



陽信銀行
SUNNY BANK

Date of publication : March 31, 2021

Stock Code : 2895

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

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

2020 ANNUAL REPORT



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

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I. Letter to Shareholders

chapter

1. 2020 Operating Performance
2. Overview of the 2021 Business Plan
3. Future Development Strategies
4. Impact from External Competitive Environment, Regulatory Environment, and Macroeconomic Environment
5. Credit Rating

Dear Shareholders,

According to the domestic and overseas economic analysis report of the Ministry of Economic Affairs and the current economic situation briefing of the National Development Committee, the global economy is expected to gradually recover in 2021 as a result of the COVID-19 vaccination rollout and low base period in 2020. According to IHS Markit latest projection in January, the global economic growth this year is estimated at 4.42%, which is higher than last year's (2020) -3.92%. Furthermore, it is predicted that the economic growth next year (2022) would reach 4.13%.

The latest US bailout plan worth USD 1.9 trillion is focused on the following programs: USD1,400 stimulus checks are issued to American citizen, the federal minimum wage is raised to USD15 per hour, USD350 billion is allocated to states and local governments, there is an increase in unemployment benefits, USD25 billion rental assistance is provided, USD400 billion funding is allotted for education recovery; there is improvement in COVID-19 virus testing and vaccine acceleration, etc. IHS Markit also predicted the U.S. economic growth rate to trend around 4.02% this year and 3.95% in 2022.

On January 21, 2021, the European Central bank announced to retain basic rate and Asset Purchase Programs. It will also implement the "Pandemic Emergency Property Purchase Plan (PEPP)" worth EUR1.85 trillion until the end of March, 2022 and related investments would continue up to the end of 2023.

The economic growth rate in the Asia-Pacific region (Japan excluded) is estimated at 6.33% this year and 5.09% next year, according to the IHS Markit forecast on January 2021. The Bank of Japan issued an "Economic Activity & Retail Price Prospectus" on January 21, 2021 and indicated that Japan remains in a rigorous economic state and although export and industrial production is driven by the global economy's gradual recovery, domestic sales or local consumer spending remains sluggish due to the pandemic. Japan's economic growth rates in 2021 and 2022 are estimated to be 3.9% and 1.8%, respectively.

In the domestic sector, given our robust pandemic policy, there has been a massive expansion in domestic production capacity of semiconductors, information processing and video/audio products, which fits the make-to-stock orders for demand of 5G, remote business opportunities as well as new electronic products that are effective in mitigating impact; however, its strength is expected to stabilize the growth with the increase in green energy investments from private corporations engaged in semiconductors that promote state-of-art processes and offshore wind power businesses as well as investments from returning Taiwanese companies. The Executive Yuan's Directorate General of Budget, Accounting and Statistics approximately estimates economic growth to reach 2.98% and expects economic growth to reach 3.83% in 2021.

With respect to the global economy, there are still many risk variables to be considered at present, which include the COVID-19 pandemic, subsequent trade developments between US and China as well as technological disputes, sovereign debt crises that aggravate financial weakness, geopolitics, etc.; all these affect international economic prospects. 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 2020, the Bank's net profit after tax was NT\$2,415,489,000 with an EPS of NT\$0.88.

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 2020 for a total of NT\$3.3 billion. At the end of 2020, the Bank's capital exceeded NT\$28.2 billion, the first-class capital ratio is 11.64%, and the capital adequacy ratio is 13.08%. In the future, the Bank will continue to be committed to ensuring stable operations and seek the best interests for all shareholders. The 2020 annual business results and the 2021 business plan are summarized as follow:

1. 2020 Operating Performance

(1) Optimizing Operating Channels to Create Maximum Synergy

- A. Datong Branch was moved to 1~2F, No. 110 & 112, Sec. 3, Chongching N. Rd., Datong Dist., Taipei City, Taiwan on April 20, 2020 to expand its operations and improve service quality.
- B. Lin Yuan Mini Branch was changed to a full-function branch on September 28, 2020 to facilitate the bank's overall regional business and operational growth.
- C. Feng Yuan Branch was established on October 5, 2020 to increase branch channel value and enhance overall business performance.

(2) Changes in Bank Organization

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.

(3) Business Plan and Strategy Implementation Results

In 2020, the Bank continued to control the quality of its assets and achieved remarkable results. At the end of 2020, the Bank's non-performing loan ratio was 0.22%, and its NPL coverage ratio was 555.50%, keeping its operational constitution at a steady level. In terms of the development of various businesses, the total deposit balance at the end of 2020 was NT\$524,015,727 thousand, an increase of NT\$64,963,965 thousand from NT\$459,051,762 thousand at the end of 2019; the total loan balance was NT\$ 388,494,358 thousand, an increase of NT\$44,187,469 thousand from NT\$344,306,889 thousand at the end of the 2019. The overall operating performed quite well.

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

Main Business Items	2020	2019	Growth Rate Compared to Last Year (%)
Deposit (Year End Balance)	524,015,727	459,051,762	14.15
Loan (Year End Balance)	388,494,358	344,306,889	12.83
Wealth Management Business	14,602,553	9,907,539	47.39
Import / Export and Foreign Exchange Businesses (thousand in USD)	5,393,677	5,666,895	(4.82)
Trust Property Scale	68,439,981	67,579,811	1.27
Investments in Equity Method (Year End)	2,623,236	2,566,010	2.23

(4) Budget Execution

The Bank's scale of deposits and loans and its benefit has increased steadily in 2020, which keeps its operational constitution at a steady level. The balance of deposits (NT\$ and foreign currency) was NT\$524billion, reaching 110.9% of the budget target. The balance of loans (NT\$ and foreign currency) was NT\$388.5 billion, reaching 108.2% of the budget target. The net profit after tax of 2020 was NT\$2.42 billion, reaching 81.8% 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	2020	2019	Compared to Last Year (%)
Net Interest Income	5,750,422	5,562,722	3.37
Net Non-Interest Income	1,686,347	1,719,108	(1.91)
Net Income	7,436,769	7,281,830	2.13
Bad Debt Expense & Guarantee Liability Provisions	(811,531)	(876,563)	(7.42)
Operating Expenses	3,801,803	3,667,165	3.67
Net Profit Before Tax	2,823,435	2,738,102	3.12
Net Profit After Tax	2,415,489	2,319,786	4.13
EPS After Tax	0.88	0.88	0.00

(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 2021 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

The average amount of deposits (NT\$ and foreign currency) at the end of 2020 reached NTD 484.8 billion, while annual deposits in 2021 reached NTD 514.8 billion, which is expected to grow to about NTD 30 billion. The average loan as of the end of 2020 (in New Taiwan Dollars and foreign currency) reached NTD 363.8 billion, while the annual average loan in 2021 is expected to reach NTD 389 billion with a potential growth of about NTD 25.2 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 2021. 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) Adjusting Loan Structures

To have a steady operation and to follow the policies of the competent authorities, in 2021, the Bank will continue our extending credit strategy to focus on both secured and profitability real estate turnover lending (including short-term and medium-term secured housing loans, enterprise operating turnover lending, and subordinated housing loans), and coordinate with the SMEs lending policy of FSC, to undertake quality, profit and volume oriented SMEs real estate lending cases. In addition, taking into account the reduction in interest rates that could lead to a smaller spread and net interest income, the Bank plans to optimize its operations by expanding car loans and second mortgages as well as other high-interest consumer/financial commodities, while retaining call loans to adjust the real estate lending as a percentage of total lending, and maintain a steady growth in annual lending to increase interest income, in order to strengthen the Bank's profit base.

(3) 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 continue monitoring market change, update marketing message, and seek timely advice of wealth management specialists so as to help clients adjust to property distribution and to generate profit.
- B. Trust: In addition to the continuous promotion of real estate trusts and monetary claims, security interests created on trusts, indemnity against trust assets, transaction security trust (Trust in New Taiwan Dollars and foreign currency), Wonderful Family Trust and gift voucher advance-receipts trust (including e-coupons) and other businesses, and transaction security plan in foreign currency of trust companies.
- C. Foreign exchange: To strengthen the acceptance of foreign currency deposits, guide branches to develop the import and export businesses of small and medium enterprises, reinforce the e-commerce function of foreign exchange businesses and provide customers with an all-in-one service via the OBU platform, internal effective assessment and educational trainings, as well as talent training programs.
- D. Investment: To expand the scalability of financial operations and transaction tool: Expand the scale of counterparty transactions further, establish trade lines, expand overseas investment, increase position in overseas bond investment and look for new targets.
- E. Credit card: To promote card issuance and continuous acceptance of orders, and to upgrade to JCB card with J/Speedy sensor.

(4) Continuing To Boost Income

In 2021, given the subsequent pandemic-related developments in which it is not easy to expand the network, the market competition is fierce, and so the Bank still aims to strengthen its financial operations, car loans and subordinated

mortgage loans and other high-spread products for higher revenue. The 2021 pre-tax profit target is set at NT\$3.8 billion.

(5) Stabilizing Funding Sources and Reducing Funding Costs

In 2021, 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.

(6) Maintain Good Property Quality

The Bank will continue to reduce Non-Performing Loan Ratios (NPL ratio) and improve coverage ratio to achieve banking industry standards.

(7) Improve BIS Ratio

The Bank will continue to focus on the proportion of loan products to achieve optimal (risky) asset allocation. It will also increase its own capital through common stock dividends, increase cash capital, issue subordinated debentures and raise its BIS ratio.

(8) Developing E-Services

In compliance with the digitalization of finance, the Bank continues to firmly develop its digital banking services, provide convenience and facilitate optimization of its digital platform including online opening of accounts, personal e-banking, corporate e-banking, mobile e-banking APP and others to enhance customer experience in our E-services.

(9) Expand nationwide financial service network

The Bank is preparing to move its headquarters, while undertaking plans to assess and acquire its own building to strengthen overall operational efficiency.

(10) Reinforce integrated marketing among departments/divisions and subsidiaries

The Bank plans to implement cross-selling among departments/divisions and subsidiaries to improve utilization rate, client list, and business development.

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 of External Competitive Environment, Regulatory Environment, and overall business Environment

With the continuous vaccination efforts and epidemic prevention measures, global outlook remains optimistic as the economy gets back on track. In fact, some major rating agencies have upgraded their global economic growth forecast. 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.

The Financial Supervisory Commission (FSC) approved LINE Bank in 2019, along with another two e-banks including Next Bank and Rakuten International Commercial Bank. Investments in the banking industry have started in 2021, thus creating new market competition and opportunities. Having operational advantage and a wide client base has a potential impact on consumer finance business, although limited in the short-term; however, looking ahead, it should not be ignored and underestimated. Hence, the Bank will continue to optimize its digital banking services to respond to the needs and development of the financial sector. 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)	Negative	May 22, 2020

Chairman

CHEN, SHENG-HUNG (with seal)



President

DING, WEI-HAO (with seal)





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chapter

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 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 Ltd. undertook the business of Yuanlin Credit Cooperative in Changhua and 2nd Credit Cooperative in Pingtung respectively on September 15, 2001. On August 24, 2002, it then took over the business of Tainan 5th Credit Cooperative and increased 21 branches in total. On July 20, 2004, it was approved to expand its business area and became a nationwide bank.

To have competitive advantages in hand and to enlarge the scale and scope of its operation, Sunny Bank Co., Ltd merged with Kao Shin Commercial Bank on November 26, 2005, and increased its Branch number from 62 to 96. Later in September of 2007, the Bank established the Luotong Branch, which successfully expanded its service area to Eastern Taiwan. Then the Chupei, Chungsing and Changhua branches were successfully opened as well as the Eastern Taoyuan and Nangang branches (2010), Beitun Branch (2011), Tucheng and Keelung branches (2012). To have its service area covered every administration district in Taipei City, the Bank established the Wanhua Branch in 2013.

To cooperate with FSC’s policy of balancing urban-rural development and improving the local financial services, the Bank has set up Hualien Branch, Miaoli Branch and Longjing Branch in 2014. To increase the distribution value of our branch offices and to cooperate with FSC policy mentioned above, the Bank has not only relocated Dali and Datong branches, but also set up Yunlin, Nantou, Taitung and Yilan branches in 2015. The Bank, which now has a network of 103 branch offices that covers principal administrative regions across the nation, has an even more complete financial service network.

To promote the overall and regional business growth and operating development, the Bank upgraded the Xinhua mini-branch to a full-function branch in 2016. In 2017, the South Taoyuan and the Xizhi Branch were established, and the four mini branches of “Daye, Xinde, Yongkang and Qishan” were upgraded to full-function branches. In 2018, the Bank had continued to transfer and establish the Heping Branch, and upgrade the two mini branches of Shetou and Dongning. In 2019, the Bank established Linkou Branch, Fengyuan Branch in 2020, and the number of branches has grown to 105; also, the Bank upgraded its Linyuan mini Branch into a full function all-in-one branch 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. The Bank had purchased a property for its new headquarters, located between Minchuan W. Rd., and Chongshan N. Rd., Chongshan District, Taipei City. Construction would be completed in 2023 and is set to synergize business groups, promoting its new corporate image and operational activities.

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 "Sunny Digital Life Experience Center" and won the "Best Service Innovation Award for E-commerce Cash Flow Business" from Financial Information Service Co., Ltd. In addition, the Bank has actively developed in-depth loan programs for SMEs to increase spread in accordance with government policies. It is consistent in providing the best service and has been given a Grade A rating in terms of the "National Bank's Enforcement of SMEs Loan Solutions" for 6 years (out of 8 years).

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 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

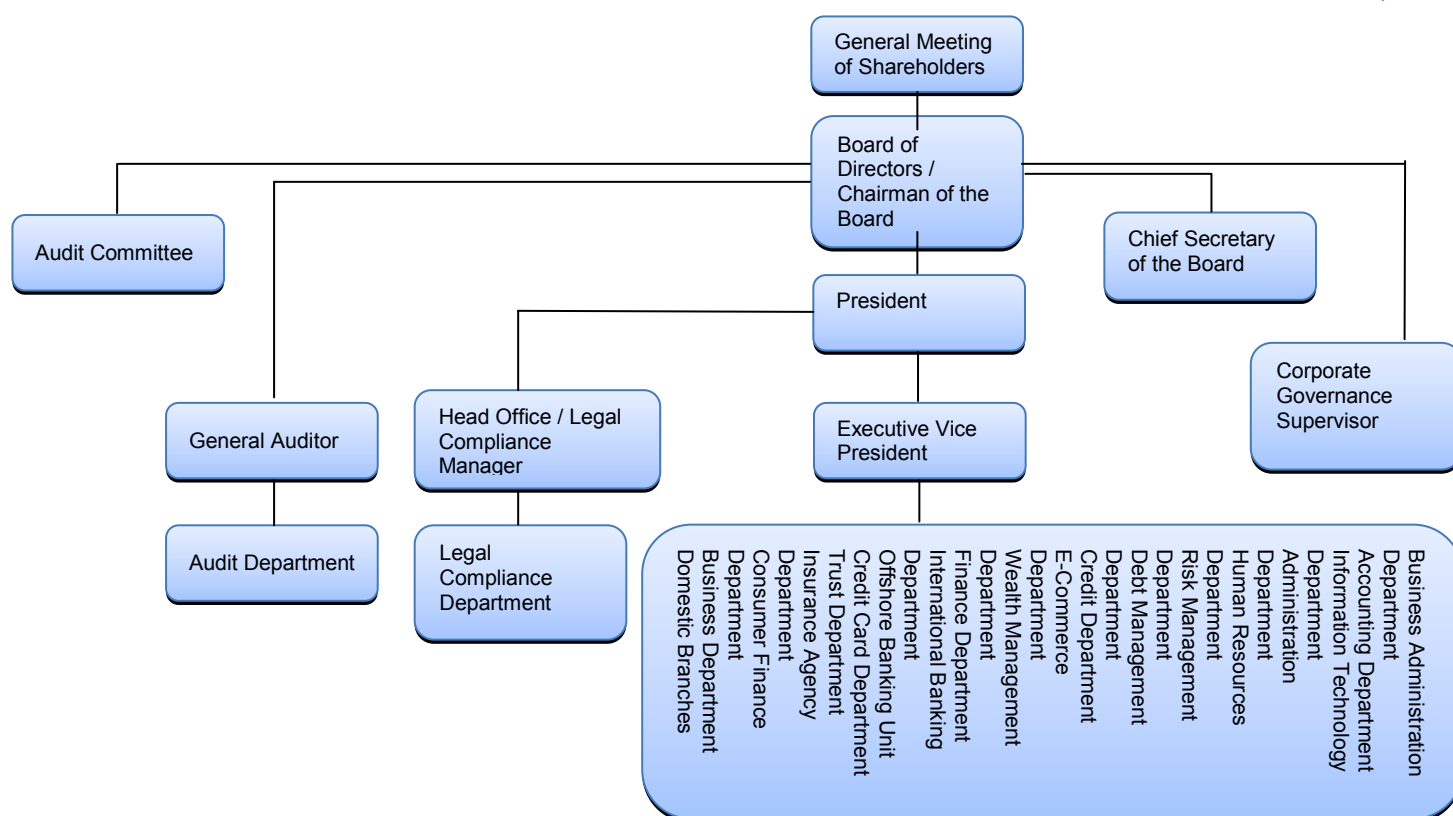
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1. Organization

(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, 2020

Position (Note 1)	Nationality or Place of Registration	Name	Gender	Date Elected (Employed)	Term	Initial Elected Date (Note 2)	Holding at Election		Present Holding		Current Shares of Spouse and Minors Children		Holding Shares in Other Names		Education & Experience (Note 3)	Concurrent Positions at our Bank and Other Companies	Other Chief, Director or Supervisor as Spouse, Minors or any other Relatives within the second level relationships		
							Shares	Ratio %	Shares	Ratio %	Shares	Ratio %	Shares	Ratio %			Position	Name	Relations hip
Chairman	The Republic of China	Fu Li Yang Investment Co., Ltd.	Male	June 4, 2018	3 years	June 15, 2015	197,376,499	7.01	291,224,593	10.34	-	-	-	-	Taipei City Council. 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. Chairman of Sunny Foundation.	Special Assistant to President	Ho, Li-Wei	Father & Son
		Representative: Chen, Sheng-Hung					-	-	10,197,192	0.36	4,591,153	0.16	-	-			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	0.18	5,628,884	0.20	867,360	0.03	-	-	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

Position (Note 1)	Nationality or Place of Registration	Name	Gender	Date Elected (Employed)	Term	Initial Elected Date (Note 2)	Holding at Election		Present Holding		Current Shares of Spouse and Minors Children		Holding Shares in Other Names		Education & Experience (Note 3)	Concurrent Positions at our Bank and Other Companies	Other Chief, Director or Supervisor as Spouse, Minors or any other Relatives within the second level relationships		
							Shares	Ratio %	Shares	Ratio %	Shares	Ratio %	Shares	Ratio %			Position	Name	Relations hip
Managing Director	The Republic of China	Fu Li Yang Investment Co., Ltd.	Male	June 4, 2018	3 years	June 15, 2015	197,376,499	7.01	291,224,593	10.34	-	-	-	-	Owner of YUANSHUEN JEWELRY CO., LTD. Director of Yang Ming Shan. Director, Managing Supervisor, Managing Director of Sunny Bank. Director of SUNNY BANK Insurance Agent Co., Ltd. Director of SUNNY BANK Property Insurance Broker Co., Ltd. Graduated from Senior High School.	Shareholder of Kwang Hong Co., Ltd. Director of Sunny Culture and Education Foundation.	None	None	None
		Representative: Ho, Shun-Cheng					-	-	6,719,185	0.24	7,423,253	0.26	-	-					
Director	The Republic of China	Li Chen Investment Co., Ltd.	Male	June 4, 2018	3 years	June 4, 2018	16,429,693	0.58	21,727,288	0.77	-	-	-	-	Director of LICHENG Investment Co., Ltd., Supervisor of BOYUN Enterprise Co., Ltd. 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'l 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	0.02	838,922	0.03	1,809,564	0.06	-	-	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, Chin-Yi	Male	June 4, 2018	3 years	June 4, 2018	3,513,638	0.12	4,067,105	0.14	-	-	-	-	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.,	None	None	None
Director	The Republic of China	Chang, Shu-Min	Male	June 4, 2018	3 years	June 15, 2015	7,842	0	9,076	0.00	-	-	-	-	Chairman of Cheng Yang Printing Co., Ltd., Chairman of Rising Sun Publishing Co., Ltd., Chairman of Ink Literary Monthly Co., Ltd., Chairman of Xinning 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	Printing Co., Ltd., Chairman of Rising Sun Publishing Co., Ltd., Director of Ink Literary Monthly Co., Ltd., Director of Hai Wang Printing Co., Ltd., Director of Technology Books Co., Ltd., Director of Forward Graphic Enterprise Co., Ltd., Hai Wang Development and Constructions Co., Ltd., Director of Wisest Cultural Co., Ltd., Director of	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	Relations hip
															Graphic Enterprise Co., Ltd., Director of Hai Wang Development and Constructions Co., Ltd., Director of Wisest Cultural Co., Ltd., Director of Xinning 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.	Xinning Constructions Co., Ltd., Director of Wisest Cultural Co., Ltd., Director of Jin Chen Investment Co., Ltd., Shareholder of Hai Wang Investment Co., Ltd., Person in Charge of Poet Tribe Magazine ("Shi Ren Bu Luo"), Person in Charge of Chen Yang Publishing, Person in Charge of Taiwan People ("Tai Wan Ren Min"), Supervisor of KING POLYTECHNIC ENGINEERING CO., LTD. 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	1,857	0.00	-	-	-	-	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 Xinning Constructions Co., Ltd., Director of Sunny Bank; graduated from college.	Chairman of Wisest Cultural Co., Ltd., Chairman of Jin Chen Investment Co., Ltd., Director of Yu Cheng Art Binding Co., Ltd., Director of Hai 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 Xinning 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 4, 2018	197,376,499	7.01	291,224,593	10.34	-	-	-	-	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
		Ho, Li-Wei					-	-	3,659,541	0.13	-	-	-	-					
Independent Managing Director	The Republic of China	Chen, Chien-Yang	Male	June 4, 2018	3 years	June 4, 2018	3,264,516	0.12	3,778,741	0.13	2,585,874	0.09	-	-	Vice President and Chief Accountant of Yi Lian Co., Ltd., Lecturer at Chung Kuo Institute of Management and Health, Assistant Professor at Taipei City University of Science &	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	Relations hip
															Technology, 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	-	-	-	-	-	-	-	-	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	1,267,922	0.05	-	-	-	-	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, 2020

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	17.89
	Wu Yue-Jiao	57.53
	Chen, Yi-Chen	12.58
	Chen, Yi-Yin	12.00

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, 2020

Condition	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	
Name (Note 1)																
Fu Li Yang Investment Co., Ltd. Representative: Chen, Sheng-Hong			✓	✓				✓	✓	✓	✓	✓		✓		
Liu, hen-Sheng			✓	✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	
Fu Li Yang Investment Co., Ltd. Representative: Ho, Shun-Cheng				✓				✓	✓	✓	✓	✓	✓	✓		
Hsieh, Yi-Tong			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Chang, Shu-Min				✓	✓	✓	✓		✓	✓	✓	✓		✓	✓	
Chang, Shu-Hua				✓	✓	✓	✓		✓	✓	✓	✓		✓	✓	
Chen, Chin-Yi				✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Fu Li Yang Investment Co., Ltd. Representative: Ho, Li-Wei			✓			✓	✓		✓	✓		✓		✓		
Li Chen Investment Co., Ltd. Representative: Chen, Yi-Chen				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Chen, Chien-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 2020 to December 31st of 2020 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 , 2020)

Matters Requiring Further Improvement	Improvement Measures	Estimated Improvement Completion Date
The FSC reviewed the issue and recommended corrective action with regard to the misappropriation of cash in hand by a former teller of the Bank and failure to promptly report the incident.	This case was found pursuant to the Bank's cash flow security control and management system, which has been reported additionally as occasional major event, along with a letter to restate cash inventory method and focus point; an educational training was held to make an announcement for this part.	The improvement action plan has been 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 2020, 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 Hsieh, Tung-Ju

March 16th, 2021



(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, or disposition imposed by the Financial Supervisory Commission in accordance with the provisions of Article 61-1 of the Banking Act of the Republic of China, or punishment imposed by the Bank upon internal personnel due to violations of internal control system regulations; wherein the results of punishments have a significant influence on the rights and interests of stockholders or the price of securities, or they comply with the provisions of Article 2 of the regulations regarding major penalties in violation of financial laws and regulations. The content of the punishment, main deficiencies and improvements shall be listed and described: None
- C. 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.
- D. 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 2020 and the period up to the annual report publication date:

Shareholder's Meeting/Board Meeting	Date	Important Resolutions
Shareholders' Meeting	June 8, 2020	<ol style="list-style-type: none"> 1. Passed the Bank's 2019 Business Report and Financial Statements. 2. Passed the Bank's 2019 Surplus Distribution Proposal. 3. Passed the capital increase of the Bank from earnings with new shares. 4. Passed the amendment and partial provisions in the Bank's Articles of Association. 5. Passed the partial provisions of the Bank's shareholders' meeting procedures.
Board Meeting of the 13th Session of the 8th Term	January 17, 2020	<ol style="list-style-type: none"> 1. Passed the amendment to partial regulatory compliance with provisions governing internal operating systems and procedures for outsourcing Bank services. 2. Passed the amendment to partial regulatory provisions governing the capital adequacy of the Bank; regulations governing stress testing and establishment of the Bank's risk management committee. 3. Passed the amendment to partial provisions of the Bank's internal auditing regulations. 4. Passed the amendment to partially enact provisions of the Bank's implementation of corporate governance. 5. Passed the amendment to partially facilitate compliance of the Bank's laws and regulations with system implementation guidelines. 6. Passed the amendment to partial provisions of the Bank's handling regulations of reported cases. 7. Passed the amendment to provisions regarding anti-money laundering & anti-terrorist financing and operations of the Bank. 8. Passed the amendment to the Bank's regulations governing stock trading and beneficiary certificates. 9. Passed the amendment to partial provisions of the Bank's foreign exchange fund management and operating regulations. 10. Passed the proposal for appointment of an accountant. 11. Passed the formulation of interest rate pricing standards for various types of credit products in 2020. 12. Passed the amendment to partial provisions of the Bank's credit collateral investigation and valuation regulations. 13. Passed the loan for interested parties. 14. Passed the amendment to partial provisions of the Bank's employment and salary regulations.

