

SUNNY BANK

2017 Annual Report



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

Bank Website:

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I. Letter to Shareholders

1. 2017 Operating Performance
2. Overview of the 2018 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 monthly report of the National Development Committee, the global economic growth momentum will continue to increase in the current (2018) year, and the economy will continue the cyclical recovery of the previous year. Especially under the influence of the spillover effect brought about by the tax reform policy at the end of last year and the steady rise of international bulk raw material prices, the International Monetary Fund (IMF) estimates that the global economy will grow by 3.9% this year, better than last year's 3.7%.

Driven by manufacturing and investment growth, the US economy continues to recover, its stock market repeatedly hits record highs, and its consumption momentum shows a steady expansion. It is expected that the US tax reform will stimulate its recent economic activities and bring a positive spillover effect to the demands of the country's trading partners, Canada and Mexico. The IMF expects the US economy to grow 2.7% this year, up from 2.3% last year.

Due to the strong overseas demand in the Eurozone and the continued easing of monetary policy and political uncertainty by the European Central Bank (ECB), corporate investment has grown substantially. The economic performance in 2017 far exceeded expectations, but was affected by unfavorable factors such as non-performing loans in Italy and Spain, the risk of Brexit in the UK and the rebound of political uncertainty in some countries. The IMF estimates that the Eurozone economy will grow 2.2% this year, and its growth momentum will be slightly lower than last year's 2.4%.

In the Asia-Pacific region, due to strong overseas demand, public investment in Japan has shown an improvement in its results, private consumption, corporate investment and exports, while inflation has slowly increased. It is expected that Japan's economy will continue to grow moderately in 2018, with an estimated economic growth rate of 1.2% this year. In mainland China, due to its stimulating policies and the stabilization of overseas demand, the economy has significantly recovered in the past year. However, with the implementation of measures such as de-capacity, deleveraging, regulation of underground finance and pollution prevention, the economic growth rate will be slowed down in 2018, and the economic growth rate this year is estimated to be 6.6%. Emerging economies have benefited from the rebound in global commodity prices which can support its growth, and their economic growth is estimated at 4.9% this year.

Driven by the sustained recovery of the global economy, the domestic economy and export grew sharply last year. The Directorate General of Budget, Accounting and Statistics, Executive Yuan estimated the domestic economic growth rate to be 2.84% in 2017 and 2.29% in 2018. Looking forward to the future, with the international economic boom, the IMF estimates that world trade volume will increase by 4.2% and 4.0% respectively in the next two years, which will help boost Taiwan's exports. Furthermore, with the government's promotion of forward-looking infrastructure construction, and the continuation of high-end process investment of the semiconductor industry and relevant supply chain operators, the growth momentum of investment can be maintained. However, attention needs to be paid to potential uncertainties such as the impact of the normalization of major countries' monetary policies on global financial markets, the future direction of US economic and trade policies, the anti-European system trend, geopolitics and terrorist attacks.

At present, the competition in domestic banking business is still fierce. In this difficult environment, the Bank still relies on the support of all directors and staff to continue its strict control of credit quality and actively improve the scale of various businesses to increase profits. The net profit after tax for the entire fiscal year of 2017 is NT\$1,910,600 thousand, and the EPS is NT\$0.90.

In order to improve the financial structure of the Bank and enrich the capital adequacy ratio, a cash capital increase of NT\$600 million was launched and the sixth subordinated financial bond was issued in 2017 for a total of NT\$2.78 billion. At the end of 2017, the Bank's capital exceeded NT\$21.6 billion, the first-class capital ratio is 9.59%, and the capital adequacy ratio (BIS) is 12.70%. In the future, the Bank will continue to be committed to ensuring stable operations and seek the best interests for all shareholders. The 2017 annual business results and the 2018 business plan are summarized as follows:

1. 2017 Operating Performance

(1) Optimizing Operating Channels to Create Maximum Value

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

- (A) On March 6, 2017, the Meinon branch was transferred to the current location of Qishan Branch and renamed as Qishan Simple Branch. On the same day, Qishan Branch moved to Taoyuan District in Taoyuan City, and a new

South Taoyuan Branch was established.

(B) On June 12, 2017, the Jianguo Branch was transferred to the Xizhi District of New Taipei City, and a new Xizhi Branch was established.

(C) On November 13, 2017, the Wujia Branch was transferred to the same Fengshan District, Kaohsiung City.

B. In order to enhance the value of branches and operational synergy, in July 2017, the four simple branches of Daye, Xinhe, Yongkang and Qishan were upgraded to fully functioning branches.

(2) Changes in Bank Organization

A. On January 20, 2017, the "Insurance Agency Department" was established under the head office structure for the business of selling insurance. The "Insurance Agency Department" was the result of the merger of Yangxin Life Insurance Co., Ltd. and Yangxin Property Insurance Agency Co., Ltd. by the Bank.

B. On December 1, 2017, the "Consumer Finance Department" was established under the head office structure for "car loans", "subordinated mortgage loans" and other personal consumer/credit loan businesses, and the "Credit Card and Car Loan Department" was renamed the "Credit Card Department".

(3) Business Plan and Strategy Implementation Results

In 2017, the Bank continued to control the quality of its assets and achieved remarkable results. At the end of 2017, the Bank's over lending ratio was 0.12%, and its provision for bad debts was 1,048.95%, ranking third and fourth places respectively among 38 domestic banks. In terms of the development of various businesses, the total deposit balance at the end of 2017 was NT\$376,662,783 thousand, an increase of NT\$31,664,232 thousand from NT\$344,998,551 at the end of 2016; the total loan balance was NT\$289,801,969 thousand, an increase of NT\$26,159,022 from NT\$263,642,947 at the end of the 2016. The overall operating performance was good.

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

Main Business Items	2017	2016	Growth Rate Compared to Last Year (%)
Deposit (Year End Balance)	376,662,783	344,998,551	9.18
Loan (Year End Balance)	289,801,969	263,642,947	9.92
Wealth Management Business	13,283,303	12,481,169	6.43
Import / Export and Foreign Exchange Businesses (thousand in USD)	4,449,848	3,733,860	19.18
Trust Property Scale	58,665,133	52,280,986	12.21
Investments in Equity Method (Year End)	1,875,205	1,733,802	8.16

(4) Budget Execution

The Bank's overall operation has an obvious improvement in 2017, and the scale of deposits and loans steadily increased. The balance of deposits (NT\$ and foreign currency) was NT\$376.66 billion, reaching 100.5% of the budget target. The balance of loans (NT\$ and foreign currency) was NT\$289.80 billion, reaching 102.1% of the budget target. The net profit after tax of 2017 was NT\$1.91 billion, reaching 76.7% 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	2017	2016 (after revision)	Compared to Last Year (%)
Net Interest Income	4,711,040	4,360,162	8.05
Net Non-Interest Income	1,492,095	1,790,532	(16.67)
Net Income	6,203,135	6,150,694	0.85
Bad Debt Expense & Guarantee Liability Provisions	643,915	56,705	1,035.55

Operating Expenses	3,332,684	3,348,853	(0.48)
Net Profit Before Tax	2,226,536	2,745,136	(18.89)
Net Profit After Tax	1,910,600	2,383,636	(19.85)
EPS After Tax	0.90	1.20	(25.00)

Note1: Increase in Bad Debt Expense & Guarantee Liability Provisions: Mainly due to the accelerated provision for bad debts in the current year to improve asset quality, resulting in an increase in bad debts.

Note2: Decrease in after-tax earnings per share: Mainly due to the decrease in net profit after tax for the year.

(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 2018 Business Plan

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

(1) Expanding the Business Scale

It is expected that the total amount of deposits (NT\$ and foreign currency) in 2018 will increase from NT\$376.66 billion at the end of 2017 to NT\$400.08 billion, at an average annual growth of NT\$13.65 billion and an average business operation amount of NT\$386.43 billion. The total amount of loans (NT\$ and foreign currency) in 2018 will increase from NT\$289.8 billion at the end of 2017 to NT\$301.62 billion, at an average annual growth of NT\$10 billion and the average business operation amount of NT\$291.62 billion. To expand its scale of deposits and loans, the Bank will set the minimum deposit/loan amount and project schedule for each county/city branch in 2018. It will not only focus on creating and enlarging the channel scale and economic benefits, but also visit customers and develop local markets with the spirit of offering customers service with a smile. By doing so, the Bank will be able to enhance the customer satisfaction level comprehensively and expand the customer base.

(2) Increasing Revenue Diversity

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

- A. Finance: To continuously develop new accounts and strengthen management of financing strategies, projects and products.
- B. Trust: In addition to the continuous promotion of real estate trusts and monetary trusts, other trust products are also actively planned to achieve a balanced business development.
- C. Foreign exchange: To expand the trade finance and import/export businesses of DBU and OBU, enhance the performance of authorized foreign exchange branches and the e-commerce function of foreign exchange businesses.
- D. Investment: To expand the investment position, establish the most appropriate manpower configuration and professional investment operators, allocate and utilize short-term funds properly.
- E. Credit card: To actively increase the customer's cardholding ratio and consumption amount, develop online business and increase the revenue generated from transaction fees.

(3) Continuing to Boost Income

In 2018, due to the consideration of the overall environment in which it is not easy to expand the network, the market competition is fierce, and so the Bank aims to strengthen its financial operations, car loans and subordinated mortgage loans and other high-spread products for higher revenue. The 2018 pre-tax profit target is set at NT\$3.05 billion.

(4) Stabilizing Funding Sources and Reducing Funding Costs

In 2018, the Bank will do its best to maintain stable funding sources and reduce funding costs. That is, to satisfy our business development needs with stable funding. In the meantime, we will, on the premise that the deposit volume is stable, increase the proportion of demand deposit to reduce funding costs and enhance profitability.

(5) Adjusting Loan Structures

To have a steady operation and to cooperate with policies of the competent authorities, in 2018, the Bank will continue its lending focus on quality, profit and volume oriented SMEs loans and related services (such as foreign exchanges), fiduciary loans and other capital loans not listed in Article 72-2 of the Banking Act as they are offering a good profitability. Furthermore, under the consideration of risk control, the SME loans will be conducted by having a real estate security interest or small and medium business credit guarantee fund together with the second lien or offering of other valuable guarantees. In addition, the Bank will focus on the selection of customers and knowing their actual operating status to ensure their payment resources to lower the overall credit risk.

(6) Improving Asset Quality

The Bank's goal is to ensure the non-performing loan ratio is under 0.26% and the loan-loss coverage ratio over 434% by the end of 2018. In addition, the Bank will strengthen the credit quality of new loans so as to reduce non-performing loan balance while working to collect distressed debts and increase recovery of bad debts as a way to continue to improve asset quality.

(7) Maintaining the BIS Ratio

To comply with regulations of competent authorities and strengthen the Bank's capital structure, the Bank will continue to pay attention to the proportion of loan products in 2018 in order to have the optimal allocation for risk assets. Besides, it will continue to increase level of profitability, increase capital in cash according to the plan, and issue subordinated bank debentures in order to increase its own capital and the BIS ratio, in addition to meeting the BASEL III schedule and being in line with the industry standard.

(8) Developing E-Services

Following the popularization and prosperous development of telecommunications network and mobile technology, emerging technology has gradually changed its payment methods and pattern. With diverse technology applications, banks have developed digital financial services as a new service pattern to create more values. Therefore, aiming to promote our market competitions, the Bank's major tasks in regard to its electronic financial business in 2018 are:

- A. Continuously optimize the banking service functions and processes such as personal online banking, corporate online banking and iSunny Purchase and Payment + APP functions, and provide customers with convenient financial services to enhance the service efficiency of the Bank.
- B. Establish a "New Generation Mobile Internet APP" service to provide a trend-oriented mobile online banking APP and a smoother customer experience.
- C. Provide Taiwan Pay QR code service to enable customers to use more convenient money transfer, collection and payment services.
- D. Establish "digital deposit accounts" to provide online opening of digital deposit accounts, application for non-contracted transfer function of online banking, and reset of online banking user code or authorized password.
- E. Strengthen the Bank staff's concept and service functions of corporate online banking, and further enhance the digital financial service literacy of the Bank staff for corporate customers.

3. Future Development Strategies

- (1) Maintaining sound operations and improving the Bank's financial structure.
- (2) Maintaining a good loan-to-deposit ratio and balanced development of deposit and lending business.
- (3) Ensuring risk management by strengthening risk control and credit approval criteria in order to improve the quality of loan assets.
- (4) Continuing to integrate and set up branches to enhance channel efficiency.

- (5) Implementing International Financial Reporting Standards (IFRS) in accordance with regulatory policy and continuing to enhance the efficiency of financial management in order to improve operational performance.
- (6) Enhance on-the-job training for the staff and drawing up training programs to raise manpower quality.
- (7) Further developing core businesses to deepen relationships with customers, expand the customer base, and enhance customer contribution.
- (8) Continuing to expand overseas businesses to diversify income sources and enhance corporate competitiveness.

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

Despite a moderate recovery in the global economy, the domestic financial environment is facing a situation of over-banking and keen competition. In response to the Financial Supervisory Commission's "Banking 3.0" policy for creating a digital financial environment launched in 2015, the Bank will continue to strengthen and expand e-banking services through our mobile APP, online banking platform and third-party payment system and services. In addition, the Executive Yuan launched the New Southbound Policy Promotion Program on September 5, 2016, with the aim to speed out the economic and trade cooperation in cross-strait and Southeast Asian regions. To keep up with such trend, the Bank will be dedicated to promoting foreign exchange business, recruiting excellent international financial talents and expanding overseas sites, so as to diversify the sources of operating incomes.

In the meantime, 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. The Bank will also further strengthen its operations of internal audit, internal control, risk management and compliance, and cooperate with external auditing agencies and consultants to establish a system and mechanism for preventing money laundering and terrorist attacks in order to comply with the regulations.

5. Credit Rating

On September 20, 2017, Fitch Ratings gave the Bank "A-(tw)/F2(tw)/stable" for its long- and short-term credit ratings and rating outlook.

Chairman

CHEN, SHENG-HUNG (with seal)

President

DING, WEI-HAO (with seal)



A large, bold, green number '2' is centered on a light green background with a faint grid pattern. The number has a square and a circle as a dot, both in a slightly darker shade of green.

