陽信銀行
SUNNY BANK

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SUNNY BANK

2019 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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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, Due to the coronavirus outbreak in China, global economic growth momentum eased in 2020. Moreover, the outbreak has spread through Asia, Europe and North America and has remained widespread for quite some time, causing Japan and Eurozone economies to possibly decline this year. According to IHS Markit's projection in March, the global economic growth this year is estimated at 0.68%, which is lower than last year's (2019) 2.63%. Furthermore, it is predicted that the economic growth next year (2021) would reach 2.41%.

Given the impact of the coronavirus outbreak on economic activities, the Fed has evaluated the risks in examining economic prospects. After reducing interest rates by 0.5% on March 3, 2020, it announced another rate cut by 1% on March 15. Federal Fund rates ranged from 0% to 0.25%. The Fed also launched the 70 billion USD quantitative easing program to support economic activities. IHS Markit also predicted the U.S. economic growth rate to trend around -0.18% this year and 0.84% in 2021. On March 18, 2020, the European Central bank announced a 750 billion euro bond-buying program and launched a new long-term re-financing policy as well as low bank lending interest rates to possibly increase fund liquidity in response to the impact of the coronavirus on the Eurozone economy.

The economic growth rate in the Asia-Pacific region (Japan excluded) is estimated at 3.46% this year and 5.59% next year, according to the IHS Markit forecast on March 2020. To cushion the economic impact of the coronavirus, the Japanese government has decided to incorporate tax reduction measures into the country's urgent economic policies launched in April this year with SMEs as its major target by providing tax reduction for fixed assets and extended tax payment deadlines to assist SMEs in scheduling funds.

In the domestic sector, the coronavirus outbreak has likewise caused economic uncertainty in the country, affecting both local and foreign demand. Despite the return of Taiwanese businesses that have increased their production capacity and new application development power in different fields such as 5G, artificial intelligence and the Internet of Things, export expansion remains to be potentially affected. However, its strength is expected to stabilize with the increase in green energy investments from private corporations that engage in semiconductor and offshore wind power businesses as well as investments from returning Taiwanese companies. Even though local consumption has also been affected, the impact of the pandemic is slightly reduced due to the vigorous development of e-commerce and delivery platforms. The Executive Yuan's Directorate General of Budget, Accounting and Statistics expects economic growth to reach 2.37% in 2020.

With respect to the global economy, there are still many risk variables to be considered at present, which include the impact of coronavirus on global production, consumption and trading, trade disputes between China and the U.S., China's economic slowdown, international oil price trends and fluctuations on financial markets, etc. Currently, competition among domestic banks remains vigorous. Amid a difficult environment, the Bank still continues to strictly control credit quality and actively improves its business scale with the support of all directors and the collective effort of its colleagues in increasing and maintaining profit. In 2019, the Bank's net profit after tax was NT$2,319,786,000 with an EPS of NT$0.91.

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 third subordinated financial bond was issued in 2019 for a total of NT$1.33 billion. At the end of 2019, the Bank's capital exceeded NT$26.1 billion, the first-class capital ratio is 9.84%, and the capital adequacy ratio is 11.55%. In the future, the Bank will continue to be committed to ensuring stable operations and seek the best interests for all shareholders. The 2019 annual business results and the 2020 business plan are summarized as follow:

1. 2019 Operating Performance

(1) Optimizing Operating Channels to Create Maximum Value

A. The Bank established Linkou Branch in June 2019 to increase branch channel value and enhance overall business performance.

B. In July 2019, the Bank acquired the office space (i.e., second floor) currently occupied by its Taipei branch to expand the area and improve service quality.

(2) Changes in Bank Organization

A. In response to demands for organizational development, the Bank has invested NT$7.8 billion to acquire property for its new headquarters located on Minquan West Road and Zhongshan North Road, Zhongshan District, Taipei City. The building is expected to be completed and move-in ready by 2023, providing a new corporate image and business style for the Bank with its comprehensive service and operations.

B. Acquisition of "1F to 4F, No. 82, Section 1, Shipai Road, Beitou District, Taipei City", and establishment of the "Digital Life Experience Center" on the first floor to assist the development and promotion of the Bank’s electronic financial business.

(3) Business Plan and Strategy Implementation Results

In 2019, the Bank continued to control the quality of its assets and achieved remarkable results. At the end of 2019, the Bank's non-performing loan ratio was 0.28%, and its loan-loss coverage ratio was 440.41%, keeping its operational constitution at a steady level. In terms of the development of various businesses, the total deposit balance at the end of 2019 was NT$459,051,762 thousand, an increase of NT$45,998,852 thousand from NT$413,052,910 thousand at the end of 2018; the total loan balance was NT$ 344,306,889 thousand, an increase of NT$29,787,389 thousand from NT$314,519,500 thousand at the end of the 2018. The overall operating performance was good.

Unit: NT$1,000；USD1,000

Main Business Items	2019	2018	Growth Rate Compared to Last Year (%)
Deposit (Year End Balance)	459,051,762	413,052,910	11.14
Loan (Year End Balance)	344,306,889	314,519,500	9.47
Wealth Management Business	9,862,190	11,563,925	(14.72)
Import / Export and Foreign Exchange Businesses (thousand in USD)	5,666,895	6,663,825	(14.96)
Trust Property Scale	67,579,811	67,641,861	(0.09)
Investments in Equity Method (Year End)	2,566,010	2,272,603	12.91

(4) Budget Execution

The Bank’s scale of deposits and loans and its benefit has increased steadily in 2019, which keeps its operational constitution at a steady level. The balance of deposits (NT$ and foreign currency) was NT$459.1 billion, reaching 107.7% of the budget target. The balance of loans (NT$ and foreign currency) was NT$344.3 billion, reaching 112.9% of the budget target. The net profit after tax of 2019 was NT$2.32 billion, reaching 86.6% 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	2019	2018	Compared to Last Year (%)
Net Interest Income	5,562,722	5,346,076	4.05
Net Non-Interest Income	1,719,108	1,535,552	11.95
Net Income	7,281,830	6,881,628	5.82
Bad Debt Expense & Guarantee Liability Provisions	(876,563)	(261,304)	235.46
Operating Expenses	3,667,165	3,595,605	1.99
Net Profit Before Tax	2,738,102	3,024,719	(9.48)
Net Profit After Tax	2,319,786	2,551,934	(9.10)
EPS After Tax	0.91	1.05	(13.33)

(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 2020 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 2020 will increase from NT$459.1 billion at the end of 2019 to NT$472.7 billion, expected to increase balance by NT$13.6 billion. The average budget year-round deposit in 2020 is NT$460.7 billion. The total amount of loans (NT$ and foreign currency) in 2020 will increase from NT$344.3 billion at the end of 2019 to NT$359.0 billion, expected to increase balance by NT$14.7 billion and 2020 average annual budget of loans was NT$ 347 billion. To expand its scale of deposits and loans, the Bank will refer to the peer companies' scale of deposit/loan of each county/city branch to set the lowest standards and project schedule in 2020. 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 passion. 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 the 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 2020, 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 2020 pre-tax profit target is set at NT$3.6 billion.

(4) Stabilizing Funding Sources and Reducing Funding Costs

In 2020, 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 follow the policies of the competent authorities, in 2020, the Bank will continue its lending focus on security and profitability oriented working capital loans backed by property collateral including short / medium mortgages, enterprises working capital loans and subprime mortgages. With the FSC policy of encouraging SME loans, the Bank will cherry-pick and approve those SME credit proposals for the purpose of purchasing immovable property with quality, profitability and volume criteria. In addition, the bank will adjust housing loan- to- total loan ratio through the drawdown of call loans to meet the requirement of Article 72-2 of the Banking law and meanwhile maintain sustainable loan growth to increase interest revenue and strengthen profitability.

(6) Improving Asset Quality

The Bank's goal is to ensure the non-performing loan ratio is under 0.37% and the loan-loss coverage ratio over 321% by the end of 2020. 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 2020 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 compliance with the digitalization of finance, the Bank continues to enhance its digital services for electronic financial business, facilitate convenience and optimization of its digital platform, guide customers in using smart mobile devices, manage digital customer experience, promote digital marketing strategies, integrate Taiwan Pay, and strengthen online marketing in order to achieve customer satisfaction as its primary work goal.

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 Accounting 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

Due to the coronavirus outbreak that has spread across Asia and elsewhere in the world in 2020, the growth of the manufacturing sector in Asia in February has contracted considerably. Moreover, the major drop in international oil price recently has resulted in significant fluctuations in the global financial market. Despite the efforts of the Fed and several central banks to urgently reduce interest rates and launch quantitative easing programs in March, market uncertainties remained. Furthermore, the impact of the outbreak on the global economy has led financial institutions worldwide to lower their global growth forecast this year. 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 18, 2019

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 distrct 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 Xinhu mini-branch to a general branch in 2016. In 2017, the South Taoyua 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; and in 2019, the Bank established Linkou Branch and the number of branches has grown to 104 to fully functioning branches in order to enhance the market competitiveness 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 increased 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. In 2019, the Bank actively developed its own Fintech solutions by creating the smart unmanned store "Yangxin Digital Life Experience Center" and won the "Best Service Innovation Award for E-commerce Cash Flow Business" from Financial Information Service Co., Ltd.

The Bank will continue to focus on business development, create a balance between quality and quantity of loans, clean up non-performing loans, and minimize costs by strictly monitoring expenses. 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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III. Corporate Governance Report

1. Organization
2. Information on Directors and Supervisors
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5. Information about the Bank’s Top Ten Shareholders who are Related Parties, Spouses or Relatives within Second Degree of Kinship
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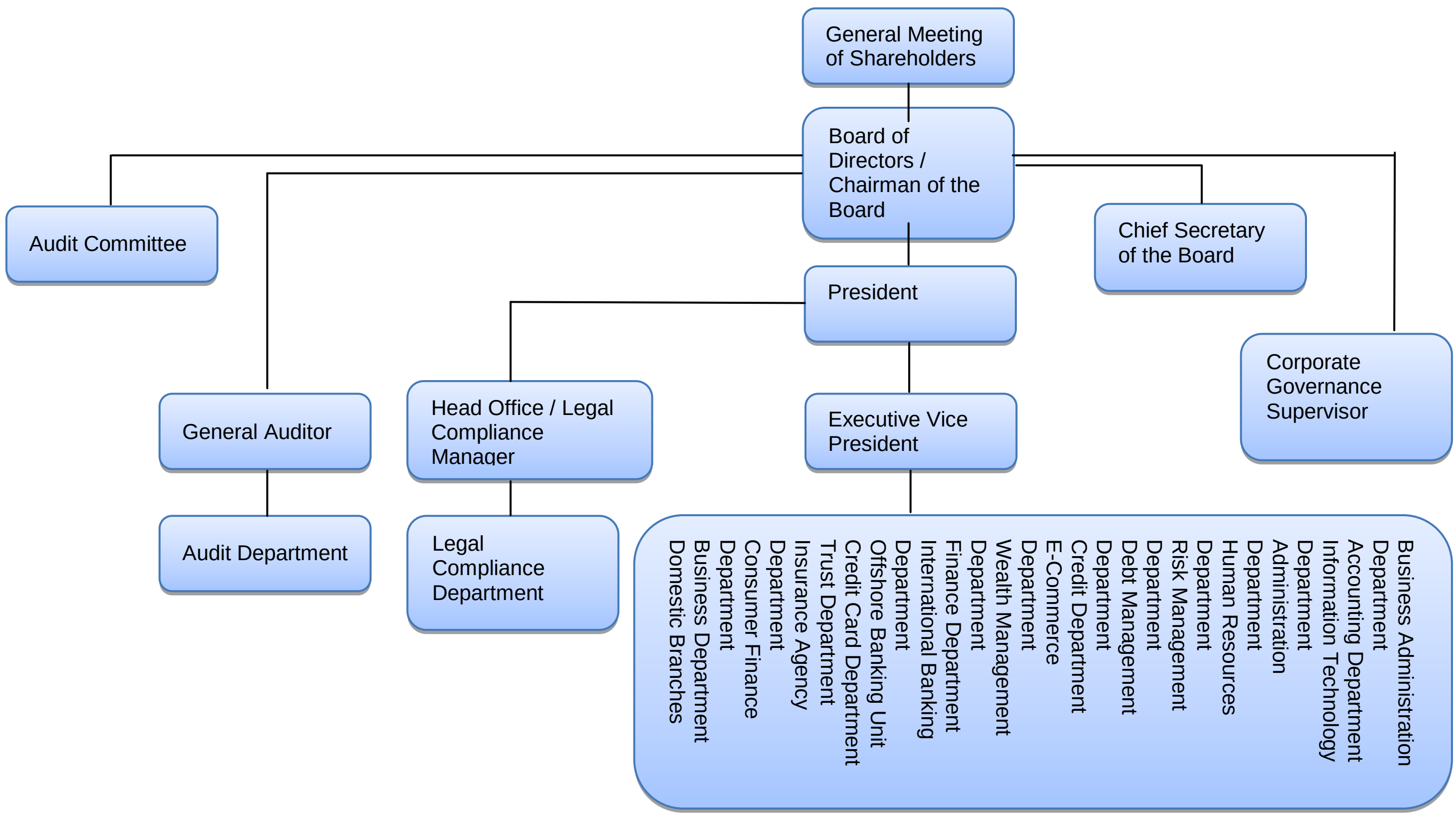
1. Organization

(1) Organization Chart

As of March 31, 2020



(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. Information on Directors and Supervisors

(1) Board and Supervisors

Baseline date: December 31, 2019

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	Relationship
Chairman	The Republic of China	Fu Li Yang Investment Co., Ltd.	Male	June 4, 2018	3 years	June 15, 2015	197,376,499	7.56	258,266,292	9.89	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
		Representative: Chen, Sheng-Hung					0	0	9,804,993	0.38	4,414,571	0.17	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	0.20	5,586,389	0.21	1,008,000	0.03	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

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	Relationship
Managing Director	The Republic of China	Fu Li Yang Investment Co., Ltd.	Male	June 4, 2018	3 years	June 15, 2015	197,376,499	7.56	258,266,292	9.89	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
		Representative: Chang, Wu-Ping					0	0.00	9,146,684	0.35	2,477,155	0.09	0	0.00					
Director	The Republic of China	Li Chen Investment Co., Ltd.	Male	June 4, 2018	3 years	June 4, 2018	16,429,693	0.63	19,076,293	0.73	0	0.00	0	0.00	Graduated from Burchgate Middle School, Pennsylvania, USA	Deputy General Manager of Po Yun Enterprise Co., Ltd., Deputy General Manager of Lichen Investment Co., Ltd., Director of Empire Voice Int'c INC	None	None	None
		Representative: Chen, Yi-Chen																	
Director	The Republic of China	Hsieh, Yi-Tung	Male	June 4, 2018	3 years	June 22, 2009	639,461	0.03	782,185	0.03	1,739,966	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	0.13	3,910,678	0.15	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	8,727	0.00	0	0.00	0	0.00	Chairman of Cherng Yang Printing Co., Ltd., Chairman of Rising Sun Publishing Co., Ltd.,Chairman of Ink Literary Monthly Co., Ltd., Chairman of Xinming Constructions Co., Ltd., Chairman of Gold Sunny Assets Management Co., Ltd.; Director of Hai Wong Printing Co., Ltd., Director of Technology Books Co., Ltd., Director of Forward Graphic Enterprise	Printing Co., Ltd., Chairman of Rising Sun Publishing Co., Ltd., Director of Ink Literary Monthly Co., Ltd., Director of Hai Wong Printing Co., Ltd., Director of Technology Books Co., Ltd., Director of Forward Graphic Enterprise Co., Ltd.,Hai Wang Development and Constructions Co., Ltd., Director of Wisest Cultural Co., Ltd, Director of Xinming Constructions Co., Ltd., Director of Wisest Cultural	Director	Chang, Shu-Hua	Brother

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	Relationship
															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 Investment Co., Ltd., Person in Charge of Poet Tribe Magazine ("Shi Ren Bu Luo"), Person in Charge of Chen Yang Publishing, Person in Charge of Taiwan People ("Tai Wan Ren Min") Publishing, Director of Sunny Bank; Graduated from college.	Co., Ltd., Director of Jin Chen Investment Co., Ltd., Shareholder of Hai Wang Investment Co., Ltd., Person in Charge of Poet Tribe Magazine ("Shi Ren Bu Luo"), Person in Charge of Chen Yang Publishing, Person in Charge of Taiwan People ("Tai Wan Ren Min") Publishing, Shareholder of Lichen Investment Co., Ltd., Shareholder of 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	1,786	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 Wong 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., Director of Sunny Bank; graduated from college,	Chairman of Wisest Cultural Co., Ltd., Chairman ofJin Chen Investment Co., Ltd., Director of Yu Cheng Art Binding Co., .Ltd., Director of Hai Wong 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	7.56	258,266,292	9.89	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	3,518,790	0.13	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	0.12	3,633,405	0.14	2,953,631	0.11	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,	Shareholder of Fuhau Hotel Co., Ltd., Chairman of Yi Lian Co., Ltd., Director of Hotel G7 Taipei Co., Ltd.,	None	None	None

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	Relationship
															President and Chief of Finance of Hotel G7 Taipei Co., Ltd., Director of Sunny Foundation, Graduated from University	Director of Sunny Foundation			
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 from graduate school	None	None	None	None
Independent Director	The Republic of China	Yang, Chang-Feng	Male	June 4, 2018	3 years	June 15, 2015	600,000	0.02	715,987	0.03	0	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.
Note 4: If the chairman and general manager or similar position (top manager) are the same person, a spouse or relative within the first degree of kinship, please explain the reason, rationality, necessity and countermeasures (such as increasing the number of seats for independent directors, and having more than half of directors who do not work concurrently as employees or managers).

(2) Major Institutional Shareholders

Baseline date: December 31, 2019

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".
Note 3: If institutional shareholders are not a company organization, the name of the shareholder and shareholding thereof shall be disclosed above as well as the name of the funder or donor and its funding or donation percentage.

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

(4) Professional Knowledge and Independence Information of Directors and Supervisors

Baseline date: December 31, 2019

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	11	12	
Fu Li Yang Investment Co., Ltd. Representative: Chen, Sheng-Hong			✓	✓				✓		✓	✓	✓		✓		
Liu, hen-Sheng			✓	✓				✓		✓	✓	✓	✓	✓	✓	
Fu Li Yang Investment Co., Ltd. Representative: Chang, Wu-Ping				✓			✓	✓		✓	✓	✓	✓	✓		
Hsieh, Yi-Tong			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Chang, Shu-Min				✓	✓	✓	✓		✓	✓	✓	✓		✓	✓	
Chang, Shu-Hua				✓	✓	✓	✓		✓	✓	✓	✓		✓	✓	
Chen, Jin-Yi				✓		✓	✓	✓		✓	✓	✓	✓	✓	✓	
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 the Bank's parent company, subsidiaries or subsidiaries belonged to the same parent company established in accordance with Securities and Exchange Act or local regulations.)

(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 who is a manager listed in (1) or the person in (2) or (3), 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, one of the top 5 shareholders, or not a director, supervisor or employee of a legal person serving as bank director or supervisor appointed as representative in

accordance with Article 27, Paragraph 1 or Paragraph 2 of the Company Act. (not applicable to independent directors of the Bank's parent company, subsidiaries or subsidiaries belonging to the same parent company established in accordance with the Securities and Exchange Act or local regulations).

(6) Not a director, supervisor or employee of other companies with more than half of the number of directors' seats or shares as well as voting rights in the Bank and is controlled by the same person (not applicable to independent directors of the Bank's parent company, subsidiaries or subsidiaries belonging to the same parent company established in accordance with the Securities and Exchange Act or local regulations).

(7) Not a director, supervisor or employee of other companies or institutions and concurrently serves as or a spouse of the chairman, general manager or personnel with duties in the Bank (not applicable to independent directors of the Bank's parent company, subsidiaries or subsidiaries belonging to the same parent company established in accordance with the Securities and Exchange Act or local regulations.

(8) Not a director, supervisor, managerial officer or shareholder with a shareholding of more than 5% in specific companies with financial or business relationship with the Bank (not applicable to specific companies or institutions with over 20% but less than 50% of the total shareholding of the Bank and not applicable to independent directors of the Bank's parent company, subsidiaries or subsidiaries belonging to the same parent company established in accordance with the Securities and Exchange Act or local regulations).

(9) Neither a professional who provides auditing, nor a professional who provides commercial, legal, financial, accounting, or consulting services to the Company or its affiliates with a cumulative compensation of less than NT$500,000 within the last two years, nor an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such service to the Bank or its affiliates. This does not apply to members of the Remuneration Committee, Public Acquisition Review Committee or Special Committee for Mergers who fulfill their duties in accordance with relevant provisions in the Securities and Exchange Act or Business Mergers and Acquisition Act.

(10) No relationship between the spouse or second-degree relative and any director.

(11) None of the circumstances in Article 30 of the Company Law.

(12) None of the circumstances in Article 27 of the Company Law where the government, a legal person or its representative is elected.

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 2019 to December 31st of 2019 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 17, 2020.

Sincerely yours,
Financial Supervisory Commission

Declarers

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

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

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

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

March 17th, 2020

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

（As of December 31st , 2019）

Matters Requiring Further Improvement	Improvement Measures	Estimated Improvement Completion Date
1. Some departments of the Bank have established new business relationships with customers but failed in the following aspects with respect to individual cases: re-performing risk assessment procedure, conducting enhanced customer due diligence and undertaking review measures for high-risk customers on a regular basis, carrying out timely name check processing of new bank officers, repeating the name check process and recognizing the actual beneficiary when there are changes to the risk situation of institutional accounts.	The erring departments have implemented corrective actions in individual cases that were found incomplete or were not handled in accordance with regulations. There is still one (1) institutional account whose actual beneficiary has yet to be identified since the branch failed to reach the client after attempting to make contact several times. This case will remain listed for management, tracking and follow-ups.	Before April 2020.
2. The Bank's policies regarding potential money laundering or terrorism financing situations are specified on page 53 under the Bankers Association's "Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing," which include cash expenses of clients that exceed a specific amount at a time, exchange of banknotes with different face value made by clients on a regular basis, financial accounts of competing companies with fluctuations in payment scale and amount inconsistent with their business nature; clients accompanying other people to open safe deposit boxes or frequent opening of safe deposit boxes by non-lessees; a number of clients using the same address and changing their place of residence on a regular basis or the Bank's failure to contact clients with the address provided. Enhanced execution or supported adjustment is required on the implementation aspects.	1. With regard to cash expenses of clients that exceed a specific amount at a time, exchange of banknotes with different face value made by clients on a regular basis, financial accounts of competing companies with fluctuations in payment scale and amount inconsistent with their business nature, the Bank shall re-issue a statement for the guidelines and each business unit shall be required to review the rationality of trading during business operations. 2. With regard to exchange of banknotes with different face value made by clients on a regular basis, the Bank will discuss feasible measures to implement a file system control later on. 3. With regard to clients accompanying other people to open safe deposit boxes or frequent opening of safe deposit boxes by non-lessees, the Bank has been monitoring the situation using the information system since Feb. 2020. As for the number of clients using the same address and changing their place of residence on a regular basis or the Bank's failure to contact clients with the address provided, the information system program was re-activated on March, 2020 after adjustments were made.	1. Before April 2020. 2. Before June 2020. 3. Completed.

(2) CPA Audit Report

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Implementation report on agreement procedure

Dear Sunny Bank Co., Ltd.,

In accordance with the agreement procedure regarding correctness of information reported to the competent authority as well as appropriateness of the internal control and legal compliance systems' implementation status and the proposed policy regarding Sunny Bank Co., Ltd.'s allowance for bad debt in 2019, the accountant has completed all necessary audit work. The Company shall make a final decision with regard to such procedure. Hence, the accountant does not express any opinion regarding sufficiency of procedure. The audit was conducted in accordance with the Statements on Auditing Standards No. 34 "Implementation of Financial Information Agreement Procedure" and performed to assist the Company in assessing compliance with "Implementation Rules for the Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" issued by the Financial Supervisory Commission. Compliance with the aforementioned regulation is the responsibility of the Company's management. The procedures conducted by the accountant and findings are specified in the Appendix.

The accountant does not provide any confirmation regarding the correctness of the information reported to the competent authority as well as the appropriateness of the internal control and legal compliance systems' implementation status and the proposed policy regarding the Company's allowance for bad debt since the audit work was not conducted in accordance with generally accepted accounting principles or Auditing Standards. Other facts to be reported could be determined if the accountant conducts additional procedures or audits in accordance with generally accepted accounting principles.

The report is provided solely to the Company for the purpose described in Paragraph 1 and shall not be used for other purposes or distributed to other entities.

Deloitte Touche Tohmatsu Limited
Accountant Shao, Zhi-Ming.
March 17th, 2020

(3) 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:

(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) Examination finding:

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.

(4) Important Resolutions of the General Meeting of Shareholders and the Board of Directors Meeting during 2019 and the period up to the annual report publication date:

Shareholder's Meeting/Board Meeting	Date	Important Resolutions
Shareholders' Meeting	June 3, 2019	1. Passed the Bank's 2018 Business Report and Financial Statements. 2. Passed the Bank's 2018 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. 6. Passed the resolution prohibiting directors from concurrently working in competing companies.
Board Meeting of the 7th Session of the 8th Term	January 19, 2019	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 partial provisions for the Articles of Association proposed in the shareholders' meeting. 4. Passed the amendment to the Bank's partial provisions for the Procedures for Acquisition or Disposal of Assets proposed in the shareholders' meeting. 5. Passed the Bank's "Measures for the Implementation of the Common Standard on Reporting and Due Diligence for Financial Institutions". 6. Passed the Bank's partial provisions for the "Guidelines Governing Consumer Protection Work". 7. Passed the self-construction of bank office.
Board Meeting of the 8th Session of the 8th Term	March 19, 2019	1. Passed the Bank's stakeholder loan case. 2. Passed the Bank's partial provisions for the "Measures for Credit Monitoring Management". 3. Passed the Bank's partial articles for the "Guidelines Governing Operating Systems and Procedures for the Bank Conducting Financial Derivatives Business". 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". 5. Passed the amendment to the Bank's accounting system. 6. Passed the commission of the CPA. 7. Passed the Bank's Distribution of Compensation for Directors and Employees for the 2018 Fiscal Year from the proposed reports during shareholders' meeting. 8. Passed the Bank's Business Report and Financial Statements for the 2018 Fiscal Year from the proposed recognition during shareholders' meeting.

