63,291	\$ 766,736
Interest rate-sensitive liabilities	489,712	112,637	133,917	-	736,266
Interest rate-sensitive gap	159,593	(67,901)	(124,513)	63,291	30,470
Net worth					2,870
Ratio of interest rate-sensitive assets to liabilities (%)					104.14%
Ratio of interest rate-sensitive gap to net worth (%)					1,061.67%

Note 1: The above amounts include only USD held by the Bank and exclude contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earnings assets and interest-bearing liabilities are affected by interest-rate changes.

Note 3: Interest rate-sensitive gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets/Interest rate-sensitive liabilities (in U.S. dollars)

2) Sunny Securities Co.

Market risk refers to the possible loss due to the change in market price of a financial product as a result of change in such factors as market interest rates, exchange rates, share prices and consumer goods.

Sunny Securities Co. is mainly exposed to the market risk of equity instruments price. Complying with Regulations Governing Securities Firms, Sunny Securities Co. sets up related concentration controls and stop-loss point systems. Sunny Securities Co. does not use derivative instruments to manage related risks.

f. Transfer of financial assets

Transferred financial assets that are not derecognized in their entirety during the normal operations of the Group, are mainly securities sold under agreements to repurchase. Such transactions had transferred the risk and reward of the financial assets upon receiving the proceeds, and reflected the associated liability of when the securities are repurchased back in the future. The Group cannot use, sell or pledge such transferred financial assets during the effective terms of the transaction, however they are not derecognized in their entirety because the Group still bears related interest rate and credit risks. Information regarding these transferred financial assets and liabilities not derecognized entirely are summarized as below:

Financial Asset Categories	December 31, 2016				
	Book value of Transferred Financial Asset	Book Value of Associated Liability	Fair Value of Transferred Financial Asset	Fair Value of Associated Liability	Fair Value, Net
<u>Repurchase agreements</u>					
Held to maturity financial asset	\$ 4,099,635	\$ 3,600,338	\$ 3,977,779	\$ 3,600,338	\$ 377,441

Financial Asset Categories	December 31, 2015				
	Book value of Transferred Financial Asset	Book Value of Associated Liability	Fair Value of Transferred Financial Asset	Fair Value of Associated Liability	Fair Value, Net
<u>Repurchase agreements</u>					
Available for Sale financial asset	\$ 2,096,462	\$ 2,000,000	\$ 2,096,462	\$ 2,000,000	\$ 96,462
Held to maturity financial asset	892,575	850,039	907,253	850,039	57,214

g. Offsetting financial assets and financial liabilities

The Group has no financial assets or liabilities meeting the criteria of IAS 32 and 42 endorsed by FSC. There is no enforceable master netting arrangements or other similar arrangements of the sort, the proceeds would be settled in full amounts. However if one party showed signs of default, the other party may choose to settle in net amounts.

Related information regarding the netting of financial asset and financial liability are shown as follows:

December 31, 2016

Financial Asset	Total amount of Recognized Financial Asset	Total Amount of Offset Financial Liability Recognized on Balance Sheet	Net Amount of Financial Liability Shown on Balance Sheet	Amounts not Offset on Balance Sheet		Net Amount
				Financial Instrument (Note)	Received Cash Collaterals	
Derivative financial instruments	\$ 6,987	\$ -	\$ 6,987	\$ -	\$ -	\$ 6,987
Securities under agreement to resell	1,388,427	-	1,388,427	1,373,860	-	14,567

Financial Liability	Total amount of Recognized Financial Liability	Total Amount of Offset Financial Liability Recognized on Balance Sheet	Net Amount of Financial Liability Shown on Balance Sheet	Amounts not Offset on Balance Sheet		Net Amount
				Financial Instrument (Note)	Pledged Cash Collaterals	
Derivative financial instruments	\$ 13,256	\$ -	\$ 13,256	\$ -	\$ -	\$ 13,256
Securities under agreement to repurchase	3,600,338	-	3,600,338	3,977,779	-	(377,441)

Note: Include master netting arrangement and non-cash financial collaterals.

December 31, 2015

Financial Asset	Total amount of Recognized Financial Asset	Total Amount of Offset Financial Liability Recognized on Balance Sheet	Net Amount of Financial Liability Shown on Balance Sheet	Amounts not Offset on Balance Sheet		Net Amount
				Financial Instrument (Note)	Received Cash Collaterals	
Derivative financial instruments	\$ 7,078	\$ -	\$ 7,078	\$ -	\$ -	\$ 7,078
Securities under agreement to resell	5,000	-	5,000	5,012	-	(12)

Financial Liability	Total amount of Recognized Financial Liability	Total Amount of Offset Financial Liability Recognized on Balance Sheet	Net Amount of Financial Liability Shown on Balance Sheet	Amounts not Offset on Balance Sheet		Net Amount
				Financial Instrument (Note)	Pledged Cash Collaterals	
Derivative financial instruments	\$ 16,621	\$ -	\$ 16,621	\$ -	\$ -	\$ 16,621
Securities under agreement to repurchase	2,850,039	-	2,850,039	3,003,715	-	(153,676)

Note: Include master netting arrangement and non-cash financial collaterals.

45. CAPITAL MANAGEMENT

a. Overview

The Group's capital management goals are as follows:

As a basic target, the Group's eligible capital should be sufficient to meet their operation needs and minimum requirements of the capital adequacy ratio. Eligible capital and legal capital are calculated under the regulations announced by the authority.

The Group should have adequacy capital to bear the risks, measure capital demand according to risk combination and risk characteristics, fulfill the optimization of resource and capital allocation by risk management.

b. Capital management procedures

The Group's capital is managed by the planning department in the administrative division under the Group's Capital Adequacy Management Policy. Regulatory capital is calculated according to "Regulations Governing the Capital Adequacy and Capital Category of Banks," and reported to the authority quarterly. Regulatory capital is classified into net Tier 1 Capital (the aggregate amount of net common equity Tier 1 and net additional Tier 1 Capital) and net Tier 2 Capital.

1) Net Tier 1 capital

- a) Net common equity Tier 1 capital: Common equity mainly includes common shares, capital surplus, retained earnings, other equity and non-controlling interests, with the total less the following items: Intangible assets, unrealized gains on available-for-sale financial assets, material investments of financial institutions, deferred tax assets and other deductive items of Net Tier 1 and Tier 2 capitals.

