



陽信銀行
SUNNY BANK

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SUNNY BANK

2018 ANNUAL REPORT



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

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I. Letter to Shareholders

1. 2018 Operating Performance
2. Overview of the 2019 Business Plan
3. Future Development Strategies
4. Impact from External Competitive Environment, Regulatory Environment, and Macroeconomic Environment
5. Credit Rating

Dear Shareholders,

According to the domestic and overseas economic analysis report of the Ministry of Economic Affairs and the current economic situation briefing of the National Development Committee, the global economic growth momentum will continue to slow down in the current (2019) year. Due to trade tensions, weak international trade and manufacturing activity, and financial pressures on some large emerging and developing economies, the International Monetary Fund (IMF) estimates that the global economy will grow by 3.5% this year, slower than last year's 3.7%.

For the U.S., as the effect of tax cuts of fiscal stimulus policy faded, the monetary policy of the Federal Reserve Board has gradually normalized, and higher tariffs further affect the economic activities such as export and investment. The IMF estimates that the U.S. economy will grow by 2.5% this year, compared with last year's 2.9%, with the growth momentum significantly reduced.

As for Eurozone, the economic growth rate for the last (2018) year was estimated to be 1.8%, lower by 0.6% than the year before last, due to the impact of slowing export growth and the disruption of Brexit. Under the expectation of the waning effect of the easing of monetary policy by the European Central Bank, the IMF estimates that the economic growth rate in the Eurozone will slow to 1.6% this year.

As for the Asia-Pacific region, under the expectation that Japan's future labor participation rate will increase and its government will adopt a temporary fiscal stimulus policy, this will alleviate the negative impact of the increase in consumption tax last October. It is estimated that Japan's economic growth rate will be 1.1% this year. Due to the impact of the US-China trade war, Mainland China's external demand and domestic demand have slowed down simultaneously, and its economic growth is weak. It is estimated that Mainland China's economic growth rate is 6.2% this year. In addition, due to the gradual normalization of monetary policy in major countries, the external debt burden has increased, financial risks have risen, and external demand growth has slowed down, which has further dragged down the prospects of emerging markets, especially in countries with higher current account and fiscal deficits. The emerging economic growth rate is estimated to be at 4.5% this year.

With respect to the domestic economy, with the slowing down of global economic growth, the strength of export growth is affected, and the government continues to promote forward-looking infrastructure and improve the investment environment, it is expected to drive investment expansion; in addition, with the decline in international oil prices and the effect of eliminating tobacco tax, it will help ease the pressure of inflation for domestic prices. The Directorate General of Budget, Accounting and Statistics, Executive Yuan estimated the domestic economic growth rate to be 2.60% in 2018 and 2.41% in 2019. With respect to the international economy, it still has many risk variables which are worth focusing on at present, including the development of US-China trade conflicts, the unexpected slowdown in China's economic growth, the Brexit negotiations, geopolitical risks, changes in international crude oil and commodity prices, the fluctuation of global financial markets, stock and foreign exchange markets, trade protectionism, etc., which will all affect the prospects of the international economy.

At present, the competition in domestic banking business is still fierce. In this difficult environment, the Bank still relies on the support of all directors and staff to continue its strict control of credit quality and actively improve the scale of various businesses to increase profits. The net profit after tax for the entire fiscal year of 2018 is NT\$2,551,934 thousand, and the EPS is NT\$1.10.

In order to improve the financial structure of the Bank and enrich the capital adequacy ratio, a cash capital increase of NT\$1 billion was launched and the fourth subordinated financial bond was issued in 2018 for a total of NT\$1.05 billion. At the end of 2018, the Bank's capital exceeded NT\$23.9 billion, the first-class capital ratio is 9.76%, and the capital adequacy ratio is 12.11%. In the future, the Bank will continue to be committed to ensuring stable operations and seek the best interests for all shareholders. The 2018 annual business results and the 2019 business plan are summarized as follows:

1. 2018 Operating Performance

(1) Optimizing Operating Channels to Create Maximum Value

A. Carrying out branch migration and adjusting the deployment of branches

(A) In June 2018, the Bank was approved by the Financial Supervisory Commission (FSC) to establish two branches (Taichung City and Taoyuan City), and is currently actively preparing for it.

(B) In September 2018, The Zhongzheng Simple Branch was changed to a general branch and transferred to Daan

District of Taipei City, and a new Heping Branch was established.

B. In order to enhance the value of branches and operational synergy, in June 2018, the two simple branches of Shetou and Dongning were upgraded to fully functioning branches.

(2) Changes in Bank Organization

A. In November 2018, the "North District Car Loans Center" was established for car loans under the "Consumer Finance Department" of the head office structure by the Bank in response to the concentrated operation of car loans in Taipei City.

B. In December 2018, the Bank has invested to set up a micro finance company in Cambodia for expanding the international market.

(3) Business Plan and Strategy Implementation Results

In 2018, the Bank continued to control the quality of its assets and achieved remarkable results. At the end of 2018, the Bank's non-performing loan ratio was 0.18%, and its loan-loss coverage ratio was 659.86%, keeping its operational constitution at a steady level. In terms of the development of various businesses, the total deposit balance at the end of 2018 was NT\$413,052,910 thousand, an increase of NT\$36,390,127 thousand from NT\$376,662,783 thousand at the end of 2017; the total loan balance was NT\$ 314,519,500 thousand, an increase of NT\$24,717,531 thousand from NT\$289,801,969 thousand at the end of the 2017. The overall operating performance was good.

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

Main Business Items	2018	2017	Growth Rate Compared to Last Year (%)
Deposit (Year End Balance)	413,052,910	376,662,783	9.66
Loan (Year End Balance)	314,519,500	289,801,969	8.53
Wealth Management Business	11,563,925	13,283,303	(12.94)
Import / Export and Foreign Exchange Businesses (thousand in USD)	6,663,825	4,449,848	49.75
Trust Property Scale	67,641,861	58,665,133	15.30
Investments in Equity Method (Year End)	2,272,603	1,875,205	21.19

(4) Budget Execution

The Bank's scale of deposits and loans and its benefit has increased steadily in 2018, which keeps its operational constitution at a steady level. The balance of deposits (NT\$ and foreign currency) was NT\$413.05 billion, reaching 104.5% of the budget target. The balance of loans (NT\$ and foreign currency) was NT\$314.52 billion, reaching 104.3% of the budget target. The net profit after tax of 2018 was NT\$2.55 billion, reaching 100.9% of the budget target.

(5) 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\$1'000; EPS in NT\$1

Main Business Item	2018	2017	Compared to Last Year (%)
Net Interest Income	5,346,076	4,711,040	13.48
Net Non-Interest Income	1,535,552	1,492,095	2.91
Net Income	6,881,628	6,203,135	10.94
Bad Debt Expense & Guarantee Liability Provisions	261,304	643,915	(59.42)
Operating Expenses	3,595,605	3,332,684	7.89
Net Profit Before Tax	3,024,719	2,226,536	35.85
Net Profit After Tax	2,551,934	1,910,600	33.57
EPS After Tax	1.10	0.85	29.41

(6) 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 2019 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 (NT\$ and foreign currency) in 2019 will increase from NT\$413.05 billion at the end of 2018 to NT\$426.0 billion, at an average annual growth of NT\$12.9 billion and an average business operation amount of NT\$413.1 billion. The total amount of loans (NT\$ and foreign currency) in 2019 will increase from NT\$314.52 billion at the end of 2018 to NT\$330.00 billion, at an average annual growth of NT\$10 billion and an average business operation amount of NT\$320.00 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 2019. 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 service with a smile. By doing so, the Bank will be able to enhance the customer satisfaction level comprehensively and 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: In addition to the continuous promotion of real estate trusts and monetary trusts, other trust products are also actively planned to achieve a balanced business development.
- C. Foreign exchange: To expand the trade finance and import/export businesses of DBU and OBU, enhance the performance of authorized foreign exchange branches 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

In 2019, due to the consideration of the overall environment in which it is not easy to expand the network, the market competition is fierce, and so the Bank aims to strengthen its financial operations, car loans and subordinated mortgage loans and other high-spread products for higher revenue. The 2019 pre-tax profit target is set at NT\$3.35 billion.

(4) Stabilizing Funding Sources and Reducing Funding Costs

In 2019, the Bank will do its best to maintain stable 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 2019, the Bank will continue its lending focus on quality, profit and volume oriented SMEs loans and related services (such as foreign exchanges), fiduciary 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, the Bank will focus on the selection of customers and knowing their actual operating status to ensure their payment resources to lower the overall credit risk.

(6) Improving Asset Quality

The Bank's goal is to ensure the non-performing loan ratio is under 0.27% and the loan-loss coverage ratio over 381% by the end of 2019. 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 and strengthen the Bank's capital structure, the Bank will continue to pay attention to the proportion of loan products in 2019 in order to have the optimal 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, in addition to meeting the BASEL III schedule and being in line with the industry standard.

(8) Developing E-Services

In response to the prospect and trend of the financial market of year 2019, and collocate with the business objective: "steady development and innovative service" of the Bank, the Bank will take "forward-looking management and deepening services" as the main axis of our operational strategy, and implement the five strategies: "consolidating the foundation of existing digital financial businesses", "enhancing the operational efficiency of digital financial businesses", "advancing the R&D and innovation plan", "strengthening the ability for digital financial services of branches", and "reducing the operating costs of branches" as the work directions for the year of 2019.

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 on-the-job training for the staff 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

In 2019, due to tense situation of trade, weak international trade and manufacturing activities, and financial pressure of some large emerging and developing economies, global economic growth momentum slowed down. With respect to domestic financial envelopment, there are still too many banks and fierce competition in the long-term, resulting in the interest spread of the domestic market being hard to expand, the Bank will develop the high-spread businesses, such as consumer finance, OBU and overseas lending. In addition, due to the continuous promotion of FinTech, the growth of domestic mobile payment has accelerated, and banks have successively launched digital innovative services. In response to this situation, the Bank will continue to strengthen and expand digital innovative services, such as mobile APPs, online banking and electronic payment systems.

In the meantime, the Bank 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 ensure consumer protection and treat clients fairly.

The Bank will also further strengthen its operations of internal audit, internal control, risk management and regulatory compliance, cooperate with external auditing agencies and consultants, and continuously optimize its system and mechanism for Anti-Money laundering and countering the financing of terrorism (AML/CFT) in order to ensure the effectiveness of the regulatory compliance and internal control.

5. Credit Rating

Credit Rating Institution	Long-term rating	Short-term rating	Outlook	Date
Fitch Ratings LTD	A-(twn)	F1(twn)	stable	June 5, 2018

Chairman

CHEN, SHENG-HUNG (with seal)



President

DING, WEI-HAO (with seal)



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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. In 2017, the South Taoyuan and the Xizhi Branch were established, the Wujia Branch was relocated in the same district, and the four simple branches of “Daye, Xinhe, Yongkang and Qishan” were upgraded to fully functioning branches. 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.

In 2018, the Bank had continued to transfer and establish the Heping Branch, and upgrade the two simple branches of Shetou and Dongning to fully functioning branches in order to enhance the market competitiveness and expand the business scale through regional complementary and channel integration, in order to facilitate the Bank's overall market share and operational 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. In 2018, the Bank set up a micro finance company in Cambodia for expanding the overseas market, which marks a new milestone in the development of the Bank's overseas businesses.

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.

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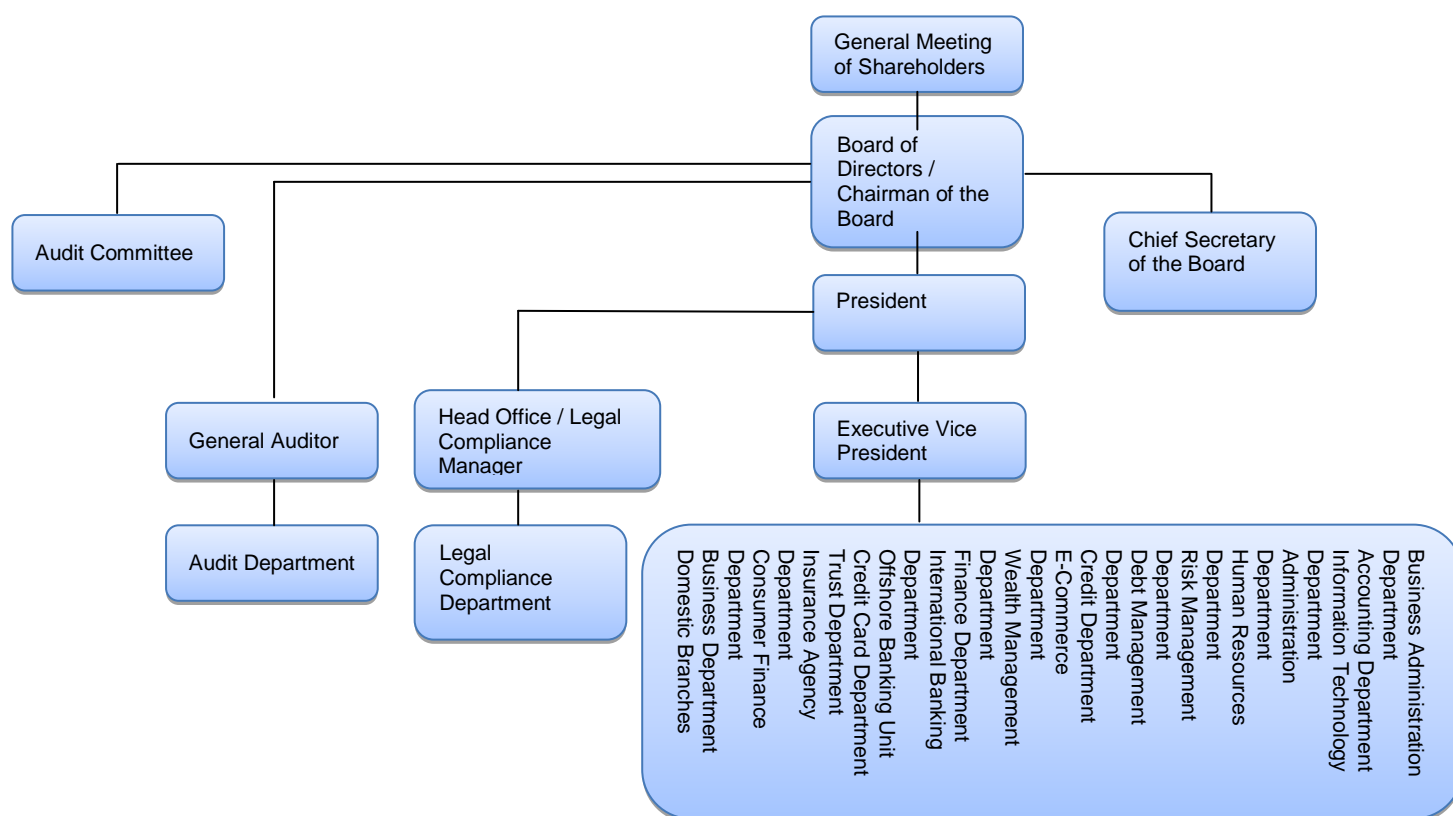
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1. Organization

(1) Organization Chart

As of March 31, 2019



(2) Major Business of Each Department

The Bank's headquarters is composed of 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 Department, Trust Department, Insurance Agency Department, Consumer Finance Department and Business Department; their major responsibilities are as follows:

- A. Business Administration Department: Implementation of operational strategies, administrative policies, operations & development plans, overall development of marketing campaign plans and performance evaluation.
- B. Accounting Department: Operating budget compilation and review, approval and allocation, reconciliation and audit-related compilation, as well as other accounting management-related undertakings.
- C. Information Technology Department: Planning, drafting and management of information systems for business and operations.
- D. Administration Department: Word processing, file management, general management, capital expenditures, and renovations.
- E. Human Resources Department: Staffing allocation, bank employee recruitment, hiring, appointment/dismissal, promotions, bank employees' local and foreign training and advanced studies, budget and execution-related measures.
- F. Risk Management Department: Drafting, structuring, and execution of risk management policies, system, and mechanisms, as well as overall assessment, supervision, and control of operating risks.
- G. Debt Management Department: Loan review and follow-up, debt collection such as overdue loan repayment and recourse debts, as well as pre-planning, supervision, and management.
- H. Credit Department: Drafting (revision) of bank-wide lending policies and supervision/management of loan review system and operations.
- I. E-Commerce Department: Operating strategies for e-banking, product development, management of e-banking systems

and marketing.

- J. Wealth Management Department: Drafting (revision) of wealth-management business & operating policies, plans, and objectives; management-related undertakings, along with product research and development, marketing, promotion, and market research.
- K. Finance Department: NTD-denominated and foreign currency-denominated capital operations and management, as well as financial and investment management.
- L. International Banking Department: Foreign currency Deposit and remittance, import/export foreign currency credit, trade finance and international banking business.
- M. Offshore Banking Unit: Deposit and remittance of offshore companies, import, export and foreign currency credit and non-discretionary money trusts.
- N. Credit Card Department: Planning, promotion and management of credit card product-related business.
- O. Trust Department: Planning, promotion, and management of trust business.
- P. Insurance Agency Department: Insurance business and operations including life & property insurance products sales and promotion.
- Q. Consumer Finance Department: Planning, promotion and management of personal consumption/credit loan businesses such as subordinated loans, car loans, communication loans and small-amount credit contracts.
- R. Business Department: Facilitating deposit, exchange of payment (i.e., clearance), finances, representation, loan, foreign exchange, trust and money-management business.

The Bank also has an audit department, which is in charge of business audits, information, account administration, finance and safe keeping of inventory items. The audit division and auditors report to the Chief Auditor. The Legal Compliance Department, which is under the office of the President is in charge of ensuring legal compliance and is responsible for the planning, management and execution of the legal compliance system. The Legal Compliance Department Manager, designated by the President, is responsible for managing the Bank's compliance and regulatory affairs.

2. Board of Directors and Management Team

(1) Board and Supervisors

Baseline date: December 31, 2018

Position (Note 1)	Nationality or Place of Registration	Name	Gender	Date Elected (Employed)	Term	Initial Elected Date (Note 2)	Holding at Election		Present Holding		Current Shares of Spouse and Minors Children		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 4, 2018	3 years	June 15, 2015	197,376,499	8.25	217,097,769	9.07	0	0.00	0	0.00	The 3rd - 7th Taipei City Councilor, resident 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	Special Assistant to President	He, Li-Wei	Father & Son
		Chen, Sheng-Hung					0	0	9,338,089	0.39	4,204,354	0.18	0	0.00			Manager	Chen, Ya-I	Father & Son
Managing Director	The Republic of China	Liu, Chen-Sheng	Male	June 4, 2018	3 years	June 12, 2000	5,180,539	0.22	5,491,371	0.23	1,131,000	0.05	0	0.00	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., Director of Sunny Foundation; 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	Fu Li Yang Investment Co., Ltd.	Male	June 4, 2018	3 years	June 15, 2015	197,376,499	8.25	217,097,769	9.07	0	0.00	0	0.00	Director of Yang Ming Shan Director, Managing Supervisor, Managing Director of Sunny Bank; Chairman of Ping An Construction Co., Ltd., Director of Sunny Foundation 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
		Chang, Wu-Ping					0	0.00	8,426,052	0.35	2,359,196	0.10	0	0.00					
Director	The Republic of China	Li Chen Investment Co., Ltd.	None	June 4, 2018	3 years	June 4, 2018	16,429,693	0.69	18,167,899	0.76	0	0.00	0	0.00	None	None	None	None	None
Director	The Republic of China	Hsieh, Yi-Tung	Male	June 4, 2018	3 years	June 22, 2009	639,461	0.03	720,560	0.03	1,602,881	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; Director and Associate Vice President of Sunny Bank graduated from College	Associate Vice President of Branch of Sunny Bank	None	None	None
Director	The Republic of China	Chen, Jin-Yi	Male	June 4, 2018	3 years	June 4, 2018	3,513,638	0.15	3,724,456	0.16	0	0	0	0.00	Director of Yang Ming Shan Credit Union, Director and Consultant of Sunny Bank, Chairman of Sunny Life Insurance Brokerage Co., Ltd., Director of Sunny Property & Insurance Brokerage Co. Ltd., Supervisor of Jin Jia Technology Co., Ltd., Director of Yu Shun Investment Co., Ltd., Director of Sunny Foundation, Graduated from University	Supervisor of Jin Jia Technology Co., Ltd., Director of Yu Shun Investment Co., Ltd., Manager of Lian Yu Insurance Brokers Company Ltd.	None	None	None
Director	The Republic of China	Chang, Shu-Min	Male	June 4, 2018	3 years	June 15, 2015	7,842	0	8,312	0.00	0	0.00	0	0.00	Chairman of Chong Yang Printing Co., Ltd., Chairman of Rising Sun Publishing Co., Ltd., Director of Ink Literary Monthly Co., Ltd., Chairman of Ink Literary Monthly Co., Ltd., Chairman of Xinming Constructions Co., Ltd., Chairman of Gold Sunny Assets Management Co., Ltd.; Director of Hai Wang Printing Co., Ltd., Director of Technology Books Co., Ltd., Director of Forward Graphic Enterprise Co., Ltd., Director of Hai Wang Development and Constructions Co., Ltd., Director of Wisest Cultural Co., Ltd., Director of Xinming Constructions Co., Ltd., Director of Yang Ming Co., Ltd., Director of Jin Chen	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., 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	Director	Chang, Shu-Hua	Brother

															Investment Co., Ltd., Person in Charge of Post Tribe Magazine ("Shi Ren Bu Luo"), Person in Charge of Chen Yang Publishing, Person in Charge of Taiwan People ("Tai Wan Ren Min") Publishing, Director of Sunny Bank; Graduated from college.	Publishing, Person in Charge of Taiwan People ("Tai Wan Ren Min") Publishing, Shareholder of Lichen Investment Co., Ltd., Shareholder of Sealord Investment Ltd., Person in charge of Poet 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 4, 2018	3 years	June 15, 2015	1,605	0.00	1,701	0.00	0	0.00	0	0	Chairman of Wisest Cultural Co., Ltd. and Jin Chen Investment Co., Ltd., Director of Yu Cheng Art Binding Co., Ltd., Director of Hai Wang Printing Co., Ltd., Director of Technology Books 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 Sunny Bank; graduated from college.	Chairman of Wisest Cultural Co., Ltd., Chairman of Jin Chen Investment Co., Ltd., Director of Yu Cheng Art Binding Co., Ltd., Director of Hai Wang Printing Co., Ltd., Director of Technology Books 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 4, 2018	3 years	June 15, 2015	197,376,499	8.25	217,097,769	9.07	0	0.00	0	0.00	Manager and Associate Vice President of Sunny Bank, Director of Sunny International Leasing Co., Ltd., Director of Sunny Foundation, Graduated from University	Director of Fu Li Yang Investment Co., Ltd., Director of Sunny International Leasing Co., Ltd.	Director	Chen, Sheng-Hung	Father and Son
		He, Li-Wei					0	0.00	3,351,229	0.14%	0	0.00	0	0.00					
Independent Managing Director	The Republic of China	Chen, Jian-Yang	Male	June 4, 2018	3 years	June 4, 2018	3,264,516	0.14	3,460,386	0.14	3,158,883	0.13	0	0.00	Vice President and Chief Accountant of Yi Lian Co., Ltd., Lecturer at Ching Kuo Institute of Management and Health, Assistant Professor at Taipei City University of Science & Technology, President and Chief of Finance of Hotel G7 Taipei Co., Ltd., Director of Sunny Foundation, Graduated from University	Shareholder of Fuhau Hotel Co., Ltd., Chairman of Yi Lian Co., Ltd., Director of Hotel G7 Taipei Co., Ltd., Director of Sunny Foundation	None	None	None
Independent Director	The Republic of China	Wu, Fu-Kuei	Male	June 4, 2018	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. Independent Director of Sunny Bank; graduated	None	None	None	None

															from graduate school				
Independent Director	The Republic of China	Yang, Chang-Feng	Male	June 4, 2018	3 years	June 15, 2015	600,000	0.03	0	659,578	0.03	0.00	0	0.00	Director of AIPT International Law Office and Headquarter of AIPT Patent, Trademark and Law Office 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., Independent Director of Sunny Bank; 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

Note 1: The institutional shareholder's representative should indicate the name of the institutional shareholder as well as "Major Institutional Shareholders".

Note 2: The start date of the term of office of a Bank Director or Supervisor should be specified. Any interruption should be noted under Remarks.

Note 3: Those who have experience related to their current position, or have worked in an auditing firm or affiliated business should specify their position and duties.

A. Institutional Shareholders

(A) Major Institutional Shareholders

Name of Institutional Shareholder (Note 1)	Major Institutional Shareholders (Note 2)	Shareholding %
Fu Li Yang Investment Co., Ltd.	Hsueh Ling	99.73
Li Chen Investment Co., Ltd.	Chen, Jin-Jia	20.17
	Wu Yue-Jiao	59.81
	Chen, Yi-Chen	10.30
	Chen, Yi-Yin	9.72

Note 1: Directors and supervisors representing institutional shareholders should specify the names of these institutional shareholders.

Note 2: Names and shareholding percentages of major shareholders (top 10 largest shareholders) should be listed. Major shareholders who are institutional shareholders should be specified as "Major Institutional Shareholders".

(B) Major institutional shareholders who are major shareholders: None

B. Professional Knowledge and Independence Information of Directors and Supervisors

Record date: December 31, 2018

Condition Name (Note 1)	An individual with over five years work experience and professional qualifications indicated below:			Compliance with independence requirements (Note 2)										Number of other public companies where the independence directors connected
	Lecturers or individuals with higher academic qualifications from public or private colleges or universities specializing in business, law, finance, accounting or banking	Professional or technical personnel with trade certifications such as judges, prosecutors, lawyers, accountants or banking/business specialists	Work experience related to business, law, finance, accounting or banking	1	2	3	4	5	6	7	8	9	10	
Fu Li Yang Investment Co., Ltd. Representative: Chen, Sheng-Hong			✓	✓				✓	✓	✓		✓		
Liu, Chen-Sheng			✓	✓		✓		✓	✓	✓	✓	✓	✓	
Fu Li Yang Investment Co., Ltd. Representative: Chang, Wu-Ping				✓			✓	✓	✓	✓	✓	✓		
Hsieh, Yi-Tong			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	
Chang, Shu-Min				✓	✓	✓	✓		✓	✓		✓	✓	
Chang, Shu-Hua				✓	✓	✓	✓		✓	✓		✓	✓	
Fu Li Yang Investment Co., Ltd. Representative: He, Li-Wei			✓			✓			✓	✓		✓		
Li Chen Investment Co., Ltd. Representative: Chen, Yi-Chen				✓	✓	✓	✓	✓	✓	✓	✓	✓		
Chen, Jian-Yang			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	
Fu-Kuei Wu	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Chang-Feng Yang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	

Note 1: Questions for shareholders of a legal entity should be answered by their representatives.

Note 2: Every director and supervisor who have met the requirements for two years prior to election and during the term of office, are marked on the space below each condition code.

(1) Not an employee of the Bank or its affiliated companies.

(2) Not a director or supervisor of the Bank's affiliated companies. (Not applicable to independent director of Bank subsidiaries where the Bank or its parent company directly or indirectly holds more than 50% of voting shares.)

(3) A natural person shareholder along with his or her spouse and minor child or under the name of another person, or not a top-ten share holder having no more than 1% of the total issued shares of the Bank.

(4) Not a relative of the spouse or second-degree relative of the person specified in the above mentioned paragraphs, or a blood relative within the third degree of consanguinity.

- (5) Not a director, supervisor or employee holding more than 5% of the total issued shares of the Bank, or not a director, supervisor or employee of a legal person belonging to the top five shareholders.
- (6) Not a director, supervisor, manager or shareholder of a particular company or institution that has financial or business contacts with the Bank, or holds more than 5% of the shares of the Bank.
- (7) Neither a professional, or a business owner, partner, director, supervisor or manager of a sole proprietorship, partnership, company or institution which provides business, legal, financial or accounting and consulting services for the Bank or its affiliates, nor the spouse of any of the abovementioned entities. This restriction does not apply to members of the remuneration committee who perform their duties in accordance with Article 7 of the Measures for the Establishment and Performance of Duties of the Remuneration Committee of a Listed Company or a Company with Shares Traded at Securities Dealers' Premises.
- (8) No relationship between the spouse or second-degree relative and any director.
- (9) None of the circumstances in Article 30 of the Company Law.
- (10) None of the circumstances in Article 27 of the Company Law where the government, a legal person or its representative is elected.

(2) President, Vice Presidents, Assistant Vice Presidents, Department Heads and Branch Managers

Record date: December 31, 2018

Position (note 1)	Nationality	Name	Gender	Date elected (assumed position)	Shareholding		Shareholding of spouse and minor children		Shareholding under another person's name		Work experience and academic background (note 2)	Concurrent positions in other companies	Manager's spouse or second-degree relative		
					Shares	%	Shares	%	Shares	%			Position	Name	Relationship
President	Republic of China	Ding, Wei-Hao	Male	2009.06.22	429,202	0.02	81,616	0.00	0	0.00	Banking and Insurance Department, Feng Chia University; currently President of Sunny Bank; former Chairman of Taiwan Bank Life Insurance and acting Chairman of Agricultural Bank of Taiwan	None	None	None	None
Senior Vice President	Republic of China	Ho, Kun-Tang	Senior Vice President	2013.09.05	87,517	0.00	0	0.00	0	0.00	Institute of Agricultural Economics, National Chung Hsing University; current Vice President of Sunny Bank; former Vice President of Taiwan Cooperative Bank and Chairman of Taiwan Cooperative Securities Investment Trust Co., Ltd.	None	None	None	None
Vice President	Republic of China	Chang, Chi-Ming	Vice President	2009.06.22	24,978	0.00	200,340	0.01	0	0.00	Department of Finance and Taxation, National Chengchi University; current Vice President of Sunny Bank; former President of the Risk Management Department	Chairman of Sunny E-Commerce Co., Ltd.	None	None	None
Vice President	Republic of China	Chen, Yang-Yo	Vice President	2016.01.21	127,205	0.01	0	0.00	0	0.00	Agricultural Economics Institute, National Chung Hsing University; current Vice President of Sunny Bank; former Associate Vice President of Taichung Branch	None	None	None	None
Vice President	Republic of China	Kuo, Ci-Hong	Vice President	2009.06.22	328,041	0.01	1,842	0.00	0	0.00	Business Administration Department, Tamsui Industrial and Commercial College; current Vice President of Sunny Bank; former Deputy President of Personal Banking Management Division	None	None	None	None
Chief Auditor	Republic of China	Chen, Cheng-Feng	Male	2017.03.03	427,884	0.02	0	0.00	0	0.00	International Trade Department, Chih Lee College; current Chief Auditor of Sunny Bank; former Associate Vice President of HR and Administration Divisions	None	None	None	None
Legal Compliance Manager	Republic of China	Le, Wen-Kuang	Male	2015.02.07	164,591	0.01	18,539	0.00	0	0.00	Law Department of Soochow University; current Legal Compliance Manager of Sunny Bank; former Manager of Legal Division	Director of Sunny Securities	None	None	None
Chief Secretary	Republic of China	Wu, Rui-Hsiang	Female	2009.07.01	249,145	0.01	0	0.00	0	0.00	Business Administration Department, National Chung Hsing University; current Chief Secretary of Sunny Bank; former Researcher of the Chairman's Office, Taiwan Bank Life Insurance, Secretary to the President and Chief Auditor, Agricultural Bank of Taiwan	None	None	None	None
Special Assistant to the President	Republic of China	He, Li-Wei	Male	2016.08.17	3,351,229	0.14	0	0.00	0	0.00	Business School, La Sierra University; current Special Assistant to President	Director of Sunny International Leasing Co., Ltd.	Manager	Chen, Ya-Yi	Brother
Associate Vice President	Republic of China	Li, Ching-Cheng	Male	2016.01.21	186,704	0.01	0	0.00	0	0.00	of Sunny Bank; former Associate Vice President of Wealth Management Department	None	None	None	None
Associate Vice President	Republic of China	Chen, Hui-Ling	Female	2016.01.21	348,419	0.01	0	0.00	0	0.00	Business Management School, National Chengchi University; current Associate Vice President, Finance Department of Sunny Bank; former Finance Department Manager	Supervisor of Gold Sunny Asset Management Co., Ltd.	None	None	None
Associate Vice President	Republic of China	Song, Ping-Ping	Female	2016.01.21	132,148	0.01	0	0.00	0	0.00	Business Administration Department, National Taipei Commercial College; current Associate Vice President of Consumer Banking and Credit Card Departments, Sunny Bank; former Associate Vice President of Credit Card and Car Loan Department	Supervisor of Sunny Securities, Director of Sunny E-Commerce Co., Ltd.	None	None	None
Associate Vice President	Republic of China	Wang, Chian-Yi	Male	2008.04.01	140,717	0.01	0	0.00	0	0.00	International Trade Department of Soochow University; current Associate Vice President of Insurance and Wealth Management Departments, Sunny Bank; former Wealth Management Department Manager	Director of Sunny Securities	None	None	None
Associate Vice President	Republic of China	Huang, Yan-Chun	Male	2007.03.14	548,901	0.02	67,409	0.00	0	0.00	Banking Department, Tamkang University; current Associate Vice President of Information Department, Sunny Bank; former Information Department Manager	Director of Sunny Securities	None	None	None

Position (note 1)	Nationality	Name	Gender	Date elected (assumed position)	Shareholding		Shareholding of spouse and minor children		Shareholding under another person's name		Work experience and academic background(note 2)	Concurrent positions in other companies	Manager's spouse or second-degree relative		
					Shares	%	Shares	%	Shares	%			Position	Name	Relationship
Associate Vice President	Republic of China	Li-Yu-Bi	Male	2015.02.09	303,138	0.01	0	0.00	0	0.00	Economics Department Chinese Culture University; current Associate Vice President of Debt Management Department, Sunny Bank; former Debt Management Department Manager	Director of Gold Sunny Asset Management Co., Ltd.	None	None	None
Associate Vice President	Republic of China	Kuo, Cheng-Hong	Male	2016.01.21	215,326	0.01	0	0.00	0	0.00	Business Management Institute of National Central University; current Associate Vice President of Business Management Department, Sunny Bank; former Business Management Department Manager	Director of Sunny Securities	None	None	None
Associate Vice President	Republic of China	Hsieh, Yi-Dong	Male	2005.11.26	720,560	0.03	1,602,881	0.07	0	0.00	Accounting Department, Open College affiliated with National Cheng Kung University; Current Associate Vice President of the Business Administration Department, Sunny Bank; former Associate Vice President of Minchu Branch	None	None	None	None
Associate Vice President	Republic of China	Gan, Wu-Cheng	Male	2016.01.21	165,558	0.01	0	0.00	0	0.00	International Trade Department, Soochow University; current Associate Vice President of Credit Division, Sunny Bank; former Credit Division Manager	Director of Sunny International Leasing Co., Ltd., Supervisor of Sunny Financing and Leasing (China) Co., Ltd.	None	None	None
Associate Vice President	Republic of China	Liu, Ming-Chie	Male	2007.03.14	2,111,011	0.09	429,977	0.02	0	0.00	Applied Business Department, National Taipei College of Business; current Associate Vice President of Business Department, Sunny Bank; former Manager of 1st North District Consumer Finance Center	None	Manager	Chen, Yao-Wen Liu, Ming-Che	In-laws Brothers
Associate Vice President	Republic of China	Chen, Yi-Huan	Male	2015.02.09	171,588	0.01	545,911	0.02	0	0.00	Integrated business Department, Chuhai Commercial College; current Associate Vice President of Shipai Branch; former Manager of Shipai Branch	None	None	None	None
Associate Vice President	Republic of China	Chu, Chia-Long	Male	2016.01.21	281,172	0.01	0	0.00	0	0.00	Integrated business Department, National Chung Hsing University; current Associate Vice President of Beitou Branch, Sunny Bank; former Manager of Beitou Branch	None	None	None	None
Associate Vice President	Republic of China	Yang, Chin-Bing	Male	2017.01.23	83,438	0.00	59,219	0.00	0	0.00	International Trade Institute, Soochow University; current Associate Vice President of Tianmu Branch, Sunny Bank; former Manager of Tianmu Branch	None	None	None	None
Associate Vice President	Republic of China	Long, Wan-Li	Male	2016.08.17	142,073	0.01	0	0.00	0	0.00	Business Administration Department, Soochow University; current Associate Vice President of Chengkung Branch, Sunny Bank; former Manager of Chengkung Branch	None	None	None	None
Associate Vice President	Republic of China	Shen, Yo-Hsin	Male	2016.08.17	111,372	0.00	0	0.00	0	0.00	International Trade Department, Tamsui Industrial and Commercial College; current Associate Vice President of Minsheng Branch, Sunny Bank; former Manager of Minsheng Branch	None	None	None	None
Associate Vice President	Republic of China	Liu, Yan-Hsing	Male	2015.02.09	115,160	0.00	133,393	0.01	0	0.00	Accounting and Statistics Department, Chungyu Commercial College; current Associate Vice President of Mucha Branch, Sunny Bank; former Manager of Mucha Branch	None	None	None	None
Associate Vice President	Republic of China	Yu-Shi-Rong	Male	96.03.14	91,032	0.00	760	0.00	0	0.00	Integrated Business Department, Shih Hsin Senior High School; current Associate Vice President of Chunghsing Branch, Sunny Bank; former Associate Vice President of Mucha Branch	None	None	None	None
Associate Vice President	Republic of China	Chen, Hsian-Chun	Male	106.01.23	111,759	0.00	0	0.00	0	0.00	Business Administration Department, Takming College; current Associate Vice President of Yungho Branch, Sunny Bank; former Manager of Chunggho Branch	None	None	None	None
Associate Vice President	Republic of China	Wang, Lin-Da	Male	105.01.21	172,199	0.01	0	0.00	0	0.00	Finance Department, Chihlee Institute of Technology; current Associate Vice President of Neihu Branch, Sunny Bank; former Manager of Neihu Branch	None	None	None	None
Associate Vice President	Republic of China	Huang, Hsian-Chang	Male	99.02.06	146,453	0.01	0	0.00	0	0.00	Agricultural Economics Department, National Taiwan University; current Associate Vice President of Liwen Branch, Sunny Bank; former Manager of Taiwan Cooperative Bank	None	None	None	None
Associate Vice President	Republic of China	Geng, Yu-Jiuan	Female	107.02.01	178,538	0.01	0	0.00	0	0.00	Graduated from the Department of Accounting and Statistics, Takming Business Junior College; Current Associate Vice President of Chongsin Branch, Sunny Bank. Former Manager of Chongsin Branch	None	None	None	None
Manager	Republic Of China	Chao, Hui-Chen	Female	104.08.01	2,087,709	0.09	0	0.00	0	0.00	Business Management Institute, Monmouth University, New Jersey, USA; current Manager of Foreign Department and International Financing Business, Sunny Bank; former Foreign Department Assistant Manager	Director of Sunny Microfinance PLC.	Manager	Chao, Yu-Chin	Sister and Brother
Manager	Republic of China	Che, Yu-Liang	Male	105.03.25	135,728	0.01	37,006	0.00	0	0.00	Accounting Department, Chinese Culture University; current Manager of Administration Division, Sunny Bank; former Administration Division Assistant Manager	Supervisor of Sunny E-Commerce Co., Ltd.	None	None	None
Manager	Republic of China	Yang, Lian-Che	Male	88.12.09	497,111	0.02	716,462	0.03	0	0.00	Accounting Institute, Soochow University; current Manager of Risk Management Division, Sunny Bank; former Manager of Accounting Section, Business Division	None	None	None	None
Manager	Republic of China	Yue, Wen-Chang	Male	106.08.17	174,126	0.01	6,930	0.00	0	0.00	Business Administration Department, National Taipei Commercial College; current Manager of Audit Division, Sunny Bank; former Senior Specialist of Audit Division	None	None	None	None
Manager	Republic of China	Chen, Ya-Yi	Male	102.11.20	1,719,189	0.07	642,856	0.03	0	0.00	Electronics Department, Liren Professional College; current Manager of Business Division, Sunny Bank; former Assistant Manager of Operations Center, Business Division	None	Special Assistant to President	He, Li-Wei	Brothers
Manager	Republic of China	Chen, Kuo-Hui	Male	105.03.25	95,533	0.00	2,226	0.00	0	0.00	Financial Information Institute, National Kaohsiung University of Applied Sciences; Current Associate Vice President of the Business Administration Department, Sunny Bank; former Assistant Manager of Accounting Section, Business Division	Chairman of Sunny Microfinance PLC.	None	None	None