Shareholder's Meeting/Board Meeting	Date	Important Resolutions
Board Meeting of the 14th Session of the 8th Term	March 17, 2020	<ol style="list-style-type: none"> 1. Passed the loan for interested parties. 2. Passed the amendment to partial provisions of the Bank's real estate loan and operating regulations. 3. Passed the proposal for the distribution of directors and employees' compensation for the year 2019 based on proposed reports during the shareholders' meeting. 4. Passed the amendment to partial provisions of the board of directors' meeting procedures based on proposed reports during the shareholders' meeting. 5. Passed the proposals for business and financial reports based on the proposed reports during the shareholders' meeting. 6. Passed the proposal for surplus distribution of 2019 based on proposed reports during the shareholders' meeting. 7. Passed the proposal for using the earnings of 2019 to increase capital and issue new shares based on discussions during the shareholders' meeting. 8. Passed the amendments to partial provisions of the articles of association based on discussions during the shareholders meeting. 9. Passed the amendment to partial provisions of the rules of procedures of the shareholders' meeting based on discussions during the shareholders' meeting. 10. Passed the proposal for cash capital increase and issuance of new shares. 11. Passed the proposal for plans to purchase real estate. 12. Passed the amendment to partial provisions of regulations governing the Company's audit committee organization. 13. Passed the amendment to Article 28 of the Bank's precautionary measures for anti-money laundering and anti-terrorism financing. 14. Passed the Bank's internal control system, overall implementation status on the information security declaration, anti-money laundering and anti-terrorism financing, internal control system declaration of anti-money laundering and anti-terrorism financing, declaration of design and implementation of the internal control for personal data protection.
Board Meeting of the 15th Session of the 8th Term	May 19, 2020	<ol style="list-style-type: none"> 1. Passed the loan for interested parties. 2. Passed the amendment to partial provisions of the Bank's credit tracking operating regulations. 3. Passed the amendment to partial provisions of the Bank's credit information inquiry on operational control regulations. 4. Passed the amendment to partial provisions of the internal control system standards of the Bank's stock transaction units. 5. Passed the proposal for plans to purchase real estate. 6. Passed the proposal for the Bank's 2020 domestic declaration regarding compliance with supervisory review principles.

Shareholder's Meeting/Board Meeting	Date	Important Resolutions
Board Meeting of the 16th Session of the 8th Term	July 7, 2020	<ol style="list-style-type: none"> 1. Passed the loans and transactions for interested parties. 2. Passed the issuance of cash dividends in 2019. 3. Passed the usage of retained earnings to increase capitalization and issuance of new stocks in 2019. 4. Passed the amendments to partial provisions of the Bank's transaction book management policies and procedures.
Board Meeting of the 17th Session of the 8th Term	August 18, 2020	<ol style="list-style-type: none"> 1. Passed the financial report for the second quarter of 2020. 2. Passed the proposal for plans to purchase real estate. 3. Passed the amendment to partial provisions of the Bank's regulations governing the administration of investment in overseas securities. 4. Passed the amendment to partial contents of the internal control systems of the Bank's bond business. 5. Passed the amendment to partial provisions of the internal audit implementation rules for the Bank's concurrent bond business. 6. Passed the Bank's first comprehensive money laundering and anti-terrorism financing risk assessment report and risk prevention plan in 2020. 7. Passed the proposal for the 2020 donation of credit guarantee fund to small and medium-sized enterprises. 8. Passed the amendment to partial provisions of the Bank's organic regulations. 9. Passed the amendment to partial provisions of the Bank's Credit Collateral Investigation and Valuation Regulations.
Board Meeting of the 18th Session of the 8th Term	November 17, 2020	<ol style="list-style-type: none"> 1. Passed the loan and lease for interested parties. 2. Passed the amendment to the Bank's policy and strategy in relation to Treating Customer Fairly Principles. 3. Passed the plan for building a house. 4. Passed the 2021 proposal for the audit plan declaration form. 5. Passed the 2021 audit plan for handling the finance department's self-operating bond and underwriting business. 6. Passed the amendments to various capital adequacy monitoring indicators and early warning ratios in 2021. 7. Passed the amendment to partial provisions of the Bank's operational risk management regulations. 8. Passed the amendment to partial provisions of the Bank's credit risk management regulations. 9. Passed the amendment to partial provisions of the Bank's liquidity risk management regulations.

Shareholder's Meeting/Board Meeting	Date	Important Resolutions
Board Meeting of the 19th Session of the 8th Term	January 27, 2021	<ol style="list-style-type: none"> 1. Passed the amendment to partial provisions of the Bank's internal auditing regulations. 2. Passed the formulation of interest rate pricing standards for various types of credit products in 2021. 3. Passed the general meeting of shareholders and re-election of all directors in 2021. 4. Passed the amendments to partial provisions of the Bank's interest rate risk management regulations. 5. Passed the proposal for the change of Xindian branch's address. 6. Passed the amendment to the partial provisions of the Bank's "Procedures for Reporting Major Contingencies and Other Matters for Compliance" and "Key Points of ATM Security Protection". 7. Passed the proposal for change in countersigned accountants. 8. Passed the proposal for appointment of accountant in 2021. 9. Passed the amendment to partial provisions of the Bank's foreign exchange fund management and operating regulations. 10. Passed the amendment to partial provisions of the Bank's operating standards for stock trading and beneficiary certificates. 11. Passed the 2021 review of the appropriateness of foreign exchange and stock fund trading quota authorization and risk management authority.
Board Meeting of the 20th Session of the 8th Term	March 16, 2021	<ol style="list-style-type: none"> 1. Passed the loan for interested parties. 2. Passed the proposal for the 2020 director and employee compensation distribution based on the proposed reports during the shareholders' meeting. 3. Passed the proposal for the approval of the 2020 business report and financial report based on the proposed reports during the shareholders' meeting. 4. Passed the approval of the 2020 surplus distribution based on the proposed reports during the shareholders' meeting. 5. Passed the proposal for using the surplus of 2020 to increase capital and issue new shares based on the proposed reports during the shareholders' meeting. 6. Passed the proposal for cash capital increase and issuance of new shares. 7. Passed the proposal for plans to purchase real estate. 8. Passed the Bank's internal control system declaration, overall implementation status on information security declaration, anti-money laundering and anti-capital terrorism internal control system declaration, internal control system declaration of anti-money laundering and anti-terrorism financing, design and implementation declaration of the internal control of personal data protection.

Shareholder's Meeting/Board Meeting	Date	Important Resolutions
Board Meeting of the 20th Session of the 8th Term	March 16, 2021	9. Passed the amendment to partial provisions of the Bank's regulations governing the issuance of financial bonds. 10. Passed the amendment to partial provisions of the Bank's administrative regulations for transferring personnel of related enterprises. 11. Passed the nomination and review of directors (including independent directors). 12. Passed the amendment to discuss the lifting of non-competition for new directors based on the proposed reports during the shareholders' meeting.

(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: 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, 2021

Position	Name	Start date	Dismissed date	Reasons for resignation or dismissal
--	--	--	--	--

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

Date of change	December 2020		
Reason for change and description	Due to the internal job assignment and arraignment of Deloitte & Touche, the CPAs changed from Shao, Zhi-Ming and Lin, Shu-Wan to Shao, Zhi-Ming and Hsieh, Tung-Ju.		
Specify whether the appointer or the CPA terminated or refused to accept the appointment	Involved party		Appointer
	Situation	CPA	
	Voluntary termination of appointment	Inapplicable	Inapplicable
Opinion and reason for the audit report other than unqualified opinion issued within the latest two years	No further acceptance (continuation) of appointment		Inapplicable
	None		
Different opinion with the issuer	Yes	-	Accounting principles or practice
		-	Disclosure of financial statement
		-	Inspection scope or steps
		-	Others

Date of change	December 2020	
	No	✓
	Remarks	None
Other disclosure items (that should be disclosed according to Items 1-4, Subparagraph 6, Article 10 of this Guidelines)	None	

(2) Information about the succeeding CPA

Name of Accounting Firm	Deloitte & Touche
Name of CPA	CPA Hsieh, Tung-Ju
Appointment Date	December 2020
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, 2020

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)	Relationship (Note 2)	Remark
	Share	% (Note 2)	Share	% (Note 2)	Share	% (Note 2)			
Fu Li Yang Investment Co., Ltd	291,224,593	10.34	0	0.00	0	0.00	Chuan Yang Construction Co., Ltd.	The same person	None
Fu Li Yang Investment Co., Ltd Representative of legal-person director Chen, Sheng-Hong:	10,197,192	0.36	4,591,153	0.16	0	0.00	Ho, Li-Wei	The same person	None
Fu Li Yang Investment Co., Ltd. Representative of legal-person director: Ho, Shun-Cheng	6,719,185	0.24	7,423,253	0.26	0	0.00	None	None	None
Fu Li Yang Investment Co., Ltd. Representative of legal-person director: Ho, Li-Wei	3,659,541	0.13	0	0.00	0	0.00	Chen, Sheng-Hong	The same person	None
The First Insurance Co., Ltd.	98,953,055	3.51	0	0.00	0	0.00	None	None	None
Chuan Yang Construction Co., Ltd.	98,911,820	3.51	0	0.00	0	0.00	Fu Li Yang Investment Co., Ltd	The same person	None

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)	
Hai Wong Printing Co., Ltd.	83,200,000	2.95	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.	79,716,000	2.83	0	0.00	0	0.00	None	None	None
Sheng Yang Construction Co., Ltd.	59,780,520	2.12	0	0.00	0	0.00	None	None	None
Farglory Life Insurance Co., Ltd.	59,188,422	2.10	0	0.00	0	0.00	None	None	None
Jin Chen Investment Co., Ltd.	41,630,637	1.48	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.	38,892,109	1.38	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.	36,643,587	1.30	0	0.00	0	0.00	Jin Chen Investment Co., Ltd., Li Kun Investment Co., Ltd., Li Kung Investment Co., Ltd., Hai Wong Printing Co., Ltd., Jin Chen Investment Co., Ltd.	The same person	None

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

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

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

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

Record date: December 31, 2020

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

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 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.	1,130,033	0.29	0	0.00	1,130,033	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 2020	NT\$10	4,000,000	40,000,000	2,716,851	27,168,510	Capital increase from earnings NT\$1,044,942,680	According to the approval announced on the website of the Securities and Futures Bureau, FSC on July 7, 2020
July 2020	NT\$10	4,000,000	40,000,000	2,816,851	28,168,510	Capital increase by cash NT\$1,000,000,000	According to FSC approval letter: Jin-Guan-Zheng-Fa No.1090347890 issued on July 7, 2020

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	2,816,850,946	1,183,149,054	4,000,000,000	Bank stock not listed on TWSE or OTC

(2) Structure of Shareholders

Record date: December 31, 2020

Shareholder Structure Quantity	Government Institutions	Financial Institutions	Other Corporations	Individuals	Foreign institutions and Foreigners	Total
No. of persons	2	1	267	122,055	6	122,331
Shareholding	38,208	608	1,295,756,890	1,441,334,587	79,720,653	2,816,850,946
Shareholding (%)	0.00	0.00	46.00	51.17	2.83	100.00

(3) Equity Distribution

A). Common Stock : Face value of NT\$10 per share

Record date: December 31, 2020

Shareholding Level	No. of Shareholders	Shareholdings	Shareholding (%)
1 to 999	68,086	24,912,537	0.88
1,000 to 5,000	39,923	105,763,781	3.75
5,001 to 10,000	5,246	35,202,026	1.25
10,001 to 15,000	1,732	21,628,779	0.77
15,001 to 20,000	647	11,231,754	0.40
20,001 to 30,000	1,065	26,347,697	0.94
30,001 to 50,000	1,254	50,046,142	1.78
50,001 to 100,000	1,607	113,099,790	4.02

Shareholding Level	No. of Shareholders	Shareholdings	Shareholding (%)
100,001 to 200,000	1,288	182,461,297	6.48
200,001 to 400,000	790	217,274,636	7.71
400,001 to 600,000	272	131,294,040	4.66
600,001 to 800,000	116	79,889,087	2.84
800,001 to 1,000,000	57	50,786,144	1.80
1,000,001 to 999,999,999	248	1,766,913,236	62.73
Total	122,331	2,816,850,946	100.00

B). Preferred shares: None.

(4) List of Major Shareholders

Record date: December 31, 2020

Shares	Shareholding	Shareholding (%)
Major Shareholders		
Fu Li Yang Investment Co., Ltd.	291,224,593	10.34
The First Insurance Co., Ltd.	98,953,055	3.51
Chuan Yang Construction Co., Ltd.	98,911,820	3.51
Hai Wong Printing Co., Ltd.	83,200,000	2.95
Bermuda Nan Hai Co., Ltd.	79,716,000	2.83
Sheng Yang Construction Co., Ltd.	59,780,520	2.12
Farglory Life Insurance Co., Ltd.	59,188,422	2.10
Jin Chen Investment Co., Ltd.	41,630,637	1.48
Li Kun Investment Co., Ltd.	38,892,109	1.38
Hai Wang Investment Co., Ltd.	36,643,587	1.30

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

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

Unit: NT\$, 1,000 shares

Year		2020	2019	As of March 31 of the year (Note 2)
Item				
Price per Share	Highest	Note 1	Note 1	Note 1
	Lowest	Note 1	Note 1	Note 1
	Average	Note 1	Note 1	Note 1
Net Worth per Share	Before Distribution	12.92	12.55	13.08
	After Distribution	Note 3	11.88	0
Earnings per Share	Weighted Average No. of Shares	2,749,364	2,647,327	2,816,851
	Earnings per share Before Adjustment (Note 4)	0.88	0.91	0.32
	After Adjustment (Note 4)	0	0.88	0
Earnings per Share	Cash Dividend	Note 3	0.2	0
	Earnings Distribution	Note 3	0.4	0
	Free Distribution 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, 2021 have not been audited and certified by accountants.

Note 3: Distribution of earnings in 2020 will be decided at the 2021 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 2020 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 2020 are estimated at NT\$87,323,000. 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\$58,215,000 to employees as cash bonuses and NT\$29,108,000 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 8, 2020, to distribute NT\$56,102,000 to employees and NT\$28,051,000 to Directors and supervisors. There is no discrepancy with employee bonuses and board director / supervisor compensations as stated in 2019 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, 2019 and 2020. 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, 2019 and 2020. There is a total of NT\$8.76 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 2020, the bank reports a total deposit balance at NT\$524,015,727,000, up by NT\$64,963,965,000 compared with NT\$459,051,762,000 reported at the end of 2019, of which the balance of demand deposits accounts for 34.65% of the total deposit balance, and the balance of time deposits accounts for 65.35% of the total deposit balance.

The total balance of loans issued accumulates to NT\$388,494,358,000 as of the end of 2020, increased by NT\$44,187,469,000 compared with NT\$344,306,889,000 reported at the end of 2019.

As for Loan Asset Quality, the overdue loan ratio was 0.22% at the end of 2020, the coverage ratio of Allowance for bad debts was 555.50%. The Bank has assets with stable quality.

Unit: NT\$1,000

Item \ Year	Balance at the end of 2020	Balance at the end of 2019	Annual Growth Rate (%)
Deposits	524,015,727	459,051,762	14.15
Loans	388,494,358	344,306,889	12.83

Deposit Balance Comparison

Unit: NT\$1,000

Loans \ Year	2020		2019	
	Balance at the end of year	Percentage (%)	Balance at the end of year	Percentage (%)
Checking deposits	3,495,302	0.67	3,175,538	0.69
Demand deposits	68,165,134	13.01	54,429,023	11.86
Foreign exchange demand deposits	14,731,061	2.81	8,843,110	1.93
Demand savings deposit	94,193,876	17.97	82,538,950	17.98
Employee saving deposits	1,016,831	0.19	938,707	0.20
Time deposits	144,820,253	27.64	120,050,644	26.15
Foreign currency time deposits	37,961,178	7.24	36,732,985	8.00
Negotiable certificates of deposit	24,351,400	4.65	20,195,700	4.40
Time savings deposits	135,280,692	25.82	132,147,105	28.79
Total	524,015,727	100.00	459,051,762	100.00

Loan Balance Comparison

Unit: NT\$1,000

Loans \ Year	2020		2019	
	Balance at the end of year	Percentage (%)	Balance at the end of year	Percentage (%)
Short-term loans	14,075,720	3.62	13,099,054	3.80
Short-term secured loans	86,691,450	22.31	82,050,276	23.83
Medium-term loans	45,398,671	11.69	36,979,023	10.74
Medium-term secured loans	160,927,786	41.42	130,436,937	37.88
Long-term loans	2,507,201	0.65	2,294,547	0.67
Long-term secured loans	78,029,590	20.08	78,466,213	22.79
Non-performing loans	840,876	0.22	914,247	0.27
Export negotiation	23,064	0.01	66,592	0.02
Total	388,494,358	100.00	344,306,889	100.00

a. Consumer Banking Loans

As the impact of the pandemic weakened, more funds entered the market which increased purchases or acquisitions of properties, making the housing market rise to new highs. Housing prices in Taipei City and New Taipei City that were increasing at a very slow pace, rose significantly due to the influx of hot money. This forced the government to resort to selective real estate credit control, adding new restrictions on loans for purchases of residential properties by natural persons or more, as well as restrictions on loans for borrowers that purchase land in residential and commercial areas based on urban planning. This in turn, was a way to make speculative investors withdraw their investments and stabilize the market. The Bank will continue to adjust its lending structure to comply with regulations of the competent authority, while considering creditor rights to manage risks and profits 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 2020, the individual loan balance (car loan excluded) was NT\$161.961 billion (credit loan of NT\$0.522 billion), which has grown NT\$21.835 billion (growth rate of 15.58%) compared to NT\$140.126 billion at the end of 2019.

b. Loans to Businesses

The Bank launched the “Fei Wo Mo Shu 270 and Zhu Meng Fei Xiang- corporate accounts subordinated loan” loan offer in 2020 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.

In line with relief measures set by various ministries and associations, the Bank spared no effort to assist corporations in easing operating pressure and helping affected people obtain funds they need as quickly as possible. By the end of 2020, the loan balance of large enterprises (excluding car loans) was NT\$21.943 billion, which has grown NT\$3.320 billion (growth rate of 17.83%) compared to NT\$18.623 billion at the end of 2019; the loan balance of SMEs (excluding car loans) was NT\$177 billion, which increased by NT\$20.581 billion (growth rate of 13.16%) compared to NT\$156.419 billion at the end of 2019.

c. Car Loan, Credit Loan and Subordinated Loan Businesses

(a) Car Loan Businesses

(I) In 2020, 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.

(II) Northern Car Loan Center has been operating since December, 2018. Its overall operation is stable; moreover, it saves manpower effectively and improves efficiency of appropriation.

(III) The E- LOAN system launched in the fourth quarter of 2019 simplified paperwork efficiently.

(b) Subordinated Loan Businesses

In 2020 as a result of the pandemic, the Bank lowered its rates to comply with government policies. The adjustable rates for consumer loans had been reduced by 28% to lessen the burden of people since mid-April, 2020. Even though the adjustment would reduce the interest income for products already loaned to customers, the Bank still listed the subordinated loans with both guarantee and profitability as a key project, and the rate has changed to a fixed rate since mid-April, 2020 to ensure the income level of subsequent cases.

Unit: NT\$1,000

Item	Year	Amount		Growth Rate (%)
		2020 Fiscal year	2019 Fiscal year	
Car Loan Businesses		5,573,710	5,044,690	10.49
Credit Loan Businesses		101,286	33,547	201.92

Subordinated Loan Businesses (Note)	2,062,495	2,199,418	42.49
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Note1 : The amount of credit loan appropriation in 2020 excluded the policy-based labor relief loan worth NTD 229,730,000.

Note2 : The launching of the employee consumption loan in August 2020 caused the amount of credit loan appropriation in 2020 to increase significantly compared with that in 2019.

Note3 : The amount of subordinated loan appropriation in 2020 excluded corporate banking accounts.

B. Foreign Exchange Business

For the foreign exchange business, the balance of foreign exchange deposits (including OBU) at the end of 2020 was US\$1,848,345,000 or an increase of US\$334,499,000 from US\$1,513,846,000 at the end of 2019 with a growth of 22.10%. The balance of foreign exchange loans (including OBU) at the end of 2020 was US\$636,987,000 or a decrease of US\$50,122,000 from US\$687,109,000 at the end of 2019, the appropriation reduced by 7.29%. This was mainly due to COVID-19 pandemic preventive measures, wherein most economic activities were postponed or suspended. In 2020 the amounts of import/export and exchange service were US\$ 262,770,000 and US\$5,130,907,000 respectively, totaling US\$5,393,677,000, a decrease of US\$273,218,000 from US\$5,666,895,000 at the end of 2019.

Unit: USD1,000

Item	Year	2020	2019	Growth Rate (%)
		Balance at the end of year/ Amount	Balance at the end of year / Amount	
Foreign currency deposits (including OBU)		1,848,345	1,513,846	22.10
Foreign currency loans (including OBU)		636,987	687,109	(7.29)
Import and export business		262,770	319,076	(17.65)
Remittance Services (including simplified currency exchange services)		5,130,907	5,347,819	(4.06)

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

Due to COVID-19's global impact in 2020, many people were unable to travel overseas resulting in a decline in foreign consumption. Domestic economic activities and consumption were also affected, with the total amount of credit card transactions across the country declining by NTD 203.4 billion compared with a 6.30% decrease in 2019. The number of new credit cards and corresponding consumption amount dropped as well.

Unit: cards, NT\$1,000

Item	Year	2020	2019	Growth Rate (%)
Total number of card issued in the year		12,090	17,443	(30.69)
Total cumulative number of valid cards in circulation		111,286	107,555	3.47
Total credit card consumption amount		3,788,078	4,562,279	(17.00)
Revolving Credit Balance		187,585	213,631	(12.19)

D. Wealth Management Business

- As for funds and foreign debt, the service fee income in 2020 was NTD 272,369,000, which is a 64.97% increase compared with that in 2019. In addition, the Bank adjusts the product strategy in response to changes in the subjective and objective environments and timely advice to our customers on market entrance and exit timing to create a win-win situation.
- As for the insurance business, the service fee income in 2020 was NTD 325,613,000, a decrease of 39.07% compared with that in 2019. This was mainly due to legal restrictions and product content, resulting in lower service fee.

Unit: NT\$1,000

Item	Year	2020		2019		% of Fee Income	% of Fee Income
		Sales Volume	Fee Income	Sales Volume	Fee Income		
Mutual funds and overseas bonds (excluding domestic		11,151,659	272,369	5,005,870	165,104	122.77	64.97

bond funds)						
Insurance products	3,450,894	325,613	4,901,669	534,378	(29.60)	(39.07)
Total	14,602,553	597,982	9,907,539	699,482	(47.39)	(14.51)

E. E-Banking Business

Since 2020, the Bank has started providing services for customers with financial accounts in other banks, allowing them to apply for a digital deposit account with the Bank to help lower the threshold for users. In addition to this service, the Bank also provides foreign currency digital deposit accounts to increase the number of young customers and enhance its competitiveness. It continues to optimize its "Personal Internet Banking" and "Mobile Internet Banking APP", strengthens various functions and services, increases the number of its customers, and boosts customer retention.