Shareholder’s Meeting/Board Meeting	Date	Important Resolutions
		9. Passed the Bank’s Distribution of Earnings for the 2018 Fiscal Year from the proposed revognition during shareholders’ meeting. 10. Passed the Bank’s new share issue through capitalization of earnings for the 2018 Fiscal Year from the proposed discussion during shareholders’ meeting. 11. Passed the resolution prohibiting directors from concurrently working in competing companies. 12. Passed the plan for purchase of real estate. 13. Passed the Bank’s partial provisions for the "Standards for the Internal Control Systems of Shareholder Service Units". 14. Passed the Bank’s partial provisions for the "Measures for Employees' Retirement" and "Work Rules". 15. Passed the Bank’s partial provisions of the "Guidelines Governing Matters to be Observed and Implemented for Investments in Other Enterprises by the Bank". 16. Passed the Bank's "Statement of Internal Control Systems", "Statement of the Overall Information Security Implementation", "Statement of Internal Control Systems of Anti-Money Laundering and Combating the Financing of Terrorism", Passed the release on the prohibition of directors working concurrently in competing companies, and "Statement of the Design and Operation of the Internal Control Systems for Personal Information Protection".
Board Meeting of the 9th Session of the 8th Term	April 16, 2019	1. Passed the amendment to the name and partial provisions of the Bank’s Regulations for offering amount to competing companies. 2. Passed the amendment to partial provisions of the Bank’s Regulations for real estate loan procedures. 3. Passed the Bank’s stakeholder loan case. 4. Passed the amendment to partial provisions of the Corporate Governance Best Practice Principles. 5. Passed the resolution for cash capital increase. 6. Passed the plan for procurement of real estate.
Board Meeting of the 10th Session of the 8th Term	July 2, 2019	1. Passed the Declaration of our bank's 2019 National Bank Compliance with Supervisory & Review Principle. 2. Passed the Modification of our bank's partial provisions set forth in Foreign Exchange Fund Management & Operation Guideline. 3. Passed the Modification of our bank's partial provisions set forth in Bond Self-operating Business Internal Control Policy. 4. Passed the Modification of our bank's partial provisions set forth in Procedural Rules of Concurrent Operating Bond Business with Internal Audit System. 5. Passed the Modification of the 2019 Audit Plan Declaration Table.

Shareholder's Meeting/Board Meeting	Date	Important Resolutions
		6. Passed the Modification of our bank's partial provisions set forth in the Notice of Anti-Money Laundering Prevention & Control and Countering Financing of Terrorism. 7. Passed the Modification of our bank's evaluation of money laundering and financing of terrorism and developed some provisions for related preventive plan & policy. 8. Passed the 2018 Cash Dividend Appropriation Case. 9. Passed the 2018 Surplus Converting into Incremental Fund for Issuance of New Shares Case. 10. Passed the Issuance of Non-cumulative perpetual subordinated debts Case. 11. Passed the Modification of some provisions set forth in our bank's Performance Bonus Appropriation Measures. 12. Passed the Modification of our bank 's Work Rule and some provisions set forth in the Job Assessment & Reward and Punishment Measures.
Board Meeting of the 11th Session of the 8th Term	August 20, 2019	1. Passed the 2019 Q2 Financial Report. 2. Passed the amendment to partial provisions of the Bank's Regulation for managing investment in securities. 3. Passed the amendment to partial provisions of the Bank's priorities with regard to concurrent operations of insurance agency or business to prevent money laundering and combat terrorism financing. 4. Passed the amendment to partial provisions of the Bank's money laundering and terrorism financing risk assessments and formulation of related prevention and control plan policies. 5. Passed the Bank's stakeholder loan case. 6. Passed the plan for procurement of real estate. 7. Passed the amendment to partial provisions of the Bank's Regulation on credit procedures. 8. Passed the amendment to the Bank's "Credit authorized amount table".
Board Meeting of the 12th Session of the 8th Term	November 19, 2019	1. Passed the Bank's stakeholder loan case. 2. Passed the amendment to partial provisions of the Bank's Credit Business Principles. 3. Passed the amendment to partial provisions of the Bank's Information Safety Policy. 4. Passed the 2020 Budget and Business Plan. 5. Passed the Bank's capital adequacy monitoring indicators and early warning ratio case. 6. Passed the amendment to partial provisions of the Bank's Operational Risk Management Principles. 7. Passed the amendment to partial provisions of the Bank's Market Risk Management Principles. 8. Passed the amendment to partial provisions of the Bank's Risk Management Policy and Procedures. 9. Passed the content of the 2020 audit plan declaration form.

Shareholder's Meeting/Board Meeting	Date	Important Resolutions
		10. Passed the 2020 audit plan for self-operating bond business and underwriting business under the Ministry of Finance. 11. Passed the Guidelines for the Bank and its subsidiaries to prevent money laundering and anti-terrorism plans. 12. Passed the plan for procurement of real estate.
Board Meeting of the 13th Session of the 8th Term	January 17, 2020	1. Passed the Bank's stakeholder loan case. 2. Passed the amendment to partial provisions of the Bank's Regulation for entrusting the management of internal operating system and procedures to other entities. 3. Passed the amendment to partial provisions of the Bank's Capital Appropriation and Management Principles. 4. Passed the amendment to partial provisions of the Bank's Guidelines for handling pressure test procedures. 5. Passed the amendment to partial provisions of the Bank's Regulation for establishing a risk management committee. 6. Passed the amendment to partial provisions of the Bank's Internal Audit Regulations. 7. Passed the planning for an experimental virtual credit card. 8. Passed the amendment to partial provisions of the Bank's Corporate Governance Best Practice Principles. 9. Passed the propaganda in Article 25 of the Bank Act pertaining to proposals during shareholder meetings. 10. Passed the amendment to partial provisions of the Bank's Guidelines for implementing a legal compliance system. 11. Passed the amendment to partial provisions of the Bank's Regulations for handling complaint cases. 12. Passed the amendment to partial provisions of the Bank's precautionary measures for preventing money laundering and combating terrorism financing. 13. Passed the amendment to partial provisions of the Bank's Operating procedures for buying stocks and beneficiary certificates. 14. Passed the amendment to partial provisions of the Bank's Guidelines for foreign currency fund management and operations. 15. Passed the appointment of accountants. 16. Passed the amendment to partial provisions of Credit Collateral Investigation and Valuation Regulations. 17. Passed the amendment to partial provisions of Employee Appointment and Salary Regulations.
Board Meeting of the 14th Session of the 8th Term	March 17, 2019	1. Passed the Bank's stakeholder loan case. 2. Passed the amendment to partial provisions of the Bank's Regulation on Real Estate Loan Procedure. 3. Passed 2019 distribution of directors' and employees' remuneration from the proposed reports during shareholders' meeting.

Shareholder's Meeting/Board Meeting	Date	Important Resolutions
		4. Passed 2019 Business Report and Financial Statement from the proposed recognition during shareholders' meeting. 5. Passed 2019 appropriation of earnings from the proposed reports during shareholders' meeting. 6. Passed 2019 capital increase through capitalization of retained earnings and issuance of new stocks from the proposed discussion during shareholders' meeting. 7. Passed the amendment to partial provisions of the Company's Articles of Incorporation from the proposed discussion during shareholders' meeting. 8. Passed the amendment to partial provisions of the Company's Rules of Procedure for Shareholders Meetings from the proposed discussion during shareholders' meeting. 9. Passed the plan of purchasing the stocks of Financial Information Service Co., Ltd. 10. Passed the plan for procurement of real estate. 11. Passed the issuance of Non-cumulative perpetual subordinated debts. 12. Passed capital increase by cash and issuance of new stocks. 13. Passed the amendment to partial provisions of the Company's Regulations Governing Procedure for Board of Directors Meetings. 14. Passed the amendment to partial provisions of the Company's Audit Committee Chapter. 15. Passed the amendment to partial provisions of the Bank's Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms. 16. Passed the statement of overall information safety implementation. 17. Passed the statement of the design and implementation of internal control on personal data protection, statement of accountants' audit by Deloitte & Touche and statement of events after the balance sheet date. 18. Passed the statement of the design and implementation of internal control on anti-money laundering and countering the financing of terrorism, statement of accountants' audit by Deloitte & Touche and statement of events after the balance sheet date. 19. Passed the statement of internal control system on anti-money laundering and countering the financing of terrorism. 20. Passed the statement of internal control system.

(5) 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

(6) 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:

Baseline date: March 31, 2020

Position	Name	Start date	Dismissed date	Reasons for resignation or dimissal
Corporate governance officer	Chen, Yu-Liang	2019.07.03	--	--

Note: The bank-related persons mentioned refer to the chairman, general manager, chief financial officer, chief accounting officer, internal audit officer and corporate governance officer.

4. Alternation of CPA

(1) Information about previous CPA

<table>
<tr><th>Date of change</th><th colspan="3">June 2019</th></tr>
<tr><td>Reason for change and description</td><td colspan="3">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 Lin, Shu-Wan.</td></tr>
<tr><td rowspan="3">Specify whether the appointer or the CPA terminated or refused to accept the appointment</td><td>Involved party
Situation</td><td>CPA</td><td>Appointer</td></tr>
<tr><td>Voluntary termination of appointment</td><td>Inapplicable</td><td>Inapplicable</td></tr>
<tr><td>No further acceptance (continuation) of appointment</td><td>Inapplicable</td><td>Inapplicable</td></tr>
<tr><td>Opinion and reason for the audit report other than unqualified opinion issued within the latest two years</td><td colspan="3">None</td></tr>
<tr><td rowspan="6">Different opinion with the issuer</td><td rowspan="4">Yes</td><td>-</td><td>Accounting principles or practice</td></tr>
<tr><td>-</td><td>Disclosure of financial statement</td></tr>
<tr><td>-</td><td>Inspection scope or steps</td></tr>
<tr><td>-</td><td>Others</td></tr>
<tr><td>No</td><td colspan="2">✓</td></tr>
<tr><td colspan="2">Remarks</td><td>None</td></tr>
<tr><td>Other disclosure items (that should be disclosed according to Items 1-4, Subparagraph 6, Article 10 of this Guidelines)</td><td colspan="3">None</td></tr>
</table>

(2) Information about the succeeding CPA

Name of Accounting Firm	Deloitte & Touche
Name of CPA	CPA Lin, Shu-Wan
Appointment Date	June 2019
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, 2019

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	258,266,292	9.89	0	0.00	0	0.00	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:	9,804,993	0.38	4,414,571	0.17	0	0.00	He, Li-Wei	The same person	None
Fu Li Yang Investment Co., Ltd. Representative of legal-person director: Chang, Wu-Ping	9,146,684	0.35	2,477,155	0.09	0	0.00	None	None	None
Fu Li Yang Investment Co., Ltd. Representative of legal-person director: He, Li-Wei	3,518,790	0.13	0	0.00	0	0.00	Chen, Sheng-Hong	The same person	None
The First Insurance Co., Ltd.	95,147,169	3.64	0	0.00	0	0.00	None	None	None
Chuan Yang Construction Co., Ltd.	95,107,520	3.64	0	0.00	0	0.00	Fu Li Yang Investment Co., Ltd	The same person	None
Hai Wong Printing Co., Ltd.	80,000,000	3.06	0	0.00	0	0.00	Jin Chen Investment Co., Ltd., Li Kun Investment Co., Ltd., Hai Wang Investment Co., Ltd.	The same person	None
Bermuda Nan Hai Co., Ltd.	76,650,000	2.93	0	0.00	0	0.00	None	None	None
Sheng Yang Construction Co., Ltd.	57,481,270	2.20	0	0.00	0	0.00	None	None	None
Farglory Life Insurance Co., Ltd.	55,185,406	2.11	0	0.00	0	0.00	None	None	None
Jin Chen Investment Co., Ltd.	40,029,459	1.53	0	0.00	0	0.00	Hai Wong Printing Co., Ltd., Li Kun Investment Co., Ltd., Hai Wang Investment Co., Ltd.	The same person	None
Li Kung Investment Co., Ltd.	34,253,441	1.31	0	0.00	0	0.00	Hai Wong Printing Co., Ltd., Jin Chen Investment Co., Ltd., Hai Wang Investment Co., Ltd.	The same person	None
Hai Wang Investment Co., Ltd.	25,061,813	0.96	0	0.00	0	0.00	Jin Chen Investment Co., Ltd., Li Kun Investment Co., Ltd ., Li Kung Investment	The same person	None

							Co., Ltd., Hai Wong Printing Co., Ltd., Jin Chen Investment Co., Ltd.		

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, 2019
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.	980,000	100.00	0	0.00	980,000	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.	1,102,472	0.29	0	0.00	1,102,472	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. Implementation status of fund application plan

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 2019	NT$10	3,000,000	30,000,000	2,512,357	25,123,567	Capital increase from earningsNT$1,196,360,330	According to the approval announced on the website of the Securities and Futures Bureau, FSC on July 1, 2019
July 2019	NT$10	3,000,000	30,000,000	2,612,357	26,123,567	Capital increase by cash NT$1,000,000,000	According to FSC approval letter: Jin-Guan-Zheng-Fa No.1080320557 issued on July 1, 2019

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	2,612,356,678	387,643,322	3,000,000,000	Bank stock not listed on TWSE or OTC

(2) Structure of Shareholders

Record date: December 31, 2019

Shareholder Structure / Quantity	Government Institutions	Financial Institutions	Other Corporations	Individuals	Foreign institutions and Foreigners	Total
No. of persons	2	1	262	122,603	6	122,874
Shareholding	86,445	585	1,167,552,341	1,368,062,831	76,654,476	2,612,356,678
Shareholding (%)	0.00	0.00	44.69	52.38	2.93	100.00

(3) Equity Distribution

A). Face value NT$10 per share

Record date: December 31, 2019

Shareholding Level	No. of Shareholders	Shareholdings	Shareholding (%)
1 to 999	68,757	24,519,447	0.94
1,000 to 5,000	40,606	105,406,913	4.03
5,001 to 10,000	4,737	31,727,610	1.21
10,001 to 15,000	1,680	20,799,385	0.80
15,001 to 20,000	612	10,682,648	0.41
20,001 to 30,000	1,038	25,340,722	0.97
30,001 to 50,000	1,239	48,860,376	1.87
50,001 to 100,000	1,540	107,239,508	4.10

Shareholding Level	No. of Shareholders	Shareholdings	Shareholding (%)
100,001 to 200,000	1,320	187,033,023	7.16
200,001 to 400,000	699	195,307,208	7.48
400,001 to 600,000	257	123,703,749	4.74
600,001 to 800,000	100	68,808,422	2.63
800,001 to 1,000,000	59	52,991,405	2.03
1,000,001 to 999,999,999	230	1,609,936,262	61.63
Total	122,874	2,612,356,678	100.00

B). Special shares: None.

(4) List of Major Shareholders

Record date: December 31, 2019

Shares / Major Shareholders	Shareholding	Shareholding (%)
Fu Li Yang Investment Co., Ltd.	258,266,292	9.89
The First Insurance Co., Ltd.	95,147,169	3.64
Chuan Yang Construction Co., Ltd.	95,107,520	3.64
Hai Wong Printing Co., Ltd.	80,000,000	3.06
Bermuda Nan Hai Co., Ltd.	76,650,000	2.93
Sheng Yang Construction Co., Ltd.	57,481,270	2.20
Farglory Life Insurance Co., Ltd.	55,185,406	2.11
Jin Chen Investment Co., Ltd.	40,029,459	1.53
Li Kun Investment Co., Ltd.	34,253,441	1.31
Hai Wang Investment Co., Ltd.	25,061,813	0.96

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

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

Unit: NT$, 1,000 shares

Item / Year			2019	2018	As of March 31 of the year (Note 2)
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		12.55	12.49	12.92
	After Distribution		Note 3	11.70	0
Earnings per Share	Weighted Average No. of Shares		2,545,507	2,434,973	2,612,357
	Earnings per share	Before Adjustment (Note 4)	0.91	1.10	0.33
		After Adjustment (Note 4)	0	1.05	0
Earnings per Share	Cash Dividend		Note 3	0.2	0
	Free Distribution	Earnings Distribution	Note 3	0.5	0
		Capital surplus distribution	Note 3	0	0
	Cumulative unpaid dividend		Note 3	0	0
Analysis on Investment Return	Price/Earnings Ratio		Note 1	Note 1	Note 1
	Price/Dividend Ratio		Note 1	Note 1	Note 1
	Cash dividend yield		Note 1	Note 1	Note 1

Note 1: Not applicable because the Bank is not a listed company.
Note 2: The financial data for March 31, 2020 have not been audited and certified by accountants.
Note 3: Distribution of earnings in 2019 will be decided at the 2020 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$0.4 per share and a cash dividend of NT$0.2 per share are planned to be distributed according to the Bank's 2019 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 2020 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 2019 are estimated at NT$84,153,000. 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) Employees' remuneration distributed in cash or stock and directors' and supervisors' remuneration: Distributed NT$56,102,000 to employees as cash bonuses and NT$28,051,000 to Directors as compensations.

(B) The value of proposed distribution of bonus shares to employees in stock 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 3, 2019, to distribute NT59,519,000 to employees and NT$29,760,000 to Directors and supervisors. There is no discrepancy with employee bonuses and board director / supervisor compensations as stated in 2018 Financial Statements.

(9) Shares Purchased Back by the Bank: None

2. Implementation status of fund application plan

(1) Content of the plan

The Bank issued financial bonds to raise mid- and long-term funds in order to increase the amount of loans. The raised funds will be applied to loans with higher revenue in order to increase loan spreads on earning contribution. In addition, the Bank enhanced its fund operation effectiveness and intends to repay due financial bonds through its cumulative earnings each year. When confronted with a decline in global prosperity, as well as huge reduction in the domestic stock market and low long-term interest rate, the Bank will issue financial bonds to repay old financial bonds with higher interest rates.

(2) Status of implementation

To enhance capital adequacy ratio, the Bank issued subordinated financial bonds in 2002, 2006, 2007, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018 and 2019. Most of them are included in the Tier 2 capital through 7-year subordinated financial bonds. The Bank also issued Tier-1 bonds in 2015, 2016, 2017, 2018 and 2019. There is a total of NT$5.46 billion of non-cumulative subordinated financial bonds with no expiration date to supplement a stable long-term capital for the Bank and enhance risk burden capability.

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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) Main Business

A. Deposits and Loans Business

As of the end of 2019, the bank reports a total deposit balance at NT$459,051,762,000, up by NT$45,998,852,000 compared with NT$413,052,910 reported at the end of 2018, of which the balance of demand deposits accounts for 32.66% of the total deposit balance, and the balance of time deposits accounts for 67.34% of the total deposit balance.

The total balance of loans issued accumulates to NT$344,306,889,000 as of the end of 2019, increased by NT$29,787,389 compared with NT$314,519,500,000 reported at the end of 2018.

The overdue loan ratio was 0.28% at the end of 2019, the coverage ratio of Allowance for bad debts was 440.41%, which was better than the average of domestic banks.

Unit: NT$1,000

Year / Item	Balance at the end of 2019	Balance at the end of 2018	Annual Growth Rate (%)
Deposits	459,051,762	413,052,910	11.14
Loans	344,306,889	314,519,500	9.47

Deposit Balance Comparison

Unit: NT$1,000

Year / Loans	2019		2018	
	Balance at the end of year	Percentage (%)	Balance at the end of year	Percentage (%)
Checking deposits	3,175,538	0.69	3,573,153	0.87
Demand deposits	54,429,023	11.86	45,136,880	10.93
Foreign exchange demand deposits	8,843,110	1.93	8,055,191	1.95
Demand savings deposit	82,538,950	17.98	77,329,913	18.72
Employee saving deposits	938,707	0.20	869,120	0.21
Time deposits	120,050,644	26.15	102,075,045	24.71
Foreign currency time deposits	36,732,985	8.00	33,057,352	8.00
Negotiable certificates of deposit	20,195,700	4.40	18,305,000	4.43
Time savings deposits	132,147,105	28.79	124,651,256	30.18
Total	459,051,762	100.00	413,052,910	100.00

Loan Balance Comparison

Unit: NT$1,000

Year / Loans	2019		2018	
	Balance at the end of year	Percentage (%)	Balance at the end of year	Percentage (%)
Short-term loans	13,099,054	3.80	15,101,173	4.80
Short-term secured loans	82,050,276	23.83	76,955,032	24.47
Medium-term loans	36,979,023	10.74	39,265,146	12.48
Medium-term secured loans	130,436,937	37.88	103,845,227	33.02
Long-term loans	2,294,547	0.67	1,578,695	0.50
Long-term secured loans	78,466,213	22.79	77,291,495	24.58
Non-performing loans	914,247	0.27	417,478	0.13
Export negotiation	66,592	0.02	65,254	0.02
Total	344,306,889	100.00	314,519,500	100.00

a. Consumer Banking Loans

With the increase in funds from returning Taiwanese businessmen, the housing price in Taipei City, New Taipei City and Taichung slightly increased and confidence in the property market returned. However, a large discrepancy in the existing purchase/sales price led to a slow growth in purchasing trend and market remained down. To manage risks and to continue credit structure adjustments, in addition to complying with preferential mortgage terms on "subsidies for mortgage payment for the purchase and repair of residence" set by the government, the Bank chose customers with clear repayment source and good collateral (i.e., metropolitan area, excellent location, suitable terrain area, good income, etc.) and actively offered short-term and medium-term working capital loans with guarantee. By the end of 2019, the individual loan balance (car loan excluded) was NT$140.115 billion (mortgage balance of NT$139.831 billion and a credit loan of NT$0.284 billion), which has grown NT$4.141 billion (growth rate of 3.05%) compared to NT$135.974 billion at the end of 2018.

b. Loans to Businesses

The Bank launched the "Great Fortune 333" loan offer in 2018 to adjust its credit structure and to proactively promote real estate loans, credit granting and foreign currency loans for SMEs. In line with the policy established by the Financial Supervisory Commission for handling SME loans and credit insurance funds for assisting start-ups and micro businesses in obtaining financing from financial institutions, the Bank launched the "100 billion financing guarantee project for SMEs" to continue the selection of a better SME loan project. From credit insurance to large enterprises, the Bank carefully selects excellent customers or those with practical contributions to take on and develops derived business, such as improve wealth management for deposits and salary transfer to create a comprehensive effect on integrated marketing.

By the end of 2019, the loan balance of large enterprises (excluding car loans) was NT$17.723 billion, which decreased by NT$2.313 billion (at a rate of -11.54%) compared to NT$20.036 billion at the end of 2018; the loan balance of SMEs (excluding car loans) was NT$156.415 billion, which increased by NT$27.892 billion (at a growth rate of 21.7%) compared to NT$128.523 billion at the end of 2018. This is mainly attributable to the China-US trade war and risk exposure reduction in Mainland China in order to manage credit insurance quality.

c. Car Loan, Credit Loan and Subordinated Loan Businesses

In 2019, the major business direction for car loan products was to balance the overall quality, amount, interest rate and income from administration fees of assets. In addition, the Bank continued to seek new collaboration partners to increase its revenue and to support wealth management, insurance, mortgage, and enterprise funds with excellent car loan customers. The North District Car Loan Center established in December, maintains smooth overall operations, and effectively saves operational manpower and increases appropriation efficiency. In the future, the Bank will continue to recruit car loan operators to expand business volume. To improve its current procedures and simplify paperwork, the Bank has established an e-Loan system to improve operational efficiency and save operating costs.

In response to the ratio restriction specified in Article 72-2 of the Bank Act pertaining to subordinate loans, the mortgage position of the Bank in recent years has significantly dropped. In addition, the significant decline in market interest rates also made transferred loans difficult. Hence, assuming that the risks for subordinated loans could be controlled, in addition to encouraging existing mortgage customers (in need of funds) or developing new customer source, the Bank also took on first cis-position collateral, which was subordinate mortgage products in other banks in order to increase its branch's customer source. Moreover, it has adjusted in relevant business units with regard to dealing with obstacles in business promotion in order to continue improvements in the scale and profit of subordinate loan products.

Unit: NT$1,000

Item \ Year	Amount		Growth Rate (%)
	2019 fiscal year	2018 fiscal year	
Car Loan Businesses	5,044,690	4,570,930	10.36
Credit Loan Businesses	136,290	95,820	42.24
Subordinated Loan Businesses (Note)	2,199,418	2,011,280	(25.85)

B. Foreign Exchange Business

For the foreign exchange business, the balance of foreign exchange deposits (including OBU) at the end of 2019 was US$1,513,846,000 or an increase of US$176,132,000 from US$1,337,714,000 at the end of 2018 with a growth of 13.17%. The balance of foreign exchange loans (including OBU) at the end of 2019 was US$687,109,000 or a decrease of US$27,399,000 from US$714,508,000 at the end of 2018 with a decrease of 3.83%. This is mainly due to China-US trade war as well as to actively reduce risk exposure in mainland China in order to control credit insurance quality. In 2019 the amounts of import/export and exchange service were US$ 319,076,000 and US$5,347,819,000 respectively, totaling US$5,666,895,000, a decrease of US$996,930 000 from US$6,663,825,000 at the end of 2018.

Unit: USD1,000

Year / Item	2019	2018	Growth Rate (%)
	Balance at the end of year/ Amount	Balance at the end of year / Amount	
Foreign currency deposits	1,513,846	1,337,714	13.17
Foreign currency loans (including OBU)	687,109	714,508	(3.83)
Import and export business	319,076	503,856	(36.67)
Remittance Services (including simplified currency exchange services)	5,347,819	6,159,969	(13.18)

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

The Bank issued 17,443 credit cards in 2019, and 107,555 cards in circulation at the end of December 2019.

a. Credit card consumption amount: In 2019, the annual transaction amount in credit card was NT$4.562 billion, an increase of NT$0.499 billion compared to 2018, with a growth rate of 12.29%.

b. Revolving Credit Balance: The revolving credit balance at the end of December 2019 was NT$2.14 million, a decrease of NT$0.06 million from the amount at the end of December in 2018.

c. Transaction amount in cooperative stores: In 2019, the annual transaction amount in cooperative stores was NT$3.7 billion, an increase of NT$1.151 billion compared to 2018, with a growth rate of 45.15%.

Unit: cards, NT$1,000

Year / Item	2019	2018	Growth Rate (%)
Total number of card issued in the year	17,443	16,068	8.56
Total cumulative number of valid cards in circulation	107,555	100,938	6.56
Total credit card consumption amount	4,562,279	4,063,017	12.29
Revolving Credit Balance	213,631	219,193	(2.54)

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 investment and market uncertainties caused by the China-US trade war in 2018, the funds and overseas bonds and acquisition in 2019 decreased compared to 2018. In addition, an announcement was made by the competent authority to change product structure and prohibit the sale of insurance products by non-financial officers given the constant reduction in interest rates due to the insurance product criteria in the second half of the year. With significant adjustments and changes in the compliance management system and regulations, insurance businesses have been facing challenges and transformations. The Bank has responded promptly and appropriately. The increase in income growth from wealth management administration fees was maintained compared with last year.

Unit: NT$1,000

Item \ Year	2019		2018		% of Fee Income	% of Fee Income
	Sales Volume	Fee Income	Sales Volume	Fee Income		
Mutual funds and overseas bonds (excluding domestic bond funds)	4,960,521	165,104	6,190,242	168,607	(19.87)	(2.08)
Insurance products	4,901,669	534,378	5,373,683	490,007	(8.78)	9.06
Total	9,862,190	699,482	11,563,925	658,614	(14.72)	6.21

E. E-Banking Business

In order to provide customers with diversified digital financial services, the Bank offers electronic financial services, including online banking, mobile banking APP, APP for online application through cloud service, Sunny Pay APP, HCE credit card and cross-border payment (Alipay). Since March 2019, the Bank has provided customers with improved digital financial services, such as online NTD digital deposit account, Taiwan Pay QR Code applications, and a new generation mobile banking APP.

Type of business \ Year	2019	2018	Growth Rate (%)
Number of cumulative account opening for personal online banking	143,182	122,243	17.13
Number of cumulative account opening for mobile online banking	60,964	45,123	35.11
Transaction amount for individual online banking	613,228	476,093	28.80
Transaction amount for mobile online banking APP	423,445	285,378	48.38

F. Trust Business

a. As of the end of 2019, the balance of trust assets under the Bank's management was NT$67,579,811,000, a decrease of NT$62,050,000 (0.09%) from NT$67,641,861,000 at the end of 2018.