Position (note 1)	Nationality	Name	Gender	Date elected (assumed position)	Shareholding		Shareholding of spouse and minor children		Shareholding under another person's name		Work experience and academic background (note 2)	Concurrent positions in other companies	Manager's spouse or second-degree relative		
					Shares	%	Shares	%	Shares	%			Position	Name	Relationship
Manager	Republic of China	Pan, Lian-Huang	Male	107.10.29	40,648	0.00	0	0.00	0	0.00	Graduated from the Department of Applied Business, National Taichung Institute of Technology; Current Associate Vice President of the Business Administration Department, Sunny Bank; Former Branch Manager, Standard Chartered Bank	None	None	None	None
Manager	Republic of China	Liu-Chun-Hsun	Male	99.02.06	105,302	0.00	119,734	0.01	0	0.00	Financial Information Institute, National Kaohsiung University of Applied Sciences; current Manager of Accounting Division, Sunny Bank; former Assistant Manager of Accounting Section, Business Division	Supervisor of Sunny International Leasing Co., Ltd.	None	None	None
Manager	Republic of China	Wang, Shun-Hsian	Male	106.01.23	175,632	0.01	83,533	0.00	0	0.00	Information Processing Department, Takming College; current Manager of HR Division, Sunny Bank; former Assistant Manager of HR Division	None	None	None	None
Manager	Republic of China	Cheng, Yan-Ching	Male	103.07.09	0	0.00	49,771	0.00	0	0.00	Institute of Computer Engineering, National Chiao Tung University; current Manager of Electronic Finance Department, Sunny Bank; former Vice President of Business Development Department, Tsaihong Technology Co., Ltd.	Director of Gold Sunny Asset Management Co., Ltd., Director of Sunny E-Commerce Co., Ltd.	None	None	None
Manager	Republic of China	Chen, Jian-Wei	Male	107.08.01	351,937	0.01	5,851	0.00	0	0.00	Graduated from the Department of Business Management, Takming Institute of Technology; Current Manager of Shihlin Branch, Sunny Bank; Former Assistant Manager of Lanya Branch	None	None	None	None
Manager	Republic of China	Ruan, Chian-Chun	Male	102.01.29	199,594	0.01	114,669	0.00	0	0.00	Statistics Department, Tamkang University; current Manager of Datun Branch, Sunny Bank; former Manager of Shinyu Branch	None	None	None	None
Manager	Republic of China	Chang, Dong-Sheng	Male	107.12.18	127,943	0.01	53,754	0.00	0	0.00	Graduated from the Department of Statistics, National Chung Hsing University; Current Manager of Jiantan Branch, Sunny Bank; Former Assistant Manager of Credit Division	None	None	None	None
Manager	Republic of China	Hu, Chi-Min	Male	98.12.01	186,727	0.01	86,423	0.00	0	0.00	Economics Department, Feng Chia University; current Manager of Shetzi Branch, Sunny Bank; former Manager of Hsinyi Branch	None	None	None	None
Manager	Republic of China	Chen, Yao-Wen	Male	91.07.01	84,076	0.00	299,178	0.01	0	0.00	Information Institute, National Chung Cheng University; current Manager of Lanya Branch, Sunny Bank; former Manager of Longchiang Branch	None	Manager	Liu, Ming-Che Liu, Ming-Che	In-laws
Manager	Republic of China	Li, Tai-Ru	Male	101.09.01	255,898	0.01	0	0.00	0	0.00	Integrated Business Department, Kainan Industrial and Commercial College; current Manager of Shechun Branch, Sunny Bank; former Manager of Dongning Simple Branch	None	None	None	None
Manager	Republic of China	Chuang, Chian-Ren	Male	105.12.19	0	0.00	0	0.00	0	0.00	Business Administration Department, Tamsui Industrial and Commercial College; current Manager of Jilin Branch, Sunny Bank; former Manager of Jih Sun Bank	None	None	None	None
Manager	Republic of China	Chang, Ming-Tsan	Male	104.07.01	98,911	0.00	17,004	0.00	0	0.00	Business Administration Department, National Taipei Commercial College; current Manager of Yanji Branch, Sunny Bank; former Assistant Manager of Credit Division	None	None	None	None
Manager	Republic of China	Chen, Cheng-Ting	Male	104.07.01	161,871	0.01	3,979	0.00	0	0.00	Business Administration Department, Tunghai University; current Manager of Longchiang Branch, Sunny Bank; former Assistant Manager of Credit Division	None	None	None	None
Manager	Republic of China	Tsai, Tian-Hou	Male	106.03.01	11,375	0.00	0	0.00	0	0.00	Banking Department, National Chengchi University; current Manager of Nanking Branch, Sunny Bank; former Manager of Taichung Bank	None	None	None	None
Manager	Republic of China	Jou, Wen-Bin	Male	107.03.26	15,733	0.00	0	0.00	0	0.00	Graduated from the Department of Business, National Taiwan University; Current Manager of Jingmei Branch, Sunny Bank; Former Branch Manager, Shin Kong Bank	None	None	None	None
Manager	Republic of China	Liu, Ming-Che	Male	101.02.01	1,656,800	0.07	0	0.00	0	0.00	Russian Study Institute, Tamkang University; current Manager of Hsinyi Branch, Sunny Bank; former Manager of Yanji Branch	None	Manager	Liu, Ming-Che Chen, Yao-Wen	Brothers In-laws
Manager	Republic of China	Li, Chun-Che	Male	102.05.29	74,337	0.00	0	0.00	0	0.00	Business School, State University of Texas at Solos; current Manager of Chunggho Branch, Sunny Bank; former Manager of Guting Branch	None	None	None	None
Manager	Republic of China	Lian, Yuan-Siou	Female	107.08.27	26,008	0.00	0	0.00	0	0.00	Graduated from the Department of Secretarial Science, Tamsui Institute of Business Administration; Current Manager of Lujhou Branch, Sunny Bank; Former Assistant Manager of the Business Administration Department	None	None	None	None
Manager	Republic of China	Liu, Yi-Fang	Male	100.08.22	98,439	0.00	0	0.00	0	0.00	Accounting and Statistics Department, National Taipei Commercial College; current Manager of Banqiao Branch, Sunny Bank; former Manager of Fushin Branch	None	None	None	None
Manager	Republic of China	Ho, Chun-Liang	Male	99.05.31	231,705	0.01	173	0.00	0	0.00	Accounting Department, Tunghai University; current Manager of Taishan Branch, Sunny Bank; former Manager of Hsinfu Simple Branch	None	None	None	None
Manager	Republic of China	Chien, Chuan-Ren	Male	105.01.21	58,171	0.00	0	0.00	0	0.00	Finance and Tax Department, National Taipei Commercial College; current Manager of Hsinho Branch, Sunny Bank; former Manager of Jingmei Branch	None	None	None	None
Manager	Republic of China	Hu, Chun-Wei	Male	95.05.03	283,914	0.01	0	0.00	0	0.00	German Department, Chinese Culture University; current Manager of Shichou Branch, Sunny Bank; former Manager of Shiaoang Branch	None	None	None	None
Manager	Republic of China	Yang, Yi-Chen	Female	98.12.01	67,544	0.00	0	0.00	0	0.00	Business Department of Daojiang College; current Manager of Guting Branch, Sunny Bank; former Manager of Shuanggho Branch	None	None	None	None

Position (note 1)	Nationality	Name	Gender	Date elected (assumed position)	Shareholding		Shareholding of spouse and minor children		Shareholding under another person's name		Work experience and academic background(note 2)	Concurrent positions in other companies	Manager's spouse or second-degree relative		
					Shares	%	Shares	%	Shares	%			Position	Name	Relationship
Manager	Republic of China	Lin, Tsen-Chen	Female	105.06.01	79,278	0.00	35,851	0.00	0	0.00	Finance Department, National Taiwan University; current Manager of Hsinchuang Branch, Sunny Bank; former Assistant Manager of Shichou Branch	None	None	None	None
Manager	Republic of China	Dong, Yan-Shu	Male	106.09.01	0	0.00	0	0.00	0	0.00	Accounting Department, Shih Chien University; current Manager of Sanchung Branch, Sunny Bank; former Business Manager of Jih Sun Bank	None	None	None	None
Manager	Republic of China	Jheng, Jing-Yuan	Male	107.02.01	2,787	0.00	0	0.00	0	0.00	Graduated from the Department of Electrical Engineering, Taipei Institute of Technology; Current Manager of Shuanghe Branch, Sunny Bank; Former Assistant Manager of Shuanghe Branch	None	None	None	None
Manager	Republic of China	Yeh, Kuo-Ping	Male	106.06.26	0	0.00	0	0.00	0	0.00	Finance Department, Chinese Culture University; current Manager of Dayeh Branch, Sunny Bank; former Manager of Jih Sun Bank	None	None	None	None
Manager	Republic of China	Li, Long-Chong	Male	106.05.01	84,302	0.00	0	0.00	0	0.00	Cooperative Economics Department, National Chung Hsing University; current Manager of Fushin Branch, Sunny Bank; former Assistant Manager of Credit Division	None	None	None	None
Manager	Republic of China	Li, Ting-Tong	Male	102.06.01	160,235	0.01	0	0.00	0	0.00	Business Administration Department, Open College affiliated with Taipei Commercial College; current Manager of Taoyuan Branch, Sunny Bank; former Manager of Hua Nan Bank	None	None	None	None
Manager	Republic of China	Chen, Hong-Ru	Male	106.06.12	134,732	0.01	0	0.00	0	0.00	Business Administration Department, National Taipei Commercial College; current Manager of Da'an Branch, Sunny Bank; former Assistant Manager of Chungbo Branch	None	None	None	None
Manager	Republic of China	Shih, Bo-Fu	Male	99.05.13	104,386	0.00	0	0.00	0	0.00	Business Administration Department, Feng Chia Industrial and Commercial College; current Manager of Hsindian Branch, Sunny Bank; former Business Department Manager, Land Bank	None	None	None	None
Manager	Republic of China	Lin, Yong-Chen	Female	104.02.11	48,323	0.00	0	0.00	0	0.00	Finance Institute, National Central University; current Manager of Hsinfu Branch, Sunny Bank; former Assistant Manager of Jilin Branch	None	None	None	None
Manager	Republic of China	Lin, Ching-Yuan	Male	105.06.27	27,847	0.00	31,920	0.00	0	0.00	Business Administration Department, Chung-Hua University; current Manager of Yuanlin Branch, Sunny Bank; former Manager of Taichung Bank	None	None	None	None
Manager	Republic Of China	Chen, Chian-Hao	Male	106.06.01	0	0.00	0	0.00	0	0.00	Business Management Institute, Feng Chia University; Current Manager of Shetou Branch, Sunny Bank; current Manager of Dali Branch, Sunny Bank;	None	None	None	None
Manager	Republic of China	Li, Hsu-Chang	Male	96.07.09	183,573	0.01	6,003	0.00	0	0.00	Business Administration Department, Yongda Technical College; current Manager of Pingdong Branch, Sunny Bank; former Manager of Ligan Simple Branch	None	None	None	None
Manager	Republic of China	Lin, Yi-Ying	Female	106.01.23	70,757	0.00	0	0.00	0	0.00	Business Administration Department, Chinese Culture University; current Manager of Hsinpu Branch, Sunny Bank; former Assistant Manager of Lanya Branch	None	None	None	None
Manager	Republic of China	Hsu, Bao-Yua	Male	101.02.01	122,186	0.01	0	0.00	0	0.00	Cooperative Economics Department, Tamkang University; current Manager of Chunghua Branch, Sunny Bank; former Manager of Jingcheng Bank	None	None	None	None
Manager	Republic of China	Yang, Bao-Gui	Female	96.08.30	191,032	0.01	0	0.00	0	0.00	Applied Chemistry Department, Chia Nan Medical College; current Manager of Tainan Branch, Sunny Bank; former Manager of Jiankang Branch	None	None	None	None
Manager	Republic of China	Yang, Ying-Chong	Male	95.02.23	137,050	0.01	188,655	0.01	0	0.00	Accounting Department, National Chengchi University; current Manager of Jiankang Branch, Sunny Bank; former Manager of Tainan Branch	None	None	None	None
Manager	Republic of China	Wang, Chi-Yi	Male	106.08.17	88,044	0.00	0	0.00	0	0.00	Business Administration Department, Far East Technical College; current Manager of Dongning Simple Branch, Sunny Bank; former Assistant Manager of Yongkang Branch	None	None	None	None
Manager	Republic of China	Tseng, Chian-Chia	Male	91.08.08	274,759	0.01	25,194	0.00	0	0.00	Economics Department, Chinese Culture University; current Manager of Anshun Branch, Sunny Bank; former Manager of Shihua Branch	None	None	None	None
Manager	Republic of China	Cheng, Yuan-De	Male	99.02.10	153,765	0.01	0	0.00	0	0.00	Bank Management Department, Tamsui Industrial and Commercial College; current Manager of Shihua Branch, Sunny Bank; former Manager of Anshun Branch	None	None	None	None
Manager	Republic of China	Li, Siang-Yao	Male	107.08.16	0	0.00	0	0.00	0	0.00	Graduated from the Department of Land Economics, National Chengchi University; Current Manager of Hsinchu Branch, Sunny Bank; Former Branch Manager, Land Bank of Taiwan	None	None	None	None
Manager	Republic of China	Wu, Sheng-Yi	Male	98.10.16	105,071	0.00	0	0.00	0	0.00	Business Administration Department, Tunghai University; current Manager of Jingwu Branch, Sunny Bank; former Manager of Agricultural Bank	None	None	None	None
Manager	Republic of China	Cheng, Kuang-Cheng	Male	105.08.22	56,184	0.00	0	0.00	0	0.00	PhD in Finance, Tamkang University; current Manager of Zuoying Branch, Sunny Bank; former Associate Vice President of Taiwan Cooperative Bank	None	None	None	None
Manager	Republic of China	Chou, Mao-Sheng	Male	106.12.01	14,798	0.00	0	0.00	0	0.00	Business Administration Department, Ling Dong Commercial College; current Manager of Shiangshang Branch, Sunny Bank; former Assistant Manager of Longjing Branch	None	None	None	None
Manager	Republic of China	Jhuang, Chong-Si	Male	107.04.16	17,042	0.00	0	0.00	0	0.00	Graduated from the Department of Administration, Supplementary Open Junior College For Public Administration, National Chengchi University; Current Manager of Zhongli Branch, Sunny Bank ; Former Branch Associate Vice President, Yuanfa Bank	None	None	None	None

Position (note 1)	Nationality	Name	Gender	Date elected (assumed position)	Shareholding		Shareholding of spouse and minor children		Shareholding under another person's name		Work experience and academic background(note 2)	Concurrent positions in other companies	Manager's spouse or second-degree relative		
					Shares	%	Shares	%	Shares	%			Position	Name	Relationship
Manager	Republic of China	Huang, Shou-Wen	Male	101.08.01	133,904	0.01	0	0.00	0	0.00	Business Administration Department, Chung-Hua University; current Manager of Linsen Branch, Sunny Bank; former Senior Specialist of Credit Division	None	None	None	None
Manager	Republic of China	Chian, Shi-Yiao	Male	101.11.24	66,884	0.00	0	0.00	0	0.00	Business Management School, National Kaohsiung University of Applied Sciences; current Manager of Hsinshing Branch, Sunny Bank; former Manager of Zuoying Branch	None	None	None	None
Manager	Republic of China	Chen, Yan-Chu	Female	105.08.17	86,730	0.00	1,221	0.00	0	0.00	Finance and Insurance Department, Shu-Te University; current Manager of Chingnian Branch, Sunny Bank; former Assistant Manager of Liwen Branch	None	None	None	None
Manager	Republic of China	Lin, Jin-Dian	Male	107.08.27	0	0.00	0	0.00	0	0.00	EMBA, National Sun Yat-sen University ; Current Manager of Sanfong Branch, Sunny Bank; Former Branch Associate Vice President of JihSun Bank	None	None	None	None
Manager	Republic of China	Fu, Chian-Hua	Male	100.02.21	99,023	0.00	0	0.00	0	0.00	Business Administration Department, Taichung Technical College; current Manager of Siwei Branch, Sunny Bank; former Manager of Linyuan Simple Branch	None	None	None	None
Manager	Republic of China	Ji, Mei-Cing	Female	107.06.21	173,118	0.01	0	0.00	0	0.00	Graduated from the Department of Economics, National Chung Hsing University ; Current Manager of Dagong Branch, Sunny Bank; Former Assistant Manager of the Business Administration Department (Operations Center)	None	None	None	None
Manager	Republic of China	Tsai, Wen-Chie	Male	106.04.17	0	0.00	0	0.00	0	0.00	Financial Management Institute, National Kaohsiung First University of Science and Technology; current Manager of Dashun Branch, Sunny Bank; former Manager of Taichung Bank	None	None	None	None
Manager	Republic of China	Hsu, Cheng-Huang	Male	95.08.11	37,250	0.00	0	0.00	0	0.00	Business Administration Department, Tamkang University; current Manager of Haiguang Branch, Sunny Bank; former Manager of Pingdeng Branch	None	None	None	None
Manager	Republic of China	Lui, Han-Kun	Male	101.09.01	420,914	0.02	127,776	0.01	0	0.00	Financial Management Institute of National Kaohsiung First University of Science and Technology; current Manager of Chiancheng Branch, Sunny Bank; former Senior Specialist of Wujia Branch	None	None	None	None
Manager	Republic of China	Chao, Yu-Chin	Male	102.06.01	2,137,647	0.09	68,561	0.00	0	0.00	Accounting Institute, George Washington University; current Manager of Pingdeng Branch, Sunny Bank; former Senior Specialist of Liwen Branch	None	Associate Vice President	Chao, Hui-Chen	Siblings
Manager	Republic of China	Li, Chun-Yu	Male	103.10.01	69,537	0.00	0	0.00	0	0.00	Business Administration Department, Feng Chia University; current Manager of Shiaogang Branch, Sunny Bank; former Assistant Manager of Pingdeng Branch	None	None	None	None
Manager	Republic of China	Tsui, Ching-Chi	Female	99.05.17	85,037	0.00	232	0.00	0	0.00	Journalism Department, Chinese Culture University; current Manager of Yochang Branch, Sunny Bank; former Manager of Zuoying Branch	None	None	None	None
Manager	Republic of China	Hsu, Da-Kuang	Male	105.01.21	63,920	0.00	0	0.00	0	0.00	Financial Management Institute, National Kaohsiung First University of Science and Technology; current Manager of Wujia Branch, Sunny Bank; former Assistant Manager of Wujia Branch	None	None	None	None
Manager	Republic of China	Feng, Chen-Rong	Male	106.08.17	79,390	0.00	67,575	0.00	0	0.00	Industrial Safety and Health Department.; current Manager of Dingli Branch, Sunny Bank; former Assistant Manager of Zuoying Branch	None	None	None	None
Manager	Republic of China	Hsu, Chin-Gen	Manager	101.02.01	162,248	0.01	24,744	0.00	0	0.00	Finance and Tax Department, Feng Chia University; current Manager of Chishan Branch, Sunny Bank; former Manager of Wujia Branch	None	None	None	None
Manager	Republic of China	Li, Mei-Hsiu	Female	106.10.01	113,783	0.00	0	0.00	0	0.00	Business Department, National Taiwan University; current Manager of Linyuan Simple Branch, Sunny Bank; former Assistant Manager of Linyuan Simple Branch	None	None	None	None
Manager	Republic of China	Chung, Min-Yuan	Male	98.04.01	159,662	0.01	48,827	0.00	0	0.00	Financial Management Institute, National Kaohsiung First University of Science and Technology; current Manager of Gangshan Branch, Sunny Bank; former Manager of Yochang Branch	None	None	None	None
Manager	Republic Of China	Shih, Yong-Hsiang	Male	102.08.28	210,041	0.01	0	0.00	0	0.00	Tamkang University Finance Department, ; current Manager of Ligang Simple Branch, Sunny Bank; former Assistant Manager of Dashun Branch	None	None	None	None
Manager	Republic Of China	Wang, Wei-Kuan	Male	104.07.01	94,443	0.00	0	0.00	0	0.00	Economics Department, Feng Chia University; current Manager of Yongkang Branch, Sunny Bank; former Assistant Manager of Jiankang Branch	None	None	None	None
Manager	Republic Of China	Kuo, Chia-Yun	Male	100.05.17	132,720	0.01	0	0.00	0	0.00	Statistics Department, National Chengchi University; current Manager of Rende Branch, Sunny Bank; former Committee Member of Debt Management Division, Taiwan Cooperative Bank	None	None	None	None
Manager	Republic Of China	Li, Ming-Yu	Male	107.04.16	21,171	0.00	0	0.00	0	0.00	Graduated from the Department of Finance, Chihlee University of Technology; Current Manager of Taipei Branch, Sunny Bank; Former Branch Associate Vice President of JihSun Bank	None	None	None	None
Manager	Republic Of China	Kuo, Mao-Chian	Male	104.02.11	65,901	0.00	0	0.00	0	0.00	Business Administration Department, Tamkang University; current Manager of Changan Branch, Sunny Bank; former Assistant Manager of Shetzhi Branch	None	None	None	None
Manager	Republic Of China	Pang, Chi-Wen	Male	101.02.01	96,420	0.00	0	0.00	0	0.00	Institute of Senior Management, National Dong Hwa University; current Manager of Luodong Branch, Sunny Bank; former Manager of HSBC	None	None	None	None
Manager	Republic Of China	Tsai, Tz-Yi	Male	107.02.01	57,420	0.00	0	0.00	0	0.00	Department of Business Administration, Chinese Culture University; Current Manager of Jhubei Branch, Sunny Bank; Former Assistant Manager of Jhubei Branch	None	None	None	None

Position (note 1)	Nationality	Name	Gender	Date elected (assumed position)	Shareholding		Shareholding of spouse and minor children		Shareholding under another person's name		Work experience and academic background(note 2)	Concurrent positions in other companies	Manager's spouse or second-degree relative		
					Shares	%	Shares	%	Shares	%			Position	Name	Relationship
Manager	Republic Of China	Wu, Rong-Chi	Male	96.04.09	104,195	0.00	0	0.00	0	0.00	Economics Department, Fu Jen Catholic University; current Manager of Changhua Branch, Sunny Bank; former Manager of Huacheng Branch	None	None	None	None
Manager	Republic Of China	Chen, Yi-Hsu	Male	98.12.01	36,165	0.00	0	0.00	0	0.00	Business Administration Department, Fu Jen Catholic University; current Manager of Beitun Branch, Sunny Bank; former Manager of Shetou Simple Branch	None	None	None	None
Manager	Republic Of China	Chou, Bai-Cheng	Male	104.02.11	214,788	0.01	15,636	0.00	0	0.00	International Trade Department, National Taipei Commercial College; current Manager of Tucheng Branch, Sunny Bank; former Manager of Hualian Branch	None	None	None	None
Manager	Republic Of China	Lin, Chi-Chiang	Male	100.08.22	329,371	0.01	46,039	0.00	0	0.00	International Trade Department, Chungyu Commercial College; current Manager of Keelung Branch, Sunny Bank; former Assistant Manager of Credit Division	None	None	None	None
Manager	Republic Of China	Chou, Chi-Wei	Male	95.08.11	247,223	0.01	339,172	0.01	0	0.00	Industrial Management Department, Taiwan Institute of Technology; current Manager of Wanhua Branch, Sunny Bank; former Senior Specialist of Credit Division	None	None	None	None
Manager	Republic Of China	Su, Po-Nian	Male	104.02.02	58,749	0.00	0	0.00	0	0.00	International Trade Department, Tamsui Industrial and Commercial College; current Manager of Miaoli Branch, Sunny Bank; former Manager of Standard Chartered Bank	None	None	None	None
Manager	Republic Of China	Chen, Yao-Bin	Male	106.12.18	14,985	0.00	0	0.00	0	0.00	Management Institute, Providence University; current Manager of Longjing Branch, Sunny Bank; former Manager of Taichung Bank	None	None	None	None
Manager	Republic Of China	Li, Chun-Yan	Male	103.10.01	95,701	0.00	13,356	0.00	0	0.00	Statistics Department, Feng Chia University; current Manager of Yunlin Branch, Sunny Bank; former Credit Specialist of 3rd Credit Bank	None	None	None	None
Manager	Republic Of China	Hsieh, Chun-Yu	Male	104.07.01	30,972	0.00	0	0.00	0	0.00	Business Administration Department, Da Yeh Technical College; current Manager of Nantou Branch, Sunny Bank; former Manager of Shetou Simple Branch	None	None	None	None
Manager	Republic Of China	Wang, Deng-Ying	Male	107.07.25	285	0.00	0	0.00	0	0.00	Graduated from the Department of International Business Management, Hsiuping College of Science and Technology; Current Manager of Dali Branch, Sunny Bank; Former Assistant Manager of Jingwu Branch	None	None	None	None
Manager	Republic Of China	Mo, Yi-Fan	Male	106.03.16	74,584	0.00	0	0.00	0	0.00	Management Department, Ming Chuan College; current Manager of Datung Branch, Sunny Bank; former Manager of Siwei Branch	None	None	None	None
Manager	Republic Of China	Chang, Hsue-Fang	Female	104.04.15	38,527	0.00	0	0.00	0	0.00	Accounting Department, Open College affiliated with National Taipei Commercial College; current Manager of Taichung Branch, Sunny Bank; former Manager of Cosmos Bank	None	None	None	None
Manager	Republic of China	Shiu, Feng-Sheng	Male	107.06.21	23,472	0.00	0	0.00	0	0.00	Graduated from the Department of Business Administration, Fu Jen University; Current Manager of Yilan Branch, Sunny Bank; Former Assistant Manager of Yilan Branch	None	None	None	None
Manager	Republic of China	Chen, Shang-Chi	Male	107.02.01	48,751	0.00	0	0.00	0	0.00	Graduated from the Master's Program in Finance, Fu Jen University; Current Manager of Xizhi Branch, Sunny Bank; Former Manager of Taipei Branch	None	None	None	None
Manager	Republic of China	Liou, Shin-Jian	Male	107.06.21	76,105	0.00	0	0.00	0	0.00	Graduated from the Department of Land Economics, Ming Chuan University; Current Manager of Heping Branch, Sunny Bank; Former Assistant Manager of the Credit Division	None	None	None	None
Manager	Republic Of China	Yun, Yu-Hong	Female	106.12.01	85,716	0.00	0	0.00	0	0.00	Finance Department, Chunghua Technical College; current Manager of Kaoshiung Branch, Sunny Bank; former Assistant Manager of Dashun Branch	None	None	None	None
Manager	Republic Of China	Guan, Shuei-Tsun	Male	107.12.18	67,881	0.00	0	0.00	0	0.00	Graduated from the Department of Business Administration, Tatung Institute of Commerce and Technology; Current Manager of Chiayi Branch, Sunny Bank; Former Assistant Manager of Chiayi Branch	None	None	None	None
Manager	Republic Of China	You, Shr-Shian	Male	107.10.01	48,192	0.00	0	0.00	0	0.00	Graduated from the Department of Information Management, Shih Hsin University; Current Manager of Wugu Branch, Sunny Bank; Former Junior Manager of Jungshing Branch	None	None	None	None
Manager	Republic Of China	Chen, Su-Jen	Female	107.12.18	54,657	0.00	0	0.00	0	0.00	Graduated from the Department of Industrial Management, College of Science and United Technology; Current Manager of Nantzu Branch, Sunny Bank; Former Assistant Manager of Pingdeng Branch	None	None	None	None
Manager	Republic Of China	Lai, Shin-Ting	Male	107.02.01	66,454	0.00	24,709	0.00	0	0.00	Master of Science in Finance, Ming Chuan University; Current Manager of the Eastern Taoyuan Branch, Sunny Bank; Former Assistant Manager of Jilin Branch	None	None	None	None
Manager	Republic Of China	Yin, Shiau-Fang	Female	107.05.14	0	0.00	0	0.00	0	0.00	Graduated from the Department of Economics, Ewha Women's University (Korea); Current Manager of Nangang Branch, Sunny Bank; Former Assistant Manager of Jilin Branch	None	None	None	None
Manager	Republic Of China	Yo, Hong-Ming	Male	106.12.01	71,210	0.00	0	0.00	0	0.00	Business Management Department, Tatung University; current Manager of Hualian Branch, Sunny Bank; former Assistant Manager of Luodong Branch	None	None	None	None
Manager	Republic Of China	Tsai, Yi-Ying	Female	107.02.01	39,056	0.00	0	0.00	0	0.00	Graduated from the Department of International Trade, Takming Business Junior College; Current Manager of South Taoyuan Branch, Sunny Bank; Former Assistant Manager of South Taoyuan Branch	None	None	None	None

Note 1: These should include the President, Vice Presidents, Assistant Vice Presidents, Department Heads and Branch Managers. Information regarding positions pertaining to the President, Vice President or Associate Vice President, regardless of the title, should also be disclosed.

Note 2: Experience related to current position; designation and responsibilities in CPA/auditing firms or related companies during the aforementioned period.

3. Corporate Governance Operations

(1) Implementation Status of the Internal Control System

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

We hereby makes the following Statement on behalf of Sunny Bank Co., Ltd.:

1. The internal control systems of Sunny Bank Co., Ltd. from January 1st of 2018 to December 31st of 2018 was established in compliance with the "Implementation Rules of Internal Audit and Internal Control Systems of Financial Holding Companies and Banking Industries" 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 its supplementary securities business, the Bank has assessed whether the design and implementation of the internal control systems of the Bank is effective in accordance with the criteria stipulated in the "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets".
2. For the supplementary securities business:
 - (1) The Bank has assessed whether the design and implementation of the internal control systems of the Bank is effective in accordance with the criteria stipulated in the "Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies" (hereinafter referred to as "Regulations Governing the Implementation"). The criteria of the internal control systems enacted by the Bank in accordance with the "Regulations Governing the Implementation" shall contain at least the following components: 1. Control environment, 2. Risk assessment, 3. Control activities, 4. Information and communications, 5. Monitoring activities.
 - (2) The Bank has examined the effectiveness of the design and implementation of the internal control systems based on the criteria for the internal control systems of the Bank as listed above.
 - (3) According to the above result of examination, the Bank believes the internal control systems during the said period (including operation soundness, report reliability and regulatory compliance) is effective in terms of design and implementation, which can assure the achievement of above goals reasonably.
3. After careful evaluation, it was confirmed that the Bank's internal control systems and compliance with applicable laws and regulations except for issues listed in the following annex have been effective for the year stated.
4. This Statement will become a major part of the annual report and prospectus of the Bank and shall be made public. Any misrepresentation or omission in this Statement shall be subject to legal consequences as stipulated in Articles 20, 32, 171 and 174 of the Securities & Exchange Act.
5. This Statement has passed in the Bank's board meeting held on March 19, 2019.


Sincerely yours,
Financial Supervisory Commission

Declarers

Chairman:
Chen, Sheng-Hung (with seal & signature)

: 陈胜宏 

President:
Ding, Wei-Hao (with seal & signature)

: 丁伟豪 

General Auditor:
Chen, Cheng-Feng (with seal & signature)

: 陈正丰 

Compliance Officer of the Head Office:
Le, Wen-Kuang (with seal & signature)

: 李文光 

March 19th, 2019

Matters Requiring Further Improvement and Improvement Plan the Internal Control Systems of Sunny Bank Co., Ltd.

(As of December 31st , 2018)

Matters Requiring Further Improvement	Improvement Measures	Estimated Improvement Completion Date
The Bank didn't file a report about the currency transactions equal to or above the applicable designated threshold to the Investigation Bureau of the Ministry of Justice	The Bank has file the report to the Investigation Bureau of the Ministry of Justice, and revised the relevant system programs.	Has completed improvement.
In terms of handling the measures for anti-money laundering and combating the financing of terrorism, the Bank did not put partial transactions that show signs of money laundering into the information system for verification, did not verify the reasonableness of the client's trading background and trading purposes, and the Board of Directors and the senior management did not strictly supervise the relevant units to implement the anti-money laundering laws and relevant regulatory compliance.	<ol style="list-style-type: none"> 1. The Bank has put all transactions that show signs of money laundering into the information system for verification, and set a dedicated unit to strength the education and training of personnel at all levels, as well as conducted the inspection of the integrity of transactions at random and tracked the follow-up corrections. 2. The dedicated unit reported to the Board of Directors every six months and reported to the Risk Management Department on a quarterly basis from July 2018, and then made the collective report to the Board of Directors by the Risk Management Department, in order to facilitate the Board of Directors and the senior management to supervise strictly the relevant units to implement the anti-money laundering laws and relevant regulatory compliance. 	Has completed improvement.
The Bank had defects such as: did not put unsound credit assets for evaluation, misclassified unsound credit assets, and did not do the written-off of bad debts, etc.	<ol style="list-style-type: none"> 1. The Bank has revised the system programs to put the unsound credit assets which have been overdue for more than three months for evaluation, classify the credit assets, and do the written-off of bad debts. 2. The Bank has completed the classification after the assessment, and account the allowance amount. 	Has completed improvement.
In terms of handling the business of pre-sale real estate development trust and real estate values trust, the Bank had defects such as: did not provide a third party audit report and a certification report audited by a certified public accountant ("CPA") to the client within the time limit, did not announce on the official inquiry website and report to the competent authorities in charge of the relevant Industry of the client, and the staff who handled the assessment for client's risk attribute was the same person who recommended the product to the client.	<ol style="list-style-type: none"> 1. After signing the pre-sale real estate trust contract with the contractor, the Trust Department will immediately send a letter to inform the relevant laws and regulations to the contractor to comply with the relevant laws and regulations. 2. As for the trustor who does not meet the requirements, the Trust Department has already announced on the website of the Bank and reported it to the authority in charge of the business of the location of construction project. 3. As for the staff who handled the assessment for client's risk attribute was the same person who recommended the product to the client, the Bank has sent the letter to all business units to be comply with the regulations, and has updated the self-inspection system and listed as the regulatory compliance to follow the self-evaluation review items. 	Has completed improvement.

<p>In terms of handling the business of loans for self-use residence or consumer loans, the Bank had requested the borrower to provide a joint guarantor or requested the guarantor to sign together as the co-drawer, while the loan case had been with full guarantee.</p>	<ol style="list-style-type: none"> 1. The bank has conducted a comprehensive investigation base on the regulatory compliance, and the cases do not meet the requirements has been changed to the general guarantor by the Information Technology Department on November 27, 2018. 2. The information changed to the general guarantor has been announced on the Bank's website. 	<p>Has completed improvement.</p>
<p>A staff of certain branch of the Bank lied to a customer that his deposit amount was short, and then embezzled his additional deposit.</p>	<ol style="list-style-type: none"> 1. The case was discovered and automatically reported by the other staff of the branch, so branch can perform its self-management function to solve these problems early. 2. The Bank has took the case as a reference case to publicize the financial regulations and code of ethics, and teach the concept of internal control and detection & prevention of risk to the employees. 3. The Bank has put the situation of staff performing duties of the transaction into self-inspection items. 	<p>Has completed improvement.</p>

(2) 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
 - (A) Matter of Sanctions: The Bank didn't file a report about the currency transactions equal to or above the applicable designated threshold to the Investigation Bureau of the Ministry of Justice, a fine of NT\$200,000 be imposed by the FSC.
 - (B) Improvement: The Bank has revised the relevant system programs and strengthened the education and training for the staff.
- C. Punishments by the Financial Supervisory Committee, Executive Yuan, in relation to Article 61-1 of the Banking Act of The Republic of China:
 - (A) Defects:
 - a. With regard to the issue of anti-money laundering, the Bank was no thoroughly address deficiencies and check transactions that could be related to money laundering, and no relevant track record was retained, In addition, the OBU (Offshore Banking Unit) on the handling of opening account, there was a lack of keeping confirmed record to identify the identities of clients.
 - b. In terms of handling the measures for anti-money laundering and combating the financing of terrorism, the Bank did not put partial transactions that show signs of money laundering into the information system for verification, did not verify the reasonableness of the client's trading background and trading purposes, and the Board of Directors and the senior management did not strictly supervise the relevant units to implement the anti-money laundering laws and relevant regulatory compliance.
 - c. The Bank had defects such as: did not put unsound credit assets for evaluation, misclassified unsound credit assets, and did not do the written-off of bad debts, etc.
 - d. In terms of handling the business of pre-sale real estate development trust and real estate values trust, the Bank had defects such as: did not provide a third party audit report and a certification report audited by a certified public accountant ("CPA") to the client within the time limit, did not announce on the official inquiry website and report to the competent authorities in charge of the relevant Industry of the client, and the staff who handled the assessment for client's risk attribute was the same person who recommended the product to the client.
 - e. In terms of handling the business of loans for self-use residence or consumer loans, the Bank had requested the borrower to provide a joint guarantor or requested the guarantor to sign together as the co-drawer, while the loan case had been with full guarantee.
 - (B) Improvement: The Bank has revised the relevant system programs and internal operating systems for the above defects, in order to improve the internal control systems.
- 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.

(3) Important Resolutions of the General Meeting of Shareholders and the Board of Directors Meeting during 2018 and the period up to the annual report publication date:

Shareholder's Meeting/Board Meeting	Date	Important Resolutions
Shareholders' Meeting	June 4, 2018	<ol style="list-style-type: none"> 1. Passed the Bank's 2017 Business Report and Financial Statements. 2. Passed the Bank's 2017 Surplus Distribution Proposal. 3. Passed the capital increase of the Bank from earnings with new shares. 4. Passed the amendment to the Bank's Articles of Association. 5. Passed the amendment to the Bank's Procedures for Acquisition or Disposal of Assets.
Board Meeting of the 20th Session of the 7th Term	January 26, 2018	<ol style="list-style-type: none"> 1. Passed the Bank's "Guidelines Governing the International Banking Department Accepting Account Opening by Offshore Customers and Investing in Trust Products On Behalf of Offshore Customers". 2. Passed the amendment to the Bank's Management Policies and Procedures of Trading Book. 3. Passed the amendment to the Bank's "Guidelines Governing Anti-Money Laundering and Combating the Financing of Terrorism" and "Risks Assessment on Anti-Money Laundering and Combating the Financing of Terrorist and Enacting Relevant Prevention Program Development". 4. Passed the Bank's Measures for the authorities and responsibilities of Anti-Money Laundering and Combating the Financing of Terrorism. 5. Passed the amendment to the Bank's "Corporate Governance Best-Practice Principles". 6. Passed the amendment to the Bank's "Rules on the Authorities and Responsibilities of Independent Directors" and "Rules and Procedures of Board of Director Meetings". 7. Passed the amendment to the Bank's partial provisions for "Measures for Operating Crisis and Response". 8. Passed the amendment to the Bank's partial provisions for "Measures for Evaluation of Operating Performance on headquarters units". 9. Passed the capital increase of Sunny International Leasing Co., Ltd. 10. Passed the amendment to the Bank's partial provisions for "Operating Guidelines for Trading of Securities and Beneficial Certificates". 11. Passed the Bank's stakeholder loan case. 12. Passed the Bank's stakeholder lease case. 13. Passed the Donation of Sunny Culture and Education Foundation.
		<ol style="list-style-type: none"> 1. Passed the amendment to the Bank's "The Disclosure of Relevant Information Concerning Capital Adequacy and Risk Management". 2. Passed the amendment to the Bank's "General Provisions for Credit Business".

Board Meeting of the 21th Session of the 7th Term	March 20, 2018	<ol style="list-style-type: none"> 3. Passed the Bank's stakeholder loan case. 4. Passed the amendment to the Bank's "Implementation Guidelines Governing the Legal Compliance System". 5. Passed the amendment to the Bank's "Statement of Internal Control Systems of Anti-Money Laundering and Combating the Financing of Terrorism". 6. Passed the amendment to the Bank's "Statement of Internal Control Systems". 7. Passed the amendment to the Bank's "Statement of Internal Control Systems of Insurance Agent". 8. Passed the commission of the CPA. 9. Passed the Bank's Distribution of Compensation for Directors and Employees for the 2017 Fiscal Year. 10. Passed the Bank's Business Report and Financial Statements for the 2017 Fiscal Year. 11. Passed the Bank's Distribution of Earnings for the 2017 Fiscal Year. 12. Passed the Bank's new share issue through capitalization of earnings for the 2017 Fiscal Year. 13. Passed the Bank's Capital Injection for the 2018 Fiscal Year. 14. Passed the amendment to the Bank's "Procedures for the Acquisition or Disposal of Assets". 15. Passed the amendment to the Bank's "Guidelines Governing Matters to be Observed and Implemented for Investments in Other Enterprises by the Bank". 16. Passed the amendment to the Bank's partial provisions of "Work Rules". 17. Passed the nomination of directors (including independent directors).
Board Meeting of the 22th Session of the 7th Term	April 17, 2018	<ol style="list-style-type: none"> 1. Passed the application for and research on the location of the new branch. 2. Passed the issuance of cumulative perpetual subordinated bank debentures. 3. Passed the Bank's "Guidelines Governing Operating Systems and Procedures for the Bank Conducting Financial Derivatives Business". 4. Passed the Bank's "Statement of the Design and Operation of the Internal Control Systems for Personal Information Protection" and "Statement of Financial Reports and Statement of Subsequent Events to the Audited Accounts of Deloitte & Touche". 5. Passed the Bank's "Statement of the Design and Operation of the Internal Control Systems for Anti-Money Laundering and Combating the Financing of Terrorism" and "Statement of Financial Reports and Statement of Subsequent Events to the Audited Accounts of Deloitte & Touche". 6. Passed the review of directors (including independent directors). 7. Passed the amendment to the Bank's "Standards for the Internal Control Systems of Shareholder Service Units". 8. Passed the Bank's stakeholder loan case.

		9. Passed the plan for purchase of the Bank's office.
Board Meeting of the 1th Session of the 8th Term	June 4, 2018	Passed the election of Directors, Managing Directors, convener for the Audit Committee.
Board Meeting of the 2th Session of the 8th Term	June 15, 2018	<ol style="list-style-type: none"> 1. Passed the amendment to the Bank's "Implementation Guidelines Governing the Legal Compliance System". 2. Passed the amendment to the Bank's Capital Injection for amounts. 3. Passed the compensation of Chairman. 4. Passed the compensation of Directors. 5. Passed the travel allowances for independent directors' attending the Audit Committee. 6. Passed the plan for purchase of the Bank's office.
Board Meeting of the 3th Session of the 8th Term	July 24, 2018	<ol style="list-style-type: none"> 1. Passed the amendment to the Bank's Internal Control Systems of the bond dealing businesses. 2. Passed the amendment to the Bank's Internal Control Systems of the bond underwriting businesses. 3. Passed the amendment to the Bank's Internal Implementation Rules of the concurrently operating bond businesses. 4. Passed the amendment to the Bank's "Regulations Governing Issuance of Bank Debentures by the Bank". 5. Passed the amendment to the Bank's "Measures for the Management of Credit Information Inquiry".
Board Meeting of the 4th Session of the 8th Term	August 21, 2018	<ol style="list-style-type: none"> 1. Passed the Bank's financial report for the second quarter of the 2018 fiscal year. 2. Passed the amendment to the Bank's "Measures for Assessment of Computer System Information Security". 3. Passed the amendment to the Bank's "General Provisions for Credit Business". 4. Passed the amendment to the Bank's "Credit authorized amount table". 5. Passed the amendment to the Bank's "Measures for Real Estate Loan Management". 6. Passed the amendment to the Bank's "Guidelines Governing Anti-Money Laundering and Combating the Financing of Terrorism". 7. Passed "Guidelines Governing Anti-Money Laundering and Combating the Financing of Terrorism" of the Bank's concurrently operating Insurance Agent's businesses and "Risks Assessment on Anti-Money Laundering and Combating the Financing of Terrorism and Enacting Relevant Prevention Program Development" of the Bank's concurrently operating Insurance Agent's businesses. 8. Passed the Bank's "Measures for Internal Report Management". 9. Passed the amendment to the Bank's "Guidelines Governing Foreign Exchange Swap Business Management". 10. Passed the Bank's "Guidelines Governing Operating Systems and Procedures for the Bank Conducting Financial Derivatives Business". 11. Passed the amendment to the Bank's "Measures for Appointment and Contracted Salary of Employees",

		"Measures for Appraisals and Reward and Punishment in relation to Work", "Measures for Adjustment of Official Ranks of Employees" and "Measures for Appraisal Standards of Promotion".
Board Meeting of the 5th Session of the 8th Term	October 23, 2018	<ol style="list-style-type: none"> 1. Passed the Bank's stakeholder loan case. 2. Passed the amendment to the Bank's "General Provisions for Credit Business", "Measures for Credit Management", and "Measures for Monitoring Management". 3. Passed the Bank's "Guidelines Governing Operating Systems and Procedures for the Bank Conducting Financial Derivatives Business". 4. Passed the amendment to the Bank's "Measures for the Management of Credit Information Inquiry". 5. Passed the amendment to the Bank's "Measures for the Management of Credit Information Inquiry". 6. Passed the plan for purchase of the Bank's office.
Board Meeting of the 6th Session of the 8th Term	December 11, 2018	<ol style="list-style-type: none"> 1. Passed the Bank's stakeholder loan case. 2. Passed the Monitoring Indicators and Alert Ratio of the Capital Adequacy of the 2019 fiscal year. 3. Passed the amendment to the Bank's "Guidelines Governing Management of Liquidity Risk" and "Guidelines Governing Management of Interest Rates Risk". 4. Passed the amendment of "Guidelines Governing Business Solicitation System Management and Procedures" of the Bank's concurrently operating Insurance Agent's businesses. 5. Passed the amendment to the Bank's Internal Implementation Rules of the concurrently operating bond businesses. 6. Passed the 2019 fiscal year's audit plan for the bond dealing businesses and underwriting businesses handled by the Ministry of Finance. 7. Passed the audit plan for the 2019 fiscal year. 8. Passed the budget report and operating plan for the 2019 fiscal year. 9. Passed the amendment to the Bank's "Measures for Appointment and Contracted Salary of Employees" and "Measures for Appraisals and Reward and Punishment in relation to Work". 10. Passed the amendment to the Bank's "Measures for Purchase and Construction of Real Estate for the Bank's office". 11. Passed the purchase of 12 lands and commercial buildings including Lot no.202, 2 Sector, Zhongshan Section, Zhongshan Dist., Taipei City.
Board Meeting of the 7th Session of the 8th Term	January 19, 2019	<ol style="list-style-type: none"> 1. Passed the Bank's "Measures for Exemption from the Total Amount of Loans Extended for Residential Construction and Construction for Business". 2. Passed the amendment to the Bank's "Measures for Real Estate Loan Management". 3. Passed the amendment to the Bank's Articles of Association. 4. Passed the amendment to the Bank's partial provisions for the Procedures for Acquisition or Disposal of Assets.