II. Bank Profile

1. Date of Registration
2. Company History

1. Date of Registration

Date of Registration: September 1, 1997

Date of Commencement of Business: September 1, 1997

2. Company History

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

On April 16, 1998, the Bank passed the ISO-9002 certification for its information and quality audit systems, and became the first certified bank in the nation. Before the annual meeting of shareholders held on June 4 of the same year, it announced this accreditation at a press conference and declared that it would uphold the quality policy of being “steadiness, proactiveness, professionalism, and enthusiasm” in order to have a sustainable business operation. Also to cooperate with the government policy and to solve issues of distressed financial institutions, Sunny Bank Co., Ltd. undertook the business of Yuanlin Credit Cooperative in Changhua and 2nd Credit Cooperative in Pingtung respectively on September 15, 2001. On August 24, 2002, it then took over the business of Tainan 5th Credit Cooperative and increased 21 branches in total. On July 20, 2004, it was approved to expand its business area and became a nationwide bank. To have competitive advantages in hand and to enlarge the scale and scope of its operation, Sunny Bank Co., Ltd merged with Kao Shin Commercial Bank on November 26, 2005, and increased its Branch number from 62 to 96. Later in September of 2007, the Bank established the Luotong Branch, which successfully expanded its service area to Eastern Taiwan. Then the Chupei, Chungsing and Changhua branches were successfully opened as well as the Eastern Taoyuan and Nangang branches (2010), Beitun Branch (2011), Tucheng and Keelung branches (2012). To have its service area covered every administration district in Taipei City, the Bank established the Wanhua Branch in 2013. To cooperate with FSC’s policy of balancing urban-rural development and improving the local financial services, the Bank has set up Hualien Branch, Miaoli Branch and Longjing Branch in 2014. To increase the distribution value of our branch offices and to cooperate with FSC policy mentioned above, the Bank has not only relocated Dali and Datong branches, but also set up Yunlin, Nantou, Taitung and Yilan branches in 2015. The Bank, which now has a network of 103 branch offices that covers principal administrative regions across the nation, has an even more complete financial service network. To promote the overall and regional business growth and operating development, the Bank upgraded the Xinhua mini-branch to a general branch in 2016. In 2017, the South Taoyuan and the Xizhi Branch were established, the Wujia Branch was relocated in the same district, and the four simple branches of “Daye, Xinhe, Yongkang and Qishan” were upgraded to fully functioning branches. Not only can its branch offices support each other in business geographically, but also the Bank is managed, through complementary support of the region and channel integration, to enhance its market competitiveness and increase its market share and maximize its overall operating synergy.

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

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



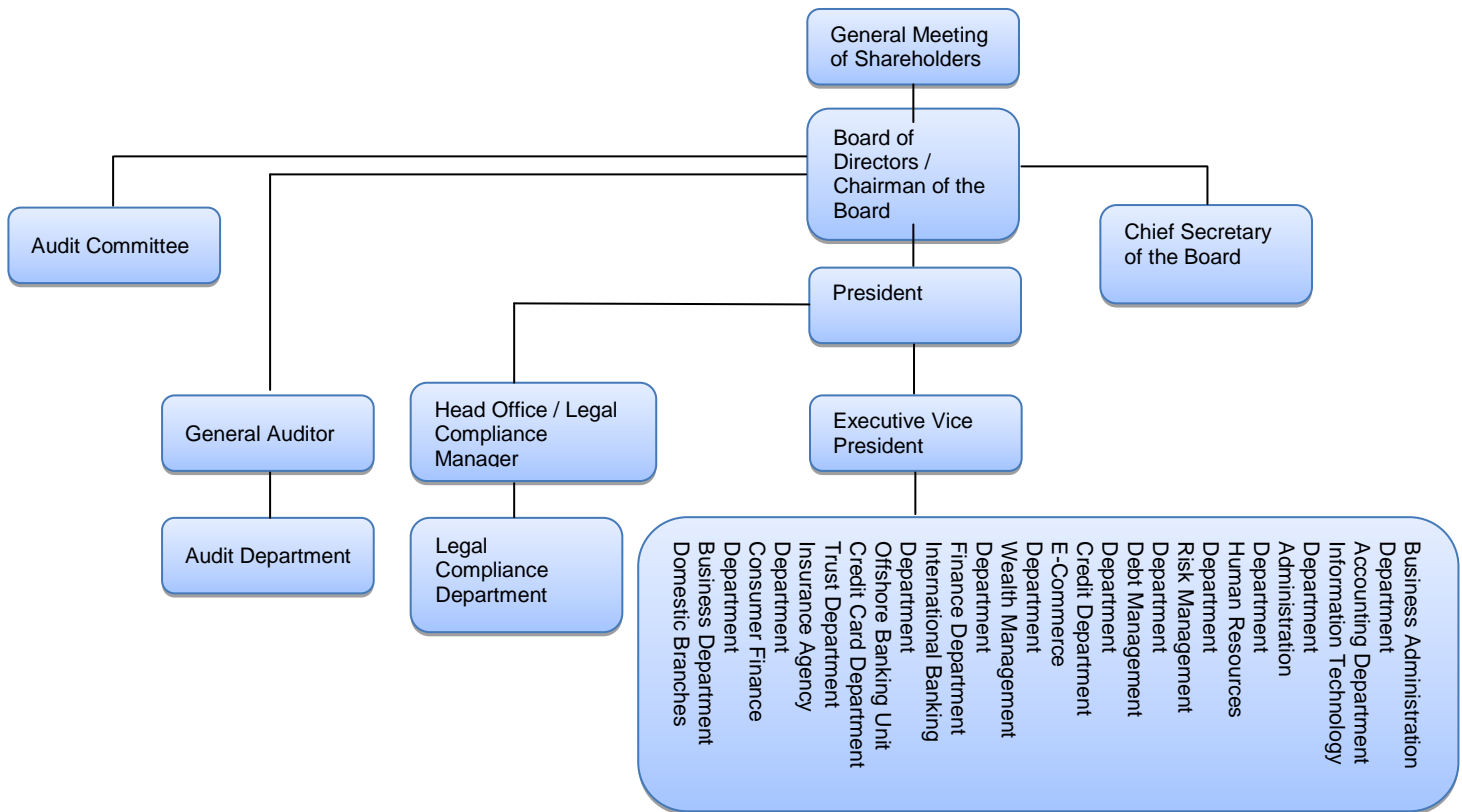
III. Corporate Governance Report

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1. Organization

(1) Organization Chart

As of February 28, 2018



(2) Major Business of Each Department

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

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

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

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

2. Board of Directors and Management Team

(1) Board and Supervisors

Baseline date: December 31, 2017

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 15, 2015	3 years	June 15, 2015	145,784,879	6.74	197,376,499	9.13	0	0.00	0	0.00	The 3rd - 7th Taipei City Councilor, resident Director of Yang Ming Shan Credit Union, the 1st - 4th Chairman and 5th and 6th Managing Director of Sunny Bank, and the 4th & 5th legislator Graduated from University	Shareholder of Chuan Yam Construction Co., Ltd. and Chairman of Sunny Foundation	Director	Chen, Chin- Chia	Brothers
														Special Assistant to President			Ho, Li-Wei	Father & Son	
														Manager			Chen, Ya-I	Father & Son	
Managing Director	The Republic of China	Liu, Chen-Sheng	Male	June 15, 2015	3 years	September 1, 1997	5,204,495	0.24	5,353,539	0.25	1,239,982	0.06	0	0.00	Supervisor of Yang Ming Shan Credit Union; the 1st Director and the 2nd - 6th Managing Director of Sunny Bank; Chairman of Shihpai Tzuchiang General Market Co., Ltd.; graduated from Vocational High School	Director of Sunny Culture and Education Foundation	Assistant Vice President	Liu, Ming- Chieh	Father & Son
																	Manager	Liu, Ming-Che	Father & Son
																	Manager	Chen, Yao-Wen	Relatives by marriage
Managing Director	The Republic of China	Chang, Wu-Ping	Male	June 15, 2015	3 years	September 1, 1997	5,204,495	0.24	5,353,539	0.25	1,239,982	0.06	0	0.00	Director of Yang Ming Shan Credit Union; the 1st - 5th Director of Sunny Bank; the 6th Managing Supervisor of	Shareholder of Ka Bi Trading Co., Ltd. and Chairman of Ping An Construction Co., Ltd.. Director of	None	None	None

																Sunny Bank; graduated from Senior Commercial High School	Sunny Culture and Education Foundation			
Director	The Republic of China	Chen, Chin-Chia	Male			June 12, 2000	4,725,877	0.22	2,716,868	0.13	405,160	0.02	0	0.00	2nd, 3rd, 5th and 6th Director of Sunny Bank; the 4th Managing Director of Sunny Bank; graduated from university	Director of Po Yun Enterprise Co., Ltd. and Director of Sunny Culture and Education Foundation. Chairman of Lichen Investment Co., Ltd.	Chairman	Chen, Sheng-Hung	Brothers	
Director	The Republic of China	Hsieh, Yi-Tung	Male			June 22, 2009	399,264	0.02	639,461	0.03	1,512,152	0.07	0	0.00	Manager of The First Cooperative Association of Kaohsiung City; Assistant Manager of Business Department of Kao Shin Bank; and Branch Assistant Manager of Sunny Bank; the 5th and 6th Director of Sunny Bank; graduated from College	Assistance Vice President of Sunny Bank Branch	None	None	None	
Director	The Republic of China	Ho, Shun-Cheng	Male	June 15, 2015	3 years	September 1, 1997	4,828,764	0.22	3,025,677	0.14	6,685,236	0.31	0	0.00	Person-in-Charge of Yuan Shun Jewelry Co., Ltd.; Director of Yang Ming Shan Credit Union; the 1st to 6th Director of Sunny Bank; Director of Sunny Life Insurance Brokerage Co., Ltd. and Director of Sunny Property Insurance Brokerage Co., Ltd.; graduated from Senior High School	Director of Hong Kuan Co., Ltd. and Director of Sunny Culture and Education Foundation	None	None	None	
Director	The Republic of China	Tsai, Wen-Hsiung	Male	June 15, 2015	3 years	September 1, 1997	7,513,765	0.35	5,426,677	0.25	6,354,217	0.29	0	0.00	C.P.A. of Chang Chi Union Accounting Office; supervisor of Yang Ming Shan Credit Union; Director of Jui Hsiang Investment Co., Ltd.; the 1st-6th Supervisor of Sunny Bank; Chairman of Sunny Securities Co., Ltd.; graduated from Graduate School	Director of Jui Hsiang Development Co., Ltd. and Director of Sunny Culture and Education Foundation	None	None	None	
Director	The Republic of China	Chang, Shu-Min	Male	June 15, 2015	3 years	June 15, 2015	6,649	0.00	7,842	0.00	0	0.00	0	0.00	Chairman of Cheng Yang Printing Co., Ltd., Chairman of Rising Sun Publishing Co., Ltd., Chairman of Ink Literary Monthly Co., Ltd., Chairman of Xinning Constructions Co., Ltd., Chairman of Gold Sunny Assets Management Co., Ltd.; Graduated from college.	Printing Co., Ltd., Chairman of Rising Sun Publishing Co., Ltd., Director of Ink Literary Monthly Co., Ltd., Director of Hai Wang Printing Co., Ltd., Director of Technology Books Co., Ltd., Director of Forward Graphic Enterprise Co., Ltd., Hai Wang Development and Constructions Co., Ltd., Director of Wisest Cultural Co., Ltd., Director of 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") Publishing, Shareholder of Lichen Investment Co., Ltd.,	Director	Chang, Shu-Hua	Brother	

																	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 15, 2015	3 years	June 15, 2015	1,362	0.00%	1,605	0.00%	0	0.00	0	0	0	Chairman of Wisest Cultural Co., Ltd. and Jin Chen Investment Co., Ltd.; graduated from college,	Chairman of Wisest Cultural Co., Ltd., Chairman of Jin Chen Investment Co., Ltd., Director of Yu Cheng Art Binding Co., Ltd., Director of Hai Wang Printing Co., Ltd., Director of Technology Books Co., Ltd., Director of Hai Wang Development and Constructions Co., Ltd., Director of Rising Sun Publishing Co., Ltd., Shareholder of Xinming Constructions Co., Ltd., Shareholder of Hai Wang Investment Co., Ltd., Shareholder of Wisest Cultural Co., Ltd., Shareholder of Likun Investment Ltd.	Director	Chang, Shu-Ming	Brother
Director	The Republic of China	Fu Li Yang Investment Co., Ltd.	Male	June 15, 2015	3 years	June 15, 2015	145,784,879	6.74%	197,376,499	9.13%	0	0.00	0	0.00	0.00	Manager of Trust Department of Taipei Business Bank; Manager of Business Department of Taipei Business Bank; Vice President & President of Sunny Bank; the 2nd-4th Director of Sunny Bank; 5th and 6th supervisor of Sunny Bank; Chairman of Sunny Securities Co., Ltd.; graduated from University	Director of Sunny Culture and Education Foundation	None	None	None
		Representative: Lin, Chin-Lung					0	0.00	1,935,766	0.09%	1,592,522	0.07%	0	0.00	0.00					
Independent Managing Director	The Republic of China	Wu, Wen-Cheng	Male	June 15, 2015	3 years	June 22, 2009	0	0.00	0	0.00	1,010,798	0.05%	0	0.00	0.00	CPA of Guang Yan CPAs Co.; 5th and 6th Independent Managing Director of Sunny Bank; graduated from University	Supervisor of Young Fast Optoelectronics Co., Ltd.	None	None	None
Independent Director	The Republic of China	Wu, Fu-Kuei	Male	June 15, 2015	3 years	June 15, 2015	0	0.00	0	0.00	0	0.00	0	0.00	0.00	Legislator, Delegates of National Assembly and Adjunct Lecturer of Department of Technology Management of Chung Hua University; graduated from graduate school	None	None	None	None
Independent Director	The Republic of China	Yang, Chang-Feng	Male	June 15, 2015	3 years	June 15, 2015	0	0.00	0	0.00	0	0.00	0	0.00	0.00	Director of AIPT International Law Office and Headquarter of AIPT Patent, Trademark and Law Office; graduated from graduate school	Chairman of AIPT Technology Co., Ltd., Chairman of Rui Yu Investment Co., Ltd., Chairman of AIPT Yu Feng Co., Ltd., Director of An Yi Investment Co., Ltd., Supervisor of AIPT Biotechnology Co., Ltd., Supervisor of Hong You Enterprise Co., Ltd.	None	None	None