(a) The balance of money trust asset at the end of 2019 was NT$35,252,261,000, accounting for 52.17% of the Bank's trust business.

(b) The balance of real estate trust asset at the end of 2019 was NT$31,038,599,000, accounting for 45.93% of the Bank's trust business.

(c) The balance of securities trust asset at the end of 2019 was NT$273,070,000, accounting for 0.40% of the Bank's trust business.

(d) The balance of monetary-claim and security-interest trust assets at the end of 2019 was NT$1,015,881,000, accounting for 1.50% of the Bank's trust business.

b. Other affiliated businesses：

(a) By the end of 2019, the total operations guarantee funds was NT$505,000,000, an increase of NT$135,000,000 and a growth rate of 36.49% from NT$370,000,000 by the end of 2018.

(b) In 2019, the amount of the discretionary investment services business was NT$ 242,575,000, a decrease of NT$29,400,000 compared with 2018, NT$271,975,000, with a decrease rate of 10.81%.

(c) In 2019, the amount of the certification business was NT$ 34,960,719,000, an increase of NT$30,165,282,000 and a growth rate of 629.04% from NT$ 4,795,437,000 in 2018.

Unit: NT$1,000

Item \ Year	2019		2018		Amount of increase or decrease	Rate of increase or decrease(%)
	Amount	%	Amount	%		
Trust business	67,579,811	100	67,641,861	100.00	(62,050)	(0.09)
Monetary trusts	35,252,261	52.17	33,869,979	50.07	1,382,282	4.08

Item \ Year	2019		2018		Amount of increase or decrease	Rate of increase or decrease(%)
	Amount	%	Amount	%		
Specific-purpose monetary trusts investing in domestic and foreign securities	22,494,059	33.29	23,126,829	34.19	(632,770)	(2.74)
Other monetary trusts	8,212,331	12.15	5,519,218	8.16	2,693,113	48.80
Custody of securities investment trust funds	4,545,871	6.73	5,223,932	7.72	(678,061)	(12.98)
Real estate trust	31,038,599	45.93	31,266,571	46.22	(227,972)	(0.73)
Securities trust	273,070	0.40	247,261	0.37	25,809	10.44
Monetary-claim and security-interest trusts	1,015,881	1.50	2,258,050	3.34	(1,242,169)	(55.01)
Other affiliated businesses						
Custody of operations guarantee funds	505,000	--	370,000	--	135,000	36.49
Custody of discretionary investment services	242,575	--	271,975	--	(29,400)	(10.81)
Certification business	34,960,719	--	4,795,437	--	30,165,282	629.04

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

In 2019 trust business income was NT$295,974,000, an increase of NT$22,112,000 and a growth rate of 8.07% from NT$ 273,862,000 in 2018.

G. Investment Business

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

Unit: NT$1’000

Item \ Year	2019	2018	Increase / decrease
Bonds	805,420	705,323	100,091
Stocks	40,879	(27,476)	68,355
Beneficiary certificates	3,885	(92,075)	95,960
Short-term bills	161,987	151,150	10,837
Unrealized gain or loss	6,357	(3,096)	9,453
Stock dividend	19,321	17,601	1,720
Total	1,037,849	751,427	286,422

According to the above table, The Bank has made a profit of NT$ 751,427,000 in 2018 and NT$1,037,849,000 in 2019 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, currency corporate bonds and financial debentures. The Bank generated a gain of NT$ 705,323,000 in 2018 and NT$805,420,000 in 2019. The revenue in 2019 increased to NT$100,097,000 compared to 2018 mainly because the Bank was able to establish a bond position in order to increase bond revenue and generate profit.

b. Gain (loss) on stocks:

This is the gain (loss) from investment in stocks of public and OTC companies. In 2018, the weighted index for the whole year decreased by 8.6%. Due to the China-US trade war, there has been uncertainty in the consumer market, causing fluctuations in the international stock market during the second half of the year, resulting in losses of NT$27,476,000 for the year. The Taiwan market was affected by the global supply chain as well. However, IT companies in Taiwan benefitted with significant income growth. With the policy encouraging the return of foreign funds back to Taiwan, the said funds were used to purchase Taiwan stocks for the whole year, supporting the 2019 weighted index, which grew by 23.33%. The Bank carefully selected individual stocks with growth in operating income, resulting in an annual profit of NT$ 40,879,000.

c. Gain (loss) on beneficiary certificates:

This is the gain (loss) from investment in mutual funds. 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. There were positive developments in the China-US trade negotiations in Sept. 2019. Central banks around the world also continued to adopt quantitative easing programs and fluctuations in major stock markets and liability insurance markets have increased, resulting in a revenue of NT$3,885,000 for the year.

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$151,150,000 in 2018 and NT$161,987,000 in 2019. The Bank developed customers exempted from credit guarantee for and enhanced the current utilization ratio for them to increase revenue from security transactions. The security revenue increased to NT$10,837,000 in 2018. The interest income and disposal benefits of short-term credit tickets will change as the Bank's business volume of visa underwriting and surplus funds increase or decrease.

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$3,096,000 in 2018 and a gain of NT$6,357,000 in 2019. The valuation of beneficiary certificates due to the positive developments in the China-US trade negotiations in Sept. 2019 had a significant impact. In addition, central banks around the world continued to adopt quantitative easing programs, and fluctuations in major stock markets and liability insurance markets have increased, resulting in fund valuation gains.

f. Stock dividends:

This is the cash dividends distributed by listed and OTC companies, where the cash dividend distributed in 2018 was NT$17,601,000 and NT$19,321,000 in 2019.

To sum up, in regard to the Bank’s performance on securities trading. The stock index in 2018 decreased 8.6%, and the Bank had a loss of NT$27,476,000 on stocks. Beneficiary certificates showed a loss of NT$92,075,000, and the recognized valuation loss for the year was NT$3,096,000, mainly due to the impact of the valuation of beneficiary certificates. In total, the Bank obtained a net profit of NT$751,427,000 for the year. The weighted index for the whole year of 2019 rose by 23.33%, resulting in a gain of NT$40,879,000 on stocks, a gain of NT$3,885,000 on beneficiary certificates, and the recognized valuation gain was NT$ 6,357,000. The main impact is from the valuation of beneficiary certificates, in total, the Bank had a net profit of NT$1,037,849,000 from various businesses throughout the year.

(2) Percentage of the asset of each business and its growth and changes

Unit: NT$1,000

Year / Business Items	2019		2018	
	Amount	Asset %	Amount	Asset %
Total Assets	523,892,232	100.00	473,020,126	100.00
Discounts and loans – net amount	340,110,036	64.92	310,786,794	65.70
Financial assets measured at fair value through other comprehensive income	76,594,732	14.62	68,309,022	14.44
Debt Instrument Investments Measured at Amortized Co	29,994,687	5.73	25,333,318	5.36
Financial assets measured at fair value through profit or loss	16,290,999	3.11	20,309,417	4.29
Total Liabilities	491,103,976	93.74	443,136,763	93.68
Deposits and remittances	459,083,477	87.63	413,110,761	87.33
Financial debentures payable	14,560,000	2.78	14,530,000	3.07
Due from CBC and Banks	7,303,606	1.39	6,513,606	1.38

Note: The asset and liability items in the table are those with amounts among the top three of total assets in 2019.

(3) Percentage of the net income of each business and its growth and changes

Unit: NT$1,000

Year / Business Items	2019		2018	
	Amount	Asset %	Amount	Asset %
Net interest income	5,562,722	76.39	5,346,076	77.69
Net income other than interest	1,719,108	23.61	1,535,552	22.31
Net fee income	1,165,405	16.00	1,085,778	15.78
Net gain on financial assets and liabilities measured at fair value through profit or loss	203,817	2.80	19,197	0.28
Gains from sale of fair value through other comprehensive income financial assets	110,074	1.51	109,682	1.59
Exchange gain (loss)	84,644	1.16	155,493	2.26
Revolving interest from asset impairment	(2,438)	(0.03)	(273)	0.00
Share of subsidiaries' gains recognized by equity method	58,138	0.80	70,857	1.03
Rental income	73,389	1.01	71,808	1.04
Net income other than interest	26,079	0.36	23,010	0.33
Total net income	7,281,830	100.00	6,881,628	100.00

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

(4) 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 2019

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 "Great Fortune 333", but also implements credit checking and surveying works during loan applications and tracking operations after loans are approved.

c. Since the Financial Supervisory Commission encouraged banks to help SMEs obtain operating funds, revise evaluation methods and strengthen the foundation for registered SMEs, the Bank launched the "Bonus for new loan accounts of SMEs" in May, which grew from 1,030 accounts to 4,435 accounts by the end of 2019 compared to 3,405 accounts in 2018. The amount of loans (car loans) has grown from NT$ 27.892 billion to NT$156.415 billion, compared to NT$128.523 billion in 2018.

(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) Vehicle 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 2020, 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 and sufficiently use the established e-Loan system to increase operation efficiency and save operation costs. 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 Bank referred to the marketing prediction model established in cooperation with academic institutions in the hope of achieving a success rate of the list for advertisement.

Because the subordinated loan has the advantages of both collateral (lower risk) and profitability (higher interest rate), and the domestic mortgage market has been adversely affected, financial institutions have implemented competitive measures by taking reduced interest. Hence, the Bank continued to include subordinated loans as part of its key promotion projects in 2020 to increase bank 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. It is expected that USD will inevitably remain the first choice for investing foreign currency and asset allocation in 2020. And we hope 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 online banking function of foreign exchange

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

E. Credit Card Business

(A) Card issuance operations

Currently, there are 33 domestic card issuance agencies. According to the 2019 credit card statistics of the Financial Supervisory Commission, the cumulative credit amount for that year from the 33 domestic card issuance agencies was NT$3222.71 billion, which grew around NT$339.08 billion compared to the same period in 2018 at NT$2883.63 billion with a grow rate of 11.76%; the total credit amount in 2019 of the Bank was NT$ 4.562 billion, which grew around NT$0.499 billion compared to the same period in 2018 at NT$4.063 billion with a growth rate of 12.28%.

The current total number of cards in Dec. 2019 was 47,390,000 cards, which grew by 3,360,000 cards compared to 2018 at 44,030,000 cards with a growth rate of 7.64%. The current total number of valid cards in Dec. 2019 was 31,920 cards, which increased by 2,350,000 cards compared to the same period in 2018 at 29,570,000 cards with a growth rate of 7.94%. The Bank’s total number of cards in circulation in 2019 was 107,555 cards, which grew around 6,617 cards compared to the same period in 2018 at 100,938 cards with a growth rate of 6.56%.

The Bank has upgraded and integrated the existing JCB classic card, golden card and platinum card into one card called the JCB Doraemon precious card, which was launched in Q2 2019 for the purpose of availing high earning options for cash back purchases in Japan and Korea. It has also continued to promote iPass credit card and Yaojing Card. The total number of cards issued, the number of cards in circulation and the consumption amount have grown steadily. The total credit amount is expected to reach the budget target of NT$4.6 billion by the end of 2020.

(B) Acquiring business

There are currently 31 domestic agencies that handle business acquisitions. According to the credit card information issued by the Financial Supervisory Commission in Dec. 2019, Taishin International Bank has the most cooperative stores with 146,523. The Bank launched its acquisition business in Dec. 2014. Since Dec. 2019, the Bank has accumulated 1,426 cooperative stores (statistics from vendors) and its transaction amount in 2019 reached around NT$3.7 billion. In 2020, the Bank launched the “Promotion Project for Cooperative Stores” to increase its existing number of stores as well as promote and solicit new credit accounts to increase Bank deposits, and to provide complete financial services, strengthen relationship with enterprise customers, and drive growth in other businesses, such as loan and wealth management.

F. Wealth Management Business

Looking forward to the future, the development of the wealth management business will continue to be based on steady growth. We will provide training in various financial products. We will assist branches to actively promote the wealth management businessin response to market changes and regulations from competent agencies and timely adjust markering strategies to create enhancement in wealth management business.

G. Electronic Banking

In addition to constantly enhance and optimize the existing electronic financial business, we actively develop services such as "Foreign Currency Digital Deposit Account Online Application Service", "Taiwan Pay QR Code-credit card payment" along with the popularization of smart mobile devices and the development of young customer group and plan the establishment of new generation enterprise online banking to provide smoother services. We will successively launched new platforms or functions, 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 "mobile online banking" for strengthening various functions and services to meet the needs of customers.

(B) Add the third-category certification for “iSunny NTD Digital Deposit Account” and launch the “iSunny Foreign Currency Digital Deposit Account” services, so that customers can apply for both NTD digital deposit account and foreign currency account at the same time; establish an online banking system in order to reduce account opening cost at the branch; launch relevant marketing promotions to drive overall application amount.

(C) Develop a new generation business online banking system and integrate with mobile device applications.

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: Collaborating with vendors such as real estate agents and external channels, in order to promote real-estate (purchase/sale) transactions, security, and trust as well as other securities and trust transactions, such as equity and liability trading.

b. Prepayment trust: Expanding promotion of real-time gift trust business combing credit bill payment bank, gift certificate issuers and issuance system vendors as well as other prepayment trust businesses in accordance with regulations.

c. General trust: Adding businesses like the Wonderful Family Trust (including four major modules, Child Care Trust/Retirement Security Trust/Disability Support Trust/Insurance Trust Fund) and Housing Public Trust Fund. The Bank has plans to increase branch promotion incentives through trust programs and to promote products through branch channels. A trust mechanism is also in place to help customers with asset protection and transfer, while providing complete control and customized service.

d. Specific trust: Continuously enhancing the Bank’s fund system, service function, and user interface to achieve customer satisfaction in wealth management.

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.

(5) 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, due to the coronavirus outbreak in China, global economic growth momentum eased in 2020. Moreover, the outbreak has spread through Asia, Europe and North America and has remained widespread for quite some time, causing Japan and Eurozone economies to possibly decline this year. According to IHS Markit’s projection in March, the global economic growth this year is estimated at 0.68%, which is lower compared to 2.63% in 2019. Furthermore, it is predicted that the economic growth next year (2021) would reach 2.41%.

In the domestic sector, the coronavirus outbreak has likewise caused economic uncertainty in the country, affecting both local and foreign demand. Despite the return of Taiwanese businesses that have increased their production capacity and new application development power in different fields such as 5G, artificial intelligence and the Internet of Things, export expansion remains to be potentially affected. However, its strength is expected to stabilize with the increase in green energy investments from private corporations that engage in semiconductor and offshore wind power businesses as well as investments from returning Taiwanese companies. Even though local consumption has also been affected, the impact of the pandemic is slightly reduced due to the vigorous development of e-commerce and delivery platforms. The Executive Yuan’s Directorate General of Budget, Accounting and Statistics expects economic growth to reach 2.37% in 2020.

Although China and the US have officially signed the first phase of the trade deal in mid-January, the market could still decline given the global economic situation. The Bank shall take a prudent approach towards engaging in various businesses.

B. Future Market Supply and Demand and Potential Growth

(A) Supply Side

According to the CBC statistics, as of the end of December, 2019, 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 424 with 6,010 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 104 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.

(6) 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. 2019 Operating Performance” under “I. Letter to Shareholders”.

(B) For the new business units set up in the last two years, please refer to “1. 2019 Operating Performance” under “I. Letter to Shareholders”.

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

In 2019, the Bank carried 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 102 designated foreign exchange branches in 2019. In order to fully simplify foreign exchange deposit account opening procedure, the Bank has launched the Electronic Operation of Foreign Exchange Demand / Time Deposit Account Opening Form Currently, the Bank plans to have an automatic redeposit of foreign currency fixed deposit not subject to frequency limitations in order to provide clients with more convenient services and to save manpower in foreign currency procedures.

To keep up with e-commerce development trends and to continuously strengthen its foreign currency online banking services, the Bank has launched the “mobile banking APP for preferential deposit”, “debit notification for foreign currency deposit through cloud service” and “additional negotiable exchange rate for enterprise online banking settlement,” as well as “mobile banking APP for reserving and purchasing foreign currency” and “over-the-counter invoice transaction / printing of settlement certificate,” in order to provide customers with efficient real-time services and a diversified and flexible electronic trading system. To enhance service quality, aid in SWIFT changes for guaranteeing letters of credit, and to use MT103 messaging system for account processing, the Bank has established a clear regulation format for the new version of credit guarantee system. For more transparent account transfer information, the Bank has required all MT103 message types to be sent with credit confirmation for convenient account transfer, enabling clients to know about the status of the beneficiary. The two aforementioned system functions will be activated online when upgrading to the new version in November 2020.

(7) 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 0.37% and the coverage rate for bad debt allowance above 321% by the end of 2020.

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		2019	2018	Current year up to March 31
Number of Employees	Assistant Vice President	122	123	126
	Heads	488	467	485
	Office Employees	1,539	1,428	1,559
	Total	2,149	2,018	2,170
Average Age		40	40.39	39.87
Average years of service		11.1	11.33	10.95
Education background	PhD	0.14%	0.15%	0.10%
	Master	8.75%	8.97%	8.80%
	College	83.99%	83.15%	84.10%
	Senior High School	6.93%	7.48%	6.80%
	Under Senior High School	0.19%	0.25%	0.20%
	Total	100.00%	100.00%	100.00%
Professional licenses held by employees	Basic Proficiency Test for Bank Internal Control	1,247	1,195	1,265
	Proficiency Test for Trust Operations Personnel	1,540	1,478	1,618
	Trust Operations Management Personnel	495	472	479
	Trust Operations Supervisor	9	9	9
	Proficiency Test for Life Insurance Specialist	1,725	1,654	1,788
	Proficiency Test for Investment-oriented Insurance Personnel	769	754	751
Professional licenses held by employees	Proficiency Test for Property Insurance Personnel	1,697	1,612	1,788
	Proficiency Test for Financial Planning Personnel	347	345	342
	Basic Proficiency Test for International Banking Personnel	400	385	391
	Basic Proficiency Test for Bank Lending Personnel	729	704	721
	Advanced Proficiency Test for Bank Lending Personnel	1,247	1,195	1,265
	Proficiency Test for Futures Specialist	1,540	1,478	1,618
	Proficiency Test for Securities Specialist	265	263	313
	Proficiency Test for Senior Securities Specialist	159	154	162
	Proficiency Test for Securities Investment Trust and Consulting Professionals (one subject)	142	140	137
	Proficiency Test for Bill Finance Specialist	69	64	70
	Proficiency Test for Financial Risk Management Personnel	3	3	3
	Proficiency Test for Bank Collateral Appraisal Personnel	15	15	16
	Qualification of Investment Trust and Consulting Regulations Test	1,602	1,533	1,696

	Consultant of Financial Planning (CFP)	953	908	939
	Proficiency Test for Bond Specialist	5	5	4
	Proficiency Test for Securities Investment Analyst	16	16	15
	Proficiency Test for Life Insurance Representative to Sell Foreign	5	5	4
	Currency Receiving and Paying in Non-Investment Oriented	681	657	661
	Insurance Products	153	153	154
	Certificate of Completion of Risk Management for	3	3	3
	Foreign Exchange Derivatives Course	4	4	3

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 2019, the Bank's key cultivation projects were related to the training of professional credit, sales business of 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 2019 the number of participants in physical courses was 12,280 people-times and in online courses was 2,702 person-times, and the total number of participants was 14,982 person-times. The training results were in line with expectations.

3. Corporate Social Responsibility and Ethical Behavior

(1) Sponsored Kaohsiung Sunny Bank Women Football Team in 2019 for the fourth consecutive year, in order to support the development of Taiwan sports activities and cultivate the local football talents.

(2) 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 50 elementary schools in rural areas such as Hsinchu County, Nantou County, Pingtung County, Great Chishan area of Kaohsiung City, Miaoli County, Hualien County, Taitung County, and Taichung City. It has provided physical materials for about 1,650 children, making them feel the warmth from the society. The children were inspired and encouraged to build dreams in the scheme with profound significance.

(3) 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) Co-organized and sponsored the “Archery Team of Sanhe Junior High School, New Taipei City” with a total of NT$3,000,000 in 3 years for young athletes, enabling them to fully devote their time into training and enhance their skills without any difficulty.

4. Number of Non-Supervisory Full-Time Employees, Average and Median Salary of Non-Supervisory Full-Time Employees and Differences of the Three Compared with Last Year.

Category	2019	2018
Number of non-supervisor employees	1,946	1,821
Average Salary	810,949	829,660
Median of salary	517,320	512,790

Note: The number of non-supervisory employees refer to the total number of employees hired in the current year rather than the number of actual employees at year-end, along with managers (managers disclosed in the annual report submitted during the shareholders' meeting and managers who resigned in the middle of the year) who have been employed for over 6 months.

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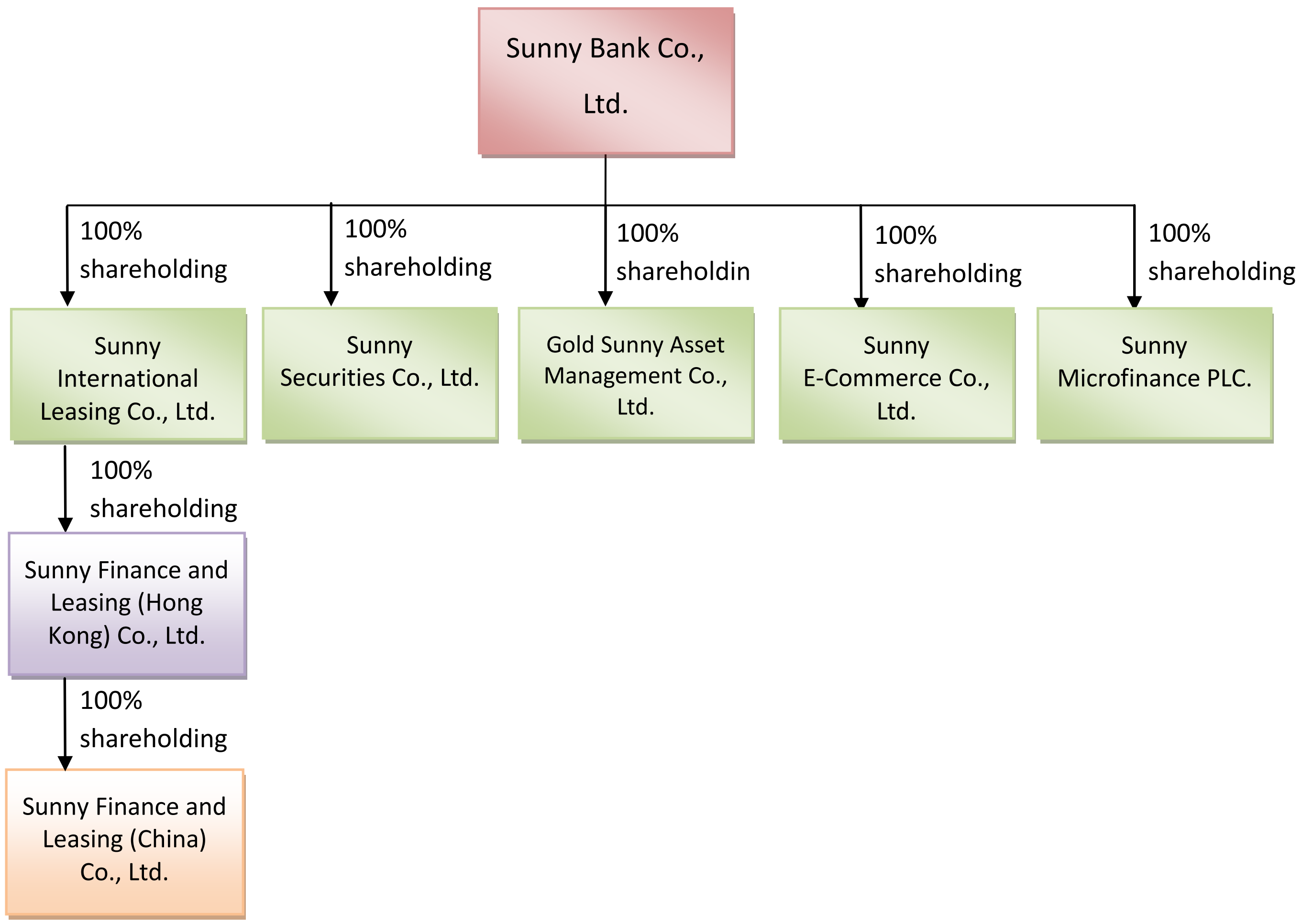
VI. Special Remarks

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	Investment in security business
Gold Sunny Asset 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 and Leasing (Hong Kong) Co., 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 and Leasing (China) Co., 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-Commerce 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	USD9,800,000	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, 2019

Unit: 1000 shares, %

<table>
<tr><th rowspan="2">Company Name</th><th rowspan="2">Title</th><th rowspan="2">Name</th><th colspan="2">Shareholdings</th></tr>
<tr><th>Shares</th><th>%</th></tr>
<tr><td rowspan="7">Sunny Securities Co. ,Ltd.</td><td>Chairman</td><td>Chou, San-Ho, Representative of Sunny Bank Co., Ltd.</td><td rowspan="6">502,000</td><td rowspan="6">100.00</td></tr>
<tr><td>Director</td><td>Kuo, Cheng-Hung, Representative of Sunny Bank Co., Ltd.</td></tr>
<tr><td>Director</td><td>Huang, Yen-Chun, Representative of Sunny Bank Co., Ltd.</td></tr>
<tr><td>Director</td><td>Wang, Chien-Yi, Representative of Sunny Bank Co., Ltd.</td></tr>
<tr><td>Director</td><td>Le, Wen-Kuang, Representative of Sunny Bank Co., Ltd.</td></tr>
<tr><td>Supervisor</td><td>Sung, Ping-Ping, Representative of Sunny Bank Co., Ltd.</td></tr>
<tr><td>President</td><td>Hong, Yong-Ming</td><td>0</td><td>0</td></tr>
<tr><td rowspan="5">Gold Sunny Asset Management Co., Ltd.</td><td>Chairman</td><td>Lin, Chi-Liang, Representative of Sunny Bank Co., Ltd.</td><td rowspan="4">15,000</td><td rowspan="4">100.00</td></tr>
<tr><td>Director</td><td>Li, Yu-Sheng, Representative of Sunny Bank Co., Ltd.</td></tr>
<tr><td>Director</td><td>Cheng, Yan-Ching, Representative of Sunny Bank Co., Ltd.</td></tr>
<tr><td>Supervisor</td><td>Chen, Hui-Ling, Representative of Sunny Bank Co., Ltd.</td></tr>
<tr><td>President</td><td>Chen, Yu-Li</td><td>0</td><td>0</td></tr>
<tr><td rowspan="5">Sunny International Leasing Co., Ltd.</td><td>Chairman</td><td>Lin, Yi-Tsun, Representative of Sunny Bank Co., Ltd.</td><td rowspan="4">152,500</td><td rowspan="4">100.00</td></tr>
<tr><td>Director</td><td>He, Li-Wei Representative of Sunny Bank Co., Ltd.</td></tr>
<tr><td>Director</td><td>Gan, Wu-Cheng Representative of Sunny Bank Co., Ltd.</td></tr>
<tr><td>Supervisor</td><td>Liu, Chong-Hsun, Representative of Sunny Bank Co., Ltd.</td></tr>
<tr><td>President</td><td>Liu, Jong-Sen</td><td>0</td><td>0.00</td></tr>
<tr><td>Sunny Finance and Leasing (Hong Kong) Co., Ltd.</td><td>Director</td><td>Lin, Yi-Tsun, Representative of Sunny International Leasing Co., Ltd.</td><td>0</td><td>100.00</td></tr>
<tr><td rowspan="2">Sunny Finance and Leasing (China) Co., Ltd.</td><td>Executive Director</td><td>Liu, Jong-Sen, Representative of Sunny Finance and Leasing (Hong Kong) Co., Ltd.</td><td rowspan="2">0</td><td rowspan="2">100.00</td></tr>
<tr><td>Supervisor</td><td>Gan, Wu-Cheng, Representative of Sunny Finance and Leasing (Hong Kong) Co., Ltd.</td></tr>
<tr><td rowspan="4">Sunny E-Commercial Co., Ltd.</td><td>Chairman</td><td>Chang, Chi-Ming, Representative of Sunny Bank Co., Ltd.</td><td rowspan="4">5,000</td><td rowspan="4">100.00</td></tr>
<tr><td>Director</td><td>Song, Ping-Ping, Representative of Sunny Bank Co., Ltd.</td></tr>
<tr><td>Director</td><td>Cheng, Yan-Ching, Representative of Sunny Bank Co., Ltd.</td></tr>
<tr><td>Supervisor</td><td>Chen, Yu-Liang, Representative of Sunny Bank Co., Ltd.</td></tr>
<tr><td rowspan="4">Sunny Microfinance PLC.</td><td>Chairman</td><td>Chen, Guo-Huei, Representative of Sunny Bank Co., Ltd</td><td rowspan="4">980</td><td rowspan="4">100.00</td></tr>
<tr><td>Director</td><td>Chen, Jin-Jia, Representative of Sunny Bank Co., Ltd</td></tr>
<tr><td>Director</td><td>Jau, Huei-Jen, Representative of Sunny Bank Co., Ltd</td></tr>
<tr><td>President</td><td>Liu, Chun-Ren</td></tr>
</table>

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	1,388,309	798,272	590,037	113,280	13,111	11,900	0.24
Gold Sunny Assets Management Co., Ltd.	150,000	502,934	337,801	165,133	21,485	(783)	6,985	0.47

Sunny International Leasing Co., Ltd	1,525,000	2,080,927	545,117	1,535,810	70,242	40,941	76,853	0.50
Sunny Finance and Leasing (Hong Kong) Co., Ltd.	USD 30,000	USD 30,001	USD 18	USD 29,983	0	0	USD 967	0
Sunny Finance and Leasing (China) Co., Ltd.	USD 30,000	CNY 220,713	CNY 6,737	CNY 213,976	CNY 10,222	CNY 7,576	CNY 6,681	0
Sunny E-Commercial Co., Ltd.	50,000	40,078	11,764	28,314	31,484	(779)	(639)	(0.13)
Sunny Microfinance PLC.	USD 9,800	USD 8,898	USD 457	USD 8,441	USD 326	(USD 579)	(USD 583)	(USD 0.59)

(2) Consolidated Financial Statements Covering Affiliated Enterprises

Please see “Annex I: Consolidated Financial Statements of the Bank certified by accountants”.