		<p>5. Passed the Bank's "Measures for the Implementation of the Common Standard on Reporting and Due Diligence for Financial Institutions".</p> <p>6. Passed the Bank's partial provisions for the "Guidelines Governing Consumer Protection Work".</p>
Board Meeting of the 8th Session of the 8th Term	March 19, 2019	<p>1. Passed the Bank's stakeholder loan case.</p> <p>2. Passed the amendment to the Bank's partial provisions for the "Measures for Credit Monitoring Management".</p> <p>3. Passed the Bank's partial provisions for the "Guidelines Governing Operating Systems and Procedures for the Bank Conducting Financial Derivatives Business".</p> <p>4. Passed the amendment to the Bank's partial provisions for the "Guidelines for Restrictions on Credit Risks Undertaken by the Bank with the Same Person, the Same Concerned Party or the Same Affiliate".</p> <p>5. Passed the amendment to the Bank's partial provisions of the "Guidelines Governing Matters to be Observed and Implemented for Investments in Other Enterprises by the Bank".</p> <p>6. Passed the amendment to the Bank's partial provisions for the "Standards for the Internal Control Systems of Shareholder Service Units".</p> <p>7. Passed the amendment to the Bank's partial provisions for the "Measures for Employees' Retirement" and "Work Rules".</p> <p>8. Passed the dismissal of non-competition for the Bank's Director.</p> <p>9. Passed the Bank's "Statement of Internal Control Systems".</p> <p>10. Passed the Bank's "Statement of the Overall Information Security Implementation".</p> <p>11. Passed the Bank's "Statement of Internal Control Systems of Anti-Money Laundering and Combating the Financing of Terrorism".</p> <p>12. Passed the Bank's "Statement of the Design and Operation of the Internal Control Systems for Personal Information Protection" and "Statement of Financial Reports and Statement of Subsequent Events to the Audited Accounts of Deloitte & Touche" one of each.</p> <p>13. Passed the Bank's "Statement of the Design and Operation of the Internal Control Systems for Anti-Money Laundering and Combating the Financing of Terrorism" and "Statement of Financial Reports and Statement of Subsequent Events to the Audited Accounts of Deloitte & Touche" one of each.</p> <p>14. Passed the amendment to the Bank's accounting system.</p> <p>15. Passed the commission of the CPA.</p> <p>16. Passed the Bank's Distribution of Compensation for Directors and Employees for the 2018 Fiscal Year.</p> <p>17. Passed the Bank's Business Report and Financial Statements for the 2018 Fiscal Year.</p> <p>18. Passed the Bank's Distribution of Earnings for the 2018 Fiscal Year.</p> <p>19. Passed the Bank's new share issue through capitalization of earnings for the 2018 Fiscal Year.</p> <p>20. Passed the plan for purchase of real estate.</p>

- (4) 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: Regarding the Bank plan to purchase the new headquarters building, the ten attending directors agreed to the proposal of “negotiating with the contractor at the proposed purchase price” and continue to handle related matters. Independent Director Wu, Wen-Zheng agreed to the proposal of “conduct the review at the proposed purchase price after the builder’s negotiation and integration with the other two landlords”. : None
- (5) 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: None

4. Alternation of CPA

(1) Information about previous CPA

Date of change	September 2017		
Reason for change and description	Due to the internal job assignment and arraignment of Deloitte & Touche, the CPAs changed from Shao, Zhi-Ming and Wu, Yi-Jun to Shao, Zhi-Ming and Chang, Ding-Sheng.		
Specify whether the appointer or the CPA terminated or refused to accept the appointment	Involvement 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 Chang, Ding-Sheng
Appointment Date	September 2017
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.

5. Information about the Bank's Top Ten Shareholders who are Related Parties, Spouses or Relatives within Second Degree of Kinship

Record date: December 31, 2018

Unit: Share, %

Name (Note 1)	Shareholding		Shareholding of Spouse and Minors		Shareholding entitled to other name		If a stakeholder or spouse or relative within second degree of kinship of the Bank's top ten shareholders, the shareholder's name and relationship (Note 3)		Remark
	Share	% (Note 2)	Share	% (Note 2)	Share	% (Note 2)	Title or Name	Relationship (Note 2)	
Fu Li Yang Investment Co., Ltd	217,097,769	9.07	0	0	0	0	Chuan Yang Construction Co., Ltd.	Controlled by the same person	None
Fu Li Yang Investment Co., Ltd Representative of legal-person director Chen, Sheng-Hong:	9,338,089	0.39	4,204,354	0.18	0	0	He, Li-Wei	The same person	None
Fu Li Yang Investment Co., Ltd. Representative of legal-person director: Chang, Wu-Ping	8,426,052	0.35	2,359,196	0.10	0	0	None	None	None
Fu Li Yang Investment Co., Ltd. Representative of legal-person director: He, Li-Wei	3,351,229	0.14	0	0	0	0	Chen, Sheng-Hong	The same person	None
The First Insurance Co., Ltd.	90,616,352	3.79	0	0	0	0	None	None	None
Chuan Yang Construction Co., Ltd.	90,578,591	3.79	0	0	0	0	Fu Li Yang Investment Co., Ltd	The same person	None
Hai Wang Printing Co., Ltd.	80,000,000	3.34	0	0	0	0	Jin Chen Investment Co., Ltd., Li Kun Investment Co., Ltd., Hai Wang Investment Co., Ltd.	The same person	None
Bermuda Nanhai Holdings Co., Ltd.	73,000,000	3.05	0	0	0	0	None	None	None
Sheng Yang Construction Co., Ltd.	54,744,067	2.29	0	0	0	0	None	None	None
Farglory Life Insurance Co., Ltd.	50,837,556	2.12	0	0	0	0	None	None	None
Jin Chen Investment Co., Ltd.	34,789,961	1.45	0	0	0	0	Hai Wang Printing Co., Ltd., Li Kun Investment Co., Ltd., Hai Wang Investment Co., Ltd.	The same person	None
Li Kung Investment Co., Ltd.	26,288,992	1.10	0	0	0	0	Hai Wang Printing Co., Ltd., Jin Chen Investment Co., Ltd., Hai Wang Investment Co., Ltd.	The same person	None
Hai Wang Investment Co., Ltd.	19,106,489	0.80	0	0	0	0	Jin Chen Investment Co., Ltd., Li Kun Investment Co., Ltd., Li Kung Investment Co., Ltd., Hai Wang Printing Co., Ltd., Jin Chen Investment Co., Ltd.	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.

6. 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

Record date: December 31, 2018

Unit: Share, %

Reinvested 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
Gold Sunny Assets Management Co., Ltd.	15,000,000	100.00	0	0.00	15,000,000	100.00
Sunny International Leasing Co., Ltd.	152,500,000	100.00	0	0.00	152,500,000	100.00
Sunny E-commercial Co., Ltd.	5,000,000	100.00	0	0.00	5,000,000	100.00
Sunny Microfinance PLC.	100,000	100.00	0	0.00	100,000	100.00
Financial Information Service Co., Ltd.	13,007,582	2.49	0	0.00	13,007,582	2.49
Taiwan Financial Asset Service Corp	5,000,000	2.94	0	0.00	5,000,000	2.94
Taiwan Central Depository and Clearing Corp.	1,049,350	0.29	0	0.00	1,049,350	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.

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IV. Capital Raising

1. Capital and Share
2. Mergers or Acquisitions or Acceptance of Transfer of the Shares of Other Financial Institutions

1. Capital and Share

(1) Source of Capital

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

Year/month	Par value	Approved Capital		Paid-up Capital		Remarks	
		Shares	Amount	Shares	Amount	Source of Capital Stock	Others
July 2018	NT\$10	3,000,000	30,000,000	2,292,721	22,927,206	Capital increase from earnings NT\$1,297,766,410	According to the approval announced on the website of the Securities and Futures Bureau, FSC on June 29, 2018
October 2018	NT\$10	3,000,000	30,000,000	2,392,721	23,927,206	Capital increase by cash NT\$1,000,000,000	According to FSC approval letter: Jin-Guan-Zheng-Fa No.1060019696 issued on June 2, 2017

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	Approved Capital			Remarks
	Outstanding stock (Note)	Un-issued shares	Total	
Common Stock	2,392,720,645	607,279,355	3,000,000,000	Bank stock not listed on TWSE or OTC

(2) Structure of Shareholders

Record date: December 31, 2018

Shareholder Structure Quantity	Government Institutions	Financial Institutions	Other Corporations	Individuals	Foreign institutions and Foreigners	Total
No. of persons	2	1	263	123,462	6	123,734
Shareholding	159,151	558	1,026,746,992	1,292,809,679	73,004,265	2,392,720,645
Shareholding (%)	0.01	0.00	42.91	54.03	3.05	100.00

(3) Equity Distribution

Face value NT\$10 per share

Record date: December 31, 2018

Shareholding Level	No. of Shareholders	Shareholdings	Shareholding (%)
1 to 999	69,394	23,852,151	1.00
1,000 to 5,000	41,565	104,652,996	4.37
5,001 to 10,000	4,199	28,051,845	1.17
10,001 to 15,000	1,625	19,749,556	0.83
15,001 to 20,000	654	11,520,303	0.48
20,001 to 30,000	983	23,946,761	1.00
30,001 to 50,000	1,258	49,404,562	2.06
50,001 to 100,000	1,505	104,489,323	4.37

100,001 to 200,000	1,306	183,441,973	7.67
200,001 to 400,000	679	192,842,044	8.06
400,001 to 600,000	212	103,284,325	4.32
600,001 to 800,000	86	59,707,981	2.50
800,001 to 1,000,000	51	45,576,685	1.90
1,000,001 to 999,999,999	217	1,442,200,140	60.27
Total	123,734	2,392,720,645	100.00

(4) List of Major Shareholders

Record date: December 31, 2018

Shares	Shareholding	Shareholding (%)
Major Shareholders		
Fu Li Yang Investment Co., Ltd.	217,097,769	9.07
The First Insurance Co., Ltd.	90,616,352	3.79
Chuan Yang Construction Co., Ltd.	90,578,591	3.79
Hai Wang Printing Co., Ltd.	80,000,000	3.34
Bermuda Nanhai Holdings Co., Ltd.	73,000,000	3.05
Sheng Yang Construction Co., Ltd.	54,744,067	2.29
Farglory Life Insurance Co., Ltd.	50,837,556	2.12
Jin Chen Investment Co., Ltd.	34,789,961	1.45
Li Kun Investment Co., Ltd.	26,288,992	1.10
Hai Wang Investment Co., Ltd.	19,106,489	0.80

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

Year		2018	2017	As of December 28 of the year (Note 2)
Item				
Price per Share	Highest	Note 1	Note 1	Note 1
	Lowest	Note 1	Note 1	Note 1
	Average	Note 1	Note 1	Note 1
Net Worth per Share	Before Distribution	12.49	12.20	12.99
	After Distribution	Note 3	11.32	—
Earnings per Share	Weighted Average No. of Shares		2,319,022	2,253,341
	Earnings per share	Before Adjustment (Note 4)	1.10	0.90
		After Adjustment (Note 4)	—	0.85
Earnings per Share	Cash Dividend		Note 3	0.2
	Free Distribution	Earnings Distribution	Note 3	0.6
		Capital surplus distribution	Note 3	—
	Cumulative unpaid dividend		Note 3	—
Analysis on Investment Return	Price/Earnings Ratio		Note 1	Note 1
	Price/Dividend Ratio		Note 1	Note 1
	Cash dividend yield		Note 1	Note 1

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

Note 2: The financial data for March 31, 2019 have not been audited and certified by accountants.

Note 3: Distribution of earnings in 2018 will be decided at the 2019 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

A stock dividend of NT\$0.5 per share and a cash dividend of NT\$0.2 per share are planned to be distributed according to the Bank's 2018 earnings.

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

No announcement on the 2019 Financial Forecast is yet 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 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 2018 are estimated at NT\$89,279,000. 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\$59,519,000 to employees as cash bonuses and NT\$29,760,000 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.

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 June 4, 2018, to distribute NT\$45,908,000 to employees and NT\$22,954,000 to Directors and supervisors. There is no discrepancy with employee bonuses and board director / supervisor compensations as stated in 2017 Financial Statements.

(9) Shares Purchased Back by the Bank: None

2. Mergers or Acquisitions or Acceptance of Transfer of the Shares of Other Financial Institutions

- (1) Where mergers or acquisitions or acceptance of transfer of the shares of other financial institution in the most recent year, the annual report shall disclose the opinion of the CPA on the reasonableness of the share conversion rate of the merger or acquisition plan: Not Applicable
- (2) In the case of a company that is an Exchange-Listed or OTC-Listed Company, the annual report shall disclose the situation in which it had acquired or transferred other financial institutions in the past 5 fiscal years; in the case of M & A or transfer of shares of other financial institutions by way of issuing new shares, the annual report shall disclose the appraisal opinion prepared by the managing underwriter: Not Applicable
- (3) In the case of a company that is not an Exchange-Listed or OTC-Listed Company, the annual report shall disclose the state of implementation in which it had acquired or transferred or accepted the transfer of shares of other financial institutions during the most recent quarter, and explain how the situation is likely to affect shareholders' equity, and shall put forward a plan for corrective action: Not Applicable
- (4) Where the board of directors has, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, adopted a resolution approving any issuance of shares in connection with a merger or acquisition or acquisition of shares of any other company, the annual report shall disclose the state of the plan's implementation together with the basic identifying information of other financial institutions to be merged or acquired or whose shares are to be acquired. Where any issuance of new shares in connection with a merger or acquisition or with acquisition of shares of any other company is currently in progress, the annual report shall disclose the state of the plan's implementation and its effect upon shareholders' equity.

Basic information sheet of the other financial institutions that were merged or acquired

Unit: USD

Name of financial institution		APPLE FINANCE Plc.
Address of financial institution		Prek Thmey village, Prek Thmey commune, Koh Thom district, Kandal province, Cambodia
The responsible person of the company		Chhe Boumeng
Paid-in Capital		1,000,000
Major lines of business		Micro Finance
Main products		Micro Loan
Financial data of the most recent fiscal year	Total assets	648,817
	Total liabilities	501,554
	Total equity	147,263
	Operating revenue	158,708
	Gross profit	158,708
	Operating income	(276,107)
	Net income of this term	(276,107)
Earnings per share		(2.76)

5

V.Operations Overview

1. Business Scope
2. 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

1. Business Scope

(1) Business Overview

A. Main Business

(A) Deposits and Loans Business

As of the end of 2018, the bank reports a total deposit balance at NT\$413,052,910,000, up by NT\$36,390,127,000 compared with NT\$376,662,783 reported at the end of 2017, of which the balance of demand deposits accounts for 32.68% of the total deposit balance, and the balance of time deposits accounts for 67.32% of the total deposit balance.

The total balance of loans issued accumulates to NT\$314,519,500,000 as of the end of 2018, increased by NT\$24,717,531 compared with NT\$289,801,969,000 reported at the end of 2017.

The overdue loan ratio was 0.18% at the end of 2018, the coverage ratio of Allowance for bad debts was 659.86%, which was better than the average of domestic banks.

Unit: NT\$1,000

Item	Year	Balance at the end of 2018	Balance at the end of 2017	Annual Growth Rate (%)
Deposits		413,052,910	376,662,783	9.66
Loans		314,519,500	289,801,969	8.53

Deposit Balance Comparison

Unit: NT\$1,000

Deposits	Year	2018		2017	
		Balance at the end of year	Percentage (%)	Balance at the end of year	Percentage (%)
Checking deposits		3,573,153	0.87	3,225,697	0.86
Demand deposits		45,136,880	10.93	39,916,809	10.60
Foreign exchange demand deposits		8,055,191	1.95	7,807,245	2.07
Demand savings deposit		77,329,913	18.72	74,546,233	19.79
Employee saving deposits		869,120	0.21	803,806	0.21
Time deposits		102,075,045	24.71	84,986,747	22.56
Foreign currency time deposits		33,057,352	8.00	25,369,167	6.74
Negotiable certificates of deposit		18,305,000	4.43	20,125,200	5.34
Time savings deposits		124,651,256	30.18	119,881,879	31.83
Total		413,052,910	100.00	376,662,783	100.00

Loan Balance Comparison

Unit: NT\$1,000

Loans	Year	2018		2017	
		Balance at the end of year	Percentage (%)	Balance at the end of year	Percentage (%)
Short-term loans		15,101,173	4.80	24,183,953	8.35
Short-term secured loans		76,955,032	24.47	67,328,836	23.23
Medium-term loans		39,265,146	12.48	32,240,409	11.13
Medium-term secured loans		103,845,227	33.02	90,805,674	31.33
Long-term loans		1,578,695	0.50	1,441,219	0.50
Long-term secured loans		77,291,495	24.58	73,501,510	25.36
Non-performing loans		417,478	0.13	199,477	0.07
Export negotiation		65,254	0.02	100,891	0.03
Total		314,519,500	100.00	289,801,969	100.00

a. Consumer Banking Loans

Given the real estate market after the nine-in-one elections at the end of November 2018, the confidence of people buying houses rebounded, but the difference between buying prices and selling prices was too large, resulting in purchases becoming slower, until the real estate market continued to slump. To control the risk and continuously adjust the structure of the credit, except for the favorable loans that are in line with government policies such as "Subsidization of loan interests for purchasing or renovating house", the Bank selects the customers that have a good credit/financial standing and an excellent location of the collateral (Such as located in the metropolitan area or other excellent locations, the terrain area is suitable, the fee income is good, etc.) as the priority, and actively undertakes the short- and mid-term guarantee working capital loan. As of the end of 2017, the balance of personal loans (excluding car loans) was NT\$ (the same below) 135.97 billion (the mortgage loan balance was 135.69 billion and the credit loan balance was 283 million). Compared with 120.55 billion at the end of 2017, there was a growth of 15.41 billion and a growth rate of 12.79%.

b. Car Loan, Credit Loan and Subordinated Loan Businesses

Unit: NT\$1,000

Item	Year	Amount		Growth Rate (%)
		2018 fiscal year	2017 fiscal year	
Car Loan Businesses		4,570,930	4,348,300	5.12
Credit Loan Businesses		95,820	174,564	(45.11)
Subordinated Loan Businesses (Note)		2,011,280	118,180	—
Total		95,820	174,564	(45.11)

Note : Subordinated Loan Businesses since December 1, 2017.

c. Loans to Businesses

The Bank launched "wholeheartedly 300" loan offering project in 2018 to adjust its credit structure and to proactively promote real estate loans, credit insurance, credit granting and foreign currency loans for SMEs; as for large 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. As of the end of 2018, the balance of loans offered to large businesses (excluding car loans) was NT\$20.036 billion with a decrease of NT\$ 7.749 billion (growth rate of -27.89%) compared with NT\$27.784 billion at the end of 2017, loans offered to SMEs (excluding car loans) reached NT\$ 128.523 billion at the end of 2018 with an increase of NT\$ 11.969 billion compared with NT\$116.554 billion at the end of 2017 (growth rate of 10.27%).

(B) Foreign Exchange Business

For the foreign exchange business, the balance of foreign exchange deposits (including OBU) at the end of 2018 was US\$1,337,714,000 or an increase of US\$226,200,000 from US\$1,111,514,000 at the end of 2017 with a growth of 20.35%. The balance of foreign exchange loans (including OBU) at the end of 2018 was US\$714,508,000 or an increase of US\$112,103,000 from US\$602,405,000 at the end of 2017, up by 18.61%. In 2018 the amounts of import/export and exchange service were US\$ 503,856,000 and US\$6,159,969,000 respectively, totaling US\$6,663,825,000, an increase of US\$2,213,977 000 from US\$4,449,848,000 at the end of 2017.

Unit: USD1,000

Item	Year	2018	2017	Growth Rate (%)
		Balance at the end of year/ Amount	Balance at the end of year / Amount	
Foreign currency deposits		1,337,714	1,111,514	20.35
Foreign currency loans		714,508	602,405	18.61
Import and export business		503,856	495,682	1.65
Remittance Services (including simplified currency exchange services)		6,159,969	3,954,166	55.78

Note : For the foreign currency deposits and loans, the amount stated was the balance at the end of the year, Import and export and remittance services business indicated was the annual amount.

(C) Credit Card

There were 16,068 credit cards issued in 2018, and 100,938 cards in circulation at the end of December 2018. In 2019, 5,399 credit cards were issued up to March and 104,091 credit cards were in circulation. The Bank's total number of cards in circulation in 2018 was 100,938, which was approximately 7,468 cards more and 7.99% up compared with 93,470 cards in the same period at the end of 2017.

a. Credit card consumption amount: In 2018 the credit card consumption amounted to NT\$40.63 billion, a growth of NT\$5.25 million from NT\$35.38 billion in the same period of 2017, and a growth of 14.84%.

b. Revolving Credit Balance: The revolving credit balance at the end of December 2018 was NT\$2.19 million, a decrease of NT\$0.02 million from the amount at the end of December in 2017.

Unit: cards, NT\$1,000

Item \ Year	2018	2017
Total number of card issued	602,590	584,397
Total number of valid cards in circulation	100,938	93,470
Total credit card consumption amount	4,063,017	3,537,929
Revolving Credit Balance	219,193	221,616

Proportions of revenues from various credit card businesses and their growths and changes

Unit: NT\$1,000

Item \ Year	2018		2017	
	Amount	%	Amount	%
Card issuance revenue	81,361	94.80	75,163	95.92
Income from acquiring business	4,465	5.20	3,199	4.08
Credit card business total	85,826	100	78,362	100.00

(D) Wealth Management Business

The Bank's wealth management products are mainly mutual funds, insurance products and overseas bonds, which was integrated into the main products of Wealth Management on the market. In line with the expected performance of the global investment market, the Bank selects main products based on the three characteristics of complying with the Bank's customer investment attributes, mutual benefits of the Bank and customers and following the investment market trend, and strictly adheres to wealth management risk and operation quality requirements. In addition, the Bank adjusts the product strategy in response to changes in the subjective and objective environments and provide timely advice to our customers on market entrance and exit timing to create a win-win situation. Due to the changing global investment situation in 2018, the US-China trade war has evolved into an economic cold war, and fund sales and fee income in 2018 are lower than in 2017. In addition, due to the continued influence of FSC enhanced control insurance company's loading loss in recent years, the channel sales insurance premiums and fee income in 2018 also decreased. So, the Bank will adjust the marketing strategy in response to market changes and the regulations of the competent authorities in a timely manner, in order to enhance wealth management.

Unit: NT\$1,000

Item \ Year	2018		2017		% of Fee Income	% of Fee Income
	Sales Volume	Fee Income	Sales Volume	Fee Income		
Mutual funds and overseas bonds (excluding domestic bond funds)	6,190,242	168,607	7,489,249	218,605	(17.34)	(22.87)
Insurance products	5,373,683	490,007	5,794,054	504,595	(7.26)	(2.89)
Total	11,563,925	658,614	13,283,303	723,200	(12.94)	(8.93)

(E) E-Banking Business

In order to provide customers with diversified digital financial services, the Bank continuously strives to improve

automation channels to provide customers with real-time financial services, including: launched the online banking and mobile internet banking APP in 2015, launched iSunny Purchase and Pay in May 2016, cloud counter (online application for Bank3.0) applied for the APP online in October, the TSM financial card, the HCE credit card and iSunny Purchase and Pay QR-code collection and payment APP, launched the cross-border payment (Alipay) service in December 2017, launched the English version online banking service in June 2018, and Accessible WebATM and online banking services in December, and has planned "New Generation Mobile Internet App", "digital deposit account" online account opening, and "Taiwan Pay QR code service" make transfer, receipt and payment more convenient, which is expected to be launched in 2019. We hope to build more convenient digital financial fields from the customer's point of view.

The number of online banking accounts has reached 120,000, with a growth rate of 19%. The mobile online banking APP has accumulated 45,000 users, with a growth rate of 40%. The number of accounts opened and transaction for the Bank's digital financial services are gradually growing, and various "digital financial business services" will be launched in a timely manner and various functions will be strengthened in order to enable the Bank's digital financial development to keep up with its competitors.

(F) Trust Business

As of the end of 2018, the balance of trust assets under the Bank's management was NT\$67,641,861,000, an increase of NT\$8,976,728,000 (15.30%) from NT\$58,665,133,000 at the end of 2017.

- a. The balance of money trust asset at the end of 2018 was NT\$33,869,979,000, accounting for 50.07% of the Bank's trust business.
- b. The balance of real estate trust asset at the end of 2018 was NT\$31,266,571,000, accounting for 46.22% of the Bank's trust business.
- c. The balance of securities trust asset at the end of 2018 was NT\$247,261,000, accounting for 0.37% of the Bank's trust business.
- d. The balance of monetary-claim and security-interest trust assets at the end of 2018 was NT\$2,258,050,000, accounting for 3.34% of the Bank's trust business.

Other affiliated businesses :

- a. By the end of 2018, the total operations guarantee funds was NT\$370,000,000, a decrease of NT\$130,000,000 and a growth rate of 26% from NT\$500,000,000 by the end of 2017.
- b. In 2018, the amount of the discretionary investment services business was NT\$ 271,975,000.
- c. In 2018, the amount of the certification business was NT\$ 4,795,437,000, an increase of NT\$2,770,112,000 and a growth rate of 136.77% from NT\$ 2,025,325,000 in 2017.

Unit: NT\$1,000

Item	Year	2018		2017		Amount of increase or decrease	Rate of increase or decrease(%)
		Amount	%	Amount	%		
Trust business		67,641,861	100	58,665,133	100.00	8,976,728	15.30
Monetary trusts		33,869,979	50.07	30,570,000	52.11	3,299,979	10.79
Specific-purpose monetary trusts investing in domestic and foreign securities		23,126,829	34.19	23,365,420	39.83	(238,591)	(1.02)
Other monetary trusts		5,519,218	8.16	3,645,260	6.21	1,873,958	51.41
Custody of securities investment trust funds		5,223,932	7.72	3,559,320	6.07	1,664,612	46.77
Real estate trust		31,266,571	46.22	26,539,143	45.24	4,727,428	17.81
Securities trust		247,261	0.37	104,402	0.18	142,859	136.84
Monetary-claim and security-interest trusts		2,258,050	3.34	1,451,588	2.47	806,462	55.56
Other affiliated businesses							
Custody of operations guarantee funds		370,000	—	500,000	—	(130,000)	(26.00)
Custody of discretionary investment services		271,975	—	—	—	271,975	—
Certification business		4,795,437	—	2,025,325	—	2,770,112	136.77

Income percentage of each trust business and its growth and changes:

In 2018 trust business income was NT\$273,862,000, a decrease of NT\$37,660,000 or 12.09% from NT\$311,522,000 in 2017.

(G) Investment Business

Income percentage of each various transaction and its growth and changes:

Income from Securities Investment in 2017 and 2018

Unit: NT\$1'000

Item \ Year	2018	2017	Increase / decrease
Bonds	705,323	484,992	220,331
Stocks	(27,476)	(727)	(26,749)
Beneficiary certificates	(92,075)	38,054	(130,129)
Short-term bills	151,150	170,332	(19,182)
Unrealized gain or loss	(3,096)	1,860	(4,956)
Stock dividend	17,601	17,111	490
Total	751,427	711,622	39,805

According to the above table, The Bank has made a profit of NT\$ 711,622,000 in 2017 and NT\$751,427,000 in 2018 in securities trading. The details are described below:

a. Gain (loss) on bonds:

This is the interest income and disposal gain (loss) and fee income from underwriting corporate bonds from the trading of bonds of governments at all levels, NTD and foreign currency corporate bonds and financial debentures. The Bank generated a gain of NT\$ 484,992,000 in 2017 and NT\$705,323,000 in 2018. The reason is that in the first half of the year, the interest rates of the Taiwanese bond market fell, the bond prices rose, and bonds were sold on rallies. Therefore, the disposal gain was NT\$ 55,871,000 in 2018, an increase of NT\$65,549,000 compared with 2017, the bonds position in 2018 increased by NT\$6.0 billion compared with 2017, the interest income in 2018 increased by NT\$152,709 compared with 2017, the fee income from underwriting corporate bonds was NT\$ 2,073,000 in 2018.

b. Gain (loss) on stocks:

This is the gain (loss) from investment in stocks of public and OTC companies. In 2017, the weighted index for the whole year rose by 15.01%. Due to stop loss part stocks at the end of the year, the loss for the whole year was NT\$727,000. The weighted index for the whole year of 2018 dropped by 8.6%, and affected by the US-China trade war, the consumer market was uneasy, it shook stock prices in the international stock markets, resulting in a loss of NT\$27,476,000.

c. Gain (loss) on beneficiary certificates:

This is the gain (loss) from investment in mutual funds. The bank had a gain of NT\$38,054,000 in 2017, affected by the US-China trade war in 2018, and the fluctuations in the international stock prices, resulting in an annual loss of NT\$92,075,000.

d. Gain (loss) on short-term bills

This is the interest income, disposal gain (loss) and transaction fees from the trading of short-term bills (including CP2 and bank NCDs). The Bank had a gain of NT\$170,332,000 in 2017 and NT\$151,150,000 in 2018. Due to the decrease in the rate of return in recent years and the decrease in the trading volume of short-term bills in 2018, the profit of bills has decreased by NT\$19,182,000 compared with 2017. Short-term bill interest income and disposal gain varied with the Bank's certification and underwriting business volume and surplus funds.

e. Gain (loss) on valuation:

This is the gain (loss) on the valuation of securities based on market prices, where the Bank had a loss of NT\$1,860,000 in 2017 and a gain of NT\$3,096,000 in 2018. The main impact is from the valuation of beneficiary certificates which was affected by the US-China trade war in 2018, the fluctuations in the international stock prices, resulting in the increase of loss on valuation of fund on book.

f. Stock dividends:

This is the cash dividends distributed by listed and OTC companies, where the cash dividend distributed in 2017 was NT\$17,111,000 and NT\$17,601,000 in 2018.

To sum up, in regard to the Bank's performance on securities trading. The stock index in 2017 rose 15.01%, and though the Bank had a loss of NT\$727,000 on stocks, it had an increase in the valuation of stocks for sale by NT\$25,742,000. Beneficiary certificates showed a gain of NT\$38,054,000, and the recognized valuation gain for the year was NT\$1,860,000, mainly due to the impact of the valuation of beneficiary certificates. In total, the Bank obtained a net profit of NT\$711,622,000 for the year. The weighted index for the whole year of 2018 dropped by 8.6%, resulting in a loss of NT\$27,476,000 on stocks, a loss of NT\$92,075,000 on beneficiary certificates, and the recognized valuation loss was NT\$ 3,096,000. The main impact is from the valuation of beneficiary certificates, in total, the Bank had a net profit of NT\$751,427,000 from various businesses throughout the year.

B. Percentage of the asset of each business and its growth and changes

Unit: NT\$1,000

Business Items	2018		2017	
	Amount	Asset %	Amount	Asset %
Total Assets	473,020,126	100.00	438,154,152	100.00
Discounts and loans – net amount	310,786,794	65.70	286,291,918	65.34
Financial assets measured at fair value through other comprehensive income	68,309,022	14.44	—	—
Debt Instrument Investments Measured at Amortized Co	25,333,318	5.36	—	—
Financial assets measured at fair value through profit or loss	20,309,417	4.29	22,436,526	5.12
Total Liabilities	443,136,763	93.68	411,765,342	93.98
Deposits and remittances	413,110,761	87.33	376,779,183	85.99
Financial debentures payable	14,530,000	3.07	13,780,000	3.15
Due from CBC and Banks	6,513,606	1.38	7,313,606	1.67

Note: The asset and liability items in the table are those with amounts among the top three of total assets in 2018..

C. Percentage of the net income of each business and its growth and changes

Unit: NT\$1,000

Business Items	2018		2017	
	Amount	Asset %	Amount	Asset %
Net interest income	5,346,076	77.69	4,711,040	75.95
Net income other than interest	1,535,552	22.31	1,492,095	24.05
Net fee income	1,085,778	15.78	1,154,003	18.60
Net gain on financial assets and liabilities measured at fair value through profit or loss	19,197	0.28	149,166	2.40
Net realized gain on financial assets for sale	—	—	39,413	0.64
Gains from sale of fair value through other comprehensive income financial assets	109,682	1.59	—	—
Exchange gain (loss)	155,493	2.26	(28,235)	(0.46)

Revolving interest from asset impairment	(273)	0.00	37,630	0.61
Share of subsidiaries' gains recognized by equity method	70,857	1.03	24,612	0.40
Net gain on financial assets measured at cost	—	—	34,648	0.56
Rental income	71,808	1.04	70,265	1.13
Net income other than interest	23,010	0.33	10,593	0.17
Total net income	6,881,628	100.00	6,203,135	100.00

Note: The data in this table is from individual financial statements.

(2) Business Plan of the Year

A. Deposit Business

- (A) Optimizing the structure of demand deposits and time deposits to increase the profit of total deposits. Planning encourages and assists business units to strengthen their solicitation of deposits by means of performance appraisal and project concessions.
- (B) Simplifying operating procedures and enhancing service efficiency. Advancing the workflow and improving service efficiency, in order to enhance the customer experience and deepen customer relationships.
- (C) Considering credit clients and clients nearby branch offices as the main client basis, while increasing NTD and USD deposits.

B. Loan Business

Continuously improving the loan structure and adhering to the ratio in Article 72.2 of the Banking Law, focusing on personal real-estate revolving loans with the characteristics of guarantee and profitability, and undertaking selected factory expansion loans to SMEs with good quality, profitability and capacity, which are not only highly profitable, but also can be used to develop subsequent financial services, as well as coordinate with the Funding SMEs policy of government, and match with the business of a representative of SME Credit Guarantee Fund (“ECF”), list SME cases as the main business focus.

(A) Implementation of Auditing Measures and Project Undertaking

a. Auditing of internal operation and management performance in 2018:

Apart from auditing short- and mid-term guarantee revolving loan, full guarantee for SMEs’ real estates, SMEs’ credit insurance and the number of new SME clients, the scoring in regard to full guarantee for SMEs’ real estates and amount of offered loans are increased to motivate branch offices taking relevant activities.

b. Enhancement on the Control of Loaning Risks: The Bank not only continues to select quality clients according to “wholeheartedly 300”, but also implements credit checking and surveying works during loan applications and tracking operations after loans are approved.

- (B) Enhancement on the Control of Loaning Risks: The Bank not only continues to select quality clients according to “Regulations Governing the Applications of SMEs” so it's not suitable for creditors who have too much debt and it's person in charge have no assets, but also implements credit checking and surveying works during loan applications and tracking operations after loans are approved.

C. Car Loan, Credit Loan and Subordinated Loan Businesses

(A) Car Loan Businesses

Under the premise that the car loan business continues to grow steadily, the Bank will strengthen the execution of the business units that undertake the car loan business. In 2019, the Bank's car loan product operational direction will take into account the quality, amount, interest rate and fee income of the overall assets as a priority. In addition, in order to increase the Bank's revenue, it will urge business units that undertake the car loan business to continue to seek new partners, and attract high-quality customers to purchase the Bank's related businesses such as wealth management, insurance, housing loan and enterprise financial product.

(B) Credit Loan and Subordinated Loan Businesses

The profitability of credit loans is better than other lending businesses. However, in order to reduce the risk of default, we usually recommend products to the Bank’s existing customers (such as communication loan).

In addition, the subordinated loan project launched in December 2017 has both collateral (lower risk) and profitability (higher interest rate). Therefore, the Bank still listed the subordinated loan as the key promotion project in

2019 to increase the bank's revenue.

D. Foreign Exchange Business

(A) Enhancement on solicitation USD and RMB deposits

To have a stable foreign currency source and keep the interest margin of deposits/loans, the Bank continues expanding USD deposits through the foreign exchange deposit activities, continue to develop new sources of customers, thereby increasing the foreign exchange net profit. Due to the fact that the US-China trade war has indirectly caused the currencies of various countries to devalue against the US dollar, the US dollar assets will inevitably remain the first choice for investors in 2019. The Bank hopes to stabilize the growth of US dollar deposits in order to consolidate the foundation of foreign exchange deposits.

(B) Counseling branches to develop SME import and export business

Through the visits of the foreign exchange business promotion team members in the north, central and south of Taiwan, assisting business units to expand their foreign exchange business and strengthen the solicitation of SMEs for import and export business, with a view to improving the quality and quantity of the Bank's foreign currency lending under the risk control.

(C) Strengthening e-commerce function of foreign exchange

The foreign exchange business of the Bank has launched the enterprise online banking and mobile APP functions, and expanded on the corporate online banking the foreign exchange function for transactions with an equivalent of NT\$500,000 and more to improve the Bank's online banking function. In the future, the e-commerce function of foreign exchange business will continue to be strengthened to achieve business promotion and transaction convenience.

E. Credit Card Business

Except for integrating and simplifying existing card types, the Bank plans to launch new cards suitable for market demand (such as Debit Cards, Virtual Credit Cards and E-ticket Co-branded Cards, etc.), in order to enhance the range and application of each card, and attract customers to apply for the new card. In order to meet the needs of the market, the Bank is currently developing the Debit card. After the launch, the Bank will strengthen to promote the Debit card with the Bank's deposit customers.

In addition, for the different customer categories of the Bank's existing deposit customers/ Wealth management customers, Housing Loan customers, Enterprise financing customers, Payroll transfer customers, etc., the Bank will strengthen the promotion of different types of cards and provide more favorable services according to the various customer attributes and different needs, and guide customers to increase the use of the bank's credit card in order to increase the overall consumption amount.

F. Wealth Management Business

In addition to continuing the layout in the fund market, the Bank will focus on installment-payment insurance products, USD insurance policies and investment-oriented insurance policies. Among them, the focus of installment-payment insurance products will be apart from interest sensitive insurance products, plus return of premium insurance products. The above-mentioned insurance products will also bring higher financial handling fee income to the Bank than batch-payment products.

Looking forward to the future, the development of the wealth management business will continue to be based on sustainable management and steady growth. We will provide training in financial products in advance, and focus on fixed-income products. We will assist branches to actively promote the wealth management business through financial consultants' in-depth counseling to branches, grasp the performance and progress of the branches' co-marketing activities, and provide timely reminders and follow-ups to accurately estimate the status of achievement in wealth management at each branch. In addition, professional investment researchers will adjust the product strategy and make investment suggestions according to market conditions, and the Wealth Management Department will publish information about branches with excellent performance from time to time to encourage the morale of the branches, create an atmosphere of common goals, and achieve the overall goal.

G. Electronic Banking

(A) Operational Planning

Except for expanding our services on the existing foundation, we actively develop the digital financial services such as "Digital Deposit Account Online Application Service", "New Generation Mobile Internet APP" and "Taiwan Pay QR Code" in response to the market variations and pervasion of smart mobile devices. We have also successively launched

new platforms in 2019, in order to provide "convenient" and "speedy" digital financial services to customers. Our developing emphasis are summarized as follows:

- a. Continuously optimize the operating flow of "personal online banking" and "enterprise online banking" for strengthening various functions and services to meet the needs of customers.
 - b. Launch the "iSunny Digital Deposit Account" service to allow customers to apply for a Taiwanese digital deposit account and open an online bank, as well as launch related marketing promotions to enhance the overall application volume for cards. In addition, based on the Taiwanese digital deposit account, establish the "Foreign Currency Digital Deposit Account" to provide a more complete online application service.
 - c. Use new network development technologies to develop "New Generation Mobile Internet APP", and add multiple fast login methods, push notification and management services, as well as import new applications such as "Taiwan Pay QR Code", "Give Red Envelopes" and "Payment Allocation".
 - d. Transfer the "iSunny Purchase and Pay" to "Sunny Pay" payment APP, import the "Taiwan Pay QR Code", use the characteristics of QR Code scan code to transfer and receive the payment, so as not only to pay various bills and tax fees, but also to scan QR Code to pay at convenience stores such as Hi-Life, FamilyMart, OK, and affiliated stores with the "Taiwan Pay" logo.
 - e. Strengthen industry-university cooperation, continue to promote the "Digital Financial Big Data" application, effectively use accurate marketing to improve business efficiency and develop more potential customers.
- (B) Planning and promotion of new types of business launched in September 2019.
- a. It is expected that the "Digital Deposit Account" service and the "Taiwan Pay QR Code Payment" service will be launched in March 2019.
 - b. It is expected that in June 2019, the "Automated Forecasting Model and Prototype System for Customer Funding Needs" will be developed through industry-university cooperation.
 - c. It is expected that the "New Generation Mobile Internet APP" service will be launched in September 2019.

H. Trust Business

(A) Real Estate Trust :

- a. Continue to promote the real estate development trust business and other related derivative businesses that are compatible with the Bank's land and buildings loan.
- b. Coordinate with the contractor to handle the integrated trust that integrates the owner's willingness to build in the early stage, integrated trust, Zone purchase, urban land consolidation, or the case of large-scale and long waiting period according to the Statute for Expediting Reconstruction of Urban Unsafe and Old Buildings.
- c. Developed and established the cooperation model wherein the real estate company, as the builders, undertakes construction surveillance responsibility, and the Bank is responsible for the property and money management trust, as well as continues to develop external channels including leasing companies, farmers' associations, letter houses and bill companies.
- d. Collocate with external financing institutions to handle the property rights division trust, the Bank: such as coordinated with Sunny Asset Management Co., Ltd. acting as a liquidation agency, disposing of trust assets when the conditions agreed in the trust deed are completed, to assist the financing institutions to quickly handle creditor's rights and increase the willingness of financing institutions for lending.