Type of business	2020	2019	Growth Rate (%)
Number of cumulative account opening for personal online banking	165,598	143,182	15.66
Number of cumulative account opening for mobile online banking	80,616	60,964	32.24
Amount of Automatic Transaction Access	1,324,900	1,036,673	27.80

Note : The Amount of Automatic Transaction Access consists of the transaction amount in Personal Internet Banking and Mobile Internet Banking APP.

F. Trust Business

a. As of the end of 2020, the total property trust balance consigned by the Bank reached NT\$68,439,981,000, which is an increase of NT\$860,170,000 compared with NT\$67,579,811,000 in 2019, with an overall growth rate of 1.27%. Other monetary trust business worth NT\$9,411,976,000 increased to NT\$1,199,645,000 compared with NT\$8,212,331,000 in 2019, with a growth rate of 14.61%, mainly due to a significant increase in personal trust, pre-collected trust payment and price traded in real estate trust. In addition, monetary claims and trust mortgages worth NT\$91,049,000 fell to NT\$924,832,000 compared with NT\$1,015,881,000 in 2019, with a negative growth rate of 91.04%, mainly due to a closed case in 2019. In terms of subordinated business, visa business income as of the end of 2020 had a significant reduction of NT\$30,737,123,000 compared to NT\$34,960,719,000 in 2019, with a negative growth rate of 87.92%, mainly due to a large amount in the visa business.

Unit: NT\$1,000

Item	2020		2019		Amount of increase or decrease	Rate of increase or decrease(%)
	Amount	%	Amount	%		
Trust business	68,439,981	100.00	67,579,811	100	860,170	1.27
Monetary trusts	35,267,611	51.53	35,252,261	52.17	15,350	0.04
Specific-purpose monetary trusts investing in domestic and foreign securities	21,941,785	32.06	22,494,059	33.29	(552,274)	(2.46)
Other monetary trusts	9,411,976	13.75	8,212,331	12.15	1,199,645	14.61
Custody of securities investment trust funds	3,913,850	5.72	4,545,871	6.73	(632,021)	(13.90)
Real estate trust	32,835,076	47.98	31,038,599	45.93	1,796,477	5.79
Securities trust	246,245	0.36	273,070	0.40	(26,825)	(9.82)
Monetary-claim and security-interest trusts	91,049	0.13	1,015,881	1.50	(924,832)	(91.04)
Other affiliated businesses						
Custody of operations guarantee funds	505,000	--	505,000	--	--	--
Custody of discretionary investment services (accrued for the year)	190,100	--	242,575	--	(52,475)	(21.63)
Certification business	4,223,596	--	34,960,719	--	(30,737,123)	(87.92)

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

In 2020 trust business income was NT\$417,661,000, an increase of NT\$121,687,000 and a growth rate of 41.11% from NT\$ 295,974,000 in 2019.

G. Investment Business

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

Unit: NT\$1,000

Item \ Year	2020	2019	Increase / decrease
Bonds	883,310	805,420	77,890
Stocks	92,425	40,879	51,546
Beneficiary certificates	37,916	3,885	34,031
Short-term bills	133,126	161,987	(28,861)
Unrealized gain or loss	26,126	6,357	19,769
Stock dividend	44,001	19,321	24,680
Total	1,216,904	1,037,849	179,055

According to the above table, the Bank has made a profit of NT\$ 1,037,849,000 in 2019 and NT\$1,216,904,000 in 2020 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\$ 805,420,000 in 2019 and NT\$883,310,000 in 2020. The revenue in 2020 increased to NT\$77,890,000 compared to 2019 mainly because the Bank was able to establish a bond position in order to increase bond revenue and generate profit. The main reason is the constant incremental position of the bond investment and adjustment, along with progressive expansion of investment in overseas bonds. With regard to the bond underwriting business, corporate bonds in New Taiwan Dollars in the preliminary market brought the Company to a poor financing environment with relatively low profit due to consistently low yield to maturity. The Bank is involved in underwriting cases and accepts client purchase assignments via tender to earn formality fees.

b. Gain (loss) on stocks:

This is the gain (loss) from investment in stocks of public and OTC companies. In 2019, the weighted index for the whole year increased by 23.33%. The Taiwan market was affected by the global supply chain as well. However, IT companies in Taiwan benefited 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, leading to an annual gain of NT\$40,879,000; although TAIEX had a significant decline by more than 20% in March, 2020 due to COVID-19, it started to recover in April and also rallied in the beginning of this year, with a 22.80% increase throughout the year. The Bank also had a prudent selection of stocks with good base and high yield rate, resulting in an annual profit of NT\$ 92,425,000.

c. Gain (loss) on beneficiary certificates:

This is the gain (loss) from investment in mutual funds. 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\$37,916,000 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\$161,987,000 in 2019 and NT\$133,126,000 in 2020. The COVID-19 pandemic had a severe impact on the global economy, resulting in a decline of economic activity, poor global outlook, financial distress of companies, substantial funds parked in domestic money market, and a universally low promissory note yield rate. 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

decreased to NT\$28,861,000 in 2019. 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\$6,357,000 in 2019 and a gain of NT\$26,126,000 in 2020. The valuation of beneficiary certificates Despite the two major events, i.e., escalating tensions between US and China in 2020 and the COVID-19 pandemic, the central banks of many countries adopted strong remedies and reliefs, prompting the market to bounce back in Sept. 2020 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 and incremental loss in evaluation of short-term note.

f. Stock dividends:

This is the cash dividends distributed by listed and OTC companies, where the cash dividend distributed in 2019 was NT\$19,321,000 and NT\$44,001,000 in 2020.

To sum up, in regard to the Bank's performance on securities trading. The stock index in 2019 rose by 23.33%, and the Bank had stock gains of NT\$40,879,000. Beneficiary certificates showed a gains of NT\$3,885,000, and the recognized valuation gain for the year was NT\$6,357,000, mainly due to the impact of the valuation of beneficiary certificates. In total, the Bank obtained a net profit of NT\$1,037,849,000 for the year. The weighted index for the whole year of 2020 rose by 22.80%, resulting in a gain of NT\$92,425,000 on stocks, a gain of NT\$37,916,000 on beneficiary certificates, and the recognized valuation gain was NT\$ 26,126,000. The main impact is from the valuation of beneficiary certificates and short-term notes, in total, the Bank had a net profit of NT\$1,216,904,000 from various businesses throughout the year.

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

Unit: NT\$1,000

Business Items \ Year	2020		2019	
	Amount	Asset %	Amount	Asset %
Total Assets	604,847,995	100.00	523,892,232	100.00
Discounts and loans – net amount	383,732,294	63.44	340,110,036	64.92
Financial assets measured at fair value through other comprehensive income	104,736,868	17.32	76,594,732	14.62
Debt Instrument Investments Measured at Amortized Co	29,175,263	4.82	29,994,687	5.73
Total Liabilities	568,450,315	93.98	491,103,976	93.74
Deposits and remittances	524,072,244	86.65	459,083,477	87.63
Financial debentures payable	16,360,000	2.70	14,560,000	2.78
Due from CBC and Banks	12,904,766	2.13	7,303,606	1.39

Note: The asset and liability items in the table are those with amounts among the top three of total assets in 2020.

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

Unit: NT\$1,000

Business Items \ Year	2020		2019	
	Amount	Asset %	Amount	Asset %
Net interest income	5,750,422	77.32	5,562,722	76.39
Net income other than interest	1,686,347	22.68	1,719,108	23.61
Net fee income	1,099,155	14.78	1,165,405	16.00
Net gain on financial	183,459	2.47	203,817	2.80

Business Items	2020		2019	
	Amount	Asset %	Amount	Asset %
assets and liabilities measured at fair value through profit or loss				
Gains from sale of fair value through other comprehensive income financial assets	166,880	2.24	110,074	1.51
Exchange gain (loss)	22,954	0.31	84,644	1.16
Asset impairment (loss)	(4,062)	(0.05)	(2,438)	(0.03)
Share of subsidiaries' gains recognized by equity method	128,357	1.73	58,138	0.80
Rental income	66,424	0.89	73,389	1.01
Net income other than interest	23,180	0.31	26,079	0.36
Total net income	7,436,769	100.00	7,281,830	100.00

Note: The data in this table is from 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) The bank plans to promote its "Easy VISA Debit Card" across all units, inviting card holders with active deposit accounts to shop using their credit cards.
- (C) 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.
- (D) 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 2020

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 "Fei Wo Mo Shu 270 and Zhu Meng Fei Xiang- corporate accounts subordinated loan", but also implements credit checking and surveying works during loan applications and tracking operations after loans are approved.

(B) Enhancement on the Control of Loaning Risks: The Bank not only continues to select quality clients according to

“Regulations Governing the Applications of SMEs” so it's not suitable for creditors who have too much debt and it's person in charge have no assets, but also implements credit checking and surveying works during loan applications and tracking operations after loans are approved.

(C) In line with the wide range of bailout policies announced by the R.O.C. government due to the COVID-19 pandemic, every branch made voluntary visits to affected companies to help vendors and shoppers by providing loan assistance as well as fast and simple disbursement of bailout package to relieve operational pressure. Moreover, the Bank has implemented a relevant trust policy for effective and speedy approval of loans:

- a. In accordance with the bailout plan and loan program announced by the Ministry of Economic Affairs, Ministry of Transportation, Ministry of Health and Wealth, Department of Culture and the Central Bank, a company that applies for financial aid totaling less than NT\$8 Million is requested to submit a simplified credit report, with the “Credit Application” printed in the credit analysis system replacing the current proposal report. However, the signature of the General Manager or high-ranking person is required, the application shall still to be applied through the current proposal report; moreover, outstanding deferred cases or cases within the grace period stipulated in the bailout plan of the Ministry of Economic Affairs shall be exempted from the re-appraisal process.
- b. There shall be no credit limit in the Bank's SME threshold.
- c. The Bank-processed and self-processed bailout packages as of the end of December 2020 are as follows:

Unit: NT\$, 10,000

Diversified Bailout Projects	Number of cases handling	Amount accepted	Number of cases approved	Amount approved
Ministry of Economic Affairs	355	11,664.26	332	8,835.83
Tourism Bureau, Ministry of Transportation	35	358.30	35	358.30
Agricultural Committee, the Executive Yuan	0	0	0	0
Cultural Department	0	0	0	0
Labor Department	2,831	283.03	2,315	231.43
Central Bank	2,030	4,105.71	1,974	3,883.06
Company applying itself	47	5,929.28	47	5,929.28
Individual applying himself	389	2,404.30	307	1,525.13
Total	5,687	24,744.88	5,010	20,763.03

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 2021, 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, the Bank has planned a centralized operation of its incoming car loan business and appropriations to reduce labor costs, improve time effectiveness in handling cases and enhance the Bank's competitiveness in the car loan business.

(B) Credit Loan and Subordinated Loan Businesses:

- a. 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, customers with financial needs may apply for credit loans based on the information found in the ATM and other marketing channels. The telemarketing unit will contact customers timely, which focus on precision marketing, to help increase the transaction completion rate.
- b. Because the subordinated loan has the advantages of both collateral (the risk is lower than that of a credit loan) and profitability (interest rates are higher than mortgages), 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

Due to COVID-19 in 2020, the United States implemented an unlimited quantitative easing program, causing the New Taiwan dollar to continue its appreciation against the U.S. dollar. However, in the long-term, the U.S. dollar is still considered as the dominant global currency. The weakness of the U.S. dollar is deemed as a short-term setback, and we hope to stabilize the growth of US dollar deposits in order to consolidate the foundation of foreign exchange deposits, and take into account both the deposit and lending spreads, thereby increasing net foreign exchange profit.

(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

Since the COVID-19 outbreak in the beginning of last year, people's lives have drastically changed, and the digital finance level that people exposed to has become more extensive. 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

With the arrival of the online digital and mobile phone era, there are plans to launch new cards suitable for the market (such as virtual credit cards) as well as cellphone QR CODE mobile payments as part of the credit card issuance business, in addition to keeping existing card types to simplify card products and save costs. QR CODE mobile payment is expected to be launched in the third quarter of 2021.

F. Wealth Management Business

(A) For its fund and foreign debt business, the Bank provides artificial intelligence and automated financial management services as a way to expand its digital financial management transactions and broaden its customer base as well gradually increase Sunny Financial Management's market visibility.

(B) As for its insurance business, the Bank has launched health management insurance products with spillover effects to address the needs of an aging society in addition to raising people's awareness on health management and satisfying diverse insurance requirements.

G. Electronic Banking

We will plan to successively launch new platforms or services in 2021, and our developing emphasis are summarized as follows:

(A) To establish a credit card payment using the Taiwan Pay QR Code and to enhance payment transactions through mobile online banking APP, so as to transition towards mobile, daily and personal digital payments; to establish a financial technology ecosystem for food, clothing, housing & transport, and to provide real-time customer interaction and experience.

(B) To develop the "Next Generation Corporate Internet Banking" which is expected to be launched in the third quarter of 2021, possibly supporting cross-operating systems and multiple browsers; to provide flexible authorization settings for group accounts; these may not only satisfy the processing requirements of affiliated companies and enhance the mobile APP's functionality, but they can also assist corporate customers in availing a timely and flexible capital scheduling.

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 combining 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.
- d. Managing the securities business which has been included in the Bank's foreign exchange capital dispatching target, and actively expands foreign exchange business.

(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

As of the end of 2020, a total of 105 domestic business bases were established, and the channel distribution became more complete. Diversified financial services were also developed, including leasing, securities, asset management,

e-commerce, etc.; Shanghai Leasing Company and Cambodia Micro Finance Company were established overseas. The new headquarters that the Bank purchased, is located on the intersection of Minquan West Road and Zhongshan North Road in Zhongshan District, Taipei City, which is expected to be completed and occupied in 2023. By then, the new headquarters would help synergize business groups and promote a new corporate image and business structure. In addition to enhancing its market competitiveness, the Bank is evaluating opportunities for overseas expansion through regional complementation and channel integration with the prospect of developing a strong and complete financial services network.

B. Future Market Supply and Demand and Potential Growth

(A) Supply Side

According to the CBC statistics, as of the end of December, 2020, the total number of financial institutions (including domestic banks, small and medium business banks, foreign bank branches in Taiwan, credit cooperatives, credit departments of farmers' and fishermen's associations, Department of Savings & Remittance of Chunghwa Post Co., trust investment companies, and life insurance companies) is 425 with 6,005 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

In response to the emergence of the digital financial wave, the popularity of mobile payment and the establishment of pure online banking in recent years, the banking industry should actively prepare for greater financial challenges. The Bank continues to promote innovative financial services and diversified digital financial products, while integrating the development of the financial technology ecosystem, managing the community using technology tools, understanding customer needs, improving customer experience through interactive models, and regularly monitoring the evolution of the consumer market in order to adopt more extensive business strategies to the banking industry. Moreover, branch channels are no longer the main platform for providing services in the era of digital transformation. Creating practical and convenient services using digital devices and maintaining customer trust would be the requirements that banks should emphasize in the process of digital transformation.

(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 105 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) Future Outlook And Solutions

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.
- (d) After the official operation of its pure online banking services, new challenges are expected in Taiwan's banking industry. Pure banking with operational advantages and a large customer base may impact the consumer financial 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.
- (g) Actively optimizing digital services, developing digital payments, and combining channel cooperation and cross-sales marketing to provide customers with instant interaction and experience to help integrate financial services into their daily lifestyle.

(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. 2020 Operating Performance" under "I. Letter to Shareholders".

(B) For the new business units set up in the last two years, please refer to "1. 2020 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 104 designated foreign exchange branches in 2020. 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", "mobile internet banking push 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 features were activated online when the new version was upgraded to 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; and continue to reduce the non-performing loans ratio and increase coverage rate, working towards the industry's average goal.

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 with BASEL III schedule to gradually increase its capital adequacy ratio (BIS). In addition, the Bank will execute the medium-term business growth plan of the Bank, which will move towards the goal of reaching the \$5 billion scale of deposit/loan business and pre-tax net profit.

In regard to its long-term perspective, the Bank aims to expand its international financial reach, improve the capital structure, 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		2020	2019	Current year up to March 31
Number of Employees	Assistant Vice President	126	122	125
	Heads	518	488	526

	Office Employees	1,545	1,539	1,582
	Total	2,189	2,149	2,233
Average Age		40.4	40	40.1
Average years of service		11.39	11.1	11.21
Education background	PhD	0.14%	0.14%	0.13%
	Master	8.22%	8.75%	8.11%
	College	84.56%	83.99%	84.86%
	Senior High School	6.85%	6.93%	6.67%
	Under Senior High School	0.23%	0.19%	0.22%
	Total	100.00%	100.00%	100.00%
Professional licenses held by employees	Basic Proficiency Test for Bank Internal Control	1,323	1,247	1,349
	Proficiency Test for Trust Operations Personnel	1,694	1,540	1,741
	Trust Operations Management Personnel	487	495	500
	Trust Operations Supervisor	9	9	9
	Proficiency Test for Life Insurance Specialist	1,865	1,725	1,888
	Proficiency Test for Investment-oriented Insurance Personnel	763	769	769
	Proficiency Test for Property Insurance Personnel	1,869	1,697	1,899
	Proficiency Test for Financial Planning Personnel	338	347	344
	Basic Proficiency Test for International Banking Personnel	394	400	405
	Basic Proficiency Test for Bank Lending Personnel	737	729	746
	Advanced Proficiency Test for Bank Lending Personnel	21	23	23
	Proficiency Test for Futures Specialist	252	248	251
	Proficiency Test for Securities Specialist	340	265	361
	Proficiency Test for Senior Securities Specialist	156	159	160
	Proficiency Test for Securities Investment Trust and Consulting Professionals (one subject)	136	142	137
	Proficiency Test for Bill Finance Specialist	73	69	73
	Proficiency Test for Financial Risk Management Personnel	3	3	3
	Proficiency Test for Bank Collateral Appraisal Personnel	16	15	15
	Qualification of Financial Market Knowledge & Professional Ethics Test	1,802	1,602	1,849
	Qualification of Investment Trust & Consulting Regulations Test	991	953	1,007
	Consultant of Financial Planning (CFP)	4	5	5
	Proficiency Test for Bond Specialist	16	16	17
	Proficiency Test for Securities Investment Analyst	5	5	6
	Proficiency Test for Life Insurance Representative to Sell Foreign Currency Receiving and Paying in Non-Investment Oriented Insurance Products	685	681	696

	Certificate of Completion of Risk Management for Foreign Exchange Derivatives Course	143	153	141
	Property Insurance Agent Qualification Test	3	3	3
	Life Insurance Agent Qualification Test	3	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 2020, 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 2020 the number of participants in physical courses was 8,553 people-times and in online courses was 8,919 person-times, and the total number of participants was 17,472 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 2020 for the fifth 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 54 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 1,776 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. 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	2020	2019	Differences(%)
Number of non-supervisor employees	2,016	1,946	3.47
Average Salary	805,196	810,949	(0.71)
Median of salary	534,536	517,320	3.22

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

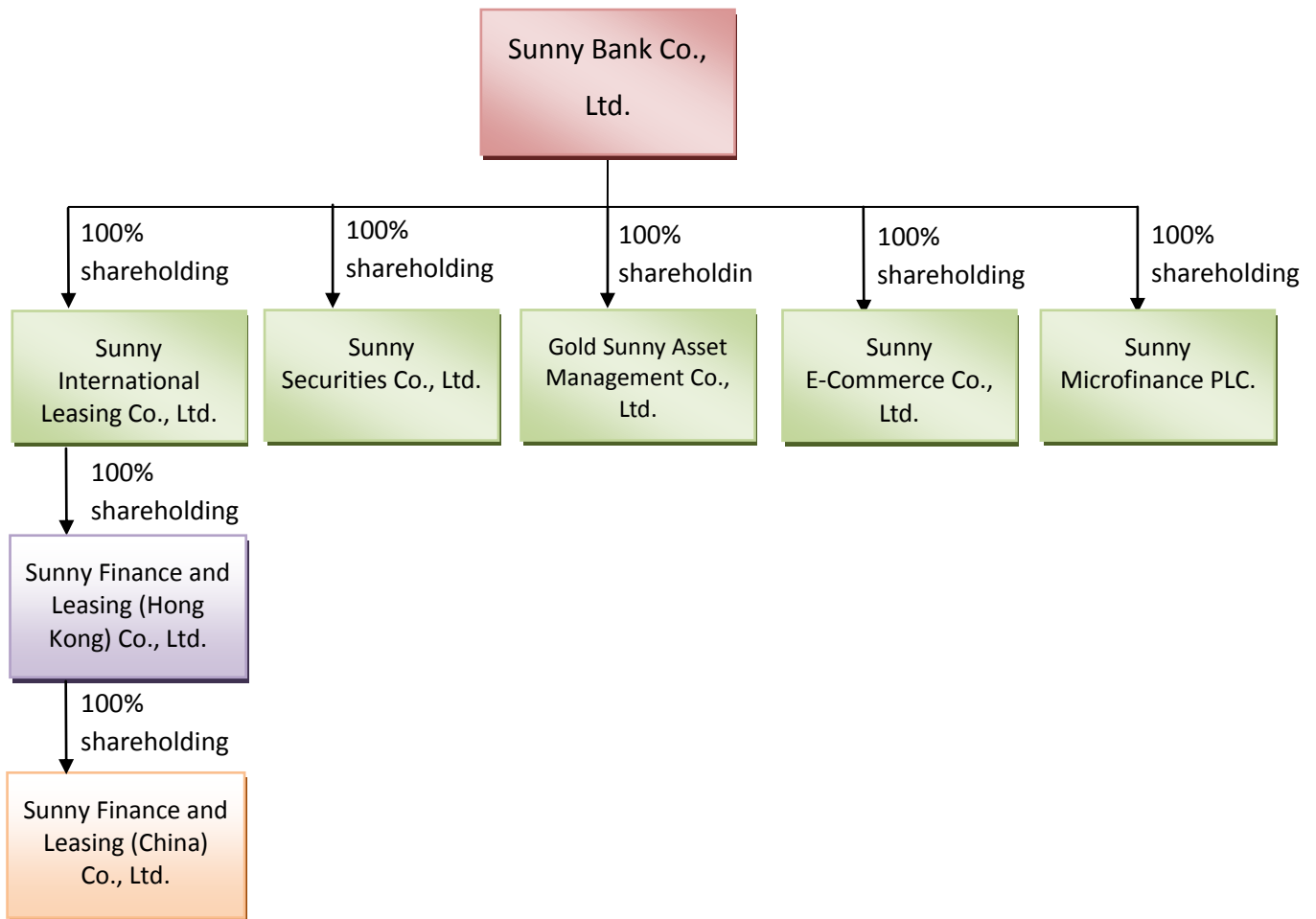
1. Information on Affiliates
2. Private Placement of Marketable Securities and Bank debentures during the Most Recent Fiscal Year before publishing the Annual Report
3. Holding or Disposal of the Bank Stocks by Affiliates during the Most Recent Fiscal Year before publishing the Annual Report
4. Additional 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

Record date: December 31, 2020



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, 2020

Unit: 1,000 shares, %

Company Name	Title	Name	Shareholdings	
			Shares	%
Sunny Securities Co., Ltd.	Chairman	Chou, San-Ho, Representative of Sunny Bank Co., Ltd.	50,200	100.00
	Director	Kuo, Cheng-Hung, Representative of Sunny Bank Co., Ltd.		
	Director	Wang, Chien-Yi, Representative of Sunny Bank Co., Ltd.		
	Director	Le, Wen-Kuang, Representative of Sunny Bank Co., Ltd.		
	Supervisor	Sung, Ping-Ping, Representative of Sunny Bank Co., Ltd.		
	President	Tong, Kun-Ren	0	0
Gold Sunny Asset Management Co., Ltd.	Chairman	Lin, Chi-Liang, Representative of Sunny Bank Co., Ltd.	15,000	100.00
	Director	Li, Yu-Sheng, Representative of Sunny Bank Co., Ltd.		
	Director	Cheng, Yan-Ching, Representative of Sunny Bank Co., Ltd.		
	Supervisor	Chen, Hui-Ling, Representative of Sunny Bank Co., Ltd.		
	President	Chen, Yu-Li	0	0
Sunny International Leasing Co., Ltd.	Chairman	Lin, Yi-Tsun, Representative of Sunny Bank Co., Ltd.	152,500	100.00
	Director	Ho, Li-Wei Representative of Sunny Bank Co., Ltd.		
	Director	Gan, Wu-Cheng Representative of Sunny Bank Co., Ltd.		
	Supervisor	Liu, Chong-Hsun, Representative of Sunny Bank Co., Ltd.		
	President	Liu, Jong-Sen	0	0.00
Sunny Finance and Leasing (Hong Kong) Co., Ltd.	Director	Lin, Yi-Tsun, Representative of Sunny International Leasing Co., Ltd.	0	100.00
Sunny Finance and Leasing (China) Co., Ltd.	Executive	Liu, Jong-Sen, Representative of Sunny Finance and Leasing (Hong Kong) Co., Ltd.	0	100.00
	Director	Liu, Jong-Sen, Representative of Sunny Finance and Leasing (Hong Kong) Co., Ltd.		
	Supervisor	Gan, Wu-Cheng, Representative of Sunny Finance and Leasing (Hong Kong) Co., Ltd.		
Sunny E-Commercial Co., Ltd.	Chairman	Chang, Chi-Ming, Representative of Sunny Bank Co., Ltd.	5,000	100.00
	Director	Song, Ping-Ping, Representative of Sunny Bank Co., Ltd.		
	Director	Cheng, Yan-Ching, Representative of Sunny Bank Co., Ltd.		
	Supervisor	Chen, Yu-Liang, Representative of Sunny Bank Co., Ltd.		
Sunny Microfinance PLC.	Chairman	Chen, Guo-Huei, Representative of Sunny Bank Co., Ltd.	980	100.00
	Director	Chen, Jin-Jia, Representative of Sunny Bank Co., Ltd.		
	Director	Jau, Huei-Jen, Representative of Sunny Bank Co., Ltd.		
	President	Liu, Chun-Ren		