(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	-	0	0	0	0	-	200 million	200 million
Gold Sunny Assets Management Co., Ltd.	150,000	The company's own funds	100.00	-	0	0	0	0	-		-
Sunny International Leasing Co., Ltd.	1,525,000	The company's own funds	100.00	-	0	0	0	0	-	-	-
Sunny E-Commercial Co., Ltd.	50,000	The company's own funds	100.00	-	0	0	0	0	-	-	-
Sunny Microfinance PLC.	USD9,800,000	The company's own funds	100.00	-	0	0	0	0	-	USD 2,100,000	-

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: None

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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
KAOHSIUNG 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
LINKOU BRANCH	33377	1~2F., No. 331, WENHUA 3RD RD., GUISHAN DIST., TAOYUAN CITY, TAIWAN.	(03)	327-3559

I

Annex.I Sunny Bank Ltd. And Subsidiaries

Consolidated Financial Statements for the
Years Ended December 31, 2019 and 2018 and
Independent Auditor’s Report

Sunny Bank Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2019 and 2018 and Independent Auditors' 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, 2019, 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:

SHENG-HUNG CHEN
Chairman

March 17, 2020

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, 2019 and 2018, 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, 2019 and 2018, 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 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, 2019. 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.

The key audit matters of the Group's consolidated financial statements for the year ended December 31, 2019 are stated as follows:

Impairment of Discounts and Loans, Receivables and Loan Commitments

Evaluation of impairment of discounts and loans, receivables and loan commitments is based on the Group's assumptions about the probability of default and the default loss rate which are based on historical experience, existing market situations, forward-looking estimates etc. Assessment of evidence of the probability of default and impairment on discounts and loans, receivables and loan commitments, the determination of 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 the estimation of the amount and timing of future cash flows should 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 consolidated financial statements for the Group's accounting policies related to impairment of discounts and loans, receivables and loan commitments; refer to Note 5 for critical accounting judgements and key sources of estimation uncertainty; and refer to Notes 14 and 46 for details 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 conform with IFRS 9 based on. We evaluated whether the assumptions and inputs used appropriately reflected past issues, current situation and forecast 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 factor estimated and default loss rate. We 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 separate financial statements of Sunny Bank Ltd. as of and for the years ended December 31, 2019 and 2018, on which we have issued an unmodified opinion.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the 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, 2019 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 Shu-Wan Lin.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 24, 2020

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, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	$ 6,230,751	1	$ 7,264,036	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Note 7)	25,488,369	5	18,425,958	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	16,596,233	3	20,684,179	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9, 11 and 42)	76,597,732	14	68,312,022	15
FINANCIAL ASSETS AT AMORTIZED COST (Notes 4, 10, 11 and 42)	29,994,687	6	25,333,318	5
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 4 and 12)	4,147,102	1	1,813,247	-
RECEIVABLES, NET (Notes 4, 13 and 14)	4,207,295	1	4,373,086	1
CURRENT TAX ASSETS (Notes 4 and 38)	298	-	793	-
DISCOUNTS AND LOANS, NET (Notes 4, 14 and 41)	340,856,579	65	311,310,571	66
OTHER FINANCIAL ASSETS, NET (Notes 4, 15 and 42)	5,351,385	1	5,859,392	1
PROPERTY AND EQUIPMENT, NET (Notes 4 and 16)	13,579,538	3	9,269,577	2
RIGHT-OF-USE ASSETS, NET (Notes 3, 4, 17 and 41)	195,304	-	-	-
INVESTMENT PROPERTIES (Notes 4 and 18)	388,564	-	199,848	-
INTANGIBLE ASSETS (Notes 4 and 19)	1,192,094	-	1,192,511	-
DEFERRED TAX ASSETS (Notes 4 and 38)	268,561	-	219,286	-
OTHER ASSETS, NET (Notes 4, 20 and 42)	287,652	-	389,530	-
TOTAL	$ 525,382,145	100	$ 474,647,354	100
LIABILITIES AND EQUITY				
DUE TO THE CENTRAL BANK AND OTHER BANKS (Note 21)	$ 7,303,606	2	$ 6,513,606	2
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	187	-	20,979	-
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE (Notes 4, 9, 10 and 22)	6,756,216	1	4,351,089	1
PAYABLES (Notes 23 and 27)	3,093,177	1	4,243,660	1
CURRENT TAX LIABILITIES (Notes 4 and 38)	169,894	-	256,740	-
DEPOSITS AND REMITTANCES (Notes 24 and 41)	458,841,297	87	412,902,705	87
BANK DEBENTURES (Note 25)	14,560,000	3	14,530,000	3
SHORT-TERM BORROWINGS	871,000	-	978,000	-
OTHER FINANCIAL LIABILITIES	170,847	-	349,553	-
PROVISIONS (Notes 4, 14, 26 and 27)	128,529	-	152,009	-
LEASE LIABILITIES (Notes 3, 4, 17 and 41)	187,792	-	-	-
DEFERRED TAX LIABILITIES (Notes 4 and 38)	127,151	-	132,797	-
OTHER LIABILITIES (Note 28)	384,193	-	332,853	-
Total liabilities	492,593,889	94	444,763,991	94
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 29)				
Ordinary shares	26,123,567	5	23,927,206	5
Capital surplus	61,243	-	50,593	-
Retained earnings				
Legal reserve	3,491,793	1	2,767,621	1
Special reserve	58,254	-	46,184	-
Unappropriated earnings	2,302,640	-	2,413,908	-
Total retained earnings	5,852,687	1	5,227,713	1
Other equity	750,759	-	677,851	-
Total equity	32,788,256	6	29,883,363	6
TOTAL	$ 525,382,145	100	$ 474,647,354	100

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

SUNNY BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST REVENUE	$ 9,937,058	133	$ 9,128,151	129	9
LESS: INTEREST EXPENSE	4,228,535	57	3,650,643	51	16
NET INTEREST (Notes 4, 30 and 41)	5,708,523	76	5,477,508	78	4
NET REVENUES OTHER THAN INTEREST (Note 4)					
Commission and fee revenues, net (Note 31)	1,173,083	16	1,088,418	15	8
Net gain on financial assets and liabilities at fair value through profit or loss (Note 32)	203,817	3	19,197	-	962
Realized gain on financial assets at fair value through other comprehensive income (Note 33)	110,074	1	109,682	2	-
Net foreign exchange gain (loss)	84,580	1	155,510	2	(46)
Impairment loss on assets	(24,796)	-	(2,670)	-	829
Securities brokerage income	77,958	1	70,213	1	11
Gain on purchased claim receivable	20,200	-	23,803	-	(15)
Rental income	65,239	1	64,036	1	2
Other noninterest net revenue (Note 34)	65,326	1	58,989	1	11
Total net revenues other than interest	1,775,481	24	1,587,178	22	12
TOTAL NET REVENUE	7,484,004	100	7,064,686	100	6
ALLOWANCE FOR DOUBTFUL ACCOUNTS AND GUARANTEES (Notes 4 and 14)	(888,441)	(12)	(294,043)	(4)	202
OPERATING EXPENSES					
Employee benefits (Notes 4, 27, 29, 35 and 41)	2,281,198	30	2,273,932	32	-
Depreciation and amortization (Notes 4 and 36)	376,699	5	268,304	4	40
Others (Note 37)	1,166,501	16	1,195,762	17	(2)
Total operating expenses	3,824,398	51	3,737,998	53	2

(Continued)

SUNNY BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INCOME BEFORE INCOME TAX	$ 2,771,165	37	$ 3,032,645	43	(9)
INCOME TAX EXPENSE (Notes 4 and 38)	451,379	6	480,711	7	(6)
NET INCOME	2,319,786	31	2,551,934	36	(9)
OTHER COMPREHENSIVE INCOME (Note 4)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation (Notes 4 and 27)	(74,180)	(1)	(54,857)	(1)	35
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	(11,440)	-	126,273	2	(109)
Income tax benefit relating to items that will not be reclassified subsequently (Notes 4 and 38)	14,836	-	15,373	-	(3)
	(70,784)	(1)	86,789	1	(182)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations	(59,244)	(1)	(5,762)	-	928
Unrealized loss on investments in debt instruments at fair value through other comprehensive income	175,882	3	(82,145)	(1)	314
Income tax benefit relating to items that may be reclassified subsequently (Notes 4 and 38)	7,147	-	4,426	-	61
	123,785	2	(83,481)	(1)	248
Other comprehensive income (loss) for the year, net of income tax	53,001	1	3,308	-	1,502
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 2,372,787	32	$ 2,555,242	36	(7)

(Continued)

SUNNY BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
NET PROFIT ATTRIBUTABLE TO:					
Owners of the Company	$ 2,319,786	31	$ 2,551,934	36	(9)
Non-controlling interests	-	-	-	-	-
	$ 2,319,786	31	$ 2,551,934	36	(9)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Company	$ 2,372,787	32	$ 2,555,242	36	(7)
Non-controlling interests	-	-	-	-	-
	$ 2,372,787	32	$ 2,555,242	36	(7)
EARNINGS PER SHARE (Note 38)					
Basic	$0.91		$1.05		
Diluted	$0.91		$1.05		

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

SUNNY BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company										
	Share Capital			Retained Earnings				Other Equity			
	Shares in Thousand	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	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	Total Equity
BALANCE AT JANUARY 1, 2018	2,162,944	$ 21,629,440	$ 50,443	$ 2,194,441	$ 382,808	$ 1,990,667	$ 4,367,916	$ (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)	(39,481)	(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
Appropriation of the 2018 earnings											
Legal reserve	-	-	-	724,172	-	(724,172)	-	-	-	-	-
Special reserve	-	-	-	-	12,070	(12,070)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(478,544)	(478,544)	-	-	-	(478,544)
Share dividends	119,636	1,196,361	-	-	-	(1,196,361)	(1,196,361)	-	-	-	-
Net income for the year ended December 31, 2019	-	-	-	-	-	2,319,786	2,319,786	-	-	-	2,319,786
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(59,343)	(59,343)	(52,097)	164,441	-	53,001
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	2,260,443	2,260,443	(52,097)	164,441	-	2,372,787
Issue of ordinary shares for cash	100,000	1,000,000	-	-	-	-	-	-	-	-	1,000,000
Value of share-based payment under employee share options	-	-	10,650	-	-	-	-	-	-	-	10,650
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	39,436	39,436	-	(39,436)	-	-
BALANCE AT DECEMBER 31, 2019	2,612,357	$ 26,123,567	$ 61,243	$ 3,491,793	$ 58,254	$ 2,302,640	$ 5,852,687	$ (91,235)	$ 841,994	$ -	$ 32,788,256

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

SUNNY BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 2,771,165	$ 3,032,645
Adjustments for:		
Depreciation expenses	312,487	224,260
Amortization expenses	64,212	44,044
Allowance for doubtful accounts and guarantees	888,441	294,043
Interest expenses	4,228,535	3,650,643
Interest revenues	(9,937,058)	(9,128,151)
Dividend income	(58,643)	(54,896)
Share-based payments	10,650	150
Gain on disposal of property and equipment	(253)	(14,254)
Gain on disposal of investment properties	(22,021)	(4,416)
Realized gain on financial assets at fair value through other comprehensive income	(51,651)	(56,042)
Impairment loss on financial assets	2,438	273
Impairment loss on non-financial assets	22,358	2,397
Gain on disposal of foreclosed collateral and residuals taken over	(23,660)	(22,615)
Changes in operating assets and liabilities		
Increase in due from the Central Bank and call loans to other banks	(6,309,350)	(2,071,574)
Decrease in financial assets at fair value through profit or loss	4,087,946	1,732,461
Increase (decrease) in receivables	269,709	(140,853)
Increase in discounts and loans	(30,335,436)	(24,659,717)
Increase (decrease) in due to the Central Bank and banks	790,000	(800,000)
Increase (decrease) in financial liabilities at fair value through profit or loss	(20,792)	12,939
Increase (decrease) in securities sold under agreements to repurchase	2,405,127	(5,304,046)
Increase (decrease) in payables	(1,166,509)	176,568
Increase in deposits and remittances	45,938,592	36,361,973
Increase (decrease) in provisions	(91,990)	6,675
Net cash generated from operations	13,774,297	3,282,507
Interest received	10,166,743	9,159,920
Dividends received	58,643	54,896
Interest paid	(4,210,150)	(3,526,946)
Income tax paid	(570,667)	(422,100)
Net cash generated from operating activities	19,218,866	8,548,277
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(529,717,455)	(517,482,064)
Proceeds from disposal of financial assets at fair value through other comprehensive income	521,236,628	514,629,756
Purchase of financial assets at amortized cost	(4,817,737)	(4,317,832)
Acquisition of subsidiaries	-	(23,508)
Payments for property and equipment	(4,577,753)	(186,638)

(Continued)

SUNNY BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
Proceeds from disposal of property and equipment	$ 53	$ 34,339
Payments for intangible assets	(56,790)	(42,020)
Payments for investment properties	(260,414)	(19,365)
Proceeds from disposal of investment properties	91,708	23,767
Decrease (increase) in other financial assets	505,985	(211,759)
Decrease in other assets	113,230	48,566
Net cash used in investing activities	(17,482,545)	(7,546,758)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	(107,000)	(231,000)
Issue of bank debentures	1,330,000	1,050,000
Repayment of bank debentures on maturity	(1,300,000)	(300,000)
Increase in commercial paper issued	(181,065)	-
Repayment of the principal portion of lease liabilities	(68,986)	-
Increase in other financial liabilities	-	17,761
Increase (decrease) in other liabilities	51,340	(786)
Cash dividends paid	(478,544)	(432,589)
Proceeds from issue of ordinary shares	1,000,000	1,000,000
Net cash generated from financing activities	245,745	1,103,386
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	71,565	(113,378)
DECREASE IN CASH AND CASH EQUIVALENTS	2,053,631	1,991,527
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	10,931,441	8,939,914
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 12,985,072	$ 10,931,441

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets at December 31, 2019 and 2018:

	December 31	
	2019	2018
Cash and cash equivalents in consolidated balance sheets	$ 6,230,751	$ 7,264,036
Due from the Central Bank and call loans to other banks reclassified as cash and cash equivalents under IAS 7 "Statement of Cash Flows"	2,607,219	1,854,158
Securities purchased under agreements to resell reclassified as cash and cash equivalents under IAS 7 "Statement of Cash Flows"	4,147,102	1,813,247
Cash and cash equivalents in consolidated statements of cash flows	$ 12,985,072	$ 10,931,441

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

1. GENERAL INFORMATION

Sunny Bank Ltd. (the "Company") is a public company that deals with: (1) businesses of commercial banks as stated in the Banking Act; (2) all kinds of deposit and trust business; (3) other relevant businesses approved by central authorities; (4) planning, managing and operating trust businesses stated in the Banking Act (Department of Trust), as well as investment in national negotiable securities, and trust operations. As of December 31, 2019, the Bank had 104 branches nationwide.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors and authorized for issue on March 17, 2020.

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, the Regulations Governing the Preparation of Financial Reports by Security Issuers, 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, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Public Bank, Regulations Governing the Preparation of Financial Reports by Security Issuers, and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group's accounting policies:

   - IFRS 16 "Leases"

     IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

     Definition of a lease

     The Group elected 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 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents 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 are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts, were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables were recognized on the consolidated balance sheets for contracts classified as finance leases.

The Group elected to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were 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 are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

a) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

b) The Group accounted for those leases for which the lease term ended on or before December 31, 2019 as short-term leases.

c) The Group excluded initial direct costs from the measurement of right-of-use assets on January 1, 2019.

d) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

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

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 was 2.90%. The difference between the (i) lease liabilities recognized and (ii) non-cancellable operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 241,669
Less: Recognition exemption for short-term leases	(7,565)
Undiscounted amounts on January 1, 2019	$ 234,104
Discounted amounts using the incremental borrowing rate on January 1, 2019	$ 187,941

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The Group as lessor

The Group did not make any adjustments to leases in which it is a lessor; as lessor, leases are accounted for under IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Other assets, net	$ 389,530	$ (8,586)	$ 380,944
Right-of-use assets	-	196,527	196,527
Total effect on assets	$ 389,530	$ 187,941	$ 577,471
Lease liabilities	$ -	$ 187,941	$ 187,941
Total effect on liabilities	$ -	$ 187,941	$ 187,941

b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: 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 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

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

The Group assessed the application of above standards would not have any material impact on the Group's financial position and financial performance. 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)
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 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

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 Issuers, 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 45 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 during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisition, as appropriate.

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, 2019 and 2018 were as follows:

			Percentage of Shareholding (%)	
			December 31	
Investor Company	**Subsidiary**	**Business Nature**	**2019**	**2018**
Sunny Bank Ltd.	Sunny Securities Co., Ltd. ("Sunny Securities Co.")	Accepting orders to sell and purchase negotiable securities in central 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 financial institution creditor's right (money) purchase	100.00	100.00
Sunny Bank Ltd.	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	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 from foreign investment, the 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. The financial statements of Sunny Microfinance PLC., a nonsignificant subsidiary, were not audited. The management concluded that the unaudited financial statements of Sunny Microfinance PLC. did not have significant impact on the consolidated financial statements of the Group. Refer to Note 40 for additional information.

Business Combination

Acquisition of business is 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 excess of the sum of the consideration transferred over the net of the acquisition-date amount of the identifiable assets acquired and the liabilities assumed.

Foreign Currencies

In preparing the separate financial statements of each individual entity, transactions in currencies other than the entity's functional currency (i.e., 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 from 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 the 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. The resulting currency translation differences are recognized in other comprehensive income.

Financial Instruments

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

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

Financial assets

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

a. Measurement category

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

1) Financial assets at FVTPL

Financial assets is 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, and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 44.

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 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.

b. Impairment of financial assets

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 (ECLs) for accounts receivable. 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 Group evaluates credit losses on the basis of the estimated collectability of the loans. In accordance with the Regulations, credit assets are classified as normal assets, assets that require special mention, assets that are substandard, assets with doubtful collectability, and assets which have losses. The Group evaluates the value of collaterals for specified loans and assesses the recoverability of unsound credit assets.

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 mention, assets that are substandard, assets with doubtful collectability, and assets which have losses were 2%, 10%, 50% and 100%, respectively of outstanding balance. 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.

c. Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

Financial liabilities

a. Subsequent measurement

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

1) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are held for trading.

Financial liabilities held for trading are stated at fair value, and any interest paid on such financial liabilities is recognized in finance cost; any remeasurement gains or losses on such financial liabilities are recognized in other gains or losses. Fair value is determined in the manner described in Note 44.

2) Financial guarantee contracts

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

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 unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instrument is negative, the derivative is recognized as a financial liability.

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 resell agreements or interest incurred on repurchase agreements is recognized as interest income or interest expense on an accrual basis 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 for lent securities 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 and Equipment

Property and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and 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 methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

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

Investment Properties

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

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

Investment properties under construction are measured at cost less accumulated impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Depreciation of these assets commences when the assets are ready for their intended use.

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.

Leases

<u>2019</u>

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

a. The Group as lessor

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

Under finance leases, the lease payments comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The net investment in a lease is measured at (a) the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus (b) initial direct costs and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Group's net investment outstanding in respect of leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

Variable lease payments that do not depend on an index or a rate are recognized as income in the periods in which they are incurred.

b. The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

2018

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

a. The Group as lessor

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

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

b. The Group as lessee

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

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

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 is recognized in profit or loss.

Goodwill

Goodwill arising from the acquisition of a business is measured 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 whenever there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed 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 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 on goodwill is not reversed in subsequent periods.

Foreclosed Collaterals

Foreclosed collaterals are recorded at fair value on recognition 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 are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the assets may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding 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 on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When the fair value of the present obligation resulting from past events can be reliably measured and it is virtually certain that the obligation will be settled, then the Group will recognize provision.

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 in which 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 it occurs. 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 Group'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 rate for deposits of employees

The Group 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 treated as employees' benefits.

Under Article 30 of the Regulations Governing the Preparation of Financial Reports by Public Banks, if the Company's preferential interest rate for deposits of employees 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.

Revenue Recognition

a. Interest income and expense

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

Once a single or a group of similar financial assets had 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 premiums 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 premiums 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 revenue and expenses are recognized when loans or other services are provided. Service fees on significant projects are recognized when the project completed. For instance, syndicated loan are recognized over the period the service is performed, or as an adjustment to the effective interest rate on the loans and receivables.

Annual fee income is the fee received from the credit-card members and is recognized when the 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, and 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 Group'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 vested immediately. The grant date of issued ordinary shares for cash which are reserved for employee is the date on which the employees are informed.

Income Tax

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

a. Current tax

According to the Income Tax Law, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain 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 generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforward 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 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 liabilities are settled or the assets 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 Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred taxes

Current and deferred taxes 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 taxes 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 revisions and future periods if the revisions affect both current and future periods.

Assessment of Impairment Loss on Financial Assets

The assessment of impairment loss on discounts and loans is based on the Company's assumption on default probability and default loss rate. The Company considers historical experience, existing market situation as well as forward-looking information to make assumptions and select the input for assessing impairment loss. About the assumptions and inputs, please refer to Note 45. The Company also takes into consideration loan collaterals, principals, interests and the length of time the loans are overdue, and the situation of credit and collection when classifying the loans.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	2018
Cash on hand	$ 3,165,504	$ 2,943,125
Checks for clearing	513,060	2,007,349
Bank deposits and due from other banks	2,552,187	2,313,562
	$ 6,230,751	$ 7,264,036

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

	December 31 2019	December 31 2018
Deposit reserve - checking accounts	$ 6,204,319	$ 3,674,713
Deposit reserve - demand accounts	11,989,720	10,698,541
Deposit reserve - foreign currencies	50,787	47,235
Call loans and overdraft to banks	6,442,684	3,196,232
Due from the Central Bank - interbank settlement funds	800,859	809,237
	$ 25,488,369	$ 18,425,958

Under the 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. 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 2019	December 31 2018
Financial assets designated as at FVTPL		
Commercial papers	$ 16,103,093	$ 20,200,522
Structured deposits	305,234	374,762
Beneficiary certificates	159,568	77,283
Currency swap contracts	18,507	2,581
Certificates of deposits	-	29,011
Listed stocks	9,731	-
Forward contracts	100	20
	$ 16,596,233	$ 20,684,179
Held-for-trading financial liabilities		
Currency swap contracts	$ 187	$ 19,593
Forward contracts	-	1,386
	$ 187	$ 20,979

The Group engages in derivative transactions mainly to accommodate customers' requirements, and to manage fund dispatching and own risk.

The amounts of outstanding derivative contracts (nominal) were as follows:

	December 31 2019	December 31 2018
Currency swap contracts	$ 1,371,962	$ 2,078,450
Forward contracts	7,064	65,045

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2019	2018
Investments in debt instruments at FVTOCI	$ 75,575,531	$ 67,135,382
Investments in equity instruments at FVTOCI	1,022,201	1,176,640
	$ 76,597,732	$ 68,312,022

a. Investments in debt instruments at FVTOCI

	December 31	
	2019	2018
Certificates of deposit	$ 38,199,263	$ 37,099,929
Government bonds	20,570,299	19,396,201
Corporate bonds	8,388,708	3,591,633
Bank debentures	7,219,356	6,058,871
Commercial papers	1,197,905	988,748
	$ 75,575,531	$ 67,135,382

1) As of December 31, 2019 and 2018, the investments in debt instruments at FVTOCI, which amounted to $1,500,000 thousand and $450,000 thousand, respectively, had been sold under repurchase agreements.

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

3) Refer to Note 42 for information relating to investments in debt instruments at FVTOCI pledged as security.

b. Investments in equity instruments at FVTOCI

	December 31	
	2019	2018
Listed shares	$ 736,495	$ 820,208
Unlisted shares	285,706	356,432
	$ 1,022,201	$ 1,176,640

These investments in equity instruments are not held for trading. Instead, they are held for medium or long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI. In 2019 and 2018, the Company sold shares of stocks, and the related other equity - unrealized gain of $39,436 thousand and unrealized loss of $20,429 thousand on financial assets at FVTOCI were transferred to retained earnings, respectively. Dividends income of $58,424 thousand and $53,517 thousand were recognized in profit or loss for the years ended December 31, 2019 and 2018, respectively. The dividends related to investments still held at the end of the reporting period were $49,839 thousand and $50,301 thousand, respectively.

10. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2019	2018
Government bonds	$ 27,479,986	$ 25,333,492
Certificates of deposits	2,515,000	-
Less: Allowance for impairment loss	(299)	(174)
	$ 29,994,687	$ 25,333,318

As of December 31 2019 and 2018, the bond investment with face amount of $5,250,000 thousand and $3,900,000 thousand, respectively, had been sold under repurchase agreement.

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

Refer to Note 42 for information relating to investments in financial assets at amortized cost pledged as security.

11. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

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

December 31, 2019

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	$ 75,272,602	$ 29,994,986	$ 105,267,588
Less: Allowance for impairment loss	(4,680)	(299)	(4,979)
Amortized cost	75,267,922	$ 29,994,687	105,262,609
Adjustment to fair value	307,609		307,609
	$ 75,575,531		$ 105,570,218

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	(2,368)	(174)	(2,542)
Amortized cost	67,003,654	$ 25,333,318	92,336,972
Adjustment to fair value	131,728		131,728
	$ 67,135,382		$ 92,468,700

In determining the expected credit losses of debt instruments, the Group considers the historical default rates 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 mechanism is as follows:

Category	Description	Basis for Recognizing Expected Credit Losses
Stage 1	The credit rating refers to Moody's investors service rating above Ba3 at base date, and the credit risk does not increase significantly.	12m ECL
Stage 2	The credit rating refers to Moody's investors service rating lower than B1 at base date or the credit risk increased significantly since initial recognition.	Lifetime ECL - not credit-impaired
Stage 3	There is evidence indicating the asset is credit-impaired at base date.	Lifetime ECL - credit-impaired

The gross carrying amount of debt instrument investments by credit category and the corresponding expected loss rates were as follows:

	December 31			
	2019		2018	
Category	Expected Loss Rate	Gross Carrying Amount	Expected Loss Rate	Gross Carrying Amount
Stage 1	0%-0.076%	$ 105,267,588	0%-0.060%	$ 92,339,514
Stage 2	-	-	-	-
Stage 3	-	-	-	-

The movement of the allowance for impairment loss of investments in debt instruments at FVTOCI and amortized cost grouped by credit rating is reconciled as follows:

	Credit Rating		
Allowance for Impairment Loss	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL - Not Credit-impaired)	Stage 3 (Lifetime ECL - Credit-impaired)
At FVTOCI			
Balance at January 1, 2019	$ 2,368	$ -	$ -
Transfers			
From Stage 1 to Stage 2	-	-	-
From Stage 2 to Stage 3	-	-	-
From Stage 3 to write-off	-	-	-
New financial assets purchased	3,649	-	-
Derecognition	(656)	-	-
Change in exchange rates or others	(681)	-	-
Balance at December 31, 2019	$ 4,680	$ -	$ -

(Continued)

Allowance for Impairment Loss	Credit Rating Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL - Not Credit-impaired)	Stage 3 (Lifetime ECL - Credit-impaired)
Balance at January 1, 2018	$ 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	(515)	-	-
Balance at December 31, 2018	$ 2,368	$ -	$ -

(Concluded)

Allowance for Impairment Loss	Credit Rating Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL - Not Credit-impaired)	Stage 3 (Lifetime ECL - Credit-impaired)
At Amortized Cost			
Balance at January 1, 2019	$ 174	$ -	$ -
Transfers			
From Stage 1 to Stage 2	-	-	-
From Stage 2 to Stage 3	-	-	-
From Stage 3 to write-off	-	-	-
New financial assets purchased	40	-	-
Derecognition	-	-	-
Change in exchange rates or others	85	-	-
Balance at December 31, 2019	$ 299	$ -	$ -
Balance at January 1, 2018	$ 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	(159)	-	-
Balance at December 31, 2018	$ 174	$ -	$ -

12. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

	December 31	
	2019	2018
Bank debentures	$ 2,738,743	$ 1,813,247
Corporate bonds	1,408,359	-
	$ 4,147,102	$ 1,813,247
Amounts of resell agreements	$ 4,161,953	$ 1,818,618
Dates of resell agreements	2020.1.3-2020.1.17	2019.1.3-2019.1.17

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

13. RECEIVABLES, NET

	December 31	
	2019	2018
Lease receivables	$ 1,459,098	$ 1,874,470
Interest receivables	1,275,773	1,238,141
Credit card receivables	670,696	595,915
Account receivable - settlement	514,372	256,241
Purchased claims receivables	102,070	129,161
Acceptances	23,651	105,486
Other receivables	523,645	566,673
	4,569,305	4,811,087
Less: Allowance for credit losses (Note 14)	362,009	438,011
Net amount	$ 4,207,296	$ 4,373,086
Minimum lease payments receivable	$ 1,584,077	$ 2,009,839
Less: Unearned finance income	124,979	135,379
Present value of minimum lease payment	$ 1,459,098	$ 1,874,470

14. DISCOUNTS AND LOANS, NET

	December 31	
	2019	2018
Export negotiation	$ 66,592	$ 65,254
Short-term loans	13,099,054	15,101,693
Secured short-term loans	82,050,276	76,955,232
Margin loans receivable	650,519	520,674
Medium-term loans	37,075,706	39,271,489
Secured medium-term loans	130,436,937	103,845,227
Long-term loans	2,294,547	1,578,695
Secured long-term loans	78,466,213	77,291,495
Nonperforming loans transferred from loans	914,247	417,478
	345,054,091	315,047,037
Less: Allowance for credit losses	4,246,721	3,773,858
Premium or discount on discounts and loans	49,209	37,392
Net amount	$ 340,856,579	$ 311,310,571

Please refer to Note 45 for the analysis of impairment loss on receivables, and discounts and loans.

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

	2019						
	Discounts and Loans	Receivables	Nonperforming Loans Transferred from Other	Provision for Guarantee	Finance Commitments Provision	Other Provisions	Total
Balance at January 1, 2019	$ 3,773,858	$ 438,001	$ 2,074	$ 35,939	$ 9,649	$ 1,208	$ 4,260,729
Acquisition from business combination	890,766	1,493	2,022	(2,803)	(2,512)	(525)	888,441
(Reversal) provisions	(1,238,853)	(77,597)	(13,817)	-	-	-	(1,330,267)
Write-off	825,107	686	11,142	-	-	-	836,935
Recovery of written-off credits	(4,157)	(574)	-	-	-	-	(4,731)
Effect of exchange rate changes	$ 4,246,771	$ 362,009	$ 1,421	$ 33,136	$ 7,137	$ 683	$ 4,651,107
Balance, December 31	$ 3,773,858	$ 438,001	$ 2,074	$ 35,939	$ 9,649	$ 1,208	$ 4,260,729

	2018						
	Discounts and Loans	Receivables	Nonperforming Loans Transferred from Other	Provision for Guarantee	Finance Commitments Provision	Other Provisions	Total
Balance at January 1, 2018	$ 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 changes	7,790	(289)	-	-	-	-	7,501
Balance, December 31	$ 3,773,858	$ 438,001	$ 2,074	$ 35,939	$ 9,649	$ 1,208	$ 4,260,729

15. OTHER FINANCIAL ASSETS, NET

	December 31 2019	December 31 2018
Time deposits not qualifying as cash and cash equivalents	$ 5,349,678	$ 5,857,864
Nonperforming loans transferred from other than loans	3,128	3,602
Less: Allowance for credit losses (Note 14)	1,421	2,074
	1,707	1,578
	$ 5,351,385	$ 5,859,392

Please refer to Note 42 for information relating to other financial assets pledged as security.

16. 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, 2019	$ 7,277,182	$ 2,922,349	$ 842,067	$ 60,496	$ 849,544	$ 27,626	$ 211,761	$ 12,191,025
Additions	302,463	160,238	72,279	5,750	27,028	3,956	4,006,039	4,577,753
Disposals	-	-	(53,634)	(659)	(21,336)	(380)	-	(76,009)
Decommissioning	-	-	-	-	-	370	-	370
Reclassification	2,012	44,247	92,408	-	19,605	-	(185,756)	(27,484)
Effect of foreign currency exchange differences	-	-	(93)	(75)	(110)	(116)	-	(394)
Balance, December 31, 2019	7,581,657	3,126,834	953,027	65,512	874,731	31,456	4,032,044	16,665,261
Accumulated depreciation								
Balance, January 1, 2019	-	1,429,197	654,187	45,003	757,555	25,506	-	2,911,448
Depreciation	-	66,686	119,832	6,374	46,030	1,499	-	240,421
Disposals	-	-	(53,634)	(659)	(21,336)	(380)	-	(76,009)
Effect of foreign currency exchange differences	-	-	(3)	(60)	(48)	(26)	-	137
Balance, December 31, 2019	-	1,495,883	720,382	50,658	782,201	26,599	-	3,075,723
Accumulated impairment loss								
Balance, January 1, 2019	10,000	-	-	-	-	-	-	10,000
Balance, December 31, 2019	10,000	-	-	-	-	-	-	10,000
Net amount								
Balance, January 1, 2019	$ 7,267,182	$ 1,493,152	$ 187,880	$ 15,493	$ 91,989	$ 2,120	$ 211,761	$ 9,269,577
Balance, December 31, 2019	$ 7,571,657	$ 1,630,951	$ 232,645	$ 14,854	$ 92,530	$ 4,857	$ 4,032,044	$ 13,579,538
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	7,277,182	2,922,349	842,067	60,496	849,544	27,626	211,761	12,191,025
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	-	1,429,197	654,187	45,003	757,555	25,506	-	2,911,448
Accumulated impairment loss								
Balance, January 1, 2018	10,000	-	-	-	-	-	-	10,000
Balance, December 31, 2018	10,000	-	-	-	-	-	-	10,000
Net amount								
Balance, December 31, 2018	$ 7,267,182	$ 1,493,152	$ 187,880	$ 15,493	$ 91,989	$ 2,120	$ 211,761	$ 9,269,577

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

Items	Years
Buildings	3 to 60 years
Machinery equipment	3 to 6 years
Transportation equipment	3 to 6 years
Other equipment	1 to 25 years
Leasehold improvement	25 years or over the lease period if below 25 years

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

17. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Land	$ 39
Buildings	195,265
	$ 195,304

	For the Year Ended December 31, 2019
Additions to right-of-use assets	$ 78,533
Depreciation charge for right-of-use assets	
Land	$ 209
Buildings	69,846
	$ 70,055

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	$ 187,792

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Land	2.86%
Buildings	2.86%-5.50%

c. Material leasing activities as lessee

The Group leases certain property and parking space for the branches with lease terms of 1 to 10 years.

The lease contracts for the property which the Group signed specifies that lease payments will be adjusted on the basis of changes in the price index. The Group has bargain purchase options to acquire the leasehold assets at the end of the lease terms.

d. Other lease information

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	$ 11,077
Expenses relating to low-value asset leases	$ 7,263
Expenses relating to variable lease payments not included in the measurement of lease liabilities	$ 141
Total cash outflow for leases	$ 87,467

18. INVESTMENT PROPERTY

	December 31	
	2019	2018
Land	$ 268,008	$ 132,491
Buildings	120,556	67,357
	$ 388,564	$ 199,848

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

Items	Years
Main buildings	60 years
Decorations	10 years

The movements of investment property are summarized as follow:

	December 31	
	2019	2018
Cost		
Balance, January 1	$ 201,774	$ 202,201
Addition	260,414	19,365
Disposal	(70,814)	(19,792)
Balance, December 31	$ 391,374	$ 201,774
Accumulated depreciation		
Balance, January 1	$ 1,926	$ -
Depreciation	2,011	2,367
Disposal	(1,127)	(441)
Balance, December 31	$ 2,810	$ 1,926
Net amount		
Balance, December 31	$ 388,564	$ 199,848

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, i.e., the fair value was obtained by reference to the transaction prices for similar properties as the market evidence. The fair value as of December 31, 2019 and 2018 was $511,109 thousand and $229,916 thousand, respectively.

19. INTANGIBLE ASSETS

	December 31	
	2019	2018
Goodwill	$ 1,034,579	$ 1,055,734
Computer software	157,515	136,777
	$ 1,192,094	$ 1,192,511

The movements of intangible assets are shown as follows:

	For the Year Ended December 31	
	2019	2018
Balance, January 1	$ 1,192,511	$ 1,113,705
Acquisition by merger - goodwill (Note 42)	-	21,155
Acquisition by merger - software (Note 42)	-	183
Impairment	(21,155)	-
Additions	56,790	42,020
Amortization	(63,394)	(43,003)
Reclassifications	27,484	58,453
Effect of foreign currency exchange differences	(142)	(2)
Balance, December 31	$ 1,192,094	$ 1,192,511

The Group acquired Sunny Microfinance PLC in December 2018 and acquired goodwill of $21,155 thousand relating to the expected benefit from interest revenue of the financing business in Cambodia.

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

Item	Years
Computer software	2-10 years

20. OTHER ASSETS, NET

	December 31 2019	December 31 2018
Collaterals assumed		
Cost	$ 91,558	$ 180,892
Less: Accumulated impairment loss	25,778	26,281
Collaterals assumed, net	65,780	154,611
Refundable deposits	90,877	116,591
Prepayments	86,119	71,948
Operating deposits, clearing and settlement fund	17,549	17,342
Others	27,327	29,038
	$ 287,652	$ 389,530

21. DUE TO THE CENTRAL BANK AND OTHER BANKS

	December 31 2019	December 31 2018
Due to banks	$ 3,205,000	$ 2,915,000
Call loans from banks	2,800,000	2,300,000
Deposits from Chunghwa Post Co., Ltd.	1,298,606	1,298,606
	$ 7,303,606	$ 6,513,606

22. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	December 31 2019	December 31 2018
Government bonds	$ 5,355,490	$ 3,901,089
Corporate bond	1,400,726	450,000
	$ 6,756,216	$ 4,351,089
Agreed-upon repurchase price	$ 6,759,265	$ 4,352,728
Maturity date	2020.1.3-2020.2.26	2019.1.2-2019.1.23

23. PAYABLES

	December 31	
	2019	2018
Interest payables	$ 717,863	$ 2,007,350
Accrued expenses	644,132	701,837
Notes and checks for clearing	513,060	681,604
Accounts payable for settlement	482,574	368,493
Acceptances payable	268,653	105,585
Other taxes payable	87,763	80,808
Bills for collection	23,777	29,588
Other payables	355,355	268,395
	$ 3,093,177	$ 4,243,660

24. DEPOSITS AND REMITTANCES

	December 31	
	2019	2018
Checking	$ 3,175,535	$ 3,573,153
Demand	63,189,556	53,125,515
Time deposits	176,819,729	153,295,897
Savings	215,624,762	202,850,289
Remittances	31,715	57,851
	$ 458,841,297	$ 412,902,705

25. BANK DEBENTURES

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

	Maturity Date	Rates	December 31 2019	December 31 2018
First subordinated bank debentures issued in 2012 (A)	2012.05.30-2019.05.30 Principal is repayable on maturity date.	Fixed interest rate of 2.45%. Interest is paid annually.	$ -	$ 500,000
First subordinated bank debentures issued in 2012 (B)	2012.05.30-2019.05.30 Principal is repayable on maturity date.	Variable interest rate plus 0.97%. Interest is paid annually.	-	600,000
Second subordinated bank debentures issued in 2012	2012.06.29-2019.05.29 Principal is repayable on maturity date.	Fixed interest rate of 2.45%. Interest is paid annually.	-	200,000
First subordinated bank debentures issued in 2013 (A)	2013.04.30-2020.04.30 Principal is repayable on maturity date.	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 Principal is repayable on maturity date	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 Principal is repayable on maturity date.	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 Principal is repayable on maturity date.	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 Principal is repayable on maturity date.	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 Principal is repayable on maturity date.	Fixed interest rate of 2.45%. Interest is paid annually.	800,000	800,000
Second subordinated bank debentures issued in 2015	2015.10.08-2022.10.08 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

(Continued)

	Maturity Date	Rates	December 31 2019	December 31 2018
Forth 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	180,000
Second 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	480,000
Third 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	150,000
Fourth 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	240,000
First subordinated non-accumulating redeemable bank debentures issued on May 10, 2019	No Maturity date. Redeemable at par after 7 years from the date of issue.	Variable interest rate plus 2.93%. Interest is paid annually.	260,000	-
Second subordinated non-accumulating redeemable bank debentures issued on June 26, 2019	No Maturity date. Redeemable at par after 7 years from the date of issue.	Variable interest rate plus 2.93%. Interest is paid annually.	370,000	-
Third subordinated non-accumulating redeemable bank debentures issued on December 27, 2019	No Maturity date. Redeemable at par after 7 years from the date of issue.	Variable interest rate plus 1.93%. Interest is paid annually.	700,000	-
			$ 14,560,000	$ 14,530,000

(Concluded)

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26. PROVISIONS

	December 31	
	2019	2018
Provisions for employee benefits (Note 27)	$ 77,559	$ 95,357
Provisions for guarantee liabilities (Note 14)	33,136	35,939
Provisions for decommissioning liabilities	10,014	9,649
Provisions for financial commitment (Note 14)	7,137	9,163
Other provisions (Note 14)	683	1,208
Provisions for litigation compensation	-	693
	$ 128,529	$ 152,009

27. PROVISIONS FOR EMPLOYEE BENEFITS

	December 31	
	2019	2018
Recognized in consolidated balance sheets (accounts payable and provisions)		
Defined benefit plans	$ 74,231	$ 91,852
Defined contribution plans	10,595	13,769
Preferential interest rate plan for employees' deposits	3,328	3,505
	$ 88,154	$ 109,126

a. Defined benefit plans

The Company and Sunny Securities Co. adopted the defined benefit plan in accordance with the Labor Standards Law of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company and Sunny Securities Co. 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 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	
	2019	2018
Present value of defined benefit obligation	$ 802,590	$ 746,590
Fair value of plan assets	(728,359)	(654,738)
Net defined benefit liability	$ 74,231	$ 91,852

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, 2018	$ 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
Service cost			
Current service cost	8,404	-	8,404
Net interest expense (income)	8,258	(7,280)	978
Recognized in profit or loss	16,662	(7,280)	9,382
Remeasurement			
Return on plan assets	-	(8,453)	(8,453)
Actuarial loss - changes in demographic assumptions	1,100	-	1,100
Actuarial loss - changes in financial assumptions	5,497	-	5,497
Actuarial loss - experience adjustments	79,309	(3,273)	76,036
Recognized in other comprehensive income	85,906	(11,726)	74,180
Contributions from the employer	-	(101,183)	(101,183)
Benefits paid	(46,568)	46,568	-
Balance at December 31, 2019	$ 802,590	$ (728,359)	$ 74,231

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, in accordance with relevant regulations, the return generated by plan assets shall 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 using 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 are as follows:

	December 31	
	2019	2018
Discount rate(s)	0.8%	1.125%
Expected rate(s) of salary increase	1.000%-1.625%	1.250%-1.875%

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 will increase (decrease) as follows:

	December 31	
	2019	2018
Discount rate(s)		
0.25% increase	$ (15,132)	$ (14,807)
0.25% decrease	$ 15,629	$ 15,312
Expected rate(s) of salary increase		
0.25% increase	$ 14,937	$ 14,664
0.25% decrease	$ (14,532)	$ (14,248)

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

	December 31	
	2019	2018
Expected contributions to the plan for the next year	$ 70,240	$ 9,655
Average duration of the defined benefit obligation	9-10 Years	9-11 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 a pension plan under the Labor Pension Act (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 overseas employees were contributed under relative laws regulated by the local government.

c. Preferential interest rate for employees' deposits

The Group offers preferential interest rate for employees' deposits, both current and retired employees.

The preferential interest rate for employees' deposits for the years ended December 31, 2019 and 2018 had not been assessed by an independent valuer because there was very little number of employees that meet the 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 rate for employees' deposits.

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

	Valuation at December 31	
	2019	2018
Discount rate	4%	4%
Expected return on employees' deposits	2%	2%
Withdrawal percentage of preferential deposits	1%	1%
The probability of preferential interest rate for employees' deposits getting canceled within ten years	50%	50%

The amounts included in the consolidated balance sheets for the Company's obligations on the preferential interest rate for employees' deposits were as follows:

	December 31	
	2019	2018
Present value of preferential interest on employees' deposits	$ 3,328	$ 3,505
Fair value of plan assets	-	-
Provision for preferential interest of employees' deposits	$ 3,328	$ 3,505

The Company expects to make a contribution of $0 to the preferential interest of employees' deposits for the years ended December 31, 2019 and 2018.

28. OTHER LIABILITIES

	December 31	
	2019	2018
Advance receipts	$ 255,614	$ 215,183
Guarantee deposits received	126,379	112,295
Others	2,200	5,375
	$ 384,193	$ 332,853

29. EQUITY

Common Shares

a. Share capital

	December 31	
	2019	2018
Number of authorized shares (in thousands)	3,000,000	3,000,000
Amount of authorized shares	$ 30,000,000	$ 30,000,000
Number of issued and fully paid shares (in thousands)	2,612,357	2,392,721
Amount of issued and fully paid shares	$ 26,123,567	$ 23,927,206

On June 4, 2018, the Company's stockholders resolved to issue 129,777 thousand common shares from earnings allocated to capital, with a par value of NT$10, which increased the issued and fully paid shares to $22,927,206 thousand. The capital increase was approved by the authorities, and the base date of earnings capitalization was September 27, 2018.

To increase the Company's cash and operating capital and raise its capital adequacy ratio, the Company's board of directors resolved to issue 100,000 thousand common shares with a par value of $10 on June 15, 2018 which increased the issued and fully paid shares to $23,927,206 thousand. The capital increase was approved by the Securities and Futures Bureau of the Financial Supervisory Commission on July 16, 2018; the base date of earnings capitalization set by the board of directors was September 27, 2018 and the change to the issued and paid up capital was registered on October 16, 2018.

On June 3, 2018, the Company's stockholders resolved to issue 119,636 thousand shares from earnings allocated to capital, with a par value of NT$10, which increased the issued and fully paid shares to $25,123,567 thousand. The capital increase was approved by the authorities, and the base date of earnings capitalization was September 2, 2019.

To increase the Company's cash and operating capital and raise its capital adequacy ratio, the Company's board of directors resolved to issue 100,000 thousand common shares with par value of $10 on April 16, 2019 which increased the issued and fully paid shares to $26,123,567 thousand. The capital increase was approved by the Securities and Futures Bureau of the Financial Supervisory Commission on July 1, 2019; the base date of earnings capitalization set by the board of directors was September 2, 2019 and the change to the issued and paid up capital was registered on September 20, 2019.

Part of the shares from the capital increase for cash is reserved for the Company's employees in accordance with the Company Act article 267. The grant date is the date the employees' subscribed for the shares and the fair value of the shares at the grant date of the equity-settled share-based payments is recognized as an expense and capital surplus - employee share options. Related compensation costs of the employee share options recognized for the years ended December 31, 2019 and 2018 were $10,650 thousand and $150 thousand, respectively.

In 2019 and 2018, the new shares reserved and issued to employees were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	The First Subscription in 2019 (Base Date: September 2, 2019)	**The First Subscription in 2018 (Base Date: August 15, 2018)**
Grant-date share price	$10.68	$8.97
Exercise price	$10	$10
Expected volatility	14.63%	16.43%
Expected life (years)	0.13	0.15
Risk-free interest rate	0.45%	0.41%

The volatility was based on average annualized standard daily return rate of interbank transactions, and refers to expected duration from the grant date.

Capital Surplus

	December 31 2019	December 31 2018
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (a)		
Issuance of ordinary shares	$ 19,127	$ 18,084
Treasury share transactions	1,401	1,401
May only be used to offset a deficit		
Unused employee share options	40,535	30,928
Treasury share transactions (b)	180	180
	$ 61,243	$ 50,593

a. 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 to once a year).

b. Such capital surplus arises when cash dividends are distributed to the Company's subsidiaries who own the Company's shares.

Retained Earnings and Dividend Policy

Under the dividend policy as set forth in the Articles, where the Company made a 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, setting aside or reversing a special reserve in accordance with the laws and regulations, however, if the appropriation for legal reserve had already equal to the Company's paid-in capital, according to the Company Law, the appropriation can be exempted. Any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees compensation and remuneration of directors and supervisors in Note 35.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. 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 Banking Act provides that, if the balance of the legal reserve is less than the aggregate par value of the outstanding capital stock, cash dividend should not exceed 15% of the aggregate par value of the outstanding capital stock of the Company.

The Company should appropriate to or reverse from special reserve amounts for items referred to under Rule No. 1010012865, Rule No. 1010047490, Rule No. 1030006415, Rule No. 10510001510 and Rule No. 10802714560 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs".

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 dividend falls below $0.1 per share, stock dividends should be distributed instead.