(B) Money Trust :

- a. Real Estate Transaction Security Trust: To collaborate with external channels such as real estate agents, registration agents and accountants, to jointly promote standard and special-type transaction security trust businesses, including real estate transactions and equity transactions.
- b. Reimbursement Trust: To provide a third-party platform for the settlement of debts between creditors and debtors of non-financial institutions, to achieve the purpose of smooth settlement of debts. This kind of business can be collocated with the bank's credit business.
- c. Voucher / Advance Payment Trust: To target medium and large suppliers, and continue to deepen and optimize the mechanism of "Instant trust", including combining the promotion and application of e-vouchers of the third-party payment "Sunny Pay", and establishing a supply and distribution platform for E-Commerce, in order to create differentiated trust services for the Bank and increasing the highlights of the business.
- d. Retirement Trust / Children's Education Trust: To provide the Money trust commodity for the purpose of satisfying family care, such as retirement, children's education, and handicapped's care, which is possible to choose

to deliver NTD or foreign currency trust funds based on the content of the asset allocation to increase the flexibility of the client's asset planning.

I. Investment Business

(A) Expanding the investment position

- a. Actively expanding the counterparties, and developing the transaction's quota, to increase the trading volumes.
- b. Actively participating in the bidding and purchase of the exemption guarantee bills with higher interest rate, and increase the secondary market transactions.
- c. Expanding the scale of overseas investment to increase the investment position of overseas bonds.
- d. Looking for new types of investment commodity.

(B) Plan for dispatching and application of short-term funds

- a. Continuing to participate in the bidding and purchase of the Central Bank's NCD, taking advantage of expectations for future interest rate movements, and adjusting the allocation of funds for long-term / short-term, to create the maximum revenue.
- b. Actively participating in the bidding and purchase of the exemption guarantee bills with higher interest rate, and increase the secondary market transactions, to increase income.
- c. Expanding the breadth of counterparties, to improve the efficiency of funds dispatching.

(C) Coordinate with obtaining the qualification of bills houses and bond dealers which could engage in foreign currency business, to engage in foreign currency bills, NCD and bond investment.

(D) Coordinate with obtaining the qualification of bond underwriter, actively expanding the scope of bond business, and engage in bond underwriting business.

(E) Coordinate with other business entities to carry out business development, such as the commercial paper self-guarantee and self-purchasing business of the Bank's clients, undertaking foreign currency SWAP transactions with clients, etc.

(3) Market Analysis

A. Analysis on Area of the Banking Service Operations

According to the domestic and overseas economic analysis report of the Ministry of Economic Affairs and the current economic situation briefing of the National Development Committee, the global economic growth momentum will continue to slow down in the current (2019)3 year. Due to trade tensions, weak international trade and manufacturing activity, and financial pressures on some large emerging and developing economies, the International Monetary Fund (IMF) estimates the global economy will grow by 3.5% this year, slower than last year's 3.7%. In addition, with the decline in international oil prices and the effect of the elimination of the tobacco tax, it will help ease the pressure of inflation for domestic prices. The Directorate General of Budget, Accounting and Statistics, Executive Yuan estimated the domestic economic growth rate to be 2.60% in 2018 and 2.41% in 2019.

The bank's operation were mainly based on the domestic market, but due to the fierce competition in the domestic market, plus factors such as globalization, liberalization trend, the decline in the cost of financial commodity transactions and financial innovation, overseas markets are becoming increasingly important, thus strengthening the breadth and depth of overseas markets is an important business strategy for the Bank, especially in emerging markets such as Southeast Asia, which is conducive to expanding new markets and enhancing profitability.

B. Future Market Supply and Demand and Potential Growth

(A) Supply Side

According to the CBC statistics, as of the end of December, 2018, the total number 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 425 with 6,001 branches.

It is difficult to improve the status of slim interest spread in recent years as interest rates are still lingering at a low level and price competition becomes more intense among homogeneous domestic banks, and the joint attack of non-bankers' competition and e-commerce in combination with payment of Internet finance trends, so 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) 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, give 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 their 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. Therefore, for better risk management, the SME loans of the Bank 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 Niche, Future 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, the domestic financial services network is complete.
- 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 services such as corporate banking, consumer banking, wealth management, foreign exchange, trust, credit card, E-Finance, continuously optimize the structure of finance, 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 with adequate, comprehensive and diverse financial services, maximizing the cross-marketing synergy.
- e. Creating the synergy of diversified operations by means of the channel of the subsidiary business.

(B) Outlooks

a. Favorable Factors

- (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 even sounder.
- (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) Consolidating the core credit business of loans to SMEs to continue profitability.

b. Unfavorable Factors

- (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 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 channels, 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 has managed to create enormous pressure to the promotion of SME banking 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 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 last 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 "1. 2017 Operating Performance" under "I. Letter to Shareholders".
- (B) For the new business units set up in the last two years, please refer to "1. 2017 Operating Performance" under "I. Letter to Shareholders".

B. Research and development expenditure and future research development plan in the last two years

In 2017 the "Sunny Bank Big Data Development Plan and Application" project with Feng Chia University was launched. In 2018, the Bank continuously carried out industry-university cooperative research projects with Feng Chia University such as "Credit evaluation assistance and review early warning system", "A research on developing the top customers in wealth management", and "A research on the evaluation for approving credit card applications and its quota". In 2019, the Bank will carry out an industry-university cooperative research project with National Chengchi University on "Microfinance and Big Data", establishing an automatic forecasting model and prototype system for customer funding needs, and continue to promote the application of "Digital Financial Big Data", in order to effectively use accurate marketing to improve business efficiency and develop more potential customers.

At present, apart from the establishment of simple branches, the Bank has launched the self-operated foreign exchange deposit operation at 101 designated foreign exchange branches. In order to improve the efficiency of foreign exchange deposit account opening operation, the Bank launched the "Electronic Operation of Foreign Exchange Demand/Time Deposit Account Opening Form" on September 27, 2017 to simplify the process of foreign exchange deposit account opening to improve service quality.

In order to improve the performance of the Bank's online banking, the Central Bank approved the online foreign exchange settlement of transactions with a value of NT\$500,000 or more on the Corporate Internet Banking from October 31, 2017 onward to meet customer demand.

In recent years, there has been strong competition on domestic foreign exchange transactions. The development of foreign exchange credit customers by business units is not easy, and the export business is difficult to attract. In order to strengthen the foreign exchange business with China Steel, the company the Bank has established an "electronic export bill transmission system" which officially went online on January 19, 2018.

(5) Long and Short Term Business Development Plans

A. Short-term business development plans

The Bank's primary goal is to strengthen its business physique 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 bonds to ensure its operating fund and to enhance its capital adequacy ratio. Besides, it is the Bank's goal to maintain its overdue loan ratio below 0.27% and the coverage rate for bad debt allowance above 381% by the end of 2019.

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. 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 demanded standard by 2019). In addition, the Bank will execute the medium-term business growth plan of the Bank, which will move towards the goal of reaching \$500 billion in total assets and \$4 billion in net profit in 2021.

In regard to its long-term perspective, the Bank aims to expand its international financial reach, extend the financial peripheral businesses, strengthen the integration of financial services and develop 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. Employee Profile

(1) Employee data in the last two years and up to the date the annual report is published:

Year		2018	2017	Current year up to March 31
Number of Employees	Assistant Vice President	123	122	125
	Heads	467	443	466
	Office Employees	1,428	1,385	1,456
	Total	2,018	1,950	2,047
Average Age		40.39	40.47	40.24
Average years of service		11.33	11.42	11.22
Education background	PhD	0.15%	0.15%	0.15%
	Master	8.97%	8.87%	8.99%
	College	83.15%	82.62%	83.19%
	Senior High School	7.48%	8.10%	7.43%
	Under Senior High School	0.25%	0.26%	0.24%
	Total	100.00%	100.00%	100.00%
Professional licenses held by employees	Basic Proficiency Test for Bank Internal Control	1,195	1,165	1,201
	Proficiency Test for Trust Operations Personnel	1,478	1,418	1,494
	Trust Operations Management Personnel	472	453	468
	Trust Operations Supervisor	9	10	9
	Proficiency Test for Life Insurance Specialist	1,654	1,587	1,682
	Proficiency Test for Investment-oriented Insurance Personnel	754	745	744

Professional licenses held by employees	Proficiency Test for Property Insurance Personnel	1,612	1,516	1,651
	Proficiency Test for Financial Planning Personnel	345	344	355
	Basic Proficiency Test for International Banking Personnel	385	381	383
	Basic Proficiency Test for Bank Lending Personnel	704	699	711
	Advanced Proficiency Test for Bank Lending Personnel	23	22	23
	Proficiency Test for Futures Specialist	248	249	256
	Proficiency Test for Securities Specialist	263	251	281
	Proficiency Test for Senior Securities Specialist	154	151	157
	Proficiency Test for Securities Investment Trust and Consulting Professionals (one subject)	140	117	134
	Proficiency Test for Bill Finance Specialist	64	61	63
	Proficiency Test for Financial Risk Management Personnel	3	3	3
	Proficiency Test for Bank Collateral Appraisal Personnel	15	15	15
	Qualification of Investment Trust and Consulting Regulations Test	1,533	1,501	1,545
	Consultant of Financial Planning (CFP)	908	932	909
	Proficiency Test for Bond Specialist	5	6	4
	Proficiency Test for Securities Investment Analyst	16	17	16
	Proficiency Test for Life Insurance Representative to Sell Foreign	5	5	4
	Currency Receiving and Paying in Non-Investment Oriented	657	623	657
	Insurance Products	153	161	155
	Certificate of Completion of Risk Management for Foreign Exchange Derivatives Course	3	3	4
		4	3	4

Note: Fill in the data for the year up to the annual report publication date.

(2) Status on Training and Development

- A. The Bank knows that talents are the competitive advantage of a company which cannot be copied, and the decisive force to continuously achieve a company's peak. Therefore, the Bank attaches great importance to the cultivation of internal talents and provides rich learning resources, adopts a "business-oriented training strategy" based on the development of duties, business and career, and plans a diversified curriculum covering physical and digital training to enable employees to learn independently at their own paces and quickly absorb a wide range of financial knowledge, so as to respond to environment and business changes at any time, and enhance their professionalism and competitive advantage in providing quality financial services in a timely manner in order to support the Bank's progressive cultural development and sustainable management philosophy.
- B. In 2018, the Bank's key cultivation projects were related to the training of professional credit, wealth management, Foreign exchange and remittance, E-finance, and prevention of money laundering and anti-terrorism, and actively trained employees of all levels and reserved middle and high rank supervisors. Other than sending employees to participate in training courses organized by professional institutions such as the "Taiwan Financial Research Institute", "Republic of China Securities and Futures Market Development Foundation" and related consultancies, the Bank also conducted various physical and online internal professional training courses. According to the statistics, in 2018 the

number of participants in physical courses was 12,776 people-times and in online courses was 2,389 person-times, and the total number of participants was 15,165 person-times. The training results were in line with expectations.

3. Corporate Social Responsibility and Ethical Behavior

- (1) Donated NT\$1.5 million to Sunny Culture and Education Foundation.
- (2) Sponsored Kaohsiung Sunny Bank Women Football Team in 2018 for the third consecutive year, in order to support the development of Taiwan sports activities and cultivate the local football talents.
- (3) 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 2012, which has visited nearly 43 elementary schools in rural areas such as Hsinchu County, Nantou County, Pingtung County, Great Chishan area of Kaohsiung City, Miaoli County, Hualien County, and Taitung County. It has provided physical materials for about 1,550 children, making them feel the warmth from the society. The children were inspired and encouraged to build dreams in the scheme with profound significance.
- (4) Sponsored the "Taiwan Red Leaf Little League Team", in a hope to attract more resources for Taiwan's grassroots baseball. It is expected that all walks of life will pay attention to the rooting and development of the sports of baseball in Taiwan.

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

Category	2018	2017
Number of non-supervisor employees	1,484	1,441
Average welfare expenses	810,114	821,319
Annual Growth rate (%)	(1.36)	(1.64)

6

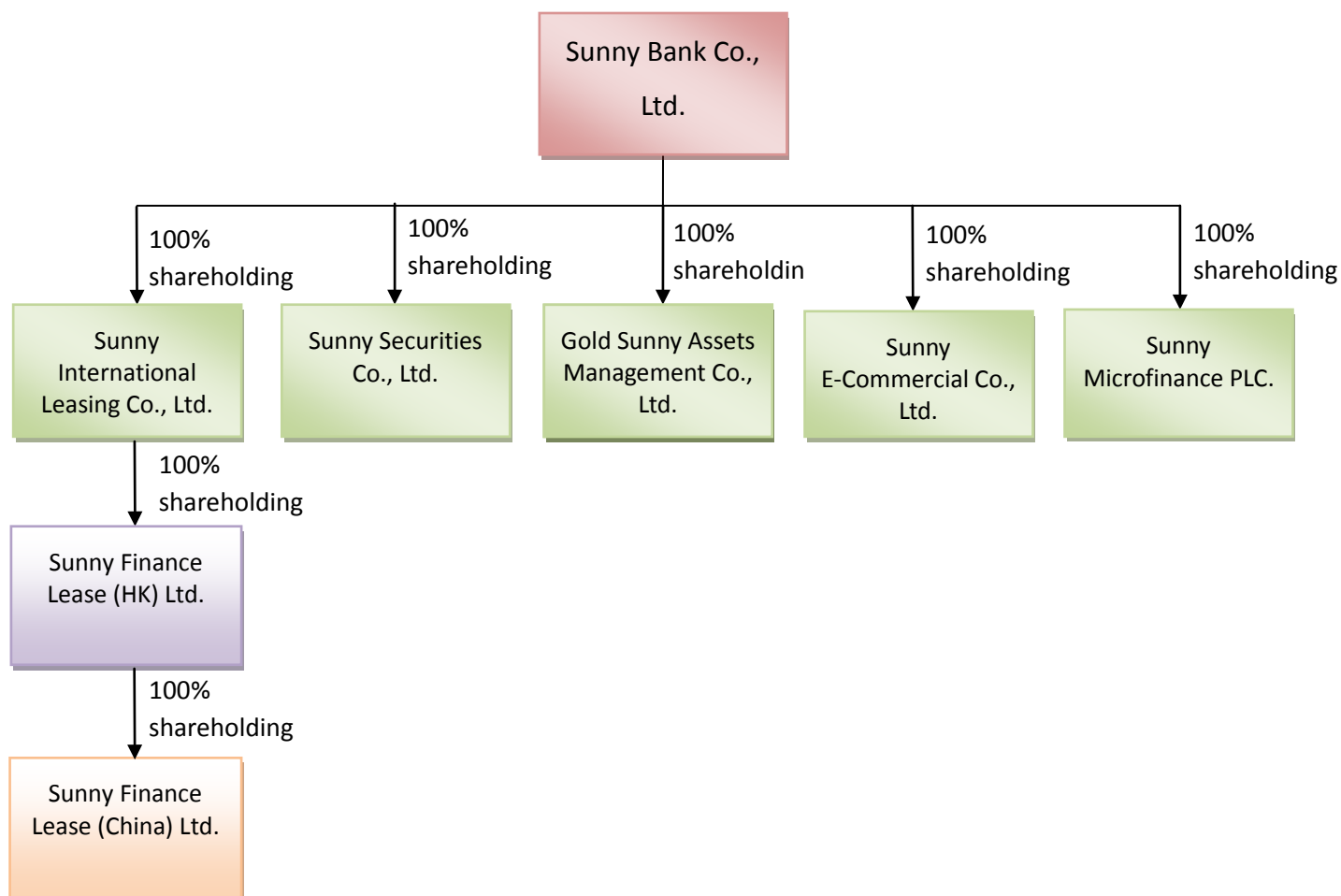
VI. Special Remarks

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) Status of Affiliates

A. Organization Chart of Affiliates



B. Basic Information on Affiliates

Unit: NT\$ 1,000, unless otherwise specified

Company Name	Date of Establishment	Address	Paid-in Capital	Major Business
Sunny Securities Co., Ltd.	Feb 4, 1998	B2, No.165, Sec. 5, Minsheng E. Rd., Songshan Dist., Taipei City	502,000	Commissioned trading of marketable securities and assistant in futures trading
Gold Sunny Assets Management Co., Ltd.	Oct 23, 2006	5F, No.255, Zhongzheng Rd., Shilin Dist., Taipei City	150,000	Purchase of financial institutions' Creditor's Right (Money)
Sunny International Leasing Co., Ltd.	Nov 28, 2012	6F., No.88, Sec. 1, Shipai Rd., Beitou Dist., Taipei City	1,525,000	Leasing
Sunny Finance Lease (HK) Ltd.	Jan 24, 2013	Room 2702-03, Integration Centre, 302-8 Hennessy Road, Wan Chai, Hong Kong	USD30,000,000	Financing, leasing and investment
Sunny Finance Lease (China) Ltd.	May 20, 2013	Room 1401-12, 14F, No. 98, Middle Huaihai Road, Huangpu District, Shanghai City	USD30,000,000	Financing and leasing
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
Sunny Microfinance PLC.	Dec 20, 2018	6F, No.19 & 20, Street 106, Tajieshan, Longbian District, Phnom Penh City, Cambodia	USD1,000,000	Financing

C. For those which have the controller or subsidiary relationship, the information of the common shareholders: None.

D. Directors, Supervisors and Presidents of Affiliates

Record date: December 31, 2018

Unit: 1000 shares, %

Company Name	Title	Name	Shareholdings	
			Shares	%
Sunny Securities Co., Ltd.	Chairman	Chou, San-Ho, Representative of Sunny Bank Co., Ltd.	502,000	100.00
	Director	Kuo, Cheng-Hung, Representative of Sunny Bank Co., Ltd.		
	Director	Huang, Yen-Chun, Representative of Sunny Bank Co., Ltd.		
	Director	Wang, Chien-Yi, Representative of Sunny Bank Co., Ltd.		
	Director	Le, Wen-Kuang, Representative of Sunny Bank Co., Ltd.		
	Supervisor	Sung, Ping-Ping, Representative of Sunny Bank Co., Ltd.		
	President	Yang, Hui-Ren	-	-
Gold Sunny Assets Management Co., Ltd.	Chairman	Lin, Chi-Liang, Representative of Sunny Bank Co., Ltd.	15,000	100.00
	Director	Li, Yu-Sheng, Representative of Sunny Bank Co., Ltd.		
	Director	Cheng, Yan-Ching, Representative of Sunny Bank Co., Ltd.		
	Supervisor	Chen, Hui-Ling, Representative of Sunny Bank Co., Ltd.		
	President	Chen, Yu-Li	-	-
Sunny International Leasing Co., Ltd.	Chairman	Lin, Yi-Tsun, Representative of Sunny Bank Co., Ltd.	152,500	100.00
	Director	He, Li-Wei Representative of Sunny Bank Co., Ltd.		
	Director	Gan, Wu-Cheng Representative of Sunny Bank Co., Ltd.		
	Supervisor	Liu, Chong-Hsun, Representative of Sunny Bank Co., Ltd.		
	President	Liu, Jong-Sen	-	-
Sunny Finance and Lease (HK) Ltd.	Director	Lin, Yi-Tsun, Representative of Sunny International Leasing Co., Ltd.	-	100.00
Sunny Finance and Lease (China) Ltd.	Executive Director	Liu, Jong-Sen, Representative of Sunny Finance and Leasing (Hong Kong) Co., Ltd.	-	100.00
	Supervisor	Gan, Wu-Cheng, Representative of Sunny Finance and Leasing (Hong Kong) Co., Ltd.		
Sunny E-Commercial Co., Ltd.	Chairman	Chang, Chi-Ming, Representative of Sunny Bank Co., Ltd.	5,000	100.00
	Director	Song, Ping-Ping, Representative of Sunny Bank Co., Ltd.		
	Director	Cheng, Yan-Ching, Representative of Sunny Bank Co., Ltd.		
	Supervisor	Chen, Yu-Liang, Representative of Sunny Bank Co., Ltd.		
Sunny Microfinance PLC.	Chairman and President	Chen, Guo-Huei, Representative of Sunny Bank Co., Ltd	100	100.00
	Director	Chen, Jin-Jia, Representative of Sunny Bank Co., Ltd		
	Director	Jau, Huei-Jen, Representative of Sunny Bank Co., Ltd		

E. Operations of Affiliated Companies

Unit: NT\$1,000, EPS 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	1,122,124	534,045	588,079	105,687	9,352	13,471	0.27

Gold Sunny Assets Management Co., Ltd.	150,000	324,481	161,621	162,860	23,812	1,980	5,125	0.34
Sunny International Leasing Co., Ltd	1,525,000	2,588,725	1,101,182	1,487,543	73,981	11,047	56,100	0.37
Sunny Finance Lease (HK) Ltd.	921,990	921,467	556	920,911	—	—	25,445	—
Sunny Finance and Lease (China) Ltd.	921,990	954,169	27,133	927,036	46,933	31,519	25,429	—
Sunny E-Commercial Co., Ltd.	50,000	50,000	41,122	12,169	28,953	29,566	(3,391)	(3,377)
Sunny Microfinance PLC.	30,715	19,928	15,405	4,523	4,777	(8,316)	(8,324)	(2.71)

(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

Record date: March 31, 2019

Unit: NT1,000; shares; % ,unless otherwise specified

Affiliates (Note 1)	Paid-in Capital	Source of Fund	Shareholdings of the Bank	Date of acquisition 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 Endorsement & Guarantee to	The Bank's Loans to Affiliates
Sunny Securities Co., Ltd.	502,000	The company's own funds	100.00	-	-	-	-	-	-	500 million	200 million
Gold Sunny Assets Management Co., Ltd.	150,000	The company's own funds	100.00	-	-	-	-	-	-	50 million	-
Sunny International Leasing Co., Ltd.	1,525,000	The company's own funds	100.00	-	-	-	-	-	-	-	-
Sunny E-Commercial Co., Ltd.	50,000	The company's own funds	100.00	-	-	-	-	-	-	-	-
Sunny Microfinance PLC.	USD1,000,000	The company's own funds	100.00	-	-	-	-	-	-	-	-

Note 1: Please list respectively by branch.

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's endorsement guarantee amount for its subsidiaries is the credit line extended in implied warranties or support agreements issued.

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: The Bank has re-elected all directors of the 8th term of the Board of Directors at the 2018.6.4 shareholders' regular meeting.

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VII. Service Network

Unit Name	Address		Tel.	
ADMINISTRATION MANAGEMENT DEPARTMENT	11271	NO.90, SEC.1, SHIPAI RD., BEITOU DIST., TAIPEI CITY, TAIWAN.	(02)	2820-8166
BUSINESS DEPARTMENT	11163	NO.255, CHUNG CHENG RD, SHIH LIN DIST, TAIPEI CITY,TAIWAN.	(02)	2882-2330
SHIPAI BRANCH	11271	NO.90, SEC.1, SHIPAI RD., BEITOU DIST., TAIPEI CITY, TAIWAN.	(02)	2823-8480
BEITOU BRANCH	11246	NO.152, GUANGMING RD., BEITOU DIST., TAIPEI CITY, TAIWAN.	(02)	2891-7361
SHILIN BRANCH	11169	NO.82, DABEI RD., SHILIN DIST., TAIPEI CITY, TAIWAN.	(02)	2882-3660
DA TUN BRANCH	11252	NO.304, ZHONGHE ST., BEITOU DIST., TAIPEI CITY, TAIWAN.	(02)	2891-9196
CHIEN TAN BRANCH	11166	NO.131, TONGHE ST., SHILIN DIST., TAIPEI CITY, TAIWAN.	(02)	2885-4181
SHE TZU BRANCH	11173	NO.260, SEC. 5, YANPING N. RD., SHILIN DIST., TAIPEI CITY, TAIWAN.	(02)	2812-1112
LAN YA BRANCH	11155	NO.169, SEC. 6, ZHONGSHAN N. RD., SHILIN DIST., TAIPEI CITY, TAIWAN.	(02)	2836-2072
TIANMU BRANCH	11153	NO.15, TIANMU E. RD., SHILIN DIST., TAIPEI CITY, TAIWAN.	(02)	2873-2500
SHEZHONG BRANCH	11175	NO.220, SHEZHONG ST., SHILIN DIST., TAIPEI CITY, TAIWAN.	(02)	2815-1415
JILIN BRANCH	10459	NO.304, JILIN RD., ZHONGSHAN DIST., TAIPEI CITY, TAIWAN.	(02)	2561-1188
CHENGGONG BRANCH	11489	NO.70, SEC. 4, CHENGGONG RD., NEIHU DIST., TAIPEI CITY, TAIWAN.	(02)	2792-2433
MINSHENG BRANCH	10589	NO.167, SEC. 5, MINSHENG E. RD., SONGSHAN DIST., TAIPEI CITY 105, TAIWAN.	(02)	2760-6335
YANJI BRANCH	10558	NO.11, YANJI ST., SONGSHAN DIST., TAIPEI CITY, TAIWAN.	(02)	2578-6201
MUZHA BRANCH	11648	NO.96, SEC. 3, MUZHA RD., WENSHAN DIST., TAIPEI CITY1, TAIWAN.	(02)	2234-5890
LONGJIANG BRANCH	10475	NO.49, LN. 356, LONGJIANG RD., ZHONGSHAN DIST., TAIPEI CITY, TAIWAN.	(02)	2516-5945
NANJING BRANCH	10553	NO.132, SEC. 4, NANJING E. RD., SONGSHAN DIST., TAIPEI CITY, TAIWAN.	(02)	2579-0229
CHING MEI BRANCH	11669	NO.95-12, JINGHOU ST., WENSHAN DIST., TAIPEI CITY, TAIWAN.	(02)	2930-0202
CHUNG SHING BRANCH	10478	NO.36, SEC. 3, MINSHENG E. RD., ZHONGSHAN DIST., TAIPEI CITY, TAIWAN.	(02)	2516-5268
XINYI BRANCH	10681	NO.188, SEC. 4, XINYI RD., DA AN DIST., TAIPEI CITY, TAIWAN.	(02)	2706-8388
ZHONGHE BRANCH	23553	NO.245, JIAN 1ST RD., ZHONGHE DIST., NEW TAIPEI CITY, TAIWAN.	(02)	2222-5199
YONGHE BRANCH	23443	NO.188, SEC. 1, ZHONGSHAN RD., YONGHE DIST., NEW TAIPEI CITY, TAIWAN.	(02)	2626-5899
LUZHOU BRANCH	24747	NO.393, JIXIAN RD., LUZHOU DIST., NEW TAIPEI CITY, TAIWAN.	(02)	8282-2068
BANQIAO BRANCH	22063	NO.133, SEC. 1, SICHUAN RD., BANQIAO DIST., NEW TAIPEI CITY, TAIWAN.	(02)	2955-0008
TAISHAN BRANCH	24347	NO.110, SEC. 1, MINGZHI RD., TAISHAN DIST., NEW TAIPEI CITY, TAIWAN.	(02)	2297-9797
HSIN HO BRANCH	23570	NO.89, HUAXIN STREET, ZHONGHE DIST, NEW TAIPEI CITY,TAIWAN.	(02)	8941-9339
HSI CHOU BRANCH	22072	NO.89, SEC. 3, DUXING RD., BANQIAO DIST., NEW TAIPEI CITY, TAIWAN.	(02)	2681-9960
KU TING BRANCH	10080	NO.40, SEC. 2, TINGZHOU RD., ZHONGZHENG DIST., TAIPEI CITY, TAIWAN.	(02)	8269-2288

Unit Name	Address		Tel.	
HSIN CHUANG BRANCH	24260	NO.533, LONGAN RD., XINZHUANG DIST., NEW TAIPEI CITY, TAIWAN.	(02)	8201-9069
SAN CHONG BRANCH	24151	NO.108, SEC. 4, ZIQIANG RD., SANCHONG DIST., NEW TAIPEI CITY, TAIWAN.	(02)	8981-7171
SHUANG HO BRANCH	23566	NO.722, JINGPING RD., ZHONGHE DIST., NEW TAIPEI CITY, TAIWAN.	(02)	8242-3919
DAYE BRANCH	33049	NO.55, SEC 1, DAYE RD, TAOYUAN DIST, TAOYUAN CITY, TAIWAN.	(03)	347-8899
FUXING BRANCH	10547	NO.143, FUXING N. RD., SONGSHAN DIST., TAIPEI CITY, TAIWAN.	(02)	2719-6166
TAOYUAN BRANCH	33048	NO.30-20, ZHONGSHAN E. RD., TAOYUAN DIST., TAOYUAN CITY, TAIWAN.	(03)	336-0555
DA AN BRANCH	11056	NO.225, SEC. 3, HEPING E. RD., DA AN DIST., TAIPEI CITY, TAIWAN.	(02)	2733-7711
XINDIAN BRANCH	23148	NO.263-5, ZHONGZHENG RD., XINDIAN DIST., NEW TAIPEI CITY, TAIWAN.	(02)	8911-7676
XINGFU BRANCH	24247	NO.800, XINGFU RD., XINZHUANG DIST., NEW TAIPEI CITY, TAIWAN.	(02)	2998-3366
YUANLIN BRANCH	51052	NO.12, JINGXIU RD., YUANLIN CITY, CHANGHUA COUNTY, TAIWAN.	(04)	832-2171
SHETOU BRANCH	51141	NO.257, SEC. 2, YUANJI RD., SHETOU TOWNSHIP, CHANGHUA COUNTY, TAIWAN.	(04)	872-1017
PINGTUNG BRANCH	90074	NO.70, ZHONGZHENG RD., PINGTUNG CITY, PINGTUNG COUNTY, TAIWAN.	(08)	732-6123
ZHONG ZHENG BRANCH	90062	NO.293, ZHONGZHENG RD., PINGTUNG CITY, PINGTUNG COUNTY, TAIWAN.	(08)	736-0811
HSIN PU BRANCH	22049	NO.245, SIWEI RD., BANQIAO DIST., NEW TAIPEI CITY, TAIWAN.	(02)	8253-7789
KAHHSIUNG BRANCH	80766	NO.192, JIURU 1ST RD., SANMIN DIST., KAOHSIUNG CITY, TAIWAN.	(07)	384-3163
ZHONGHUA BRANCH	70168	NO.102, SEC. 3, ZHONGHUA E. RD., EAST DIST., TAINAN CITY, TAIWAN.	(06)	267-0751
CHIAYI BRANCH	60089	NO.298, ZHONGXING RD., WEST DIST., CHIAYI CITY, TAIWAN.	(05)	234-2023
TAINAN BRANCH	70050	NO.148, SEC. 1, ZHONGYI RD., WEST CENTRAL DIST., TAINAN CITY, TAIWAN.	(06)	228-2171
JIANKANG BRANCH	70262	NO.370, SEC. 2, JIANKANG RD., SOUTH DIST., TAINAN CITY, TAIWAN.	(06)	261-2136
DONGNING BRANCH	70160	NO.247, DONGNING RD., EAST DIST., TAINAN CITY, TAIWAN.	(06)	237-5141
AN SHUN BRANCH	70941	NO.202, SEC. 1, ANHE RD., ANNAN DIST., TAINAN CITY, TAIWAN.	(06)	256-3146
HSI HUA BRANCH	70847	NO.359, SEC. 2, ZHONGHUA W. RD., ANPING DIST., TAINAN CITY, TAIWAN.	(06)	297-9880
OFFSHORE BANKING UNIT	10547	F2, NO.143, FUXING N. RD., SONGSHAN DIST., TAIPEI CITY, TAIWAN.	(02)	2719-1616
HSINCHU BRANCH	30041	NO.247, ZHONGYANG RD., EAST DIST., HSINCHU CITY, TAIWAN.	(03)	515-3608
JINGWU BRANCH	40147	NO.188, JINGWU E. RD., EAST DIST., TAICHUNG CITY, TAIWAN.	(04)	2211-2368
ZUOYING BRANCH	81357	NO.102, BO AI 2ND RD., ZUOYING DIST., KAOHSIUNG CITY, TAIWAN.	(07)	556-0128
TAICHUNG BRANCH	40354	NO.229, SEC. 2, TAIWAN BLVD, WEST DIST, TAICHUNG CITY, TAIWAN.	(04)	2310-9996
XIANG SHANG BRANCH	40356	NO.166, SEC. 1, XIANGSHANG S. RD., WEST DIST., TAICHUNG CITY, TAIWAN.	(04)	2472-2528
NEIHU BRANCH	11493	NO.250, SEC. 1, NEIHU RD., NEIHU DIST., TAIPEI CITY, TAIWAN.	(02)	2658-6698

Unit Name	Address		Tel.	
ZHONG LI BRANCH	32097	NO.171, JIANXING RD., ZHONGLI DIST., TAOYUAN CITY, TAIWAN.	(03)	428-1116
WUGU BRANCH	24872	NO.12, SEC. 1, ZHONGXING RD., WUGU DIST., NEW TAIPEI CITY, TAIWAN.	(02)	8976-9000
LIN SEN BRANCH	30061	NO.109, XIDA RD., EAST DIST., HSINCHU CITY, TAIWAN.	(03)	610-0189
XINXING BRANCH	80049	NO.6, ZHONGZHENG 4TH RD., XINXING DIST., KAOHSIUNG CITY, TAIWAN.	(07)	288-4131
QINGNIAN BRANCH	80252	NO.169-1, QINGNIAN 1ST RD., LINGYA DIST., KAOHSIUNG CITY, TAIWAN.	(07)	331-8526
SAN FONG BRANCH	80749	NO.293, ZHONGHUA 3RD RD., SANMIN DIST., KAOHSIUNG CITY, TAIWAN.	(07)	231-5101
SIH WEI BRANCH	80245	NO.159, ZHONGHUA 4TH RD., LINGYA DIST., KAOHSIUNG CITY, TAIWAN.	(07)	333-3701
DAGONG BRANCH	80342	NO.40, DAGONG RD., YANCHENG DIST., KAOHSIUNG CITY, TAIWAN.	(07)	531-5105
DASHUN BRANCH	80787	NO.41, DASHUN 2ND RD., SANMIN DIST., KAOHSIUNG CITY, TAIWAN.	(07)	386-1622
HAI KUANG BRANCH	81346	NO.190, ZUOYING AVENUE, ZUOYING DIST., KAOHSIUNG CITY, TAIWAN.	(07)	582-3511
CHIEN CHEN BRANCH	80266	NO.281, SANDUO 2ND RD., LINGYA DIST., KAOHSIUNG CITY, TAIWAN.	(07)	711-0046
PING DENG BRANCH	80745	NO.283, ZILI 1ST RD., SANMIN DIST., KAOHSIUNG CITY, TAIWAN.	(07)	321-4622
XIAOGANG BRANCH	81254	NO.615, HONGPING RD., XIAOGANG DIST., KAOHSIUNG CITY, TAIWAN.	(07)	806-5171
LIWEN BRANCH	81358	NO.75, LIWEN RD., ZUOYING DIST., KAOHSIUNG CITY, TAIWAN.	(07)	558-0711
YOU CHANG BRANCH	81156	NO.803, JIACHANG RD., NANZI DIST., KAOHSIUNG CITY, TAIWAN.	(07)	364-6530
WUJIA BRANCH	83084	NO.280, WUJIA 2ND RD., FENGSHAN DIST., KAOHSIUNG CITY, TAIWAN.	(07)	726-0801
DINGLI BRANCH	80789	NO.142, DINGLI RD., SANMIN DIST., KAOHSIUNG CITY, TAIWAN.	(07)	346-5955
NANZI BRANCH	81162	NO.24, NANZI RD., NANZI DIST., KAOHSIUNG CITY, TAIWAN.	(07)	353-5513
QISHAN BRANCH	84243	NO.158, ZHONGSHAN RD., QISHAN DIST., KAOHSIUNG CITY, TAIWAN.	(07)	661-2081
LINYUAN BRANCH	83248	NO.136, DONGLIN W. RD., LINYUAN DIST., KAOHSIUNG CITY, TAIWAN.	(07)	643-8141
GANGSHAN BRANCH	82065	NO.16, DADE 1ST RD., GANGSHAN DIST., KAOHSIUNG CITY, TAIWAN.	(07)	623-6182
LIGANG BRANCH	90546	NO.43, LIGANG RD., LIGANG TOWNSHIP, PINGTUNG COUNTY, TAIWAN.	(08)	775-7735
YONGKANG BRANCH	71049	NO.625, ZHONGHUA RD., YONGKANG DIST., TAINAN CITY, TAIWAN.	(06)	203-6607
RENDE BRANCH	71743	NO.273, SEC. 2, ZHONGZHENG RD., RENDE DIST., TAINAN CITY, TAIWAN.	(06)	270-6361
TAIPEI BRANCH	10451	NO.43, SEC. 1, MINSHENG E. RD., ZHONGSHAN DIST., TAIPEI CITY, TAIWAN.	(02)	2563-3710
CHANG AN BRANCH	10350	NO.205, CHANG AN W. RD., DATONG DIST., TAIPEI CITY, TAIWAN.	(02)	2559-5500
LOUDONG BRANCH	26548	NO.30, ZHONGZHENG N. RD., LUODONG TOWNSHIP, YILAN COUNTY, TAIWAN.	(03)	957-1259
ZHUBEI BRANCH	30264	NO.236, DONG SEC. 1, GUANGMING 6TH RD., ZHUBEI CITY, HSINCHU COUNTY, TAIWAN.	(03)	658-5818
CHONGXIN BRANCH	24144	NO.28, SEC. 4, CHONGXIN RD., SANCHONG DIST., NEW TAIPEI CITY, TAIWAN.	(02)	2977-9886

Unit Name	Address		Tel.	
CHANGHUA BRANCH	50063	NO.187, XIAOYANG RD., CHANGHUA CITY, CHANGHUA COUNTY, TAIWAN.	(04)	728-9399
TUNG TAOYUAN BRANCH	33044	1F, NO.523, JINGGUO RD., TAOYUAN DIST., TAOYUAN CITY 330, TAIWAN.	(03)	316-1859
NANGANG BRANCH	11578	1F, NO.97, SEC. 2, NANGANG RD., NANGANG DIST., TAIPEI CITY, TAIWAN.	(02)	2785-1001
PEITUN BRANCH	40462	NO.172, SEC. 4, WENXIN RD., NORTH DIST., TAICHUNG CITY, TAIWAN.	(04)	2292-5258
TUCHENG BRANCH	23645	1F, NO.2, LN. 33, SEC. 3, JINCHENG RD, TUCHENG DIST, NEW TAIPEI CITY, TAIWAN.	(02)	8261-1818
KEELUNG BRANCH	20145	1F, NO.117, XIN 1ST RD, XINYI DIST, KEELUNG CITY, TAIWAN.	(02)	2422-2828
WANHUA BRANCH	10864	1F, NO.207, SEC.2, XIYUAN RD, WANHUA DIST, TAIPEI CITY, TAIWAN.	(02)	2305-8699
HUALIEN BRANCH	97342	NO.200, 202, SEC.2, ZHONGHUA RD, JI'AN TOWNSHIP, HUALIEN COUNTY, TAIWAN.	(03)	853-9396
MIAOLI BRANCH	36305	NO.205, DATONG RD, GONGGUAN TOWNSHIP, MIAOLI COUNTY, TAIWAN.	(037)	222-618
LONG JING BRANCH	43448	NO.256, 258, SEC.5, TAIWAN BLVD, LONGJING DIST, TAICHUNG CITY, TAIWAN.	(04)	2633-0898
YUMLIN BRANCH	63344	NO.39, 41, 43, FUXING RD, TUKU TOWNSHIP, YUNLIN COUNTY, TAIWAN.	(05)	662-8889
NANTOU BRANCH	55141	NO.122, YUANJI RD, MINGJIAN TOWNSHIP, NANTOU COUNTY, TAIWAN.	(049)	273-3855
DALI BRANCH	41266	NO.666.668, SEC.2, GUOGUANG RD, DALI DIST, TAICHUNG CITY, TAIWAN.	(04)	2482-0329
TATUNG BRANCH	10363	NO.116-1, 118, SEC.3, CHENGDE RD, DATONG DIST, TAIPEI CITY, TAIWAN.	(02)	2598-8979
TAITUNG BRANCH	95493	NO.112, 114, TAIPING RD, BEINAN TOWNSHIP, TAITUNG COUNT, TAIWAN.	(089)	380-675
ILAN BRANCH	26441	NO.181, 183, SEC.1, YUANSHAN RD, YUANSHAN TOWNSHIP, ILAN COUNTY, TAIWAN.	(03)	923-1919
SOUTH TAOYUAN BRANCH	33058	NO.382, ZHONGSHAN RD., TAOYUAN DIST., TAOYUAN CITY, TAIWAN.	(03)	331-0299
HSICHIH BRANCH	22145	1-2F., NO.175, SEC. 1, DATONG RD.,XIZHI DIST.,NEW TAIPEI CITY,TAIWAN.	(02)	8691-9985
HOPING BRANCH	10643	NO., SEC 1, HEPING E. RD., DA'AN DIST., TAIPEI CITY, TAIWAN.	(02)	2396-5998



Annex.I Sunny Bank Ltd. And Subsidiaries

Consolidated Financial Statements for the
Years Ended December 31, 2018 and 2017 and
Independent Auditor's Report

REPRESENTATION LETTER OF COMBINED FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the combined financial statements of Sunny Bank Ltd. as of and for the year ended December 31, 2018, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Sunny Bank Ltd. and its subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

SUNNY BANK LTD.

By:

SHEN-HUNG CHEN
Chairman

March 19, 2019

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Sunny Bank Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Sunny Bank Ltd. (the Company) and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, 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. (collectively referred to as the "consolidated financial statements")

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended 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, 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, 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 Consolidated Financial Statements section of our report. We are independent of the Group 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, 2018. 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 Group's consolidated financial statements for the year ended December 31, 2018 are stated as follows:

Impairment of Discounts and Loans, Receivables and Loan Commitments

When evaluating the impairment of discounts and loans, receivables and loan commitments, the Bank's management based on the assumptions about the probability of default and the default loss rate which are based on historical experience, existing market situations, forward-looking estimates etc. Assessing evidence of the probability of default and impairment on discounts and loans, receivables and loan commitments, and determining whether the credit risk on discounts and loans, receivables and loan commitments has increased significantly since initial recognition (including adoption of forward-looking factors), and the assessment of the methodology and assumptions used for estimating impairment and the estimation of the amount and timing of future cash flow, and need to comply with applicable regulations and laws. Therefore, impairment of discounts and loans, receivables and loan commitment 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 discounts and loans, receivables and loan commitments, Note 5 for critical accounting judgements and key sources of estimations uncertainty, and Note 14 and 46 for related presentations and disclosures.