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

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

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

A. Institutional Shareholders

(A) Major Institutional Shareholders

Record date: December 31, 2017

Name of Institutional Shareholder (Note 1)	Major Institutional Shareholders (Note 2)	Shareholding %
Fu Li Yang Investment Co., Ltd.	Hsueh Ling	99.73%

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

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

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

B. Professional Knowledge and Independence Information of Directors and Supervisors

Record date: December 31, 2017

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	
Name (Note 1)														
Fu Li Yang Investment Co., Ltd. Representative: Chen, Sheng-Hong			✓	✓				✓	✓	✓			✓	
Liu, Chen-Sheng				✓		✓		✓	✓	✓	✓	✓	✓	
Chang, Wu-Ping				✓			✓	✓	✓	✓	✓	✓	✓	
Chen, Chin-Chia				✓		✓		✓	✓	✓		✓	✓	
Hsieh, Yi-Tong					✓	✓	✓	✓	✓	✓	✓	✓	✓	
Ho, Shen-Cheng				✓		✓		✓	✓	✓	✓	✓	✓	
Tsai, Wen-Hsiong		✓	✓	✓			✓	✓	✓	✓	✓	✓	✓	
Chang, Shu-Min				✓	✓	✓	✓		✓	✓		✓	✓	
Chang, Shu-Hua				✓	✓	✓	✓		✓	✓		✓	✓	
Fu Li Yang Investment Co., Ltd. Representative: Lin, Jin-Long			✓	✓		✓		✓	✓	✓	✓	✓	✓	
Wen-Cheng Wu		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Fu-Kuei Wu	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Chang-Feng Yang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	

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

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

- (1) Not an employee of the Bank or its affiliated companies.
- (2) Not a director or supervisor of the Bank's affiliated companies. (Not applicable to independent director of Bank subsidiaries where the Bank or its parent company directly or indirectly holds more than 50% of voting shares.)
- (3) A natural person shareholder along with his or her spouse and minor child or under the name of another person, or not a top-ten share holder having no more than 1% of the total issued shares of the Bank.
- (4) Not a relative of the spouse or second-degree relative of the person specified in the above mentioned paragraphs, or a blood relative within the third degree of consanguinity.
- (5) Not a director, supervisor or employee holding more than 5% of the total issued shares of the Bank, or not a director, supervisor or employee of a legal person belonging to the top five shareholders.
- (6) Not a director, supervisor, manager or shareholder of a particular company or institution that has financial or business contacts with the Bank, or holds more than 5% of the shares of the Bank.
- (7) Neither a professional, or a business owner, partner, director, supervisor or manager of a sole proprietorship, partnership, company or institution which provides business, legal, financial or accounting and consulting services for the Bank or its affiliates, nor the spouse of any of the abovementioned entities. This restriction does not apply to members of the remuneration committee who perform their duties in accordance with Article 7 of the Measures for the Establishment and Performance of Duties of the Remuneration Committee of a Listed Company or a Company with Shares Traded at Securities Dealers' Premises.
- (8) No relationship between the spouse or second-degree relative and any director.
- (9) None of the circumstances in Article 30 of the Company Law.
- (10) None of the circumstances in Article 27 of the Company Law where the government, a legal person or its representative is elected.

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

Record date: December 31, 2017

Position (note 1)	Nationality	Name	Gender	Date elected (assumed position)	Shareholding		Shareholding of spouse and minor children		Shareholding under another person's name		Work experience and academic background (note 2)	Concurrent positions in other companies	Manager's spouse or second-degree relative		
					Shares	%	Shares	%	Shares	%			Position	Name	Relationship
President	Republic of China	Ding, Wei-Hao	Male	98.06.22	404,908	0.02	76,997	0.00	0	0.00	Banking and Insurance Department, Feng Chia University; currently President of Sunny Bank; former Chairman of Taiwan Bank Life Insurance and acting Chairman of Agricultural Bank of Taiwan	None	None	None	None
Senior Vice President	Republic of China	Ho, Kun-Tang	Male	102.09.05	38,224	0.00	0	0.00	0	0.00	Institute of Agricultural Economics, National Chung Hsing University; current Vice President of Sunny Bank; former Vice President of Taiwan Cooperative Bank and Chairman of Taiwan Cooperative Securities Investment Trust Co., Ltd.	None	None	None	None
Vice President	Republic of China	Chang, Chi-Ming	Male	98.06.22	22,723	0.00	189,000	0.01	0	0.00	Department of Finance and Taxation, National Chengchi University; current Vice President of Sunny Bank; former President of the Risk Management Department	None	None	None	None
Vice President	Republic of China	Chen, Yang-Yo	Male	105.01.21	120,005	0.01	0	0.00	0	0.00	Agricultural Economics Institute, National Chung Hsing University; current Vice President of Sunny Bank; former Associate Vice President of Taichung Branch	None	None	None	None
Vice President	Republic of China	Kuo, Ci-Hong	Male	98.06.22	309,473	0.01	1,738	0	0	0.00	Business Administration Department, Tamshui Industrial and Commercial College; current Vice President of Sunny Bank; former Deputy President of Personal Banking Management Division	None	None	None	None
Chief Auditor	Republic of China	Chen, Cheng-Feng	Male	106.03.03	403,665	0.02	0	0.00	0	0.00	International Trade Department, Chih Lee College; current Chief Auditor of Sunny Bank; former Associate Vice President of HR and Administration Divisions	None	None	None	None
Legal Compliance Manager	Republic of China	Li, Wen-Kuang	Male	104.02.07	155,275	0.01	17,490	0.00	0	0.00	Law Department of Soochow University; current Legal Compliance Manager of Sunny Bank; former Manager of Legal Division	Director of Sunny Securities	None	None	None
Chief Secretary	Republic of China	Wu, Rui-Hsiang	Female	98.07.01	226,641	0.01	0	0.00	0	0.00	Business Administration Department, National Chung Hsing University; current Chief Secretary of Sunny Bank; former Researcher of the Chairman's Office, Taiwan Bank Life Insurance, Secretary to the President and Chief Auditor, Agricultural Bank of Taiwan	None	None	None	None
Special Assistant to the President	Republic of China	Ho, Li-Wei	Male	105.08.17	3,161,537	0.15	0	0.00	0	0.00	Business School, La Sierra University; current Special Assistant to President	Director of Sunny International	Manager	Chen, Ya-Yi	Brother

											of Sunny Bank; former Associate Vice President of Wealth Management Department	Leasing Co., Ltd.				
Associate Vice President	Republic of China	Li, Ching-Cheng	Male	105.01.21	176,136	0.01	0	0.00	0	0.00	Business Administration Department, Fu Jen Catholic University; current Associate Vice President of Trust Department, Sunny Bank; former Trust Department Manager	None	None	None	None	None
Associate Vice President	Republic of China	Chen, Hui-Ling	Female	105.01.21	273,476	0.01	0	0.00	0	0.00	Business Management School, National Chengchi University; current Associate Vice President, Finance Department of Sunny Bank; former Finance Department Manager	Supervisor of Gold Sunny Asset Management Co., Ltd.	None	None	None	None
Associate Vice President	Republic of China	Song, Ping-Ping	Female	105.01.21	124,668	0.01	0	0.00	0	0.00	Business Administration Department, National Taipei Commercial College; current Associate Vice President of Consumer Banking and Credit Card Departments, Sunny Bank; former Associate Vice President of Credit Card and Car Loan Department	Supervisor of Sunny Securities, Director of Sunny E-Commerce Co., Ltd.	None	None	None	None
Associate Vice President	Republic of China	Wang, Chian-Yi	Male	97.04.01	110,960	0.01	0	0.00	0	0.00	International Trade Department of Soochow University; current Associate Vice President of Insurance and Wealth Management Departments, Sunny Bank; former Wealth Management Department Manager	Director of Sunny Securities	None	None	None	None
Associate Vice President	Republic of China	Huang, Yan-Chun	Male	96.03.14	517,832	0.02	63,595	0.00	0	0.00	Banking Department, Tamkang University; current Associate Vice President of Information Department, Sunny Bank; former Information Department Manager	Director of Sunny Securities	None	None	None	None
Associate Vice President	Republic of China	Li-Yu-Bi	Male	104.02.09	285,980	0.01	0	0.00	0	0.00	Economics Department Chinese Culture University; current Associate Vice President of Debt Management Department, Sunny Bank; former Debt Management Department Manager	Director of Gold Sunny Asset Management Co., Ltd.	None	None	None	None
Associate Vice President	Republic of China	Wang, Ya-Hsun	Male	98.06.22	684,572	0.03	1,896	0.00	0	0.00	Accounting and Statistics Department, Tamsui Industrial and Commercial College; current Associate Vice President of Debt Management Department, Sunny Bank; former Associate Vice President of Business Management Department	Chairman of Sunny E-Commerce Co., Ltd.	None	None	None	None
Associate Vice President	Republic of China	Kuo, Cheng-Hong	Male	105.01.21	203,138	0.01	0	0.00	0	0.00	Business Management Institute of National Central University; current Associate Vice President of Business Management Department, Sunny Bank; former Business Management Department Manager	Director of Sunny Securities	None	None	None	None
Associate Vice President	Republic of China	Gan, Wu-Cheng	Male	105.01.21	156,187	0.01	0	0.00	0	0.00	International Trade Department, Soochow University; current Associate Vice President of Credit Division, Sunny Bank; former Credit Division Manager	Director of Sunny International Leasing Co., Ltd., Supervisor of Sunny Financing and Leasing (China) Co., Ltd.	None	None	None	None
Associate Vice President	Republic of China	Liu, Ming-Chie	Male	96.03.14	1,645,520	0.08	405,640	0.02	0	0.00	Applied Business Department, National Taipei College of Business; current Associate Vice President of Business Department, Sunny Bank; former Manager of 1 st North District Consumer Finance Center	None	Manager	Chen, Yao-Wen	In-laws	
														Liu, Ming-Che	Brothers	
Associate Vice President	Republic of China	Chen, Yi-Huan	Male	104.02.09	161,876	0.01	515,011	0.02	0	0.00	Integrated business Department, Chuhai Commercial College; current Associate Vice President of Shipai Branch; former Manager of Shipai Branch	None	None	None	None	None
Associate Vice President	Republic of China	Chu, Chia-Long	Male	105.01.21	231,547	0.01	0	0.00	0	0.00	Integrated business Department, National Chung Hsing University; current Associate Vice President of Beitou Branch, Sunny Bank; former Manager of Beitou Branch	None	None	None	None	None

Associate Vice President	Republic of China	Lui, Ching-Yo	Male	105.01.21	226,367	0.01	0	0.00	0	0.00	Accounting Department of Feng Chia University; current Associate Vice President of Jiantan Branch, Sunny Bank; former Manager of Jiantan Branch	None	None	None	None
Associate Vice President	Republic of China	Yang, Chin-Bing	Male	106.01.23	78,716	0.00	55,867	0.00	0	0.00	International Trade Institute, Soochow University; current Associate Vice President of Tiantnu Branch, Sunny Bank; former Manager of Tiantnu Branch	None	None	None	None
Associate Vice President	Republic of China	Long, Wan-Li	Male	105/08/17	134,032	0.01	0	0.00	0	0.00	Business Administration Department, Soochow University; current Associate Vice President of Chengkung Branch, Sunny Bank; former Manager of Chengkung Branch	None	None	None	None
Associate Vice President	Republic of China	Shen, Yo-Hsin	Male	105.08.17	89,873	0.00	0	0.00	0	0.00	International Trade Department, Tamsui Industrial and Commercial College; current Associate Vice President of Minsheng Branch, Sunny Bank; former Manager of Minsheng Branch	None	None	None	None
Associate Vice President	Republic of China	Liu, Yan-Hsing	Male	104.02.09	108,642	0.01	125,843	0.01	0	0.00	Accounting and Statistics Department, Chungyu Commercial College; current Associate Vice President of Mucha Branch, Sunny Bank; former Manager of Mucha Branch	None	None	None	None
Associate Vice President	Republic of China	Yu-Shi-Rong	Male	96.03.14	85,880	0.00	717	0.00	0	0.00	Integrated Business Department, Shih Hsin Senior High School; current Associate Vice President of Chunghsing Branch, Sunny Bank; former Associate Vice President of Mucha Branch	None	None	None	None
Associate Vice President	Republic of China	Chen, Hsian-Chun	Male	106.01.23	180,905	0.01	0	0.00	0	0.00	Business Administration Department, Takming College; current Associate Vice President of Yungho Branch, Sunny Bank; former Manager of Chungho Branch	None	None	None	None
Associate Vice President	Republic of China	Wang, Lin-Da	Male	105.01.21	148,139	0.01	0	0.00	0	0.00	Finance Department, Chiuhlee Institute of Technology; current Associate Vice President of Neihu Branch, Sunny Bank; former Manager of Neihu Branch	None	None	None	None
Associate Vice President	Republic of China	Hsieh, Yi-Dong	Male	94.11.26	639,461	0.03	1,512,152	0.07	0	0.00	Accounting Department, Open College affiliated with National Cheng Kung University; current Associate Vice President of Chingnian Branch, Sunny Bank; former Associate Vice President of Minchu Branch	None	None	None	None
Associate Vice President	Republic of China	Huang, Hsian-Chang	Male	99.02.06	138,164	0.01	0	0.00	0	0.00	Agricultural Economics Department, National Taiwan University; current Associate Vice President of Liwen Branch, Sunny Bank; former Manager of Taiwan Cooperative Bank	None	None	None	None
Manager	Republic of China	Chao, Hui-Chen	Female	104.08.01	1,969,537	0.09	0	0.00	0	0.00	Business Management Institute, Monmouth University, New Jersey, USA; current Manager of Foreign Department and International Financing Business, Sunny Bank; former Foreign Department Assistant Manager	None	None	None	None
Manager	Republic of China	Che, Yu-Liang	Male	105.03.25	128,046	0.01	45,412	0.00	0	0.00	Accounting Department, Chinese Culture University; current Manager of Administration Division, Sunny Bank; former Administration Division Assistant Manager	None	None	None	None
Manager	Republic of China	Yang, Lian-Che	Male	88.12.09	468,973	0.02	824,183	0.04	0	0.00	Accounting Institute, Soochow University; current Manager of Risk Management Division, Sunny Bank; former Manager of Accounting Section, Business Division	None	None	None	None
Manager	Republic of China	Yue, Wen-Chang	Male	106.08.17	164,270	0.01	6,538	0.00	0	0.00	Business Administration Department, National Taipei Commercial College; current Manager of Audit Division, Sunny Bank; former Senior Specialist of Audit Division	None	None	None	None