- b) Net additional Tier 1 capital: Additional items included perpetual non-cumulative preferred shares and non-cumulative subordinated bonds with no due dates.

2) Net Tier 2 capital

This capital base comprises of perpetual cumulative preferred shares, cumulative subordinated bonds with no due dates, revaluation gain, convertible bonds, operation reserves and allowance for accounts receivable.

The Group performs the evaluation of capital adequacy quarterly, and also evaluates the demand of capital in the future, and raises the capital if needed to maintain capital adequacy.

c. Statement of capital adequacy

The calculation for eligible capital, risk-weighted assets and capital adequacy ratio is shown as follows: Capital management of the Group for the years ended December 31, 2016 and 2015 both meet the standards and regulations as required by the authority.

Analysis Items			Year	December 31, 2016	
				Standalone	Consolidation
Eligible capital	Ordinary shares equity		\$	22,133,942	\$ 22,571,016
	Other Tier 1 capital			902,746	1,350,935
	Tier 2 capital			8,772,861	9,667,677
	Eligible capital			31,809,549	33,589,628
Risk-weighted assets	Credit risk	Standardized approach		252,953,800	255,994,001
		Internal rating - based approach		-	-
		Securitization		-	-
	Operating risk	Basic indicator approach		10,360,026	10,617,033
		Standardized approach/alternative standardized approach		-	-
		Advanced measurement approach		-	-
	Market risk	Standardized approach		16,639,405	16,639,405
		Internal model approach		-	-
	Total risk-weighted assets			279,953,231	283,250,439
Capital adequacy ratio				11.36%	11.86%
Ordinary shares equity risk-based capital ratio				7.91%	7.97%
Tier 1 risk-based capital ratio				8.23%	8.45%
Leverage ratio				5.79%	5.97%

Analysis Items			Year	December 31, 2015	
				Standalone	Consolidation
Eligible capital	Ordinary shares equity		\$ 19,011,079	\$ 19,418,166	
	Other Tier 1 capital		432,242	851,685	
	Tier 2 capital		7,826,037	8,664,750	
	Eligible capital		27,269,358	28,934,601	
Risk-weighted assets	Credit risk	Standardized approach	229,464,019	232,458,523	
		Internal rating - based approach	-	-	
		Securitization	-	-	
	Operating risk	Basic indicator approach	9,515,482	9,774,824	
		Standardized approach/alternative standardized approach	-	-	
		Advanced measurement approach	-	-	
	Market risk	Standardized approach	6,529,558	6,529,714	
		Internal model approach	-	-	
	Total risk-weighted assets		245,509,059	248,763,061	
Capital adequacy ratio			11.11%	11.63%	
Ordinary shares equity risk-based capital ratio			7.74%	7.81%	
Tier 1 risk-based capital ratio			7.92%	8.15%	
Leverage ratio			5.38%	5.56%	

Note 1: These tables were filled according to “Regulations Governing the Capital Adequacy Ratio of Banks” and related calculation tables.

Note 2: The Group shall disclose the capital adequacy ratio for the current and previous period in annual financial reports. For semiannual financial report, the Group shall disclose the capital adequacy ratio for the current period, previous period, and previous year end.

Note 3: The formula is as follows:

- 1) Eligible capital = Ordinary shares equity + Other Tier 1 capital + Tier 2 capital.
- 2) Total risk - weighted assets = Risk-weighted assets for credit risk + (Capital requirements for operational risk + Capital requirement for market risk) x 12.5.
- 3) Ratio of capital adequacy = Eligible capital/Total risk - weighted assets.
- 4) Ordinary shares equity risk - based capital ratio = Common shares equity/Total risk - weighted assets.
- 5) Tier 1 risk - based capital ratio = (Common shares equity + Other Tier 1 capital)/Total risk - weighted assets.
- 6) Leverage ratio = Tier 1 capital/Total exposure risk.

46. TRUST BUSINESS UNDER THE TRUST LAW

Balance Sheets of Trust Accounts December 31, 2016 and 2015

	2016	2015
<u>Trust assets</u>		
Cash and bank deposits	\$ 4,223,690	\$ 3,792,926
Short term investments		
Funds	23,095,713	24,275,811
Bonds	642,911	533,876
Stocks	19,872	-
Real estate		
Land	20,715,492	18,155,350
Buildings	8,983	62,738
Securities under custody	<u>3,574,325</u>	<u>4,798,386</u>
	<u>\$ 52,280,986</u>	<u>\$ 51,619,087</u>
<u>Trust liabilities</u>		
Payable on securities under custody	\$ 3,574,325	\$ 4,798,386
Trust capital		
Money	26,451,281	27,102,700
Real estate	21,327,745	18,813,576
Monetary bonds and collaterals	1,242,168	1,242,168
Securities	19,873	-
Accumulated loss	(1,070,053)	(1,185,207)
Profit for current year	<u>735,647</u>	<u>847,464</u>
	<u>\$ 52,280,986</u>	<u>\$ 51,619,087</u>

Trust Properties of Trust Accounts December 31, 2016 and 2015

Investment Portfolio	2016	2015
Cash and bank deposits	\$ 4,223,690	\$ 3,792,926
Short term investments		
Funds - NTD	11,435,638	12,100,693
- other currencies	11,660,075	12,175,118
Bonds - other currencies	642,911	533,876
Stocks	19,872	-
Real estate		
Land	20,715,492	18,155,350
Buildings	8,983	62,738
Securities under custody	<u>3,574,325</u>	<u>4,798,386</u>
	<u>\$ 52,280,986</u>	<u>\$ 51,619,087</u>

Income Statements of Trust Accounts
Years Ended December 31, 2016 and 2015

	2016	2015
Trust income		
Interest income	\$ 3,001	\$ 3,238
Dividends	1,122,127	1,123,214
Gains from properties trading	95,957	219,002
Realized capital gains	<u>15,523</u>	<u>9,973</u>
	<u>1,236,608</u>	<u>1,355,427</u>
Trust expense		
Trust administrative expenses	12,731	17,795
Tax expenses	539	439
Commission and fee expenses	12,150	19,382
Loss from property trading	475,483	470,318
Others	<u>58</u>	<u>29</u>
	<u>500,961</u>	<u>507,963</u>
	<u>\$ 735,647</u>	<u>\$ 847,464</u>

Note: The above income statement of trust account is not included in consolidated income statement.

47. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

On May 31, 2016, the Bank's board of directors resolved to undertake merger by absorption of Sunny Life Insurance Brokerage Co. and Sunny Property & Insurance Co., as well as to purchase 60.01% shares of Sunny Life Insurance Brokerage Co. from Sunny Securities Co. and 40% shares of Sunny Property & Insurance Co. from King Sunny Assets Management Co. The purpose of the resolution is to enhance the profitability of the Group and to strengthen the efficiency of business integration. The base date of the acquisition was January 20, 2017 resolved by the board of directors on December 6, 2016 and the acquisition price for the above share purchases were \$102,061 and \$3,538, respectively.

In order to acquire shares of Sunny life Insurance Brokerage Co. and Sunny Property & Insurance Co., the board of directors resolved to eliminate 491 thousand shares of the Bank held by Sunny Life Insurance Brokerage Co. on January 16, 2017 in accordance with the laws, and the base date of the consolidated capital reduction was January 20, 2017.

48. PROFITABILITY

Items		December 31	
		2016	2015
Return on total assets	Before income tax	0.71%	0.69%
	After income tax	0.62%	0.60%
Return on net worth	Before income tax	12.04%	12.05%
	After income tax	10.48%	10.49%
Profit margin		38.72%	35.84%

Note 1: Return on total assets = Income before (after) income tax/Average total assets.

Note 2: Return on net worth = Income before (after) income tax/Average net worth.

Note 3: Profit margin = Income after income tax/Total net revenues.

Note 4: Income before (after) income tax represents income for the years ended December 31, 2016 and 2015.

49. ADDITIONAL DISCLOSURES

There are no other additional disclosures except for Table 1 to Table 4.

50. OPERATING SEGMENTS

Based on IFRS 8 “Operating Segments” approved by the Financial Supervisory Commission (FSC), the operating results of the operating segments should be approved by the Group’s Board of Directors (those charged with governance) and from the basis for resource allocation and performance evaluation decisions. All of the Group’s operating segments meet the definition under IFRS 8.

The Group’s operating segments are identified on the basis of their industry characteristics, and consist of the Banking, Insurance, Securities, and Other Segments.

Other operations of the Group, including the management of funds and trusts, do not fall under the IFRS 8 definition of an individual reportable segment.

The major revenue streams of the Group’s operating segments come from interest revenue, and the Group’s Board of Directors evaluates the operating segments’ performance based on net interest. The operating results of all operating segments are expressed at their net amounts, i.e., total interest revenue less total interest expense.

Adjustments of internal pricing and transfer pricing have been reflected in the segments’ performance evaluation. Revenues generated from external customers are amortized on a reasonable basis as agreed upon by all segments.

Transactions between operating segments are treated as regular transactions. Revenues generated from external customers submitted to and approved by the Board of Directors are measured on the same basis as that used for the consolidated statement of comprehensive income.

The Group’s internal management report is based on net operating profit, which includes net interest, allowance for doubtful accounts and guarantees, commission and other fee revenues, net gains (losses) on financial products and other operating profit (loss). The evaluation excludes nonrecurring items such as litigation expenses.

Inter-segment analysis is prepared on the basis of internal management reports provided to and approved by the Board of directors on segment profit (loss) and segment assets, liabilities and information.

Operating assets and liabilities refer to all operating departments are the main components of the consolidated balance sheet. However, some items such as the tax expenses are excluded from this balance sheet.

a. Segment revenue and operating results

The Following was an analysis of the Group's revenue and results from continuing operations by reportable segment:

	2016					
	Banking	Insurance	Securities	Other	Internal Elimination	Total
Net interest	\$ 4,359,630	\$ 532	\$ 17,981	\$ 104,334	\$ -	\$ 4,482,477
Commission and fee revenues, net	1,166,302	116,978	-	14,063	(2,037)	1,295,306
Other noninterest net revenues	<u>514,808</u>	<u>482</u>	<u>82,336</u>	<u>38,674</u>	<u>(176,005)</u>	<u>460,295</u>
Net revenues	<u>6,040,740</u>	<u>117,992</u>	<u>100,317</u>	<u>157,071</u>	<u>(178,042)</u>	<u>6,238,078</u>
Allowance for doubtful accounts and guarantees	34,288	-	-	14,762	-	49,050
Operating expenses	<u>3,321,139</u>	<u>28,257</u>	<u>72,090</u>	<u>61,640</u>	<u>(17,916)</u>	<u>3,465,210</u>
Income before income tax	<u>\$ 2,685,313</u>	<u>\$ 89,735</u>	<u>\$ 28,227</u>	<u>\$ 80,669</u>	<u>\$ (160,126)</u>	<u>\$ 2,723,818</u>

	2015					
	Banking	Insurance	Securities	Other	Internal Elimination	Total
Net interest	\$ 4,106,581	\$ 642	\$ 22,559	\$ 116,041	\$ -	\$ 4,245,823
Commission and fee revenues, net	1,056,997	116,325	-	12,194	3,666	1,189,182
Other noninterest net revenues	<u>576,186</u>	<u>9,728</u>	<u>90,769</u>	<u>53,576</u>	<u>(197,859)</u>	<u>532,400</u>
Net revenues	<u>5,739,764</u>	<u>126,695</u>	<u>113,328</u>	<u>181,811</u>	<u>(194,193)</u>	<u>5,967,405</u>
Allowance for doubtful accounts and guarantees	185,703	-	-	33,838	-	219,541
Operating expenses	<u>3,190,638</u>	<u>39,806</u>	<u>75,016</u>	<u>59,002</u>	<u>(13,462)</u>	<u>3,351,000</u>
Income before income tax	<u>\$ 2,363,423</u>	<u>\$ 86,889</u>	<u>\$ 38,312</u>	<u>\$ 88,971</u>	<u>\$ (180,731)</u>	<u>\$ 2,396,864</u>

Segment income include capital transfer pricing between segments and the expenses and costs allocated via appropriate cost drivers. In addition, segment profit represented the profit before tax earned by each segment without allocation of income tax expense.

b. Segment assets and liabilities

Segment assets and liabilities are disclosed as \$0 due to the fact that the Group evaluates the amount with deposits and loans and financial assets and liabilities equally.