In response to the key audit matter mentioned above, we performed the following audit procedures. We understood whether the basis of the management's methodology, assumptions and inputs used in the impairment model in IFRS 9 based on. We evaluated whether the assumptions and inputs used appropriately reflected past issues, current situation and future economic situation of discounts and loans, receivables and loan commitments. Assessed the rationality and consistency of future cash flow and collateral values used in the adoption of default probability, forward-looking factor estimated and default loss rate, and performed sampling on discounts and loans, receivables and loan commitments 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 discounts and loans, receivables and loan commitments complied with related regulations and guidelines.

Other Matter

We have also audited the financial statements of Sunny Bank Ltd. as of and for the years ended December 31, 2018 and 2017, on which we have issued an unmodified opinion with description of other matter and an unmodified opinion, respectively.

Responsibilities of Management and Those Charged with Governance for the Standalone 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including members of the audit committee, are responsible for overseeing the Group's 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 Group'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 Group'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 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 Group 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, 2018 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 Dien-Sheng Chang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 19, 2019

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, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018		2017	
	Amount	%	Amount	%
ASSETS				
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	\$ 7,264,036	2	\$ 6,548,460	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Note 7)	18,425,958	4	15,100,800	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 3, 4 and 8)	20,684,179	4	22,436,526	5
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 3, 4, 5, 9, 11 and 44)	<u>68,312,022</u>	<u>15</u>	<u>-</u>	<u>-</u>
FINANCIAL ASSETS AT AMORTIZED COST (Note 3, 4, 5, 10, 11 and 44)	<u>25,333,318</u>	<u>5</u>	<u>-</u>	<u>-</u>
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 4 and 12)	1,813,247	-	1,790,880	-
RECEIVABLES, NET (Notes 3, 4, 5, 13 and 14)	4,373,086	1	4,048,582	1
CURRENT TAX ASSETS (Note 40)	793	-	950	-
DISCOUNTS AND LOANS, NET (Notes 3, 4, 5, 14 and 43)	311,310,571	66	286,837,682	65
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 3, 4, 15 and 44)	-	-	64,871,328	15
HELD-TO-MATURITY FINANCIAL ASSETS (Notes 3, 4, 16 and 44)	-	-	21,147,709	5
OTHER FINANCIAL ASSETS, NET (Notes 3, 4, 5, 14, 17 and 44)	5,859,392	1	5,844,071	1
PROPERTY AND EQUIPMENT, NET (Notes 4 and 18)	9,269,577	2	9,382,899	2
INVESTMENT PROPERTIES (Notes 4 and 19)	199,848	-	202,201	-
INTANGIBLE ASSETS (Notes 4 and 20)	1,192,511	-	1,113,705	-
DEFERRED TAX ASSETS (Notes 4 and 40)	219,286	-	162,004	-
OTHER ASSETS, NET (Notes 4, 21 and 44)	<u>389,530</u>	<u>-</u>	<u>377,608</u>	<u>-</u>
TOTAL	<u>\$ 474,647,354</u>	<u>100</u>	<u>\$ 439,865,405</u>	<u>100</u>
LIABILITIES AND EQUITY				
DUE TO THE CENTRAL BANK AND OTHER BANKS (Note 22)	\$ 6,513,606	2	\$ 7,313,606	2
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	20,979	-	8,040	-
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE (Notes 4, 9, 10, 16 and 23)	4,351,089	1	9,655,135	2
PAYABLES (Notes 24 and 28)	4,243,660	1	3,944,228	1
CURRENT TAX LIABILITIES (Notes 4 and 40)	256,740	-	178,904	-
DEPOSITS AND REMITTANCES (Notes 25 and 43)	412,902,705	87	376,540,732	86
BANK DEBENTURES (Note 26)	14,530,000	3	13,780,000	3
SHORT-TERM BORROWINGS	978,000	-	1,209,000	-
OTHER FINANCIAL LIABILITIES	349,553	-	329,736	-
PROVISIONS (Notes 3, 4, 5, 14, 27 and 28)	152,009	-	70,737	-
DEFERRED TAX LIABILITIES (Notes 4 and 40)	132,797	-	114,695	-
OTHER LIABILITIES (Note 29)	<u>332,853</u>	<u>-</u>	<u>331,782</u>	<u>-</u>
Total liabilities	<u>444,763,991</u>	<u>94</u>	<u>413,476,595</u>	<u>94</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 3, 4 and 30)				
Ordinary shares	<u>23,927,206</u>	<u>5</u>	<u>21,629,440</u>	<u>5</u>
Capital surplus	<u>50,593</u>	<u>-</u>	<u>50,443</u>	<u>-</u>
Retained earnings				
Legal reserve	2,767,621	1	2,194,441	1
Special reserve	46,184	-	382,808	-
Unappropriated earnings	<u>2,413,908</u>	<u>-</u>	<u>1,990,667</u>	<u>-</u>
Total retained earnings	<u>5,227,713</u>	<u>1</u>	<u>4,567,916</u>	<u>1</u>
Other equity	<u>677,851</u>	<u>-</u>	<u>141,011</u>	<u>-</u>
Total equity	<u>29,883,363</u>	<u>6</u>	<u>26,388,810</u>	<u>6</u>
TOTAL	<u>\$ 474,647,354</u>	<u>100</u>	<u>\$ 439,865,405</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 19, 2019)

SUNNY BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST REVENUE	\$ 9,128,151	129	\$ 7,883,833	124	16
LESS: INTEREST EXPENSE	<u>3,650,643</u>	<u>51</u>	<u>3,054,869</u>	<u>48</u>	20
NET INTEREST (Notes 4, 31 and 43)	<u>5,477,508</u>	<u>78</u>	<u>4,828,964</u>	<u>76</u>	13
NET REVENUES OTHER THAN INTEREST (Note 4)					
Commission and fee revenues, net (Notes 32 and 43)	1,088,418	15	1,160,160	18	(6)
Net Gains on financial assets and liabilities at fair value through profit or loss (Notes 4 and 33)	19,197	-	149,166	2	(87)
Realized gain on available-for-sale financial assets (Note 34)	-	-	39,413	1	(100)
Realized gain on financial assets at fair value through other comprehensive income (Note 35)	109,682	2	-	-	-
Net Foreign exchange gains (losses)	155,510	2	(28,258)	-	650
Reversal of impairment loss (impairment loss) on assets	(2,670)	-	34,506	-	(108)
Securities brokerage income	70,213	1	60,981	1	15
Gains on financial assets carried at cost	-	-	34,648	1	(100)
Purchased claim revenue received	23,803	-	20,743	-	15
Rental income	64,036	1	62,384	1	3
Other noninterest net revenues (Note 36)	<u>58,989</u>	<u>1</u>	<u>17,816</u>	<u>-</u>	231
Total net revenues other than interest	<u>1,587,178</u>	<u>22</u>	<u>1,551,559</u>	<u>24</u>	2
TOTAL NET REVENUES	<u>7,064,686</u>	<u>100</u>	<u>6,380,523</u>	<u>100</u>	11
ALLOWANCE FOR DOUBTFUL ACCOUNTS AND GUARANTEES (Notes 4, 5, 14 and 43)	<u>(294,043)</u>	<u>(4)</u>	<u>(676,848)</u>	<u>(11)</u>	(57)

(Continued)

SUNNY BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
OPERATING EXPENSES					
Employee benefits (Notes 4, 28, 30, 37 and 43)	\$ 2,273,932	32	\$ 2,095,689	33	9
Depreciation and amortization (Notes 4 and 38)	268,304	4	242,168	4	11
Others (Note 39)	<u>1,195,762</u>	<u>17</u>	<u>1,123,636</u>	<u>17</u>	6
Total operating expenses	<u>3,737,998</u>	<u>53</u>	<u>3,461,493</u>	<u>54</u>	8
INCOME BEFORE INCOME TAX	3,032,645	43	2,242,182	35	35
INCOME TAX EXPENSE (Notes 4 and 40)	<u>480,711</u>	<u>7</u>	<u>331,582</u>	<u>5</u>	45
NET INCOME	<u>2,551,934</u>	<u>36</u>	<u>1,910,600</u>	<u>30</u>	34
OTHER COMPREHENSIVE INCOME (Note 4)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation (Notes 4 and 28)	(54,857)	(1)	(14,485)	-	279
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	126,273	2	-	-	-
Income tax benefit relating to items that will not be reclassified subsequently (Notes 4 and 40)	<u>15,373</u>	<u>-</u>	<u>2,462</u>	<u>-</u>	524
	<u>86,789</u>	<u>1</u>	<u>(12,023)</u>	<u>-</u>	822
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations	(5,762)	-	(9,647)	-	(40)
Unrealized gain (loss) on available-for-sale financial assets	-	-	520,557	8	(100)

(Continued)

SUNNY BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Unrealized loss on investments in debt instruments at fair value through other comprehensive income	\$ (82,145)	(1)	\$ -	-	-
Income tax benefit relating to items that may be reclassified subsequently (Notes 4 and 40)	<u>4,426</u> <u>(83,481)</u>	<u>-</u> <u>(1)</u>	<u>1,214</u> <u>512,124</u>	<u>-</u> <u>8</u>	265 (116)
Other comprehensive income (loss) for the year, net of income tax	<u>3,308</u>	<u>-</u>	<u>500,101</u>	<u>8</u>	(99)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,555,242</u>	<u>36</u>	<u>\$ 2,410,701</u>	<u>38</u>	6
NET PROFIT ATTRIBUTABLE TO:					
Owners of the Company	\$ 2,551,934	36	\$ 1,910,600	30	34
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	-
	<u>\$ 2,551,934</u>	<u>36</u>	<u>\$ 1,910,600</u>	<u>30</u>	34
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Company	\$ 2,555,242	36	\$ 2,410,701	38	6
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	-
	<u>\$ 2,555,242</u>	<u>36</u>	<u>\$ 2,410,701</u>	<u>38</u>	6
EARNINGS PER SHARE (Note 38)					
Basic	<u>\$1.10</u>		<u>\$0.90</u>		
Diluted	<u>\$1.10</u>		<u>\$0.90</u>		

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

(With Deloitte & Touche auditors' report dated March 19, 2019)

(Concluded)

SUNNY BANK LTD. AND SUBSIDIARIES
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Company											Total Equity
								Other Equity				
	Share Capital		Capital Surplus	Retained Earnings				Exchange Differences on Translating Foreign Operations	Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Treasury Shares	
	Shares in Thousand	Ordinary Shares		Legal Reserve	Special Reserve	Unappropriated Earnings	Total					
BALANCE AT JANUARY 1, 2017	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
Appropriation of the 2016 earnings												
Legal reserve	-	-	-	701,705	-	(701,705)	-	-	-	-	-	-
Special reserve	-	-	-	-	357,872	(357,872)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(400,561)	(400,561)	-	-	-	-	(400,561)
Share dividends	100,140	1,001,402	-	-	-	(1,001,402)	(1,001,402)	-	-	-	-	-
Net income for the year ended December 31, 2017	-	-	-	-	-	1,910,600	1,910,600	-	-	-	-	1,910,600
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(12,023)	(12,023)	(8,433)	-	520,557	-	500,101
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	1,898,577	1,898,577	(8,433)	-	520,557	-	2,410,701
Issue of ordinary shares for cash	60,000	600,000	-	-	-	-	-	-	-	-	-	600,000
Treasury stock retired	(491)	(4,909)	1,401	-	-	-	-	-	-	-	3,508	-
BALANCE AT DECEMBER 31, 2017	2,162,944	21,629,440	50,443	2,194,441	382,808	1,990,667	4,567,916	(37,802)	-	178,813	-	26,388,810
Effect of retrospective application of IFRS 9	-	-	-	-	-	(101,869)	(101,869)	-	652,432	(178,813)	-	371,750
BALANCE AT JANUARY 1, 2018 AS RESTATED	2,162,944	21,629,440	50,443	2,194,441	382,808	1,888,798	4,466,047	(37,802)	652,432	-	-	26,760,560
Appropriation of the 2017 earnings												
Legal reserve	-	-	-	573,180	-	(573,180)	-	-	-	-	-	-
Special reserve	-	-	-	-	9,553	(9,553)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(432,589)	(432,589)	-	-	-	-	(432,589)
Share dividends	129,777	1,297,766	-	-	-	(1,297,766)	(1,297,766)	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(346,177)	346,177	-	-	-	-	-	-
Net income for the year ended December 31, 2018	-	-	-	-	-	2,551,934	2,551,934	-	-	-	-	2,551,934
Other comprehensive loss for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(39,484)	(39,484)	(1,336)	44,128	-	-	3,308
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	2,512,450	2,512,450	(1,336)	44,128	-	-	2,555,242
Issue of ordinary shares for cash	100,000	1,000,000	-	-	-	-	-	-	-	-	-	1,000,000
Value of share-based payment under employee share options	-	-	150	-	-	-	-	-	-	-	-	150
	-	-	-	-	-	(20,429)	(20,429)	-	20,429	-	-	-
BALANCE AT DECEMBER 31, 2018	2,392,721	\$ 23,927,206	\$ 50,593	\$ 2,767,621	\$ 46,184	\$ 2,413,908	\$ 5,227,713	\$ (39,138)	\$ 716,989	\$ -	\$ -	\$ 29,883,363

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

(With Deloitte & Touche auditors' report dated March 19, 2019)

SUNNY BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 3,032,645	\$ 2,242,182
Adjustments for:		
Depreciation expenses	224,260	222,956
Amortization expenses	44,044	19,212
Allowance for doubtful accounts and guarantees	294,043	676,848
Interest expenses	3,650,643	3,054,869
Interest revenues	(9,128,151)	(7,883,833)
Dividend income	(54,896)	(51,759)
Share-based payments	150	-
Gain on disposal of property and equipment	(14,254)	(81)
Gain on investment properties	(4,416)	-
Loss on disposal of available-for-sale financial asset	-	3
Realized gain on available-for-sale financial asset	-	(22,302)
Realized gain on financial assets at fair value through other comprehensive income	(56,042)	-
Reversal of impairment loss (impairment loss) on financial assets	273	(37,531)
Impairment loss on non-financial assets	2,397	3,025
Gain on disposal of foreclosed collateral and residuals taken over	(22,615)	-
Changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank and call loans to other banks	(2,071,574)	872,314
Decrease (increase) in financial assets at fair value through profit or loss	1,732,461	(10,668,107)
Increase in receivables	(140,853)	(15,262)
Increase in discounts and loans	(24,659,717)	(26,604,248)
Increase (decrease) in due to the Central Bank and banks	(800,000)	370,000
Increase (decrease) in financial liabilities at fair value through profit or loss	12,939	(5,216)
Increase (decrease) in securities sold under agreements to repurchase	(5,304,046)	6,054,797
Increase in payables	176,568	124,348
Increase in deposits and remittances	36,361,973	31,935,483
Increase (decrease) in provisions	6,675	(24,445)
Net cash generated from operations	3,282,507	263,253
Interest received	9,159,920	7,929,994
Dividends received	54,896	51,759
Interest paid	(3,526,946)	(2,897,147)
Income tax paid	(422,100)	(333,619)
Net cash generated from operating activities	8,548,277	5,014,240

(Continued)

SUNNY BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	\$(517,482,064)	\$ -
Proceeds from disposal of financial assets at fair value through other comprehensive income	514,629,756	-
Purchase of financial assets at amortized cost	(4,317,832)	-
Purchase of available-for-sale financial assets	-	(505,456,911)
Proceeds from disposal of available-for-sale financial assets	-	506,460,856
Purchase of held-to-maturity financial assets	-	(7,125,562)
Proceeds from disposal of held-to-maturity financial assets	-	1,992
Purchase of financial assets carried at cost	-	(99)
Acquisition of subsidiaries	(23,508)	-
Payments for property and equipment	(186,638)	(154,114)
Proceeds from disposal of property and equipment	34,339	432
Payments for intangible assets	(42,020)	(25,307)
Payments for investment properties	(19,365)	(23,113)
Proceeds from disposal of investment properties	23,767	-
Increase in other financial assets	(211,759)	(1,779,512)
Decrease in other assets	48,566	30,236
Net cash used in investing activities	<u>(7,546,758)</u>	<u>(8,071,102)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	(231,000)	59,000
Issue of bank debentures	1,050,000	2,780,000
Repayment of bank debentures on maturity	(300,000)	(2,500,000)
Increase in other financial liabilities	17,761	57,833
Increase (decrease) in other liabilities	(786)	28,925
Cash dividends	(432,589)	(400,561)
Proceeds from issue of ordinary shares	<u>1,000,000</u>	<u>600,000</u>
Net cash generated from financing activities	<u>1,103,386</u>	<u>625,197</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(113,378)</u>	<u>140,530</u>
DECREASE IN CASH AND CASH EQUIVALENTS	1,991,527	(2,291,135)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>8,939,914</u>	<u>11,231,049</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 10,931,441</u>	<u>\$ 8,939,914</u>

(Continued)

SUNNY BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets at December 31, 2018 and 2017:

	December 31	
	2018	2017
Cash and cash equivalents in consolidated balance sheets	\$ 7,264,036	\$ 6,548,460
Due from the Central Bank and call loans to other banks reclassified as cash and cash equivalents under IAS 7 "Statement of Cash Flows"	1,854,158	600,574
Securities purchased under agreements to resell reclassified as cash and cash equivalents under IAS 7 "Statement of Cash Flows"	<u>1,813,247</u>	<u>1,790,880</u>
Cash and cash equivalents in consolidated statements of cash flows	<u>\$ 10,931,441</u>	<u>\$ 8,939,914</u>

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

(With Deloitte & Touche auditors' report dated March 19, 2019)

(Concluded)

SUNNY BANK LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Sunny Bank Ltd. (the Company) 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. As of December 31, 2018, the Bank had 103 branches nationwide.

On December 6, 2016, the Company's board of directors resolved to adjust its organizational structure and undertake merger by absorption of Sunny Life Insurance Brokerage Co., Ltd. (Sunny Life Insurance) and Sunny Property & Insurance Brokerage Co., Ltd. (Sunny Property & Insurance). The purpose of the resolution is to improve the operational efficiency of the Company and subsidiaries (collectively referred to as the Group) in response to future industrial development and enhance its competitiveness. The record date of the merger was January 20, 2017. The Company was the survivor company and Sunny Life Insurance and Sunny Property & Insurance the dissolved company after the merger.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors and authorized for issue on March 19, 2019.

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

- a. Initial application of the 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) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Public Bank and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group's accounting policies:

IFRS 9 "Financial Instruments" and related amendments

IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and for hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as of January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group's financial assets and financial liabilities as of January 1, 2018.

Financial Assets	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Fair value through profit and loss	Fair value through profit and loss	Mandatorily at fair value through profit or loss (i.e. FVTPL)	\$ 22,436,526	\$ 22,436,526	
Receivables, net	Loans and receivables	Amortized cost	4,048,582	3,973,733	1)
Available-for-sale	Available-for-sale	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	368,021	368,021	2)
	Available-for-sale	FVTOCI - debt instruments	64,503,307	64,503,307	3)
Held-to-maturity	Held-to-maturity	Amortized cost	21,147,709	21,147,709	4)
Other financial assets - carried at cost	Available-for-sale	FVTOCI - equity instruments	196,261	668,579	5)
Other financial assets - others	Loans and receivables	Amortized cost	5,647,810	5,647,679	6)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	Remeasurements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
FVTOCI	\$ -	\$ -	\$ -		\$ -	\$ -	
Debt instruments							
Add: Reclassification from available-for-sale (IAS 39)	-	64,503,307	-		(1,967)	1,967	3)
Equity instruments							
Add: Reclassification from available-for-sale (IAS 39)	-	368,021	-		-	-	2)
Add: Reclassification from other financial assets (carried at cost) (IAS 39)	-	196,261	472,318		666	471,652	5)
		65,067,589	472,318	\$ 65,539,907	(1,301)	473,619	
Amortized cost	-	-	-		-	-	
Add: Reclassification from held-to-maturity (IAS 39)	-	21,147,709	(304)		(304)	-	4)
		21,147,709	(304)	21,147,405	(304)	-	
Receivables, net	4,048,582	-	(74,849)	3,973,733	(74,849)	-	1)
Other financial assets - net	5,844,071	-	-		-	-	
Less: Reclassification to FVTOCI - equity instruments (IFRS 9)	-	(196,261)	(131)		(131)	-	5), 6)
	5,844,071	(196,261)	(131)	5,647,679	(131)	-	
Total assets	9,892,693	86,019,037	397,034	96,308,724	(76,585)	473,619	
Provisions	70,737	-	25,284	96,021	(25,284)	-	7)
	\$ 9,821,916	\$ 86,019,037	\$ 371,750	\$ 96,212,703	\$ (101,869)	\$ 473,619	

- 1) Receivables have been classified as loans and receivables under IAS 39 are classified as financial assets at amortized cost under IFRS 9 and assessed expect credit loss now. Because retrospective application, adjust the amount of allowance loss and retained earning by increasing \$74,849 thousand and decreasing \$74,849 thousand.
- 2) Because not hold for trading, it have been classified as available-for-sale financial assets-equity instrument \$368,021 thousand under IAS 39 were classified as FVTOCI under IFRS 9 now. And reclassified other equity-unrealized gain/loss on available-for-sale financial assets as other equity-unrealized gain/loss on FVTOCI.
- 3) Based on the exist facts and situation at January 1, 2018 assess the business model whose objective is to collect contractual cash flows and selling financial assets and the initial recognition cash flow were solely payments of principal and interest on the principal amount outstanding. As mention above, reclassified available-for-sale financial assets-debt instrument \$64,503,307 thousand as FVTOCI and assess expect credit loss and reclassified other equity-unrealized gain/loss on available-for-sale financial assets as other equity-unrealized gain/loss on FVTOCI. Because retrospective application, adjust the amount of other equity - FVOTCI and retained earning by increasing \$1,967 thousand and decreasing \$1,967 thousand.

- 4) Those have been classified as held-to-maturity financial assets under IAS 39, its initial recognition of cash flow are solely payments of principal and interest on the principal amount outstanding. Based on the exist facts and situation at January 1, 2018 assess the business model whose objective is to collect contractual cash flows, is has been classified as financial assets at amortized cost under IFRS 9 and assess expect credit loss. Because retrospective application, the amount of allowance loss and retained earning at January 1, 2018 has increased \$304 thousand and decreased \$304 thousand.
- 5) Those have been classified as available-for-sale financial assets invest in unpublic stock \$196,261 thousand under IAS 39 are classified as FVTOCI under IFRS 9 and remeasured. Because retrospective application, the impairment loss recognition in prior year are increasing retained earning \$666 thousand and increasing other equity-unrealized gain/loss FVTOCI \$471,652 thousand at January 1, 2018.
- 6) Other financial assets-including non-performing loans transferred from other than loans based on IFRS 9 assess expect credit loss. Because retrospective application, the amount of allowance loss and retained earning at January 1, 2018 has increased \$131 thousand and decreased \$131 thousand.
- 7) According to IFRS 9, assess loan commitment and letter of credit of expect credit loss. Because retrospective application, the amount of provisions and retained earning at January 1, 2018 has increased \$25,284 thousand and decreased \$25,284 thousand.

	xxx	Restated	xxx
<u>Loans and receivables (IAS 39)/financial assets measured at amortized cost (IFRS 9)</u>			
Receivables	\$ 343,947	\$ 74,789	\$ 418,736
Discounts and loans	1,329,350	862,518	2,191,868
Other financial assets - non-performing loans transferred from other than loans	2,163	131	2,294
Recognized based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual loans	<u>2,190,920</u>	<u>(862,458)</u>	<u>1,328,462</u>
	<u>3,866,380</u>	<u>74,789</u>	<u>3,941,360</u>
<u>Available-for-sale financial assets (IAS 39)/ financial assets at fair value through other comprehensive income (IFRS 9)</u>			
Available-for-sale financial assets	<u>-</u>	<u>1,967</u>	<u>1,967</u>
<u>Held-for-trading (IAS 39)/financial assets measured at amortized cost (IFRS 9)</u>			
Held-for-trading	<u>-</u>	<u>304</u>	<u>304</u>

(Continued)

	xxx	Restated	xxx
Loan commitment, guarantee liability and others			
Provision for loan commitment	\$ -	\$ 12,408	\$ 12,408
Provision for guarantee liability	-	14,358	14,358
Other provision	-	12,876	12,876
Recognized based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual loans	27,356	(14,358)	12,998
	<u>27,356</u>	<u>25,284</u>	<u>52,640</u>
	<u>\$ 3,893,736</u>	<u>\$ 102,535</u>	<u>\$ 3,996,271</u>
			(Concluded)

- b. Amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks, the Regulations Governing the Preparation of Financial Reports by Securities Firms, and the IFRSs issued and endorsed by FSC for application starting from 2019

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019

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 FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases. It will supersede IAS 17 “Lease”, IFRIC 4 “Determining Whether An Arrangement Contain A Lease” and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts, including property interest qualified as investment properties, are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

- 1) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 3) The Group will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- 4) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

For leases currently classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 will be determined as at the carrying amounts of the respective leased assets and finance lease payables as of December 31, 2018.

The Group as lessor

The Group will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Other assets, net	\$ 389,530	\$ (8,586)	\$ 380,944
Right-of-use assets	<u>-</u>	<u>196,527</u>	<u>196,527</u>
Total effect on assets	<u>\$ 389,530</u>	<u>\$ 187,941</u>	<u>\$ 577,471</u>
Lease liabilities	\$ <u>-</u>	<u>\$ 187,941</u>	<u>\$ 187,941</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ 187,941</u>	<u>\$ 187,941</u>

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group assesses the application of other standards and interpretations will not have any material impact on Group's financial position and financial positions.

- c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
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 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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 Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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 and net defined benefit liabilities which are measured at present value of the defined benefit obligation less the fair value of plan assets.

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 47 for the maturity analysis of assets and liabilities.

Basis of Consolidation

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

Incomes and expenses of subsidiaries acquired of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisition.

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

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

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 consolidated entities as of December 31, 2018 and 2017 were as follows:

Investor Company	Subsidiary	Business Nature	Percentage of Shareholding (%)	
			December 31 2018	2017
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	100.00
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 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	100.00
Sunny Bank Ltd.	Sunny Microfinance PLC.	Financing business	100.00	-
Sunny International Leasing Co.	Sunny Finance Lease (HK) Limited	Financing and leasing business	100.00	100.00
Sunny Finance Lease (HK) Limited	Sunny Finance and Leasing (China) Co., Ltd.	Financing and leasing business	100.00	100.00

To enhance the efficiency of performance and increase the revenue investing in the foreign, Company purchased 100% shareholding of Sunny Microfinance PLC. and obtained the approval for reference from FSC. The Company finished the shareholding settlement on December 20, 2018. Because Sunny Microfinance PLC. is not important subsidiary, the financial report isn't audited by Certified Public Auditor. The management consolidated company still considered it won't contribute to significant difference if the Company's financial report is audited by Certified Public Auditor. The relevant disclosure of Corporation merging, please refer to Note 42.

Company merged with Sunny Life Insurance Brokerage Co., Ltd. and Sunny Property & Insurance Brokerage Co., Ltd. on January 20, 2017 which were held by Sunny Bank Ltd, please refer to Note 1.

Business Combination

Acquisition of business are accounted for by using the acquisition method. Acquisition-related cost are generally recognized in profit or loss as they are incurred, Goodwill is measured as the consideration transferred over the net of acquisition-date amount of the identifiable assets acquired and the liabilities assumed.

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 (including branches that use currencies which are different from the currency of the Company) 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.

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

2018

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in debt instruments and equity instruments at FVTOCI.

1) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 46.

2) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- a) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- b) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

3) Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- a) The debt instrument is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and
- b) The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

4) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

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 financial assets 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 held for trading.

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 42.

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 financial assets or financial assets at fair value through profit or loss.

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.

Fair value is determined with methods described in Note 42.

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

2018

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments that are measured at FVTOCI.

The Group always recognizes lifetime expected credit losses (i.e. ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs. For financial instruments and contract assets, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

Under the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans” (the “Regulations”), the Company 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 Company 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. 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.

2017

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 Company's mechanism of for abnormal or alerting borrower.
- Debtors who have submitted requests to the Company 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 Group'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.

For financial assets carried at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment (at the date the impairment is reversed) does not exceed what the amortized cost would have been had the impairment not been recognized.

Under the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans" (the "Regulations"), the Company 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 Company 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. 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.

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.

Before 2017, 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. Starting from 2018, on derecognition of a financial asset at amortized cost in its entity, the difference between the asset's carrying amount and the consideration received had been recognized in profit and loss. On derecognition of a financial asset investment in debt of FVTOCI in its entity, the difference between the asset's carrying amount and the sum of the consideration received and receivable and cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit and loss. On derecognition of a financial asset investment in equity of FVTOCI in its entity, cumulative gain or loss had been recognized in retained earning, instead of recognized in profit and loss.

Financial liabilities

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 held for trading.

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 46.

2) Financial guarantee contracts

2018

Financial guarantee contracts issued by the Group, if not designated as at FVTPL, are subsequently measured at the higher of the amount initially recognized of the loss allowance reflecting expected credit losses and amortized cost.

2017

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of the best estimate of the obligation under the contract and the amount initially recognized less the cumulative amortization recognized.

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.

Before 2017, derivatives embedded in non-derivative host contracts were treated as separate derivatives when they met the definition of a derivative; their risks and characteristics were not closely related to those of the host contracts; and the contracts were not measured at FVTPL. Starting from 2018, derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) 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 host contracts are not measured at FVTPL.

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 Company 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.

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 impairment loss. Depreciation is recognized using 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

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

b. The Group as lessee

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.

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. Corporate assets can be identified as reasonable and consistent basis of allocation.

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.

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 Company'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 Company 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 Company'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 Company 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 Company'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. The grant date of employee share options, which are reserved when the Company issue new shares, is the date when company notice employee.

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 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 Company 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.

Assessment of Impairment Loss on Financial Assets (2018)

The assessment of impairment loss on discounts and loans, receivables, investment in debt instruments, guarantee liabilities, loan commitment and letter of credit based on Company's assumption on default probability and default loss rate. Company considered historic experience, current market situation and forward-looking information to make assumption and select the input of assessing impairment loss. If future cash flow less than expectation, might occur significant impairment loss. About the adoption of assumption and input please refer to Note 47.

Impairment Loss on Loans and Receivables (2017)

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, 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 14.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	2017
Cash on hand	\$ 2,943,125	\$ 2,910,206
Checks for clearing	2,007,349	2,096,648
Bank deposits and due from other banks	<u>2,313,562</u>	<u>1,541,606</u>
	<u>\$ 7,264,036</u>	<u>\$ 6,548,460</u>

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

	December 31	
	2018	2017
Deposit reserve - checking accounts	\$ 3,674,713	\$ 2,482,497
Deposit reserve - demand accounts	10,698,541	9,920,700
Deposit reserve - foreign currencies	47,235	37,517
Call loans and overdraft to banks	3,196,232	2,059,512
Due from the Central Bank - interbank settlement funds	<u>809,237</u>	<u>600,574</u>
	<u>\$ 18,425,958</u>	<u>\$ 15,100,800</u>

Under 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	
	2018	2017
Held-for-trading financial assets		
Commercial papers	\$ -	\$ 22,212,931
Beneficial certificates	-	196,711
Currency swap contracts	-	26,320
Forward contracts	<u>-</u>	<u>564</u>
	<u>\$ -</u>	<u>\$ 22,436,526</u>
Financial assets mandatorily at fair value through profit or loss		
Commercial papers	\$ 20,200,522	\$ -
	374,762	-
Beneficial certificates	77,283	-
	29,011	-
Currency swap contracts	2,581	-
Forward contracts	<u>20</u>	<u>-</u>
	<u>\$ 20,684,179</u>	<u>\$ -</u>
Held-for-trading financial liabilities		
Currency swap contracts	\$ 19,593	\$ 8,022
Forward contracts	<u>1,386</u>	<u>18</u>
	<u>\$ 20,979</u>	<u>\$ 8,040</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	
	2018	2017
Currency swap contracts	\$ 2,078,450	\$ 2,849,374
Forward contracts	65,045	72,427

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

	December 31, 2018
Investments in equity instruments at FVTOCI	\$ 1,176,640
Investments in debt instruments at FVTOCI	<u>67,135,382</u>
	<u><u>\$ 68,312,022</u></u>

a. Investments in equity instruments at FVTOCI

	December 31, 2018
Domestic investments	
Unlisted shares	\$ 820,208
Listed shares and emerging market shares	<u>356,432</u>
	<u><u>\$ 1,176,640</u></u>

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Note 3, Note 15 and Note 17 for information relating to their reclassification and comparative information for 2017.

b. Investments in debt instruments at FVTOCI

	December 31, 2018
Negotiable certificates of deposits	\$ 37,099,929
Government bonds	19,396,201
Bank debentures	6,058,871
Corporate bonds	3,591,633
Commercial papers	<u>988,748</u>
	<u><u>\$ 67,135,382</u></u>

These investments in debt instruments were classified as available-for-sale under IAS 39. Refer to Note 3 Note 15 for information relating to their reclassification and comparative information for 2017.

As of December 31 2018, the principal of bond investment amounting to \$450,000 thousand, has been sold under repurchase agreement.

Refer to Note 11 for information relating to there credit risk management and impairment.

Refer to Note 44 for information relating to there pledged as security.

10. FINANCIAL ASSETS AT AMORTIZED COST - 2018

	December 31, 2018
Government bonds	\$ 25,333,492
Less: Allowance for impairment loss	<u>(174)</u>
	<u><u>\$ 25,333,318</u></u>

The bonds were classified as held-to-maturity financial assets under IAS 39. Refer to Note 3 and Note 16 for information relating to their reclassification and comparative information for 2017.

As of December 31 2018, the principal of bond investment amounting to \$3,900,000 thousand, has been sold under repurchase agreement.

Refer to Note 11 for information relating to their credit risk management and impairment.

Refer to Note 44 for information relating to investments in financial assets at amortized cost pledged as security.

11. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS - 2018

Investments in debt instruments were classified as at FVTOCI and as at amortized cost.

December 31, 2018

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	\$ 67,006,022	\$ 25,333,492	\$ 92,339,514
Less: Allowance for impairment loss	<u>(2,368)</u>	<u>(174)</u>	<u>(2,542)</u>
Amortized cost	67,003,654	<u><u>\$ 25,333,318</u></u>	92,336,972
Adjustment to fair value	<u>131,728</u>		<u>131,728</u>
	<u><u>\$ 67,135,382</u></u>		<u><u>\$ 92,468,700</u></u>

The Group considers the historical default rates of each credit rating supplied by external rating agencies and recovery rate of various bond to estimate 12-month or lifetime expected credit losses. The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for Recognizing Expected Credit Losses	Expected Loss Rate	Gross Carrying Amount at December 31, 2018
Stage 1	The credit rating refer to Moody's investors service is above Ba3 in base date, and the credit risk doesn't increase significantly.	12m ECL	0%-0.060%	\$ 92,339,514
Stage 2	The credit rating refer to Moody's investors service is blow than B1 in base date or the credit risk increase significantly since initial recognition.	Lifetime ECL - not credit-impaired	-	-
Stage 3	There is evidence indicating the asset is credit-impaired in base date.	Lifetime ECL - credit-impaired	-	-

The allowance for impairment loss of investments in debt instruments at FVTOCI and at amortized cost as at January 1, 2018 and December 31, 2018 grouped by credit rating is reconciled as follows:

Allowance for Impairment Loss	Credit Rating		
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL - Not Credit- impaired)	Stage 3 (Lifetime ECL - Credit- impaired)
<u>At FVTOCI</u>			
Balance at January 1, 2018 per IAS 39	\$ -	\$ -	\$ -
Adjustment on initial application of IFRS 9	<u>1,967</u>	<u>-</u>	<u>-</u>
Balance at January 1, 2018 per IFRS 9	1,967	-	-
Transfers			
From Stage 1 to Stage 2	-	-	-
From Stage 2 to Stage 3	-	-	-
From Stage 3 to write-off	-	-	-
New financial assets purchased	1,285	-	-
Derecognition	(369)	-	-
Change in exchange rates or others	<u>(515)</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2018	<u>\$ 2,368</u>	<u>\$ -</u>	<u>\$ -</u>
<u>At Amortized Cost</u>			
Balance at January 1, 2018 per IAS 39	\$ -	\$ -	\$ -
Adjustment on initial application of IFRS 9	<u>304</u>	<u>-</u>	<u>-</u>
Balance at January 1, 2018 per IFRS 9	304	-	-
Transfers			
From Stage 1 to Stage 2	-	-	-
From Stage 2 to Stage 3	-	-	-
From Stage 3 to write-off	-	-	-
New financial assets purchased	29	-	-
Derecognition	-	-	-
Change in exchange rates or others	<u>(159)</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2018	<u>\$ 174</u>	<u>\$ -</u>	<u>\$ -</u>

12. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

	December 31	
	2018	2017
Bank debentures	\$ 1,813,247	\$ 1,152,133
Corporate bonds	<u>-</u>	<u>638,747</u>
	<u>\$ 1,813,247</u>	<u>\$ 1,790,880</u>
Amounts of resell agreements	<u>\$ 1,818,618</u>	<u>\$ 1,794,138</u>
Dates of resell agreements	2019.1.3- 2019.1.17	2018.1.3- 2018.1.29

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

13. RECEIVABLES, NET

	December 31	
	2018	2017
Lease receivables	\$ 1,874,470	\$ 1,882,452
Interest receivables	1,238,141	1,088,881
Credit card receivables	595,915	563,305
Account receivable - settlement	256,241	308,059
Purchased claim receivables	129,161	151,842
Acceptances	105,486	36,675
Other receivables	<u>566,673</u>	<u>361,315</u>
	4,811,087	4,392,529
Less: Allowance for credit losses (Note 14)	<u>438,011</u>	<u>343,947</u>
Net amount	<u>\$ 4,373,086</u>	<u>\$ 4,048,582</u>
Minimum lease payments receivables	\$ 2,009,839	\$ 2,056,235
Less: Unearned finance income	<u>135,379</u>	<u>173,783</u>
Present value of minimum lease payment	<u>\$ 1,874,470</u>	<u>\$ 1,882,452</u>

14. DISCOUNTS AND LOANS, NET

	December 31	
	2018	2017
Export negotiation	\$ 65,254	\$ 100,891
Short-term loans	15,101,693	24,183,953
Secured short-term loans	76,955,232	67,328,836
Margin loan receivables	520,674	545,764
Medium-term loans	39,271,489	32,240,409
Secured medium-term loans	103,845,227	90,805,674
Long-term loans	1,578,695	1,441,219
Secured long-term loans	77,291,495	73,501,510
Nonperforming loans transferred from loans	417,478	199,477
	315,047,037	290,347,733
Less: Allowance for credit losses	3,773,858	3,520,270
Premium or discount on discounts and loans	37,392	10,219
Net amount	<u>\$ 311,310,571</u>	<u>\$ 286,837,682</u>

Please refer to Note 46 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 finance commitment provisions, guarantee liabilities and other provisions. Movements of the allowance of discounts and loans, receivables, nonperforming loans transferred from other than loans, finance commitment provisions, guarantee liabilities and other provisions are shown as follows:

	2018						
	Discounts and Loans	Receivables	Nonperforming Loans Transferred from Other	Provision for Guarantee	Finance Commitments Provision	Other Provisions	Total
Balance at January 1, 2018 per IAS 39	\$ 3,520,270	\$ 343,947	\$ 2,163	\$ 27,356	\$ -	\$ -	\$ 3,893,736
Adjustment on initial application of IFRS 9	-	74,849	131	-	12,408	12,876	100,264
Balance at January 1, 2018 per IFRS 9	3,520,270	418,796	2,294	27,356	12,408	12,876	3,994,000
Acquisition from business combination	3,097	-	-	-	-	-	3,097
(Reversal) provisions	266,579	33,262	46	8,583	(2,759)	(11,668)	294,043
Write-off	(542,646)	(16,578)	(13,685)	-	-	-	(572,909)
Recovery of written-off credits	518,768	2,810	13,419	-	-	-	534,997
Effect of exchange rate charges	7,790	(289)	-	-	-	-	7,501
Balance, December 31	<u>\$ 3,773,858</u>	<u>\$ 438,001</u>	<u>\$ 2,074</u>	<u>\$ 35,939</u>	<u>\$ 9,649</u>	<u>\$ 1,208</u>	<u>\$ 4,260,729</u>

	2017						
	Discounts and Loans	Receivables	Nonperforming Loans Transferred from Other	Provision for Guarantee	Finance Commitments Provision	Other Provisions	Total
Balance, January 1	\$ 3,100,797	\$ 330,782	\$ 1,714	\$ 25,740	\$ -	\$ -	\$ 3,459,033
(Reversal) provisions	663,447	7,858	3,927	1,616	-	-	676,848
Write-off	(798,860)	(3,920)	(18,069)	-	-	-	(820,849)
Recovery of written-off credits	574,249	9,306	14,591	-	-	-	598,146
Effect of exchange rate charges	(19,363)	(79)	-	-	-	-	(19,442)
Balance, December 31	<u>\$ 3,520,270</u>	<u>\$ 343,947</u>	<u>\$ 2,163</u>	<u>\$ 27,356</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,893,736</u>

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31, 2017
Negotiable certificates of deposits	\$ 36,850,377
Government bonds	20,536,299
Bank debentures	3,659,856
Corporate bonds	2,322,229
Commercial papers	1,134,546
Stocks	<u>368,021</u>
	<u>\$ 64,871,328</u>

As of December 31, 2017, no bond investments had been sold under repurchase agreements.

Please refer to Note 44 for information on available-for-sale financial assets pledged as security.

16. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31, 2017
Government bonds	<u>\$ 21,147,709</u>

As of December 31 2017, the principal of bond investments amounting to \$9,650,000 thousands, had been sold under repurchase agreements.

Please refer to Note 44 for information relating to held-to-maturity financial assets pledged as security.

17. OTHER FINANCIAL ASSETS, NET

	December 31
	2018 2017
Financial assets carried at cost	
Unlisted common stocks	
Financial Information Service Co., Ltd.	\$ 115,771
Taiwan Financial Asset Service Co., Ltd.	50,000
Taiwan Depository and Clearing Co., Ltd.	21,490
Taiwan Mobile Payment Co., Ltd.	6,000
Sunny Real Estate Management Co., Ltd.	3,099
Protop Technology Co., Ltd.	<u>-</u>
	196,360
Less: Accumulated impairment loss	<u>99</u>
	<u>196,261</u>
Debt instruments with no active markets	
Structured products	45,652
Structured time deposit	86,102
Less: Accumulated impairment loss	<u>86,102</u>
	<u>45,652</u>
	(Continued)

	December 31	
	2018	2017
Other financial assets		
Time deposits not qualifying as cash and cash equivalents	\$ 5,857,864	5,599,673
Nonperforming loans transferred from other than loans	3,602	4,648
Less: Allowance for credit losses (Note 14)	2,074	2,163
	<u>1,578</u>	<u>2,485</u>
	<u>\$ 5,859,392</u>	<u>\$ 5,844,071</u>
		(Concluded)

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 44 for information relating to other financial assets pledged as security.