The appropriations from the 2018 and 2017 earnings were proposed in the shareholders' meetings on June 13, 2019 and March 19, 2018, respectively. The appropriations, including dividends per share, were as follows:

	Appropriation of Earnings		Dividends Per Share ($)	
	2018	2017	2018	2017
Beginning unappropriated earnings	$ 23,756	$ 92,090		
Effect of retrospective application and retrospective restatement	(101,869)	-		
Beginning deficit after adjustment	(78,113)	92,090		
Remeasurement on defined benefit plans recognized in retained earnings	(39,577)	(10,797)		
Unappropriated earnings adjusted for equity investment	93	(1,226)		
Disposal of FVTOCI	(20,429)	-		
Adjusted unappropriated earnings	(138,026)	80,067		
Net profit after tax for the year ended 2017	2,551,934	2,551,934		
Legal reserve	(724,172)	(573,180)		
Reversal of special reserve	-	346,177		
Recognition of special reserve	(12,070)	(9,553)		
Earnings available for appropriation	1,677,666	1,754,111		
Cash dividends	(478,544)	(432,589)	$ 0.2	$ 0.2
Share dividends	(1,196,361)	(1,297,766)	0.5	0.6
Ending retained earnings	$ 2,761	$ 23,756		

The appropriations of earnings for 2019 had been proposed by the Company's board of directors on March 17, 2020. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Beginning unappropriated earnings	$ 2,761	
Net profit after tax for the year 2019	2,319,786	
Unappropriated earnings adjusted for equity investment	(725)	
Remeasurement on defined benefit plans recognized in retained earnings	(58,618)	
Disposal of FVTOCI	(39,436)	
Unappropriated earnings for the year 2019	2,302,640	
30% legal reserve	(690,792)	
Earnings available for appropriation	1,611,848	
Cash dividends	(522,471)	$ 0.2
Share dividends	(1,044,943)	0.4
Ending retained earnings	$ 44,434	

Other Equity Items

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

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ (39,138)	$ (37,802)
Exchange differences on translating the financial statements of foreign operations	(59,244)	(5,762)
Income tax related to gains on translating the financial statements of foreign operations	7,147	4,426
Balance at December 31	$ (91,235)	$ (39,138)

b. Unrealized valuation gain/(loss) on financial assets at FVTOCI

	For the Year Ended December 31, 2019	
	Equity Instruments	Debt Instruments
Balance at January 1	$ 585,261	$ 131,728
Unrealized gain/(loss) - debt instruments	(11,440)	-
Unrealized gain/(loss) - equity instruments	-	225,220
Net remeasurement of loss allowance	-	2,312
Disposal of investments in debt instruments	-	(51,651)
Cumulative unrealized gain/(loss) of equity instruments transferred to retained earnings due to disposal	(39,436)	-
Balance at December 31	$ 534,385	$ 307,609

	For the Year Ended December 31, 2018	
	Equity Instruments	Debt Instruments
Balance at January 1	$ 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	20,429	-
Balance at December 31	$ 585,261	$ 131,728

30. NET INTEREST

	For the Year Ended December 31 2019	2018
Interest revenue		
Discounts and loans	$ 8,286,437	$ 7,663,902
Marketable securities held	991,738	873,219
Due from banks and call loans to banks	401,210	362,620
Securities purchased under agreement to resell	111,451	74,437
Others	146,222	153,973
	9,937,058	9,128,151
Interest expense		
Deposits	3,694,172	3,123,284
Bank debentures	411,208	385,889
Others	123,155	141,470
	4,228,535	3,650,643
	$ 5,708,523	$ 5,477,508

31. COMMISSION AND FEE REVENUES, NET

	For the Year Ended December 31 2019	2018
Commission and fee revenue		
Agency service	$ 542,706	$ 498,118
Trust and related business	296,056	274,544
Loan services	217,234	203,828
Credit card business	63,438	53,910
Others	166,493	162,654
	1,285,927	1,193,054
Commission and fee expense		
Credit card business	38,443	31,256
Interbank services	16,477	15,955
Others	57,924	57,425
	112,844	104,636
	$ 1,173,083	$ 1,088,418

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

	For the Year Ended December 31	
	2019	2018
Interest revenue	$ 116,906	$ 106,020
Dividend revenue	219	1,256
Disposal (loss) gain		
Beneficial certificates	3,885	(92,075)
Commercial paper	1,131	1,230
Stocks	1,443	(7,046)
Bonds	-	203
Derivative financial instruments		
Currency swap contracts	$ 28,499	$ 36,533
Forward contracts	(1,480)	14
	33,478	(61,141)
Gain (loss) on valuation		
Structured products	10,059	13,379
Beneficiary certificates	4,743	(7,717)
Commercial paper	928	4,632
Stocks	675	-
Negotiable certificates of deposit	11	(10)
Derivative financial instruments		
Forward contracts	35,333	(1,912)
Currency swap contracts	1,465	(35,310)
	53,214	(26,938)
	$ 203,817	$ 19,197

33. REALIZED GAINS ON FVTOCI

	For the Year Ended December 31	
	2019	2018
Dividend revenue	$ 58,424	$ 53,640
Disposal of bonds	51,569	55,668
Disposal of commercial papers	81	374
	$ 110,074	$ 109,682

34. OTHER NONINTEREST NET REVENUE

	For the Year Ended December 31	
	2019	2018
Gain (loss) on disposal of foreclosed collateral	$ 23,660	$ 22,615
Gain (loss) on disposal of investment properties	22,021	14,254
Gain (loss) on disposal of property and equipment	253	4,416
Others	19,392	17,704
	$ 65,326	$ 58,989

35. EMPLOYEE BENEFIT EXPENSE

	For the Year Ended December 31	
	2019	2018
Salaries and wages	$ 1,815,043	$ 1,821,093
Labor insurance, national health insurance and group life insurance	159,915	150,145
Pension costs	81,261	82,782
Remuneration of director	57,556	56,345
Other employee benefits expense	167,423	163,567
	$ 2,281,198	$ 2,273,932

Employees' Compensation and Remuneration of Directors

According to the Company's Articles, 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. 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, 2019 and 2018 which have been approved by the Company's board of directors on March 17, 2020 and March 19, 2019, respectively, were as follows:

	For the Year Ended December 31	
	2019	2018
Employees' compensation	$ 56,102	$ 59,519
Remuneration of directors	28,051	29,760

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 is 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, 2018 and 2017.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

36. DEPRECIATION AND AMORTIZATION EXPENSE

	For the Year Ended December 31	
	2019	2018
Depreciation expense		
Property and equipment	$ 240,421	$ 221,893
Right-of-use assets	70,055	-
Investment properties	2,011	2,367
	$ 312,487	$ 224,260
Amortization expense	$ 64,212	$ 44,044

37. OTHER OPERATING EXPENSES

	For the Year Ended December 31	
	2019	2018
Taxation	$ 508,854	$ 477,686
Insurance	170,253	158,574
Repairs	72,547	74,270
Postage	62,507	62,733
Public utilities	42,548	41,122
Rent	18,340	79,459
Others	291,452	301,918
	$ 1,166,501	$ 1,195,762

38. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

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

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	$ 483,225	$ 500,702
Income tax on unappropriated earnings	138	-
Adjustments for prior years	684	(2,762)
Others	270	2,152
	484,317	500,092
Deferred tax		
In respect of the current year	(32,938)	1,409
Effect of change in tax rate	-	(20,790)
	(32,938)	(19,381)
Income tax expense recognized in profit or loss	$ 451,379	$ 480,711

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

	For the Year Ended December 31	
	2019	2018
Profit before tax from continuing operations	$ 2,771,165	$ 3,032,645
Income tax expense calculated at the statutory rate	$ 554,233	$ 606,529
Nondeductible expenses in determining taxable income	663	10,230
Tax-exempt income	(103,614)	(84,891)
Income tax on unappropriated earnings	138	-
Unrecognized deductible temporary differences	(3,655)	(31,504)
Effect of change in tax rate	-	(20,790)
Effect of different tax rate of Group entities operating in other jurisdictions	2,660	1,747
Adjustments for prior years' tax	684	(2,762)
Land value increment tax	163	2,134
Others	107	18
Income tax expense recognized in profit or loss	$ 451,379	$ 480,711

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

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. However, as the status of the 2019 appropriations of earnings is uncertain, the potential income tax consequence of the 2018 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2019	2018
Deferred tax		
Effect of change in tax rate	$ -	$ 5,661
In respect of the current year:		
Remeasurement on defined benefit plan	14,836	10,972
Translation of foreign operations	7,147	3,166
Total income tax recognized in other comprehensive income	$ 21,983	$ 19,799

c. Current tax assets and liabilities

	December 31 2019	December 31 2018
Current tax assets		
Tax refund receivable	$ 298	$ 793
Current tax liabilities		
Income tax payable	$ 169,894	$ 256,740

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, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Allowance for credit losses	$ 183,250	$ 35,090	$ -	$ 218,340
Defined benefit obligation	19,240	(18,406)	14,836	15,670
Unrealized gain on foreign exchange	11,564	-	7,147	18,711
Exchange difference on foreign operations	-	10,629	-	10,629
Provisions	1,596	(102)	-	1,494
Preferential interest for deposits of employees	701	(35)	-	666
Deferred revenue	400	(256)	-	144
Others	1,575	372	-	1,947
	218,326	27,792	21,983	267,601
Loss carryforwards	960	-	-	960
	$ 219,286	$ 27,792	$ 21,983	$ 268,561
Deferred tax liabilities				
Temporary differences				
Land value increment tax	$ 106,829	$ -	$ -	$ 106,829
Unrealized gain on investments accounted for using the equity method	14,343	5,979	-	20,322
Unrealized foreign exchange gain	11,625	(11,625)	-	-
	$ 132,797	$ (5,646)	$ -	$ 127,151

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Closing Balance
Deferred tax assets				
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 for deposits of employees	627	74	-	701
Deferred revenue	560	(160)	-	400
Others	801	774	-	1,575
	160,814	37,713	19,799	218,326
Loss carryforwards	1,190	(230)	-	960
	$ 162,004	$ 37,483	$ 19,799	$ 219,286
Deferred tax liabilities				
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 foreign exchange gain	-	11,625	-	11,625
	$ 114,695	$ 18,102	$ -	$ 132,797

e. Information about unused loss carryforwards

Loss carryforwards of Sunny E-Commercial Co. as of December 31, 2019 comprised:

Unused Amount	Expiry Year
$ 502	2024
4,026	2025
6,423	2026
6,902	2027
3,377	2028
639	2029
$ 21,869	

f. Income tax assessments

	Examined Year
The Company	2017
Sunny Securities Co.	2017
King Sunny Assets Management Co.	2017
Sunny International Leasing Co.	2017
Sunny E-Commercial Co.	2017

39. EARNINGS PER SHARE

Unit: NT$

	For the Year Ended December 31	
	2019	2018
Basic earnings per share	$ 0.91	$ 1.05
Diluted earnings per share	$ 0.91	$ 1.05

The weighted average number of shares outstanding used in the earnings per share computation was adjusted retroactively for the issuance of bonus shares on September 2, 2019. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2018 were as follows:

Unit: $ Per Share

	Before Adjusted Retrospectively	After Adjusted Retrospectively
Basic earnings per share	$ 1.10	$ 1.05
Diluted earnings per share	$ 1.10	$ 1.05

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

Net Profit for the Year

	For the Year Ended December 31	
	2019	2018
Profit for the year attributable to owners of the Company	$ 2,319,786	$ 2,551,934

Shares

	(In Thousand Shares)	
	For the Year Ended December 31	
	2019	2018
Weighted average number of common shares used in the computation of basic earnings per share	2,545,507	2,319,023
Effect of potentially dilutive common shares:		
Employees' compensation	5,481	5,573
Weighted average number of common shares used in the computation of diluted earnings per share	2,550,988	2,324,596

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 will 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.

40. 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	$26,167

Sunny Microfinance PLC. was acquired in order to continue the expansion of the Group's activities in financing business. The consideration was paid in 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	(1,857)
	$ 5,012

c. Goodwill recognized on acquisitions

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

The goodwill recognized in the acquisitions of Sunny Microfinance PLC. mainly represents the control premium included in the cost of the business combinations. In addition, the consideration paid for the combination 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 acquired	(2,659)
	$ 23,508

e. Impact of acquisition on the results of the Group

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

	Sunny Microfinance PLC.
Revenue	$ 1,780
Profit	$ (463)

Had the business combination been in effect at the beginning of the financial year, 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.

41. TRANSACTIONS WITH RELATED PARTIES

In addition to those disclosed in other notes to the consolidated financial statements, the names of related parties and relationships with the Group and the significant transactions and account balances the Company and related party are summarized as follows:

a. Related parties

Name	Relationship with the Company and Subsidiaries
Xing Ming Construction	Related party in substance
Sheng Fan Co., Ltd.	Related party in substance
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
Eldorado Zidian Co., Ltd.	Related party in substance
Taiwan Nature Organic Co., Ltd.	Related party in substance
Hai Wong Investment Co., Ltd.	Related party in substance
Yang Ming Investment Co., Ltd.	Related party in substance
Huei Hang International Food & Beverage Co., Ltd.	Related party in substance
Medalass Trading Co., Ltd.	Related party in substance
Guang Zhi Cultural 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
Jin Chen Investment Co., Ltd.	Related party in substance
Rui Yu Zhi Quan Co., Ltd.	Related party in substance
Qian Li Industrial Co., Ltd.	Related party in substance
Yung Chi Paper Manufacturing Co., Ltd.	Related party in substance
King Kong Precison Industry Co., Ltd.	Related party in substance
Sheng Yang Construction 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, 2019							
	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	$ 223	$ 160	$ 117	$ 117	$ -	-	Yes
Housing mortgage loans	66	629,751	496,409	563,621	563,621	-	Land and building for residential use	Yes
Others:	Xing Ming Construction	10,000	4,740	10,000	10,000	-	Pledge guarantee deposits	Yes
	Sheng Fan Co., Ltd.	300	111	268	268	-	Pledge guarantee deposits	Yes
	Leaderman & Associates Co., Ltd.	49,388	44,716	43,284	43,284	-	Land and building for commercial use	Yes
	Rising Sun Publishing Co., Ltd.	39,061	33,417	24,505	24,505	-	Land and building for commercial use	Yes
	Cherng Yang Printing Co., Ltd.	419,961	409,403	398,249	398,249	-	Land and plant	Yes
	Eldorado Zidian Co., Ltd.	80	15	80	80	-	Pledge guarantee deposits	Yes
	Taiwan Nature Organic Co., Ltd.	33,000	26,400	33,000	33,000	-	Land used for construction	Yes
	Hai Wong Investment Co., Ltd.	3,000	1,422	3,000	3,000	-	OTC stock	Yes
Others	Yang Ming Investment Co., Ltd.	3,000	1,422	3,000	3,000	-	OTC stock	Yes
	Huei Hang International Food & Beverage Co., Ltd.	188	113	48	48		Vehicles	Yes
	Medalass Trading Co., Ltd.	5,000	274	5,000	5,000		Pledged guarantee deposits	Yes
	Guang Zhi Cultural Co., Ltd.	14,000	13,195	14,000	14,000		Land and plant	Yes
	Chuan Yang Construction Co., Ltd.	520,000	454,058	520,000	520,000		Land and building for commercial use	Yes
	Hai Wong Printing Co., Ltd.	931,783	923,470	914,568	914,568	-	Land and plant	Yes
	Li Kwen Investment Co., Ltd.	45,000	35,753	-	-	-	Listed stock	Yes
	Jin Chen Investment Co., Ltd.	5,000	2,370	5,000	5,000	-	OTC stock	Yes
	Rui Yu Zhi Quan Co., Ltd.	22,880	17,677	22,880	22,880	-	Land and building for commercial use	Yes
	Qian Li Industrial Co., Ltd.	73,000	57,058	71,520	71,520	-	Land and plant	Yes
	Yung Chi Paper Manufacturing Co., Ltd.	21,734	21,734	21,734	21,734	-	Land and plant	Yes
	19	180,606	119,045	136,596	136,596	-	Land and plant Land and building for commercial use Listed stock Farm land Vacant land Vehicles	Yes

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
	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 Precison 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

2) Deposits

	December 31, 2019		
	Ending Balance	% of the Account Balance	Annual Interest Rates (%)
Others	$ 2,134,296	-	0-5

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

3) Interest revenue

	For the Year Ended December 31			
	2019		2018	
	Amount	%	Amount	%
Others	$ 48,407	-	$ 40,207	-

4) Interest expense

	For the Year Ended December 31			
	2019		2018	
	Amount	%	Amount	%
Others	$ 20,992	-	$ 17,555	-

5) Lease arrangements - 2019

Line Item	Related Party Category/Name	December 31, 2019
Right-of-use assets	Sheng Yang Construction Co., Ltd.	$ 10,518
	Chuan Yang Construction Co., Ltd.	16,993
		$ 27,511
Lease liabilities	Sheng Yang Construction Co., Ltd.	$ 10,364
	Chuan Yang Construction Co., Ltd.	16,809
		$ 27,173
Interest expense	Sheng Yang Construction Co., Ltd.	$ 338
	Chuan Yang Construction Co., Ltd.	537
		$ 875

6) Lease arrangements - 2018

a) Sheng Yang Construction Co., Ltd., as lessee, is leasing office from the Group, with rental paid monthly under an operating lease agreement till January 2023. Lease expenses were as follows:

	For the Year Ended December 31, 2018
Sheng Yang Construction Co., Ltd.	$ 3,600

b) Chuan Yang Construction Co., Ltd., as lessee, is leasing office from the Group, with rental paid monthly under an operating lease agreement till December 2022. Lease expenses were as follows:

	For the Year Ended December 31, 2018
Chuan Yang Construction Co., Ltd.	$ 2,100

The leasing contracts between the Group and the related parties are priced at the market rates, and the payment terms are based on normal conditions.

b. Compensation of key management personnel

The management personnel are composed of directors, general manager, vice general manager and employees on the management level.

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	$ 141,833	$ 136,161
Post-employment benefits	1,903	2,280
	$ 143,736	$ 138,441

42. PLEDGED OR MORTGAGED ASSETS

In addition to those disclosed in other notes, the following assets are provided as refundable deposits:

	December 31	
	2019	2018
Financial assets at FVTOCI	$ 4,800,000	$ 4,800,000
Debt securities measured at amortized cost	420,100	416,800
Other financial assets, net	129,690	134,250
Other asset - guarantee deposits	90,877	116,591
- operating guarantee deposits	17,549	17,342
- pledge deposits	15,000	15,000
- specialized discharge account	2,000	8,652

The above pledge assets are mainly for 1) the deposit for enforcing provisional seizure of asset of debtor, deposit for leasing of operating office, reserve for credit card payment, reserve trust compensation fund, deposit for notes dealer reserve, operating deposits of securities dealers, operating guarantee deposits of securities underwriters, reserve for bond payment settlement in the electronic bond trading system, and loan commitments for financial institutions; 2) collaterals for day-term overdraft to comply with the clearing system requirement of the Central Bank (CB) of the Republic of China for real-time gross settlement (RTGS); the unused overdraft amount at the end of the day can be treated as the Bank's liquidity reserve. 3) cash, government bond or bank debentures provided as operating guarantee deposits according to the Regulations Governing Securities Issuer and Regulations Governing the Operation of Futures Introducing Broker Business by Securities Issuer; 4) deposits of insurance agent to the Insurance Bureau of Financial Supervisory Commission.

43. 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, 2019 and 2018 were as follows:

	December 31	
	2019	2018
Receipts under custody	$ 230,844	$ 485,856
Travelers' checks consigned to the Group	23,495	27,616
Securities under custody	13,315,172	12,741,662
Trust assets	67,579,811	67,641,861

44. HIERARCHY AND FAIR VALUE INFORMATION

a. Fair value information

1) Overview

Fair value is the amount that could be received from the sale of an asset or the amount paid to settle a liability in an orderly transaction between market participants on the measurement date (i.e. exit price).

Financial instruments are initially measured at fair value, usually the transaction price. 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. However, if there is no active market for the financial instrument, the fair value is determined using valuation models, or by reference to Bloomberg, the quoting 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 have 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 prices that can be inferred from observable inputs directly or indirectly other than the prices in an active market.

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, 2019

Assets and Liabilities Item	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Measured on a recurring basis				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Stock	$ 9,731	$ 9,731	$ -	$ -
Commercial paper	16,103,093	-	16,103,093	-
Beneficiary certificates	159,568	159,568	305,234	-
Others	305,234	-	305,234	-
Financial assets at FVTOCI				
Stocks	1,022,201	285,706	3,000	733,495
Bonds	36,178,363	-	36,178,363	-
Certificates of deposits and others	39,397,168	-	39,397,168	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	18,607	-	18,607	-
Liabilities				
Financial liabilities at fair value through profit or loss	187	-	187	-

Fair value hierarchy as at December 31, 2018

Assets and Liabilities Item	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Measured on a recurring basis				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Commercial paper	$ 20,200,522	$ -	$ 20,200,522	$ -
Beneficiary 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	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	2,601	-	2,601	-
Liabilities				
Financial liabilities at fair value through profit or loss	20,979	-	20,979	-

2) The valuation techniques for determining fair values:

The fair values of financial instruments traded on an active markets are determined with reference to quoted market prices.

Stock exchanges, brokers, underwriters, industrial associations, pricing service agencies and/or other competent authorities comprise an active market when there is frequent trading of financial instruments and quoted prices are available and can be timely obtained. Otherwise, the market is inactive. Generally, the indicators of an inactive market are wide bid-offer spread, or low volume of transactions.

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

a) Listed stock and Foreign stock: Closing price published by Taiwan Stock Exchange and Taipei Exchange as of the balance sheet date;

b) Beneficiary certificate: Net value declared by an investment trust company;

c) Government bond: Settlement price or theoretical price published by the 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 the Taipei Exchange on the measurement date as the discount rate; corporate bonds in foreign currency are estimated on the basis of the quotes published by Bloomberg or Reuters;

e) Bank debentures: Estimated on the basis of the quotes published by Bloomberg or Reuters;

f) Commercial paper and negotiable certificate of deposits: Determined by 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, the fair value is estimated using valuation models or quotations provided by the counterparties. After valuation, the fair value can take any other financial instruments whose nature or condition is similar as reference, use discounted cash flow analysis method or use other valuation models, including market information on the balance sheet date (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 self-designed valuation models which incorporate the method and the techniques widely used for the industry. 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.

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 Group's derivative financial instruments are measured at fair value using market accepted valuation techniques, such as discounted cash flow analysis. For forward contracts, fair values are estimated on the basis of the current foreign exchange rates.

The fair value of unlisted stocks is assessed by market approach, asset approach and income approach.

3) Credit risk assessment is set out below:

Credit risk assessment refers to the evaluation of the fair value credit risk on the counterparty in over-the-counter (OTC) derivatives. Credit risk assessment consists of credit and debit valuation adjustments of a financial instrument.

Credit valuation adjustment of derivative contracts trading in other than centralized securities exchange market, also named over-the-counter market, is assessed for the non-performance risk of the counterparties.

Debit valuation adjustment of derivative contracts trading in other than centralized securities exchange market, also named over-the-counter market, is assessed for the non-performance risk of the Group.

The Group calculated the debit and credit valuation adjustments and the estimated loss allowance by the application of Probability of Default (PD) and Loss Given Default (LGD) multiplied by Exposure at Default (EAD).

The Group generally uses external ratings of PD for counterparties; however, for those without ratings from external institutions, the Group follows IFRS 9 to evaluate the percentage of allowance as the PD of counterparties.

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

The Group follows the Taiwan Exchange's Guidance on IFRS 13 CVA and DVA disclosures, and takes 60% to be the PD of counter parties.

The Group takes credit risk valuation adjustment into the valuation of the fair value of financial instruments, in order to reflect the credit quality of counterparties 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, 2019								
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	$ 817,208	$ -	$ (83,713)	$ -	$ -	$ -	$ -	$ 733,495

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, 2019	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Correlation Between Inputs and Fair Value
Non-derivative financial instruments					
Financial assets at FVTOCI - equity instrument	$ 120,637	Market approach	Discount without open market	19.57%-34.97%	Converse
	42,000	Asset approach	Discount without open market	23.32%	Converse
	570,858	Income approach	Weighted average cost	8.61%-11.88%	Converse

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
Non-derivative financial instruments					
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 Level 3 valuation is measured by external experts, which makes the evaluation results close to the market and confirms that the data sources are independent, reliable, and consistent with other resources. The Group reviews 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) Sensitivity analysis of Level 3 fair value if reasonable possible alternative assumptions may be used

The Group concluded that fair value of financial instruments is reasonable. 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 had increased or decrease by 1 percent or 2.5 percent, the influence to the current net income and other comprehensive income would have been as follows:

Items	Change in Fair Value Influence on Current Net Income		Change in Fair Value Influence on Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
December 31, 2019				
Assets				
Financial assets at FVTOCI - equity instruments	$ -	$ -	$ 56,029	$ (43,438)
December 31, 2018				
Assets				
Financial assets at FVTOCI - equity instruments	-	-	85,707	(62,450)

Favorable or unfavorable changes refer to the fluctuation of fair value, which is calculated by different unobserved parameters. The above table only reflects the effect caused by a single parameter, and does 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, discounts and loans, other financial assets, guarantee deposits, operating guarantee deposits, clearing 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 repurchase, 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, 2019		
Financial assets		
Investment in debt instruments measured at amortized cost	$ 29,994,687	$ 31,019,216
December 31, 2018		
Financial assets		
Investment in debt instruments measured at amortized cost	25,333,318	25,793,677

2) Hierarchy information of fair value of financial instruments

Assets and Liabilities Item	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Financial assets The investment of debt instruments measured at amortized cost	$ 31,019,216	$ -	$ 31,019,216	$ -
Financial assets The investment of debt instruments measured at amortized cost	25,793,677	-	25,793,677	-

3) Valuation techniques

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

a) The carrying amounts of financial instruments such as cash and cash equivalents, due from the Central Bank and other banks, securities purchased under agreement to resell, receivables, refundable deposits, operating deposits and clearing and settlement fund, pledge deposits, specialized discharge account, due to the Central Bank and other banks, securities sold under agreement to repurchase, payables, guarantee deposits received, short-term borrowings and other financial liabilities approximate fair value because of the short maturity or the similarity of the carrying amount and future price.

b) Discounts and loans (include nonperforming loans): The Group usually uses base rate (floating rate) as loan rate because it can reflect market rate. Thus, using its carrying amount to consider the probability of repossession and estimate its fair value is reasonable. Long-term loans with fixed rate have the fair value estimated by discounting the expected cash flows. Because the account is not significant, the carrying amount is considered reasonable estimate of fair value.

c) Investment in debt instruments at amortized cost: Investment in debt instruments at amortized cost with quoted price in an active market are using market price as fair value. If there is no quoted price in an active market, fair value is 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 Taipei Exchange 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 Taipei Exchange to gauge the present value of the cash flows.

d) Deposits and remittances: Considering the banking industry's characteristic, the carrying amounts of deposits with one year maturity and measured by market rate (market value) is reasonable estimate of the fair value. The carrying amount of deposits with three years maturity and measured by discounted cash flow method is reasonable estimate of the fair value.

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.

45. FINANCIAL RISK MANAGEMENT

a. Overview

The purpose of financial risk management is to maintain the assets secured and ensure the assets and the quality of financial statements comply with related regulations. The main risks the Group is facing are credit risks, market risks, operating risks, liquidity risks, interest rate risks and other related risks.

Risk management policies and procedures are documented and approved by the board of directors to identify, evaluate, 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 personnel, 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 counterparties' 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. Counterparties' credit risk is the risk of financial loss if counterparties fail 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 operating units should make a detailed analysis of its current products and services, including all transactions recorded in banking books, trading books, and balance sheets with all those off balance sheet items. Before proposing new products and services, business operating 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 of credit exposures, the Group has set up several policies covering such areas as collateral valuation and a clear guideline that it may take any kind of deposits as collateral for debtor's account. For small and medium enterprises with insufficient collateral, the Group may strengthen claims through transfer to Small and Medium Enterprise Credit Guarantee Fund of Taiwan.

Collateral amount of impaired financial asset

The Company evaluated the value of financial instruments and identified those with assessed impairment. The financial instruments and collateral are as follows:

December 31, 2019

	Book Value	Allowance for Impairment Losses	Total Exposure	Fair Value of Collateral
Receivables	$ 503,605	$ 98,413	$ 405,192	$ -
Discount and loans	3,063,701	1,225,367	1,838,334	18,690,232
Impaired financial asset	$ 3,567,306	$ 1,323,780	$ 2,243,526	$ 18,690,232

December 31, 2018

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

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

a) The Company

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

Off-Balance Sheet Items	The Maximum Credit Exposure	
	December 31, 2019	December 31, 2018
Undrawn loan commitments	$ 3,014,062	$ 2,792,433
Undrawn credit card commitments	10,378,853	9,541,330
Standby letters of credit	560,519	887,817
Guarantees	3,313,602	3,593,887
Total	$ 17,267,036	$ 16,815,467

Collaterals, enforceable master netting arrangements and other credit enhancement instruments of on- and off-balance sheet items are as follows:

December 31, 2019	Collaterals	Enforceable Master Netting Arrangements	Other Credit Enhancement Instruments	Total
On-balance sheet items				
Receivables				
Acceptances	$ -	$ -	$ 23,651	$ 23,651
Discounts and loans	301,551,876	-	42,755,013	344,306,889
Off-balance sheet items				
Undrawn loan commitments	438,717	-	2,575,345	3,014,062
Standby letters of credit	-	-	560,519	560,519
Guarantees	-	-	3,313,602	3,313,602

December 31, 2018	Collaterals	Enforceable Master Netting Arrangements	Other Credit Enhancement Instruments	Total
On-balance sheet items				
Receivables				
Acceptances	$ -	$ -	$ 105,486	$ 105,486
Discounts and loans	277,245,984	-	37,273,516	314,519,500
Off-balance sheet items				
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

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 credit exposures of Sunny Securities Co. are cash deposit in financial institutions like banks, held debt securities issued or guarantee by banks and margin loans receivable mainly in Taiwan. The explanations of credit risks of financial assets are as follows:

i. Cash and cash equivalents are mainly time deposits, demand deposits and check deposits in domestic financial institutions.

ii. Margin loans receivable pertain to the funds loaned to customers for them to buy securities. Margin loans receivable represent the amount loaned to customers. The securities bought by customers are used as security for the loans and the margin maintenance ratio is kept at 130% to comply with Operating Rules for Securities Firms Handling Margin Purchases and Short Sales of Securities.

iii. Accounts receivable are creditor's right derived from the business operated by securities dealers including closing price receivable, interest receivable from financing of credit transactions and receivables generated from consignment trading of securities. As accounts receivable of Sunny Securities Co. are mainly derived from consignment operations, the trading and settlements with stock exchanges and OTC market have low credit risks.

iv. Other current assets are the cash provided for pledge or other restricted usage. The counterparties of Sunny Securities Co. are good reputation domestic banks thus low credit risks.

v. Other non-current assets are mainly operating deposits, clearing and settlement fund and refundable deposits. Operating deposits are placed in reputable domestic banks and clearing and settlement funds are placed in stock exchanges for use to compensate any loss if securities transaction counterparty fails to fulfill the obligation. The banks and stock exchanges are assessed to have low credit risks. Refundable deposits are cash or other assets of Sunny Securities Co. placed in reputable banks as security for a large number of counterparties with small amounts; therefore, the credit risks being diversified are low.