E. Operations of Affiliated Companies

Unit: NT\$ 1,000, unless otherwise specified, 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	1,719,175	1,109,935	609,240	138,335	28,980	29,163	0.58
Gold Sunny Assets Management Co., Ltd.	150,000	374,259	194,416	179,843	47,059	22,300	20,997	1.40
Sunny International Leasing Co., Ltd.	1,525,000	1,811,695	243,861	1,567,834	60,835	37,262	81,713	0.54

Company	Capital	Total Assets	Total Liabilities	Net Value	Operating Income	Operating Income	Current Profit /Loss (After Tax)	Earnings Per Share (After Tax)
Sunny Finance and Leasing (Hong Kong) Co., Ltd.	USD 30,000	USD30,000	USD18	USD29,982	-	-	USD1,653	-
Sunny Finance and Leasing (China) Co., Ltd.	USD 30,000	CNY230,272	CNY4,886	CNY225,386	CNY12,324	CNY9,597	CNY11,416	-
Sunny E-Commercial Co., Ltd.	50,000	39,329	10,715	28,614	38,170	141	300	0.06
Sunny Microfinance PLC.	USD 9,800	USD24,706	USD16,395	USD8,311	USD771	(USD129)	(USD129)	(USD0.13)

(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, 2021

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

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

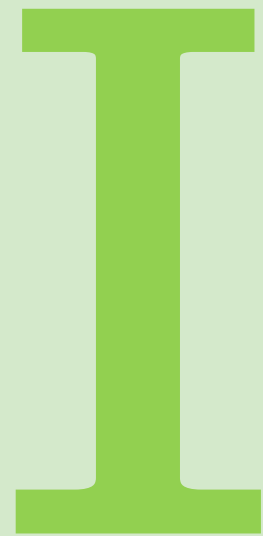
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Unit Name	Address		Tel.	
ADMINISTRATION MANAGEMENT DEPARTMENT	11271	NO.90, SEC.1, SHIPAI RD., BEITOU DIST., TAIPEI CITY, TAIWAN.	(02)	2820-8166
BUSINESS DEPARTMENT	11163	NO.255, CHUNG CHENG RD, SHIH LIN DIST, TAIPEI CITY,TAIWAN.	(02)	2882-2330
SHIPAI 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
FENGYUAN BRANCH	42041	NO.277, ZHONGSHAN RD., FENGYUAN DIST., TAICHUNG CITY, TAIWAN.	(04)	2526-7588



Annex.I Sunny Bank Ltd. And Subsidiaries

Consolidated Financial Statements for the
Years Ended December 31, 2020 and 2019 and
Independent Auditor's Report

REPRESENTATION LETTER OF COMBINED FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the combined financial statements of Sunny Bank Ltd. as of and for the year ended December 31, 2020, 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 16, 2021

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, 2020 and 2019, 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, 2020 and 2019, 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, 2020. 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, 2020 are stated as follows:

Impairment of Discounts and Loans

As of December 31, 2020, the net discounts and loans of the Group amounted to \$370,335,164 thousand, which was significant to the consolidated financial statements as a whole. Besides assessing the expected credit losses of loans in accordance with IFRS 9 "Financial Instruments", the management of the Company complies with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans and related regulations (the "Regulations") when evaluating the classification of credit assets and recognizing allowance for possible losses. Refer to Note 4 to the accompanying consolidated financial statements for the Group's accounting policies related to impairment of discounts and loans; refer to Note 5 for critical accounting judgments and key sources of estimation uncertainty, and Notes 14 and 45 for more details and disclosures.

We determined the assessment of allowance for possible losses on loans as a key audit matter for the year ended December 31, 2020 because the Group's assessment regarding classification of credit assets and allowance for possible losses involves critical estimates and judgments.

In response to the abovementioned key audit matter, we obtained an understanding and performed tests on the relevant internal controls in respect of the Group's loan impairment assessments for compliance with the Regulations and performed sampling on the classification of credit assets. We also considered related regulations and guidelines issued by the authorities and verified that the classification and recognition of impairment of discounts and loans, receivables and loan commitments complied with such regulations and guidelines.

Other Matter

We have also audited the financial statements of Sunny Bank Ltd. as of and for the years ended December 31, 2020 and 2019 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, 2020 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 Dong-Ru Xie.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2021

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, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	\$ 5,432,373	1	\$ 6,230,751	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Note 7)	28,686,112	5	25,488,369	5
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	19,278,200	3	16,596,233	3
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9, 11 and 42)	104,736,868	17	76,597,732	14
FINANCIAL ASSETS AT AMORTIZED COST (Notes 4, 10, 11 and 42)	29,175,263	5	29,994,687	6
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 4 and 12)	5,212,830	1	4,147,102	1
RECEIVABLES, NET (Notes 4, 13 and 14)	4,074,715	1	4,207,296	1
CURRENT TAX ASSETS (Notes 4 and 39)	219	-	298	-
DISCOUNTS AND LOANS, NET (Notes 4, 14 and 41)	384,729,541	64	340,856,579	65
OTHER FINANCIAL ASSETS, NET (Notes 4, 15 and 42)	8,345,159	1	5,351,385	1
PROPERTY AND EQUIPMENT, NET (Notes 4 and 16)	14,629,612	2	13,579,538	3
RIGHT-OF-USE ASSETS, NET (Notes 4, 17 and 41)	214,826	-	195,304	-
INVESTMENT PROPERTIES (Notes 4 and 18)	298,234	-	388,564	-
INTANGIBLE ASSETS (Notes 4 and 19)	1,207,948	-	1,192,094	-
DEFERRED TAX ASSETS (Notes 4 and 39)	315,745	-	268,561	-
OTHER ASSETS, NET (Notes 4, 20 and 42)	<u>300,923</u>	<u>-</u>	<u>287,652</u>	<u>-</u>
TOTAL	<u>\$ 606,638,568</u>	<u>100</u>	<u>\$ 525,382,145</u>	<u>100</u>
LIABILITIES AND EQUITY				
DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS (Note 21)	\$ 12,904,766	2	\$ 7,303,606	2
DUE TO THE CENTRAL BANK (Note 22)	3,849,710	1	-	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	690	-	187	-
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE (Notes 4, 9, 10 and 23)	7,659,246	1	6,756,216	1
PAYABLES (Notes 24 and 28)	3,509,809	1	3,093,177	1
CURRENT TAX LIABILITIES (Notes 4 and 39)	175,043	-	169,894	-
DEPOSITS AND REMITTANCES (Notes 25 and 41)	523,840,754	86	458,841,297	87
BANK DEBENTURES (Note 26)	16,360,000	3	14,560,000	3
OTHER FINANCIAL LIABILITIES	1,025,333	-	1,041,847	-
PROVISIONS (Notes 4, 14, 27 and 28)	227,888	-	128,529	-
LEASE LIABILITIES (Notes 4, 17 and 41)	210,918	-	187,792	-
DEFERRED TAX LIABILITIES (Notes 4 and 39)	136,921	-	127,151	-
OTHER LIABILITIES (Note 29)	<u>339,810</u>	<u>-</u>	<u>384,193</u>	<u>-</u>
Total liabilities	<u>570,240,888</u>	<u>94</u>	<u>492,593,889</u>	<u>94</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 30)				
Ordinary shares	<u>28,168,510</u>	<u>5</u>	<u>26,123,567</u>	<u>5</u>
Capital surplus	<u>66,043</u>	<u>-</u>	<u>61,243</u>	<u>-</u>
Retained earnings				
Legal reserve	4,182,585	1	3,491,793	1
Special reserve	58,254	-	58,254	-
Unappropriated earnings	<u>2,487,105</u>	<u>-</u>	<u>2,302,640</u>	<u>-</u>
Total retained earnings	<u>6,727,944</u>	<u>1</u>	<u>5,852,687</u>	<u>1</u>
Other equity	<u>1,435,183</u>	<u>-</u>	<u>750,759</u>	<u>-</u>
Total equity	<u>36,397,680</u>	<u>6</u>	<u>32,788,256</u>	<u>6</u>
TOTAL	<u>\$ 606,638,568</u>	<u>100</u>	<u>\$ 525,382,145</u>	<u>100</u>

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

SUNNY BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST REVENUE	\$ 9,550,744	125	\$ 9,937,058	133	(4)
LESS: INTEREST EXPENSE	<u>3,634,054</u>	<u>48</u>	<u>4,228,535</u>	<u>57</u>	(14)
NET INTEREST (Notes 4, 31 and 41)	<u>5,916,690</u>	<u>77</u>	<u>5,708,523</u>	<u>76</u>	4
NET REVENUE OTHER THAN INTEREST (Note 4)					
Commission and fee revenues, net (Note 32)	1,099,596	14	1,173,083	16	(6)
Net gain on financial assets and liabilities at fair value through profit or loss (Note 33)	185,487	3	203,817	3	(9)
Realized gain on financial assets at fair value through other comprehensive income (Note 34)	166,880	2	110,074	1	52
Net foreign exchange gain (loss)	23,182	-	84,580	1	(73)
Impairment loss on assets	(6,871)	-	(24,796)	-	(72)
Securities brokerage income	104,487	1	77,958	1	34
Gain on purchased claim receivable	28,787	1	20,200	-	43
Rental income	58,650	1	65,239	1	(10)
Other noninterest net revenue (Note 35)	<u>77,315</u>	<u>1</u>	<u>65,326</u>	<u>1</u>	18
Total net revenues other than interest	<u>1,737,513</u>	<u>23</u>	<u>1,775,481</u>	<u>24</u>	(2)
TOTAL NET REVENUE	<u>7,654,203</u>	<u>100</u>	<u>7,484,004</u>	<u>100</u>	2
ALLOWANCE FOR DOUBTFUL ACCOUNTS AND GUARANTEES (Notes 4 and 14)	<u>(818,031)</u>	<u>(10)</u>	<u>(888,441)</u>	<u>(12)</u>	(8)
OPERATING EXPENSES					
Employee benefits (Notes 4, 28, 30, 36 and 41)	2,442,718	32	2,281,198	30	7
Depreciation and amortization (Notes 4 and 37)	379,409	5	376,699	5	1
Others (Note 38)	<u>1,149,252</u>	<u>15</u>	<u>1,166,501</u>	<u>16</u>	(1)
Total operating expenses	<u>3,971,379</u>	<u>52</u>	<u>3,824,398</u>	<u>51</u>	4

(Continued)

SUNNY BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INCOME BEFORE INCOME TAX	\$ 2,864,793	38	\$ 2,771,165	37	3
INCOME TAX EXPENSE (Notes 4 and 39)	<u>449,304</u>	<u>6</u>	<u>451,379</u>	<u>6</u>	-
NET INCOME	<u>2,415,489</u>	<u>32</u>	<u>2,319,786</u>	<u>31</u>	4
OTHER COMPREHENSIVE INCOME (Note 4)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation (Notes 4 and 28)	(91,084)	(1)	(74,180)	(1)	23
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	194,149	2	(11,440)	-	1,797
Income tax benefit relating to items that will not be reclassified subsequently (Notes 4 and 39)	<u>18,216</u>	<u>-</u>	<u>14,836</u>	<u>-</u>	23
	<u>121,281</u>	<u>1</u>	<u>(70,784)</u>	<u>(1)</u>	271
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations	(36)	-	(59,244)	(1)	(100)
Unrealized loss on investments in debt instruments at fair value through other comprehensive income	593,672	8	175,882	3	238
Income tax benefit relating to items that may be reclassified subsequently (Notes 4 and 38)	<u>(3,311)</u>	<u>-</u>	<u>7,147</u>	<u>-</u>	(146)
	<u>590,325</u>	<u>8</u>	<u>123,785</u>	<u>2</u>	377
Other comprehensive income (loss) for the year, net of income tax	<u>711,606</u>	<u>9</u>	<u>53,001</u>	<u>1</u>	1,243
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 3,127,095</u>	<u>41</u>	<u>\$ 2,372,787</u>	<u>32</u>	32

(Continued)

SUNNY BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
NET PROFIT ATTRIBUTABLE TO:					
Owners of the Company	\$ 2,415,489	32	\$ 2,319,786	31	4
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	-
	<u>\$ 2,415,489</u>	<u>32</u>	<u>\$ 2,319,786</u>	<u>31</u>	4
TOTAL COMPREHENSIVE INCOME					
ATTRIBUTABLE TO:					
Owners of the Company	\$ 3,127,095	41	\$ 2,372,787	32	32
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	-
	<u>\$ 3,127,095</u>	<u>41</u>	<u>\$ 2,372,787</u>	<u>32</u>	32
EARNINGS PER SHARE (Note 38)					
Basic	<u>\$0.88</u>		<u>\$0.88</u>		
Diluted	<u>\$0.88</u>		<u>\$0.87</u>		

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

(Concluded)

SUNNY BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company							Other Equity		Total Equity
	Share Capital		Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income		
	Shares in Thousand	Ordinary Shares		Legal Reserve	Special Reserve	Unappropriated Earnings			Total	
BALANCE AT JANUARY 1, 2019	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
Appropriation of the 2019 earnings										
Legal reserve	-	-	-	690,792	-	(690,792)	-	-	-	-
Cash dividends	-	-	-	-	-	(522,471)	(522,471)	-	-	(522,471)
Share dividends	104,494	1,044,943	-	-	-	(1,044,943)	(1,044,943)	-	-	-
Net income for the year ended December 31, 2020	-	-	-	-	-	2,415,489	2,415,489	-	-	2,415,489
Other comprehensive loss for the year ended December 31, 2020, net of income tax	-	-	-	-	-	(72,868)	(72,868)	(3,347)	787,821	711,606
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	2,342,621	2,342,621	(3,347)	787,821	3,127,095
Issue of ordinary shares for cash	100,000	1,000,000	-	-	-	-	-	-	-	1,000,000
Value of share-based payment under employee share options	-	-	4,800	-	-	-	-	-	-	4,800
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	100,050	100,050	-	(100,050)	-
BALANCE AT DECEMBER 31, 2020	2,816,851	\$ 28,168,510	\$ 66,043	\$ 4,182,585	\$ 58,254	\$ 2,487,105	\$ 6,727,944	\$ (94,582)	\$ 1,529,765	\$ 36,397,680

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, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 2,864,793	\$ 2,771,165
Adjustments for:		
Depreciation expenses	301,169	312,487
Amortization expenses	78,240	64,212
Allowance for doubtful accounts and guarantees	818,031	888,441
Interest expenses	3,634,054	4,228,535
Interest revenues	(9,550,744)	(9,937,058)
Dividend income	(84,443)	(58,643)
Share-based payments	4,800	10,650
Gain on disposal of property and equipment	(356)	(253)
Gain on disposal of investment properties	(26,268)	(22,021)
Gain on disposal of property and equipment	(1,291)	-
Realized gain on financial assets at fair value through other comprehensive income	(82,885)	(51,651)
Impairment loss on financial assets	4,062	2,438
Impairment loss on non-financial assets	2,809	22,358
Gain on disposal of foreclosed collateral and residuals taken over	-	(23,660)
Changes in operating assets and liabilities		
Increase in due from the Central Bank and call loans to other banks	(1,389,791)	(6,309,350)
Decrease in financial assets at fair value through profit or loss	(2,681,967)	4,087,946
Increase (decrease) in receivables	196,407	269,709
Increase in discounts and loans	(44,578,495)	(30,335,436)
Increase (decrease) in due to the Central Bank and banks	5,601,160	790,000
Increase (decrease) in financial liabilities at fair value through profit or loss	503	(20,792)
Increase (decrease) in securities sold under agreements to repurchase	903,030	2,405,127
Increase (decrease) in payables	505,029	(1,166,509)
Increase in deposits and remittances	64,999,457	45,938,592
Increase (decrease) in provisions	5,920	(91,990)
Net cash generated from operations	21,523,224	13,774,297
Interest received	9,765,945	10,166,743
Dividends received	84,380	58,643
Interest paid	(3,721,489)	(4,210,150)
Income tax paid	(466,585)	(570,667)
Net cash generated from operating activities	27,185,475	19,218,866

(Continued)

SUNNY BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	\$(584,288,974)	\$(529,717,455)
Proceeds from disposal of financial assets at fair value through other comprehensive income	556,351,634	521,236,628
Purchase of financial assets at amortized cost	(143,870)	(4,817,737)
Proceeds from repayments of financial assets at amortised cost	800,000	-
Payments for property and equipment	(1,318,971)	(4,577,753)
Proceeds from disposal of property and equipment	356	53
Payments for intangible assets	(49,193)	(56,790)
Payments for investment properties	(43,241)	(260,414)
Proceeds from disposal of investment properties	158,642	91,708
Decrease (increase) in other financial assets	(2,995,333)	505,985
Decrease in other assets	<u>44,409</u>	<u>113,230</u>
Net cash used in investing activities	<u>(31,484,541)</u>	<u>(17,482,545)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	(450,000)	(107,000)
Increase in due to the Central Bank and other banks	3,849,710	-
Increase in commercial paper issued	(28,925)	(181,065)
Issue of bank debentures	3,300,000	1,330,000
Repayment of bank debentures on maturity	(1,500,000)	(1,300,000)
Proceeds from long-term borrowings	461,449	-
Repayment of the principal portion of lease liabilities	(70,670)	(68,986)
Increase (decrease) in other liabilities	(41,383)	51,340
Cash dividends paid	(522,471)	(478,544)
Proceeds from issue of ordinary shares	<u>1,000,000</u>	<u>1,000,000</u>
Net cash generated from financing activities	<u>5,997,710</u>	<u>245,745</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>376,658</u>	<u>71,565</u>
DECREASE IN CASH AND CASH EQUIVALENTS	2,075,302	2,053,631
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>12,985,072</u>	<u>10,931,441</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u><u>\$ 15,060,374</u></u>	<u><u>\$ 12,985,072</u></u>

(Continued)

SUNNY BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets at December 31, 2020 and 2019:

	December 31	
	2020	2019
Cash and cash equivalents in consolidated balance sheets	\$ 5,432,373	\$ 6,230,751
Due from the Central Bank and call loans to other banks reclassified as cash and cash equivalents under IAS 7 “Statement of Cash Flows”	4,415,171	2,607,219
Securities purchased under agreements to resell reclassified as cash and cash equivalents under IAS 7 “Statement of Cash Flows”	<u>5,212,830</u>	<u>4,147,102</u>
Cash and cash equivalents in consolidated statements of cash flows	<u>\$ 15,060,374</u>	<u>\$ 12,985,072</u>

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

(Concluded)

SUNNY BANK LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Sunny Bank Ltd. (the “Company”) is a public company that deals with: (1) businesses 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, 2020, the Bank had 105 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 16, 2021.

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), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

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.

- b. The IFRSs endorsed by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021

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 performance.

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

New IFRSs	Effective Date Announced by IASB (Note)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022
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, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	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).

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, 2020 and 2019 were as follows:

Investor Company	Subsidiary	Business Nature	Percentage of Shareholding (%)	
			2020	2019
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

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. 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. 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.

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

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.

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 Property, Plant and Equipment, Right-of-use Asset and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset 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

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in the ROC, 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 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 Loans

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. 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	
	2020	2019
Cash on hand	\$ 3,055,371	\$ 3,165,504
Checks for clearing	618,235	513,060
Bank deposits and due from other banks	<u>1,758,767</u>	<u>2,552,187</u>
	<u>\$ 5,432,373</u>	<u>\$ 6,230,751</u>

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

	December 31	
	2020	2019
Deposit reserve - checking accounts	\$ 4,979,076	\$ 6,204,319
Deposit reserve - demand accounts	14,041,633	11,989,720
Deposit reserve - foreign currencies	61,776	50,787
Call loans and overdraft to banks	8,603,008	6,442,684
Due from the Central Bank - interbank settlement funds	<u>1,000,619</u>	<u>800,859</u>
	<u>\$ 28,686,112</u>	<u>\$ 25,488,369</u>

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	
	2020	2019
Financial assets designated as at FVTPL		
Commercial papers	\$ 18,559,997	\$ 16,103,093
Structured deposits	367,699	305,234
Beneficiary certificates	302,629	159,568
Currency swap contracts	39,447	18,507
Listed stocks	8,369	9,731
Forward contracts	<u>59</u>	<u>100</u>
	<u>\$ 19,278,200</u>	<u>\$ 16,596,233</u>
Held-for-trading financial liabilities		
Currency swap contracts	\$ 676	\$ 187
Forward contracts	<u>14</u>	<u>-</u>
	<u>\$ 690</u>	<u>\$ 187</u>

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	
	2020	2019
Currency swap contracts	\$ 2,331,235	\$ 1,371,962
Forward contracts	3,832	7,064

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2020	2019
Investments in debt instruments at FVTOCI	\$ 102,890,946	\$ 75,575,531
Investments in equity instruments at FVTOCI	<u>1,845,922</u>	<u>1,022,201</u>
	<u>\$ 104,736,868</u>	<u>\$ 76,597,732</u>

a. Investments in debt instruments at FVTOCI

	December 31	
	2020	2019
Certificates of deposit	\$ 47,415,335	\$ 38,199,263
Government bonds	27,458,890	20,570,299
Corporate bonds	17,463,468	8,388,708
Bank debentures	8,756,427	7,219,356
Commercial papers	<u>1,796,826</u>	<u>1,197,905</u>
	<u>\$ 102,890,946</u>	<u>\$ 75,575,531</u>

- 1) As of December 31, 2020 and 2019, the investments in debt instruments at FVTOCI, which amounted to \$1,400,000 thousand and \$1,500,000 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	
	2020	2019
Listed shares	\$ 801,698	\$ 736,495
Unlisted shares	<u>1,044,224</u>	<u>285,706</u>
	<u>\$ 1,845,922</u>	<u>\$ 1,022,201</u>

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 2020 and 2019, the Company sold shares of stocks, and the related other equity - unrealized gain of \$100,050 thousand and unrealized gain of \$39,436 thousand on financial assets at FVTOCI were transferred to retained earnings, respectively. Dividends income of \$83,995 thousand and \$58,424 thousand were recognized in profit or loss for the years ended December 31, 2020 and 2019, respectively. The dividends related to investments still held at the end of the reporting period were \$69,857 thousand and \$49,839 thousand, respectively.

10. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2020	2019
Government bonds	\$ 27,460,630	\$ 27,479,986
Certificates of deposits	1,715,000	2,515,000
Less: Allowance for impairment loss	<u>(367)</u>	<u>(299)</u>
	<u>\$ 29,175,263</u>	<u>\$ 29,994,687</u>

As of December 31 2020 and 2019, the bond investment with face amount of \$6,250,000 thousand and \$5,250,000 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, 2020

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	\$ 101,998,324	\$ 29,175,630	\$ 131,173,954
Less: Allowance for impairment loss	(8,659)	(367)	(9,026)
Amortized cost	101,989,665	<u>\$ 29,175,263</u>	131,164,928
Adjustment to fair value	<u>901,281</u>		<u>901,281</u>
	<u>\$ 102,890,946</u>		<u>\$ 132,066,209</u>

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	<u>\$ 29,994,687</u>	105,262,609
Adjustment to fair value	<u>307,609</u>		<u>307,609</u>
	<u>\$ 75,575,531</u>		<u>\$ 105,570,218</u>

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.	12-month ECLs
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 ECLs - not credit impaired
Stage 3	There is evidence indicating the asset is credit-impaired at base date.	Lifetime ECLs - credit impaired

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

Category	December 31			
	2020		2019	
	Expected Loss Rate	Gross Carrying Amount	Expected Loss Rate	Gross Carrying Amount
Stage 1	0%-0.096%	\$ 131,173,954	0%-0.076%	\$ 105,267,588
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:

Allowance for Impairment Loss	Credit Rating		
	Stage 1 (12-month ECLs)	Stage 2 (Lifetime ECLs - Not Credit impaired)	Stage 3 (Lifetime ECLs - Credit impaired)
<u>At FVTOCI</u>			
Balance at January 1, 2020	\$ 4,680	\$ -	\$ -
Transfers			
From Stage 1 to Stage 2	-	-	-
From Stage 2 to Stage 3	-	-	-
From Stage 3 to write-off	-	-	-
New financial assets purchased	5,228	-	-
Derecognition	(560)	-	-
Change in exchange rates or others	<u>(689)</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 8,659</u>	<u>\$ -</u>	<u>\$ -</u>
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	<u>(681)</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 4,680</u>	<u>\$ -</u>	<u>\$ -</u>
Allowance for Impairment Loss	Credit Rating		
	Stage 1 (12-month ECLs)	Stage 2 (Lifetime ECLs - Not Credit impaired)	Stage 3 (Lifetime ECLs - Credit impaired)
<u>At Amortized Cost</u>			
Balance at January 1, 2020	\$ 299	\$ -	\$ -
Transfers			
From Stage 1 to Stage 2	-	-	-
From Stage 2 to Stage 3	-	-	-
From Stage 3 to write-off	-	-	-
New financial assets purchased	2	-	-
Derecognition	-	-	-
Change in exchange rates or others	<u>66</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 367</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

Allowance for Impairment Loss	Credit Rating		
	Stage 1 (12-month ECLs)	Stage 2 (Lifetime ECLs - Not Credit impaired)	Stage 3 (Lifetime ECLs - Credit impaired)
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	<u>85</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 299</u>	<u>\$ -</u>	<u>\$ -</u> (Concluded)

12. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

	December 31	
	2020	2019
Bank debentures	\$ 3,669,407	\$ 2,738,743
Corporate bonds	<u>1,543,423</u>	<u>1,408,359</u>
	<u>\$ 5,212,830</u>	<u>\$ 4,147,102</u>
Amounts of resell agreements	<u>\$ 5,220,270</u>	<u>\$ 4,161,953</u>
Dates of resell agreements	2021.1.5- 2021.3.22	2020.1.3- 2020.1.17

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

13. RECEIVABLES, NET

	December 31	
	2020	2019
Lease receivables	\$ 1,150,302	\$ 1,459,098
Interest receivables	1,297,826	1,275,773
Credit card receivables	587,380	670,696
Account receivable - settlement	711,480	514,372
Purchased claims receivables	77,003	102,070
Acceptances	39,890	23,651
Other receivables	<u>542,896</u>	<u>523,645</u>
	<u>4,406,777</u>	<u>4,569,305</u>
Less: Allowance for credit losses (Note 14)	<u>332,062</u>	<u>362,009</u>
Net amount	<u>\$ 4,074,715</u>	<u>\$ 4,207,296</u> (Continued)

	December 31	
	2020	2019
Minimum lease payments receivable	\$ 1,256,572	\$ 1,584,077
Less: Unearned finance income	<u>106,270</u>	<u>124,979</u>
Present value of minimum lease payment	<u>\$ 1,150,302</u>	<u>\$ 1,459,098</u>
		(Concluded)

14. DISCOUNTS AND LOANS, NET

	December 31	
	2020	2019
Export negotiation	\$ 23,064	\$ 66,592
Short-term loans	14,075,720	13,099,054
Secured short-term loans	86,691,450	82,050,276
Margin loans receivable	590,386	650,519
Medium-term loans	45,807,079	37,075,706
Secured medium-term loans	160,927,786	130,436,937
Long-term loans	2,507,201	2,294,547
Secured long-term loans	78,029,590	78,466,213
Nonperforming loans transferred from loans	<u>840,876</u>	<u>914,247</u>
	389,493,152	345,054,091
Less: Allowance for credit losses	4,835,689	4,246,721
Premium or discount on discounts and loans	<u>72,078</u>	<u>49,209</u>
Net amount	<u>\$ 384,729,541</u>	<u>\$ 340,856,579</u>

As of December 31, 2020, the loans and allowance for credit losses were \$370,335,164 thousand and \$4,634,458 thousand, respectively.

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, financial 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 as follows:

	2020						
	Discounts and Loans	Receivables	Nonperforming Loans Transferred from Other	Provision for Guarantee	Finance Commitments Provision	Other Provisions	Total
Balance at January 1, 2020	\$ 4,246,721	\$ 362,009	\$ 1,421	\$ 33,136	\$ 7,137	\$ 683	\$ 4,651,107
(Reversal) provisions	813,215	1,402	1,559	1,591	58	206	818,031
Write-off	(999,937)	(31,653)	(11,942)	-	-	-	(1,043,532)
Recovery of written-off credits	786,122	-	10,737	-	-	-	796,859
Effect of exchange rate changes	<u>(10,432)</u>	<u>304</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,128)</u>
Balance, December 31	<u>\$ 4,835,689</u>	<u>\$ 332,062</u>	<u>\$ 1,775</u>	<u>\$ 34,727</u>	<u>\$ 7,195</u>	<u>\$ 889</u>	<u>\$ 5,212,337</u>

	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
(Reversal) provisions	890,766	1,493	2,022	(2,803)	(2,512)	(525)	888,441
Write-off	(1,238,853)	(77,597)	(13,817)	-	-	-	(1,330,267)
Recovery of written-off credits	825,107	686	11,142	-	-	-	836,935
Effect of exchange rate changes	(4,157)	(574)	-	-	-	-	(4,731)
Balance, December 31	<u>\$ 4,246,771</u>	<u>\$ 362,009</u>	<u>\$ 1,421</u>	<u>\$ 33,136</u>	<u>\$ 7,137</u>	<u>\$ 683</u>	<u>\$ 4,651,107</u>

15. OTHER FINANCIAL ASSETS, NET

	December 31	
	2020	2019
Time deposits not qualifying as cash and cash equivalents	<u>\$ 8,343,462</u>	<u>\$ 5,349,678</u>
Nonperforming loans transferred from other than loans	3,472	3,128
Less: Allowance for credit losses (Note 14)	<u>1,775</u>	<u>1,421</u>
	<u>1,697</u>	<u>1,707</u>
	<u>\$ 8,345,159</u>	<u>\$ 5,351,385</u>

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
<u>Cost</u>								
Balance, January 1, 2020	\$ 7,581,657	\$ 3,126,834	\$ 953,027	\$ 65,512	\$ 874,731	\$ 31,456	\$ 4,032,044	\$ 16,665,261
Additions	55,652	24,301	30,228	6,691	18,347	487	1,183,265	1,318,971
Disposals	-	-	(22,526)	(6,359)	(1,042)	(300)	-	(30,227)
Decommissioning	-	-	-	-	-	500	-	500
Reclassification	2,178	8,794	17,305	-	14,024	-	(86,934)	(44,633)
Effect of foreign currency exchange differences	-	-	(183)	(33)	(185)	(145)	-	(480)
Balance, December 31, 2020	<u>7,639,487</u>	<u>3,159,929</u>	<u>977,851</u>	<u>65,877</u>	<u>905,875</u>	<u>31,998</u>	<u>5,128,375</u>	<u>17,909,392</u>
<u>Accumulated depreciation</u>								
Balance, January 1, 2020	-	1,495,883	720,382	50,658	782,201	26,599	-	3,075,723
Depreciation	-	68,698	106,676	6,190	41,136	1,695	-	224,395
Disposals	-	-	(22,526)	(6,359)	(1,042)	(300)	-	(30,227)
Effect of foreign currency exchange differences	-	-	(31)	33	(85)	(28)	-	(111)
Balance, December 31, 2020	-	<u>1,564,581</u>	<u>804,501</u>	<u>50,522</u>	<u>822,210</u>	<u>27,966</u>	-	<u>3,269,780</u>
<u>Accumulated impairment loss</u>								
Balance, January 1, 2020	10,000	-	-	-	-	-	-	10,000
Balance, December 31, 2020	<u>10,000</u>	-	-	-	-	-	-	<u>10,000</u>
<u>Net amount</u>								
Balance, January 1, 2020	<u>\$ 7,571,657</u>	<u>\$ 1,630,951</u>	<u>\$ 232,645</u>	<u>\$ 14,854</u>	<u>\$ 92,530</u>	<u>\$ 4,857</u>	<u>\$ 4,032,044</u>	<u>\$ 13,579,538</u>
Balance, December 31, 2020	<u>\$ 7,629,487</u>	<u>\$ 1,595,348</u>	<u>\$ 173,350</u>	<u>\$ 15,355</u>	<u>\$ 83,665</u>	<u>\$ 4,032</u>	<u>\$ 5,128,375</u>	<u>\$ 14,629,612</u>
<u>Cost</u>								
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	<u>7,581,657</u>	<u>3,126,834</u>	<u>953,027</u>	<u>65,512</u>	<u>874,731</u>	<u>31,456</u>	<u>4,032,044</u>	<u>16,665,261</u>
<u>Accumulated depreciation</u>								
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	-	<u>1,495,883</u>	<u>720,382</u>	<u>50,658</u>	<u>782,201</u>	<u>26,599</u>	-	<u>3,075,723</u>

(Continued)

	Land	Buildings	Machinery Equipment	Transportation Equipment	Other Equipment	Leasehold Improvement	Prepayments for Equipment and Construction in Progress	Total
<u>Accumulated impairment loss</u>								
Balance, January 1, 2019	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,000
Balance, December 31, 2019	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
<u>Net amount</u>								
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	<u>\$ 7,571,657</u>	<u>\$ 1,630,951</u>	<u>\$ 232,645</u>	<u>\$ 14,854</u>	<u>\$ 92,530</u>	<u>\$ 4,857</u>	<u>\$ 4,032,044</u>	<u>\$ 13,579,538</u>

(Concluded)

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

	<u>December 31</u>	
	2020	2019
<u>Carrying amounts</u>		
Land	\$ 352	\$ 39
Buildings	213,751	195,265
Machinery equipment	<u>723</u>	<u>-</u>
	<u>\$ 214,826</u>	<u>\$ 195,304</u>
	<u>For the Year Ended December 31</u>	
	2020	2019
Additions to right-of-use assets	<u>\$ 153,090</u>	<u>\$ 78,533</u>
Depreciation charge for right-of-use assets		
Land	\$ 165	\$ 209
Buildings	75,346	69,846
Machinery equipment	<u>66</u>	<u>-</u>
	<u>\$ 75,577</u>	<u>\$ 70,055</u>

b. Lease liabilities

	December 31	
	2020	2019
Carrying amounts	\$ <u>210,918</u>	\$ <u>187,792</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Land	3.00%-4.75%	2.86%
Buildings	2.86%-5.50%	2.86%-5.50%
Machinery equipment	3.00%	-

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	
	2020	2019
Expenses relating to short-term leases	\$ <u>2,190</u>	\$ <u>11,077</u>
Expenses relating to low-value asset leases	\$ <u>7,245</u>	\$ <u>7,263</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ <u>294</u>	\$ <u>141</u>
Total cash outflow for leases	\$ <u>87,048</u>	\$ <u>92,986</u>

18. INVESTMENT PROPERTY

	December 31	
	2020	2019
Land	\$ 218,589	\$ 268,008
Buildings	<u>79,645</u>	<u>120,556</u>
	\$ <u>298,234</u>	\$ <u>388,564</u>

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	
	2020	2019
<u>Cost</u>		
Balance, January 1	\$ 391,374	\$ 201,774
Addition	43,241	260,414
Disposal	<u>(134,922)</u>	<u>(70,814)</u>
Balance, December 31	<u>\$ 299,693</u>	<u>\$ 391,374</u>
<u>Accumulated depreciation</u>		
Balance, January 1	\$ 2,810	\$ 1,926
Depreciation	1,197	2,011
Disposal	<u>(2,548)</u>	<u>(1,127)</u>
Balance, December 31	<u>\$ 1,459</u>	<u>\$ 2,810</u>
<u>Net amount</u>		
Balance, December 31	<u>\$ 298,234</u>	<u>\$ 388,564</u>

The fair value of the investment property was not evaluated by an independent appraiser. The Group's management used the valuation model commonly used by the market participants to determine the fair value, 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, 2020 and 2019 was \$341,277 thousand and \$511,109 thousand, respectively.

19. INTANGIBLE ASSETS

	December 31	
	2020	2019
Goodwill	\$ 1,034,579	\$ 1,034,579
Computer software	<u>173,369</u>	<u>157,515</u>
	<u>\$ 1,207,948</u>	<u>\$ 1,192,094</u>

The movements of intangible assets are shown as follows:

	For the Year Ended December 31	
	2020	2019
Balance, January 1	\$ 1,192,094	\$ 1,192,511
Impairment	-	(21,155)
Additions	49,193	56,790
Amortization	(77,714)	(63,394)
Reclassifications	44,633	27,484
Effect of foreign currency exchange differences	<u>(258)</u>	<u>(142)</u>
Balance, December 31	<u>\$ 1,207,948</u>	<u>\$ 1,192,094</u>

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 Group partially acquired Credit Cooperative Associations in 2001 and 2002. On November 26, 2005 Kao Shin Commercial Bank was merged and recognized a goodwill of \$1,034,579 thousand.

In testing goodwill for impairment, the recoverable amount is its value in use for operating segments defined as a CGU. The Group estimates the next five year's cash flows of a CGU by taking into consideration the actual performance of each CGU, business cycle, etc. under the going concern assumption. The discounted present value of cash flows is used to determine the value in use of each CGU. The testing for asset impairment showed that no impairment loss had been incurred.

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

<u>Item</u>	<u>Years</u>
Computer software	2-10 years

20. OTHER ASSETS, NET

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Collaterals assumed		
Cost	\$ 155,795	\$ 91,558
Less: Accumulated impairment loss	<u>28,587</u>	<u>25,778</u>
Collaterals assumed, net	127,208	65,780
Prepayments	42,688	86,119
Refundable deposits	77,259	90,877
Operating deposits, clearing and settlement fund	16,856	17,549
Others	<u>36,912</u>	<u>27,327</u>
	<u>\$ 300,923</u>	<u>\$ 287,652</u>

21. DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Call loans from banks	\$ 8,170,160	2,800,000
Due to banks	3,436,000	\$ 3,205,000
Deposits from Chunghwa Post Co., Ltd.	<u>1,298,606</u>	<u>1,298,606</u>
	<u>\$ 12,904,766</u>	<u>\$ 7,303,606</u>

22. DUE TO THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2020	2019
Due to the central bank	\$ <u>3,849,710</u>	\$ <u>-</u>

23. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	December 31	
	2020	2019
Government bonds	\$ 6,258,138	\$ 5,355,490
Corporate bond	<u>1,401,108</u>	<u>1,400,726</u>
	<u>\$ 7,659,246</u>	<u>\$ 6,756,216</u>
Agreed-upon repurchase price	<u>\$ 7,660,752</u>	<u>\$ 6,759,265</u>
Maturity date	2021.1.4- 2021.3.3	2020.1.3- 2020.2.26

24. PAYABLES

	December 31	
	2020	2019
Interest payables	\$ 629,466	\$ 717,863
Accrued expenses	687,559	644,132
Notes and checks for clearing	618,235	513,060
Accounts payable for settlement	810,769	482,574
Acceptances payable	254,065	268,653
Other taxes payable	84,528	87,763
Bills for collection	39,835	23,777
Other payables	<u>385,352</u>	<u>355,355</u>
	<u>\$ 3,509,809</u>	<u>\$ 3,093,177</u>

25. DEPOSITS AND REMITTANCES

	December 31	
	2020	2019
Checking	\$ 3,495,251	\$ 3,175,535
Demand	82,823,756	63,189,556
Time deposits	206,973,831	176,819,729
Savings	230,491,399	215,624,762
Remittances	<u>56,517</u>	<u>31,715</u>
	<u>\$ 523,840,754</u>	<u>\$ 458,841,297</u>

26. 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	
			2020	2019
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
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
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
Fourth subordinated non-accumulating redeemable bank debentures issued on December 24, 2015	No maturity date. Redeemable at par after 7 years from the date of issue.	Fixed interest rate of 4.50%. Interest is paid annually.	700,000	700,000
Fifth subordinated non-accumulating redeemable bank debentures issued on December 31, 2015	No maturity date. Redeemable at par after 7 years from the date of issue.	Fixed interest rate of 4.50%. Interest is paid annually.	200,000	200,000
First subordinated bank debentures issued in 2016	2016.01.27-2023.01.27 Principal is repayable on maturity date.	Fixed interest rate of 2.46%. Interest is paid annually.	1,100,000	1,100,000
Second subordinated bank debentures issued in 2016 (A)	2016.08.19-2023.08.19 Principal is repayable on maturity date.	Fixed interest rate of 2.00%. Interest is paid annually.	530,000	530,000
Second subordinated bank debentures issued in 2016 (B)	2016.08.19-2023.08.19 Principal is repayable on maturity date.	Variable interest rate plus 1.08%. Interest is paid annually.	170,000	170,000
Third subordinated non-accumulating redeemable bank debentures issued on August 19, 2016	No maturity date. Redeemable at par after 7 years from the date of issue.	Fixed interest rate of 4.35%. Interest is paid annually.	300,000	300,000
Fourth subordinated bank debentures issued in 2016	2016.09.20-2023.09.20 Principal is repayable on maturity date.	Fixed interest rate of 2.00%. Interest is paid annually.	800,000	800,000
Fifth subordinated non-accumulating redeemable bank debentures issued on October 18, 2016	No maturity date. Redeemable at par after 7 years from the date of issue.	Fixed interest rate of 4.35%. Interest is paid annually.	200,000	200,000
First subordinated bank debentures issued in 2017	2017.02.15-2024.02.15 Principal is repayable on maturity date.	Variable interest rate plus 0.83%. Interest is paid annually.	200,000	200,000
Second subordinated non-accumulating redeemable bank debentures issued on March 31, 2017	No Maturity date.	Variable interest rate plus 3.13%. Interest is paid annually.	800,000	800,000
Third subordinated bank debentures issued in 2017 (A)	2017.05.31-2024.05.31 Principal is repayable on maturity date.	Fixed interest rate of 1.75%. Interest is paid annually.	70,000	70,000
Third subordinated bank debentures issued in 2017 (B)	2017.05.31-2024.05.31 Principal is repayable on maturity date.	Variable interest rate plus 0.83%. Interest is paid annually.	380,000	380,000
Fourth subordinated non-accumulating redeemable bank debentures issued on March 31, 2017	2017.06.29-2024.06.29 Principal is repayable on maturity date.	Variable interest rate plus 0.83%. Interest is paid annually.	450,000	450,000
Fifth subordinated non-accumulating redeemable bank debentures issued on August 30, 2017	No Maturity date. Redeemable at par after 7 years from the date of issue.	Variable interest rate plus 3.13%. Interest is paid annually.	530,000	530,000
Sixth subordinated non-accumulating redeemable bank debentures issued on September 25, 2017	No Maturity date. Redeemable at par after 7 years from the date of issue.	Variable interest rate plus 3.13%. Interest is paid annually.	350,000	350,000
First subordinated non-accumulating redeemable bank debentures issued on March 29, 2018	No Maturity date. Redeemable at par after 7 years from the date of issue.	Variable interest rate plus 3.13%. Interest is paid annually.	180,000	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	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	370,000

(Continued)

	Maturity Date	Rates	December 31	
			2020	2019
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	\$ 700,000
First subordinated non-accumulating redeemable bank debentures issued on March 27, 2020	No Maturity date. Redeemable at par after 7 years from the date of issue.	Variable interest rate plus 1.93%. Interest is paid annually.	1,300,000	-
Second subordinated non-accumulating redeemable bank debentures issued on September 29, 2020	No Maturity date. Redeemable at par after 7 years from the date of issue.	Variable interest rate plus 1.89%. Interest is paid annually.	1,450,000	-
Third subordinated non-accumulating redeemable bank debentures issued on November 27, 2020	No Maturity date. Redeemable at par after 7 years from the date of issue.	Variable interest rate plus 1.89%. Interest is paid annually.	550,000	-
			<u>\$ 16,360,000</u>	<u>\$ 14,560,000</u>

(Concluded)

27. PROVISIONS

	December 31	
	2020	2019
Provisions for employee benefits (Note 28)	\$ 172,834	\$ 77,559
Provisions for guarantee liabilities (Note 14)	34,727	33,136
Provisions for decommissioning liabilities	10,228	10,014
Provisions for financial commitment (Note 14)	7,195	7,137
Provisions for warranty	2,015	-
Other provisions (Note 14)	<u>889</u>	<u>683</u>
	<u>\$ 227,888</u>	<u>\$ 128,529</u>

28. PROVISIONS FOR EMPLOYEE BENEFITS

	December 31	
	2020	2019
Recognized in consolidated balance sheets (accounts payable and provisions)		
Defined benefit plans	\$ 169,556	\$ 74,231
Defined contribution plans	12,784	10,595
Preferential interest rate plan for employees' deposits	<u>3,278</u>	<u>3,328</u>
	<u>\$ 185,618</u>	<u>\$ 88,154</u>

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	
	2020	2019
Present value of defined benefit obligation	\$ 876,902	\$ 802,590
Fair value of plan assets	<u>(707,346)</u>	<u>(728,359)</u>
Net defined benefit liability	<u>\$ 169,556</u>	<u>\$ 74,231</u>

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2019	<u>\$ 746,590</u>	<u>\$ (654,738)</u>	<u>\$ 91,852</u>
Service cost			
Current service cost	8,404	-	8,404
Net interest expense (income)	<u>8,258</u>	<u>(7,280)</u>	<u>978</u>
Recognized in profit or loss	<u>16,662</u>	<u>(7,280)</u>	<u>9,382</u>
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	<u>79,309</u>	<u>(3,273)</u>	<u>76,036</u>
Recognized in other comprehensive income	<u>85,906</u>	<u>(11,726)</u>	<u>74,180</u>
Contributions from the employer	-	(101,183)	(101,183)
Benefits paid	<u>(46,568)</u>	<u>46,568</u>	<u>-</u>
Balance at December 31, 2019	<u>802,590</u>	<u>(728,359)</u>	<u>74,231</u>
Service cost			
Current service cost	6,937	-	6,937
Net interest expense (income)	<u>6,220</u>	<u>(5,908)</u>	<u>312</u>
Recognized in profit or loss	<u>13,157</u>	<u>(5,908)</u>	<u>7,249</u>
Remeasurement			
Return on plan assets	-	(6,389)	(6,389)
Actuarial loss - changes in demographic assumptions	5,833	-	5,833
Actuarial loss - changes in financial assumptions	29,162	-	29,162
Actuarial loss - experience adjustments	<u>66,103</u>	<u>(3,625)</u>	<u>62,478</u>
Recognized in other comprehensive income	<u>101,098</u>	<u>(10,014)</u>	<u>91,084</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Contributions from the employer	\$ -	\$ (3,008)	\$ (3,008)
Benefits paid	<u>(39,943)</u>	<u>39,943</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 876,902</u>	<u>\$ (707,346)</u>	<u>\$ 169,556</u> (Concluded)

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	
	2020	2019
Discount rate(s)	0.350%	0.8%
Expected rate(s) of salary increase	1.000%-1.625%	1.000%-1.625%

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	
	2020	2019
Discount rate(s)		
0.25% increase	<u>\$ (16,654)</u>	<u>\$ (15,132)</u>
0.25% decrease	<u>\$ 17,193</u>	<u>\$ 15,629</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 16,393</u>	<u>\$ 14,937</u>
0.25% decrease	<u>\$ (15,958)</u>	<u>\$ (14,532)</u>

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	
	2020	2019
Expected contributions to the plan for the next year	\$ 8,210	\$ 70,240
Average duration of the defined benefit obligation	9-10 years	9-10 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, 2020 and 2019 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	
	2020	2019
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	
	2020	2019
Present value of preferential interest on employees' deposits	\$ 3,278	\$ 3,328
Fair value of plan assets	<u>-</u>	<u>-</u>
Provision for preferential interest of employees' deposits	\$ 3,278	\$ 3,328

The Company expects to make a contribution of \$0 to the preferential interest of employees' deposits for the years ended December 31, 2020 and 2019.

29. OTHER LIABILITIES

	December 31	
	2020	2019
Advance receipts	\$ 193,007	\$ 255,614
Guarantee deposits received	144,063	126,379
Others	<u>2,740</u>	<u>2,200</u>
	<u>\$ 339,810</u>	<u>\$ 384,193</u>

30. EQUITY

Common Shares

a. Share capital

	December 31	
	2020	2019
Number of authorized shares (in thousands)	<u>4,000,000</u>	<u>3,000,000</u>
Amount of authorized shares	<u>\$ 40,000,000</u>	<u>\$ 30,000,000</u>
Number of issued and fully paid shares (in thousands)	<u>2,816,851</u>	<u>2,612,357</u>
Amount of issued and fully paid shares	<u>\$ 28,168,510</u>	<u>\$ 26,123,567</u>

On June 3, 2019, 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.