Manager	Republic of China	Chen, Ya-Yi	Male	102.11.20	1,621,877	0.07	606,468	0.03	0	0.00	Electronics Department, Liren Professional College; current Manager of Business Division, Sunny Bank; former Assistant Manager of Operations Center, Business Division	None	Special Assistant to President	Ho, Li-Wei	Brothers
Manager	Republic of China	Liu-Chun-Hsun	Male	99.02.06	99,342	0.00	160,127	0.01	0	0.00	Financial Information Institute, National Kaohsiung University of Applied Sciences; current Manager of Accounting Division, Sunny Bank; former Assistant Manager of Accounting Section, Business Division	Supervisor of Sunny International Leasing Co., Ltd.	None	None	None
Manager	Republic of China	Wang, Shun-Hsian	Male	106.01.23	152,436	0.01	78,805	0.00	0	0.00	Information Processing Department, Takming College; current Manager of HR Division, Sunny Bank; former Assistant Manager of HR Division	None	None	None	None
Manager	Republic of China	Cheng, Yan-Ching	Male	103.07.09	0	0.00	36,577	0.00	0	0.00	Institute of Computer Engineering, National ChiaoTung University; current Manager of Electronic Finance Department, Sunny Bank; former Vice President of Business Development Department, Tsaihong Technology Co., Ltd.	Director of Gold Sunny Asset Management Co., Ltd., Director of Sunny E-Commerce Co., Ltd.	None	None	None
Manager	Republic of China	Kuo, Su-Chu	Female	102.08.21	374,548	0.02	0	0.00	0	0.00	Integrated Business Department, Shih Hsin Senior High School; current Manager of Shilin Branch, Sunny Bank; former Assistant Manager of Shilin Branch	None	None	None	None
Manager	Republic of China	Ruan, Chian-Chun	Male	102.01.29	174,336	0.01	98,818	0.00	0	0.00	Statistics Department, Tamkang University; current Manager of Datun Branch, Sunny Bank; former Manager of Shinpu Branch	None	None	None	None
Manager	Republic of China	Hu, Chi-Min	Male	98.12.01	176,158	0.01	81,532	0.00	0	0.00	Economics Department, Feng Chia University; current Manager of Shetzhi Branch, Sunny Bank; former Manager of Hsinyi Branch	None	None	None	None
Manager	Republic of China	Chen, Yao-Wen	Male	91.07.01	79,317	0.00	282,244	0.01	0	0.00	Information Institute, National Chung Cheng University; current Manager of Lanya Branch, Sunny Bank; former Manager of Longchiang Branch	None	Manager	Liu, Ming-Chie Liu, Ming-Che	In-laws
Manager	Republic of China	Li, Tai-Ru	Male	101.09.01	241,414	0.01	0	0.00	0	0.00	Integrated Business Department, Kainan Industrial and Commercial College; current Manager of Shechun Branch, Sunny Bank; former Manager of Dongning Simple Branch	None	None	None	None
Manager	Republic of China	Chuang, Chian-Ren	Male	105.12.19	0	0.00	0	0.00	0	0.00	Business Administration Department, Tamsui Industrial and Commercial College; current Manager of Jilin Branch, Sunny Bank; former Manager of Jih Sun Bank	None	None	None	None
Manager	Republic of China	Chang, Ming-Tsan	Male	104.07.01	93,313	0.00	16,042	0.00	0	0.00	Business Administration Department, National Taipei Commercial College; current Manager of Yanji Branch, Sunny Bank; former Assistant Manager of Credit Division	None	None	None	None
Manager	Republic of China	Chen, Cheng-Ting	Male	104.07.01	152,709	0.01	3,749	0.00	0	0.00	Business Administration Department, Tunghai University; current Manager of Longchiang Branch, Sunny Bank; former Assistant Manager of Credit Division	None	None	None	None
Manager	Republic of China	Tsai, Tian-Hou	Male	106.03.01	10,732	0.00	0	0.00	0	0.00	Banking Department, National Chengchi University; current Manager of Nanking Branch, Sunny Bank; former Manager of Taichung Bank	None	None	None	None
Manager	Republic of China	Chang, Chiung-Wen	Female	106.01.20	0	0.00	0	0.00	0	0.00	Finance Institute, Tamkang University; current Manager of Jingmei Branch, Sunny Bank; former Manager of Taichung Bank	None	None	None	None
Manager	Republic of China	Liu, Ming-Che	Male	101.02.01	1,563,019	0.07	0	0.00	0	0.00	Russian Study Institute, Tamkang University; current Manager of Hsinyi Branch, Sunny Bank; former Manager of Yanji Branch	None	Manager	Liu, Ming-Chie Chen, Yao-Wen	Brothers In-laws
Manager	Republic of China	Li, Chun-Che	Male	102.05.29	70,130	0.00	0	0.00	0	0.00	Business School, State University of Texas at Solos; current Manager of Chungho Branch, Sunny Bank; former Manager of Guting Branch	None	None	None	None

Manager	Republic of China	Chen, Kuo-Hui	Male	105.03.25	74,804	0.00	2,100	0.00	0	0.00	Finance Institute, National ChiaoTung University; current Manager of Luchou Branch, Sunny Bank; former Assistant Manager of Business Management Division	None	None	None	None
Manager	Republic of China	Liu, Yi-Fang	Male	100.08.22	92,867	0.00	0	0.00	0	0.00	Accounting and Statistics Department, National Taipei Commercial College; current Manager of Banqiao Branch, Sunny Bank; former Manager of Fushin Branch	None	None	None	None
Manager	Republic of China	Ho, Chun-Liang	Male	99.05.31	218,590	0.01	164	0.00	0	0.00	Accounting Department, Tunghai University; current Manager of Taishan Branch, Sunny Bank; former Manager of Hsinfu Simple Branch	None	None	None	None
Manager	Republic of China	Chien, Chuan-Ren	Male	105.01.21	39,286	0.00	0	0.00	0	0.00	Finance and Tax Department, National Taipei Commercial College; current Manager of Hsinho Branch, Sunny Bank; former Manager of Jingmei Branch	None	None	None	None
Manager	Republic of China	Hu, Chun-Wei	Male	95.05.03	267,844	0.01	0	0.00	0	0.00	German Department, Chinese Culture University; current Manager of Shichou Branch, Sunny Bank; former Manager of Shaogang Branch	None	None	None	None
Manager	Republic of China	Yang, Yi-Chen	Female	98.12.01	63,721	0	0	0.00	0	0.00	Business Department of Daojiang College; current Manager of Guing Branch, Sunny Bank; former Manager of Shuangho Branch	None	None	None	None
Manager	Republic of China	Lin, Tsen-Chen	Female	105.06.01	74,791	0.00	33,822	0.00	0	0.00	Finance Department, National Taiwan University; current Manager of Hsinchuang Branch, Sunny Bank; former Assistant Manager of Shichou Branch	None	None	None	None
Manager	Republic of China	Dong, Yan-Shu	Male	106.09.01	0	0.00	0	0.00	0	0.00	Accounting Department, Shih Chien University; current Manager of Sanchung Branch, Sunny Bank; former Business Manager of Jih Sun Bank	None	None	None	None
Manager	Republic of China	Yeh, Kuo-Ping	Male	106.06.26	0	0.00	0	0.00	0	0.00	Finance Department, Chinese Culture University; current Manager of Dayeh Branch, Sunny Bank; former Manager of Jih Sun Bank	None	None	None	None
Manager	Republic of China	Li, Long-Chong	Male	106.05.01	79,531	0.00	0	0.00	0	0.00	Cooperative Economics Department, National Chung Hsing University; current Manager of Fushin Branch, Sunny Bank; former Assistant Manager of Credit Division	None	None	None	None
Manager	Republic of China	Li, Ting-Tong	Male	102.06.01	134,735	0.01	0	0.00	0	0.00	Business Administration Department, Open College affiliated with Taipei Commercial College; current Manager of Taoyuan Branch, Sunny Bank; former Manager of Hua Nan Bank	None	None	None	None
Manager	Republic of China	Chen, Hong-Ru	Male	106.06.12	127,106	0.01	0	0.00	0	0.00	Business Administration Department, National Taipei Commercial College; current Manager of Da'an Branch, Sunny Bank; former Assistant Manager of Chungho Branch	None	None	None	None
Manager	Republic of China	Shih, Bo-Fu	Male	99.05.13	98,478	0.00	0	0.00	0	0.00	Business Administration Department, Feng Chia Industrial and Commercial College; current Manager of Hsindian Branch, Sunny Bank; former Business Department Manager, Land Bank	None	None	None	None
Manager	Republic of China	Lin, Yong-Chen	Female	104.02.11	45,588	0.00	0	0.00	0	0.00	Finance Institute, National Central University; current Manager of Hsinfu Branch, Sunny Bank; former Assistant Manager of Jilin Branch	None	None	None	None
Manager	Republic of China	Lin, Ching-Yuan	Male	105.06.27	26,271	0.00	29,037	0.00	0	0.00	Business Administration Department, Chung-Hua University; current Manager of Yuanlin Branch, Sunny Bank; former Manager of Taichung Bank	None	None	None	None
Manager	Republic of China	Chang, Li-Hsian	Male	106.10.23	0	0.00	0	0.00	0	0.00	Business Administration Department, Aletheia University; current Manager of Shetou	None	None	None	None

											Simple Branch, Sunny Bank; former Assistant Manager of Taichung Branch				
Manager	Republic of China	Li, Hsu-Chang	Male	96.07.09	173,183	0.01	5,664	0.00	0	0.00	Business Administration Department, Yongda Technical College; current Manager of Pingdong Branch, Sunny Bank; former Manager of Ligan Simple Branch	None	None	None	None
Manager	Republic of China	Liu, Kuo-Yi	Male	101.11.24	75,081	0.00	49,076	0.00	0	0.00	Finance and Tax Department, Meiho Technical College; current Manager of Zhongzheng Simple Branch, Sunny Bank; former Manager of Donggang Simple Branch	None	None	None	None
Manager	Republic of China	Lin, Yi-Ying	Female	106.01.23	105,903	0.00	0	0.00	0	0.00	Business Administration Department, Chinese Culture University; current Manager of Hsinpu Branch, Sunny Bank; former Assistant Manager of Lanya Branch	None	None	None	None
Manager	Republic of China	Hsu, Bao-Yua	Male	101.02.01	115,270	0.01	0	0.00	0	0.00	Cooperative Economics Department, Tamkang University; current Manager of Chunghua Branch, Sunny Bank; former Manager of Jingcheng Branch	None	None	None	None
Manager	Republic of China	Tsai, Wei-Yong	Male	104.05.01	18,422	0.00	0	0.00	0	0.00	Accounting Department, Aletheia University; current Manager of Chiayi Branch, Sunny Bank; former Senior Specialist of Chiayi Branch	None	None	None	None
Manager	Republic of China	Yang, Bao-Gui	Female	96.08.30	165,730	0.01	0	0.00	0	0.00	Applied Chemistry Department, Chia Nan Medical College; current Manager of Tainan Branch, Sunny Bank; former Manager of Jiankang Branch	None	None	None	None
Manager	Republic of China	Yang, Ying-Chong	Male	95.02.23	129,293	0.01	177,977	0.01	0	0.00	Accounting Department, National Chengchi University; current Manager of Jiankang Branch, Sunny Bank; former Manager of Tainan Branch	None	None	None	None
Manager	Republic of China	Wang, Chi-Yi	Male	106.08.17	69,630	0.00	0	0.00	0	0.00	Business Administration Department, Far East Technical College; current Manager of Dongning Simple Branch, Sunny Bank; former Assistant Manager of Yongkang Branch	None	None	None	None
Manager	Republic of China	Tseng, Chian-Chia	Male	91.08.08	259,207	0.01	23,768	0.00	0	0.00	Economics Department, Chinese Culture University; current Manager of Anshun Branch, Sunny Bank; former Manager of Shihua Branch	None	None	None	None
Manager	Republic of China	Cheng, Yuan-De	Male	99.02.10	106,487	0.00	0	0.00	0	0.00	Bank Management Department, Tamsui Industrial and Commercial College; current Manager of Shihua Branch, Sunny Bank; former Manager of Anshun Branch	None	None	None	None
Manager	Republic of China	Tu, Yong-Yan	Male	101.09.01	58,202	0.00	0	0.00	0	0.00	Applied Business Department, Open College of Taichung Technical College; current Manager of Hsinchu Branch, Sunny Bank; former Assistant Manager of Chubei Branch	None	None	None	None
Manager	Republic of China	Wu, Sheng-Yi	Male	98.10.16	99,124	0.00	0	0.00	0	0.00	Business Administration Department, Tunghai University; current Manager of Jingwu Branch, Sunny Bank; former Manager of Agricultural Bank	None	None	None	None
Manager	Republic of China	Cheng, Kuang-Cheng	Male	105.08.22	38,162	0.00	0	0.00	0	0.00	PhD in Finance, Tamkang University; current Manager of Zaoying Branch, Sunny Bank; former Associate Vice President of Taiwan Cooperative Bank	None	None	None	None
Manager	Republic of China	Chou, Mao-Sheng	Male	106.12.01	0	0.00	0	0.00	0	0.00	Business Administration Department, Ling Dong Commercial College; current Manager of Shiangshang Branch, Sunny Bank; former Assistant Manager of Longjing Branch	None	None	None	None
Manager	Republic of China	Ko, Yi-Bin	Male	106.09.01	0	0.00	0	0.00	0	0.00	Business Administration Department, Tamkang University; current Manager of Wugu Branch, Sunny Bank; former Manager of Antie Bank	None	None	None	None