18. PROPERTY AND EQUIPMENT, NET

	Land	Buildings	Machinery Equipment	Transportation Equipment	Other Equipment	Leasehold Improvement	Prepayments for Equipment and Construction in Progress	Total
Cost								
Balance, January 1, 2017	\$ 7,293,171	\$ 2,931,866	\$ 797,839	\$ 56,451	\$ 816,323	\$ 27,224	\$ 137,273	\$ 12,060,147
Additions	-	-	41,045	5,856	35,499	1,002	71,714	155,116
Disposals	-	-	(53,500)	(2,152)	(10,092)	(900)	-	(66,644)
Reclassification	-	-	20,696	-	1,916	-	(56,599)	(33,987)
Effect of foreign currency exchange differences	-	-	-	(25)	(6)	-	-	(31)
Balance, December 31, 2017	<u>7,293,171</u>	<u>2,931,866</u>	<u>806,080</u>	<u>60,130</u>	<u>843,640</u>	<u>27,326</u>	<u>152,388</u>	<u>12,114,601</u>
Accumulated depreciation								
Balance, January 1, 2017	-	1,309,531	512,182	34,820	683,533	24,973	-	2,565,039
Depreciation	-	64,363	100,980	6,607	50,269	737	-	222,956
Disposals	-	-	(53,500)	(1,801)	(10,092)	(900)	-	(66,293)
Effect of foreign currency exchange differences	-	-	-	3	(3)	-	-	-
Balance, December 31, 2017	-	<u>1,373,894</u>	<u>559,662</u>	<u>39,629</u>	<u>723,707</u>	<u>24,810</u>	-	<u>2,721,702</u>
Accumulated impairment loss								
Balance, January 1, 2017	10,000	-	-	-	-	-	-	10,000
Balance, December 31, 2017	<u>10,000</u>	-	-	-	-	-	-	<u>10,000</u>
Net amount								
Balance, January 1, 2017	\$ 7,283,171	\$ 1,622,335	\$ 285,657	\$ 21,631	\$ 132,790	\$ 2,251	\$ 137,273	\$ 9,485,108
Balance, December 31, 2017	<u>\$ 7,283,171</u>	<u>\$ 1,557,972</u>	<u>\$ 246,418</u>	<u>\$ 20,501</u>	<u>\$ 119,933</u>	<u>\$ 2,516</u>	<u>\$ 152,388</u>	<u>\$ 9,382,899</u>
Cost								
Balance, January 1, 2018	\$ 7,293,171	\$ 2,931,866	\$ 806,080	\$ 60,130	\$ 843,640	\$ 27,326	\$ 152,388	\$ 12,114,601
Acquisition from Merging	-	-	-	-	830	-	-	830
Additions	-	-	22,325	1,077	15,814	300	147,422	186,938
Disposals	(15,989)	(9,517)	(11,718)	(669)	(14,941)	-	-	(52,834)
Reclassification	-	-	25,380	-	4,216	-	(88,049)	(58,453)
Effect of foreign currency exchange differences	-	-	-	(42)	(15)	-	-	(57)
Balance, December 31, 2018	<u>7,277,182</u>	<u>2,922,349</u>	<u>842,067</u>	<u>60,496</u>	<u>849,544</u>	<u>27,626</u>	<u>211,761</u>	<u>12,191,025</u>
Accumulated depreciation								
Balance, January 1, 2018	-	1,373,894	559,662	39,629	723,707	24,810	-	2,721,702
Acquisition from Merging	-	-	-	-	638	-	-	638
Depreciation	-	60,724	106,243	6,067	48,163	696	-	221,893
Disposals	-	(5,421)	(11,718)	(669)	(14,941)	-	-	(32,749)
Effect of foreign currency exchange differences	-	-	-	(24)	(12)	-	-	(36)
Balance, December 31, 2018	-	<u>1,429,197</u>	<u>654,187</u>	<u>45,003</u>	<u>757,555</u>	<u>25,506</u>	-	<u>2,911,448</u>
Accumulated impairment loss								
Balance, January 1, 2018	10,000	-	-	-	-	-	-	10,000
Balance, December 31, 2018	<u>10,000</u>	-	-	-	-	-	-	<u>10,000</u>
Net amount								
Balance, December 31, 2018	<u>\$ 7,267,182</u>	<u>\$ 1,493,152</u>	<u>\$ 187,880</u>	<u>\$ 15,493</u>	<u>\$ 91,989</u>	<u>\$ 2,120</u>	<u>\$ 211,761</u>	<u>\$ 9,269,577</u>

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

<u>Items</u>	<u>Years</u>
Buildings	7 to 61 years
Machinery equipment	3 to 9 years
Transportation equipment	3 to 21 years
Other equipment	1 to 21 years
Leasehold improvement	25 years, depreciates over the lease period if below 25 years

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

19. INVESTMENT PROPERTY

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Land	\$ 132,491	\$ 135,375
Buildings	<u>67,357</u>	<u>66,826</u>
	<u>\$ 199,848</u>	<u>\$ 202,201</u>

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

<u>Items</u>	<u>Years</u>
Main buildings	60 years
Decorations	10 years

The movements of investment property are summarized as follow:

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Cost</u>		
Balance, January 1	\$ 202,201	\$ 179,088
Addition	19,365	23,113
Disposal	<u>(19,792)</u>	<u>-</u>
Balance, December 31	<u>\$ 201,774</u>	<u>\$ 202,201</u>
<u>Accumulated depreciation</u>		
Balance, January 1	\$ -	\$ -
Depreciation	2,367	-
Disposal	<u>(441)</u>	<u>-</u>
Balance, December 31	<u>\$ 1,926</u>	<u>\$ -</u>
<u>Net amount</u>		
Balance, December 31	<u>\$ 199,848</u>	<u>\$ 202,201</u>

The fair value of the investment property was not evaluated by an independent appraiser. The Group's management used the valuation model commonly used by the market participants to determine the fair value, which was obtained by reference to the transaction prices for similar properties as the market evidence. The fair value determined as of December 31, 2018 and 2017 was \$229,916 and \$248,478 thousand, respectively.

20. INTANGIBLE ASSETS

	December 31	
	2018	2017
Goodwill	\$ 1,055,734	\$ 1,034,579
Computer software	<u>136,777</u>	<u>79,126</u>
	<u>\$ 1,192,511</u>	<u>\$ 1,113,705</u>

The movements of intangible assets are shown as follows:

	For the Year Ended December 31	
	2018	2017
Balance, January 1	\$ 1,113,705	\$ 1,072,468
Acquisition from merging - goodwill (Note 42)	21,155	-
Acquisition from merging - software (Note 42)	183	-
Additions	42,020	25,307
Amortization	(43,003)	(18,057)
Reclassifications	58,453	33,987
Effect of foreign currency exchange differences	<u>(2)</u>	<u>-</u>
Balance, December 31	<u>\$ 1,192,511</u>	<u>\$ 1,113,705</u>

The Group merged Sunny Microfinance PLC in December 2018, arising goodwill \$21,155 thousand which mainly relating the expecting benefit from interest revenue of financing business in Cambodia.

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 in 2018 and 2017.

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

Item	Years
Computer software	2-10 years

21. OTHER ASSETS, NET

	December 31	
	2018	2017
Collaterals assumed		
Cost	\$ 180,892	\$ 195,223
Less: Accumulated impairment loss	<u>26,281</u>	<u>23,884</u>
Collaterals assumed, net	154,611	171,339
Refundable deposits	116,591	112,280
Prepayments	71,948	47,008
Operating deposits, clearing and settlement fund	17,342	14,998
Others	<u>29,038</u>	<u>31,983</u>
	<u>\$ 389,530</u>	<u>\$ 377,608</u>

22. DUE TO THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2018	2017
Due to banks	\$ 2,915,000	\$ 3,665,000
Call loans from banks	2,300,000	2,350,000
Deposits from Chunghwa Post Co., Ltd.	<u>1,298,606</u>	<u>1,298,606</u>
	<u>\$ 6,513,606</u>	<u>\$ 7,313,606</u>

23. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	December 31	
	2018	2017
Government bonds	\$ 3,901,089	\$ 9,655,135
Corporate bond	<u>450,000</u>	<u>-</u>
	<u>\$ 4,351,089</u>	<u>\$ 9,655,135</u>
Agreed-upon repurchase price	<u>\$ 4,352,728</u>	<u>\$ 9,658,237</u>
Maturity date	2019.1.2- 2019.1.23	2018.1.4- 2018.1.30

24. PAYABLES

	December 31	
	2018	2017
Notes and checks in clearing	\$ 2,007,350	\$ 2,096,648
Interest payables	701,837	580,196
Accrued expenses	681,604	566,658
Accounts payable for settlement	368,493	320,244
Acceptances payables	105,585	38,309
Other tax payables	80,808	74,480
Bill for collection	29,588	16,759
Other payables	268,395	250,934
	<u>\$ 4,243,660</u>	<u>\$ 3,944,228</u>

25. DEPOSITS AND REMITTANCES

	December 31	
	2018	2017
Checking	\$ 3,573,153	\$ 3,225,697
Demand	53,125,515	47,627,103
Time deposits	153,295,897	130,339,614
Savings	202,850,289	195,231,918
Remittances	57,851	116,400
	<u>\$ 412,902,705</u>	<u>\$ 376,540,732</u>

26. BANK DEBENTURES

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

	Maturity Date	Rates	December 31	
			2018	2017
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
First subordinated bank debentures issued in 2011 (B)	2011.06.27-2018.06.27	Fixed interest rate of 1.25%. Interest is paid annually.	-	200,000
	Principal is repayable on maturity date. Principal amount of \$300,000 thousand repaid early in April 2017.			
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 2013 (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
	Principal is repayable on maturity date.			

(Continued)

	Maturity Date	Rates	December 31	
			2018	2017
Second subordinated bank debentures issued in 2015	2015.10.08-2022.10.08 Principal is repayable on maturity date.	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 Principal is repayable on maturity date.	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. Redeemable at par after 7 years from the date of issue.	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	No maturity date. Redeemable at par after 7 years from the date of issue.	Fixed interest rate of 4.50%. Interest is paid annually.	200,000	200,000
First subordinated bank debentures issued in 2016	2016.01.27-2023.01.27 Principal is repayable on maturity date.	Fixed interest rate of 2.46%. Interest is paid annually.	1,100,000	1,100,000
Second subordinated bank debentures issued in 2016 (A)	2016.08.19- 2023.08.19 Principal is repayable on maturity date.	Fixed interest rate of 2.00%. Interest is paid annually.	530,000	530,000
Second subordinated bank debentures issued in 2016 (B)	2016.08.19-2023.08.19 Principal is repayable on maturity date.	Variable interest rate plus 1.08%. Interest is paid annually.	170,000	170,000
Third subordinated non-accumulating redeemable bank debentures issued on August 19, 2016	No maturity date. Redeemable at par after 7 years from the date of issue.	Fixed interest rate of 4.35%. Interest is paid annually.	300,000	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	800,000
Fifth subordinated non-accumulating redeemable bank debentures issued on October 18, 2016	No maturity date. Redeemable at par after 7 years from the date of issue.	Fixed interest rate of 4.35%. Interest is paid annually.	200,000	200,000
First subordinated bank debentures issued in 2017	2017.02.15-2024.02.15 Principal is repayable on maturity date.	Variable interest rate plus 0.83%. Interest is paid annually.	200,000	200,000
Second subordinated non-accumulating redeemable bank debentures issued on March 31, 2017	No Maturity date.	Variable interest rate plus 3.13%. Interest is paid annually.	800,000	800,000
Third subordinated bank debentures issued in 2017 (A)	2017.05.31-2024.05.31 Principal is repayable on maturity date.	Fixed interest rate of 1.75%. Interest is paid annually.	70,000	70,000
Third subordinated bank debentures issued in 2017 (B)	2017.05.31-2024.05.31 Principal is repayable on maturity date.	Variable interest rate plus 0.83%. Interest is paid annually.	380,000	380,000
Fourth subordinated non-accumulating redeemable bank debentures issued on March 31, 2017	2017.06.29-2024.06.29 Principal is repayable on maturity date.	Variable interest rate plus 0.83%. Interest is paid annually.	450,000	450,000
Fifth subordinated non-accumulating redeemable bank debentures issued on August 30, 2017	No Maturity date. Redeemable at par after 7 years from the date of issue.	Variable interest rate plus 3.13%. Interest is paid annually.	530,000	530,000
Sixth subordinated non-accumulating redeemable bank debentures issued on September 25, 2017	No Maturity date. Redeemable at par after 7 years from the date of issue.	Variable interest rate plus 3.13%. Interest is paid annually.	350,000	350,000
First subordinated non-accumulating redeemable bank debentures issued on March 29, 2018	No Maturity date. Redeemable at par after 7 years from the date of issue.	Variable interest rate plus 3.13%. Interest is paid annually.	180,000	-
Twice subordinated non-accumulating redeemable bank debentures issued on September 27, 2018	No Maturity date. Redeemable at par after 7 years from the date of issue.	Variable interest rate plus 3.13%. Interest is paid annually.	480,000	-
Twice subordinated non-accumulating redeemable bank debentures issued on November 21, 2018	No Maturity date. Redeemable at par after 7 years from the date of issue.	Variable interest rate plus 3.13%. Interest is paid annually.	150,000	-
Fifth subordinated non-accumulating redeemable bank debentures issued on December 27, 2018	No Maturity date. Redeemable at par after 7 years from the date of issue.	Variable interest rate plus 3.13%. Interest is paid annually.	240,000	-
			<u>\$ 14,530,000</u>	<u>\$ 13,780,000</u>

(Concluded)

27. PROVISIONS

	December 31	
	2018	2017
Provisions for employee benefits (Note 28)	\$ 95,357	\$ 34,518
Provisions for guarantee liabilities (Note 14)	35,939	27,356
Provisions for financial commitment	9,649	-
Provisions for decommissioning liabilities	9,163	8,863
Other provisions (Note 14)	1,208	-
Provisions for litigation compensation	<u>693</u>	<u>-</u>
	<u>\$ 152,009</u>	<u>\$ 70,737</u>

28. PROVISIONS FOR EMPLOYEE BENEFITS

	December 31	
	2018	2017
Recognized in consolidated balance sheets (accounts payable and provisions)		
Defined benefit plans	\$ 91,852	\$ 30,828
Defined contribution plans	13,769	11,757
Preferential interest rate plan for employees' deposits	<u>3,505</u>	<u>3,690</u>
	<u>\$ 109,126</u>	<u>\$ 46,275</u>

a. Defined benefit plans

The Company 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 Company 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 Company 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	
	2018	2017
Present value of defined benefit obligation	\$ 746,590	\$ 696,596
Fair value of plan assets	<u>(654,738)</u>	<u>(665,768)</u>
Net defined benefit liability	<u>\$ 91,852</u>	<u>\$ 30,828</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, 2017	\$ 727,191	\$ (687,598)	\$ 39,593
Service cost			
Current service cost	9,758	-	9,758
Net interest expense (income)	9,861	(9,415)	446
Recognized in profit or loss	19,619	(9,415)	10,204
Remeasurement			
Return on plan assets	-	5,982	5,982
Actuarial loss - changes in demographic assumptions	(1,157)	-	(1,157)
Actuarial loss - changes in financial assumptions	(5,783)	-	(5,783)
Actuarial loss - experience adjustments	18,099	(2,656)	15,443
Recognized in other comprehensive income	11,159	3,326	14,485
Contributions from the employer	-	(33,454)	(33,454)
Benefits paid	(61,373)	61,373	-
Balance at December 31, 2017	696,596	(665,768)	30,828
Service cost			
Current service cost	9,303	-	9,303
Net interest expense (income)	8,521	(8,399)	122
Recognized in profit or loss	17,824	(8,399)	9,425
Remeasurement			
Return on plan assets	-	(3,740)	(3,740)
Actuarial loss - changes in demographic assumptions	1,436	-	1,436
Actuarial loss - changes in financial assumptions	7,182	-	7,182
Actuarial loss - experience adjustments	52,956	(2,977)	49,979
Recognized in other comprehensive income	61,574	(6,717)	54,857
Contributions from the employer	-	(3,258)	(3,258)
Benefits paid	(29,404)	29,404	-
Balance at December 31, 2018	\$ 746,590	\$ (654,738)	\$ 91,852

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	
	2018	2017
Discount rate(s)	1.125%	1.250%
Expected rate(s) of salary increase	1.250%-1.875%	1.250%-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	
	2018	2017
Discount rate(s)		
0.25% increase	<u>\$ (14,807)</u>	<u>\$ (14,098)</u>
0.25% decrease	<u>\$ 15,312</u>	<u>\$ 14,591</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 14,664</u>	<u>\$ 13,993</u>
0.25% decrease	<u>\$ (14,248)</u>	<u>\$ (13,584)</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	
	2018	2017
The expected contributions to the plan for the next year	<u>\$ 9,655</u>	<u>\$ 42,250</u>
The average duration of the defined benefit obligation	9-11 Years	10-12 years

b. Defined contribution plans

The Company, Sunny Securities Co., King Sunny Asset Management Co., Sunny International Leasing Co. and Sunny E-Commercial Co. adopted 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 subsidiaries in China contribute to pension fund monthly at the specified percentage of the standard salary regulated by the local government of China. Other oversea employees were contributed under relative laws regulated by the local government.

c. Preferential interest on employees' deposits

The Company offers preferential interest on employees' deposits to both current and retired employees.

The preferential interest on employees' deposits for the years ended December 31, 2018 and 2017 had not been assessed by an independent valuer because there is very little number of employees that meet those relevant criteria, instead the Company'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	
	2018	2017
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 Company's obligations on the preferential interest on employees' deposits were as follows:

	December 31	
	2018	2017
Present value of preferential interest on employees' deposits	\$ 3,505	\$ 3,690
Fair value of plan assets	<u>-</u>	<u>-</u>
Provision of preferential interest on employees' deposits	<u>\$ 3,505</u>	<u>\$ 3,690</u>

The Company expects to make a contribution of \$0 thousand to the preferential interest on employees' deposits for the years ended December 31, 2018 and 2017.

29. OTHER LIABILITIES

	December 31	
	2018	2017
Advance receipts	\$ 215,183	\$ 191,623
Guarantee deposits received	112,295	133,982
Others	<u>5,375</u>	<u>6,177</u>
	<u>\$ 332,853</u>	<u>\$ 331,782</u>

30. EQUITY

Common Shares

a. Share capital

	December 31	
	2018	2017
Number of shares authorized (in thousands)	<u>3,000,000</u>	<u>3,000,000</u>
Shares authorized	<u>\$ 30,000,000</u>	<u>\$ 30,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>2,392,721</u>	<u>2,162,944</u>
Shares issued	<u>\$ 23,927,206</u>	<u>\$ 21,629,440</u>

On January 16, 2017, the Company's board of director resolved to eliminated Sunny Life Insurance's shareholding 491 thousand shares, so as to undertake merger by absorption of Sunny Life Insurance and Sunny Property & Insurance. The record of capital reduction date is January 20, 2017, and the paid up capital after reduction is \$20,028,038 thousand.

In their meeting on May 8, 2017, the Company's stockholders resolved to issue 100,140 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 \$21,029,440 thousand. The above transaction was approved by authorities, and the record date of earnings capitalization was August 15, 2017.

To increase the Company's cash and operating capital, raise its capital adequacy ratio, the Company's board of directors resolved to issue 60,000 thousand ordinary shares with par value of \$10 each on January 16, 2017 which increased the issued and paid up capital to \$21,629,440 thousand. The above transaction was approved by Securities and Futures Bureau of Financial Supervisory Commission on June 2, 2017, the record date of earnings capitalization had been determined by the board to August 15, 2017 and the change to the issued and paid up capital been registered on September 4, 2017.

In their meeting on June 4, 2018, the Company's stockholders resolved to issue 129,777 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 \$22,927,206 thousand. The above transaction was approved by authorities, and the record date of earnings capitalization was September 27, 2018.

To increase the Company's cash and operating capital, raise its capital adequacy ratio, the Company's board of directors resolved to issue 100,000 thousand ordinary shares with par value of \$10 each on June 15, 2018 which increased the issued and paid up capital to \$23,927,206 thousand. The above transaction was approved by Securities and Futures Bureau of Financial Supervisory Commission on July 16, 2018, the record date of earnings capitalization had been determined by the board to be September 27, 2018 and the change to the issued and paid up capital been registered on October 16, 2018.

The shares of the capital issued for a cash increase were reserved for the Company'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, 2018 and 2017 were \$150 thousand and \$0 thousand, respectively.

In 2018 and 2017 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 2018 (Base Date: September 27, 2018)	The First Subscription in 2017 (Base Date: August 15, 2017)
Grant-date share price	\$8.97	\$8.81
Exercise price	\$10	\$10
Expected volatility	16.43%	12.17%
Expected life (years)	0.15	0.16
Risk-free interest rate	0.41%	0.41%

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	
	2018	2017
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (a)		
Arising from issuance of common shares	\$ 18,084	\$ 18,072
Treasury stock transactions	1,401	1,401
May be used to offset a deficit only		
Lost employee share options	30,928	30,790
Treasury stock transactions (b)	180	180
	<u>\$ 50,593</u>	<u>\$ 50,443</u>

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

Retained Earnings and Dividend Policy

In accordance with the dividend policy as set forth in the Articles, when the Company 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 Company's paid-in capital. The Company'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, please refer to Employee benefits expenses in Note 37.

Under the Company Act, legal reserve shall be appropriated until it has reached the Company's paid-in capital. This reserve may be used to offset a deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash. In addition, the Companying 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 Company.

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 Company.

For the Company'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 Company 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 \$0.1 per share, stock dividends should be distributed instead.

The appropriations from the 2017 and 2016 earnings were proposed in the shareholders' meetings on March 19, 2018 and May 8, 2017, respectively. The appropriations, including dividends per share, were as follows:

	Appropriation of Earnings		Dividends Per Share (\$)	
	2017	2016	2017	2016
Beginning unappropriated earnings	\$ 92,090	\$ 240,595		
Net income	1,910,600	2,339,018		
Adjustments of investments accounted for by the equity method	(1,226)	98		
Adjustment of actuarial loss on defined benefit plans	(10,797)	(26,081)		
Legal reserve	(573,180)	(701,705)		
Recognition of special reserve	(9,553)	(357,872)		
Reversal of special reserve	346,177	-		
Cash dividends	(432,589)	(400,561)	\$ 0.2	\$ 0.2
Share dividends	<u>(1,297,766)</u>	<u>(1,001,402)</u>	0.6	0.5
	<u>\$ 23,756</u>	<u>\$ 92,090</u>		

The appropriations of earnings for 2018 had been proposed by the Company's board of directors on March 19, 2019. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Beginning unappropriated earnings	\$ 23,756	
Effect of retrospective application and retrospective restatement	<u>(101,869)</u>	
Beginning unoffset deficit after adjustment	(78,113)	
Remeasurement on defined benefit plans recognized in retained earnings	(39,577)	
Unappropriated earnings adjusted for equity investment	93	
Disposal of FVTOCI	<u>(20,429)</u>	
Adjusted unappropriated earnings	(138,026)	
Net profit after tax for the year ended 2017	2,551,934	
30% Legal reserve	(724,172)	
Special reserve	<u>(12,070)</u>	
Earnings available for appropriation	1,677,666	
Cash dividends	(478,544)	\$ 0.2
Share dividends	<u>(1,196,361)</u>	0.5
Ending retained earnings	<u>\$ 2,761</u>	

The appropriations of earnings for 2018 are subject to the resolution of the shareholders' meeting to be held on June 3, 2019.

Other Equity Items

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

	For the Year Ended December 31	
	2018	2017
Balance at January 1	\$ (37,802)	\$ (29,369)
Exchange differences arising on translating the financial statements of foreign operations	(5,762)	(9,647)
Income tax related to gains arising on translating the financial statements of foreign operations	<u>4,426</u>	<u>1,214</u>
Balance at December 31	<u>\$ (39,138)</u>	<u>\$ (37,802)</u>

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

	For the Year Ended December 31	
	2018	2017
Balance at January 1	\$ 178,813	\$ (341,744)
Adjustment on application of IFRS 9	<u>(178,813)</u>	<u>-</u>
Adjusted balance at January 1	-	(341,744)
Unrealized gain (loss) arising on revaluation of available-for-sale financial assets	-	542,859
Realized gain arising on revaluation of available-for-sale financial assets	<u>-</u>	<u>(22,302)</u>
Balance at December 31	<u>\$ -</u>	<u>\$ 178,813</u>

- c. Unrealized gain/(loss) on financial assets at FVTOCI

	For the Year Ended December 31, 2018	
	Equity Instruments	Debt Instruments
Balance at January 1 per IAS 39	\$ -	\$ -
Adjustment on initial application of IFRS 9	<u>438,559</u>	<u>213,873</u>
Balance at January 1 per IFRS 9	438,559	213,873
Unrealized gain/(loss) - equity instruments	126,273	-
Unrealized gain/(loss) - debt instruments	-	(26,506)
Net remeasurement of loss allowance	-	403
Disposal of investments in debt instruments	-	(56,042)
Cumulative unrealized gain/(loss) of equity instruments transferred to retained earnings due to disposal	<u>20,429</u>	<u>-</u>
Balance at December 31	<u>\$ 585,261</u>	<u>\$ 131,728</u>

Treasury Shares

The Company's shares held by Sunny Life Insurance Brokerage Co. 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. The treasury share had logout at record date of consolidated capital reduction on January 20, 2017.

Under the Securities and Exchange Act, the Company 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.

31. NET INTEREST

	For the Year Ended December 31	
	2018	2017
Interest revenue		
Discounts and loans	\$ 7,663,902	\$ 6,739,810
Marketable securities held	873,219	751,627
Due from banks and call loans to banks	362,620	206,729
Securities purchased under agreement to resell	74,437	47,069
Others	<u>153,973</u>	<u>138,598</u>
	<u>9,128,151</u>	<u>7,883,833</u>
Interest expense		
Deposits	3,123,284	2,573,789
Bank debentures	385,889	377,846
Others	<u>141,470</u>	<u>103,234</u>
	<u>3,650,643</u>	<u>3,054,869</u>
	<u>\$ 5,477,508</u>	<u>\$ 4,828,964</u>

32. COMMISSION AND FEE REVENUE, NET

	For the Year Ended December 31	
	2018	2017
Commission and fee revenue		
Agency service	\$ 498,118	\$ 512,549
Trust and related business	274,544	312,549
Loan services	203,828	219,813
Credit card business	53,910	49,435
Others	<u>162,654</u>	<u>172,098</u>
	<u>1,193,054</u>	<u>1,266,444</u>
Commission and fee expense		
Credit card business	31,256	32,817
Interbank services	15,955	15,795
Others	<u>57,425</u>	<u>57,672</u>
	<u>104,636</u>	<u>106,284</u>
	<u>\$ 1,088,418</u>	<u>\$ 1,160,160</u>

33. NET GAIN ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	For the Year Ended December 31	
	2018	2017
Interest revenue	\$ 106,020	\$ 72,684
Dividend revenue	<u>1,256</u>	<u>-</u>
Disposal (loss) gain		
Commercial paper	1,230	1,214
Bonds	203	-
Stocks	(7,046)	1,617
Beneficial certificates	(92,075)	4,373
Derivative financial instruments		
Currency swap contracts	36,533	34,065
Forward contracts	<u>14</u>	<u>8,240</u>
	<u>(61,141)</u>	<u>49,509</u>
Gain (loss) on valuation		
Structured goods	13,379	-
Beneficial certificates	(7,717)	4,999
Commercial paper	4,632	(3,139)
Negotiable certificates of deposit	(10)	-
Convertible corporate bonds with interest rate swap contracts	-	-
Bonds	-	-
Derivative financial instruments		
Forward contracts	(1,912)	(3,558)
Currency swap contracts	<u>(35,310)</u>	<u>28,671</u>
	<u>(26,938)</u>	<u>26,973</u>
	<u>\$ 19,197</u>	<u>\$ 149,166</u>

34. REALIZED GAINS (LOSSES) ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

	For the Year Ended December 31, 2017
Gains (losses) on disposal of beneficial certificates	\$ 33,681
Dividend income	17,111
Gains on disposal of commercial paper	643
Gains (losses) on disposal of stocks	(2,344)
Gains (losses) on disposal of bonds	<u>(9,678)</u>
	<u>\$ 39,413</u>

35. REALIZED GAINS ON FVTOCI

	For the Year Ended December 31, 2018
Dividends revenue	\$ 53,640
Disposal of bonds	55,668
Disposal of commercial papers	<u>374</u>
	<u>\$ 109,682</u>

36. OTHER NONINTEREST NET REVENUES

	For the Year Ended December 31	
	2018	2017
Gain (loss) on disposal of sustained collateral	\$ 22,615	\$ -
Gain (loss) on disposal of property and equipment	14,254	81
Gain (loss) on disposal of investment properties	4,416	-
Others	<u>17,704</u>	<u>17,735</u>
	<u>\$ 58,989</u>	<u>\$ 17,816</u>

37. EMPLOYEE BENEFIT EXPENSE

	For the Year Ended December 31	
	2018	2017
Salaries and wages	\$ 1,821,093	\$ 1,672,534
Labor insurance, national health insurance and group life insurance	150,145	144,313
Pension costs	82,782	78,710
Remuneration of director	56,345	50,385
Other employee benefits expense	<u>163,567</u>	<u>149,747</u>
	<u>\$ 2,273,932</u>	<u>\$ 2,095,689</u>

Employees' Compensation and Remuneration of Directors

The Company accrued employees' compensation and remuneration of directors at the rates 2% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. Nonetheless, when the Company has accumulated losses, it should reserve the amount of compensation in advance.

The employees' compensation and remuneration to directors, accrued at 2% and no higher than 1%, for the years ended December 31, 2018 and 2017 which have been approved by the Company's board of directors on March 19, 2019 and March 20, 2018, respectively, were as follows:

	For the Year Ended December 31	
	2018	2017
Employees' compensation	\$ 59,519	\$ 45,908
Remuneration of directors	29,760	22,954

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 years ended December 31, 2017 and 2016.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

38. DEPRECIATION AND AMORTIZATION EXPENSE

	For the Year Ended December 31	
	2018	2017
Depreciation expense		
Property and equipment	<u>\$ 221,893</u>	<u>\$ 222,956</u>
Investment properties	<u>\$ 2,367</u>	<u>\$ -</u>
Amortization expense	<u>\$ 44,044</u>	<u>\$ 19,212</u>

39. OTHER OPERATING EXPENSES

	For the Year Ended December 31	
	2018	2017
Taxation	\$ 477,686	\$ 442,962
Insurance	158,574	157,361
Rent	79,459	76,880
Repairs	74,270	64,891
Postage	62,733	57,655
Public utilities	41,122	40,298
Others	<u>301,918</u>	<u>283,589</u>
	<u>\$ 1,195,762</u>	<u>\$ 1,123,636</u>

40. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense (benefit) are as follow:

	For the Year Ended December 31	
	2018	2017
<u>Current tax</u>		
In respect of the current year	\$ 500,702	\$ 369,373
Income tax on unappropriated earnings	-	4
Adjustments for prior years	(2,762)	103
Others	<u>2,152</u>	<u>-</u>
	<u>500,092</u>	<u>369,480</u>
<u>Deferred tax</u>		
In respect of the current year	1,409	(37,898)
Effect of change in tax rate	<u>(20,790)</u>	<u>-</u>
	<u>(19,381)</u>	<u>(37,898)</u>
Income tax expense recognized in profit or loss	<u>\$ 480,711</u>	<u>\$ 331,582</u>

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

	For the Year Ended December 31	
	2018	2017
Profit before tax from continuing operations	<u>\$ 3,032,645</u>	<u>\$ 2,242,182</u>
Income tax expense calculated at the statutory rate	\$ 606,529	\$ 381,171
Nondeductible expenses in determining taxable income	10,230	1,323
Tax-exempt income	(84,891)	(46,535)
Additional income tax under the alternative minimum tax act	-	4,859
Income tax on unappropriated earnings	-	4
Unrecognized deductible temporary differences	(31,504)	(11,084)
Effect of change in tax rate	(20,790)	-
Effect of different tax rate of Group entities operating in other jurisdictions	1,747	1,741
Adjustments for prior years' tax	(2,762)	103
Land value increment tax	2,134	-
Others	<u>18</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 480,711</u>	<u>\$ 331,582</u>

In 2017, the applicable corporate income tax rate used by the group entities in the ROC is 17%. Income Tax Act in the ROC was amended in 2018 and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. The applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

As the status of 2019 appropriations of earnings is uncertain, the potential income tax consequences of 2018 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2018	2017
<u>Deferred tax</u>		
Effect of change in tax rate	\$ 5,661	\$ -
In respect of the current year:		
Remeasurement on defined benefit plan	10,972	2,462
Translation of foreign operations	<u>3,166</u>	<u>1,214</u>
Total income tax recognized in other comprehensive income	<u>\$ 19,799</u>	<u>\$ 3,676</u>

c. Current tax assets and liabilities

	December 31	
	2018	2017
Current tax assets		
Tax refund receivable	<u>\$ 793</u>	<u>\$ 950</u>
Current tax liabilities		
Income tax payable	<u>\$ 256,740</u>	<u>\$ 178,904</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, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for credit losses	\$ 129,634	\$ 53,616	\$ -	\$ 183,250
Unrealized gain on foreign exchange	14,972	(14,972)	-	-
Exchange difference on foreign operations	7,138	-	4,426	11,564
Defined benefit obligation	5,941	(2,074)	15,373	19,240
Provisions	1,141	455	-	1,596
Preferential interest deposits for employees	627	74	-	701
Deferred revenue	560	(160)	-	400
Others	<u>801</u>	<u>774</u>	<u>-</u>	<u>1,575</u>
	160,814	37,713	19,799	218,326
Loss carryforwards	<u>1,190</u>	<u>(230)</u>	<u>-</u>	<u>960</u>
	<u>\$ 162,004</u>	<u>\$ 37,483</u>	<u>\$ 19,799</u>	<u>\$ 219,286</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Land value increment tax	\$ 106,829	\$ -	\$ -	\$ 106,829
Unrealized gain on investments accounted for using the equity method	7,866	6,477	-	14,343
Unrealized exchange revenue	<u>-</u>	<u>11,625</u>	<u>-</u>	<u>11,625</u>
	<u>\$ 114,695</u>	<u>\$ 18,102</u>	<u>\$ -</u>	<u>\$ 132,797</u> (Concluded)

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for credit losses	\$ 96,765	\$ 32,869	\$ -	\$ 129,634
Unrealized gain on foreign exchange	3,369	11,603	-	14,972
Exchange difference on foreign operations	5,924	-	1,214	7,138
Defined benefit obligation	7,352	(3,873)	2,462	5,941
Provisions	1,197	(56)	-	1,141
Preferential interest deposits for employees	677	(50)	-	627
Deferred revenue	868	(308)	-	560
Others	<u>210</u>	<u>591</u>	<u>-</u>	<u>801</u>
	116,362	40,776	3,676	160,814
Loss carryforwards	<u>1,444</u>	<u>(254)</u>	<u>-</u>	<u>1,190</u>
	<u>\$ 117,806</u>	<u>\$ 40,522</u>	<u>\$ 3,676</u>	<u>\$ 162,004</u>

Deferred tax liabilities

Temporary differences				
Land value increment tax	\$ 106,829	\$ -	\$ -	\$ 106,829
Unrealized gain on investments accounted for using the equity method	<u>5,242</u>	<u>2,624</u>	<u>-</u>	<u>7,866</u>
	<u>\$ 112,071</u>	<u>\$ 2,624</u>	<u>\$ -</u>	<u>\$ 114,695</u>

e. Information about unused loss carryforwards

Loss carryforwards of Sunny E-Commercial Co. as of December 31, 2018 comprised:

Unused Amount	Expiry Year
\$ 502	2024
4,026	2025
6,423	2026
6,902	2027
<u>3,377</u>	2028
<u>\$ 21,230</u>	

f. Income tax assessments

	<u>Examined Year</u>
The Company	2016
Sunny Securities Co.	2016
King Sunny Assets Management Co.	2016
Sunny International Leasing Co.	2017
Sunny E-Commercial Co.	2017

41. EARNINGS PER SHARE

Unit: NT\$

	<u>For the Year Ended December 31</u>	
	2018	2017
Basic earnings per share	<u>\$ 1.10</u>	<u>\$ 0.85</u>
Diluted earnings per share	<u>\$ 1.10</u>	<u>\$ 0.85</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 September 27, 2018. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2017 were as follows:

Unit: \$ Per Share

	<u>Before Adjusted Retrospectively</u>	<u>After Adjusted Retrospectively</u>
Basic earnings per share	<u>\$ 0.90</u>	<u>\$ 0.85</u>
Diluted earnings per share	<u>\$ 0.90</u>	<u>\$ 0.85</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

	For the Year Ended December 31	
	2018	2017
Profit for the year attributable to owners of the Company	<u>\$ 2,551,934</u>	<u>\$ 1,910,600</u>

Shares

(In Thousand Shares)

	For the Year Ended December 31	
	2018	2017
Weighted average number of ordinary shares in computation of basic earnings per share	2,319,022	2,253,341
Effect of potentially dilutive ordinary shares:		
Employees' compensation	<u>5,573</u>	<u>4,685</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>2,324,595</u>	<u>2,258,026</u>

If the Company offered to settle compensation or bonuses paid to employees in cash or shares, the Company 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.

42. BUSINESS COMBINATIONS

a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Sunny Microfinance PLC.	Finance business	December 20, 2018	100	<u>\$26,167</u>

Sunny Microfinance PLC were acquired in order to continue the expansion of the Group's activities in finance business. The Consideration transferred were paid by cash.

b. Assets acquired and liabilities assumed at the date of acquisition

	Sunny Microfinance PLC.
Assets	
Cash and cash equivalents	\$ 2,659
Receivables, net	925
Discount and loan, net	3,903
Property, plant and equipment, net	192
Intangible asset	183
Other asset, net	231
Liabilities	
Payables	(1,223)
Current tax liabilities	(1)
Other liabilities	<u>(1,857)</u>
	<u><u>\$ 5,012</u></u>

c. Goodwill recognized on acquisitions

	Sunny Microfinance PLC.
Consideration transferred	\$ 26,167
Less: Fair value of identifiable net assets acquired	<u>(5,012)</u>
Goodwill recognized on acquisitions	<u><u>\$ 21,155</u></u>

The goodwill recognized in the acquisitions of Sunny Microfinance PLC. mainly represents the control premium included in the cost of the combinations. In addition, the consideration paid for the combinations effectively included amounts attributed to the benefits of expected synergies, revenue growth, future market development and the assembled workforces of Sunny Microfinance PLC. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The total amount of acquired goodwill is not tax-deductible.

d. Net cash outflow on the acquisition of subsidiaries

	Sunny Microfinance PLC.
Consideration paid in cash	\$ 26,167
Less: Cash and cash equivalent balances acquired	<u>(2,659)</u>
	<u><u>\$ 23,508</u></u>

e. Impact of acquisitions on the results of the Group

The results of the acquirees since the acquisition date included in the consolidated statements of comprehensive income are as follows:

	Sunny Microfinance PLC.
Revenue	<u>\$ 1,780</u>
Profit	<u>\$ (463)</u>

Had these business combinations been in effect at the beginning of the annual reporting period, the Group's revenue from continuing operations would have been \$7,067,691 thousand, and the profit from continuing operations would have been \$2,544,074 thousand for the year ended December 31, 2018. This pro-forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2018, nor is it intended to be a projection of future results.

43. 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 Company and related party are summarized as follows:

a. Related parties

Name	Relationship with the Company and Subsidiaries
Sunny Securities Co., Ltd.	Subsidiary of the Company
King Sunny Assets Management Co. (King Sunny)	Subsidiary of the Company
Leaderman & Associates Co., Ltd.	Related party in substance
Rising Sun Publishing Co., Ltd.	Related party in substance
Cherng Yang Printing Co., Ltd.	Related party in substance
Huei Hang International Food & Beverage Co., Ltd.	Related party in substance
King Kong Precison Industry Co., Ltd.	Related party in substance
Chuan Yang Construction Co., Ltd.	Related party in substance
Hai Wong Printing Co., Ltd.	Related party in substance
Li Kwen Investment Co., Ltd.	Related party in substance
Yung Chi Paper Manufacturing Co., Ltd.	Related party in substance
Forward Graphic Enterprise Co., Ltd.	Related party in substance
Other related persons	Directors, managers and their relatives within the second degree of consanguinity

1) Loans

Category	December 31, 2018							
	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	2	\$ 507	\$ 337	\$ 201	\$ 201	\$	-	Yes
Housing mortgage loans	72	538,831	455,723	483,203	483,203		Land and building for residential use	Yes
Others:	Leaderman & Associates Co., Ltd.	51,200	45,481	49,388	49,388		Land and building for commercial use	Yes
	Cherng Yang Publishing Co Ltd	39,608	39,339	39,061	39,061		Land and building for commercial use	Yes
	Sunny Securities Co., Ltd.	2,000	5	-	-		Guarantee of domestic financial instrument	Yes
	Cherng Yang Printing Co Ltd	441,309	430,928	419,961	419,961		Land and plant	Yes
	Huei Hang International Food & Beverage Co., Ltd.	325	252	188	188		Vehicles	Yes
	King Kong Precision Industry Co., Ltd.	10,000	110	-	-		Land and building for commercial use	Yes
	Chuan Yang Construction Co Ltd	351,000	121,866	351,000	351,000		Land and building for commercial use	Yes
	Hai Wong Printing Co., Ltd.	946,804	940,418	931,783	931,783		Land and plant	Yes
	Li Kwen Investment Co., Ltd.	110,000	52,638	45,000	45,000		Stocks	Yes
	Yung Chi Paper Manufacturing Co., Ltd.	21,734	21,734	21,734	21,734		Land and plant	Yes
	16	153,343	95,617	141,503	141,503		Land and plant Land and building for commercial use Farm land Vehicles Vacant land	Yes

Category	December 31, 2017							
	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	6	\$ 1,691	\$ 1,111	\$ 507	\$ 507	\$ -	-	Yes
Housing mortgage loans	75	686,308	432,575	387,664	387,664	-	Land and building for residential use	Yes
Others:	Rising Sun Publishing Co Ltd	40,144	39,881	39,608	39,608	-	Land and building for commercial use	Yes
	Cherng Yang Printing Co Ltd	446,000	445,478	441,309	441,309	-	Land and plant	Yes
	Huei Hang International Food & Beverage Co., Ltd.	457	386	325	325	-	Vehicles	Yes
	King Kong Precision Industry Co., Ltd.	13,000	1,610	10,000	10,000	-	Land and building for commercial use	Yes
	Chuan Yang Construction Co Ltd	520,000	410,721	2,000	2,000	-	Land and building for commercial use	Yes
	Forward Graphic Enterprise Co., Ltd.	50,000	44,192	50,000	50,000	-	Land and building for commercial use	Yes
	Hai Wong Printing Co., Ltd.	956,404	951,721	946,804	946,804	-	Land and plant	Yes
	Li Kwen Investment Co., Ltd.	170,000	9,808	110,000	110,000	-	Stocks	Yes
	Yung Chi Paper Manufacturing Co., Ltd.	21,734	21,734	21,734	21,734	-	Land and plant	Yes
	14	248,254	208,657	139,092	139,092	-	Land and plant Land and building for commercial use Farm land Vehicles Vacant land	Yes

2) Deposits

	December 31, 2018		
	Ending Balance	% of the Account Balance	Annual Interest Rates (%)
Others	\$ <u>2,406,813</u>	<u>1</u>	0-5

	December 31, 2017		
	Ending Balance	% of the Account Balance	Annual Interest Rates (%)
Others	\$ <u>2,070,795</u>	<u>1</u>	0-4.8

3) Interest revenue

	For the Year Ended December 31			
	2018		2017	
	Amount	%	Amount	%
Others	\$ <u>40,207</u>	<u>-</u>	\$ <u>49,794</u>	<u>1</u>

4) Interest expense

	For the Year Ended December 31			
	2018		2017	
	Amount	%	Amount	%
Others	\$ <u>17,555</u>	<u>1</u>	\$ <u>12,373</u>	<u>-</u>

5) Sale of nonperforming loans

On the record date of July 25, 2007, the Company sold 41,272 accounts of nonperforming loans that worth \$1,041,038 thousand to King Sunny Assets Management Co. in a public tender bid for \$858,000 thousand, 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. All payments were completed in 2017. The Company had transferred all rights, benefits and action for recourse onto King Sunny Assets Management Co. in accordance with the provisions of contract.