c. Segment information

	2016				
Item	Domestic and Others	Hong Kong and Macau	China	Elimination	Total
External revenue	\$ 6,197,414	\$ 26	\$ 40,638	\$ -	\$ 6,238,078
Internal revenue	<u>193,779</u>	<u>15,870</u>	<u>-</u>	<u>(209,649)</u>	<u>-</u>
Net revenue	<u>\$ 6,391,193</u>	<u>\$ 15,896</u>	<u>\$ 40,638</u>	<u>\$ (209,649)</u>	<u>\$ 6,238,078</u>
Income before income tax	<u>\$ 2,702,472</u>	<u>\$ (132)</u>	<u>\$ 21,478</u>	<u>\$ -</u>	<u>\$ 2,723,818</u>
Identifiable assets	<u>\$ 397,613,029</u>	<u>\$ 3</u>	<u>\$ 583,698</u>	<u>\$ -</u>	<u>\$ 398,196,730</u>

Item	2015				
	Domestic and Others	Hong Kong and Macau	China	Elimination	Total
External revenue	\$ 5,926,132	\$ 1	\$ 41,272	\$ -	\$ 5,967,405
Internal revenue	<u>204,653</u>	<u>14,822</u>	<u>-</u>	<u>(219,475)</u>	<u>-</u>
Net revenue	<u>\$ 6,130,785</u>	<u>\$ 14,823</u>	<u>\$ 41,272</u>	<u>\$ (219,475)</u>	<u>\$ 5,967,405</u>
Income before income tax	<u>\$ 2,376,880</u>	<u>\$ (168)</u>	<u>\$ 20,152</u>	<u>\$ -</u>	<u>\$ 2,396,864</u>
Identifiable assets	<u>\$ 362,597,571</u>	<u>\$ 75</u>	<u>\$ 625,630</u>	<u>\$ -</u>	<u>\$ 363,223,276</u>

d. Main customers information

There is no one individual customer from whom the revenue received is higher than 10% of the net revenue for both the years ended 2016 and 2015.

TABLE 1**SUNNY BANK AND SUBSIDIARIES**
INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars or Shares)

Investee Company	Location	Main Businesses and Products	Percentage of Ownership	Carrying Amount	Investment Gain	Consolidated Investment (Note 1)				Note
						Shares (Thousands)	Imitated Shares (Thousands)	Total		
								Shares (Thousands)	Percentage of Ownership	
Sunny Securities Co.	Taipei	Investment securities business	100.00	\$ 588,981	\$ 28,123	50,200	-	50,200	100.00	Subsidiary, Note 2
King Sunny Assets Management Co.	Taipei	Evaluating, auctioning and managing for financial institutions’ loan	100.00	148,858	16,457	15,000	-	15,000	100.00	Subsidiary, Note 2
Sunny Life Insurance Brokerage Co.	Taipei	Life insurance agency	39.99	60,211	29,521	5,250	-	5,250	100.00	Subsidiary, Note 2
Sunny Property & Insurance Co.	Taipei	Property insurance agency	20.00	1,741	98	605	-	605	100.00	Subsidiary, Note 2
Sunny E-Commercial Co., Ltd.	Taipei	Mobile payment and business	100.00	38,292	(7,012)	5,000	-	5,000	100.00	Subsidiary, Note 2
Sunny International Leasing Co.	Taipei	Leasing business	100.00	957,671	47,753	93,000	-	93,000	100.00	Subsidiary, Note 2
Financial Information Service Co., Ltd.	Taipei	Planning and developing the information system of across banking institution and managing the information web system	2.42	115,771	35,342	12,622	-	12,622	2.42	Note 3
Taiwan Financial Asset Service Co., Ltd.	Taipei	Auction	2.94	50,000	-	5,000	-	5,000	2.94	
Taiwan Depository and Clearing Co., Ltd.	Taipei	Business related to the depository and book-entry system of TOCC	0.29	21,490	1,498	1,024	-	1,024	0.29	Note 3
Sunny Asset Management Corp.	Taipei	Purchasing for financial institutions’ loan assets	1.11	-	79	67	-	67	1.11	Note 3
Taiwan Mobile Payment Co., Ltd.	Taipei	Mobile payment and business	1.00	6,000	-	600	-	600	1.00	

Note 1: All of the existing shares of investees or fictional shareholdings which are held by the Bank and subsidiaries' directors, supervisors, managers and affiliates which conform to definition of Company Act have been reckoned.

Note 2: The transactions and balances above had been eliminated when preparing consolidated financial statement.

Note 3: The investment gain (loss) was the cash dividends recognized for the year ended December 31, 2016. Gains on financial assets carried at cost contains cash dividends of Taichung Machinery were \$118.

TABLE 2**SUNNY BANK AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****DECEMBER 31, 2016****(In Thousands of New Taiwan Dollars or Shares)**

Holding Company	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2015				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Sunny Securities Co.	<u>Stock</u> Sunny Life Insurance Brokerage Co.	Subsidiary	Investments accounted for using equity method	3,150,042	\$ 95,582	60.01	\$ 95,582	Note 1
King Sunny Assets Management Co.	<u>Stock</u> Sunny Property & Insurance Co.	-	Investments accounted for using equity method	242,000	3,483	40.00	3,483	Note 1
	Sunny Real Estate Management Co., Ltd.	-	Financial assets measured at cost	300,000	3,000	10.00	3,000	
Sunny Life Insurance Brokerage Co.	<u>Stock</u> Sunny Bank	Parent company	Financial assets measured at cost	490,856	3,508	-	3,508	Note 2
	Protop Technology Co., Ltd.	-	Financial assets measured at cost	301,840	-	-	-	Investment \$10,782 and accumulated impairment of \$10,782 recognized
	Sunny Property & Insurance Co.	-	Investments accounted for using equity method	242,000	3,483	40.00	3,483	Note 1
	<u>Bond</u> Central government construction bonds 100 Ninth Annual CPI	-	Held-to-maturity financial assets - non-current	-	998	-	1,011	
	Central government construction bonds 100 Eighth Annual CPI	-	Held-to-maturity financial assets - non-current	-	997	-	981	
Sunny International Leasing Co.	<u>Stock</u> Sunny Finance Lease (HK) Limited	Subsidiary	Investments accounted for using equity method	18,500,000	558,556	100.00	558,556	Note 1
Sunny Finance Lease (HK) Limited	<u>Stock</u> Sunny Finance and Leasing (China) Co., Ltd.	Subsidiary	Investments accounted for using equity method	-	559,115	100.00	559,115	Note 1

Note 1: The transactions had been eliminated when preparing consolidated financial statements.