Manager	Republic of China	Huang, Shou-Wen	Male	101.08.01	108,178	0.01	0	0.00	0	0.00	Business Administration Department, Chung-Hua University; current Manager of Linsen Branch, Sunny Bank; former Senior Specialist of Credit Division	None	None	None	None
Manager	Republic of China	Chian, Shi-Yiao	Male	101.11.24	63,099	0.00	0	0.00	0	0.00	Business Management School, National Kaohsiung University of Applied Sciences; current Manager of Hsinshing Branch, Sunny Bank; former Manager of Zuoying Branch	None	None	None	None
Manager	Republic of China	Hsu, Chin-Gen	Male	101.02.01	153,065	0.01	23,344	0.00	0	0.00	Finance and Tax Department, Feng Chia University; current Manager of Sanfeng Branch, Sunny Bank; former Manager of Wujia Branch	None	None	None	None
Manager	Republic of China	Fu, Chian-Hua	Male	100.02.21	81,046	0.00	0	0.00	0	0.00	Business Administration Department, Taichung Technical College; current Manager of Siwei Branch, Sunny Bank; former Manager of Linyuan Simple Branch	None	None	None	None
Manager	Republic of China	Pan, Cheng-Ren	Male	94.11.26	363,497	0.02	299,302	0.01	0	0.00	International Trade Department, College affiliated with Cheng Shiu University; current Manager of Dagung Branch, Sunny Bank; former Manager of Haiguang Branch	None	None	None	None
Manager	Republic of China	Tsai, Wen-Chie	Male	106.04.17	0	0.00	0	0.00	0	0.00	Financial Management Institute, National Kaohsiung First University of Science and Technology; current Manager of Dashun Branch, Sunny Bank; former Manager of Taichung Bank	None	None	None	None
Manager	Republic of China	Hsu, Cheng-Huang	Male	95.08.11	35,142	0.00	0	0.00	0	0.00	Business Administration Department, Tamkang University; current Manager of Haiguang Branch, Sunny Bank; former Manager of Pingdeng Branch	None	None	None	None
Manager	Republic of China	Lui, Han-Kun	Male	101.09.01	397,089	0.02	120,544	0.01	0	0.00	Financial Management Institute of National Kaohsiung First University of Science and Technology; current Manager of Chiancheng Branch, Sunny Bank; former Senior Specialist of Wujia Branch	None	None	None	None
Manager	Republic of China	Chao, Yu-Chin	Male	102.06.01	2,002,512	0.09	64,681	0.00	0	0.00	Accounting Institute, George Washington University; current Manager of Pingdeng Branch, Sunny Bank; former Senior Specialist of Liwen Branch	None	None	None	None
Manager	Republic of China	Li, Chun-Yu	Male	103.10.01	65,601	0.00	0	0.00	0	0.00	Business Administration Department, Feng Chia University; current Manager of Shiaogang Branch, Sunny Bank; former Assistant Manager of Pingdeng Branch	None	None	None	None
Manager	Republic of China	Tsui, Ching-Chi	Female	99.05.17	80,224	0.00	219	0.00	0	0.00	Journalism Department, Chinese Culture University; current Manager of Yochang Branch, Sunny Bank; former Manager of Zuoying Branch	None	None	None	None
Manager	Republic of China	Hsu, Da-Kuang	Male	105.01.21	60,302	0.00	0	0.00	0	0.00	Financial Management Institute, National Kaohsiung First University of Science and Technology; current Manager of Wujia Branch, Sunny Bank; former Assistant Manager of Wujia Branch	None	None	None	None
Manager	Republic of China	Feng, Chen-Rong	Male	106.08.17	74,897	0.00	63,750	0.00	0	0.00	Industrial Safety and Health Department; current Manager of Dingli Branch, Sunny Bank; former Assistant Manager of Zuoying Branch	None	None	None	None
Manager	Republic of China	Chen, Yan-Chu	Female	105.08.17	81,821	0.00	1,152	0.00	0	0.00	Finance and Insurance Department, Shu-Te University; current Manager of Nantzi Branch, Sunny Bank; former Assistant Manager of Liwen Branch	None	None	None	None
Manager	Republic of China	Li, Mei-Hsiu	Female	106.10.01	94,794	0.00	0	0.00	0	0.00	Business Department, National Taiwan University; current Manager of Linyuan Simple Branch, Sunny Bank; former Assistant Manager of Linyuan Simple Branch	None	None	None	None
Manager	Republic of China	Chung, Min-Yuan	Male	98.04.01	136,665	0.01	46,064	0.00	0	0.00	Financial Management Institute, National Kaohsiung First	None	None	None	None

											University of Science and Technology; current Manager of Gangshan Branch, Sunny Bank; former Manager of Youchang Branch				
Manager	Republic of China	Shih, Yong-Hsiang	Male	102.08.28	198,152	0.01	0	0.00	0	0.00	Tamkang University Finance Department; current Manager of Ligang Simple Branch, Sunny Bank; former Assistant Manager of Dashun Branch	None	None	None	None
Manager	Republic of China	Wang, Wei-Kuan	Male	104.07.01	89,098	0.00	0	0.00	0	0.00	Economics Department, Feng Chia University; current Manager of Yongkang Branch, Sunny Bank; former Assistant Manager of Jiankang Branch	None	None	None	None
Manager	Republic of China	Kuo, Chia-Yun	Male	100.05.17	125,208	0.01	0	0.00	0	0.00	Statistics Department, National Chengchi University; current Manager of Rende Branch, Sunny Bank; former Committee Member of Debt Management Division, Taiwan Cooperative Bank	None	None	None	None
Manager	Republic of China	Kuo, Mao-Chian	Male	104.02.11	62,171	0.00	0	0.00	0	0.00	Business Administration Department, Tamkang University; current Manager of Chang'an Branch, Sunny Bank; former Assistant Manager of Shetzi Branch	None	None	None	None
Manager	Republic of China	Pang, Chi-Wen	Male	101.02.01	90,963	0.00	0	0.00	0	0.00	Institute of Senior Management, National Dong Hwa University; current Manager of Luodong Branch, Sunny Bank; former Manager of HSBC	None	None	None	None
Manager	Republic of China	Geng, Yu-Chuan	Female	100.08.17	168,433	0.01	0	0.00	0	0.00	Accounting and Statistics Department, Takming College; current Manager of Chongshin Branch, Sunny Bank; former Assistant Manager of Chengkung Branch	None	None	None	None
Manager	Republic of China	Wu, Rong-Chi	Male	96.04.09	98,298	0.00	0	0.00	0	0.00	Economics Department, Fu Jen Catholic University; current Manager of Changhua Branch, Sunny Bank; former Manager of Huacheng Branch	None	None	None	None
Manager	Republic of China	Lui, Dong-Sheng	Male	105.01.21	11,269	0.00	0	0.00	0	0.00	Accounting and Statistics Department, Chungyu Commercial College; current Manager of East Taoyuan Branch, Sunny Bank; former Assistant Manager of Chunggho Branch	None	None	None	None
Manager	Republic of China	Pan, Kuang-Ju	Male	102.04.29	175,867	0.01	63,134	0.00	0	0.00	Banking Department, Tamkang University; current Manager of Nankang Branch, Sunny Bank; former Senior Specialist of Chungshing Branch	None	None	None	None
Manager	Republic of China	Chen, Yi-Hsu	Male	98.12.01	101,605	0.00	0	0.00	0	0.00	Business Administration Department, Fu Jen Catholic University; current Manager of Beitun Branch, Sunny Bank; former Manager of Shetou Simple Branch	None	None	None	None
Manager	Republic of China	Chou, Bai-Cheng	Male	104.02.11	202,631	0.01	24,185	0.00	0	0.00	International Trade Department, National Taipei Commercial College; current Manager of Tucheng Branch, Sunny Bank; former Manager of Huailian Branch	None	None	None	None
Manager	Republic of China	Lin, Chi-Chiang	Male	100.08.22	285,989	0.01	10,250	0.00	0	0.00	International Trade Department, Chungyu Commercial College; current Manager of Keelung Branch, Sunny Bank; former Assistant Manager of Credit Division	None	None	None	None
Manager	Republic of China	Chou, Chi-Wei	Male	95.08.11	233,230	0.01	319,974	0.01	0	0.00	Industrial Management Department, Taiwan Institute of Technology; current Manager of Wanhua Branch, Sunny Bank; former Senior Specialist of Credit Division	None	None	None	None
Manager	Republic of China	Su, Po-Nian	Male	104.02.02	39,301	0.00	0	0.00	0	0.00	International Trade Department, Tamsui Industrial and Commercial College; current Manager of Miaoli Branch, Sunny Bank; former Manager of Standard Chartered Bank	None	None	None	None
Manager	Republic of China	Chen, Yao-Bin	Male	106.12.18	0	0.00	0	0.00	0	0.00	Management Institute, Providence University; current Manager of Longjing Branch, Sunny Bank; former Manager of Taichung Bank	None	None	None	None

Manager	Republic of China	Li, Chun-Yan	Male	103.10.01	77,735	0.00	12,600	0.00	0	0.00	Statistics Department, Feng Chia University; current Manager of Yunlin Branch, Sunny Bank; former Credit Specialist of 3 rd Credit Bank	None	None	None	None
Manager	Republic of China	Hsieh, Chun-Yu	Male	104.07.01	29,219	0.00	0	0.00	0	0.00	Business Administration Department, Da Yeh Technical College; current Manager of Nantou Branch, Sunny Bank; former Manager of Shetou Simple Branch	None	None	None	None
Manager	Republic of China	Chen, Chian-Hao	Male	106.06.01	0	0.00	0	0.00	0	0.00	Business Management Institute, Feng Chia University; current Manager of Dali Branch, Sunny Bank; former Manager of Taichung Bank	None	None	None	None
Manager	Republic of China	Mo, Yi-Fan	Male	106.03.16	70,363	0.00	0	0.00	0	0.00	Management Department, Ming Chuan College; current Manager of Datung Branch, Sunny Bank; former Manager of Siwei Branch	None	None	None	None
Manager	Republic of China	Chang, Hsue-Fang	Female	104.04.15	36,347	0.00	0	0.00	0	0.00	Accounting Department, Open College affiliated with National Taipei Commercial College; current Manager of Taichung Branch, Sunny Bank; former Manager of Cosmos Bank	None	None	None	None
Manager	Republic of China	Lin, Yu-Chin	Male	104.04.01	37,872	0.00	0	0.00	0	0.00	Bank Management Department, Tamsui Industrial and Commercial College; current Manager of Yilan Branch, Sunny Bank; former Manager of Shinkong Bank	None	None	None	None
Manager	Republic of China	Chang, Hsun-Yu	Female	106.05.01	0	0.00	0	0.00	0	0.00	Management Institute, YuanZe University; current Manager of South Taoyuan Branch, Sunny Bank; former Manager of KGI Bank	None	None	None	None
Manager	Republic of China	Hsieh, Rong-Fang	Male	106.12.01	0	0.00	0	0.00	0	0.00	Accounting Department, Feng Chia University; current Manager of Shitzi Branch, Sunny Bank; former Manager of Banqiao Credit Bank	None	None	None	None
Manager	Republic of China	Cheng, Ching-Yuan	Male	106.03.16	2,536	0.00	0	0.00	0	0.00	Electronics Department, Taipei College; current Manager of Shuangho Branch, Sunny Bank; former Assistant Manager of Shuangho Branch	None	None	None	None
Manager	Republic of China	Yun, Yu-Hong	Female	106.12.01	80,865	0.00	0.00	0.00	0	0.00	Finance Department, Chunghua Technical College; current Manager of Kaohsiung Branch, Sunny Bank; former Assistant Manager of Dashun Branch	None	None	None	None
Manager	Republic of China	Chen, Shang-Chi	Male	106.05.16	45,992	0.00	0.00	0.00	0	0.00	Finance Institute, Fu Jen Catholic University; current Manager of Taipei Branch, Sunny Bank; former Assistant Manager of Business Department	None	None	None	None
Manager	Republic of China	Tsai, Chi-Yi	Male	106.02.20	41,798	0.00	0.00	0.00	0	0.00	Business Administration Department, Chinese Culture University; current Manager of Zhubei Branch, Sunny Bank; former Assistant Manager of Zhubei Branch	None	None	None	None
Manager	Republic of China	Yo, Hong-Ming	Male	106.12.01	67,180	0.00	0.00	0.00	0	0.00	Business Management Department, Tatung University; current Manager of Hualian Branch, Sunny Bank; former Assistant Manager of Luodong Branch	None	None	None	None
Manager	Republic of China	Tseng, Yin-Shi	Male	104.07.11	114,058	0.01	0.00	0.00	0	0.00	Aquaculture Department, National Pingtung University of Science and Technology; current Manager of Chishan Branch, Sunny Bank; former Manager of Meimon Simple Branch	None	None	None	None

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

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

3. Corporate Governance Operations

(1) Implementation Status of the Internal Control System

A. Internal Control Statement

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

The internal control system of Sunny Bank Co., Ltd. from January 1st of 2017 to December 31st of 2017 was established in compliance with the “Implementation Rules for Bank Internal Audit and Internal Control System,” and made effective in terms of risk management. It was audited by an independent auditing department which reports to the Board of Directors and the Audit Committee regularly. For its supplementary securities business, the Bank has determined the efficiency of the design and implementation of the internal control system based on the criteria provided in the “Guidelines for the Establishment of Internal Control Systems by Securities and Futures-Related Organizations” which was legislated and enacted by the Securities and Futures Bureau of the Financial Supervisory Commission. After careful evaluation, it was confirmed that the Bank’s internal control system and compliance with applicable laws and regulations except for issues listed in the following annex have been effective for the year stated. This Statement will become a major part of the annual report and prospectus of the Bank and shall be made public. Any false representation or concealment in this Statement shall be subject to legal consequences as stipulated in Articles 20, 32, 171 and 174 of the Securities & Exchange Act.

Sincerely yours,

Financial Supervisory Commission

Declarers

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

陈胜宏



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

丁伟豪



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

陈正丰



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

李文光



February 26th, 2018

Recommendations to Reinforce and Improve the Internal Control System of Sunny Bank Co., Ltd.