For the years ended December 31, 2018 and 2017, such gain on reversal of bad debt were \$0 thousand and \$25,668 thousand, respectively.

Transactions between the Company 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	
	2018	2017
Short-term employee benefits	\$ 136,161	\$ 125,542
Post-employment benefits	<u>2,280</u>	<u>2,399</u>
	<u>\$ 138,441</u>	<u>\$ 127,941</u>

44. PLEDGED OR MORTGAGED ASSETS

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

	December 31	
	2018	2017
Financial assets at FVTOCI	\$ 4,800,000	\$ -
The investment of debt securities measured at amortized cost	416,800	-
Available-for-sale financial assets	-	4,800,000
Held-to-maturity financial assets	-	407,400
Other financial assets, net	102,925	100,738
Other asset - guarantee deposits	116,591	112,280
- operating guarantee deposits	17,342	14,998
- pledge deposits	15,000	15,000
- specialized discharge account	8,652	8,803

The above pledge assets are mainly for 1) the deposit of enforcing provisional seizure asset of debtor, deposit of tenancing operating office, reserve of credit card payment, trust compensation reserve fund, deposit of notes dealers' reserve, operating deposits of securities dealers, operating guarantee deposits of securities underwriters, 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.

45. 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, 2018 and 2017 were as follows:

	December 31	
	2018	2017
Receipts under custody	\$ 485,856	\$ 497,074
Travelers' checks consigned-in	27,616	32,178
Securities under custody	12,741,662	12,348,627
Trust assets	67,641,861	58,665,133

46. 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, 2018

Assets and Liabilities Item	December 31, 2018			
	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				
Commercial paper	\$ 20,200,522	\$ -	\$ 20,200,522	\$ -
Beneficial certificates	77,283	77,283	-	-
Certificates of deposits	29,011	-	29,011	-
Others	374,762	-	374,762	-
Financial assets at FVTOCI				
Stocks	1,176,640	356,432	3,000	817,208
Bonds	29,046,705	-	29,046,705	-
Certificates of deposits and others	38,088,677	-	38,088,677	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss	2,601	-	2,601	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	20,979	-	20,979	-

Fair value hierarchy as at December 31, 2017

Assets and Liabilities Item	December 31, 2017			
	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				
Commercial paper	\$ 22,212,931	\$ -	\$ 22,212,931	\$ -
Beneficial certificates	196,711	196,711	-	-
Available-for-sale financial assets				
Stocks	368,021	368,021	-	-
Bonds	26,518,384	-	26,518,384	-
Certificates of deposits and others	37,984,923	-	37,984,923	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss	26,884	-	26,884	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	8,040	-	8,040	-

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:

- a) Listed stock and TWSE stock: Closing price published by Taiwan Stock Exchange and Taipei Exchange as of the balance sheet date;
- b) Beneficial certificate: Net asset declared by an investment trust company;
- c) Government bond: Settlement price or theoretical price published by Taipei Exchange as of the balance sheet date multiplied by 100;
- d) Corporate bonds: Corporate bonds in New Taiwan dollars are calculated using the yield rate published by Taipei Exchange on the measurement date as the discount rate; corporate bonds in foreign currency estimated on the basis of the quotes published by Bloomberg or Reuters;
- e) Bank debentures and negotiable certificate of deposits: 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.

The valuation of unpublished stocks are based on market approach, asset approach and income approach to assess their fair value.

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

There were no transfers between Levels 1 and 2 in the current and prior periods.

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

For the Year Ended December 31, 2018								
Items	Beginning Balance	Gains (Losses) on Valuation		Increase		Decrease		Ending Balance
		Profit and Loss	Other Comprehensive Income	Purchased/Issued	Transferred to Level 3	Disposed/Sold	Transferred Out of Level 3	
Financial assets at FVTOCI Equity instrument	\$ 665,579	\$ -	\$ 141,853	\$ 9,776	\$ -	\$ -	\$ -	\$ 817,208

Quantitative information about the significant unobservable inputs were as follow:

Measured on a Recurring Basis	Fair Value on December 31, 2018	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Correlation Between Inputs and Fair Value
<u>Non-derivative financial instruments</u>					
Financial assets at FVTOCI - equity instrument	\$ 115,179	Market approach	Discount without open market	19.43%-35.05%	Converse
	41,600	Asset approach	Discount without open market	24.66%	Converse
	660,429	Income approach	Weighted average cost	7.25%	Converse

6) Valuation processes for fair value measurements categorized within Level 3

The fair value of Level 3 valuation is measured by external experts, which makes the evaluation results close to the market, confirms that the data sources are independent, reliable, and consistent with other resources. Company review the evaluation parameters regularly, update the input values required for the evaluation model and any other necessary adjustments to ensure the reasonableness of the evaluation results.

7) Company's sensitivity analysis of Level 3 fair value if reasonable possible alternative assumptions may be used.

Company evaluate the fair value of financial instruments reasonably. Nevertheless, the outcome of the evaluation may vary due to the adoption of different valuation models and parameters. For the Level 3 financial instruments, if assets swap increase or decrease by 1 percent or 2.5 percent, the influence to the current net income and other comprehensive income were as follow:

Items	The Change in Fair Value Influence Current Net Income		The Change in Fair Value Influence Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
<u>December 31, 2018</u>				
<u>Assets</u>				
Financial assets at FVTOCI - equity instruments	\$ -	\$ -	\$ 85,707	\$ (62,450)

Favorable or unfavorable changes of Company refer to the fluctuation of fair value, which is calculated by different unobserved parameters. The preceding table only reflects effect caused by a single parameter, and do not consider the correlation among parameters.

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, net discounts and loans, other financial assets, guarantee deposits, operating guarantee deposits, clearing net and settlement fund, pledged deposits, and specialized 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
December 31, 2018		
Financial assets		
The investment of debt instruments measured at amortized cost	\$ 25,333,318	\$ 25,793,677
December 31, 2017		
Financial assets		
Held-to-maturity financial assets	21,147,709	21,307,536

2) Hierarchy information of fair value of financial instruments

Assets and Liabilities Item	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Financial assets				
The investment of debt instruments measured at amortized cost	\$ 25,793,677	\$ -	\$ 25,793,677	\$ -

Assets and Liabilities Item	December 31, 2017			
	Total	Level 1	Level 2	Level 3
Financial assets				
Held-to-maturity financial assets	\$ 21,307,536	\$ -	\$ 21,307,536	\$ -

3) Valuation techniques

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

- 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, 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.
- 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) Investment in debt instruments at amortized cost (applied in 2018) and Held-to-maturity financial assets (applied in 2017): Investment in debt instruments at amortized cost and held-to-maturity financial assets with quoted price in an active market are using market price as fair value. Investment in debt instruments at amortized cost and 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 Company 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 (applied in 2017): 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 (applied in 2017): 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.

47. 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, valueate, 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 Company 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 Company

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.

Collateral amount of impaired financial asset (2018)

The Company observed collateral value of financial instruments and considered the credit impaired one. The information of credit impaired financial instruments and collateral which reduce potential losses are as follow:

	Book Value	Allowance for Impairment Losses	Total Exposure	Fair Value of Collateral
Receivables	\$ 846,439	\$ 408,842	\$ 437,597	\$ -
Discount and loans	<u>2,395,881</u>	<u>821,234</u>	<u>1,574,647</u>	<u>11,691,129</u>
Impaired financial asset	<u>\$ 3,242,320</u>	<u>\$ 1,230,076</u>	<u>\$ 2,012,244</u>	<u>\$ 11,691,129</u>

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

a) The Company

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, 2018	December 31, 2017
Undrawn loan commitments	\$ 2,792,433	\$ 3,130,220
Undrawn credit card commitments	9,541,330	8,867,255
Standby letters of credit	887,817	740,181
Guarantees	3,593,887	2,598,199
Total	\$ 16,815,467	\$ 15,335,855

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, 2018	Collaterals	Enforceable Master Netting Arrangements	Other Credit Enhancement Instruments	Total
<u>On-balance sheet items</u>				
Receivables				
Acceptances	\$ -	\$ -	\$ 105,486	\$ 105,486
Discounts and loans	277,245,984	-	37,273,516	314,519,500
<u>Off-balance sheet items</u>				
Undrawn loan commitments	216,638	-	2,575,795	2,792,433
Standby letters of credit	-	-	887,817	887,817
Guarantees	-	-	3,593,887	3,593,887

December 31, 2017	Collaterals	Enforceable Master Netting Arrangements	Other Credit Enhancement Instruments	Total
<u>On-balance sheet items</u>				
Receivables				
Acceptances	\$ -	\$ -	\$ 36,675	\$ 36,675
Discounts and loans	210,171,277	-	75,838,196	286,009,473
<u>Off-balance sheet items</u>				
Undrawn loan commitments	332,316	-	2,797,904	3,130,220
Standby letters of credit	-	-	740,181	740,181
Guarantees	-	-	2,598,199	2,598,199

The Company 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) Judgements of a significant increase in credit risk since initial recognition - 2018

a) Credit assets

The Company assesses changes of default risk in credit quality during the expected lifetime of various types of credit assets on each reporting date to determine if there has been a significant increase in credit risk since initial recognition, main indicators considered and supporting information (including prospective information) were as follows:

Quantitative index

When the contractual payments are overdue for more than 30 days to 89 days, the credit risks of the credit assets are considered to be significantly increased since the initial recognition.

Qualitative index

- i. The credit risk of borrowers has increased significantly after assessment, which might possibly affect their ability in interest payment and the claim of Group.
- ii. Borrowers bounced the check, and did not pay interest regularly.
- iii. Borrowers's financial report issued by accountant had material going-concern assumption.
- iv. The credit report of borrowers had downgrading or abnormality.

If the company could not identify whether the credit risk of credit assets had increased significantly since original recognition. The company should recognize expected credit losses in accordance with lifetime unless it's low at the report date.

b) Investment position

The company adopts external credit rating scale to a measure whether the credit risk after the initial recognition is significantly increased for debt instrument measured at amortized cost and debt instrument measured at fair value through other comprehensive income. If the credit rating refer to Moody's investors service are above Ba3 in base date, and the credit risk do not increase significantly, the debt instrument were divided into stage 1, which are required to calculate 12 months expected credit losses; If the credit rating refer to Moody's investors service are blow than B1 in base date or the debt instrument were downgraded more than three levels or they fail to pay the principal or interest over 30 days, their credit risk increase significantly since initial recognition, they were divided into stage 2, which are required to calculate lifetime expected credit losses; If There is evidence indicating the instrument were credit-impaired in base date, they were divided into stage 3, which are required to calculate lifetime expected credit losses.

7) Definition of financial assets in default and credit impaired financial assets - 2018

a) Credit assets

The definition of financial assets in default of the Bank is the same as that of the credit impaired assets. If one or more of the following conditions are met, the Bank determines that the financial asset is in default and credit impaired:

Quantitative index

When the borrower's overdue payment of the contract is more than 90 days.

Qualitative index

- i. Borrower has suffered account rejection or filed a petition for bankruptcy, financial restructuring or financial relief and negotiation.
- ii. Borrower's collateral had been taken legal action or enforced auction by Company or others.
- iii. Borrowers's financial report issued by accountant had material going-concern assumption and borrower did not pay interest regularly.
- iv. Borrowers suffered major accident or been reported abnormally which affect their operation or Company's claim.

The credit asset will be restored to the state of compliance and is not considered as a credit impaired credit asset in default if it no longer meets the definition of default and credit impairment.

b) Investment position

If one or more of the following conditions are met, the Bank determines that the investment on debt instrument is in default and credit impaired:

- i. The investment on debt instrument had failed to pay the principal or interest over 90 days.
- ii. Issuer suffered financial difficulties.
- iii. Issuer had filed or highly possible to filed a petition for bankruptcy.
- iv. Issuer had filed or highly possible to filed a petition for financial restructuring.

The investment on debt instrument will be restored to the state of compliance and is not considered as a credit impaired instrument in default if it no longer meets the definition of default and credit impairment.

8) Write-off policy - 2018

The Company shall write off non-performing loans and overdue receivables that meet at least one of the following requirements:

- a) All or part of creditor's right couldn't recover due to dissolution, escape, settlement, bankruptcy or other reasons of the debtors.
- b) The value of collateral and properties of the main and subordinate debtors are very low, compensation are not available after deducting the first mortgage, or it is unbeneficial that execution fee is close to or may exceed Company's reimbursable amount.
- c) The collateral and the properties of the main and subordinate debtors are unsold after multiple discount auctions and not beneficial to Company.
- d) Overdue and nonperforming loans have not been recovered after more than 2 years from the maturity date.
- e) The minimum payable amount of debit card and credit card which are overdue for six months, should be written off in three months. Appropriate documents should be acquired to support such written off.

9) Amendment of contract cash flows of financial assets - 2018

The company will amend financial asset contract cash flows when borrowers are in financial difficulties, as a result of improvement of problematic debtors' recovery rate or for maintenance of customer relationships. Financial asset contract cash flows amendment include extension of contract period, interest payment date modification, contract interest modification, or exemption from certain requirements of part of debts. The amendment could result in Bank SinoPac and its subsidiaries dispose existing financial asset and recording of new financial asset at fair value.

If the modification of the contractual cash flows of financial asset does not result in derecognition of asset, Bank SinoPac and its subsidiaries will assess whether the credit risk of financial asset has increased significantly by comparing the following:

- a) Risk of breaching the contract on the reporting date (based on revised contract terms).
- b) The probability of default in the original recognition (based on the original unmodified contract terms).

10) Measurement of expected credit losses - 2018

a) Credit assets

For the purpose of measuring expected credit losses. The company will look into the credit risk characteristic of business attributes as well as industry nature, type of product and loan status of credit assets to divide them into following groups:

Business	Group	Definition
Corporate banking	Manufacturing	According to credit risk status, all groups were divided into 3 stage below: 1. The credit risk did not increase significantly; 2. The credit risk increased significantly; 3. Credit impaired.
	Wholesale and retail trade	
	Construction industry	
	Service industry and others	
	Government agencies	
Consumer banking	Mortgage	Company assess 3 stages' expected credit losses respectively
	Credit	
	Car loan	
	Others	
	Credit Card	

The Company measures the allowance loss for financial instruments that did not have a significant increase in credit risk since initial recognition based on the 12-month expected credit loss model. For financial instruments that had a significant increase in credit risk or are credit impaired since initial recognition, lifetime expected credit losses are applied.

To measure the expected credit losses, the Bank takes into account the borrower's probability of default ("PD") for the next 12 months and the period of existence, and includes the loss given default ("LGD") and exposure at default ("EAD"), taking into account the impact of the time value of money when calculating the 12 month and lifetime expected credit losses, respectively.

PD is the default percentage of a borrower. LGD is the loss ratio once a borrower default. The PD and LGD Company applied, to evaluate loan business impairment, are based on each portfolio's historical information calculated internally, and adjusted the historical information with current observable information and forward-looking economic information. The company evaluate risk exposure amount based on remaining loan amount. The company calculate 12 months and lifetime expected credit losses of financing commitment based on "IFRS 9 Impairment Evaluation Methodology Guideline" issued by BAROC. Off-balance sheet

exposure items are calculated through credit conversion factor, regulated in “The description and form of calculating banks’ eligible capital and risk-weighted assets - credit risk standard approach”. Use credit conversion factor to calculate the portion financing commitment expected to use in 12 months after record date and lifetime, to calculate the default exposure amount of expected credit losses and take into account the impact of the time value of money as an assessment when measure the expected credit losses.

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b) Investment position

The company measures the allowance loss for financial instruments that did not have a significant increase in credit risk since initial recognition based on the 12-month expected credit loss model. For financial instruments that had a significant increase in credit risk or are credit impaired since initial recognition, lifetime expected credit losses are applied.

To measure the expected credit losses. The company takes into account the borrower’s probability of default (“PD”), and includes the loss given default (“LGD”) and exposure at default (“EAD”).

11) Forward-looking information considerations -2018

a) Credit assets

According to IFRS 9, consideration of forward-looking estimates is necessary while calculating the expected credit losses. The company obtain historical data of economy growth rate (coordinate with internal historical data of Company’s probability of default) and forecasting information for current year to update the relevant economic factors which effect credit risk and expected credit losses of various assets groups as a parameter of default probability.

b) Investment position

The probability of default and the loss given default are calculated by referring to the default rate of all credit levels which were published by external credit rating agencies and to the external recovery rate of various debt instrument characteristics. When assess credit level, the credit rating agencies had considered forward-looking information and effect of time value of the money to calculate PD and LGD so as to measure the expected credit losses.

12) The changes of loan business’ book value and allowance loss -2018

Changes of discounts and loans allowance loss

	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 1,533,358	\$ 25,531	\$ 632,979	\$ -	\$ 2,191,868	\$ 1,328,402	\$ 3,520,270
Changes of financial instruments that have been identified at the beginning of the period:							
To 12-month ECL	7,151	(5,250)	(1,901)	-	-	-	-
To lifetime ECL	(13,696)	205,498	(191,802)	-	-	-	-
To credit impaired financial assets	(7,213)	(8,791)	16,004	-	-	-	-
Derecognizing financial assets during the current period	(138,538)	(2,926)	(113,863)	-	(255,327)	-	(255,327)
Purchased or originated financial assets	228,200	229	52,974	-	281,403	-	281,403
Loss recognized based on the Regulations	-	-	-	-	-	(306,477)	(306,477)
Write-off	-	-	(542,646)	-	(542,646)	-	(542,646)
Reversal on write-off	-	-	-	-	-	518,768	518,768
Other movement	(245,925)	(173,487)	969,489	-	550,077	-	550,077
Change in exchange rate	7,634	156	-	-	7,790	-	7,790
Balance, December 31	<u>\$ 1,370,971</u>	<u>\$ 40,960</u>	<u>\$ 821,234</u>	<u>\$ -</u>	<u>\$ 2,233,165</u>	<u>\$ 1,540,693</u>	<u>\$ 3,773,858</u>

Note: The changes of discounts and loans allowance loss are mainly due to the growth of loan business.

Changes of discounts and loans book value

	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Total
Balance, January 1	\$ 286,643,153	\$ 2,096,990	\$ 1,607,590	\$ -	\$ 290,347,733
Changes of financial instruments that have been identified at the beginning of the period:					
To 12-month ECL	488,629	(479,535)	(9,094)	-	-
To lifetime ECL	(2,664,733)	3,131,618	(466,885)	-	-
To credit impaired financial asset	(1,401,618)	(483,919)	1,885,537	-	-
Derecognizing financial assets during the current period	(33,224,195)	(303,117)	(360,656)	-	(33,887,968)
Purchased or originated financial assets	56,909,395	56,151	140,944	-	57,106,490
Write-off	-	-	(542,646)	-	(542,646)
Change in exchange rate and others	<u>2,162,100</u>	<u>(279,763)</u>	<u>141,091</u>	<u>-</u>	<u>2,023,428</u>
Balance, December 31	<u>\$ 308,912,731</u>	<u>\$ 3,738,425</u>	<u>\$ 2,395,881</u>	<u>\$ -</u>	<u>\$ 315,047,037</u>

Note: The changes of discounts and loans are mainly due to the growth of loan business.

Changes of receivable allowance loss

	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 27,647	\$ 1,194	\$ 322,014	\$ 67,881	\$ 418,736	\$ 60	\$ 418,796
Changes of financial instruments that have been identified at the beginning of the period:							
To 12-month ECL	260	(77)	(183)	-	-	-	-
To lifetime ECL	(16)	1,075	(1,059)	-	-	-	-
To credit impaired financial assets	(11)	(98)	109	-	-	-	-
Derecognizing financial assets during the current period	(3,722)	(411)	(8,122)	-	(12,255)	-	(12,255)
Purchased or originated financial assets	3,503	52	20,598	-	24,153	-	24,153
Loss recognized based on the Regulations	-	-	-	-	-	278	278
Write-off	-	-	(16,578)	-	(16,578)	-	(16,578)
Reversal on write-off	-	-	-	2,810	2,810	-	2,810
Other changes	(163)	(412)	21,661	-	21,086	-	21,086
Change in exchange rate	<u>-</u>	<u>-</u>	<u>(289)</u>	<u>-</u>	<u>(289)</u>	<u>-</u>	<u>(289)</u>
Balance, December 31	<u>\$ 27,498</u>	<u>\$ 1,323</u>	<u>\$ 338,151</u>	<u>\$ 70,691</u>	<u>\$ 437,663</u>	<u>\$ 338</u>	<u>\$ 438,001</u>

Note: There are no significant changes in current receivable allowance.

Changes of receivable book value

	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Total
Balance, January 1	\$ 3,563,176	\$ 23,039	\$ 677,075	\$ 129,089	\$ 4,392,379
Changes of financial instruments that have been identified at the beginning of the period:					
To 12-month ECL	3,017	(2,604)	(413)	-	-
To lifetime ECL	(7,910)	10,380	(2,470)	-	-
To credit impaired financial asset	(127,095)	(2,737)	129,832	-	-
Derecognizing financial assets during the current period	(774,545)	(2,804)	(100,671)	-	(878,020)
Purchased or originated financial assets	1,194,702	899	45,220	2,810	1,243,631
Write-off	-	-	(16,578)	-	(16,578)
Change in exchange rate and others	85,504	1,626	(17,455)	-	69,675
Balance, December 31	<u>\$ 3,936,849</u>	<u>\$ 27,799</u>	<u>\$ 714,540</u>	<u>\$ 131,899</u>	<u>\$ 4,811,087</u>

Note 1: Book value at December 31, 2017 did not include the spot foreign exchange receivable 150 thousands.

Note 2: Changes in book value are mainly due to non-credit assets such as credit card receivables and acceptances.

Changes of other financial assets allowance loss

	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ -	\$ -	\$ 2,294	\$ -	\$ 2,294	\$ -	\$ 2,294
Changes of financial instruments that have been identified at the beginning of the period:							
To 12-month ECL	-	-	-	-	-	-	-
To lifetime ECL	-	-	-	-	-	-	-
To credit impaired financial assets	-	-	-	-	-	-	-
Derecognizing financial assets during the current period	-	-	(179)	-	(179)	-	(179)
Purchased or originated financial assets	-	-	10	-	10	-	10
Loss recognized based on the Regulations	-	-	-	-	-	-	-
Write-off	-	-	(13,685)	-	(13,685)	-	(13,685)
Reversal on write-off	-	-	13,419	-	13,419	-	13,419
Other changes	-	-	215	-	215	-	215
Change in exchange rate	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,074</u>	<u>\$ -</u>	<u>\$ 2,074</u>	<u>\$ -</u>	<u>\$ 2,074</u>
Balance, December 31	\$ -	\$ -	\$ 2,294	\$ -	\$ 2,294	\$ -	\$ 2,294

Note: Changes are mainly due to write-off.

Changes of other financial assets book value

	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Total
Balance, January 1	\$ -	\$ -	\$ 4,648	\$ -	\$ 4,648
Changes of financial instruments that have been identified at the beginning of the period:					
To 12-month ECL	-	-	-	-	-
To lifetime ECL	-	-	-	-	-
To credit impaired financial asset	-	-	-	-	-
Derecognizing financial assets during the current period	-	-	(371)	-	(371)
Purchased or originated financial assets	-	-	18	-	18
Write-off	-	-	(13,685)	-	(13,685)
Change in exchange rate and others	-	-	12,992	-	12,992
Balance, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,602</u>	<u>\$ -</u>	<u>\$ 3,602</u>

Note 1: Book value only include non-performing loans transferred from other than loans.

Note 2: Changes in book value are mainly due write-off.

Changes of commitment and guarantee liability provisions

	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Respectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 27,085	\$ 41	\$ -	\$ 12,516	\$ -	\$ 39,642	\$ 12,998	\$ 52,640
Changes of financial instruments that have been identified at the beginning of the period:								
To 12-month ECL	12,326	-	-	(12,326)	-	-	-	-
To lifetime ECL	(66)	-	66	-	-	-	-	-
To credit impaired financial assets	-	-	-	-	-	-	-	-
Derecognizing financial assets during the current period	(1,473)	(41)	-	(190)	-	(1,704)	-	(1,704)
Purchased or originated financial assets	3,878	-	-	-	-	3,878	-	3,878
Loss recognized based on the Regulations	-	-	-	-	-	-	7,136	7,136
Write-off	(15,359)	-	205	-	-	(15,154)	-	(15,154)
Reversal on write-off	<u>\$ 26,391</u>	<u>\$ -</u>	<u>\$ 271</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,662</u>	<u>\$ 20,134</u>	<u>\$ 46,796</u>

Note: Changes are mainly according to credit risk status under IFRS 9.

13) Credit risk concentration of the Company

When the financial instruments transactions are concentrated on a counter-party or counter-parties with similar business activities and economic characteristics, the abilities of counter-parties to execute the contracts are restricted and increase the credit risk concentration of the Company.

Credit risk concentrations can arise in the Company'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 Company maintains a diversified portfolio, limits its exposure to any one geographic region, country or individual creditor and monitors its exposures continually. The Company's most significant concentrations of credit risk is summarized by industry, region and collateral as follows:

a) By industry

By Industry	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
Private enterprise	\$ 150,036,114	47.70	\$ 138,141,597	47.67
Government organization	-	-	7,353,275	2.54
Foreign organization	19,645,271	6.25	15,898,095	5.49
Non-profit organization	264,821	0.08	272,462	0.09
Natural person	144,572,509	45.97	128,135,601	44.21
Financial institution	785	-	939	-
Total	\$ 314,519,500	100.00	\$ 289,801,969	100.00

b) By geographical area

The Group's operations are mainly in Taiwan.

c) By collateral

By Collaterals	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
Unsecured	\$ 35,691,603	11.35	\$ 37,693,888	13.01
Secured				
Stocks	5,396,246	1.71	4,733,063	1.63
Bonds	2,543,752	0.81	2,669,375	0.92
Real estate	257,174,994	81.77	231,040,156	79.72
Movable properties	8,450,244	2.69	7,668,644	2.65
Notes receivable	8,043	-	10,714	-
Guarantees	4,714,938	1.50	5,120,096	1.77
Others	539,680	0.17	866,033	0.30
Total	\$ 314,519,500	100.00	\$ 289,801,969	100.00

14) Credit quality and impairment assessment (applied in 2017)

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:

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

a) Discounts and loans and receivables

December 31, 2017	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										
Credit card receivables	\$ 9,348	\$ 8,784	\$ 455,175	\$ 473,307	\$ 92,480	\$ 1,971	\$ 567,758	\$ 22,400	\$ 1,608	\$ 543,750
Others	3,224,321	193,810	37,941	3,456,072	11,680	361,517	3,829,269	260,078	62,024	3,507,167
Discounts and loans	204,432,206	65,461,563	16,661,468	286,555,237	2,651,760	1,140,736	290,347,733	102,824	3,417,446	286,827,463

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

Note 2: The receivables as of December 31, 2017 excluded spot exchange transactions receivables were \$150 thousand.

- b) Credit quality analysis of discounts and loans neither overdue nor impaired based on credit ratings of clients:

December 31, 2017	Neither Overdue Nor Impaired			
	Low	Medium	High	Total
Consumer banking				
Mortgage	\$ 81,745,853	\$ 31,958,553	\$ 4,555,890	\$ 118,260,296
Microcredit	94,183	14,774	653,767	762,724
Car loan	2,542,418	2,420,829	1,738,630	6,701,877
Corporate banking				
Major enterprises	25,016,597	9,430,986	8,574,246	43,021,829
SMEs	94,487,391	21,636,421	1,138,935	117,262,747
Margin operations	545,764	-	-	545,764
Total	\$ 204,432,206	\$ 65,461,563	\$ 16,661,468	\$ 286,555,237

c) Credit quality analysis for marketable securities

December 31, 2017	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	\$ 21,745,565	\$ 4,772,819	\$ -	\$ 26,518,384	\$ -	\$ -	\$ 26,518,384	\$ -	\$ 26,518,384
Others	36,800,371	1,184,552	-	37,984,923	-	-	37,984,923	-	37,984,923
Held-to-maturity financial assets									
Investment in bonds	21,147,709	-	-	21,147,709	-	-	21,147,709	-	21,147,709
Other financial assets (Note 2)									
Others	-	5,645,325	-	5,645,325	-	86,102	5,731,427	86,102	5,645,325

Note 1: Available-for-sale financial assets excluded equity investments with original cost amounted to \$401,115 thousand and valuation adjustment amounted to \$(33,094) thousand.

Note 2: Other financial assets excluded equity investment of financial assets carried at cost, with original cost amounted to \$196,360 thousand, and accumulated impairment loss of \$(99) thousand.

15) Aging analysis of financial assets that are overdue but not impaired (applied in 2017)

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 shows.

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

Item	December 31, 2017		
	Overdue by Less Than One Month	Overdue by One to Three Months	Total
Accounts receivable			
Credit card	\$ 84,210	\$ 8,270	\$ 92,480

	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	\$ 9,070	\$ 434	\$ 579	\$ 1,597	\$ 11,680
Discounts and loans					
Consumer banking					
Mortgage	1,152,757	20,267	6,453	109,149	1,288,626
Microcredit	76,970	393	78	32	77,473
Car loan	25,074	3,179	296	1,092	29,641
Corporate banking					
Major enterprises	130,287	-	10,000	-	140,287
SMEs	1,005,039	8,412	15,656	86,626	1,115,733

16) Analysis of financial asset impairment (applied in 2017)

The Lehman structured notes and Iceland Government bonds 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 \$86,120 thousand as of December 31, 2017.

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

Item		Discounts and Loans	Allowance for Credit Losses
		December 31, 2017	December 31, 2017
With objective evidence of impairment	Individually assessed	\$ 1,140,736	\$ 22,815
	Collectively assessed	2,651,760	80,009
With no objective evidence of impairment	Collectively assessed	286,555,237	3,417,446

Item		Receivables	Allowance for Credit Losses
		December 31, 2017	December 31, 2017
With objective evidence of impairment (Note)	Individually assessed	\$ 365,433	\$ 253,632
	Collectively assessed	93,753	28,846
With no objective evidence of impairment	Collectively assessed	3,937,841	63,632

Note: The receivables as of December 31, 2017 exclude the amount of the spot exchange transaction receivables amounting to \$150 thousand.

17) Management policies of collaterals assumed

The Group's collaterals assumed are all securities which had recognized full amount impairment in other asset, net as of December 31, 2018 and 2017.

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

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

a) Overdue loans and receivables

Date			December 31, 2018				
Item		Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)	
Corporate loan	Secured	\$ 183,418	\$ 125,266,739	0.15%	\$ 1,501,898	818.84%	
	Unsecured	14,619	46,057,388	0.03%	548,120	3,749.37%	
Consumer loan	Mortgage (Note 4)	151,395	33,234,982	0.46%	402,137	265.62%	
	Cash card	-	-	-	-	-	
	Microcredit (Note 5)	1,190	283,429	0.42%	10,645	894.54%	
	Others (Note)	Secured	214,531	100,731,447	0.21%	1,200,149	559.43%
		Unsecured	6,195	8,945,515	0.07%	107,149	1,729.60%
Total		571,348	314,519,500	0.18%	3,770,098	659.86%	
		Overdue Receivables	Accounts Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio	
Credit card (Note 8)		1,307	599,322	0.22%	34,616	2,648.51%	
Accounts receivable - factoring with no recourse (Note 7)		-	-	-	-	-	

Date			December 31, 2017				
Item		Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)	
Corporate loan	Secured	\$ 94,290	\$ 112,671,056	0.08%	\$ 1,394,912	1,479.38%	
	Unsecured	38,548	50,352,727	0.08%	539,817	1,400.38%	
Consumer loan	Mortgage (Note 4)	86,555	31,367,094	0.28%	391,494	452.31%	
	Cash card	-	-	-	-	-	
	Microcredit (Note 5)	1,813	358,763	0.51%	14,153	780.64%	
	Others (Note 6)	Secured	112,801	88,442,754	0.13%	1,097,031	972.54%
		Unsecured	1,592	6,609,575	0.02%	82,863	5,204.96%
Total		335,599	289,801,969	0.12%	3,520,270	1,048.95%	
		Overdue Receivables	Accounts Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio	
Credit card (Note 8)		1,971	567,758	0.35%	24,008	1,218.06%	
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, 2018		December 31, 2017	
Item	Excluded NPL	Excluded Overdue Receivables	Excluded NPL	Excluded Overdue Receivables
As a result of debt negotiation and loan agreements (Note 1)	\$ 1,725	\$ -	\$ 2,530	\$ -
As a result of consumer debt clearance (Note 2)	2,984	1,213	4,207	1,501

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, 2018		
Rank (Note 1)	Industry Category (Note 2)	Total Credit Consists of Loans (Note 3)	Percentage of Net Worth (%)
1	Group A (water transportation)	\$ 4,535,685	15.18
2	Group B (smelting and refining of iron and steel)	3,043,529	10.18
3	Group C (real estate developments activities)	2,880,451	9.64
4	Group D (real estate developments activities)	2,520,860	8.44
5	Group E (real estate developments activities)	2,450,020	8.20
6	Group F (fabric mills)	1,877,891	6.28
7	Group G (other financial service activities not elsewhere classified)	1,837,875	6.15
8	Company H (spinning of yarn, cotton and wool)	1,810,900	6.06
9	Group I (real estate developments activities)	1,704,579	5.70
10	Company J (real estate developments activities)	1,630,000	5.45

Year	December 31, 2017		
Rank (Note 1)	Industry Category (Note 2)	Total Credit Consists of Loans (Note 3)	Percentage of Net Worth (%)
1	Group A (water transportation)	\$ 3,827,166	14.50
2	Group B (smelting and refining of iron and steel)	3,125,747	11.84
3	Group C (real estate activities for sale and rental with own or leased property)	2,659,281	10.08
4	Company D (wearing of other textiles)	2,371,562	8.99
5	Group E (real estate developments activities)	2,330,390	8.83
6	Group F (constructions of buildings)	2,257,579	8.56
7	Company G (constructions of buildings)	1,844,100	6.99
8	Company H (spinning of yarn, cotton and wool)	1,742,917	6.60
9	Group I (other financial service activities not elsewhere classified)	1,630,375	6.18
10	Company J (real estate developments activities)	1,630,000	6.18

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 Company

Liquidity risk means the risk the Company 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 Company

The procedures of liquidity risk managements perform individually and monitor by related 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 Company'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 \$807,000 thousand and \$786,000 thousand, respectively as of December 31, 2018 and 2017.

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, financial assets at fair value through other comprehensive gains and losses, investment in debt instrument at amortized cost, 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, 2018	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	\$ 2,681,456	\$ 1,550,515	\$ 832,803	\$ 1,457,467	\$ -	\$ 6,522,241
Securities sold under agreements to repurchase	4,352,728	-	-	-	-	4,352,728
Payables	2,843,268	167,395	217,055	204,835	28,462	3,461,015
Deposits and remittances	60,794,377	63,425,805	69,405,737	124,140,513	95,617,504	413,383,936
Bank debentures	25,132	60,921	1,350,884	73,359	13,230,000	14,740,296
Short-term borrowings	70,029	583,350	180,115	145,051	-	978,545
Other financial liabilities	100,000	250,000	-	-	-	350,000

December 31, 2017	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	\$ 2,581,436	\$ 2,140,671	\$ 1,172,983	\$ 1,427,455	\$ -	\$ 7,322,545
Securities sold under agreements to repurchase	9,658,237	-	-	-	-	9,658,237
Payables	2,751,427	66,448	330,146	91,629	49,902	3,289,552
Deposits and remittances	51,845,672	55,901,493	62,134,708	116,872,341	90,153,010	376,907,224
Bank debentures	25,131	55,163	354,642	67,211	13,480,000	13,982,147
Short-term borrowings	964,653	70,030	65,000	110,000	-	1,209,683
Other financial liabilities	-	330,000	-	-	-	330,000

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, 2018	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	\$ 1,508,631	\$ 179,615	\$ 1,166	\$ -	\$ -	\$ 1,689,412
Cash inflow	1,490,599	179,575	1,161	-	-	1,671,335
Cash outflow	1,508,631	179,615	1,166	-	-	1,689,412
Cash inflow	1,490,599	179,575	1,161	-	-	1,671,335
Net cash flow	(18,032)	(40)	(5)	-	-	(18,077)

December 31, 2017	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	\$ 1,960,707	\$ 547	\$ -	\$ -	\$ -	\$ 1,961,254
Cash inflow	1,955,305	542	-	-	-	1,955,847
Cash outflow	1,960,707	547	-	-	-	1,961,254
Cash inflow	1,955,305	542	-	-	-	1,955,847
Net cash flow	(5,402)	(5)	-	-	-	(5,407)

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, 2018	Under 1 Year	1-5 Years	Over 5 Years	Total
Undrawn loan commitments	\$ 328,934	\$ 1,975,515	\$ 487,984	\$ 2,792,433
Undrawn credit card commitments	1,051,715	4,583,416	3,906,199	9,541,330
Standby letters of credit	887,817	-	-	887,817
Guarantees	2,123,649	1,434,213	36,025	3,593,887
Total	4,392,115	7,993,144	4,430,208	16,815,467

December 31, 2017	Under 1 Year	1-5 Years	Over 5 Years	Total
Undrawn loan commitments	\$ 527,735	\$ 2,372,098	\$ 230,387	\$ 3,130,220
Undrawn credit card commitments	806,840	3,626,491	4,433,924	8,867,255
Standby letters of credit	740,181	-	-	740,181
Guarantees	1,870,992	717,207	10,000	2,598,199
Total	3,945,748	6,715,796	4,674,311	15,335,855

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, 2018	Less than 1 Year	1-5 Years	Over 5 Years	Total
Operating lease commitments				
Operating lease expense (lessee)	\$ 81,258	\$ 160,213	\$ 11,958	\$ 253,429
Operating lease income (lessor)	63,187	135,780	28,852	227,819
Financial lease income (lessor)	628,883	1,380,966	-	2,009,849

December 31, 2017	Less than 1 Year	1-5 Years	Over 5 Years	Total
Operating lease commitments				
Operating lease expense (lessee)	\$ 71,248	\$ 161,694	\$ 19,431	\$ 252,373
Operating lease income (lessor)	59,332	169,253	43,450	272,035
Financial lease income (lessor)	498,169	1,558,066	-	2,056,235

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 Company (New Taiwan dollars)

	December 31, 2018						
	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	\$ 433,600,987	\$ 61,380,690	\$ 23,479,639	\$ 21,610,180	\$ 34,377,404	\$ 64,432,699	\$ 228,320,375
Main capital outflow on maturity	516,966,397	33,736,382	29,349,625	66,876,975	77,390,178	147,321,699	162,291,538
Gap	(83,365,410)	27,644,308	(5,869,986)	(45,266,795)	(43,012,774)	(82,889,000)	66,028,837

	December 31, 2017						
	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	\$ 407,612,086	\$ 63,768,173	\$ 22,930,723	\$ 20,009,304	\$ 38,986,382	\$ 55,244,590	\$ 206,672,914
Main capital outflow on maturity	489,365,617	28,862,971	32,820,406	60,815,314	72,555,563	141,349,490	152,961,873
Gap	(81,753,531)	34,905,202	(9,889,683)	(40,806,010)	(33,569,181)	(86,104,900)	53,711,041

Note: The amounts shown in this table are the Company's position denominated in NTD.

b) Maturity analysis of assets and liabilities of the Company (U.S. dollars)

	December 31, 2018					
	Total	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 1,232,104	\$ 258,137	\$ 141,786	\$ 66,484	\$ 115,594	\$ 650,103
Main capital outflow on maturity	1,198,740	386,555	264,129	282,739	251,599	13,718
Gap	33,364	(128,418)	(122,343)	(216,255)	(136,005)	636,385

	December 31, 2017					
	Total	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 1,025,325	\$ 253,941	\$ 121,123	\$ 81,937	\$ 91,016	\$ 477,308
Main capital outflow on maturity	991,927	354,114	230,044	193,034	203,547	11,188
Gap	33,398	(100,173)	(108,921)	(111,097)	(112,531)	466,120

Note: The amounts shown in this table are the Company's position denominated in USD.

e. Market risk

1) The Company

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 Company'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 Company 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 identifies the resources and risk factors of market risks, including position line, stop loss line and concentration market risk, by the operational and production analysis periodically. Setting appropriate market risk valuation methods for different risk factors included principle limit, bond limit, securities limit, PVBP and duration.

ii. Supervision and reporting

The Company 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 Company. 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 Company, preventing to suffer loss from change in interest rate.

ii. Procedures

When trading in interest - relating business, the Company should identify various sources of interest rate risk as well as assess possible impacts on profit and economic value due to interest rate fluctuation. For the purpose of stabilizing long-term profitability and business growth, the Company constructs an interest rate sensitivity index monitoring system based on main periods and implements stress tests. The monitoring results of interest rate risk limits are reported to risk management committee and the board of directors regularly.