6) Assessment of a significant increase in credit risk since initial recognition

a) Credit assets

The Group 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) are 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 based on credit assessment, i.e., the borrower is in financial difficulty which might possibly affect their ability to settle interest and principal of obligations.

ii. Borrower's the check bounced, and borrower did not pay interest regularly.

iii. Borrowers' 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 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 according to Moody's investors service is above Ba3 on base date, and the credit risk did not increase significantly, the debt instrument is categorized as stage 1, which is required to calculate 12 months expected credit losses. If the credit rating according to Moody's investors service is lower than B1 on base date, or if the debt instrument is downgraded more than three levels or the principal or interest is unpaid over 30 days, the credit risk has increased significantly since initial recognition and the debt instrument is categorized as stage 2, which is required to calculate lifetime expected credit losses. If There is evidence indicating the instrument was credit impaired at base date, the instrument is categorized as stage 3, which is required to calculate lifetime expected credit losses.

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

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 payment under the contract is overdue more than 90 days.

Qualitative index

i. Borrower has suffered account rejection or has filed a petition for bankruptcy, financial restructuring or financial relief and negotiation.

ii. Borrower's collateral had been taken into legal action or enforced auction by the Company or others.

iii. Borrower's financial report issued by auditor had material going-concern uncertainty and borrower did not pay interest regularly.

iv. Borrower suffered major accident or is reported to have been experiencing abnormal operations which affect the Company's claims.

The credit asset will be restored to the current and compliant classification and will be not considered as a credit-impaired asset or 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 concludes that the investment in debt instrument is in default and credit impaired:

i. The investment in debt instrument had failed to pay the principal or interest due over 90 days.

ii. Issuer suffered financial difficulties.

iii. Issuer had filed or highly possible to file a petition for bankruptcy.

iv. Issuer had filed or highly possible to file a petition for financial restructuring.

The investment in debt instrument will be restored to the current and compliant classification and will not be considered as a credit-impaired instrument in default if it no longer meets the definition of default and credit impairment.

8) Write-off policy

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 could not be enforced 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 write-off of accounts.

9) Amendment of contract cash flows of financial assets

The Group will amend financial asset contract cash flows of borrowers 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 disposal of 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, Sunny bank Ltd. and its subsidiaries will assess whether the credit risk of financial asset has increased significantly by evaluating 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

a) Credit assets

For the purpose of measuring expected credit losses. The Group 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:

<table>
<tr><th>Business</th><th>Group</th><th>Definition</th></tr>
<tr><td rowspan="5">Corporate banking</td><td>Manufacturing</td><td rowspan="10">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.
The Company assesses the expected credit losses of each stage.</td></tr>
<tr><td>Wholesale and retail trade</td></tr>
<tr><td>Construction industry</td></tr>
<tr><td>Service industry and others</td></tr>
<tr><td>Government agencies</td></tr>
<tr><td rowspan="5">Consumer banking</td><td>Mortgage</td></tr>
<tr><td>Credit</td></tr>
<tr><td>Car loan</td></tr>
<tr><td>Others</td></tr>
<tr><td>Credit Card</td></tr>
</table>

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The Company measures the loss 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 credit impaired since initial recognition, lifetime expected credit losses are applied.

To measure the expected credit losses, the Group takes into account the borrower's probability of default ("PD") for the next 12 months and the period of existence, and afterwards, includes the loss given default ("LGD") and multiply by exposure at default ("EAD"). The impact of the time value of money should also be considered when calculating the 12 month and lifetime expected credit losses.

PD refers to the borrowers' probability of default. LGD refers to the losses caused by the default. PD and LGD are applied to evaluate loan business impairment based on each portfolio's historical information from internal statistical data, and adjusted the historical information with current observable information and forward-looking macroeconomic information. The company evaluates risk exposure amount based on remaining loan amount, and calculates 12 months and lifetime expected credit losses of financing commitment based on "IFRS 9 Impairment Evaluation Methodology Guideline" issued by BAROC. Exposures of off-balance sheet items are regulated in "The description and form of banks' eligible capital and risk-weighted assets - credit risk standard approach". Credit conversion factor is used to calculate 12 months after record date and lifetime expected credit losses. The calculation of default exposure amount of expected credit losses takes into account the impact of the time value of money.

b) Investment position

The Group measures the loss allowance 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 Group takes the borrower's probability of default ("PD") into account, and includes the loss given default ("LGD") and exposure at default ("EAD").

11) Forward-looking information considerations

a) Credit assets

According to IFRS 9, forward-looking estimations are necessary while calculating the expected credit losses. The Group obtains historical data of economic growth rate (coordinate with internal historical data of the Company's probability of default) and forecast information for current year to update the relevant economic factors which affect credit risk and expected credit losses of various asset groups as a parameter of default probability.

b) Investment position

The probability of default and the loss given default refer to the default rate of all credit levels and the external recovery rate of various debt instrument characteristics, which were published by external credit rating agencies. When assessing credit level and calculating PD and LGD to measure the expected credit losses, the credit rating agencies had not only considered forward-looking information but also the effect of time value of money and GDP.

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

For the year ended December 31, 2019

	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	$ 1,370,971	$ 40,960	$ 821,234	$ -	$ 2,233,165	$ 1,540,693	$ 3,773,858
Changes of financial instruments that have been identified at the beginning of the period:							
To 12-month ECL	165,967	(46,745)	(119,222)	-	-	-	-
To lifetime ECL	(29,824)	67,287	(37,463)	-	-	-	-
To credit impaired financial assets	(1,696)	(26,141)	27,837	-	-	-	-
Derecognizing financial assets during the current period	(81,849)	(7,552)	(169,519)	-	(258,920)	-	(258,920)
Purchased or originated financial assets	205,445	-	-	-	205,445	-	205,445
Loss recognized based on the Regulations	-	-	-	-	-	(480,489)	(480,489)
Write-off	(6,258)	-	(1,232,595)	-	(1,238,853)	-	(1,238,853)
Reversal of write-off	-	-	-	-	-	825,107	825,107
Change in exchange rates or others	(503,631)	(6,727)	1,935,094	-	1,424,736	(4,163)	1,420,573
Balance, December 31	$ 1,119,125	$ 21,082	$ 1,225,366	$ -	$ 2,365,573	$ 1,881,148	$ 4,246,721

For the year ended December 31, 2018

	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 of write-off	-	-	-	-	-	518,768	518,768
Other movement	(245,925)	(173,487)	969,489	-	550,077	-	550,077
Change in exchange rates	7,634	156	-	-	7,790	-	7,790
Balance, December 31	$ 1,370,971	$ 40,960	$ 821,234	$ -	$ 2,233,165	$ 1,540,693	$ 3,773,858

Changes of discounts and loans book value

For the year 2019

	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	$ 308,912,731	$ 3,738,425	$ 2,395,881	$ -	$ 315,047,037
Changes of financial instruments that have been identified at the beginning of the period:					
To 12-month ECL	6,357,916	(6,033,755)	(324,161)	-	-
To lifetime ECL	(9,215,473)	9,372,290	(156,817)	-	-
To credit impaired financial asset	(470,565)	(2,521,274)	2,991,839	-	-
Derecognizing financial assets during the current period	(27,652,227)	(1,104,070)	(553,254)	-	(29,309,551)
Purchased or originated financial assets	62,866,028	-	-	-	62,866,028
Write-off	(3,700)	-	(1,232,595)	-	(1,236,295)
Change in exchange rates and others	(1,910,066)	(345,870)	57,192	-	(2,313,128)
Balance, December 31	$ 338,884,644	$ 3,105,746	$ 3,063,701	$ -	$ 345,054,091

For the year 2018

	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 rates and others	2,162,100	(279,763)	141,091	-	2,023,428
Balance, December 31	$ 308,912,731	$ 3,738,425	$ 2,395,881	$ -	$ 315,047,037

Changes of receivable loss allowance

For the year 2019

	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	$ 27,498	$ 1,323	$ 338,151	$ 70,691	$ 437,663	$ 338	$ 438,001
Changes of financial instruments that have been identified at the beginning of the period:							
To 12-month ECL	2,383	(1,043)	(1,340)	-	-	-	-
To lifetime ECL	(80)	2,166	(2,086)	-	-	-	-
To credit impaired financial assets	(6)	(1,501)	1,507	-	-	-	-
Derecognizing financial assets during the current period	(1,845)	(357)	(10,054)	-	(12,256)	-	(12,256)
Purchased or originated financial assets	6,425	-	11,269	907	18,601	-	18,601
Loss recognized based on the Regulations	-	-	-	-	-	(251)	(251)
Write-off	-	-	(77,597)	-	(77,597)	-	(77,597)
Reversal of write-off	-	-	-	686	686	-	686
Change in exchange rates or others	(6,548)	94	1,279	-	(5,175)	-	(5,175)
Balance, December 31	$ 27,827	$ 682	$ 261,129	$ 72,284	$ 361,922	$ 87	$ 362,009

For the year 2018

	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 of write-off	-	-	-	2,810	2,810	-	2,810
Other changes	(163)	(412)	21,661	-	21,086	-	21,086
Change in exchange rates	-	-	(289)	-	(289)	-	(289)
Balance, December 31	$ 27,498	$ 1,323	$ 338,151	$ 70,691	$ 437,663	$ 338	$ 438,001

Changes of receivable book value

For the year 2019

	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	$ 3,936,849	$ 27,799	$ 714,540	$ 131,899	$ 4,811,087
Changes of financial instruments that have been identified at the beginning of the period:					
To 12-month ECL	33,947	(30,451)	(3,496)	-	-
To lifetime ECL	(55,224)	60,926	(5,702)	-	-
To credit impaired financial asset	(5,584)	(36,565)	42,149	-	-
Derecognizing financial assets during the current period	(2,031,080)	(12,185)	(54,963)	-	(2,098,228)
Purchased or originated financial assets	2,244,490	-	12,133	1,592	2,258,215
Write-off	-	-	(77,597)	-	(77,597)
Change in exchange rates and others	(81,963)	13,735	(256,950)	-	(325,178)
Balance, December 31	$ 4,041,435	$ 23,259	$ 370,114	$ 133,491	$ 4,568,299

Note: Book value at December 31, 2019 did not include the spot foreign exchange receivable $1,006 thousand.

For the year 2018

	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 rates and others	85,504	1,626	(17,455)	-	69,675
Balance, December 31	$ 3,936,849	$ 27,799	$ 714,540	$ 131,899	$ 4,811,087

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Changes of other financial assets loss allowance

For the year 2019

	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	$ -	$ -	$ 2,074	$ -	$ 2,074	$ -	$ 2,074
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	-	-	(152)	-	(152)	-	(152)
Purchased or originated financial assets	-	-	-	-	-	-	-
Loss recognized based on the Regulations	-	-	-	-	-	-	-
Write-off	-	-	(13,817)	-	(13,817)	-	(13,817)
Reversal of write-off	-	-	11,142	-	11,142	-	11,142
Change in exchange rates and others	-	-	2,174	-	2,174	-	2,174
Balance, December 31	$ -	$ -	$ 1,421	$ -	$ 1,421	$ -	$ 1,421

For the year 2018

	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 of write-off	-	-	13,419	-	13,419	-	13,419
Change in exchange rates and others	-	-	215	-	215	-	215
Balance, December 31	$ -	$ -	$ 2,294	$ -	$ 2,294	$ -	$ 2,294

Changes of other financial assets book value

For the year 2019

	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	$ -	$ -	$ 3,602	$ -	$ 3,602
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	-	-	(351)	-	(351)
Purchased or originated financial assets	-	-	-	-	-
Write-off	-	-	(13,817)	-	(13,817)
Change in exchange rates and others	-	-	13,694	-	13,694
Balance, December 31	$ -	$ -	$ 3,128	$ -	$ 3,128

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

For the year 2018

	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 rates and others	-	-	12,992	-	12,992
Balance, December 31	$ -	$ -	$ 3,602	$ -	$ 3,602

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

Changes of commitment and guarantee liability provisions

For the year 2019

	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	$26,391	$ 271	$ -	$ -	$26,662	$20,134	$52,640
Changes of financial instruments that have been identified at the beginning of the period:							
To 12-month ECL	51	(51)	-	-	-	-	-
To lifetime ECL	(11)	11	-	-	-	-	-
To credit impaired financial assets	-	-	-	-	-	-	-
Derecognizing financial assets during the current period	(807)	-	-	-	(807)	-	(807)
Purchased or originated financial assets	2.161	-	-	-	2.161	-	2.161
Loss recognized based on the Regulations	-	-	-	-	-	(514)	(514)
Change in others	(6,554)	(126)	-	-	(6,680)	-	(6,680)
Balance, December 31	$21,231	$ 105	$ -	$ -	$21,336	$19,620	$40,956

For the year 2018

	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
Change in others	(15,359)	-	205	-	-	(15,154)	-	(15,154)
Balance, December 31	$26,391	$ -	$ 271	$ -	$ -	$26,662	$20,134	$46,796

13) Credit risk concentration of the Company

Concentrations of credit risk arise when there is only a single customer counterparty or there are customers engaged in similar business activities or economic characteristics, or when they have similar risk characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

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 well-diversified credit portfolios to protect against exposure to any geographic region, country or individual creditor. 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, 2019		December 31, 2018	
	Amount	%	Amount	%
Private enterprise	$ 175,107,251	50.86	$ 150,036,114	47.70
Government organization	18,990,266	5.52	19,645,271	6.25
Non-profit organization	254,927	0.07	264,821	0.08
Natural person	149,953,819	43.55	144,572,509	45.97
Financial institution	626	-	785	-
Total	$ 344,306,889	100.00	$ 314,519,500	100.00

b) By geographical area

The Group's operations are mainly in Taiwan.

c) By collateral

By Collaterals	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
Unsecured	$ 33,978,092	9.87	$ 35,691,603	11.35
Secured				
Stocks	5,483,047	1.59	5,396,246	1.71
Bonds	2,444,259	0.71	2,543,752	0.81
Real estate	288,176,642	83.70	257,174,994	81.77
Movable properties	9,308,546	2.70	8,450,244	2.69
Notes receivable	17,433	0.01	8,043	-
Guarantees	4,297,080	1.25	4,714,938	1.50
Others	601,790	0.17	539,680	0.17
Total	$ 344,306,889	100.00	$ 314,519,500	100.00

14) Management policies on collaterals

The Group's foreclosed collaterals are all securities which had recognized full amount impairment in other asset, net as of December 31, 2019 and 2018.

Collaterals are classified as other assets. The Group may dispose collaterals whenever it available to sell, the trading amounts are used to net offset the payable.

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

a) Overdue loans and receivables

Date			December 31, 2019				
Item			Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate loan	Secured		$ 905,897	$ 155,619,030	0.58%	$ 1,953,136	215.60%
	Unsecured		1,743	40,829,217	-	493,483	28,312.28%
Consumer loan	Mortgage (Note)		29,035	31,710,122	0.09%	387,045	1,333.03%
	Cash card		-	-	-	-	-
	Microcredit (Note)		363	284,000	0.13%	9,081	2,501.65%
	Others (Note)	Secured	24,691	105,275,001	0.02%	1,273,573	5,158.05%
		Unsecured	2,391	10,589,519	0.02%	129,744	5,426.35%
Total			964,120	344,306,889	0.28%	4,246,062	440.41%
			Overdue Receivables	Accounts Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card (Note 8)			$ 2,174	$ 673,630	0.32%	$ 23,107	1,062.88%
Accounts receivable - factoring with no recourse (Note 7)			-	-	-	-	-

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)			-	-	-	-	-

Note 1: For loan business: Overdue loans represent the amounts of overdue loans reported in accordance with the “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 for 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 refer to secured or unsecured loans excluding mortgage, cash card, micro credit, and credit cards.

Note 7: For accounts receivables - factoring with no recourse, dealt in accordance with the Banking Bureau letter dated July 19, 2005 (Ref. No. 094000494), 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, 2019		December 31, 2018	
Item	**Excluded NPL**	**Excluded Overdue Receivables**	**Excluded NPL**	**Excluded Overdue Receivables**
As a result of debt negotiation and loan agreements (Note 1)	$ 1,057	$ -	$ 1,725	$ -
As a result of consumer debt clearance (Note 2)	1,975	949	2,984	1,213

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, 2019		
Rank (Note 1)	**Industry Category (Note 2)**	**Total Credit Consists of Loans (Note 3)**	**Percentage of Net Worth (%)**
1	Group A (water transportation)	$ 5,348,131	16.31
2	Group B (constructions of buildings)	4,383,722	13.37
3	Group C (real estate developments activities)	3,472,733	10.59
4	Group D (iron and steel rolls over extends and crowding)	3,134,690	9.56
5	Company E (real estate developments activities)	2,789,000	8.51
6	Group F (real estate developments activities)	2,346,423	7.16
7	Group G (fabric mills)	1,987,199	6.06
8	Group H (real estate developments activities)	1,794,078	5.47
9	Group I (other financial service activities not elsewhere classified)	1,752,375	5.34
10	Company J (spinning of yarn, cotton and wool)	1,752,000	5.34

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

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, margin receivables, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, and nonperforming loans), exchange bills negotiated, accounts receivable factored without recourse, acceptances receivable, and guarantee deposit issued.

d. Liquidity risk management

1) Definition of liquidity risk

a) The Company

Liquidity risk is the risk that the Company cannot realize asset or obtain financing to provide capital to meet its payment obligations as they fall due. It may cut down the cash resource from loan operations, transactions and investing activities. Under some extreme situations, insufficient liquidity may cause possible decline in the overall balance sheet positions goes downward, sale of assets and failure 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 fall 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 are performed individually and monitored by independent risk management department. The monitoring procedures are summarized as follows:

i. Monitoring of future cash flows to ensure daily capital mobility would be able to meet the needs.

ii. Maintenance of adequate realizable high liquidity assets for any unexpected accidents.

iii. Monitoring of the liquidity ratio for internal management purpose and external supervisors' regulations.

iv. Monitoring of 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 needed 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 were $213,000 thousand and $807,000 thousand as of December 31, 2019 and 2018, respectively.

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 used 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 based on a contractual 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, 2019	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	$ 3,031,268	$ 1,423,057	$ 760,568	$ 2,087,402	$ 10,001	$ 7,312,296
Securities sold under agreements to repurchase	6,759,265	-	-	-	-	6,759,265
Payables	1,728,491	170,890	31,668	324,969	32,624	2,288,642
Deposits and remittances	58,884,493	70,158,503	87,765,305	143,356,105	99,205,176	459,369,582
Bank debentures	25,132	9,074	1,595,495	48,958	13,060,025	14,738,684
Short-term borrowings	155,026	420,100	246,102	50,011	-	871,239
Lease liabilities	2,804	13,322	14,795	35,434	132,101	198,456
Other financial liabilities	21,000	150,000	-	-	-	171,000

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

4) Maturity analysis of derivative financial liabilities

Derivative instruments for total clearing and settlement

The Group's derivative instruments for total clearing and settlement are mainly forward contracts and currency swap contracts. The amounts of the derivative instruments for total clearing and settlement are based on contractual cash flows and may not match the amounts on the consolidated balance sheet. Maturity analysis of derivative instruments for total clearing and settlement are as follows:

December 31, 2019	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	$ 60,495	$ -	$ -	$ -	$ -	$ 60,495
Cash inflow	60,212	-	-	-	-	60,212
Cash outflow	60,495	-	-	-	-	60,495
Cash inflow	60,212	-	-	-	-	60,212
Net cash flow	(283)	-	-	-	-	(283)

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)

5) Maturity analysis of off balance sheet items

The table below shows the highest amounts of obligations that the creditor might require payment. The amounts on the table are based on contractual cash flows and may not match the amounts on the consolidated balance sheet.

December 31, 2019	Under 1 Year	1-5 Years	Over 5 Years	Total
Undrawn loan commitments	$ 760,929	$ 1,937,431	$ 315,702	$ 3,014,062
Undrawn credit card commitments	717,077	5,341,426	4,320,350	10,378,853
Standby letters of credit	560,519	-	-	560,519
Guarantees	1,861,703	1,431,643	20,256	3,313,602
Total	3,900,228	8,710,500	4,656,308	17,267,036

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

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, 2019	Less than 1 Year	1-5 Years	Over 5 Years	Total
Operating lease commitments				
Operating lease income (lessor)	$ 55,201	$ 92,108	$ 18,244	$ 165,553
Finance lease income (lessor)	610,627	973,449	1,584,076	3,168,152

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
Finance lease income (lessor)	628,883	1,380,966	-	2,009,849

7) Disclosures prepared in conformity with the 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, 2019						
	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	$ 480,337,421	$ 51,248,786	$ 31,970,757	$ 25,569,285	$ 34,662,503	$ 70,621,867	$ 266,264,223
Main capital outflow on maturity	570,021,237	32,055,931	29,611,164	74,907,767	94,307,667	170,447,012	170,691,696
Gap	(91,683,816)	19,192,855	(2,359,593)	(49,338,482)	(59,645,164)	(99,825,145)	95,572,527

	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

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, 2019					
	Total	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	$ 1,382,658	$ 272,892	$ 254,408	$ 106,819	$ 82,064	$ 666,475
Main capital outflow on maturity	1,350,145	397,117	287,401	386,495	263,226	15,906
Gap	32,513	(124,225)	(32,993)	(279,676)	(181,162)	650,569

	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

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 when changes in market price (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 change.

b) Management strategies

In accordance with the risk management policies approved by the board of directors, the Company sets loss limit and position and conducts credit evaluation and operation stress testing, and submits reports to the risk management committee and the board for reference in making management decisions.

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 operation and production analysis periodically. Appropriate market risk valuation methods for different risk factors included principal limit, bond limit, securities limit, PVBP and duration.

ii. Supervision and reporting

The Company's market risk management department prepares risk management reports such as those on daily market valuations, value at risk and risk limits. If the risk is over the limit, the department should report the situation to the board of directors. 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 commodities which gain from the fluctuation of price. 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 factored 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 and prevents loss from changes in interest rates.

ii. Procedures

When trading in interest-linked 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 developed 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 the 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 on different dates. The Company's major financial instruments exposed to exchange rate risk are spot contracts 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 securities price 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 the general market will give rise to conditions that will negatively affect security prices.

ii. Purposes

To avoid the price of equity securities suffering from severe fluctuations that result in the Company's loss; to enhance the operating efficiency and strengthen the business.

iii. Procedures

To control investment 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 reported to management and some of the testing would be adjusted to meet the need of a specific sector, and usually performed with scenario analysis.

ii. Sensitivity analysis

Interest risks

Under the assumption that other variants remain the same, if the yield interest curve at December 31, 2019 and 2018 had moved 100 basis points upwards, the Company's income before tax would have decreased by $27,798 thousand and $36,269 thousand, respectively, whereas other comprehensive income would have decreased by $477,346 thousand and $304,196 thousand, respectively. If the yield interest curves at December 31, 2019 and 2018 had moved 100 basis points downwards, the Company's income before tax would have increased by $27,943 thousand and $36,123 thousand, whereas other comprehensive income would have increased by $476,031 thousand and $306,007 thousand, respectively.

Exchange rate risks

Under the assumption that other variants remain the same, if the exchange rate at December 31, 2019 and 2018 had depreciated 3% for USD/NTD and EUR/NTD, and 5% for JPY/NTD and 5% for other currencies/NTD, the Company's income before tax would have decreased by $22,510 thousand and $24,212 thousand, respectively.

Under the assumption that other variants remain the same, if the exchange rate at December 31, 2019 and 2018 had appreciated 3% for USD/NTD and EUR/NTD, and 5% for JPY/NTD and 5% for other currencies/NTD, the Company's income before tax would have increased by $22,510 thousand and $24,212 thousand, respectively.

Equity securities price risks

Under the assumption that other variants remain the same, if the price of domestic equity securities at December 31, 2019 and 2018 had increased 15%, and the price of foreign equity securities had increased 20%, the Company's income before tax would have increased by $25,395 thousand and $11,592 thousand, and other comprehensive income would have increased by $42,856 thousand and $53,645 thousand, respectively.

Under the assumption that other variants remain the same, if the price of domestic equity securities at December 31, 2019 and 2018 had dropped 15%, and the price of foreign equity securities had dropped 20%, the Company's income before tax would have decreased by $25,395 thousand and $11,592 thousand, and other comprehensive income would have decreased by $42,856 thousand and $53,645 thousand, respectively.
The above analyses are based on the assumption that the trends and historical data of all equity instruments are the same.