(As of December 31st, 2017)

Recommendations to Reinforce	Improvement Measures	Estimated Improvement Completion Time
<p>Assessments made by The Financial Examination Bureau of the Financial Supervisory Commission on the Bank's risk management examination project: With regard to the issue of anti-money laundering, the Bank was no thoroughly address deficiencies and check transactions that could be related to money laundering, and no relevant track record was retained, In addition, the OBU (Offshore Banking Unit) on the handling of opening account, there was a lack of keeping confirmed record to identify the identities of clients. The Financial Supervisory Commission advises the Bank to correct these practices.</p>	<ol style="list-style-type: none"> 1. The Bank has established relevant reports for the review to confirm whether it shall be notified as a suspected anti-money laundering and be recorded for the review. 2. The Bank has amended the "connection confirmed list of required documents for opening an account in an OBU(Offshore Banking Unit)" in order to comply with operating standards and prevent any error. 	Improved
<p>Assessments made by The Financial Examination Bureau of the Financial Supervisory Commission on the Bank's general business: There had been many deficiencies in terms of addressing anti-money laundering issues and implementation of policies & procedures with regard to crackdown on terrorism financing, client assessment, risk evaluation, continuous monitoring, investigation of suspicious transactions, operation of organization and HR & employee training. All these revealed that the Board of Directors and senior management failed to provide adequate supervision, so we can tell that the inefficiency of implementing anti-money laundering and counter-terrorism financing regulations affects the Bank's effectiveness.</p>	<ol style="list-style-type: none"> 1. The Bank expanded (amended) relevant regulations, which have been reported in writing to the Financial Supervisory Commission. 2. In compliance with the law and in addressing both anti-money laundering & terrorism financing issues, the Bank has engaged the services of an external consultant to help optimize its entire system and structure. The Bank aims to complete the development of relevant management procedures or documents to work with the recommendations from the consultant. Moreover, it plans to establish an AML system, which can help the Bank reduce current risks and deficiencies in of the risk assessment. 	<ol style="list-style-type: none"> 1. Improved 2. The contract for the AML system was signed on January 19, 2018. The estimated period of development is about 6 to 8 months, and the estimated completion time would be end of December, 2018.

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

Date: February 26th, 2018

The Bank hereby makes the following Statement based on the self-evaluation of its internal control system from January 1st of 2017 to December 31st of 2017:

1. The Bank is aware that it is the duty of the directors and management team to establish, implement and maintain the internal control system, which has already been formulated in the Bank. It aims to provide reasonable assurance to achieve its goals such as soundness of business operations, report reliability and regulatory compliance.
2. Due to the innate restriction of the internal control system, no matter how perfect the design is, the valid internal control system could only provide reasonable assurance for the achievement of three of the above mentioned goals. Moreover, changes in the environment and situation may also possibly change the validity of the internal control system. However, the internal control system of the Bank has a self-supervision mechanism. Once any deficiency is confirmed, the Bank shall take corrective actions immediately.
3. The Bank has determined whether the design and implementation of the internal control system are effective based on the criteria provided in the "Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agents and Insurance Brokers" which had been promulgated by the Financial Supervisory Commission's Securities and Futures Bureau, which shall at least include the following elements: 1. Control environment, 2. Risk evaluation, 3. Control operation, 4. Information and communication, and 5. Supervision operation.
4. The Bank has checked the validity of the design and implementation of the internal control system based on the criteria for the internal control system as listed above.
5. According to the above inspection result, the Bank believes the internal control system 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.
6. This Statement will become a major part of the annual report and prospectus of the Bank and shall be made public. Any false representation or concealment in this Statement shall be subject to legal consequences as stipulated in Articles 20, 32, 171 and 174 of the Securities & Exchange Act.
7. The Statement was passed in the board meeting held on March 20, 2018. There was 13 attending directors, and all of whom agreed with the content of the Statement, which is hereby made.

Sincerely yours,
Financial Supervisory Commission

Declarers

Chairman:

Chen, Sheng-Hung (with seal & signature)

:  

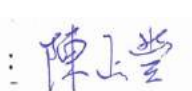

President:

Ding, Wei-Hao (with seal & signature)

:  

General Auditor:

Chen, Cheng-Feng (with seal & signature)

:  


Compliance Regulator of the Head Office:

Li, Wen-Kuang (with seal & signature)

:  



Auditor:

Li Hui-Zhen (with seal & signature)

:  

Compliance Officer:

Zhou, Bo-Cheng (with seal & signature)

:  

Execution Report on the Agreement Procedure

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Fax: +886(2) 4051-6888
www.deloitte.com.tw

To Sunny Bank:

With regard to the accuracy of reports filed with regulators, the implementation of internal control and compliance management systems, and the appropriateness of provision for allowance for doubtful accounts which Sunny Bank Co., Ltd. has reported to regulators in 2017, the audit had been performed to review the above matters according to the agreement procedure. However, the company has yet to make a final decision on these procedures; hence, the CPA has made no recommendations. This audit was conducted in accordance with no.34 standard of the “Execution of Financial Information Agreement Procedure” of the Statements on Auditing Standards (SAS), and its objective is to help your company assess the compliance situation based on the “Enforcement Regulations for Bank Internal Audit Control System” released by the Financial Supervisory Commission. Compliance with the above regulations is the responsibility of your company’s management board. Therefore, the CPA hereby reports and encloses the attached documents regarding the procedures of execution, the period of random inspection and observations.

The CPA did not conduct the audit in accordance with general Audit Standards; hence, the accuracy of reports filed with regulators, the implementation of internal control and compliance management systems, and the appropriateness of provision for allowance for doubtful accounts is not guaranteed.

According to Section 1 of Article 28 of the “Enforcement Regulations for Bank Internal Audit Control System” issued by the Financial Supervisory Commission, “While the annual report of the banking industry is audited by a CPA, banks should authorize CPAs to review the internal control system, and express opinions on the accuracy of reports filed with regulators, the implementation of internal control and compliance management systems, and the appropriateness of provision for allowance for doubtful accounts which your company has reported. If the CPA executes any additional procedure or audit in accordance with general Audit Standards, other new information which shall be reported may surface.

The report is for your company’s reference only as stated in the first paragraph and does not serve other purposes and shall not be disclosed to other entities.

Deloitte & Touche
CPA Shao Zhi-Ming



Date: March 20, 2018

CPA Audit Report for the Internal Control System

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To Sunny Bank:

The statement on March 20th, 2018, which that Sunny Bank Co., Ltd. declares they have evaluated the relevant own internal control system established according to 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 “Implementation Regulations”) which is stipulated by the Financial Supervisory Commission, are enclosed herewith. Otherwise, about the above statement, Statement of Effective Design and Implementation issued on December 31ST, 2017 and also have evaluated parts of Bank 'legal compliance system (whether the company has installed a legal compliance department manager and whether this manager is qualified), all of them have been audited by the CPA. However, the to establish and maintain the appropriateness of internal control is the responsibility of management echelon of the company, and to propose the audit opinions toward the above statement for internal control system of the company in accordance with the audit results is the responsibility of the CPA.

The CPA executes the audit according to the Implementation Regulations. The procedures include (1) understanding the company's relevant internal control system which is established in accordance with the Implementation Regulations,, (2) evaluating the management echelon and the effectiveness of the aforementioned the effectiveness of the aforesated internal control system, (3) testing and evaluating the relevant evaluating the effectiveness of the design and implementation of the aforementioned internal control system for the aforesated relevant internal control system, and (4) other audit procedures which are considered necessary by the CPA. The CPA believes that this ese audit procedures work can provide the reasonable basis toward their declared recommendations for the expressed opinions.

We understand that any internal control system has its own congenital limitation, so Sunny Bank Co., Ltd.'s internal control system which is aforesated and relevant to the Implementation Regulations maybe not able to prevent or to detect the errors or corruptions which have happened. Otherwise, the future environment may be changed, and the effectiveness level of compliance with the internal control system may be also reduced, so even though the internal control system is considered effective during the current period, that doesn't mean it will be still effective in the future.

According to the opinions of the CPA recommendation, it confirmed that the design and implementation of aforementioned internal control system on December 31st, 2017 in accordance with the who determined in accordance with determination of the determination items of the effectiveness for the internal control of the Implementation Regulation, about the internal control system of Sunny Bank Co., Ltd. which is relevant to the Insurance Agency Department & the financial report and the to protect the safety of assets (protect the assets from any acquisition, utilization or disposal of Assets which are unauthorized) can maintain the effectiveness in all important aspects; according to the Implementation Regulations, Sunny Bank Co., Ltd. Determine determined that the afore stated matters & the financial report and the internal control system for protecting the safety of the assets evaluated on March 20th, 2018, the statement of the effective design & implementation on December 31, 2017 & part and Bank's legal compliance system (whether the company has installed a legal compliance department manager and whether this manager is qualified) are all proper in all important aspects.

Deloitte & Touche
 CPA Shao Zhi-Ming



Date: March 20th, 2018

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

- A. The Bank's responsible person or any of its employees who is prosecuted for illegal conducts related to the Bank's businesses: None
- B. Fines imposed by the Executive Yuan's Financial Supervisory Committee as a punishment for violating laws and regulations: None
- C. Punishments by the Financial Supervisory Committee, Executive Yuan, in relation to Article 61-1 of the Banking Act of The Republic of China:

Assessments made by The Financial Examination Bureau of the Financial Supervisory Commission on the Bank's risk management examination project:

With regard to the issue of anti-money laundering, the Bank was no thoroughly address deficiencies and check transactions that could be related to money laundering, and no relevant track record was retained, In addition, the OBU (Offshore Banking Unit) on the handling of opening account, there was a lack of keeping confirmed record to identify the identities of clients. The Financial Supervisory Commission advises the Bank to correct these practices.

- D. Necessary disclosure of nature and amount of loss as a result of fraud, major random incidents (major incidents including fraud, theft, appropriation and theft of assets, falsified transactions, document and security forgery, taking kickbacks, natural disaster loss, loss caused by external forces, hacker attacks, theft of information, and disclosure of business secrets and client information), or failure to comply with the instructions for the Maintenance of Safety by Financial Institutions, as a result of which individual or accumulated losses for the year amounted to NT\$50 million or more: None.
- E. Other items to be disclosed under the instructions of the Financial Supervisory Commission, Executive Yuan: None.

(3) Important Resolutions of the General Meeting of Shareholders and the Board of Directors Meeting during 2017 and the period up to the annual report publication date:

Shareholder's Meeting/Board Meeting	Date	Important Resolutions
Shareholders' Meeting	May 8, 2017	<ol style="list-style-type: none"> 1. Passed the Bank's 2016 Business Report and Financial Statements. 2. Passed the Bank's 2016 Surplus Distribution Proposal. 3. Passed the capital increase of the Bank from earnings with new shares. 4. Passed the amendment to the Bank's Articles of Association. 5. Passed the amendment to the Bank's Measures for Election of Directors. 6. Passed the amendment to the Bank's Procedures for Acquisition or Disposal of Assets.
Board Meeting of the 13th Session of the 7th Term	January 16, 2017	<ol style="list-style-type: none"> 1. Passed the proposal of cash capital increase. 2. Passed the proposal of cancelling the shareholding of Sunny Life Insurance Agent Co., Ltd. in the Bank. 3. Passed the proposal of convening the 2017 General Shareholders' Meeting. 4. Passed the Chief Auditor appointment.
Board Meeting of the 14th Session of the 7th Term	March 14, 2017	<ol style="list-style-type: none"> 1. Passed the amendment to the Bank's Securities Investment Management Measures. 2. Passed the Internal Control System Statement. 3. Passed the report on the risk evaluation of the Bank's implementation of anti-money laundering and countering terrorism financing. 4. Passed the amendment to the Bank's Articles of Association. 5. Passed the amendment to the Bank's Director Election

		<p>Measures.</p> <ol style="list-style-type: none"> 6. Passed the CPA appointment. 7. Passed the 2016 distribution of remuneration to directors, supervisors and employee. 8. Passed the Bank's 2016 business report and financial statements. 9. Passed the Bank's 2016 surplus distribution proposal. 10. Passed the issuance of new shares in 2016 from capital increase due to the Bank's earnings. 11. Passed the issuance of non-accumulative subordinated financial bonds without maturity. 12. Passed the amendment to the Bank's Handling Procedures for Acquisition and Disposal of Assets. 13. Passed the branch relocation plan. 14. Passed the stakeholder loan case.
Board Meeting of the 15th Session of the 7th Term	April 21, 2017	<ol style="list-style-type: none"> 1. Passed the Internal Control System Statement of the insurance agent business. 2. Passed the adjustment of external business hours. 3. Passed the risk evaluation of the implementation of anti-money laundering and countering terrorism financing by the former subsidiary Sunny Life Insurance Agent Co., Ltd. in 2016. 4. Passed the stake holder loan case.
Board Meeting of the 16th Session of the 7th Term	June 8, 2017	<ol style="list-style-type: none"> 1. Passed the amendment to the Bank's Compliance System Implementation Guidelines. 2. Passed the amendment to the Bank's Overseas Securities Investment Management Measures. 3. Passed the amendment to the Internal Control System of the Bank's Bond Proprietary Trading Department. 4. Passed the amendment to the Internal Audit Measures. 5. Passed the 2016 capital increase from earnings with new shares. 6. Passed the capital increase proposal of Sunny International Leasing Co., Ltd. 7. Passed the rental renewal of Sunny E-Commerce Co., Ltd. 8. Passed the amendment to the Bank's Performance Appraisal and Reward and Punishment Measures. 9. Passed the amendment to the Bank's Performance Bonus Payment Measures. 10. Passed the stake holder loan case.
Board Meeting of the 17th Session of the 7th Term	August 15, 2017	<ol style="list-style-type: none"> 1. Passed the capital increase proposal of Sunny International Leasing Co., Ltd. 2. Passed the amendment to the Bank's Guidelines on Financial Derivative Product Operations. 3. Passed the amendment to the Bank's Securities Investment Management Measures. 4. Passed the Bank's Notes on Anti-money Laundering and Countering Terrorism Financing, and abolished the Bank's Notes on Anti-money Laundering and Countering Financing to Terrorism. 5. Passed the amendment to the Bank's Key Points on the