Note 2: Recognized as treasury shares in the consolidated financial statements.

TABLE 3

SUNNY BANK AND SUBSIDIARIES

**INFORMATION ON THE INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars and Thousands of Foreign Currency)**

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2016 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2016	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2016	Accumulated Repatriation of Investment Income as of December 31, 2016
					Outward (Note 2)	Inward						
Sunny Finance and Leasing (China) Co., Ltd.	Leasing	\$ 597,162 (US\$ 18,500)	Investment in Mainland China companies through an existing company established in a third region.	\$ 548,743 (US\$ 17,000)	\$ 48,419 (US\$ 1,500)	\$ -	\$ 597,162 (US\$ 18,500)	\$ 15,870 (RMB 3,273)	100	\$ 15,870 (RMB 3,273)	\$ 559,115	\$ -

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2016	Investment Amounts Authorized by Investment Commission, MOEA (Note 4)	Limit on the Amount of Investment, as Stipulated by the Investment Commission, MOEA (Note 4)
\$597,162 (US\$18,500)	\$597,162 (US\$18,500)	\$574,603

Note 1: Based on Rule No. 102000005490 approved by the Investment commission, MOEA on January 18, 2013, the authorized investment amount is US\$10,000; on Rule No. 10400025930 and Rule No. 10400089230 approved by the Investment commission, MOEA on February 25, 2015 and on May 11, 2015, the authorized investment amount is US\$7,000.

Note 2: Based on Rule No. 10500137350 approved by the investment commission, MOEA on June 27, 2016, the authorized investment amount is US\$1,500.

Note 3: Foreign currencies are converted into New Taiwan dollars at the exchange rate as of the balance sheet date.

Note 4: The authorized investment amount of US\$18,500 was translated at exchange rates on historical investment date to be NT\$562,566, not exceeding the limit NT\$574,603 imposed by the Investment Commission, MOEA.

TABLE 4

SUNNY BANK LTD. AND SUBSIDIARIES

RELATED PARTY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

No.	Transaction Company	Counter-party	Flow of Transaction	Description of Transactions			Percentage to Consolidated Revenue/Assets
				Financial Statement Account	Transaction Amount	Transaction Item	
0	Sunny Bank Ltd. ("Parent company" or "Sunny Bank")	Sunny Securities Co.	From parent company to subsidiary	Deposits and remittances	\$ 184,543	Interest is calculated based on annual deposit interest rate from 0% to 1.21%.	0.05
				Rent revenue	8,260	The lease contract of Sunny Securities Co. (Shipai) is from December 25, 2015 to December 14, 2020 with a monthly rental of \$500; the lease contract of Sunny Securities Co. (Mingshen) is from January 1, 2014 to December 31, 2021 with a monthly rental of \$130; the lease contract of Sunny Securities Co. (Jingmei) is from October 1, 2015 to July 31, 2016, with a monthly rental of \$100.	0.13
				Agent fee revenue	777	1.425% of the trading securities turnover.	0.01
		King Sunny Assets Management Co.	From parent company to subsidiary	Deposits and remittances	11,355	Interest is calculated based on annual deposit interest rate from 0% to 0.03%.	-
				Commission and fee revenue	2,814	5% contractual collection service fee was charged	0.05
		Sunny Life Insurance Brokerage Co.	From parent company to revenue	Deposits and remittances	155,053	Interest is calculated based on annual deposit interest rate from 0% to 1.065%.	0.04
				Commission and fee revenue	637,815	1.2% to 66.4% contractual transaction fee was charged.	10.22
		Sunny Property & Insurance Co.	From parent company to subsidiary	Accounts receivables	50,078	0.96% to 53.12% contractual transaction fee was charged.	0.01
				Deposits and remittances	8,646	Interest is calculated based on annual deposit interest rate from 0% to 0.05%.	-
				Commission and fee revenue	9,345	0% to 24% contractual transaction fee was charged as the residence, earthquake and add-on insurance; 0% to 16% contractual transaction fee was charged as the commercial-line fire insurance; 32% contractual transaction fee was charged as the casualty insurance; 22.4% contractual transaction fee was charged as the health insurance; 0% to 17.6% contractual transaction fee was charged as other insurance; \$0 to \$240 transaction fee was charged per case.	0.15
				Accounts receivables	7	0% to 24% contractual transaction fee was charged as the residence, earthquake and add-on insurance; 0% to 16% contractual transaction fee was charged as the commercial-line fire insurance; 32% contractual transaction fee was charged as the casualty insurance; 22.4% contractual transaction fee was charged as the health insurance; 0% to 17.6% contractual transaction fee was charged as other insurance; \$0 to \$240 transaction fee was charged per case.	-
		Sunny International Leasing Co.	From parent company to subsidiary	Deposits and remittances	6,759	Interest is calculated based on annual deposit interest rate from 0.03% to 0.35%.	-
		Sunny E-Commercial Co.	From parent company to Subsidiary	Deposits and remittances	38,785	Interest is calculated based on annual deposit interest rate at 0.03%.	0.01

(Continued)