On June 8, 2020, the Company's stockholders resolved to issue 104,494 thousand common shares from earnings allocated to capital, with a par value of NT\$10, which increased the issued and fully paid shares to \$27,168,510 thousand. The capital increase was approved by the authorities, and the base date of earnings capitalization was September 4, 2020.

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 March 17, 2020 which increased the issued and fully paid shares to \$28,168,510 thousand. The capital increase was approved by the Securities and Futures Bureau of the Financial Supervisory Commission on July 7, 2020; the base date of earnings capitalization set by the board of directors was September 4, 2020 and the change to the issued and paid up capital was registered on September 29, 2020.

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, 2020 and 2019 were \$4,800 thousand and \$10,650 thousand, respectively.

In 2020 and 2019, 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 2020 (Base Date: September 2, 2020)	The First Subscription in 2019 (Base Date: August 15, 2019)
Grant-date share price	\$9.76	\$10.68
Exercise price	\$10	\$10
Expected volatility	31.94%	14.63%
Expected life (years)	0.12	0.13
Risk-free interest rate	0.26%	0.45%

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	
	2020	2019
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (a)		
Treasury share transactions	\$ 1,581	\$ 1,581
<u>May only be used to offset a deficit</u>		
Unused employee share options	44,715	40,535
Issuance of ordinary shares (Employee share options)	<u>19,747</u>	<u>19,127</u>
	<u>\$ 66,043</u>	<u>\$ 61,243</u>

- Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).
- 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 2019 and 2018 earnings were proposed in the shareholders' meetings on June 8, 2020 and June 3, 2019, respectively. The appropriations, including dividends per share, were as follows:

	Appropriation of Earnings		Dividends Per Share (\$)	
	2019	2018	2019	2018
Beginning unappropriated earnings	\$ 2,761	\$ 23,756		
Effect of retrospective application and retrospective restatement	<u>-</u>	<u>(101,869)</u>		
Beginning deficit after adjustment	2,761	(78,113)		
Net profit after tax for the year		2,551,934		
Unappropriated earnings adjusted for equity investment	(725)	93		
Remeasurement on defined benefit plans recognized in retained earnings	(58,618)	(39,577)		
Disposal of FVTOCI	<u>39,436</u>	<u>(20,429)</u>		
Unappropriated earnings for the year	2,302,640	2,413,908		
Legal reserve	(690,792)	(724,172)		
Recognition of special reserve	<u>-</u>	<u>(12,070)</u>		
Earnings available for appropriation	1,611,848	1,677,666		
Cash dividends	(522,471)	(478,544)	\$ 0.2	\$ 0.2
Share dividends	<u>(1,044,943)</u>	<u>(1,196,361)</u>	0.4	0.5
Ending retained earnings	<u>\$ 44,434</u>	<u>\$ 2,761</u>		

The appropriations of earnings for 2019 had been proposed by the Company's board of directors on March 16, 2021. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Beginning unappropriated earnings	\$ 44,434	
Net profit after tax for the year 2020	2,319,786	
Unappropriated earnings adjusted for equity investment	(2,138)	
Remeasurement on defined benefit plans recognized in retained earnings	(70,730)	
Disposal of FVTOCI	<u>100,050</u>	
Amount of other profit items adjusted to the current year's undistributed earnings other than after-tax net income for the period	<u>2,442,671</u>	
30% legal reserve	<u>(732,801)</u>	
Earnings available for appropriation	1,754,304	
Cash dividends	(563,370)	\$ 0.2
Share dividends	<u>(1,126,740)</u>	0.4
Ending retained earnings	<u>\$ 64,194</u>	

Other Equity Items

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

	For the Year Ended December 31 2020	2019
Balance at January 1	\$ (91,235)	\$ (39,138)
Exchange differences on translating the financial statements of foreign operations	(36)	(59,244)
Income tax related to gains on translating the financial statements of foreign operations	<u>\$ (3,311)</u>	<u>7,147</u>
Balance at December 31	<u>\$ (94,582)</u>	<u>\$ (91,235)</u>

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

	For the Year Ended December 31, 2020	
	Equity Instruments	Debt Instruments
Balance at January 1	\$ 534,385	\$ 307,609
Unrealized gain/(loss) - debt instruments	194,149	-
Unrealized gain/(loss) - equity instruments	-	672,578
Net remeasurement of loss allowance	-	3,979
Disposal of investments in debt instruments	-	(82,885)
Cumulative unrealized gain/(loss) of equity instruments transferred to retained earnings due to disposal	<u>(100,050)</u>	<u>-</u>
Balance at December 31	<u>\$ 628,484</u>	<u>\$ 901,281</u>

	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	<u>(39,436)</u>	<u>-</u>
Balance at December 31	<u>\$ 534,385</u>	<u>\$ 307,609</u>

31. NET INTEREST

	For the Year Ended December 31	
	2020	2019
Interest revenue		
Discounts and loans	\$ 8,061,166	\$ 8,286,437
Marketable securities held	983,675	991,738
Due from banks and call loans to banks	293,500	401,210
Securities purchased under agreement to resell	65,141	111,451
Others	<u>147,262</u>	<u>146,222</u>
	<u>9,550,744</u>	<u>9,937,058</u>
Interest expense		
Deposits	3,089,718	3,694,172
Bank debentures	438,438	411,208
Others	<u>105,898</u>	<u>123,155</u>
	<u>3,634,054</u>	<u>4,228,535</u>
	<u>\$ 5,916,690</u>	<u>\$ 5,708,523</u>

32. COMMISSION AND FEE REVENUES, NET

	For the Year Ended December 31	
	2020	2019
Commission and fee revenue		
Trust and related business	\$ 417,664	\$ 296,056
Agency service	336,432	542,706
Loan services	239,706	217,234
Credit card business	50,066	63,438
Others	<u>174,002</u>	<u>166,493</u>
	<u>1,217,870</u>	<u>1,285,927</u>
Commission and fee expense		
Credit card business	37,158	38,443
Interbank services	16,387	16,477
Others	<u>64,729</u>	<u>57,924</u>
	<u>118,274</u>	<u>112,844</u>
	<u>\$ 1,099,596</u>	<u>\$ 1,173,083</u>

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

	For the Year Ended December 31	
	2020	2019
Interest revenue	\$ 76,376	\$ 116,906
Dividend revenue	<u>448</u>	<u>219</u>
Disposal (loss) gain		
Beneficial certificates	37,916	3,885
Commercial paper	1,120	1,131
Stocks	(6,299)	1,443
Bonds		-
Derivative financial instruments		
Currency swap contracts	28,335	28,499
Forward contracts	<u>(202)</u>	<u>(1,480)</u>
	<u>60,870</u>	<u>33,478</u>
Gain (loss) on valuation		
Beneficiary certificates	38,061	4,743
Structured products	817	10,059
Negotiable certificates of deposit	-	11
Stocks	(221)	675
Commercial paper	(11,260)	928
Derivative financial instruments		
Forward contracts	20,451	35,333
Currency swap contracts	<u>(55)</u>	<u>1,465</u>
	<u>47,793</u>	<u>53,214</u>
	<u>\$ 185,487</u>	<u>\$ 203,817</u>

34. REALIZED GAINS ON FVTOCI

	For the Year Ended December 31	
	2020	2019
Dividend revenue	\$ 83,995	\$ 58,424
Disposal of bonds	82,880	51,569
Disposal of commercial papers	<u>5</u>	<u>81</u>
	<u>\$ 166,880</u>	<u>\$ 110,074</u>

35. OTHER NONINTEREST NET REVENUE

	For the Year Ended December 31	
	2020	2019
Gain (loss) on disposal of investment properties	\$ 26,268	\$ 22,021
Miscellaneous revenue	18,893	-
Gain (loss) on disposal of property and equipment	356	253
Gain (loss) on disposal of foreclosed collateral	-	23,660
Others	<u>31,798</u>	<u>19,392</u>
	<u>\$ 77,315</u>	<u>\$ 65,326</u>

36. EMPLOYEE BENEFIT EXPENSE

	For the Year Ended December 31	
	2020	2019
Salaries and wages	\$ 1,958,629	\$ 1,815,043
Labor insurance, national health insurance and group life insurance	169,787	159,915
Pension costs	89,031	81,261
Remuneration of directors	58,339	57,556
Other employee benefits expense	<u>166,932</u>	<u>167,423</u>
	<u>\$ 2,442,718</u>	<u>\$ 2,281,198</u>

Compensation of Employees and Remuneration of Directors

According to the Company's Articles, the Company accrues compensation of employees and remuneration of directors at the rates 2% and no higher than 1%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. When the Company has accumulated losses, it should reserve the amount of compensation in advance.

The compensation of employees and remuneration to directors, accrued at 2% and no higher than 1%, for the years ended December 31, 2020 and 2019 which have been approved by the Company's board of directors on March 16, 2021 and March 17, 2020, respectively, were as follows:

	For the Year Ended December 31	
	2020	2019
Compensation of employees	\$ 58,215	\$ 56,102
Remuneration of directors	29,108	28,051

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, 2019 and 2018.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

37. DEPRECIATION AND AMORTIZATION EXPENSE

	For the Year Ended December 31	
	2020	2019
Depreciation expense		
Property and equipment	\$ 224,395	\$ 240,421
Right-of-use assets	75,577	70,055
Investment properties	<u>1,197</u>	<u>2,011</u>
	<u>\$ 301,169</u>	<u>\$ 312,487</u>
Amortization expense	<u>\$ 78,240</u>	<u>\$ 64,212</u>

38. OTHER OPERATING EXPENSES

	For the Year Ended December 31	
	2020	2019
Taxation	\$ 507,371	\$ 508,854
Insurance	182,170	170,253
Repairs	80,034	72,547
Postage	62,512	62,507
Public utilities	40,075	42,548
Rent	9,436	18,340
Others	<u>267,654</u>	<u>291,452</u>
	<u>\$ 1,149,252</u>	<u>\$ 1,166,501</u>

39. 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	
	2020	2019
<u>Current tax</u>		
In respect of the current year	\$ 471,776	\$ 483,225
Income tax on unappropriated earnings	-	138
Adjustments for prior years	(138)	684
Others	<u>175</u>	<u>270</u>
	<u>471,813</u>	<u>484,317</u>
<u>Deferred tax</u>		
In respect of the current year	<u>(22,509)</u>	<u>(32,938)</u>
Income tax expense recognized in profit or loss	<u>\$ 449,304</u>	<u>\$ 451,379</u>

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

	For the Year Ended December 31	
	2020	2019
Profit before tax from continuing operations	<u>\$ 2,864,793</u>	<u>\$ 2,771,165</u>
Income tax expense calculated at the statutory rate	\$ 572,959	\$ 554,233
Nondeductible expenses in determining taxable income	307	663
Tax-exempt income	(114,786)	(103,614)
Income tax on unappropriated earnings	-	138
Unrecognized deductible temporary differences	(10,444)	(3,655)
Effect of different tax rate of Group entities operating in other jurisdictions	1,231	2,660
		(Continued)

	For the Year Ended December 31	
	2020	2019
Adjustments for prior years' tax	\$ (138)	\$ 684
Land value increment tax	175	163
Others	<u>-</u>	<u>107</u>
Income tax expense recognized in profit or loss	<u>\$ 449,304</u>	<u>\$ 451,379</u> (Concluded)

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. When calculating the tax on unappropriated earnings, the potential income tax consequence of the 2019 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2020	2019
<u>Deferred tax</u>		
In respect of the current year:		
Remeasurement on defined benefit plan	\$ 18,216	\$ 14,836
Translation of foreign operations	<u>(3,311)</u>	<u>7,147</u>
Total income tax recognized in other comprehensive income	<u>\$ 14,905</u>	<u>\$ 21,983</u>

c. Current tax assets and liabilities

	December 31	
	2020	2019
Current tax assets		
Tax refund receivable	<u>\$ 219</u>	<u>\$ 298</u>
Current tax liabilities		
Income tax payable	<u>\$ 175,043</u>	<u>\$ 169,894</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for credit losses	\$ 218,340	\$ 29,647	\$ -	\$ 247,987
Defined benefit obligation	15,670	848	18,216	34,734
Unrealized gain on foreign exchange	18,711	-	(3,311)	15,400
Exchange difference on foreign operations	10,629	661	-	11,290
Provisions	1,494	52	-	1,546
Preferential interest for deposits of employees	666	(10)	-	656
Deferred revenue	144	(111)	-	33
Others	<u>1,947</u>	<u>1,192</u>	<u>-</u>	<u>3,139</u>
	267,601	32,279	14,905	314,785
Loss carryforwards	<u>960</u>	<u>-</u>	<u>-</u>	<u>960</u>
	<u>\$ 268,561</u>	<u>\$ 32,279</u>	<u>\$ 14,905</u>	<u>\$ 315,745</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Land value increment tax	\$ 106,829	\$ -	\$ -	\$ 106,829
Unrealized gain on investments accounted for using the equity method	<u>20,322</u>	<u>9,770</u>	<u>-</u>	<u>30,092</u>
	<u>\$ 127,151</u>	<u>\$ 9,770</u>	<u>\$ -</u>	<u>\$ 136,921</u>

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for credit losses	\$ 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	<u>1,575</u>	<u>372</u>	<u>-</u>	<u>1,947</u>
	218,326	27,792	21,983	267,601
Loss carryforwards	<u>960</u>	<u>-</u>	<u>-</u>	<u>960</u>
	<u>\$ 219,286</u>	<u>\$ 27,792</u>	<u>\$ 21,983</u>	<u>\$ 268,561</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Land value increment tax	\$ 106,829	\$ -	\$ -	\$ 106,829
Unrealized gain on investments accounted for using the equity method	14,343	5,979	-	20,322
Unrealized foreign exchange gain	<u>11,625</u>	<u>(11,625)</u>	<u>-</u>	<u>-</u>
	<u>\$ 132,797</u>	<u>\$ (5,646)</u>	<u>\$ -</u>	<u>\$ 127,151</u>

e. Information about unused loss carryforwards

Loss carryforwards of Sunny E-Commercial Co. as of December 31, 2020 comprised:

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

f. Income tax assessments

	<u>Examined Year</u>
The Company	2017
Sunny Securities Co.	2017
King Sunny Assets Management Co.	2017
Sunny International Leasing Co.	2017
Sunny E-Commercial Co.	2018

40. EARNINGS PER SHARE

Unit: NT\$

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Basic earnings per share	<u>\$ 0.88</u>	<u>\$ 0.88</u>
Diluted earnings per share	<u>\$ 0.88</u>	<u>\$ 0.87</u>

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 4, 2020. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2019 were as follows:

Unit: \$Per Share

	Before Adjusted Retrospectively	After Adjusted Retrospectively
Basic earnings per share	<u>\$ 0.91</u>	<u>\$ 0.88</u>
Diluted earnings per share	<u>\$ 0.91</u>	<u>\$ 0.87</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Profit for the year attributable to owners of the Company	<u>\$ 2,415,489</u>	<u>\$ 2,319,786</u>

Shares

(In Thousand Shares)

	For the Year Ended December 31	
	2020	2019
Weighted average number of common shares used in the computation of basic earnings per share	2,749,364	2,647,327
Effect of potentially dilutive common shares:		
Compensation of employees	<u>5,424</u>	<u>5,481</u>
Weighted average number of common shares used in the computation of diluted earnings per share	<u>2,754,788</u>	<u>2,652,808</u>

If the Company offered to settle compensation or bonuses paid to employees in cash or shares, the Company assumed the entire amount of the compensation or bonus 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.

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
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
Sheng Yang Construction Co., Ltd.	Related party in substance
Sheng Fan 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, 2020							
	Number of Accounts or Name of Related Party	Highest Balance	Average Balance	Ending Balance	Normal	Overdue	Type of Collaterals	Is the Transaction at Arm's Length
Consumer loans for employees	6	\$ 2,717	\$ 541	\$ 2,601	\$ 2,601	\$ -	-	Yes
Housing mortgage loans	50	562,500	455,955	367,092	367,092	-	Land and building for residential use	Yes
Others:	Xing Ming Construction	10,000	2,705	-	-	-	Pledge guarantee deposits	Yes
	Leaderman & Associates Co., Ltd.	43,284	42,175	41,177	41,177	-	Land and building for commercial use	Yes
	Rising Sun Publishing Co., Ltd.	24,505	17,039	-	-	-	Land and building for commercial use	Yes
	Cherng Yang Printing Co., Ltd.	461,424	309,855	107,686	107,686	-	Land and plant	Yes
	Eldorado Zidian Co., Ltd.	80	7	-	-	-	Pledge guarantee deposits	Yes
	Taiwan Nature Organic Co., Ltd.	33,000	33,000	33,000	33,000	-	Land used for construction	Yes
	Hai Wong Investment Co., Ltd.	3,000	57	-	-	-	OTC stock	Yes
	Yang Ming Investment Co., Ltd.	3,000	57	-	-	-	OTC stock	Yes
	Huei Hang International Food & Beverage Co., Ltd.	48	6	-	-	-	Vehicles	Yes
	Medalass Trading Co., Ltd.	5,000	4,171	3,371	3,371	-	Pledged guarantee deposits	Yes
	Guang Zhi Cultural Co., Ltd.	14,000	14,000	14,000	14,000	-	Land and plant	Yes
	Chuan Yang Construction Co., Ltd.	520,000	520,000	520,000	520,000	-	Land and building for commercial use	Yes
	Hai Wong Printing Co., Ltd.	973,098	809,885	756,760	756,760	-	Land and plant	Yes
	Li Kwen Investment Co., Ltd.	36,000	1,770	-	-	-	Listed stock	Yes
	Jin Chen Investment Co., Ltd.	5,000	96	-	-	-	OTC stock	Yes
	Rui Yu Zhi Quan Co., Ltd.	22,880	22,880	22,880	22,880	-	Land and building for commercial use	Yes
	Qian Li Industrial Co., Ltd.	72,684	71,667	71,353	71,353	-	Land and plant	Yes
	Yung Chi Paper Manufacturing Co., Ltd.	21,734	21,734	21,734	21,734	-	Land and plant	Yes
	16	172,829	132,945	117,792	117,792	-	Land and plant Land and building for commercial use Farm land Vacant land Vehicles	Yes

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
	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

2) Deposits

	December 31, 2020		
	Ending Balance	% of the Account Balance	Annual Interest Rates (%)
Others	<u>\$ 2,123,699</u>	<u>-</u>	0-4.8

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

For the Year Ended December 31				
	2020		2019	
	Amount	%	Amount	%
Others	\$ 40,989	-	\$ 48,407	-
4) Interest expense				

For the Year Ended December 31				
	2020		2019	
	Amount	%	Amount	%
Others	\$ 12,541	-	\$ 20,992	-
5) Lease arrangements				

		December 31	
Line Item	Related Party Category/Name	2020	2019
Right-of-use assets	Sheng Yang Construction Co., Ltd.	\$ 7,107	\$ 10,518
	Chuan Yang Construction Co., Ltd.	12,251	16,993
		<u>\$ 19,358</u>	<u>\$ 27,511</u>
Lease liabilities	Sheng Yang Construction Co., Ltd.	\$ 7,007	\$ 10,364
	Chuan Yang Construction Co., Ltd.	12,176	16,809
		<u>\$ 19,183</u>	<u>\$ 27,173</u>
Interest expense	Sheng Yang Construction Co., Ltd.	\$ 243	\$ 338
	Chuan Yang Construction Co., Ltd.	407	537
		<u>\$ 650</u>	<u>\$ 875</u>

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	
	2020	2019
Short-term employee benefits	\$ 144,771	\$ 141,833
Post-employment benefits	<u>2,195</u>	<u>1,903</u>
	<u>\$ 146,966</u>	<u>\$ 143,736</u>

42. PLEDGED OR MORTGAGED ASSETS

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

	December 31	
	2020	2019
Financial assets at FVTOCI	\$ 4,800,000	\$ 4,800,000
Debt securities measured at amortized cost	423,300	420,100
Other financial assets, net	175,280	129,690
Other asset - guarantee deposits	77,259	90,877
- operating guarantee deposits	16,856	17,549
- pledge deposits	15,000	15,000
- specialized discharge account	5,000	2,000

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, 2020 and 2019 were as follows:

	December 31	
	2020	2019
Receipts under custody	\$ 219,542	\$ 230,844
Travelers' checks consigned to the Group	-	23,495
Securities under custody	12,570,921	13,315,172
Trust assets	68,439,981	67,579,811

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, 2020

Assets and Liabilities Item	December 31, 2020			
	Total	Level 1	Level 2	Level 3
<u>Measured on a recurring basis</u>				
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Stock	\$ 8,369	\$ 8,369	\$ -	\$ -
Commercial paper	18,559,997	-	18,559,997	-
Beneficiary certificates	302,629	302,629	-	-
Others	367,699	-	367,699	-
Financial assets at FVTOCI				
Stocks	1,845,922	1,044,224	-	801,698
Bonds	53,678,785	507,857	53,170,928	-
Certificates of deposits and others	49,212,161	-	49,212,161	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss	39,506	-	39,506	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	690	-	690	-

Fair value hierarchy as at December 31, 2019

Assets and Liabilities Item	December 31, 2019			
	Total	Level 1	Level 2	Level 3
<u>Measured on a recurring basis</u>				
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
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	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss	18,607	-	18,607	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	187	-	187	-

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, 2020								
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	\$ 733,495	\$ -	\$ 68,203	\$ -	\$ -	\$ -	\$ -	\$ 801,698

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

Quantitative information about the significant unobservable inputs were as follow:

Measured on a Recurring Basis	Fair Value on December 31, 2020	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Correlation Between Inputs and Fair Value
<u>Non-derivative financial instruments</u>					
Financial assets at FVTOCI - equity instrument	\$ 160,366 43,200 598,132	Market approach Asset approach Income approach	Discount without open market Discount without open market Weighted average cost	19.00%-34.79% 20.93% 8.26%-11.47%	Converse Converse Converse

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
<u>Non-derivative financial instruments</u>					
Financial assets at FVTOCI - equity instrument	\$ 120,637 42,000 570,858	Market approach Asset approach Income approach	Discount without open market Discount without open market Weighted average cost	19.57%-34.97% 23.32% 8.61%-11.88%	Converse Converse 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
<u>December 31, 2020</u>				
<u>Assets</u>				
Financial assets at FVTOCI - equity instruments	\$ -	\$ -	\$ 73,228	\$ (55,189)
<u>December 31, 2019</u>				
<u>Assets</u>				
Financial assets at FVTOCI - equity instruments	-	-	56,029	(43,438)

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, deposits from the Central Bank and other banks, securities purchased under agreements to resell, receivables, discounts and loans, other financial assets, net, 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, due to the Central Bank and other banks, securities sold under agreement to repurchase, payables, deposits and remittances, bank debentures, other financial liabilities, and guarantee deposits received recognized in the consolidated financial statements approximate their fair values and hence no additional disclosure was provided.