		<p>Evaluation of the Anti-money Laundering and Countering Terrorism Financing Plan, and the name change to the Bank's Policy for Evaluation of the Anti-money Laundering and Countering Terrorism Financing Plan.</p> <ol style="list-style-type: none"> 6. Passed the financial statements for the second quarter of 2017. 7. Passed the Bank's Guidelines on Business Solicitation and Handling System of the Insurance Agent Business. 8. Pass the Bank's Guidelines on the Qualifications of Professional Investors and Evaluation Operations. 9. Pass the appointment of the Audit Manager. 10. Passed the amendment to the Bank's Guidelines on the Ethical Code of Conduct for Directors and Managers.
Board Meeting of the 18th Session of the 7th Term	September 28, 2017	<ol style="list-style-type: none"> 1. Passed the amendment to the Bank's Articles of Association. 2. Passed the proposal for acquisition of Apple Finance PLC micro-finance company in Cambodia. 3. Passed the Bank's Management Measures for Bond Underwriting Re-sale and proposal for the internal control of bond underwriting. 4. Passed the amendment to the Implementation Rules for the Internal Audit of the Securities Firm (Financial Department's bond proprietary trading business), and the name change to the Implementation Rules for the Internal Audit of Sunny Bank's Concurrent Bond Business. 5. Passed the proposal to issue an internal control system statement to the CPAs for the confirmation letter requirement in the audit of the 2016 personal data protection project.
Board Meeting of the 19th Session of the 7th Term	November 24, 2017	<ol style="list-style-type: none"> 1. Passed the 2018 budget and business plan. 2. Passed the 2018 audit plan. 3. Passed the Financial Department's 2018 audit plan for the bond proprietary business. 4. Passed the amendment to the Bank's Management Rules for the Use of External Audit Reports. 5. Passed the amendment to the Bank's Self-Inspection Measures. 6. Passed the Notes on Anti-money Laundering and Countering Terrorism Financing for the Bank's Concurrent Businesses. 7. Passed the Bank's evaluation of anti-money laundering and countering terrorism financing, and the proposal to establish related prevention plans and policies. 8. Passed the change of CPA due to the internal adjustment of Deloitte & Touche. 9. Passed the amendment to the accounting system. 10. Passed the statement and audit report of the Bank's audit of anti-money laundering and countering terrorism financing in the first half of 2017. 11. Passed the Bank's Code of Governance Practice. 12. Passed the Bank's amendment to the Audit Committee Structure and Rules. 13. Passed the Bank's amendment to the Rules of Procedures for Board Meetings. 14. Passed the sale of Bank's asset at No. 218, Section 3, Minzu Road, Tainan City.

(4) The major content of record of written statements for any dissenting opinions from directors or supervisors regarding important resolutions of the Board in the most recent fiscal year before publishing the annual report: Regarding the Bank plan to purchase the new headquarters building, the ten attending directors agreed to the proposal of “negotiating with the contractor at the proposed purchase price” and continue to handle related matters. Independent Director Wu, Wen-Zheng agreed to the proposal of “conduct the review at the proposed purchase price after the builder’s negotiation and integration with the other two landlords”.

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

Record date: February 28, 2018

Title	Name	Date of Appointment	Date of Resignation or Dismissal	Reasons for Resignation or Dismissal
General Auditor	Tseng Yao-De	October 01, 2002	January 22, 2017	Retirement

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

4. Alternation of CPA

(1) Information about previous CPA

Date of change	September 2017		
Reason for change and description	Due to the internal job assignment and arraignment of Deloitte & Touche, the CPAs are changed from Shao, Zhi-Ming and Wu, Yi-Jun to Shao, Zhi-Ming and Chang, Ding-Sheng.		
Specify whether the appointer or the CPA terminated or refused to accept the appointment	Involvement party	CPA	Appointer
	Voluntary termination of appointment	Inapplicable	Inapplicable
	No further acceptance (continuation) of appointment	Inapplicable	Inapplicable
Opinion and reason for the audit report other than unqualified opinion issued within the latest two years	None		
Different opinion with the issuer	Yes	-	Accounting principles or practice
		-	Disclosure of financial statement
		-	Inspection scope or steps
		-	Others
	No	✓	
	Remarks	None	
Other disclosure items (that should be disclosed according to Items 1-4, Subparagraph 6, Article 10 of this Guidelines)	None		

(2) Information about the succeeding CPA:

Name of Accounting Firm	Deloitte & Touche
Name of CPA	CPA Chang, Ding-Sheng
Appointment Date	September 2017
Consultation items and results of the accounting method or accounting principle of specific transactions or the opinion that might be possibly issued for the financial statement before appointment	Inapplicable
Written opinion of the succeeding CPA for the items that the former CPA holds a different opinion	Inapplicable

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

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

Record date: December 31, 2017

Unit: Share, %

Name (Note 1)	Shareholding		Shareholding of Spouse and Minors		Shareholding entitled to other name		If a stakeholder or spouse or relative within second degree of kinship of the Bank's top ten shareholders, the shareholder's name and relationship (Note 3)		Remark
	Share	% (Note 2)	Share	% (Note 2)	Share	% (Note 2)	Title or Name	Relationship (Note 2)	
Fu Li Yang Investment Co., Ltd	197,376,499	9.13	0	0	0	0	Chuan Yang Construction Co., Ltd.	Controlled by the same person	None
Fu Li Yang Investment Co., Ltd Representative of legal-person director Chen, Sheng-Hong:	8,809,518	0.41	3,966,372	0.18	0	0.00	None	None	None
Fu Li Yang Investment Co., Ltd. Representative of legal-person director: Lin, Ching-Long	1,935,766	0.09	1,592,522	0.07	0	0	None	None	None
Chuan Yang Construction Co., Ltd.	85,451,501	3.95	0	0	0	0	Fu Li Yang Investment Co., Ltd	Controlled by the same person	None
Hai Wang Printing Co., Ltd.	82,870,587	3.83	0	0	0	0	Jin Chen Investment Co., Ltd., Li Kun Investment Co., Ltd	Controlled by the same person	None
The First Insurance Co., Ltd.	82,431,094	3.81	0	0	0	0	None	None	None
Sheng Yang Construction Co., Ltd.	51,645,347	2.39	0	0	0	0	None	None	None
Bermuda Nanhai Holdings Co., Ltd.	50,000,000	2.31	0	0	0	0	None	None	None
Farglory Life Insurance Co., Ltd.	46,245,466	2.14	0	0	0	0	None	None	None
Jin Chen Investment Co., Ltd.	27,099,073	1.25	0	0	0	0	Hai Wang Printing Co., Ltd., Li Kun Investment Co., Ltd	Controlled by the same person	None
Li Kung Investment Co., Ltd.	18,354,579	0.85	0	0.00	0	0.00	Hai Wang Printing Co., Ltd., Jin Chen Investment Co., Ltd.	Controlled by the same person	None
Hai Wang Investment Co., Ltd.	17,229,506	0.80	0	0	0	0	Hai Wang Printing Co., Ltd., Jin Chen Investment Co., Ltd.	Controlled by the same person	None

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

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

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

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, 2017

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.	112,500,000	100.00	0	0.00	112,500,000	100.00
Sunny E-commerce Co., Ltd.	5,000,000	100.00	0	0.00	5,000,000	100.00
Financial Information Service Co., Ltd.	12,621,960	2.42	0	0.00	12,621,960	2.42
Taiwan Financial Asset Service Corp	5,000,000	2.94	0	0.00	5,000,000	2.94
Taiwan Central Depository and Clearing Corp.	1,049,350	0.29	0	0.00	1,049,350	0.29
Sunlight Asset Management Ltd.	66,587	1.11	0	0.00	66,587	1.11
Taiwan Mobile Payment Co., Ltd.	600,000	1.00	0	0.00	600,000	1.00

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

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IV. Capital Raising

1. Capital and Share

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 2017	NT\$10	3,000,000	30,000,000	2,003,294	20,032,946	Capital increase from earnings NT\$1,001,401,910	According to the approval announced on the website of Securities and Futures Bureau, FSC on June 2, 2017
September 2017	NT\$10	3,000,000	30,000,000	2,162,944	21,629,440	Capital increase by cash NT\$600,000,000	According to FSC approval letter: Jin-Guan-Zheng-Fa No.1060019696 issued on June 2, 2017

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

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

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

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

Note 5: Prominently indicate any instance of private placement.

Unit: shares

Stock Type	Approved Capital			Remarks
	Outstanding stock (Note)	Un-issued shares	Total	
Common Stock	2,162,944,004	837,055,996	3,000,000,000	Bank stock not listed on TWSE or OTC

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

(2) Structure of Shareholders

Record date: December 31, 2017

Shareholder Structure Quantity	Government Institutions	Financial Institutions	Other Corporations	Individuals	Foreign institutions and Foreigners	Total
No. of persons	2	1	262	124,056	5	124,325
Shareholding	149,440	527	896,548,354	1,216,241,658	50,004,8025	2,162,944,004
Shareholding (%)	0.00	0.00	41.46	56.22	2.31	100.00

(3) Equity Distribution

Face value NT\$10 per share

Record date: December 31, 2017

Shareholding Level	No. of Shareholders	Shareholdings	Shareholding (%)
1 to 999	69,908	22,893,571	1.06
1,000 to 5,000	42,444	102,560,143	4.74
5,001 to 10,000	3,688	24,400,479	1.13
10,001 to 15,000	1,564	18,555,946	0.86
15,001 to 20,000	617	10,761,948	0.50

20,001 to 30,000	927	22,129,513	1.02
30,001 to 50,000	1,238	47,067,505	2.18
50,001 to 100,000	1,461	98,447,025	4.55
100,001 to 200,000	1,308	177,891,634	8.22
200,001 to 400,000	643	179,487,392	8.30
400,001 to 600,000	196	94,440,963	4.37
600,001 to 800,000	83	57,197,986	2.64
800,001 to 1,000,000	49	43,431,216	2.01
1,000,001 to 999,999,999	199	1,263,678,683	58.42
Total	124,325	2,162,944,004	100.00

(4) List of Major Shareholders

Record date: December 31, 2017

Shares	Shareholding	Shareholding (%)
Major Shareholders		
Fu Li Yang Investment Co., Ltd.	197,376,499	9.13
Chuan Yang Construction Co., Ltd.	85,451,501	3.95
Hai Wang Printing Co., Ltd.	82,870,587	3.83
The First Insurance Co., Ltd.	82,431,094	3.81
Sheng Yang Construction Co., Ltd.	51,645,347	2.39
Bermuda Nanhai Holdings Co., Ltd.	50,000,000	2.31
Farglory Life Insurance Co., Ltd.	46,245,466	2.14
Jin Chen Investment Co., Ltd.	27,099,073	1.25
Li Kun Investment Co., Ltd.	18,354,579	0.85
Hua Wei Investment Co., Ltd.	17,229,506	0.80

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

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

Unit: NT\$, 1,000 shares

Item	Year		2017	2016	As of December 28 of the year (Note 2)
Price per Share	Highest		Note 1	Note 1	Note 1
	Lowest		Note 1	Note 1	Note 1
	Average		Note 1	Note 1	Note 1
Net Worth per Share	Before Distribution		12.20	11.92	12.69
	After Distribution		Note 3	11.16	12.69
Earnings per Share	Weighted Average No. of Shares		2,125,793	1,950,421	2,162,944
	Earnings per share	Before Adjustment (Note 4)	0.90	1.26	0.27
		After Adjustment (Note 4)	-	1.20	-
Earnings per Share	Cash Dividend		Note 3	0.2	-
	Free Distribution	Earnings Distribution	Note 3	0.5	-
		Capital surplus distribution	Note 3	-	-
	Cumulative unpaid dividend		Note 3	-	-
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 February 28, 2028 have not been audited and certified by accountants.

Note 3: Distribution of earnings in 2017 will be decided at the 2018 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\$0.6 per share and a cash dividend of NT\$0.2 per share are planned to be distributed according to the Bank's 2017 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 2018 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 2017 are estimated at NT\$68,862,000. This estimate is based on the probable amount of distribution, based on past experience. If a different amount is decided at the annual general meeting of shareholders, this will be treated as a change in accounting estimates and the amount will be paid within the same fiscal year.

C. Employee bonuses proposed by the Board of Directors

- (A) Distributed NT\$45,908,000 to employees as cash bonuses and NT\$22,954,000 to Directors as compensations.
- (B) The value of proposed distribution of bonus shares to employees and the size of such an amount as a percentage of the after-tax net income presented in the parent company only financial reports or individual financial reports for the current period and total employee bonuses: No information is to be disclosed as the Bank does not have plans to distribute bonus shares to its employees.
- (C) Imputed EPS after any proposed distribution of employee bonuses and board director/supervisor compensation: Not

applicable as employee bonuses and board director/supervisor compensation have been listed as expenditures of current years since 2008.

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

The annual general meeting of shareholders passed a resolution on May 8, 2017, to distribute NT55,367,000 to employees and NT\$27,684,000 to Directors and supervisors. There is no discrepancy with employee bonuses and board director / supervisor compensations as stated in 2014 Financial Statements.

(9) Shares Purchased Back by the Bank: None

5.

V. Operation Overview

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

1. Business Scope

(1) Business Overview

A. Main Business

(A) Deposits Business

As of the end of 2017, the bank reports a total deposit balance at NT\$376,662,783,000, up by NT\$31,664,232,000 compared with NT\$344,998,551 reported at the end of 2016, of which the balance of demand deposits accounts for 33.53% of the total deposit balance, and the balance of time deposits accounts for 66.47% of the total deposit balance.

Unit: NT\$1,000

Item \ Year	Balance at the end of 2017	Balance at the end of 2016	Annual Growth Rate (%)
Deposits	376,662,783	344,998,551	9.18

Deposit Balance Comparison

Unit: NT\$1,000

Item \ Year	2016		2015	
	Balance at the end of year	Percentage (%)	Balance at the end of year	Percentage (%)
Checking deposits	3,225,697	0.86	3,167,562	0.92
Demand deposits	39,916,809	10.60	36,001,670	10.44
Foreign exchange demand deposits	7,807,245	2.07	7,966,290	2.31
Demand savings deposit	74,546,233	19.79	70,737,167	20.50
Employee saving deposits	803,806	0.21	793,735	0.23
Time deposits	84,986,747	22.56	80,784,707	23.41
Foreign currency time deposits	25,369,167	6.74	17,040,207	4.94
Negotiable certificates of deposit	20,125,200	5.34	12,922,100	3.75
Time savings deposits	119,881,879	31.83	115,585,113	33.50
Total	376,662,783	100.00	344,998,551	100.00

(B) Loans

The total balance of loans issued accumulates to NT\$289,801,969,000 as of the end of 2017, increased by NT\$26,159,022 compared with NT\$263,642,947,000 reported at the end of 2016.