No.	Transaction Company	Counter-party	Flow of Transaction	Description of Transactions			Percentage to Consolidated Revenue/Assets
				Financial Statement Account	Transaction Amount	Transaction Item	
1	Sunny Securities Co.	Sunny Bank	From subsidiary to parent company	Cash	\$ 184,543	Interest is calculated based on annual deposit interest rate from 0% to 1.21%.	0.05
				Operating expenses	8,260	The lease contract of Sunny Securities Co. (Shipai) is from December 25, 2015 to December 14, 2020 with a monthly rental of \$500; the lease contract of Sunny Securities Co. (Mingshen) is from January 1, 2014 to December 31, 2021 with a monthly rental of \$130; the lease contract of Sunny Securities Co. (Jingmei) is from October 1, 2015 to July 31, 2016, with a monthly rental of \$100.	0.13
				Agent fee revenue	777	1.425‰ of the trading securities turnover.	0.01
2	King Sunny Assets Management Co.	Sunny Bank	From subsidiary to parent company	Cash	11,355	Interest is calculated based on annual deposit interest rate from 0% to 0.03%.	-
				Operating expenses	2,814	5% contractual collection service fee was charged.	0.05
3	Sunny Life Insurance Brokerage Co.	Sunny Bank	From subsidiary to parent company	Cash	155,053	Interest is calculated based on annual deposit interest rate from 0% to 1.065%.	0.04
				Commission and fee expense	637,815	1.2% to 66.4% contractual transaction fee was charged.	10.22
				Accounts payable	50,078	0.96% to 53.12% contractual transaction fee was charged.	0.01
4	Sunny Property & Insurance Co.	Sunny Bank	From subsidiary to parent company	Cash	8,646	Interest is calculated based on annual deposit interest rate from 0% to 0.05%.	-
				Commission and fee expense	9,345	0% to 24% contractual transaction fee was charged as the residence, earthquake and add-on insurance; 0% to 16% contractual transaction fee was charged as the commercial-line fire insurance; 32% contractual transaction fee was charged as the casualty insurance; 22.4% contractual transaction fee was charged as the health insurance; 0% to 17.6% contractual transaction fee was charged as other insurance; \$0 to \$240 transaction fee was charged per case.	0.15
				Accounts payable	7	0% to 24% contractual transaction fee was charged as the residence, earthquake and add-on insurance; 0% to 16% contractual transaction fee was charged as the commercial-line fire insurance; 32% contractual transaction fee was charged as the casualty insurance; 22.4% contractual transaction fee was charged as the health insurance; 0% to 17.6% contractual transaction fee was charged as other insurance; \$0 to \$240 transaction fee was charged per case.	-
5	Sunny International Leasing Co.	Sunny Bank	From subsidiary to parent company	Cash	6,759	Interest is calculated based on annual deposit interest rate from 0.03% to 0.35%.	-
6	Sunny E-Commercial Co.	Sunny Bank	From subsidiary to parent company	Cash	38,785	Interest is calculated based on annual deposit interest rate at 0.03%.	0.01

Note: All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.


(Concluded)



III

Sunny Bank Ltd.

Financial Statements for the
Years Ended December 31, 2016 and 2015 and
Independent Auditor's Report



INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Sunny Bank Ltd.

Opinion

We have audited the accompanying financial statements of Sunny Bank Ltd. (the “Bank”), which comprise the balance sheets as of December 31, 2016 and 2015, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended, in conformity with Regulations Governing the Preparation of Financial Reports by Public Banks and the guidelines issued by the authority.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements of Financial Institutions by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Bank's financial statements for the year ended December 31, 2016 are stated as follows:

Impairment of Loans and Receivables

As described in Note 5 to the financial statements, when evaluating the impairment of loans and receivables, the Bank's management assess whether there are any observable indications of impairment before collectively assess the impairment. The indications may include observable data indicating that there has been an adverse change in the payment status of borrowers or delayed payments in the related nations and its economic conditions. When analyzing expected cash flows, management's estimate is based on historical loss experience for assets with similar credit risk characteristics, such as default rate, recovery rate, collateral values, and discount rates used by the Bank, which are critical judgments and estimates and need to comply with applicable regulations and laws. Therefore, impairment of loans and receivables has been identified as a key audit matter.

Please refer to Note 4 to the accompanying financial statements for the Bank accounting policies related to impairment evaluation on loans and receivables, Note 5 for critical accounting judgments and key sources of estimation uncertainty, and Notes 10 and 11 for related presentations and disclosures.

We performed the following audit procedures in respective of the above key audit matter. We understood and assessed management's methodology of impairment of loans and receivables. We evaluated whether the assumptions and inputs used appropriately reflected historical default rate and recovery rate of loans and receivables collectively. We assessed the reasonableness of expected future cash flows, collateral values and discount rates used by the Bank, and performed sampling on loans and receivable cases to verify their completeness and accuracy. We also considered related regulations and guidelines issued by the authorities and examined whether the classification and recognition of impairment of loans and receivables complied with the related regulations and guidelines.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and the guidelines issued by the authority, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chih-Ming Shao and Yi-Chun Wu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 14, 2017

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with 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 applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

SUNNY BANK LTD.

BALANCE SHEETS DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

ASSETS	2016		2015	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	\$ 8,241,507	2	\$ 5,369,082	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Note 7)	16,909,331	4	21,151,246	6
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	11,768,419	3	9,734,953	3
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 4 and 9)	1,388,427	-	-	-
RECEIVABLES, NET (Notes 4, 5, 10, 11 and 39)	1,518,972	-	1,271,812	-
CURRENT TAX ASSETS (Note 37)	35,992	-	36,403	-
DISCOUNTS AND LOANS, NET (Notes 4, 5, 11 and 39)	260,550,705	66	237,737,794	66
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 4, 12 and 41)	65,789,356	17	70,594,664	20
HELD-TO-MATURITY FINANCIAL ASSETS (Notes 4, 13 and 41)	14,129,826	4	1,903,364	1
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD, NET (Notes 4 and 14)	1,795,754	1	1,677,771	-
OTHER FINANCIAL ASSETS, NET (Notes 4, 11, 15 and 41)	3,942,355	1	1,387,707	-
PROPERTY AND EQUIPMENT, NET (Notes 4 and 16)	9,471,129	2	9,475,320	3
INTANGIBLE ASSETS, NET (Notes 4 and 17)	1,062,509	-	1,051,920	-
DEFERRED TAX ASSETS (Notes 4 and 37)	106,160	-	215,867	-
OTHER ASSETS, NET (Notes 4, 18 and 41)	<u>188,137</u>	<u>-</u>	<u>221,392</u>	<u>-</u>
TOTAL	<u>\$ 396,898,579</u>	<u>100</u>	<u>\$ 361,829,295</u>	<u>100</u>
LIABILITIES AND EQUITY				
DUE TO THE CENTRAL BANK AND BANKS (Note 19)	\$ 6,943,606	2	\$ 5,573,606	1
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	13,256	-	16,621	-
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE (Notes 4, 12, 13 and 20)	3,600,338	1	2,850,039	1
PAYABLES (Notes 21, 25 and 39)	3,428,628	1	2,359,677	1
CURRENT TAX LIABILITIES (Note 37)	161,427	-	-	-
DEPOSITS AND REMITTANCES (Notes 22 and 39)	345,010,425	87	319,117,827	88
BANK DEBENTURES (Note 23)	13,500,000	3	10,400,000	3
PROVISIONS (Notes 4, 11, 24 and 25)	81,570	-	285,572	-
DEFERRED TAX LIABILITIES (Notes 4 and 37)	106,829	-	115,134	-
OTHER LIABILITIES (Notes 26 and 39)	<u>273,830</u>	<u>-</u>	<u>265,539</u>	<u>-</u>
Total liabilities	<u>373,119,909</u>	<u>94</u>	<u>340,984,015</u>	<u>94</u>
EQUITY (Notes 4 and 27)				
Ordinary shares	<u>20,032,947</u>	<u>5</u>	<u>17,436,742</u>	<u>5</u>
Capital surplus	<u>49,042</u>	<u>-</u>	<u>48,717</u>	<u>-</u>
Retained earnings				
Legal reserve	1,492,736	-	875,554	-
Special reserve	24,936	-	87,810	-
Unappropriated earnings	<u>2,553,630</u>	<u>1</u>	<u>2,189,843</u>	<u>1</u>
Total retained earnings	<u>4,071,302</u>	<u>1</u>	<u>3,153,207</u>	<u>1</u>
Other equity	<u>(371,113)</u>	<u>-</u>	<u>210,122</u>	<u>-</u>
Treasury shares	<u>(3,508)</u>	<u>-</u>	<u>(3,508)</u>	<u>-</u>
Total equity	<u>23,778,670</u>	<u>6</u>	<u>20,845,280</u>	<u>6</u>
TOTAL	<u>\$ 396,898,579</u>	<u>100</u>	<u>\$ 361,829,295</u>	<u>100</u>