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 Company'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 Company 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 Company's financial position and profit getting worse, and enhance the operating efficiency and strengthen the business.

iii. Procedures

To control equity risk, the Company sets investment position limits and stop-loss limits. The limits are approved by the board of directors. Within the limit of authority, The Company sets investment position limits and stop-loss limits for each dealer.

h) Market risk measurement technique

i. Stress testing

The Company 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 Company'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, 2018 and 2017 move 100 basis points upwards, the Company's income before tax will have a decrease of \$36,269 thousand and \$40,093 thousand, respectively, whereas its other comprehensive income will have a decrease of \$304,196 thousand and \$173,791 thousand, respectively. If the yield interest curves of December 31, 2018 and 2017 move 100 basis points downwards, the Company's income before tax will have an increase of \$36,123 thousand and \$40,346 thousand, whereas its other comprehensive income will have an increase of \$306,007 thousand and \$176,744 thousand, respectively.

Exchange rate risks

Under the assumption that other variants remain the same, if the exchange rate of December 31, 2018 and 2017 depreciate 3% for USD/NTD and EUR/NTD, and 5% for JPY/NTD and other currencies/NTD also depreciate 5%, the Company's income before tax will have a decrease of \$24,212 thousand and \$22,453 thousand.

Under the assumption that other variants remain the same, if the exchange rate of December 31, 2018 and 2017 appreciate 3% for USD/NTD and EUR/NTD, and 5% for JPY/NTD and other currencies/NTD also appreciate 5%, the Company's income before tax will have an increase of \$24,212 thousand and \$22,453 thousand.

Equity securities price risks

Under the assumption that other variants remain the same, if the price of domestic equity securities of December 31, 2018 and 2017 increase 15%, and the price of foreign equity securities also increase 20%, the Company's income before tax will have an increase of \$11,592 thousand and \$29,507 thousand, and its other comprehensive income will also have an increase of \$53,465 thousand and \$55,203 thousand.

Under the assumption that other variants remain the same, if the price of domestic equity securities of December 31, 2018 and 2017 drop 15%, and the price of foreign equity securities also drop 20%, the Company's income before tax will have a decrease of \$11,592 thousand and \$29,507 thousand, and its other comprehensive income will also have a decrease of \$53,465 thousand and \$55,203 thousand.

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, 2018			
Main Risks	Variation	Effected Amount	
		Equity	Profit
Exchange rate risks (major currencies)	USD/NTD, EUR/NTD increased 3%	\$ -	\$ 24,149
Exchange rate risks (major currencies)	USD/NTD, EUR/NTD decreased 3%	-	(24,149)
Exchange rate risks (minor currencies)	JPY/NTD, other currencies/NTD increased 5%	-	63
Exchange rate risks (minor currencies)	JPY/NTD, other currencies/NTD dropped 5%	-	(63)
Interest rate risks	Yield curve increased 100 BPS	(304,196)	(36,269)
Interest rate risks	Yield curve decreased 100 BPS	306,007	36,123
Equity securities price risks	Domestic equity securities price increase 15%	53,465	11,592
Equity securities price risks	Foreign equity securities price increase 20%	-	-
Equity securities price risks	Domestic equity securities price decrease 15%	(53,465)	(11,592)
Equity securities price risks	Foreign equity securities price decrease 20%	-	-

December 31, 2017			
Main Risks	Variation	Effected Amount	
		Equity	Profit
Exchange rate risks (major currencies)	USD/NTD, EUR/NTD increased 3%	\$ -	\$ 22,230
Exchange rate risks (major currencies)	USD/NTD, EUR/NTD decreased 3%	-	(22,230)
Exchange rate risks (minor currencies)	JPY/NTD, other currencies/NTD increased 5%	-	223
Exchange rate risks (minor currencies)	JPY/NTD, other currencies/NTD dropped 5%	-	(223)
Interest rate risks	Yield curve increased 100 BPS	(173,391)	(40,093)
Interest rate risks	Yield curve decreased 100 BPS	176,744	40,346
Equity securities price risks	Domestic equity securities price increase 15%	55,203	29,507
Equity securities price risks	Foreign equity securities price increase 20%	-	-
Equity securities price risks	Domestic equity securities price decrease 15%	(55,203)	(29,507)
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					
	2018			2017		
	Foreign Currency	Exchange Rate	Converted to NTD	Foreign Currency	Exchange Rate	Converted to NTD
Financial assets						
USD	\$ 1,200,301	30.733	\$ 36,888,858	\$ 956,721	29.848	\$ 28,556,209
RMB	1,037,903	4.475	4,644,617	733,822	4.579	3,360,170
EUR	13,673	35.22	481,559	12,056	35.68	430,143
JPY	1,482,389	0.278	412,697	1,722,129	0.265	456,364
AUD	11,942	21.68	258,906	3,431	23.26	79,816
HKD	55,659	3.924	218,408	81,396	3.819	310,851
Financial liabilities						
USD	1,144,103	30.733	35,161,732	952,092	29.848	28,418,047
RMB	906,032	4.475	4,054,492	608,420	4.579	2,785,956
AUD	36,464	21.68	790,531	29,109	23.26	677,067
ZAR	207,024	2.13	440,962	168,159	2.42	406,944
JPY	1,318,937	0.278	367,192	1,723,082	0.265	456,617
EUR	7,345	35.22	258,689	12,028	35.68	429,154
HKD	28,992	3.924	113,765	48,806	3.819	186,390

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, 2018

Items	1-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 332,455,219	\$ 13,914,149	\$ 2,400,557	\$ 60,005,608	\$ 408,775,533
Interest rate-sensitive liabilities	196,503,469	143,984,451	37,109,600	16,164,389	393,761,909
Interest rate-sensitive gap	135,951,750	(130,070,302)	(34,709,043)	43,841,219	15,013,624
Net worth					29,810,774
Ratio of interest rate-sensitive assets to liabilities (%)					103.86%
Ratio of interest rate-sensitive gap to net worth (%)					50.36%

December 31, 2017

Items	1-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 304,769,712	\$ 25,635,748	\$ 688,317	\$ 54,239,575	\$ 385,333,352
Interest rate-sensitive liabilities	175,700,835	135,198,035	42,518,837	17,591,709	371,009,416
Interest rate-sensitive gap	129,068,877	(109,562,287)	(41,830,520)	36,647,866	14,323,936
Net worth					26,354,456
Ratio of interest rate-sensitive assets to liabilities (%)					103.86%
Ratio of interest rate-sensitive gap to net worth (%)					54.35%

Note 1: The above amounts include only New Taiwan dollars held by the Company, 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, 2018

Unit: USD in Thousands

Items	1-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 874,928	\$ 60,650	\$ 57,775	\$ 186,034	\$ 1,179,387
Interest rate-sensitive liabilities	600,740	281,968	251,296	1,067	1,135,071
Interest rate-sensitive gap	274,188	(221,318)	(193,521)	184,967	44,316
Net worth					12,539
Ratio of interest rate-sensitive assets to liabilities (%)					103.90%
Ratio of interest rate-sensitive gap to net worth (%)					353.43%

December 31, 2017

Unit: USD in Thousands

Items	1-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 684,317	\$ 102,026	\$ 61,002	\$ 97,549	\$ 944,894
Interest rate-sensitive liabilities	541,714	192,472	203,316	1,702	939,204
Interest rate-sensitive gap	142,603	(90,446)	(142,314)	95,847	5,690
Net worth					5,465
Ratio of interest rate-sensitive assets to liabilities (%)					100.61%
Ratio of interest rate-sensitive gap to net worth (%)					104.12%

Note 1: The above amounts include only USD held by the Company 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.

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, 2018				
	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>					
The investment of debt instruments at FVTOCI	\$ 450,012	\$ 450,000	\$ 450,086	\$ 450,000	\$ 86
The investment of debt instruments measured at amortized cost	4,025,032	3,901,089	4,087,173	3,901,089	186,084

Financial Asset Categories	December 31, 2017				
	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	\$10,435,041	\$ 9,655,135	\$10,525,463	\$ 9,655,135	\$ 870,328

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, 2018

Financial Asset	Total Amount of Recognized Financial Asset	Total Amount of Offset Financial Liability Recognized on Balance Sheet	Net Amount of Financial Asset Shown on Balance Sheet	Amounts not Offset on Balance Sheet		Net Amount
				Financial Instrument (Note)	Received Cash Collaterals	
Derivative financial instruments	\$ 2,601	\$ -	\$ 2,601	\$ -	\$ -	\$ 2,601
Securities under agreement to resell	1,813,247	-	1,813,247	1,802,180	-	11,067

Financial Liability	Total Amount of Recognized Financial Liability	Total Amount of Offset Financial Asset 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	\$ 20,979	\$ -	\$ 20,979	\$ -	\$ -	\$ 20,979
Securities under agreement to repurchase	4,351,089	-	4,351,089	4,537,259	-	(186,170)

Note: Include master netting arrangement and non-cash financial collaterals.

December 31, 2017

Financial Asset	Total Amount of Recognized Financial Asset	Total Amount of Offset Financial Liability Recognized on Balance Sheet	Net Amount of Financial Asset Shown on Balance Sheet	Amounts not Offset on Balance Sheet		Net Amount
				Financial Instrument (Note)	Received Cash Collaterals	
Derivative financial instruments	\$ 26,884	\$ -	\$ 26,884	\$ -	\$ -	\$ 26,884
Securities under agreement to resell	1,790,880	-	1,790,880	1,793,012	-	(2,132)

Financial Liability	Total Amount of Recognized Financial Liability	Total Amount of Offset Financial Asset 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	\$ 8,040	\$ -	\$ 8,040	\$ -	\$ -	\$ 8,040
Securities under agreement to repurchase	9,655,135	-	9,655,135	10,525,463	-	(870,328)

Note: Include master netting arrangement and non-cash financial collaterals.

48. 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, 2018 and 2017 both meet the standards and regulations as required by the authority.

Analysis Items			Year	December 31, 2018	
				Standalone	Consolidation
Eligible capital	Ordinary shares equity		\$ 27,303,908	\$ 27,840,054	
	Other Tier 1 capital		3,510,924	4,078,325	
	Tier 2 capital		7,418,363	8,551,051	
	Eligible capital		38,233,195	40,469,430	
Risk-weighted assets	Credit risk	Standardized approach	287,286,748	291,092,648	
		Internal rating - based approach	-	-	
		Securitization	-	-	
	Operating risk	Basic indicator approach	11,726,603	12,058,828	
		Standardized approach/ alternative standardized approach	-	-	
		Advanced measurement approach	-	-	
	Market risk	Standardized approach	16,575,502	16,575,502	
		Internal model approach	-	-	
	Total risk-weighted assets		315,588,853	319,726,978	
Capital adequacy ratio			12.11%	12.66%	
Ordinary shares equity risk-based capital ratio			8.65%	8.71%	
Tier 1 risk-based capital ratio			9.76%	9.98%	
Leverage ratio			6.52%	6.70%	

Analysis Items			Year	December 31, 2017	
				Standalone	Consolidation
Eligible capital	Ordinary shares equity		\$ 24,533,884	\$ 24,989,196	
	Other Tier 1 capital		2,562,884	3,030,935	
	Tier 2 capital		8,792,285	9,725,694	
	Eligible capital		35,889,053	37,745,825	
Risk-weighted assets	Credit risk	Standardized approach	257,524,506	260,967,911	
		Internal rating - based approach	-	-	
		Securitization	-	-	
	Operating risk	Basic indicator approach	11,037,966	11,111,774	
		Standardized approach/ alternative standardized approach	-	-	
		Advanced measurement approach	-	-	
	Market risk	Standardized approach	13,988,897	13,988,897	
		Internal model approach	-	-	
	Total risk-weighted assets		282,551,369	286,068,582	
Capital adequacy ratio			12.70%	13.19%	
Ordinary shares equity risk-based capital ratio			8.68%	8.74%	
Tier 1 risk-based capital ratio			9.59%	9.79%	
Leverage ratio			6.17%	6.33%	

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.

49. TRUST BUSINESS UNDER THE TRUST LAW

Balance Sheets of Trust Accounts December 31, 2018 and 2017

	2018	2017
<u>Trust assets</u>		
Cash and bank deposits	\$ 8,948,131	\$ 6,032,907
Short term investments		
Funds	22,076,796	22,576,383
Bonds	1,050,034	789,037
Stocks	247,160	104,392
Real estate		
Land	30,086,915	25,594,156
Buildings	8,893	8,938
Securities under custody	<u>5,223,932</u>	<u>3,559,320</u>
	<u>\$ 67,641,861</u>	<u>\$ 58,665,133</u>
<u>Trust liabilities</u>		
Payable on securities under custody	\$ 5,223,932	\$ 3,559,320
Trust capital		
Money	28,976,720	27,335,398
Real estate	31,269,135	26,543,965
Monetary bonds and collaterals	2,258,050	1,451,588
Securities	247,161	104,392
Accumulated loss	(1,104,009)	(1,206,650)
Profit for current year	<u>770,872</u>	<u>877,120</u>
	<u>\$ 67,641,861</u>	<u>\$ 58,665,133</u>

Trust Properties of Trust Accounts December 31, 2018 and 2017

Investment Portfolio	2018	2017
Cash and bank deposits	\$ 8,948,131	\$ 6,032,907
Short term investments		
Funds - NTD	10,388,475	10,705,601
- other currencies	11,688,321	11,870,782
Bonds - other currencies	1,050,034	789,037
Stocks	247,160	104,392
Real estate		
Land	30,086,915	25,594,156
Buildings	8,893	8,938
Securities under custody	<u>5,223,932</u>	<u>3,559,320</u>
	<u>\$ 67,641,861</u>	<u>\$ 58,665,133</u>

Income Statements of Trust Accounts
Years Ended December 31, 2018 and 2017

	2018	2017
Trust income		
Interest income	\$ 10,333	\$ 6,911
Dividends	1,214,647	1,181,343
Gains from properties trading	187,767	259,280
Realized capital gains	<u>23,397</u>	<u>18,892</u>
	<u>1,436,144</u>	<u>1,466,426</u>
Trust expense		
Trust administrative expenses	25,142	23,290
Tax expenses	-	150
Commission and fee expenses	14,706	12,229
Loss from property trading	624,719	553,108
Others	<u>705</u>	<u>529</u>
	<u>665,272</u>	<u>589,306</u>
	<u>\$ 770,872</u>	<u>\$ 877,120</u>

Note: The above income statement of trust account is not included in consolidated income statement.

50. PROFITABILITY

Items		December 31, 2018	December 31, 2017
Return on total assets	Before income tax	0.66%	0.53%
	After income tax	0.56%	0.46%
Return on net worth	Before income tax	10.75%	8.86%
	After income tax	9.07%	7.60%
Profit margin		37.08%	30.80%

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, 2018 and 2017.

51. ADDITIONAL DISCLOSURES

There are no other additional disclosures except for Table 1 to Table 5.

52. SEGMENTS INFORMATION

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, 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:

	2018				
	Banking	Securities	Other	Internal Elimination	Total
Net interest	\$ 5,346,076	\$ 26,192	\$ 105,240	\$ -	\$ 5,477,508
Commission and fee revenues, net	1,085,778	-	3,257	(617)	1,088,418
Other noninterest net revenues	<u>449,774</u>	<u>73,488</u>	<u>55,998</u>	<u>(80,500)</u>	<u>498,760</u>
Net revenues	<u>6,881,628</u>	<u>99,680</u>	<u>164,495</u>	<u>(81,117)</u>	<u>7,064,686</u>
Allowance for doubtful accounts, commitment and guarantees	261,304	-	32,739	-	294,043
Operating expenses	<u>3,595,605</u>	<u>88,368</u>	<u>64,286</u>	<u>(10,261)</u>	<u>3,737,998</u>
Income before income tax	<u>\$ 3,024,719</u>	<u>\$ 11,312</u>	<u>\$ 67,470</u>	<u>\$ (70,856)</u>	<u>\$ 3,032,645</u>

	2017				
	Banking	Securities	Other	Internal Elimination	Total
Net interest	\$ 4,711,040	\$ 23,997	\$ 93,927	\$ -	\$ 4,828,964
Commission and fee revenues, net	1,154,003	-	6,753	(596)	1,160,160
Other noninterest net revenues	<u>338,092</u>	<u>64,512</u>	<u>23,133</u>	<u>(34,338)</u>	<u>391,399</u>
Net revenues	<u>6,203,135</u>	<u>88,509</u>	<u>123,813</u>	<u>(34,934)</u>	<u>6,380,523</u>
Allowance for doubtful accounts, commitment and guarantees	643,915	-	32,933	-	676,848
Operating expenses	<u>3,332,684</u>	<u>81,556</u>	<u>57,575</u>	<u>(10,322)</u>	<u>3,461,493</u>
Income before income tax	<u>\$ 2,226,536</u>	<u>\$ 6,953</u>	<u>\$ 33,305</u>	<u>\$ (24,612)</u>	<u>\$ 2,242,182</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

	2018				
Item	Domestic and Others	Hong Kong and Macau	China	Elimination	Total
External revenue	\$ 7,013,553	\$ 113	\$ 51,020	\$ -	\$ 7,064,686
Internal revenue	<u>106,562</u>	<u>25,429</u>	<u>-</u>	<u>(131,991)</u>	<u>-</u>
Net revenue	<u>\$ 7,120,115</u>	<u>\$ 25,542</u>	<u>\$ 51,020</u>	<u>\$ (131,991)</u>	<u>\$ 7,064,686</u>
Income before income tax	<u>\$ 2,998,462</u>	<u>\$ 17</u>	<u>\$ 34,166</u>	<u>\$ -</u>	<u>\$ 3,032,645</u>
Identifiable assets	<u>\$ 473,693,168</u>	<u>\$ 17</u>	<u>\$ 954,169</u>	<u>\$ -</u>	<u>\$ 474,647,354</u>

	2017				
Item	Domestic and Others	Hong Kong and Macau	China	Elimination	Total
External revenue	\$ 6,344,102	\$ 56	\$ 36,365	\$ -	\$ 6,380,523
Internal revenue	<u>50,366</u>	<u>15,443</u>	<u>-</u>	<u>(65,809)</u>	<u>-</u>
Net revenue	<u>\$ 6,394,468</u>	<u>\$ 15,499</u>	<u>\$ 36,365</u>	<u>\$ (65,809)</u>	<u>\$ 6,380,523</u>
Income before income tax	<u>\$ 2,221,279</u>	<u>\$ (11)</u>	<u>\$ 20,914</u>	<u>\$ -</u>	<u>\$ 2,242,182</u>
Identifiable assets	<u>\$ 439,171,255</u>	<u>\$ 104,164</u>	<u>\$ 589,986</u>	<u>\$ -</u>	<u>\$ 439,865,405</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 2018 and 2017.

TABLE 1

SUNNY BANK AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
1	Sunny International Leasing Co.	Sunny Finance and Leasing (China) Co., Ltd.	Note 1	\$ 1,487,543 (Note 2)	\$ 92,145	\$ 92,145	\$ -	\$ -	6.19	\$ 1,487,543 (Note 2)	Yes	No	Yes

Note 1: The endorser/guarantor and its subsidiaries jointly own more than 50% of the ordinary shares of the endorsee/guarantee.

Note 2: The total amount of endorsements provided should not exceed the net asset value of Sunny International Leasing Co.

TABLE 2

SUNNY BANK AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Investee Company	Location	Main Businesses and Products	Percentage of Ownership	Carrying Amount	Investment Gain (Note 2)	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	\$ 588,949	\$ 13,471	50,200	-	50,200	100.00	Subsidiary, Note 3
King Sunny Assets Management Co.	Taipei	Evaluating, auctioning and managing for financial institutions' loan	100.00	141,477	5,126	15,000	-	15,000	100.00	Subsidiary, Note 3
Sunny International Leasing Co.	Taipei	Leasing business	100.00	1,487,543	56,100	152,500	-	152,500	100.00	Subsidiary, Note 3
Sunny E-Commercial Co., Ltd.	Taipei	Mobile payment and business	100.00	28,953	(3,377)	5,000	-	5,000	100.00	Subsidiary, Note 3
Sunny Microfinance PLC.	Cambodia	Financial business	100.00	25,681	(463)	100	-	100	100.00	Subsidiary, Note 3
Financial Information Service Co., Ltd.	Taipei	Planning and developing the information system of across banking institution and managing the information web system	2.49	658,964	33,448	13,008	-	13,008	2.49	
Taiwan Financial Asset Service Co., Ltd.	Taipei	Auction	2.94	41,600	350	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	112,582	3,410	1,076	-	1,076	0.29	
Sunny Asset Management Corp.	Taipei	Purchasing for financial institutions' loan assets	1.11	1,464	87	67	-	67	1.11	
Taiwan Mobile Payment Co., Ltd.	Taipei	Mobile payment and business	1.00	2,598	-	600	-	600	1.00	

Note 1: All of the existing shares of investees or fictional shareholdings which are held by the Company and subsidiaries' directors, supervisors, managers and affiliates which conform to definition of Company Act have been reckoned.

Note 2: The investment gain (loss) recognized were investment gain or loss for using equity method and realized gain on financial assets measured at FVTOCI.

Note 3: The transactions and balances above had been eliminated when preparing consolidated financial statement.

TABLE 3

SUNNY BANK AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Holding Company	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Number of Shares (In Thousands)	Carrying Amount	Percentage of Ownership	Fair Value	
King Sunny Assets Management Co.	<u>Stock</u> Sunny Real Estate Management Co., Ltd.	-	Financial assets measured at FVTOCI	10	\$ 3,000	10.00	\$ 3,000	
Sunny International Leasing Co.	<u>Stock</u> Sunny Finance Lease (HK) Limited	Subsidiary	Investments accounted for using equity method	30,000	926,486	100.00	926,486	
Sunny Finance Lease (HK) Limited	<u>Stock</u> Sunny Finance and Leasing (China) Co., Ltd.	Subsidiary	Investments accounted for using equity method	-	927,036	100.00	927,036	

TABLE 4

SUNNY BANK AND SUBSIDIARIES

INFORMATION ON THE INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(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, 2018 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outward	Inward						
Sunny Finance and Leasing (China) Co., Ltd.	Leasing	\$ 921,990 (US\$ 30,000)	Investment in Mainland China companies through an existing company established in a third region.	\$ 568,561 (US\$ 18,500)	\$ 353,429 (US\$ 11,500)	\$ -	\$ 921,990 (US\$ 30,000)	\$ 25,429 (RMB 5,578)	100	\$ 25,429 (RMB 5,578)	\$ 927,036	\$ -

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA (Notes 1 and 2)	Limit on the Amount of Investment, as Stipulated by the Investment Commission, MOEA
\$921,990 (US\$30,000)	\$921,990 (US\$30,000)	\$920,424

Note 1: Based on Rule No. 10200005490 approved by the Investment commission, MOEA on January 18, 2013, the authorized investment amount is US\$10,000 thousand; 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 thousand; on Rule No. 10500137350 approved by the Investment Commission, MOEA on June 27, 2016, the authorized investment amount is US\$1,500 thousand; on Rule No. 10600290020 approved by the investment commission, MOEA on December 1, 2017, the authorized investment amount is US\$3,500 thousand on Rule No. 10700118050 approved by the Investment Commission, MOEA on May 24, 2018, the authorized investment amount is US\$8,000 thousand.

Note 2: The limit of investment is based on 60% of net value at the approval date by the Investment Commission, MOEA, and the investment converted into New Taiwan dollars at the exchange rate by then did not overrun.

Note 3: Foreign currencies are converted into New Taiwan dollars at the exchange rate as of the balance sheet date.

SUNNY BANK LTD. AND SUBSIDIARIES

RELATED PARTY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
(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	\$ 154,528	Interest is calculated based on annual deposit interest rate from 0% to 1.065%.	0.03
		Sunny E-Commercial Co.	From parent company to Subsidiary	Deposits and remittances	27,483	Interest is calculated based on annual deposit interest rate from 0.03% to 1.035%.	0.01
		King Sunny Asset Management Co.	From parent company to Subsidiary	Deposits and remittances	15,288	Interest is calculated based on annual deposit interest rate from 0% to 0.03%.	-
		Sunny International Leasing Co.	From parent company to subsidiary	Deposits and remittances	10,718	Interest is calculated based on annual deposit interest rate from 0.03% to 0.95%.	-

Note 1: All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Note 2: This table includes transactions for amounts over \$10 million.



II

Annex.II Sunny Bank Ltd.

Financial Statements for the
Years Ended December 31, 2018 and 2017 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, 2018 and 2017, 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, 2018 and 2017, 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, 2018. 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, 2018 are stated as follows:

Impairment of Discounts and Loans, Receivables and Loan Commitments

When evaluating the impairment of discounts and loans, receivables and loan commitment, the Bank's management make the assumptions in accordance with the probability of default and the default loss rate which are based on historical experience, existing market conditions, forward-looking estimates etc. Assessing evidence of the probability of default and impairment on discounts and loans, receivables and loan commitment, and determining whether the credit risk on discounts and loans, receivables and loan commitment has increased significantly since initial recognition (including adoption of forward-looking factor), and the assessment of the methodology

and assumptions used for estimating impairment and the estimation of the amount and timing of future cash flow, and need to comply with applicable regulations and laws. Therefore, impairment of discounts and loans, receivables and loan commitments 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 discounts and loans, receivables and loan commitments, Note 5 for critical accounting judgements and key sources of estimations uncertainty, and Note 14 and 46 for related presentations and disclosures.

In response to the key audit matter mentioned above, we performed the following audit procedures. We understood the basis of the management's methodology, assumptions and inputs used in the impairment model in IFRS9. We evaluated whether the assumptions and inputs used appropriately to reflect past issues, current situation and future economic situation of discounts and loans, receivables and loan commitments. We assessed the rationality and consistency of future cash flow and collateral values used in the adoption of default probability, forward-looking factors estimated and default loss rate, and performed sampling on discounts and loans, receivables and loan commitment 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 discounts and loans, receivables and loan commitments complied with 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, 2018 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 Dien-Sheng Chang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 19, 2019

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, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018		2017 (Restated)	
	Amount	%	Amount	%
ASSETS				
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	\$ 7,118,794	2	\$ 6,360,064	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Note 7)	18,425,958	4	15,100,800	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 3, 4 and 8)	<u>20,309,417</u>	<u>4</u>	<u>22,436,526</u>	<u>5</u>
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	<u>68,309,022</u>	<u>15</u>	-	-
FINANCIAL ASSETS AT AMORTIZED COST	25,333,318	<u>5</u>	-	-
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 4 and 9)	1,813,247	-	1,790,880	-
RECEIVABLES, NET (Notes 3, 4, 5, 10, 11 and 39)	2,005,694	-	1,705,759	-
CURRENT TAX ASSETS (Note 37)	-	-	108	-
DISCOUNTS AND LOANS, NET (Notes 3, 4, 5, 11 and 39)	310,786,794	66	286,291,918	65
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 3, 4, 12 and 41)	-	-	64,871,328	15
HELD-TO-MATURITY FINANCIAL ASSETS (Notes 3, 4, 13 and 41)	-	-	21,147,709	5
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD, NET (Notes 3, 4 and 14)	2,272,603	1	1,875,205	1
OTHER FINANCIAL ASSETS, NET (Notes 3, 4, 11, 15 and 41)	5,859,327	1	5,795,354	1
PROPERTY AND EQUIPMENT, NET (Notes 4 and 16)	9,257,582	2	9,375,223	2
INTANGIBLE ASSETS, NET (Notes 4 and 17)	1,161,256	-	1,102,156	-
DEFERRED TAX ASSETS (Notes 4 and 37)	180,231	-	143,668	-
OTHER ASSETS, NET (Notes 4, 18 and 41)	<u>186,883</u>	-	<u>157,454</u>	-
TOTAL	<u>\$ 473,020,126</u>	<u>100</u>	<u>\$ 438,154,152</u>	<u>100</u>
LIABILITIES AND EQUITY				
DUE TO THE CENTRAL BANK AND BANKS (Note 19)	\$ 6,513,606	2	\$ 7,313,606	2
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	20,979	-	8,040	-
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE (Notes 4, 13 and 20)	4,351,089	1	9,655,135	2
PAYABLES (Notes 21 and 25)	3,806,666	1	3,575,166	1
CURRENT TAX LIABILITIES (Notes 4 and 37)	245,772	-	169,866	-
DEPOSITS AND REMITTANCES (Notes 22 and 39)	413,110,761	87	376,779,183	86
BANK DEBENTURES (Note 23)	14,530,000	3	13,780,000	3
PROVISIONS (Notes 3, 4, 11, 24 and 25)	154,773	-	73,052	-
DEFERRED TAX LIABILITIES (Notes 4 and 37)	118,454	-	106,829	-
OTHER LIABILITIES (Notes 26 and 39)	<u>284,663</u>	-	<u>304,465</u>	-
Total liabilities	<u>443,136,763</u>	<u>94</u>	<u>411,765,342</u>	<u>94</u>
EQUITY (Notes 3, 4 and 27)				
Ordinary shares	<u>23,927,206</u>	<u>5</u>	<u>21,629,440</u>	<u>5</u>
Capital surplus	<u>50,593</u>	-	<u>50,443</u>	-
Retained earnings				
Legal reserve	2,767,621	1	2,194,441	1
Special reserve	46,184	-	382,808	-
Unappropriated earnings	<u>2,413,908</u>	-	<u>1,990,667</u>	-
Total retained earnings	<u>5,227,713</u>	<u>1</u>	<u>4,567,916</u>	<u>1</u>
Other equity	<u>677,851</u>	-	<u>141,011</u>	-
Treasury shares	-	-	-	-
Prior interest under common control	-	-	-	-
Total equity	<u>29,883,363</u>	<u>6</u>	<u>26,388,810</u>	<u>6</u>
TOTAL	<u>\$ 473,020,126</u>	<u>100</u>	<u>\$ 438,154,152</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 19, 2019)

SUNNY BANK LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017 (Restated)		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST REVENUE	\$ 8,978,957	131	\$ 7,749,512	125	16
LESS: INTEREST EXPENSE	<u>3,632,881</u>	<u>53</u>	<u>3,038,472</u>	<u>49</u>	20
NET INTEREST (Notes 4, 28 and 39)	<u>5,346,076</u>	<u>78</u>	<u>4,711,040</u>	<u>76</u>	13
NET REVENUES OTHER THAN INTEREST (Note 4)					
Commission and fee revenues, net (Notes 29 and 39)	1,085,778	16	1,154,003	19	(6)
Gains on financial assets and liabilities at fair value through profit or loss (Notes 4 and 30)	19,197	-	149,166	2	(87)
Realized gains on available-for-sale financial assets (Note 31)	-	-	39,413	1	(100)
Realized gains on financial assets at fair value through other comprehensive income	109,682	2	-	-	-
Foreign exchange gains (losses)	155,493	2	(28,235)	(1)	651
Reversal of impairment loss (impairment loss) on assets (Note 32)	(273)	-	37,630	1	(101)
Share of profit of subsidiaries	70,857	1	24,612	-	188
Gains on financial assets carried at cost	-	-	34,648	1	(100)
Rental income (Note 39)	71,808	1	70,265	1	2
Other noninterest net revenues (Note 33)	<u>23,010</u>	<u>-</u>	<u>10,593</u>	<u>-</u>	117
Total net revenues other than interest	<u>1,535,552</u>	<u>22</u>	<u>1,492,095</u>	<u>24</u>	3
TOTAL NET REVENUES	<u>6,881,628</u>	<u>100</u>	<u>6,203,135</u>	<u>100</u>	11
ALLOWANCE FOR DOUBTFUL ACCOUNTS AND GUARANTEES (Notes 4, 5, 11 and 39)	<u>(261,304)</u>	<u>(4)</u>	<u>(643,915)</u>	<u>(10)</u>	(59)

(Continued)

SUNNY BANK LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017 (Restated)		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
OPERATING EXPENSES					
Employee benefits (Notes 4, 25, 27, 34 and 39)	\$ 2,181,345	31	\$ 2,010,516	32	8
Depreciation and amortization (Notes 4 and 35)	259,719	4	235,809	4	10
Others (Note 36)	<u>1,154,541</u>	<u>17</u>	<u>1,086,359</u>	<u>18</u>	6
Total operating expenses	<u>3,595,605</u>	<u>52</u>	<u>3,332,684</u>	<u>54</u>	8
INCOME BEFORE INCOME TAX	3,024,719	44	2,226,536	36	36
INCOME TAX EXPENSE (Notes 4 and 37)	<u>472,785</u>	<u>7</u>	<u>315,936</u>	<u>5</u>	50
NET INCOME	<u>2,551,934</u>	<u>37</u>	<u>1,910,600</u>	<u>31</u>	34
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation (Notes 4 and 25)	(55,047)	(1)	(13,008)	-	323
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	126,273	2	-	-	-
Share of other comprehensive gain (loss) of subsidiaries	93	-	(1,226)	-	108
Income tax benefit relating to items that will not be reclassified subsequently (Notes 4 and 37)	<u>15,470</u>	<u>-</u>	<u>2,211</u>	<u>-</u>	600
	<u>86,789</u>	<u>1</u>	<u>(12,023)</u>	<u>-</u>	822
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations	10,094	-	(2,504)	-	503
Unrealized gain (loss) on available-for-sale financial assets	-	-	520,557	8	(100)

(Continued)

SUNNY BANK LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017 (Restated)		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Share of other comprehensive loss of subsidiaries	\$ (11,430)	-	\$ (5,929)	-	93
Losses from investments in debt instruments measured at fair value through other comprehensive income	<u>(82,145)</u> <u>(83,481)</u>	<u>(1)</u> <u>(1)</u>	<u>-</u> <u>512,124</u>	<u>-</u> <u>8</u>	<u>-</u> <u>(116)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>3,308</u>	<u>-</u>	<u>500,101</u>	<u>8</u>	<u>(99)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,555,242</u>	<u>37</u>	<u>\$ 2,410,701</u>	<u>39</u>	<u>6</u>
NET PROFIT ATTRIBUTABLE TO:					
Shareholders of parent company	\$ 2,551,934	37	\$ 1,910,600	31	34
Prior interests under common control	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,551,934</u>	<u>37</u>	<u>\$ 1,910,600</u>	<u>31</u>	<u>34</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Shareholders of parent company	\$ 2,555,242	37	\$ 2,410,701	39	6
Prior interests under common control	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,555,242</u>	<u>37</u>	<u>\$ 2,410,701</u>	<u>39</u>	<u>6</u>
EARNINGS PER SHARE (Note 38)					
Basic	<u>\$ 1.10</u>		<u>\$ 0.90</u>		
Diluted	<u>\$ 1.10</u>		<u>\$ 0.90</u>		

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

(With Deloitte & Touche auditors' report dated March 19, 2019)

(Concluded)

SUNNY BANK LTD.
**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)**

	Share Capital		Capital Surplus	Retained Earnings				Exchange Differences on Translating Foreign Operations	Other Equity		Treasury Shares	Prior Interests under Common Control	Total Equity
	Shares in Thousand	Ordinary Shares		Legal Reserve	Special Reserve	Unappropriated Earnings	Total		Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Gain (Loss) on Available-for-sale Financial Assets			
BALANCE JANUARY 1, 2017	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)	\$ 99,065	\$ 23,877,735
Appropriation of the 2016 earnings													
Legal reserve	-	-	-	701,705	-	(701,705)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	357,872	(357,872)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(400,561)	(400,561)	-	-	-	-	-	(400,561)
Share dividends	100,140	1,001,402	-	-	-	(1,001,402)	(1,001,402)	-	-	-	-	-	-
Net income for the year ended December 31, 2017	-	-	-	-	-	1,910,600	1,910,600	-	-	-	-	-	1,910,600
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(12,023)	(12,023)	(8,433)	-	\$20,557	-	-	500,101
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	1,898,577	1,898,577	(8,433)	-	\$20,557	-	-	2,410,701
Issue of ordinary shares for cash	60,000	600,000	-	-	-	-	-	-	-	-	-	-	600,000
Change in prior interest under common control	-	-	-	-	-	-	-	-	-	-	-	(99,065)	(99,065)
Treasury stock	(491)	(4,909)	1,401	-	-	-	-	-	-	-	3,508	-	-
BALANCE AT DECEMBER 31, 2017	2,162,944	21,629,440	50,443	2,194,441	382,808	1,990,667	4,567,916	(37,802)	-	178,813	-	-	26,388,810
Effect of retrospective application and retrospective restatement	-	-	-	-	-	(101,869)	(101,869)	-	652,432	(178,813)	-	-	371,750
BALANCE AT JANUARY 1, 2018 AS RESTATED	2,162,944	21,629,440	50,443	2,194,441	382,808	1,888,798	4,466,047	(37,802)	652,432	-	-	-	26,760,560
Appropriation of the 2017 earnings													
Legal reserve	-	-	-	573,180	-	(573,180)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	9,553	(9,553)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(432,589)	(432,589)	-	-	-	-	-	(432,589)
Share dividends	129,777	1,297,766	-	-	-	(1,297,766)	(1,297,766)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(346,177)	346,177	-	-	-	-	-	-	-
Change in prior interest under common control	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income for the year ended December 31, 2018	-	-	-	-	-	2,551,934	2,551,934	-	-	-	-	-	2,551,934
Other comprehensive loss for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(39,484)	(39,484)	(1,336)	44,128	-	-	-	3,308
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	2,512,450	2,512,450	(1,336)	44,128	-	-	-	2,555,242
Issue of ordinary shares for cash	100,000	1,000,000	-	-	-	-	-	-	-	-	-	-	1,000,000
Value of share-based payment under employee share options	-	-	150	-	-	-	-	-	-	-	-	-	150
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(20,429)	(20,429)	-	20,429	-	-	-	-
BALANCE AT DECEMBER 31, 2018	2,392,721	\$ 23,927,206	\$ 50,593	\$ 2,767,621	\$ 46,184	\$ 2,413,908	\$ 5,227,713	\$ (39,138)	\$ 716,989	\$ -	\$ -	\$ -	\$ 29,883,363

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

(With Deloitte & Touche audit report dated March 19, 2019)

SUNNY BANK LTD.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 3,024,719	2,226,536
Adjustments for:		
Depreciation expenses	219,385	219,977
Amortization expenses	40,334	15,832
Allowance for doubtful accounts and guarantees	261,304	643,915
Interest expenses	3,632,881	3,038,472
Interest revenues	(8,978,957)	(7,749,512)
Dividend income	(54,896)	(51,759)
Share-based payments	150	-
Share of profit of subsidiaries	(70,857)	(24,612)
Gain on disposal of property and equipment	(15,624)	(68)
Loss on disposal of investments	-	(3)
Realized gain on available-for-sale financial asset	-	(22,302)
Realized gains on financial assets at fair value through other comprehensive income	(56,042)	-
Reversal of impairment loss (impairment loss) on financial assets	273	(37,630)
Changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank and call loans to other banks	(2,071,574)	872,314
Decrease (increase) in financial assets at fair value through profit or loss	2,107,223	(10,668,107)
Decrease (increase) in receivables	(101,868)	22,779
Increase in discounts and loans	(24,684,944)	(26,324,280)
Increase (decrease) in due to the central bank and banks	(800,000)	370,000
Increase (decrease) in financial liabilities at fair value through profit or loss	12,939	(5,216)
Increase (decrease) in securities sold under agreements to repurchase	(5,304,046)	6,054,797
Increase (decrease) in payables	109,722	(16,924)
Increase in deposits and remittances	36,331,578	31,932,457
Increase (decrease) in provision	6,934	(24,144)
Net cash generated from operations	3,608,634	472,522
Interest received	9,131,265	7,903,914
Dividends received	81,525	129,347
Interest paid	(3,511,103)	(2,883,007)
Income tax paid	(406,239)	(315,510)
Net cash generated from operating activities	<u>8,904,082</u>	<u>5,307,266</u>
		(Continued)

SUNNY BANK LTD.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	\$(517,482,064)	\$ -
Proceeds of disposal of financial assets at fair value through other comprehensive income	514,629,756	-
Acquisition of financial assets at amortized cost	(4,317,832)	-
Acquisition of available-for-sale financial assets	-	(505,456,911)
Proceeds from disposal of available-for-sale financial assets	-	506,460,856
Acquisition of held-to-maturity financial assets	-	(7,125,562)
Proceeds from disposal of held-to-maturity financial assets	-	1,992
Acquisition of investments accounted for using equity method	(400,000)	(195,000)
Acquisition of subsidiary	(26,167)	(105,599)
Acquisition of property and equipment	(179,297)	(149,712)
Proceeds from disposal of property and equipment	34,339	68
Acquisition of intangible assets	(40,723)	(24,841)
Increase in other financial assets	(257,411)	(1,819,296)
Decrease in other assets	(30,372)	33,674
Net cash used in investing activities	<u>(8,069,771)</u>	<u>(8,380,331)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issued of bank debentures	1,050,000	2,780,000
Repayment of bank debentures on maturity	(300,000)	(2,500,000)
Increase (decrease) in other liabilities	(19,802)	30,585
Cash dividends	(432,589)	(400,561)
Proceeds from issue of ordinary shares	<u>1,000,000</u>	<u>600,000</u>
Net cash generated from financing activities	<u>1,297,609</u>	<u>510,024</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(97,239)</u>	<u>147,721</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,034,681	(2,415,320)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>8,751,518</u>	<u>11,166,832</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 10,786,199</u>	<u>\$ 8,751,512</u>

(Continued)

SUNNY BANK LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

Reconciliation of the amounts in the statement of cash flows with the equivalent items reported in the balance sheets at December 31, 2018 and 2017:

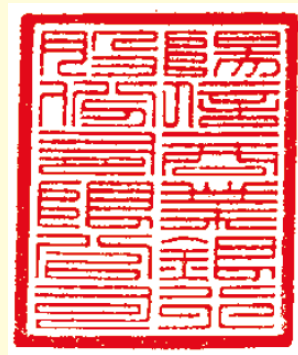
	December 31	
	2018	2017 (Restated)
Cash and cash equivalents in balance sheets	\$ 7,118,794	\$ 6,360,064
Due from the Central Bank and call loans to other banks reclassified as cash and cash equivalents under IAS 7 "Statement of Cash Flows"	1,854,158	600,574
Securities purchased under agreements to resell reclassified as cash and cash equivalents under IAS 7 "Statement of Cash Flows"	<u>1,813,247</u>	<u>1,790,880</u>
Cash and cash equivalents at the end of the year	<u>\$ 10,786,199</u>	<u>\$ 8,751,518</u>

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

(With Deloitte & Touche auditors' report dated March 19, 2019)

(Concluded)

Sunny Bank Co., Ltd



Chairman: CHEN, SHENG-HUNG





陽信銀行
SUNNY BANK