Summary of the sensitivity analyses is shown below:

December 31, 2019			
Main Risks	Variation	Effected Amount	
		Equity	Profit
Exchange rate risks (major currencies)	USD/NTD, EUR/NTD increased 3%	$ -	$ 22,801
Exchange rate risks (major currencies)	USD/NTD, EUR/NTD decreased 3%	-	(22,801)
Exchange rate risks (minor currencies)	JPY/NTD, other currencies/NTD increased 5%	-	(291)
Exchange rate risks (minor currencies)	JPY/NTD, other currencies/NTD dropped 5%	-	291
Interest rate risks	Yield curve increased 100 BPS	(477,346)	(27,798)
Interest rate risks	Yield curve decreased 100 BPS	476,031	27,943
Equity securities price risks	Domestic equity securities price increase 15%	42,856	25,395
Equity securities price risks	Foreign equity securities price increase 20%	-	-
Equity securities price risks	Domestic equity securities price decrease 15%	(42,856)	(25,395)
Equity securities price risks	Foreign equity securities price decrease 20%	-	-

December 31, 2018			
Main Risks	Variation	Effect 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%	-	-

i) Exchange rate risks

Exchange rate risks of holding net positions in foreign currencies are as below:

	December 31					
	2019			2018		
	Foreign Currency	Exchange Rate	Converted to NTD	Foreign Currency	Exchange Rate	Converted to NTD
Financial assets						
USD	$ 1,372,323	30.106	$ 41,315,143	$ 1,200,301	30.733	$ 36,888,858
RMB	1,161,975	4.323	5,023,216	1,037,903	4.475	4,644,617
AUD	21,617	21.10	456,128	11,942	21.68	258,906
JPY	1,066,885	0.277	295,527	1,482,389	0.278	412,697
EUR	7,465	33.73	251,780	13,673	35.22	481,559
HKD	47,372	3.866	183,141	55,659	3.924	218,408
SGD	5,848	22.37	130,820	2,255	22.49	50,715
NZD	5,034	20.267	102,019	4,532	20.625	93,477
Financial liabilities						
USD	1,302,685	30.106	39,218,638	1,144,103	30.733	35,161,732
RMB	947,717	4.323	4,096,982	906,032	4.475	4,054,492
AUD	39,507	21.10	833,605	36,464	21.68	790,531
ZAR	284,535	2.14	608,905	207,024	2.13	440,962
JPY	1,088,242	0.277	301,443	1,318,937	0.278	367,192
EUR	7,494	33.73	252,769	7,345	35.22	258,689
HKD	47,459	3.866	183,477	28,992	3.924	113,765
SGD	5,883	22.37	131,597	2,252	22.49	50,648
NZD	5,018	20,267	101,699	4,493	20.625	92,662

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, 2019

Items	1-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 360,470,246	$ 15,863,698	$ 1,558,788	$ 68,406,582	$ 446,299,314
Interest rate-sensitive liabilities	211,427,543	164,614,997	46,939,330	15,938,081	438,919,951
Interest rate-sensitive gap	149,042,703	(148,751,299)	(45,380,542)	52,468,501	7,379,363
Net worth					32,513,106
Ratio of interest rate-sensitive assets to liabilities (%)					101.68%
Ratio of interest rate-sensitive gap to net worth (%)					22.70%

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 (%)					103.81%
Ratio of interest rate-sensitive gap to net worth (%)					50.36%

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, 2019

Unit: USD in Thousands

Items	1-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 992,233	$ 108,907	$ 19,874	$ 227,665	$ 1,348,679
Interest rate-sensitive liabilities	646,426	385,604	262,933	1,100	1,296,063
Interest rate-sensitive gap	345,807	(276,697)	(243,059)	226,565	52,616
Net worth					14,130
Ratio of interest rate-sensitive assets to liabilities (%)					104.06%
Ratio of interest rate-sensitive gap to net worth (%)					372.37%

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%

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. In such transactions, the risk and reward of the financial assets are transferred when the proceeds of the sale and associated liability are recognized on the date of sale; the liability is paid when the securities are repurchased back in the future. The Group cannot use, sell or pledge such transferred financial assets during the effective term of the transaction; however, the financial assets are not derecognized in their entirety because the Group still bears related interest rate risk and credit risk. Information regarding these transferred financial assets and liabilities not derecognized entirely are summarized as below:

Financial Asset Categories	December 31, 2019				
	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
Repurchase agreements					
The investment of debt instruments at FVTOCI	$ 1,508,480	$ 1,500,968	$ 1,503,506	$ 1,500,968	$ 2,538
The investment of debt instruments measured at amortized cost	5,534,809	5,255,248	5,770,812	5,255,248	515,564

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
Repurchase agreements					
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

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; 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 is as follows:

December 31, 2019

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: Financial Instrument (Note)	Amounts not Offset on Balance Sheet: Received Cash Collaterals	Net Amount
Derivative financial instruments	$ 18,607	$ -	$ 18,607	$ -	$ -	$ 18,607
Securities under agreement to resell	4,147,102	-	4,147,102	4,226,232	-	(79,130)

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: Financial Instrument (Note)	Amounts not Offset on Balance Sheet: Pledged Cash Collaterals	Net Amount
Derivative financial instruments	$ 187	$ -	$ 187	$ -	$ -	$ 187
Securities under agreement to repurchase	6,756,216	-	6,756,216	7,274,318	-	(518,102)

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: Financial Instrument (Note)	Amounts not Offset on Balance Sheet: Received Cash Collaterals	Net Amount
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: Financial Instrument (Note)	Amounts not Offset on Balance Sheet: Pledged Cash Collaterals	Net Amount
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)

46. 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 needs for operation needs and to meet 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 adequate capital to bear the risks; measure capital demand according to risk combination and risk characteristics; fulfill the optimization of resources 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 deduction 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 calculations of eligible capital, risk-weighted assets and capital adequacy ratio are as follows:

Capital management of the Group for the years ended December 31, 2019 and 2018 both meet the standards and regulations as required by the authority.

Analysis Items / Year			December 31, 2019 Standalone	December 31, 2019 Consolidated
Eligible capital	Ordinary shares equity		$ 30,046,384	$ 30,662,758
	Other Tier 1 capital		4,767,572	5,408,325
	Tier 2 capital		6,057,656	7,494,232
	Eligible capital		40,817,612	43,565,315
Risk-weighted assets	Credit risk	Standardized approach	322,611,660	326,539,192
		Internal rating-based approach	-	-
		Securitization	-	-
	Operating risk	Basic indicator approach	12,528,956	12,968,168
		Standardized approach/ alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	18,631,104	18,631,104
		Internal model approach	-	-
	Total risk-weighted assets		353,771,720	358,138,464
Capital adequacy ratio			11.55%	12.16%
Ordinary shares equity risk-based capital ratio			8.49%	8.56%
Tier 1 risk-based capital ratio			9.84%	10.07%
Leverage ratio			6.65%	6.83%

Analysis Items / Year			December 31, 2018 Standalone	December 31, 2018 Consolidated
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%

Note 1: These tables were filled according to the "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 periods 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 formulas are 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

47. TRUST BUSINESS UNDER THE TRUST LAW

Balance Sheets of Trust Accounts
December 31, 2019 and 2018

	2019	2018
Trust assets		
Cash and bank deposits	$ 10,934,447	$ 8,948,131
Short term investments		
Funds	20,690,015	22,076,796
Bonds	1,804,044	1,050,034
Stocks	272,970	247,160
Real estate		
Land	29,323,596	30,086,915
Buildings	8,868	8,893
Securities under custody	4,545,871	5,223,932
	$ 67,579,811	$ 67,641,861
Trust liabilities		
Payable on securities under custody	$ 4,545,871	$ 5,223,932
Trust capital		
Money	31,031,725	28,976,720
Real estate	31,040,050	31,269,135
Monetary bonds and collaterals	1,015,881	2,258,050
Securities	272,979	247,161
Accumulated loss	(1,148,466)	(1,104,009)
Profit for current year	821,771	770,872
	$ 67,579,811	$ 67,641,861

Trust Properties of Trust Accounts
December 31, 2019 and 2018

Investment Portfolio	2019	2018
Cash and bank deposits	$ 10,934,447	$ 8,948,131
Short term investments		
Funds - NTD	9,818,281	10,388,475
- other currencies	10,871,734	11,688,321
Bonds - other currencies	1,804,044	1,050,034
Stocks	272,970	247,160
Real estate		
Land	29,323,596	30,086,915
Buildings	8,868	8,893
Securities under custody	4,545,871	5,223,932
	$ 67,579,811	$ 67,641,861

Income Statements of Trust Accounts
Years Ended December 31, 2019 and 2018

	2019	2018
Trust income		
Interest income	$ 13,461	$ 10,333
Dividends	1,139,554	1,214,647
Gains from properties trading	173,508	187,767
Realized capital gains	45,990	23,397
	1,372,513	1,436,144
Trust expense		
Trust administrative expenses	19,134	25,142
Commission and fee expenses	14,021	14,706
Loss from property trading	516,798	624,719
Others	789	705
	550,742	665,272
	$ 821,771	$ 770,872

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

48. PROFITABILITY

Items		December 31, 2019	December 31, 2018
Return on total assets	Before income tax	0.55%	0.66%
	After income tax	0.47%	0.56%
Return on net worth	Before income tax	8.74%	10.75%
	After income tax	7.40%	9.07%
Profit margin		31.86%	37.08%

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, 2019 and 2018.

49. ADDITIONAL DISCLOSURES

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

50. 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 serve as 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 is 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 is an analysis of the Group's revenue and results from continuing operations by reportable segment:

	2019				
	Banking	Securities	Other	Internal Elimination	Total
Net interest	$ 5,562,722	$ 26,297	$ 119,177	$ 327	$ 5,708,523
Commission and fee revenues, net	1,165,405	-	5,250	2,428	1,173,083
Other noninterest net revenues	553,703	80,969	66,372	(98,646)	602,398
Net revenues	7,281,830	107,266	190,799	(95,891)	7,484,004
Allowance for doubtful accounts, commitment and guarantees	876,563	-	11,878	-	888,441
Operating expenses	3,667,165	92,208	81,620	(16,595)	3,824,398
Income before income tax	$ 2,738,102	$ 15,058	$ 97,301	$ (79,296)	$ 2,771,165

	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	449,774	73,488	55,998	(80,500)	498,760
Net revenues	6,881,628	99,680	164,495	(81,117)	7,064,686
Allowance for doubtful accounts, commitment and guarantees	261,304	-	32,739	-	294,043
Operating expenses	3,595,605	88,368	64,286	(10,261)	3,737,998
Income before income tax	$ 3,024,719	$ 11,312	$ 67,470	$ (70,856)	$ 3,032,645

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

No segment assets and liabilities are disclosed as the Group evaluates the amount with deposits and loans and financial assets and liabilities equally.

c. Segment information

	2019				
Item	Domestic and Others	Hong Kong and Macau	China	Elimination	Total
External revenue	$ 7,419,717	$ 95	$ 64,192	$ -	$ 7,484,004
Internal revenue	125,786	29,893	-	(155,679)	-
Net revenue	$ 7,545,503	$ 29,988	$ 64,192	$ (155,679)	$ 7,484,004
Income before income tax	$ 2,728,176	$ -	$ 42,989	$ -	$ 2,771,165
Identifiable assets	$ 524,431,932	$ 17	$ 950,196	$ -	$ 525,382,145

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

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 of the years 2019 and 2018.

TABLE 1

SUNNY BANK AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(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)	Virtual Shares (Thousands)	Total		
								Shares (Thousands)	Percentage of Ownership	
Sunny Securities Co.	Taipei	Investment securities business	100.00	$ 590,896	$ 11,888	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	156,996	6,986	15,000	-	15,000	100.00	Subsidiary, Note 3
Sunny International Leasing Co.	Taipei	Leasing business	100.00	1,535,812	76,856	152,500	-	152,500	100.00	Subsidiary, Note 3
Sunny E-Commercial Co., Ltd.	Taipei	Mobile payment and business	100.00	28,319	(634)	5,000	-	5,000	100.00	Subsidiary, Note 3
Sunny Microfinance PLC.	Cambodia	Financial business	100.00	253,987	(36,958)	980	-	980	100.00	Subsidiary, Note 3
Financial Information Service Co., Ltd.	Taipei	Planning and developing the information system of banking institutions and managing the information web system	2.49	569,602	35,120	13,008	-	13,008	2.49	
Taiwan Financial Asset Service Co., Ltd.	Taipei	Auction	2.94	42,000	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	117,931	3,765	1,102	-	1,102	0.29	
Sunny Asset Management Corp.	Taipei	Purchasing of financial institutions' loan assets	1.11	1,256	86	67	-	67	1.11	
Taiwan Mobile Payment Co., Ltd.	Taipei	Mobile payment and business	1.00	2,706	-	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 the definition of the Company Act have been reported.

Note 2: The investment gain (loss) recognized were investment gain or loss recognized by 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 statements.

TABLE 2

SUNNY BANK AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Holding Company	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Number of Shares (In Thousands)	Carrying Amount	Percentage of Ownership	Fair Value	
King Sunny Assets Management Co.	Stock Sunny Real Estate Management Co., Ltd	Note	Financial assets measured at FVTOCI	10	$ 3,000	10.00	$ 3,000	
Sunny International Leasing Co.	Stock Sunny Finance Lease (HK) Limited	Subsidiary	Investments accounted for using equity method	30,000	920,645	100.00	920,645	
Sunny Finance Lease (HK) Limited	Stock Sunny Finance and Leasing (China) Co., Ltd.	Subsidiary	Investments accounted for using equity method	-	921,194	100.00	921,194	

Note: Sunny Real Estate Management Co., Ltd. had returned its shares for the total amounts of $3,000 thousand to King Sunny Assets Management Co.; however, the company did not change the name as agreed. Therefore, the shares are still held by King Sunny Assets Management Co. instead of the actual shareholders.

TABLE 4

SUNNY BANK AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Sunny Bank Ltd.	Real estate	2019.4.16	$7,813,644	First installment: 5% of transaction amount Second installment: 39% of transaction amount Third installment: 6% of transaction amount Fourth installment: 6% of transaction amount Fifth installment: 6% of transaction amount Sixth installment: 3% of transaction amount Seventh installment: 3% of transaction amount Eighth installment: 3% of transaction amount Ninth installment: 2% of transaction amount Tenth installment: 2% of transaction amount Eleventh installment: 24% of transaction amount Twelfth installment: 1% of transaction amount	Just Land Development Co., Ltd.	NA	-	-	-	-	Hong Bong Real Estate Appraiser Firm: $7,594,166 thousand Euro Asia Assets Evaluation Group: $7,453,600 thousand Honda Real Estate Group: $7,305,085 thousand	As the headquarters	NA

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TABLE 4

SUNNY BANK AND SUBSIDIARIES

INFORMATION ON THE INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(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, 2019 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2019	Accumulated Repatriation of Investment Income as of December 31, 2019
					Outward	Inward						
Sunny Finance and Leasing (China) Co., Ltd.	Leasing	$ 899,400 (US$ 30,000)	Investment in mainland China companies through an existing company established in a third region.	$ 899,400 (US$ 30,000)	$ -	$ -	$ 899,400 (US$ 30,000)	$ 29,893 (RMB 6,683)	100	$ 29,893 (RMB 6,683)	$ 921,194	$ -

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA (Notes 1 and 2)	Limit on the Amount of Investment, as Stipulated by the Investment Commission, MOEA
$899,400 (US$30,000)	$899,400 (US$30,000)	$921,486

Note 1: Based on Rule No. 102000005490 approved by the Investment commission, MOEA on January 18, 2013, the authorized investment amount is US$10,000 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 on the approval date was within the limit.

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

TABLE 5

SUNNY BANK LTD. AND SUBSIDIARIES

RELATED PARTY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

No.	Transaction Company	Counterparty	Flow of Transaction	Description of Transactions			Percentage to Consolidated Revenue/Assets
				Financial Statement Account	Transaction Amount	Transaction Item	
0	Sunny Bank Ltd.	Sunny Securities Co.	From parent company to subsidiary	Deposits and remittances	$ 148,196	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	34,568	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	34,210	Interest is calculated based on annual deposit interest rate from 0.03% to 0.75%.	0.01
		Sunny International Leasing Co.	From parent company to subsidiary	Deposits and remittances	25,202	Interest is calculated based on annual deposit interest rate from 0.03% to 1.115%.	0.01

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.

Annex.II Sunny Bank Ltd.

Financial Statements for the
Years Ended December 31, 2019 and 2018 and
Independent Auditor’s Report

Sunny Bank Ltd.

Financial Statements for the Years Ended December 31, 2019 and 2018 and Independent Auditors' 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, 2019 and 2018, 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, 2019 and 2018, 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, 2019. 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.

The key audit matters of the Bank's financial statements for the year ended December 31, 2019 are stated as follows:

Impairment of Discounts and Loans, Receivables and Loan Commitments

Evaluation of impairment of discounts and loans, receivables and loan commitment is based on the Bank's assumptions about the probability of default and the default loss rate which are based on historical experience, existing market conditions, forward-looking estimates etc. Assessment of evidence of the probability of default and impairment on discounts and loans, receivables and loan commitments, and the determination of whether the credit risk on discounts and loans, receivables and loan commitments 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 flows should 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's accounting policies related to impairment of discounts and loans, receivables and loan commitments; refer to Note 5 for critical accounting judgements and key sources of estimations uncertainty, and refer to Note 14 and 44 for details and disclosures.

In response to the key audit matter mentioned above, we performed the following audit procedures. We understood whether the management's methodology, assumptions and inputs used in the impairment model confom with in IFRS9. We evaluated whether the assumptions and inputs used appropriately to reflected past issues, current situation and forecast 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. We 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, 2019 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 Shu-Wan Lin.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 24, 2020

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, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	$ 6,020,965	1	$ 7,118,794	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Note 7)	25,488,369	5	18,425,958	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	16,290,999	3	20,309,417	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 10, 11 and 41)	76,594,732	15	68,309,022	15
FINANCIAL ASSETS AT AMORTIZED COST (Notes 4, 10, 11 and 41)	29,994,687	6	25,333,318	5
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 4 and 12)	4,147,102	1	1,813,247	-
RECEIVABLES, NET (Notes 4, 13 and 14)	2,020,942	-	2,005,694	-
DISCOUNTS AND LOANS, NET (Notes 4, 14 and 40)	340,110,036	65	310,786,794	66
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD, NET (Notes 4 and 15)	2,566,010	-	2,272,603	1
OTHER FINANCIAL ASSETS, NET (Notes 4, 16 and 41)	5,351,321	1	5,859,327	1
PROPERTY AND EQUIPMENT, NET (Notes 4 and 17)	13,561,398	3	9,257,582	2
RIGHT-OF-USE ASSETS, NET (Notes 3, 4, 18 and 40)	184,827	-	-	-
INTANGIBLE ASSETS, NET (Notes 4 and 19)	1,168,675	-	1,161,256	-
DEFERRED TAX ASSETS (Notes 4 and 38)	221,871	-	180,231	-
OTHER ASSETS, NET (Notes 20 and 41)	170,298	-	186,883	-
TOTAL	$ 523,892,232	100	$ 473,020,126	100
LIABILITIES AND EQUITY				
DUE TO THE CENTRAL BANK AND BANKS (Note 21)	$ 7,303,606	1	$ 6,513,606	2
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	187	-	20,979	-
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE (Notes 4, 9, 10 and 22)	6,756,216	1	4,351,089	1
PAYABLES (Note 23)	2,488,111	1	3,806,666	1
CURRENT TAX LIABILITIES (Notes 4 and 38)	156,534	-	245,772	-
DEPOSITS AND REMITTANCES (Notes 24 and 40)	459,083,477	88	413,110,761	87
BANK DEBENTURES (Note 25)	14,560,000	3	14,530,000	3
PROVISIONS (Notes 4, 14, 26 and 27)	129,806	-	154,773	-
LEASE LIABILITIES (Notes 3, 4, 18 and 40)	177,333	-	-	-
DEFERRED TAX LIABILITIES (Notes 4 and 38)	106,829	-	118,454	-
OTHER LIABILITIES (Note 28)	341,877	-	284,663	-
Total liabilities	491,103,976	94	443,136,763	94
EQUITY (Notes 4 and 29)				
Ordinary shares	26,123,567	5	23,927,206	5
Capital surplus	61,243	-	50,593	-
Retained earnings				
Legal reserve	3,491,793	1	2,767,621	1
Special reserve	58,254	-	46,184	-
Unappropriated earnings	2,302,640	-	2,413,908	-
Total retained earnings	5,852,687	1	5,227,713	1
Other equity	750,759	-	677,851	-
Total equity	32,788,256	6	29,883,363	6
TOTAL	$ 523,892,232	100	$ 473,020,126	100

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

SUNNY BANK LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST REVENUE	$ 9,775,671	134	$ 8,978,957	131	9
LESS: INTEREST EXPENSE	4,212,949	58	3,632,881	53	16
NET INTEREST (Notes 4, 30 and 40)	5,562,722	76	5,346,076	78	4
NET REVENUES OTHER THAN INTEREST (Note 4)					
Commission and fee revenues, net (Notes 31 and 40)	1,165,405	16	1,085,778	16	7
Gains on financial assets and liabilities at fair value through profit or loss (Note 32)	203,817	3	19,197	-	962
Realized gains on financial assets at fair value through other comprehensive income (Note 33)	110,074	2	109,682	2	-
Foreign exchange gain (loss)	84,644	1	155,493	2	(46)
Impairment loss on assets	(2,438)	-	(273)	-	793
Share of profit of subsidiaries	58,138	1	70,857	1	(18)
Rental income (Note 40)	73,389	1	71,808	1	2
Other noninterest net revenue (Note 34)	26,079	-	23,010	-	13
Total net revenues other than interest	1,719,108	24	1,535,552	22	12
TOTAL NET REVENUE	7,281,830	100	6,881,628	100	6
ALLOWANCE FOR DOUBTFUL ACCOUNTS AND GUARANTEES (Notes 4 and 14)	(876,563)	(12)	(261,304)	(4)	235
OPERATING EXPENSES					
Employee benefits (Notes 4, 27, 29, 35 and 40)	2,176,855	30	2,181,345	31	-
Depreciation and amortization (Notes 4 and 36)	361,318	5	259,719	4	39
Others (Note 37)	1,128,992	15	1,154,541	17	(2)
Total operating expenses	3,667,165	50	3,595,605	52	2

(Continued)

SUNNY BANK LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INCOME BEFORE INCOME TAX	$ 2,738,102	38	$ 3,024,719	44	(9)
INCOME TAX EXPENSE (Notes 4 and 38)	418,316	6	472,785	7	(12)
NET INCOME	2,319,786	32	2,551,934	37	(9)
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation (Notes 4 and 27)	(73,273)	(1)	(55,047)	(1)	33
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	(11,440)	-	126,273	2	(109)
Share of other comprehensive gain (loss) of subsidiaries	(725)	-	93	-	(880)
Income tax benefit relating to items that will not be reclassified subsequently (Notes 4 and 38)	14,654	-	15,470	-	(5)
	(70,784)	(1)	86,789	1	(182)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations	(17,118)	-	10,094	-	(270)
Share of other comprehensive loss of subsidiaries	(34,979)	-	(11,430)	-	206
Losses from investments in debt instruments measured at fair value through other comprehensive income	175,882	2	(82,145)	(1)	314
	123,785	2	(83,481)	(1)	248
Other comprehensive income (loss) for the year, net of income tax	53,001	1	3,308	-	1,502
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 2,372,787	33	$ 2,555,242	37	(7)
EARNINGS PER SHARE (Note 39)					
Basic	$ 0.91		$ 1.05		
Diluted	$ 0.91		$ 1.05		

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

SUNNY BANK LTD.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company										
	Share Capital			Retained Earnings				Other Equity			
	Shares in Thousand	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	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	Total Equity
BALANCE AT JANUARY 1, 2018	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
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
Appropriation of the 2018 earnings											
Legal reserve	-	-	-	724,172	-	(724,172)	-	-	-	-	-
Special reserve	-	-	-	-	12,070	(12,070)		-	-		-
Cash dividends	-	-	-	-	-	(478,544)	(478,544)	-	-	-	(478,544)
Share dividends	119,636	1,196,361	-		-	(1,196,361)	(1,196,361)	-	-		-
Net income for the year ended December 31, 2019	-	-	-	-	-	2,319,786	2,319,786	-	-	-	2,319,786
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(59,343)	(59,343)	(52,097)	164,441	-	53,001
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	2,260,443	2,260,443	(52,097)	164,441	-	2,372,787
Issue of ordinary shares for cash	100,000	1,000,000	-	-	-	-	-	-	-	-	1,000,000
Value of share-based payment under employee share options	-	-	10,650		-			-	-		10,650
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	39,436	39,436	-	(39,436)	-	-
BALANCE AT DECEMBER 31, 2019	2,612,357	$ 26,123,567	$ 61,243	$ 3,491,793	$ 58,254	$ 2,302,640	$ 5,852,687	$ (91,235)	$ 841,994	$ -	$ 32,788,256

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

SUNNY BANK LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 2,738,102	$ 3,024,719
Adjustments for:		
Depreciation expenses	300,887	219,385
Amortization expenses	60,431	40,334
Allowance for doubtful accounts and guarantees	876,563	261,304
Interest expenses	4,212,949	3,632,881
Interest revenues	(9,775,671)	(8,978,957)
Dividend income	(58,643)	(54,896)
Share-based payments	10,650	150
Share of profit of subsidiaries	(58,138)	(70,857)
Gain on disposal of property and equipment	(13,497)	(15,624)
Realized gains on financial assets at fair value through other comprehensive income	(51,651)	(56,042)
Impairment loss on financial assets	2,438	273
Changes in operating assets and liabilities		
Increase in due from the Central Bank and call loans to other banks	(6,309,350)	(2,071,574)
Decrease (increase) in financial assets at fair value through profit or loss	4,018,418	2,107,223
Increase in receivables	(22,039)	(101,868)
Increase in discounts and loans	(30,109,513)	(24,684,944)
Increase (decrease) in due to the central bank and banks	790,000	(800,000)
Increase (decrease) in financial liabilities at fair value through profit or loss	(20,792)	12,939
Increase (decrease) in securities sold under agreements to repurchase	2,405,127	(5,304,046)
Increase (decrease) in payables	(1,334,888)	109,722
Increase in deposits and remittances	45,972,716	36,331,578
Increase (decrease) in provision	(92,570)	6,934
Net cash generated from operations	13,541,529	3,608,634
Interest received	10,122,515	9,131,265
Dividends received	72,571	81,525
Interest paid	(4,196,616)	(3,511,103)
Income tax paid	(546,164)	(406,239)
Net cash generated from operating activities	18,993,835	8,904,082
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(529,717,455)	(517,482,064)
Proceeds of disposal of financial assets at fair value through other comprehensive income	521,236,628	514,629,756
Acquisition of financial assets at amortized cost	(4,817,737)	(4,317,832)
Acquisition of investments accounted for using equity method	(271,656)	(400,000)
Acquisition of subsidiary	-	(26,167)
Acquisition of property and equipment	(4,565,631)	(179,297)

(Continued)

SUNNY BANK LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
Proceeds from disposal of property and equipment	$ 53	$ 34,339
Acquisition of intangible assets	(40,568)	(40,723)
Decrease (increase) in other financial assets	505,984	(257,411)
Decrease (increase) in other assets	7,279	(30,372)
Net cash used in investing activities	(17,663,103)	(8,069,771)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of the principal portion of lease liabilities	(64,172)	-
Issue of bank debentures	1,330,000	1,050,000
Repayment of bank debentures on maturity	(1,300,000)	(300,000)
Increase (decrease) in other liabilities	57,214	(19,802)
Cash dividends paid	(478,544)	(432,589)
Proceeds from issue of ordinary shares	1,000,000	1,000,000
Net cash generated from financing activities	544,498	1,297,609
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	113,857	(97,239)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,989,087	2,034,681
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	10,786,199	8,751,518
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 12,775,286	$ 10,786,199

Reconciliation of the amounts in the statement of cash flows with the equivalent items reported in the balance sheets at December 31, 2019 and 2018:

	December 31	
	2019	2018
Cash and cash equivalents in balance sheets	$ 6,020,965	$ 7,118,794
Due from the Central Bank and call loans to other banks reclassified as cash and cash equivalents under IAS 7 "Statement of Cash Flows"	2,607,219	1,854,158
Securities purchased under agreements to resell reclassified as cash and cash equivalents under IAS 7 "Statement of Cash Flows"	4,147,102	1,813,247
Cash and cash equivalents at the end of the year	$ 12,775,286	$ 10,786,199

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

Sunny Bank Co., Ltd

Chairman: CHEN, SHENG-HUNG

陽信銀行
SUNNY BANK