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

SUNNY BANK LTD.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST REVENUE	\$ 7,181,183	119	\$ 6,999,927	122	3
LESS: INTEREST EXPENSE	<u>2,821,553</u>	<u>47</u>	<u>2,893,346</u>	<u>50</u>	(2)
NET INTEREST (Notes 4, 28 and 39)	<u>4,359,630</u>	<u>72</u>	<u>4,106,581</u>	<u>72</u>	6
NET REVENUES OTHER THAN INTEREST (Note 4)					
Commission and fee revenues, net (Notes 29 and 39)	1,166,302	19	1,056,997	18	10
Gains on financial assets and liabilities at fair value through profit or loss (Notes 4 and 30)	99,724	2	131,966	2	(24)
Realized gains on available-for-sale financial assets (Note 31)	158,029	3	93,986	2	68
Foreign exchange gains	19,132	-	118,717	2	(84)
Reversal of impairment loss (impairment loss) on assets (Note 32)	5,932	-	(6,299)	-	194
Share of profit of subsidiaries	114,940	2	135,528	2	(15)
Gains on financial assets carried at cost	37,037	1	29,972	1	24
Rental income (Note 39)	70,844	1	68,593	1	3
Other noninterest net revenues (Note 33)	<u>9,170</u>	<u>-</u>	<u>3,723</u>	<u>-</u>	146
Total net revenues other than interest	<u>1,681,110</u>	<u>28</u>	<u>1,633,183</u>	<u>28</u>	3
TOTAL NET REVENUES	<u>6,040,740</u>	<u>100</u>	<u>5,739,764</u>	<u>100</u>	5
ALLOWANCE FOR DOUBTFUL ACCOUNTS AND GUARANTEES (Notes 4, 5, 11 and 39)	<u>34,288</u>	<u>-</u>	<u>185,703</u>	<u>3</u>	(82)
OPERATING EXPENSES					
Employee benefits (Notes 4, 25, 34 and 39)	2,029,826	33	1,982,711	35	2
Depreciation and amortization (Notes 4 and 35)	222,511	4	173,104	3	29
Others (Note 36)	<u>1,068,802</u>	<u>18</u>	<u>1,034,823</u>	<u>18</u>	3
Total operating expenses	<u>3,321,139</u>	<u>55</u>	<u>3,190,638</u>	<u>56</u>	4

(Continued)

SUNNY BANK LTD.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INCOME BEFORE INCOME TAX	\$ 2,685,313	45	\$ 2,363,423	41	14
INCOME TAX EXPENSE (Notes 4 and 37)	<u>346,295</u>	<u>6</u>	<u>306,151</u>	<u>5</u>	13
NET INCOME	<u>2,339,018</u>	<u>39</u>	<u>2,057,272</u>	<u>36</u>	14
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation	(31,423)	-	(67,922)	(1)	(54)
Share of other comprehensive gain (loss) of subsidiaries	98	-	(795)	-	112
Income tax benefit relating to items that will not be reclassified subsequently (Note 37)	<u>5,342</u>	<u>-</u>	<u>11,547</u>	<u>-</u>	(54)
	<u>(25,983)</u>	<u>-</u>	<u>(57,170)</u>	<u>(1)</u>	(55)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations	(5,694)	-	(11,567)	-	(51)
Unrealized gain (loss) on available-for-sale financial assets	(539,337)	(9)	200,351	3	(369)
Share of other comprehensive loss of subsidiaries	<u>(36,204)</u>	<u>(1)</u>	<u>(9,824)</u>	<u>-</u>	269
	<u>(581,235)</u>	<u>(10)</u>	<u>178,960</u>	<u>3</u>	(425)
Other comprehensive income (loss) for the year, net of income tax	<u>(607,218)</u>	<u>(10)</u>	<u>121,790</u>	<u>2</u>	(599)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,731,800</u>	<u>29</u>	<u>\$ 2,179,062</u>	<u>38</u>	(21)
EARNINGS PER SHARE (Note 38)					
Basic	<u>\$ 1.26</u>		<u>\$ 1.15</u>		
Diluted	<u>\$ 1.26</u>		<u>\$ 1.15</u>		

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

(Concluded)