Items	Carrying Amount	Fair Value
<u>December 31, 2020</u>		
Financial assets		
Investment in debt instruments measured at amortized cost	\$ 29,175,263	\$ 30,936,889
<u>December 31, 2019</u>		
Financial assets		
Investment in debt instruments measured at amortized cost	29,994,687	31,019,216

2) Hierarchy information of fair value of financial instruments

Assets and Liabilities Item	December 31, 2020			
	Total	Level 1	Level 2	Level 3
Financial assets				
The investment of debt instruments measured at amortized cost	\$ 30,936,889	\$ -	\$ 30,936,889	\$ -

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	\$ -

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, deposits from the Central Bank and other banks, due to the Central Bank and other banks, securities sold under agreement to repurchase, payables, guarantee deposits received 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, 2020

	Book Value	Allowance for Impairment Losses	Total Exposure	Fair Value of Collateral
Receivables	\$ 355,017	\$ 293,827	\$ 61,190	\$ -
Discount and loans	<u>2,477,030</u>	<u>913,802</u>	<u>1,563,228</u>	<u>16,112,568</u>
Impaired financial asset	<u>\$ 2,832,047</u>	<u>\$ 1,207,629</u>	<u>\$ 1,624,418</u>	<u>\$ 16,112,568</u>

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	<u>3,063,701</u>	<u>1,225,367</u>	<u>1,838,334</u>	<u>18,690,232</u>
Impaired financial asset	<u>\$ 3,567,306</u>	<u>\$ 1,323,780</u>	<u>\$ 2,243,526</u>	<u>\$ 18,690,232</u>

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, 2020	December 31, 2019
Undrawn loan commitments	\$ 2,503,896	\$ 3,014,062
Undrawn credit card commitments	10,854,346	10,378,853
Standby letters of credit	621,088	560,519
Guarantees	3,472,478	3,313,602
Total	\$ 17,451,808	\$ 17,267,036

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

December 31, 2020	Collaterals	Enforceable Master Netting Arrangements	Other Credit Enhancement Instruments	Total
<u>On-balance sheet items</u>				
Receivables				
Acceptances	\$ -	\$ -	\$ 39,890	\$ 39,890
Discounts and loans	319,939,844	-	68,554,514	388,494,358
<u>Off-balance sheet items</u>				
Undrawn loan commitments	499,329	-	2,004,567	2,503,896
Credit card commitments	-	-	10,378,853	10,378,853
Standby letters of credit	-	-	621,088	621,088
Guarantees	-	-	3,472,478	3,472,478

December 31, 2019	Collaterals	Enforceable Master Netting Arrangements	Other Credit Enhancement Instruments	Total
<u>On-balance sheet items</u>				
Receivables				
Acceptances	\$ -	\$ -	\$ 23,651	\$ 23,651
Discounts and loans	301,551,876	-	42,755,013	344,306,889
<u>Off-balance sheet items</u>				
Undrawn loan commitments	438,717	-	2,575,345	3,014,062
Credit card commitments	-	-	10,854,346	10,854,346
Standby letters of credit	-	-	560,519	560,519
Guarantees	-	-	3,313,602	3,313,602

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 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:

Business	Group	Definition
Corporate banking	Manufacturing	According to credit risk status, all groups were divided into 3 stage below: i. The credit risk did not increase significantly; ii. The credit risk increased significantly; iii. Credit impaired. The Company assesses the expected credit losses of each stage.
	Wholesale and retail trade	
	Construction industry	
	Service industry and others	
	Government agencies	
Consumer banking	Mortgage	
	Credit	
	Car loan	
	Others	
	Credit Card	

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 in loan business book value and loss allowance

For the year ended December 31, 2020

	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	\$ 1,119,125	\$ 21,082	\$ 1,225,366	\$ -	\$ 2,365,573	\$ 1,881,148	\$ 4,246,721
Changes in financial instruments that have been identified at the beginning of the period:							
To 12-month ECLs	142,192	(95,014)	(47,178)	-	-	-	-
To lifetime ECLs	(41,093)	62,594	(21,501)	-	-	-	-
To credit impaired financial assets	(1,055)	(9,729)	10,784	-	-	-	-
Derecognizing financial assets during the current period	(118,448)	(8,287)	(253,874)	-	(380,609)	-	(380,609)
Purchased or originated financial assets	240,513	-	-	-	240,513	-	240,513
Loss recognized based on the Regulations	-	-	-	-	-	(237,245)	(237,245)
Write-off	-	-	(999,937)	-	(999,937)	-	(999,937)
Reversal of write-off	-	-	-	-	-	786,122	786,122
Change in exchange rates or others	117,603	72,741	1,000,142	-	1,190,486	(10,362)	1,180,124
Balance, December 31	<u>\$ 1,458,837</u>	<u>\$ 43,387</u>	<u>\$ 913,802</u>	<u>\$ -</u>	<u>\$ 2,416,026</u>	<u>\$ 2,419,663</u>	<u>\$ 4,835,689</u>

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 in financial instruments that have been identified at the beginning of the period:							
To 12-month ECLs	165,967	(46,745)	(119,222)	-	-	-	-
To lifetime ECLs	(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	<u>\$ 1,119,125</u>	<u>\$ 21,082</u>	<u>\$ 1,225,366</u>	<u>\$ -</u>	<u>\$ 2,365,573</u>	<u>\$ 1,881,148</u>	<u>\$ 4,246,721</u>

Changes in discounts and loans book value

For the year 2020

	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	\$ 338,884,644	\$ 3,105,746	\$ 3,063,701	\$ -	\$ 345,054,091
Changes in financial instruments that have been identified at the beginning of the period:					
To 12-month ECLs	8,478,353	(8,239,689)	(238,664)	-	-
To lifetime ECLs	(12,977,378)	13,112,876	(135,498)	-	-
To credit impaired financial asset	(402,625)	(1,552,702)	1,955,327	-	-
Derecognizing financial assets during the current period	(33,839,833)	(997,104)	(772,685)	-	(35,609,622)
Purchased or originated financial assets	68,098,102	-	-	-	68,098,102
Write-off	-	-	(999,937)	-	(999,937)
Change in exchange rates and others	(13,666,651)	(320,919)	(395,214)	-	12,950,518
Balance, December 31	<u>\$ 381,907,914</u>	<u>\$ 5,108,208</u>	<u>\$ 2,477,030</u>	<u>\$ -</u>	<u>\$ 389,493,152</u>

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 in financial instruments that have been identified at the beginning of the period:					
To 12-month ECLs	6,357,916	(6,033,755)	(324,161)	-	-
To lifetime ECLs	(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	<u>\$ 338,884,644</u>	<u>\$ 3,105,746</u>	<u>\$ 3,063,701</u>	<u>\$ -</u>	<u>\$ 345,054,091</u>

Changes in loss allowance of receivables

For the year 2020

	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	\$ 27,827	\$ 682	\$ 261,129	\$ 72,284	\$ 361,922	\$ 87	\$ 362,009
Changes in financial instruments that have been identified at the beginning of the period:							
To 12-month ECLs	6,573	(1,225)	(5,348)	-	-	-	-
To lifetime ECLs	(102)	1,234	(1,132)	-	-	-	-
To credit impaired financial assets	(5)	(1,169)	1,174	-	-	-	-
Derecognizing financial assets during the current period	(7,416)	(484)	(47,305)	-	(55,205)	-	(55,205)
Purchased or originated financial assets	6,509	-	3,194	19	9,722	-	9,722
Loss recognized based on the Regulations	-	-	-	-	-	26	26
Write-off	-	-	(31,653)	-	(31,653)	-	(31,653)
Change in exchange rates or others	3,916	-	41,465	-	41,465	-	41,465
Balance, December 31	<u>\$ 37,302</u>	<u>\$ 820</u>	<u>\$ 221,524</u>	<u>\$ 72,303</u>	<u>\$ 331,949</u>	<u>\$ 113</u>	<u>\$ 332,062</u>

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 in financial instruments that have been identified at the beginning of the period:							
To 12-month ECLs	2,383	(1,043)	(1,340)	-	-	-	-
To lifetime ECLs	(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	<u>\$ 27,827</u>	<u>\$ 682</u>	<u>\$ 261,129</u>	<u>\$ 72,284</u>	<u>\$ 361,922</u>	<u>\$ 87</u>	<u>\$ 362,009</u>

Changes in book value of receivables

For the year 2020

	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	\$ 4,041,435	\$ 23,259	\$ 370,114	\$ 133,491	\$ 4,568,299
Changes in financial instruments that have been identified at the beginning of the period:					
To 12-month ECLs	48,611	(38,042)	(10,569)	-	-
To lifetime ECLs	(53,179)	56,143	(2,964)	-	-
To credit impaired financial asset	(4,200)	(21,805)	26,005	-	-
Derecognizing financial assets during the current period	(2,646,670)	(10,687)	(154,714)	-	(2,812,071)
Purchased or originated financial assets	2,777,899	-	2,894	19	2,780,812
Write-off	-	-	(31,653)	-	(31,653)
Change in exchange rates and others	(131,286)	9,244	(22,394)	-	(99,648)
Balance, December 31	<u>\$ 4,032,610</u>	<u>\$ 18,112</u>	<u>\$ 221,507</u>	<u>\$ 133,510</u>	<u>\$ 4,405,739</u>

Note: Book value on December 31, 2020 did not include the spot foreign exchange receivable \$1,038 thousand.

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 in financial instruments that have been identified at the beginning of the period:					
To 12-month ECLs	33,947	(30,451)	(3,496)	-	-
To lifetime ECLs	(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	<u>\$ 4,041,435</u>	<u>\$ 23,259</u>	<u>\$ 370,114</u>	<u>\$ 133,491</u>	<u>\$ 4,568,299</u>

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

Changes of other financial assets loss allowance

For the year 2020

	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	\$ -	\$ -	\$ 1,421	\$ -	\$ 1,421	\$ -	\$ 1,421
Changes in financial instruments that have been identified at the beginning of the period:							
To 12-month ECLs	-	-	-	-	-	-	-
To lifetime ECLs	-	-	-	-	-	-	-
To credit impaired financial assets	-	-	-	-	-	-	-
Derecognizing financial assets during the current period	-	-	(236)	-	(236)	-	(236)
Purchased or originated financial assets	-	-	-	-	-	-	-
Loss recognized based on the Regulations	-	-	(11,942)	-	(11,942)	-	(11,942)
Write-off	-	-	10,737	-	10,737	-	10,737
Change in exchange rates and others	-	-	1,795	-	1,795	-	1,795
Balance, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,775</u>	<u>\$ -</u>	<u>\$ 1,775</u>	<u>\$ -</u>	<u>\$ 1,775</u>

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 in financial instruments that have been identified at the beginning of the period:							
To 12-month ECLs	-	-	-	-	-	-	-
To lifetime ECLs	-	-	-	-	-	-	-
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	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,421</u>	<u>\$ -</u>	<u>\$ 1,421</u>	<u>\$ -</u>	<u>\$ 1,421</u>

Changes of other financial assets book value

For the year 2020

	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	\$ -	\$ -	\$ 3,128	\$ -	\$ 3,128
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	-	-	(491)	-	(491)
Purchased or originated financial assets	-	-	-	-	-
Write-off	-	-	(11,942)	-	(11,942)
Change in exchange rates and others	-	-	12,777	-	12,777
Balance, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,472</u>	<u>\$ -</u>	<u>\$ 3,472</u>

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

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 in financial instruments that have been identified at the beginning of the period:					
To 12-month ECLs	-	-	-	-	-
To lifetime ECLs	-	-	-	-	-
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	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,128</u>	<u>\$ -</u>	<u>\$ 3,128</u>

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

Changes of commitment and guarantee liability provisions

For the year 2020

	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	\$ 21,231	\$ 105	\$ -	\$ -	\$ 21,336	\$ 19,620	\$ 40,956
Changes in financial instruments that have been identified at the beginning of the period:							
To 12-month ECLs	11	(11)	-	-	-	-	-
To lifetime ECLs	-	-	-	-	-	-	-
To credit impaired financial assets	-	-	-	-	-	-	-
Derecognizing financial assets during the current period	(3,831)	(104)	-	-	(3,935)	-	(3,935)
Purchased or originated financial assets	2,441	-	-	-	2,441	-	2,441
Loss recognized based on the Regulations	-	-	-	-	-	(2,857)	(2,857)
Change in others	6,196	10	-	-	6,206	-	6,206
Balance, December 31	<u>\$ 26,048</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,048</u>	<u>\$ 16,763</u>	<u>\$ 42,811</u>

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 in financial instruments that have been identified at the beginning of the period:							
To 12-month ECLs	51	(51)	-	-	-	-	-
To lifetime ECLs	(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	<u>\$ 21,231</u>	<u>\$ 105</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,336</u>	<u>\$ 19,620</u>	<u>\$ 40,956</u>

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, 2020		December 31, 2019	
	Amount	%	Amount	%
Private enterprise	\$ 198,352,104	51.06	\$ 175,107,251	50.86
Government organization	16,733,558	4.31	18,990,266	5.52
Non-profit organization	177,462	0.04	254,927	0.07
Natural person	173,231,234	44.59	149,953,819	43.55
Financial institution	-	-	626	-
Total	\$ 388,494,358	100.00	\$ 344,306,889	100.00

b) By geographical area

The Group's operations are mainly in Taiwan.

c) By collateral

By Collaterals	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
Unsecured	\$ 31,603,710		\$ 33,978,092	9.87
Secured				
Stocks	4,991,381		5,483,047	1.59
Bonds	2,437,333		2,444,259	0.71
Real estate	329,948,425		288,176,642	83.70
Movable properties	11,217,429		9,308,546	2.70
Notes receivable	18,218		17,433	0.01
Guarantees	7,736,164		4,297,080	1.25
Others	541,698		601,790	0.17
Total	\$ 388,494,358		\$ 344,306,889	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, 2020 and 2019.

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, 2020				
Item			Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate loan	Secured		\$ 823,407	\$ 174,027,683	0.47%	\$ 2,192,263	266.24%
	Unsecured		2,232	43,879,856	0.01%	534,887	23,964.47%
Consumer loan	Mortgage (Note)		15,201	30,815,692	0.05%	383,873	2,525.31%
	Cash card		-	-	-	-	-
	Microcredit (Note)		845	521,984	0.16%	10,290	1,217.75%
	Others (Note)	Secured	28,122	122,134,467	0.02%	1,502,678	5,343.43%
		Unsecured	423	17,114,676	-	210,151	49,681.09%
Total			870,230	388,494,358	0.22%	4,834,142	555.50%
			Overdue Receivables	Accounts Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card (Note 8)			\$ 110	\$ 590,658	0.02%	\$ 22,486	20,441.82%
Accounts receivable - factoring with no recourse (Note 7)			-	-	-	-	-

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)			-	-	-	-	-

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: $NPL \text{ ratio} = NPL \div \text{Total loans}$.

For Credit card business: $\text{Delinquency ratio} = \text{Overdue receivable} \div \text{Account receivables}$

Note 3: For loan business: $\text{Coverage ratio} = LLR \div NPL$

For credit card business: $\text{Coverage ratio} = \text{Allowance for credit losses} \div \text{Overdue receivables}$.

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, 2020		December 31, 2019	
Item	Excluded NPL	Excluded Overdue Receivables	Excluded NPL	Excluded Overdue Receivables
As a result of debt negotiation and loan agreements (Note 1)	\$ 526	\$ -	\$ 1,057	\$ -
As a result of consumer debt clearance (Note 2)	1,487	1,269	1,975	949

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, 2020		
Rank (Note 1)	Industry Category (Note 2)	Total Credit Consists of Loans (Note 3)	Percentage of Net Worth (%)
1	Group A (air transportation)	\$ 6,644,184	18.25
2	Group B (constructions of buildings)	3,652,200	10.03
3	Group C (real estate developments activities)	3,397,573	9.33
4	Group D (real estate developments activities)	3,365,424	9.25
5	Group E (iron and steel rolls over extends and crowding)	3,067,776	8.43
6	Group F (real estate developments activities)	3,014,750	8.28
7	Company G (real estate developments activities)	2,035,000	5.59
8	Company H (spinning of yarn, cotton and wool)	1,860,000	5.11
9	Group I (fabric mills)	1,809,100	4.97
10	Company J (other chemical products manufacturing not elsewhere classified)	1,750,873	4.81

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

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 \$201,000 thousand and \$213,000 thousand as of December 31, 2020 and 2019, 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, 2020	Less Than 30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Deposits from the Central Bank and other banks	\$ 8,401,667	\$ 1,790,013	\$ 1,192,574	\$ 1,516,629	\$ 11,099	\$ 12,911,982
Securities sold under agreements to repurchase	7,060,191	600,561	-	-	-	7,660,752
Payables	2,098,309	219,166	100,754	332,585	36,578	2,787,392
Deposits and remittances	69,444,607	78,463,338	89,350,504	170,447,088	116,566,222	524,271,759
Bank debentures	25,138	1,587,148	21,444	1,555,089	13,360,000	16,548,819
Short-term borrowings	-	236,081	-	185,000	-	421,081
Long-term borrowings	-	-	-	-	463,021	463,021
Lease liabilities	2,778	18,198	15,846	31,914	159,092	227,828
Other financial liabilities	43,000	100,000	-	-	-	143,000
Due to the Central Bank and other banks	-	3,849,710	-	-	-	3,849,710

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

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, 2020	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	\$ 239,467	\$ 513	\$ -	\$ -	\$ -	\$ 239,980
Cash inflow	239,636	500	-	-	-	240,136
Cash outflow	239,467	513	-	-	-	239,980
Cash inflow	239,636	500	-	-	-	240,136
Net cash flow	169	(13)	-	-	-	156

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)

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, 2020	Under 1 Year	1-5 Years	Over 5 Years	Total
Undrawn loan commitments	\$ 481,327	\$ 1,731,769	\$ 290,800	\$ 2,503,896
Undrawn credit card commitments	345,312	6,173,069	4,335,965	10,854,346
Standby letters of credit	621,088	-	-	621,088
Guarantees	2,042,971	1,355,065	74,442	3,472,478
Total	3,490,698	9,259,903	4,701,207	17,451,808

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

6) 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, 2020						
	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	\$ 553,733,768	\$ 53,012,917	\$ 40,166,052	\$ 28,289,244	\$ 34,769,727	\$ 80,301,140	\$ 317,194,688
Main capital outflow on maturity	649,484,167	35,843,699	37,475,213	89,343,257	102,950,708	191,191,979	192,679,311
Gap	(95,750,399)	17,169,218	2,690,839	(61,054,013)	(68,180,981)	(110,890,839)	124,515,377

	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

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, 2020					
	Total	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 1,706,969	\$ 288,302	\$ 336,981	\$ 171,798	\$ 125,846	\$ 784,042
Main capital outflow on maturity	1,675,677	650,643	293,337	124,476	587,343	19,878
Gap	31,292	(362,341)	43,644	47,322	(461,497)	764,164

	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

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, 2020 and 2019 had moved 100 basis points upwards, the Company's income before tax would have decreased by \$39,519 thousand and \$27,798 thousand, respectively, whereas other comprehensive income would have decreased by \$439,949 thousand and \$477,346 thousand, respectively. If the yield interest curves at December 31, 2020 and 2019 had moved 100 basis points downwards, the Company's income before tax would have increased by \$39,765 thousand and \$27,943 thousand, whereas other comprehensive income would have increased by \$441,157 thousand and \$476,031 thousand, respectively.

Exchange rate risks

Under the assumption that other variants remain the same, if the exchange rate at December 31, 2020 and 2019 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 \$21,542 thousand and \$22,510 thousand, respectively.

Under the assumption that other variants remain the same, if the exchange rate at December 31, 2020 and 2019 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 \$21,542 thousand and \$22,510 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, 2020 and 2019 had increased 15%, and the price of foreign equity securities had increased 20%, the Company's income before tax would have increased by \$45,394 thousand and \$25,395 thousand, and other comprehensive income would have increased by \$0 thousand and \$42,856 thousand, respectively.

Under the assumption that other variants remain the same, if the price of domestic equity securities at December 31, 2020 and 2019 had dropped 15%, and the price of foreign equity securities had dropped 20%, the Company's income before tax would have decreased by \$45,394 thousand and \$25,395 thousand, and other comprehensive income would have decreased by \$0 thousand and \$42,856 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, 2020			
Main Risks	Variation	Effectuated Amount	
		Equity	Profit
Exchange rate risks (major currencies)	USD/NTD, EUR/NTD increased 3%	\$ -	\$ 21,379
Exchange rate risks (major currencies)	USD/NTD, EUR/NTD decreased 3%	-	(21,379)
Exchange rate risks (minor currencies)	JPY/NTD, other currencies/NTD increased 5%	-	163
Exchange rate risks (minor currencies)	JPY/NTD, other currencies/NTD dropped 5%	-	(163)
Interest rate risks	Yield curve increased 100 BPS	(439,949)	(39,519)
Interest rate risks	Yield curve decreased 100 BPS	441,157	39,765
Equity securities price risks	Domestic equity securities price increase 15%	-	45,394
Equity securities price risks	Foreign equity securities price increase 20%	-	-
Equity securities price risks	Domestic equity securities price decrease 15%	-	(45,394)
Equity securities price risks	Foreign equity securities price decrease 20%	-	-

December 31, 2019			
Main Risks	Variation	Effectuated 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%	-	-

i) Exchange rate risks

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

December 31						
	2020			2019		
	Foreign Currency	Exchange Rate	Converted to NTD	Foreign Currency	Exchange Rate	Converted to NTD
Financial assets						
USD	\$ 1,705,456	28.508	\$ 48,619,140	\$ 1,372,323	30.106	\$ 41,315,143
RMB	1,290,809	4.382	5,656,327	1,161,975	4.323	5,023,216
AUD	36,956	21.97	811,914	21,617	21.10	456,128
JPY	1,170,327	0.277	323,595	1,066,885	0.277	295,527
EUR	8,091	35.05	283,587	7,465	33.73	251,780
HKD	28,773	3.678	105,828	47,372	3.866	183,141
SGD	2,975	21.58	64,198	5,848	22.37	130,820
NZD	2,844	20.597	58,582	5,034	20.267	102,019
Financial liabilities						
USD	1,611,806	28.508	45,949,378	1,302,685	30.106	39,218,638
RMB	1,286,475	4.382	5,637,332	947,717	4.323	4,096,982
AUD	36,834	21.97	809,238	39,507	21.10	833,605
ZAR	317,441	1.95	619,010	284,535	2.14	608,905
JPY	1,165,939	0.277	322,382	1,088,242	0.277	301,443
EUR	8,026	35.05	281,302	7,494	33.73	252,769
SGD	11,113	21.58	239,829	5,883	22.37	131,597
NZD	5,356	20.597	110,314	5,018	20.267	101,699
HKD	29,116	3.678	107,090	47,459	3.866	183,477

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, 2020

Items	1-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 411,223,380	\$ 21,159,331	\$ 3,428,555	\$ 83,603,104	\$ 519,414,370
Interest rate-sensitive liabilities	226,331,812	202,671,953	61,777,002	17,250,981	508,031,748
Interest rate-sensitive gap	184,891,568	(181,512,622)	(58,348,447)	66,352,123	11,382,622
Net worth					35,918,865
Ratio of interest rate-sensitive assets to liabilities (%)					102.24%
Ratio of interest rate-sensitive gap to net worth (%)					31.69%

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%

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, 2020

Unit: USD in Thousands

Items	1-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 1,090,418	\$ 134,785	\$ 41,848	\$ 402,460	\$ 1,669,511
Interest rate-sensitive liabilities	869,301	123,441	587,140	829	1,580,711
Interest rate-sensitive gap	221,117	(11,344)	(545,292)	401,631	88,800
Net worth					18,374
Ratio of interest rate-sensitive assets to liabilities (%)					105.62%
Ratio of interest rate-sensitive gap to net worth (%)					483.29%

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%

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.

The sensitivity analysis below was determined based on the exposure to the price risks of the fair value of financial assets at FVTPL at the end of the year. The Company will adjust the sensitivity rate after assessing interest rate risk and considering the impact of the volatile financial market conditions during the current year. The sensitivity rate used represents management's assessment of the reasonably possible change in interest rates.

If equity prices had been 10% higher/lower, pre-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by \$837 thousand and \$0, respectively, as a result of the changes in fair value of financial assets at FVTPL.

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, 2020				
	Book value of Transferred Financial Asset	Book Value of Associated Liability	Fair Value of Transferred Financial Asset	Fair Value of Associated Liability	Fair Value, Net
<u>Repurchase agreements</u>					
The investment of debt instruments at FVTOCI	\$ 1,414,100	\$ 1,401,108	\$ 1,414,100	\$ 1,401,108	\$ 12,992
The investment of debt instruments measured at amortized cost	6,712,229	6,258,138	7,162,210	6,258,138	904,072

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
<u>Repurchase agreements</u>					
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

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, 2020

Financial Asset	Total Amount of Recognized Financial Asset	Total Amount of Offset Financial Liability Recognized on Balance Sheet	Net Amount of Financial Asset Shown on Balance Sheet	Amounts not Offset on Balance Sheet		Net Amount
				Financial Instrument (Note)	Received Cash Collaterals	
Derivative financial instruments	\$ 39,506	\$ -	\$ 39,506	\$ -	\$ -	\$ 39,506

Financial Liability	Total Amount of Recognized Financial Liability	Total Amount of Offset Financial Asset Recognized on Balance Sheet	Net Amount of Financial Liability Shown on Balance Sheet	Amounts not Offset on Balance Sheet		Net Amount
				Financial Instrument (Note)	Pledged Cash Collaterals	
Derivative financial instruments	\$ 690	\$ -	\$ 690	\$ -	\$ -	\$ 690
Securities under agreement to repurchase	7,659,246	-	7,659,246	8,576,310	-	(917,064)

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		Net Amount
				Financial Instrument (Note)	Received Cash Collaterals	
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		Net Amount
				Financial Instrument (Note)	Pledged Cash Collaterals	
Derivative financial instruments	\$ 187	\$ -	\$ 187	\$ -	\$ -	\$ 187
Securities under agreement to repurchase	6,756,216	-	6,756,216	7,274,318	-	(518,102)

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, 2020 and 2019 both meet the standards and regulations as required by the authority.