SUNNY BANK LTD.
**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)**

	Share Capital		Capital Surplus	Retained Earnings				Exchange Differences on Translating Foreign Operations	Other Equity		Total Equity
	Shares in Thousand	Ordinary Shares		Legal Reserve	Special Reserve	Unappropriated Earnings	Total		Unrealized (Loss) Gain on Available-for-sale Financial Assets	Treasury Shares	
BALANCE AT JANUARY 1, 2015	1,588,372	\$ 15,883,719	\$ 43,950	\$ 278,433	\$ 87,810	\$ 2,057,559	\$ 2,423,802	\$ 33,083	\$ (1,921)	\$ (3,508)	\$ 18,379,125
Appropriation of the 2014 earnings											
Legal reserve	-	-	-	597,121	-	(597,121)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(317,674)	(317,674)	-	-	-	(317,674)
Share dividends	95,302	953,023	-	-	-	(953,023)	(953,023)	-	-	-	-
Net income for the year ended December 31, 2015	-	-	-	-	-	2,057,272	2,057,272	-	-	-	2,057,272
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	-	(57,170)	(57,170)	(20,530)	199,490	-	121,790
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	-	2,000,102	2,000,102	(20,530)	199,490	-	2,179,062
Issue of ordinary shares for cash	60,000	600,000	-	-	-	-	-	-	-	-	600,000
Value of share-based payment under employee share options	-	-	4,680	-	-	-	-	-	-	-	4,680
Adjustments to capital surplus of cash dividends to subsidiary	-	-	87	-	-	-	-	-	-	-	87
BALANCE AT DECEMBER 31, 2015	1,743,674	17,436,742	48,717	875,554	87,810	2,189,843	3,153,207	12,553	197,569	(3,508)	20,845,280
Appropriation of the 2015 earnings											
Legal reserve	-	-	-	617,182	-	(617,182)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(348,735)	(348,735)	-	-	-	(348,735)
Share dividends	104,621	1,046,205	-	-	-	(1,046,205)	(1,046,205)	-	-	-	-
Reversal of special reserve	-	-	-	-	(62,874)	62,874	-	-	-	-	-
Net income for the year ended December 31, 2016	-	-	-	-	-	2,339,018	2,339,018	-	-	-	2,339,018
Other comprehensive loss for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(25,983)	(25,983)	(41,922)	(539,313)	-	(607,218)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	2,313,035	2,313,035	(41,922)	(539,313)	-	1,731,800
Issue of ordinary shares for cash	155,000	1,550,000	-	-	-	-	-	-	-	-	1,550,000
Value of share-based payment under employee share options	-	-	232	-	-	-	-	-	-	-	232
Adjustments to capital surplus of cash dividends to subsidiary	-	-	93	-	-	-	-	-	-	-	93
BALANCE AT DECEMBER 31, 2016	2,003,295	\$ 20,032,947	\$ 49,042	\$ 1,492,736	\$ 24,936	\$ 2,553,630	\$ 4,071,302	\$ (29,369)	\$ (341,744)	\$ (3,508)	\$ 23,778,670

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

SUNNY BANK LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 2,685,313	\$ 2,363,423
Adjustments for:		
Depreciation expenses	209,876	164,511
Amortization expenses	12,635	8,593
Allowance for doubtful accounts and guarantees	34,288	185,703
Interest expenses	2,821,553	2,893,346
Interest revenues	(7,181,183)	(6,999,927)
Dividend income	(52,857)	(47,636)
Decrease in provisions	(232,700)	(45,026)
Share-based payments	232	4,680
Share of profit of subsidiaries	(114,940)	(135,528)
Loss (gain) on disposal of property and equipment	432	(140)
Gain on disposal of available-for-sale financial assets	(142,209)	(76,500)
Reversal of impairment loss on financial assets	(5,932)	(7,792)
Impairment loss on non-financial assets	-	14,091
Changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank and call loans to other banks	(1,150,397)	2,199,653
Decrease (increase) in financial assets at fair value through profit or loss	(2,032,465)	8,653,838
Decrease in receivables	114,948	114,176
Increase in discounts and loans	(22,855,427)	(22,732,317)
Increase (decrease) in due to the central bank and banks	1,370,000	(910,000)
Increase (decrease) in financial liabilities at fair value through profit or loss	(3,365)	9,314
Increase (decrease) in securities sold under agreements to repurchase	750,299	(1,053,380)
Increase (decrease) in payables	1,038,839	(489,147)
Increase in deposits and remittances	25,892,598	32,472,807
Net cash generated from operations	1,159,538	16,586,742
Interest received	7,118,754	6,969,824
Dividends received	166,548	118,609
Interest paid	(2,790,949)	(2,871,687)
Income tax paid	(77,713)	(116,346)
Net cash generated from operating activities	5,576,178	20,687,142
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(567,476,240)	(552,101,894)
Proceeds from disposal of available-for-sale financial assets	571,566,896	530,290,970
Acquisition of held-to-maturity financial assets	(12,283,143)	(841,105)
Acquisition of investments accounted for using equity method	(152,747)	(230,000)
Acquisition of property and equipment	(214,115)	(344,066)
Proceeds from disposal of property and equipment	3	158
Acquisition of intangible assets	(14,569)	(4,622)

(Continued)

SUNNY BANK LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
Increase in other financial assets	\$ (2,549,347)	\$ -
Decrease in other financial assets	-	1,689,094
Decrease in other assets	<u>32,211</u>	<u>64,141</u>
Net cash used in investing activities	<u>(11,091,051)</u>	<u>(21,477,324)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issued of bank debentures	3,100,000	1,800,000
Repayment of bank debentures on maturity	-	(500,000)
Increase (decrease) in other liabilities	8,291	(1,420)
Cash dividends	(348,735)	(317,674)
Proceeds from issue of ordinary shares	<u>1,550,000</u>	<u>600,000</u>
Net cash generated from financing activities	<u>4,309,556</u>	<u>1,580,906</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>73,857</u>	<u>(109,348)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,131,460)	681,376
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>12,298,185</u>	<u>11,616,809</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 11,166,725</u>	<u>\$ 12,298,185</u>

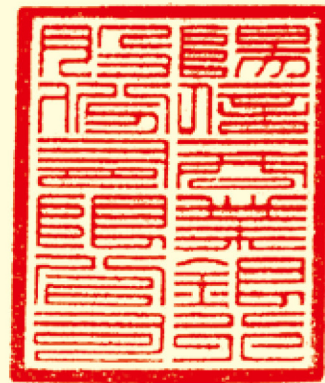
Reconciliation of the amounts in the statement of cash flows with the equivalent items reported in the balance sheets at December 31, 2016 and 2015:

	December 31	
	2016	2015
Cash and cash equivalents in balance sheets	\$ 8,241,507	\$ 5,369,082
Due from the Central Bank and call loans to other banks reclassified as cash and cash equivalents under IAS 7 "Statement of Cash Flows"	1,536,791	6,929,103
Securities purchased under agreements to resell reclassified as cash and cash equivalents under IAS 7 "Statement of Cash Flows"	<u>1,338,427</u>	<u>-</u>
Cash and cash equivalents in statements of cash flows	<u>\$ 11,166,725</u>	<u>\$ 12,298,185</u>

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

(Concluded)

Sunny Bank Co., Ltd



Chairman : CHEN, SHENG-HUNG





陽信銀行
SUNNY BANK