Analysis Items			Year	December 31, 2020	
				Standalone	Consolidated
Eligible capital	Ordinary shares equity		\$ 33,598,415	\$ 34,231,082	
	Other Tier 1 capital		8,104,191	8,760,000	
	Tier 2 capital		5,144,165	6,554,304	
	Eligible capital		46,846,771	49,545,386	
Risk-weighted assets	Credit risk	Standardized approach	335,289,804	339,467,406	
		Internal rating-based approach	-	-	
		Securitization	-	-	
	Operating risk	Basic indicator approach	13,241,171	13,837,949	
		Standardized approach/ alternative standardized approach	-	-	
		Advanced measurement approach	-	-	
	Market risk	Standardized approach	9,725,680	9,725,680	
		Internal model approach	-	-	
	Total risk-weighted assets		358,256,655	363,031,035	
Capital adequacy ratio			13.08%	13.65%	
Ordinary shares equity risk-based capital ratio			9.38%	9.43%	
Tier 1 risk-based capital ratio			11.64%	11.84%	
Leverage ratio			6.89%	7.05%	

Analysis Items			Year	December 31, 2019	
				Standalone	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%

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, 2020 and 2019

	2020	2019
<u>Trust assets</u>		
Cash and bank deposits	\$ 12,416,440	\$ 10,934,447
Short term investments		
Funds	18,937,511	20,690,015
Bonds	3,004,275	1,804,044
Stocks	245,794	272,970
Real estate		
Land	29,913,256	29,323,596
Buildings	8,855	8,868
Securities under custody	<u>3,913,850</u>	<u>4,545,871</u>
	<u>\$ 68,439,981</u>	<u>\$ 67,579,811</u>
<u>Trust liabilities</u>		
Payable on securities under custody	\$ 3,913,850	\$ 4,545,871
Trust capital		
Money	31,678,272	31,031,725
Real estate	32,835,018	31,040,050
Monetary bonds and collaterals	91,049	1,015,881
Securities	246,063	272,979
Accumulated loss	(1,103,310)	(1,148,466)
Profit for current year	<u>779,039</u>	<u>821,771</u>
	<u>\$ 68,439,981</u>	<u>\$ 67,579,811</u>

Trust Properties of Trust Accounts December 31, 2020 and 2019

Investment Portfolio	2020	2019
Cash and bank deposits	\$ 12,416,440	\$ 10,934,447
Short term investments		
Funds - NTD	8,943,412	9,818,281
- other currencies	9,994,099	10,871,734
Bonds - other currencies	3,004,275	1,804,044
Stocks	245,794	272,970
Real estate		
Land	29,913,256	29,323,596
Buildings	8,855	8,868
Securities under custody	<u>3,913,850</u>	<u>4,545,871</u>
	<u>\$ 68,439,981</u>	<u>\$ 67,579,811</u>

Income Statements of Trust Accounts
Years Ended December 31, 2020 and 2019

	2020	2019
Trust income		
Interest income	\$ 13,252	\$ 13,461
Dividends	928,051	1,139,554
Gains from properties trading	606,679	173,508
Realized capital gains	<u>65,961</u>	<u>45,990</u>
	<u>1,613,943</u>	<u>1,372,513</u>
Trust expense		
Trust administrative expenses	26,174	19,134
Commission and fee expenses	15,344	14,021
Loss from property trading	792,724	516,798
Others	<u>662</u>	<u>789</u>
	<u>834,904</u>	<u>550,742</u>
	<u>\$ 779,039</u>	<u>\$ 821,771</u>

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

48. PROFITABILITY

Items		December 31, 2020	December 31, 2019
Return on total assets	Before income tax	0.50%	0.55%
	After income tax	0.43%	0.47%
Return on net worth	Before income tax	8.16%	8.74%
	After income tax	6.98%	7.40%
Profit margin		32.48%	31.86%

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, 2020 and 2019.

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:

	2020				
	Banking	Securities	Other	Internal Elimination	Total
Net interest	\$ 5,750,422	\$ 24,627	\$ 141,452	\$ 189	\$ 5,916,690
Commission and fee revenues, net	1,099,155	-	251	190	1,099,596
Other noninterest net revenues	<u>587,192</u>	<u>111,793</u>	<u>90,368</u>	<u>(151,436)</u>	<u>637,917</u>
Net revenues	<u>7,436,769</u>	<u>136,420</u>	<u>232,071</u>	<u>(151,057)</u>	<u>7,654,203</u>
Allowance for doubtful accounts, commitment and guarantees	<u>(811,531)</u>	<u>(471)</u>	<u>(6,029)</u>	<u>-</u>	<u>(818,031)</u>
Operating expenses	<u>3,801,803</u>	<u>99,991</u>	<u>92,363</u>	<u>(22,778)</u>	<u>3,971,379</u>
Income before income tax	<u>\$ 2,823,435</u>	<u>\$ 35,958</u>	<u>\$ 133,679</u>	<u>(128,279)</u>	<u>\$ 2,864,793</u>
	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	<u>553,703</u>	<u>80,969</u>	<u>66,372</u>	<u>(98,646)</u>	<u>602,398</u>
Net revenues	<u>7,281,830</u>	<u>107,266</u>	<u>190,799</u>	<u>(95,891)</u>	<u>7,484,004</u>
Allowance for doubtful accounts, commitment and guarantees	<u>876,563</u>	<u>-</u>	<u>11,878</u>	<u>-</u>	<u>888,441</u>
Operating expenses	<u>3,667,165</u>	<u>92,208</u>	<u>81,620</u>	<u>(16,595)</u>	<u>3,824,398</u>
Income before income tax	<u>\$ 2,738,102</u>	<u>\$ 15,058</u>	<u>\$ 97,301</u>	<u>\$ (79,296)</u>	<u>\$ 2,771,165</u>

Segment income include capital transfer pricing between segments and the expenses and costs allocated via appropriate cost drivers. In addition, segment profit represented the profit before tax earned by each segment without allocation of income tax expense.

b. Segment assets and liabilities

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

Item	2020				
	Domestic and Others	Hong Kong and Macau	China	Elimination	Total
External revenue	\$ 7,578,586	\$ 84	\$ 75,533	\$ -	\$ 7,654,203
Internal revenue	<u>199,910</u>	<u>48,854</u>	<u>-</u>	<u>(248,764)</u>	<u>-</u>
Net revenue	<u>\$ 7,778,496</u>	<u>\$ 48,938</u>	<u>\$ 75,533</u>	<u>\$ (248,764)</u>	<u>\$ 7,654,203</u>
Income before income tax	<u>\$ 2,802,035</u>	<u>\$ (2)</u>	<u>\$ 62,760</u>	<u>\$ -</u>	<u>\$ 2,864,793</u>
Identifiable assets	<u>\$ 605,630,564</u>	<u>\$ 16</u>	<u>\$ 1,007,988</u>	<u>\$ -</u>	<u>\$ 606,638,568</u>

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

d. Main customers information

There is no single individual customer from whom the revenue received is higher than 10% of the net revenue for the years ended December 31, 2020 and 2019.

SUNNY BANK AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2020
(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 (In Thousands)	Virtual Shares (In Thousands)	Shares (In Thousands)	Percentage of Ownership	
Sunny Securities Co.	Taipei	Investment securities business	100.00	\$ 610,178	\$ 29,242	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	179,844	20,996	15,000	-	15,000	100.00	Subsidiary, Note 3
Sunny International Leasing Co.	Taipei	Leasing business	100.00	1,567,835	81,771	152,500	-	152,500	100.00	Subsidiary, Note 3
Sunny E-Commercial Co., Ltd.	Taipei	Mobile payment and business	100.00	28,620	301	5,000	-	5,000	100.00	Subsidiary, Note 3
Sunny Microfinance PLC.	Cambodia	Financial business	100.00	236,759	(3,893)	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	596,918	35,771	13,008	-	13,008	2.49	
Taiwan Financial Asset Service Co., Ltd.	Taipei	Auction	2.94	43,200	400	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	157,413	3,859	1,130	-	1,130	0.29	
Sunny Asset Management Corp.	Taipei	Purchasing of financial institutions' loan assets	1.11	1,215	164	67	-	67	1.11	
Taiwan Mobile Payment Co., Ltd.	Taipei	Mobile payment and business	1.00	2,952	-	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 was recognized by using the equity method and realized gain on financial assets measured at FVTOCI.

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

SUNNY BANK AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Holding Company	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Number of Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Sunny International Leasing Co.	Stock Sunny Finance Lease (HK) Limited	Subsidiary	Investments accounted for using the equity method	30,000	\$ 986,051	100.00	\$ 986,051	
Sunny Finance Lease (HK) Limited	Stock Sunny Finance and Leasing (China) Co., Ltd.	Subsidiary	Investments accounted for using the equity method	-	986,600	100.00	986,600	

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, 2020
(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			
Sunny Bank Ltd.	Real estate	2019.4.16	\$ 7,813,644	\$5,088,322 thousand had been paid as of December 31, 2020	Just Land Development Co., Ltd.	NA	-	-	-	Hong Bong Real Estate Appraiser Firm: \$7,594,166 thousand	As the headquarters	NA
										Euro Asia Assets Evaluation Group: \$7,453,600 thousand		
										Honda Real Estate Group: \$7,305,085 thousand		

SUNNY BANK AND SUBSIDIARIES

INFORMATION ON THE INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(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, 2020 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020
					Outward	Inward						
Sunny Finance and Leasing (China) Co., Ltd.	Leasing	\$ 854,400 (US\$ 30,000)	Investment in mainland China companies through an existing company established in a third region.	\$ 854,400 (US\$ 30,000)	\$ -	\$ -	\$ 854,400 (US\$ 30,000)	\$ 48,854 (RMB 11,410)	100	\$ 48,854 (RMB 11,410)	\$ 986,600	\$ -

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020	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)	\$854,400 (US\$30,000)	\$940,701

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.

SUNNY BANK LTD. AND SUBSIDIARIES

TRANSACTIONS WITH RELATED PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2020
(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	\$ 175,617	Interest is calculated based on annual deposit interest rate from 0% to 1.035%.	-
		King Sunny Asset Management Co.	From parent company to Subsidiary	Deposits and remittances	18,702	Interest is calculated based on annual deposit interest rate from 0% to 0.01%.	-
		Sunny International Leasing Co.	From parent company to Subsidiary	Deposits and remittances	12,208	Interest is calculated based on annual deposit interest rate from 0.01% to 0.1%.	-
		Sunny E-Commercial Co.	From parent company to subsidiary	Deposits and remittances	24,973	Interest is calculated based on annual deposit interest rate from 0.01% to 1.035%.	-

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

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



II

Annex.II Sunny Bank Ltd.

Financial Statements for the
Years Ended December 31, 2020 and 2019 and
Independent Auditor's Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Sunny Bank Ltd.

Opinion

We have audited the accompanying financial statements of Sunny Bank Ltd. (the "Bank"), which comprise the balance sheets as of December 31, 2020 and 2019, 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, 2020 and 2019, 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 consolidated financial statements for the year ended December 31, 2020. 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, 2020 are stated as follows:

Impairment of Discounts and Loans

As of December 31, 2020, the net discounts and loans of the Group amounted to \$370,335,164 thousand, which was significant to the consolidated financial statements as a whole. Besides assessing the expected credit losses of loans in accordance with IFRS 9 "Financial Instruments", the management of the Company complies with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans and related regulations (the "Regulations") when evaluating the classification of credit assets and

recognizing allowance for possible losses. Refer to Note 4 to the accompanying consolidated financial statements for the Group's accounting policies related to impairment of discounts and loans; refer to Note 5 for critical accounting judgments and key sources of estimation uncertainty, and Notes 14 and 45 for more details and disclosures.

We determined the assessment of allowance for possible losses on loans as a key audit matter for the year ended December 31, 2020 because the Group's assessment regarding classification of credit assets and allowance for possible losses involves critical estimates and judgments.

In response to the abovementioned key audit matter, we obtained an understanding and performed tests on the relevant internal controls in respect of the Group's loan impairment assessments for compliance with the Regulations and performed sampling on the classification of credit assets. We also considered related regulations and guidelines issued by the authorities and verified that the classification and recognition of impairment of discounts and loans, receivables and loan commitments complied with such regulations and guidelines.

Other Matter

We have also audited the financial statements of Sunny Bank Ltd. as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion.

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, 2020 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 Dong-Ru Xie.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2021

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, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	\$ 5,088,483	1	\$ 6,020,965	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Note 7)	28,686,112	5	25,488,369	5
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	18,902,132	3	16,290,999	3
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9, 11 and 42)	104,736,868	17	76,594,732	15
FINANCIAL ASSETS AT AMORTIZED COST (Notes 4, 10, 11 and 41)	29,175,263	5	29,994,687	6
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 4 and 12)	5,212,830	1	4,147,102	1
RECEIVABLES, NET (Notes 4, 13 and 14)	1,955,862	-	2,020,942	-
DISCOUNTS AND LOANS, NET (Notes 4, 14 and 41)	383,732,294	64	340,110,036	65
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD, NET (Notes 4 and 15)	2,623,236	1	2,566,010	-
OTHER FINANCIAL ASSETS, NET (Notes 4, 14, 16 and 42)	8,345,095	1	5,351,321	1
PROPERTY AND EQUIPMENT, NET (Notes 4 and 17)	14,612,317	2	13,561,398	3
RIGHT-OF-USE ASSETS, NET (Notes 4, 18 and 41)	209,740	-	184,827	-
INTANGIBLE ASSETS, NET (Notes 4 and 19)	1,185,766	-	1,168,675	-
DEFERRED TAX ASSETS (Notes 4 and 39)	273,421	-	221,871	-
OTHER ASSETS, NET (Notes 20 and 42)	<u>108,576</u>	<u>-</u>	<u>170,298</u>	<u>-</u>
TOTAL	<u>\$ 604,847,995</u>	<u>100</u>	<u>\$ 523,892,232</u>	<u>100</u>
LIABILITIES AND EQUITY				
DEPOSITS FROM THE CENTRAL BANK (Note 21)	\$ 12,904,766	2	\$ 7,303,606	1
DUE TO THE CENTRAL BANK AND BANKS (Note 22)	3,849,710	1	-	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	690	-	187	-
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE (Notes 4, 9, 10 and 23)	7,659,246	1	6,756,216	1
PAYABLES (Note 24)	2,593,562	-	2,488,111	1
CURRENT TAX LIABILITIES (Notes 4 and 39)	163,295	-	156,534	-
DEPOSITS AND REMITTANCES (Notes 25 and 41)	524,072,244	87	459,083,477	88
BANK DEBENTURES (Note 26)	16,360,000	3	14,560,000	3
PROVISIONS (Notes 4, 14, 27 and 28)	224,772	-	129,806	-
LEASE LIABILITIES (Notes 4, 18 and 41)	205,855	-	177,333	-
DEFERRED TAX LIABILITIES (Notes 4 and 39)	106,829	-	106,829	-
OTHER LIABILITIES (Note 29)	<u>309,346</u>	<u>-</u>	<u>341,877</u>	<u>-</u>
Total liabilities	<u>568,450,315</u>	<u>94</u>	<u>491,103,976</u>	<u>94</u>
EQUITY (Notes 4 and 30)				
Ordinary shares	<u>28,168,510</u>	<u>5</u>	<u>26,123,567</u>	<u>5</u>
Capital surplus	<u>66,043</u>	<u>-</u>	<u>61,243</u>	<u>-</u>
Retained earnings				
Legal reserve	4,182,585	1	3,491,793	1
Special reserve	58,254	-	58,254	-
Unappropriated earnings	<u>2,487,105</u>	<u>-</u>	<u>2,302,640</u>	<u>-</u>
Total retained earnings	<u>6,727,944</u>	<u>1</u>	<u>5,852,687</u>	<u>1</u>
Other equity	<u>1,435,183</u>	<u>-</u>	<u>750,759</u>	<u>-</u>
Total equity	<u>36,397,680</u>	<u>6</u>	<u>32,788,256</u>	<u>6</u>
TOTAL	<u>\$ 604,847,995</u>	<u>100</u>	<u>\$ 523,892,232</u>	<u>100</u>

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

SUNNY BANK LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST REVENUE	\$ 9,374,476	126	\$ 9,775,671	134	(4)
LESS: INTEREST EXPENSE	<u>3,624,054</u>	<u>49</u>	<u>4,212,949</u>	<u>58</u>	(14)
NET INTEREST (Notes 4, 31 and 41)	<u>5,750,422</u>	<u>77</u>	<u>5,562,722</u>	<u>76</u>	3
NET REVENUES OTHER THAN INTEREST (Note 4)					
Commission and fee revenues, net (Notes 32 and 41)	1,099,155	15	1,165,405	16	(6)
Gains on financial assets and liabilities at fair value through profit or loss (Note 33)	183,459	3	203,817	3	(10)
Realized gains on financial assets at fair value through other comprehensive income (Note 34)	166,880	2	110,074	2	52
Foreign exchange gain (loss)	22,954	-	84,644	1	(73)
Impairment loss on assets	(4,062)	-	(2,438)	-	67
Share of profit of subsidiaries	128,357	2	58,138	1	121
Rental income (Note 41)	66,424	1	73,389	1	(9)
Other noninterest net revenue (Note 35)	<u>23,180</u>	<u>-</u>	<u>26,079</u>	<u>-</u>	(11)
Total net revenues other than interest	<u>1,686,347</u>	<u>23</u>	<u>1,719,108</u>	<u>24</u>	(2)
TOTAL NET REVENUE	<u>7,436,769</u>	<u>100</u>	<u>7,281,830</u>	<u>100</u>	2
ALLOWANCE FOR DOUBTFUL ACCOUNTS AND GUARANTEES (Notes 4 and 14)	<u>(811,531)</u>	<u>(11)</u>	<u>(876,563)</u>	<u>(12)</u>	(7)
OPERATING EXPENSES					
Employee benefits (Notes 4, 28, 30, 36 and 41)	2,323,146	31	2,176,855	30	7
Depreciation and amortization (Notes 4 and 37)	362,855	5	361,318	5	-
Others (Note 38)	<u>1,115,802</u>	<u>15</u>	<u>1,128,992</u>	<u>15</u>	(1)
Total operating expenses	<u>3,801,803</u>	<u>51</u>	<u>3,667,165</u>	<u>50</u>	4

(Continued)

SUNNY BANK LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INCOME BEFORE INCOME TAX	\$ 2,823,435	38	\$ 2,738,102	38	3
INCOME TAX EXPENSE (Notes 4 and 39)	<u>407,946</u>	<u>6</u>	<u>418,316</u>	<u>6</u>	(2)
NET INCOME	<u>2,415,489</u>	<u>32</u>	<u>2,319,786</u>	<u>32</u>	4
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation (Notes 4 and 28)	(88,412)	(1)	(73,273)	(1)	21
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	194,149	3	(11,440)	-	1,797
Share of other comprehensive gain (loss) of subsidiaries	(2,138)	-	(725)	-	195
Income tax benefit relating to items that will not be reclassified subsequently (Notes 4 and 39)	<u>17,682</u>	<u>-</u>	<u>14,654</u>	<u>-</u>	21
	<u>121,281</u>	<u>2</u>	<u>(70,784)</u>	<u>(1)</u>	271
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations	(3,255)	-	(17,118)	-	(81)
Share of other comprehensive loss of subsidiaries	(92)	-	(34,979)	-	(100)
Losses from investments in debt instruments measured at fair value through other comprehensive income	<u>593,672</u>	<u>8</u>	<u>175,882</u>	<u>2</u>	238
	<u>590,325</u>	<u>8</u>	<u>123,785</u>	<u>2</u>	377
Other comprehensive income (loss) for the year, net of income tax	<u>711,606</u>	<u>10</u>	<u>53,001</u>	<u>1</u>	1,243
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 3,127,095</u>	<u>42</u>	<u>\$ 2,372,787</u>	<u>33</u>	32

(Continued)

SUNNY BANK LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
EARNINGS PER SHARE (Note 39)					
Basic	<u>\$ 0.88</u>		<u>\$ 0.91</u>		
Diluted	<u>\$ 0.88</u>		<u>\$ 0.91</u>		

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

(Concluded)

SUNNY BANK LTD.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(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	
BALANCE AT JANUARY 1, 2019	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
Appropriation of the 2019 earnings											
Legal reserve	-	-	-	690,792	-	(690,792)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(522,471)	(522,471)	-	-	-	(522,471)
Share dividends	104,494	1,044,943	-	-	-	(1,044,943)	(1,044,943)	-	-	-	-
Net income for the year ended December 31, 2020	-	-	-	-	-	2,415,489	2,415,489	-	-	-	2,415,489
Other comprehensive loss for the year ended December 31, 2020, net of income tax	-	-	-	-	-	(72,868)	(72,868)	(3,347)	787,821	-	711,606
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	2,342,621	2,342,621	(3,347)	787,821	-	3,127,095
Issue of ordinary shares for cash	100,000	1,000,000	-	-	-	-	-	-	-	-	1,000,000
Value of share-based payment under employee share options	-	-	4,800	-	-	-	-	-	-	-	4,800
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	100,050	100,050	-	(100,050)	-	-
BALANCE AT DECEMBER 31, 2020	2,816,851	\$ 28,168,510	\$ 66,043	\$ 4,182,585	\$ 58,254	\$ 2,487,105	\$ 6,727,944	\$ (94,582)	\$ 1,529,765	\$ -	\$ 36,397,680

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, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 2,823,435	\$ 2,738,102
Adjustments for:		
Depreciation expenses	288,511	300,887
Amortization expenses	74,344	60,431
Allowance for doubtful accounts and guarantees	811,531	876,563
Interest expenses	3,624,054	4,212,949
Interest revenues	(9,374,476)	(9,775,671)
Dividend income	(84,195)	(58,643)
Share-based payments	4,800	10,650
Share of profit of subsidiaries	(128,357)	(58,138)
Gain on disposal of property and equipment	(8,496)	(13,497)
Realized gains on financial assets at fair value through other comprehensive income	(82,885)	(51,651)
Gain on lease modifications	(1,250)	-
Impairment loss on financial assets	4,062	2,438
Changes in operating assets and liabilities		
Increase in due from the Central Bank and call loans to other banks	(1,389,791)	(6,309,350)
Decrease (increase) in financial assets at fair value through profit or loss	(2,611,133)	4,018,418
Increase in receivables	89,792	(22,039)
Increase in discounts and loans	(44,326,752)	(30,109,513)
Increase (decrease) in due to the central bank and banks	5,601,160	790,000
Increase (decrease) in financial liabilities at fair value through profit or loss	503	(20,792)
Increase (decrease) in securities sold under agreements to repurchase	903,030	2,405,127
Increase (decrease) in payables	195,269	(1,334,888)
Increase in deposits and remittances	64,988,767	45,972,716
Increase (decrease) in provision	4,199	(92,570)
Net cash generated from operations	21,406,122	13,541,529
Interest received	9,695,652	10,122,515
Dividends received	161,173	72,571
Interest paid	(3,713,872)	(4,196,616)
Income tax paid	(435,053)	(546,164)
Net cash generated from operating activities	27,114,022	18,993,835
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(584,288,974)	(529,717,455)
Proceeds of disposal of financial assets at fair value through other comprehensive income	556,351,634	521,236,628
Acquisition of financial assets at amortized cost	(143,870)	(4,817,737)
Proceeds from repayments of financial assets at amortised cost	800,000	-
Acquisition of investments accounted for using equity method	-	(271,656)

(Continued)

SUNNY BANK LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
Acquisition of property and equipment	\$ (1,313,817)	\$ (4,565,631)
Proceeds from disposal of property and equipment	356	53
Acquisition of intangible assets	(46,439)	(40,568)
Decrease (increase) in other financial assets	(2,995,333)	505,984
Decrease (increase) in other assets	<u>61,291</u>	<u>7,279</u>
Net cash used in investing activities	<u>(31,575,152)</u>	<u>(17,663,103)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due to the Central Bank and other banks	3,849,710	-
Issue of bank debentures	3,300,000	1,330,000
Repayment of bank debentures on maturity	(1,500,000)	(1,300,000)
Repayment of the principal portion of lease liabilities	(64,819)	(64,172)
Increase (decrease) in other liabilities	(32,531)	57,214
Cash dividends paid	(522,471)	(478,544)
Proceeds from issue of ordinary shares	<u>1,000,000</u>	<u>1,000,000</u>
Net cash generated from financing activities	<u>6,029,889</u>	<u>544,498</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>372,439</u>	<u>113,857</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,941,198	1,989,087
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>12,775,286</u>	<u>10,786,199</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 14,716,484</u>	<u>\$ 12,775,286</u>

Reconciliation of the amounts in the statement of cash flows with the equivalent items reported in the balance sheets at December 31, 2020 and 2019:

	December 31	
	2020	2019
Cash and cash equivalents in balance sheets	\$ 5,088,483	\$ 6,020,965
Due from the Central Bank and call loans to other banks reclassified as cash and cash equivalents under IAS 7 "Statement of Cash Flows"	4,415,171	2,607,219
Securities purchased under agreements to resell reclassified as cash and cash equivalents under IAS 7 "Statement of Cash Flows"	<u>5,212,830</u>	<u>4,147,102</u>
Cash and cash equivalents at the end of the year	<u>\$ 14,716,484</u>	<u>\$ 12,775,286</u>

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

(Concluded)



陽信銀行
SUNNY BANK