Unit: NT\$1,000

Item \ Year	Balance at the end of 2017	Balance at the end of 2016	Annual Growth Rate (%)
Loans	289,801,969	263,642,947	9.92

Loan Balance Comparison

Unit: NT\$1,000

Item \ Year	2016		2015	
	Balance at the end of year	Percentage (%)	Balance at the end of year	Percentage (%)
Short-term loans	24,183,953	8.35	23,461,341	8.90
Short-term secured loans	67,328,836	23.23	59,850,232	22.70

Medium-term loans	32,240,409	11.13	27,802,583	10.55
Medium-term secured loans	90,805,674	31.33	75,857,531	28.77
Long-term loans	1,441,219	0.50	1,548,758	0.59
Long-term secured loans	73,501,510	25.36	74,925,019	28.42
Non-performing loans	199,477	0.07	107,714	0.04
Export negotiation	100,891	0.03	89,769	0.03
Total	289,801,969	100.00	263,642,947	100.00

a. Consumer Banking Loans

In view of the continued downturn in the real estate market and for the purpose of risk management and continuous adjustment of the credit structure, in addition to preferential housing loans in line with the government policy of “subsidies to purchase and repair of residential loans”, the Bank selects preferential customers who have stable repayment sources and collaterals in good areas (e.g.: the property is located in the metropolitan area, the location is excellent, the terrain and area are suitable, the fee income is good...etc.), and the loans are mainly short-term and medium-term secured working capital loans. For repayment of loans by customers of the Bank and other banks with good credit records, the Bank offers subordinated real estate loans with flexible fund drawdown to enhance the Bank's capital utilization efficiency and interest income. In addition, the Bank's credit business will continue launching telecommunication loans for existing excellent mortgage borrowers to slow down the credit recession speed. As of the end of 2017, the balance of personal loans (excluding car loans) was NT\$120.555 billion (the mortgage loan balance was NT\$120.196 billion and the credit loan balance was NT\$359 million). Compared with NT\$115.22 billion at the end of 2016, there was a growth of NT\$5.335 billion and a growth rate of 4.63%.

b. Loans to Businesses

The Bank launched “Golden Chicken 300” loan offering project in 2017 to adjust its credit structure and to proactively promote real estate loans, credit insurance, credit granting and foreign currency loans for SMEs; as for large businesses, the Bank has specially selected quality clients or those who have made specific contributions to the Bank and further developed deposit management, salary transfer and other derivative businesses to create a comprehensive marketing effect. As of the end of 2017, the balance of loans offered to businesses (excluding car loans) was NT\$144,338 million with an increase of NT\$17,633 million (growth rate of 13.92%) compared with NT\$126,705 million at the end of 2016 (the growth rate of loans offered to SMEs was 16.6%).

(C) Foreign Exchange Business

For the foreign exchange business, the balance of foreign exchange deposits (including OBU) at the end of 2017 was US\$1,111,514,000 or an increase of US\$336,827,000 from US\$774,687,000 at the end of 2016 with a growth of 43.248%. The balance of foreign exchange loans (including OBU) at the end of 2017 was US\$602,405,000 or an increase of US\$103,992,000 from US\$498,413,000 at the end of 2016, up by 20.86%. In 2017 the amounts of import/export and exchange service were US\$495,682,000 and US\$3,954,166,000 respectively, totaling US\$4,449,848,000, an increase of US\$715,988,000 from US\$3,733,860,000 at the end of 2016.

Unit: USD1,000

Item \ Year	2017	2016	Growth Rate (%)
Foreign currency deposits	1,111,514	774,687	43.48
Foreign currency loans	602,405	498,413	20.86
Import and export business	495,682	445,681	11.22
Remittance Services (including simplified currency exchange services)	3,954,166	3,288,179	20.25

(D) Credit Card

There were 16,936 credit cards issued in 2017, and 93,470 cards in circulation at the end of December 2017. In 2018, 2,319 credit cards were issued up to February and 94,482 credit cards were in circulation. The Bank's total number of cards in circulation in 2017 was 93,470, which was approximately 4,263 cards more and 8.98% up compared with 89,207 cards in the same period of 2016.

a. Credit card consumption amount: In 2017 the credit card consumption amounted to NT\$3.538 billion, a growth of NT\$361 million from NT\$3.177 billion in the same period of 2016, and a growth of 11.4%.

b. Revolving Credit Balance: The revolving credit balance at the end of December 2017 was NT\$222 million, a decrease of NT\$19 million from the amount at the end of December in 2016.

Unit: cards, NT\$1,000

Item \ Year	2017	2016
Total number of card issued	584,397	566,473
Total number of valid cards in circulation	93,470	89,207
Total credit card consumption amount	3,537,929	3,177,440
Revolving Credit Balance	221,616	241,326

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

Unit: NT\$1,000

Item \ Year	2017		2016	
	Amount	%	Amount	%
Card issuance revenue	75,162,799	95.92	72,520,619	97.34
Income from acquiring business	3,199,391	4.08	1,981,791	2.66
Credit card business total	78,362,190	100.00	74,502,410	100.00

(E) E-Banking Business

In order to provide customers with more convenient financial services, the Bank continuously strives to improve automation channels to provide customers with real-time financial services, and launched iSunny Purchase and Pay in May 2016, cloud counter (online application for Bank3.0) in October, the TSM financial card, the HCE credit card and iSunny Purchase and Pay QR-code collection and payment APP in order to create a diversified mobile payment service model and get closer to the needs of customers.

In December 2017, the Bank cooperated with Alipay and launched a cross-border payment service. In order to promote the numeracy of the whole bank, the Bank implemented the "Financial Service Quality Improvement Plan for the Bank" in 2017 to strengthen the understanding of the Bank's e-banking services and therefore promote the Bank's e-banking services to customers. Based on the efforts of all the employees, the Bank has the development in e-banking services as follows in 2017:

The number of online banking accounts has reached 100,000, with a growth rate of 50%. The mobile online banking APP has accumulated 32,000 users, with a growth rate of 29%. The number of iSunny Purchase and Pay users has increased to 3,089.

(F) Wealth Management Business

The Bank's wealth management products are mainly mutual funds, insurance products and overseas bonds. In line with the expected performance of the global investment market, the Bank selects main products based on the three characteristics of complying with the Bank's customer investment attributes, mutual benefits of the Bank and customers and following the investment market trend, and strictly adheres to wealth management risk and operation quality requirements. In addition, the Bank adjusts the product strategy in response to changes in the subjective and objective environments and provide timely advice to our customers on market entrance and exit timing to create a win-win

situation. In 2017, the overall market fundamentals were good, the profits of European and American companies were better than what foreign investors expected, and the mutual fund investment atmosphere turned better. Therefore, the sales amount and fee income of funds in 2017 increased from those in 2016. The insurance performance in 2017 decreased from that in 2016 mainly due to insurance premium losses. Since the second half of 2016, the FSC has tightened its control of insurance companies' premium differences, and life insurance companies have only the three options of "reducing the commissions for channels", "switching to long-term insurance policies" and "increasing the premiums". Therefore, the channel sales amount was affected and there was a decline in both premiums and fee income.

The sales volume and income and the changes of various wealth management products of the Bank in the latest period are consolidated in the Table below:

Unit: NT\$1,000

Item \ Year	2017			2016		
	Sales Volume	Fee Income	% of Fee Income	Sales Volume	Fee Income	% of Fee Income
Mutual funds and overseas bonds (excluding domestic bond funds)	7,489,249	218,605	30.23	4,356,374	132,027	16.94
Insurance products	5,794,054	504,595	69.77	8,124,795	647,160	83.06
Total	13,283,303	723,200	100.00	12,481,169	779,187	100.00

(G) Trust Business

As of the end of 2017, the balance of trust assets under the Bank's management was NT\$58,665,133,000, an increase of NT\$6,384,147,000 (12.21%) from NT\$52,280,986,000 at the end of 2016.

- The balance of money trust asset at the end of 2017 was NT\$30,570,000,000, accounting for 52.11% of the Bank's trust business.
- The balance of real estate trust asset at the end of 2017 was NT\$26,539,143,000, accounting for 45.24% of the Bank's trust business.
- The balance of securities trust asset at the end of 2017 was NT\$104,402,000, accounting for 0.18% of the Bank's trust business.
- The balance of monetary-claim and security-interest trust assets was NT\$1,451,588,000, accounting for 2.47% of the Bank's trust business.
- Real estate trusts: Mainly real estate development trusts and pre-sale home payment trusts.
- Monetary trusts: Mainly specific-purpose monetary trusts, gift-certificate prepayment trusts, the real estate ("Good Home") transaction safety trust, and custody of securities investment trust funds.

Other affiliated businesses :

- In 2017, the total of operations guaranty funds was NT\$500,000,000, an increase of NT\$350,000,000 and a growth rate of 7.53% from NT\$465,000,000 in 2016.
- In 2017, the amount of the certification business was NT\$2,025,325,000, an increase of NT\$1,094,906,000 and a growth rate of 117.68% from NT\$930,419,000 in 2016.

Unit: NT\$1,000

Item \ Year	2017		2016	
	Amount	%	Amount	%
Trust business	58,665,133	100.00	52,280,986	100.00
Monetary trusts	30,570,000	52.11	29,697,506	56.80
Specific-purpose monetary trusts investing in domestic and foreign securities	23,365,420	39.83	23,738,624	45.40
Other monetary trusts	3,645,260	6.21	2,384,557	4.56
Custody of securities investment trust funds	3,559,320	6.07	3,574,325	6.84

Real estate trust	26,539,143	45.24	21,321,440	40.78
Securities trust	104,402	0.18	19,872	0.04
Monetary-claim and security-interest trusts	1,451,588	2.47	1,242,168	2.38
Other affiliated businesses				
Operations guaranty funds	500,000	0.00	465,000	0.00
Certification business	2,025,325	0.00	930,419	0.00

Income percentage of each trust business and its growth and changes

Unit: NT\$1'000

Item \ Year	2017		2016	
	Amount	%	Amount	%
Trust business income	311,522	100.00	207,653	100.00
Monetary trusts	249,859	80.21	162,277	78.15
Real estate trusts	59,069	18.96	44,130	21.25
Securities trusts	26	0.01	30	0.01
Monetary-claim and security-interest trusts	2,000	0.64	1,000	0.48
Other	568	0.18	216	0.11

- a. In 2017 the monetary trust fee income was NT\$249,859,000, an increase of NT\$87,582,000 or 53.97% from NT\$162,277,000 in 2016.
- b. In 2017 the real estate trust fee income was NT\$59,069,000, an increase of NT\$14,939,000 or 33.85% from NT\$44,130,000 in 2016.
- c. In 2017 the securities trust fee income was NT\$26,000, a decrease of NT\$4,000 or 13.33% from NT\$30,000 in 2016.
- d. In 2017 the money claim and security interest trust fee income was NT\$2,000,000, an increase of NT\$1,000,000 or 100.00% from NT\$1,000,000 in 2016.
- e. In 2017 other trust fee income was NT\$568,000, an increase of NT\$352,000 or 162.96% from NT\$216,000 in 2016.

(H) Investment Business

The Bank has made a profit of NT\$693,382,000 in 2016 and NT\$711,622,000 in 2017 in securities trading. The details are described below:

a. Gain (loss) on bonds:

This is the interest income and disposal gain (loss) from the trading of bonds of governments at all levels, NTD and foreign currency corporate bonds and financial debentures. The Bank generated a gain of NT\$509,752,000 in 2016 and NT\$484,992,000 in 2017. The reason is that in the first half of the year, the interest rates of the Taiwanese bond market fell, the bond prices rose, and bonds were sold on rallies. Therefore, the profit in 2016 increased by NT\$128,645,000. The Bank's bond position in 2017 increased by NT\$7.5 billion compared with the previous year, so the interest income increased.

b. Gain (loss) on stocks:

This is the gain (loss) from investment in stocks of public and OTC companies. In 2016, the weighted index for the whole year rose by 10.98% and the gain was NT\$12,048,000. In 2017, the weighted index for the whole year rose by 15.01%, but due to the stop-loss sale of some of the stocks for sale at the end of the year, the annual loss was NT\$727,000, and the evaluated gain of stocks for sale rebounded by NT\$25,742,000.

c. Gain (loss) on beneficiary certificates:

This is the gain (loss) from investment in mutual funds. The bank had a gain of NT\$1,286,000 in 2016 and NT\$38,054,000 in 2017, mainly because in 2017 the global economic situation showed a mild recovery, and the

Chinese stock market was bullish. The Bank increased its holding in China's equity funds as a result, and its gain on mutual funds increased by NT\$36,768,000 compared with the previous 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\$157,948,000 in 2016 and NT\$170,332,000 in 2017. In recent years, although the yield has been going lower, the Bank continued increasing the transaction volume of short-term bills and participated in the bidding on guaranty-fee commercial promissory notes issued by public enterprises, and the gain on short-term bills increased by NT\$12,384,000 in 2017 from the previous year. Short-term bill interest income and disposal gain varied with the Bank's certification and underwriting business volume and surplus funds.

e. Gain (loss) on valuation:

This is the gain (loss) on the valuation of securities based on market prices, where the Bank had a loss of NT\$3,472,000 in 2016 and a gain of NT\$1,860,000 in 2017. The main impact is from the valuation of beneficiary certificates which caused an increase in the gain on mutual fund evaluation, as in 2017 the global economic situation showed a mild recovery and the Chinese stock market was bullish.

f. Stock dividends:

This is the cash dividends distributed by listed and OTC companies, where the cash dividend distributed in 2016 was NT\$15,820,000 and NT\$17,111,000 in 2017.

To sum up, in regard to the Bank's performance on securities trading, the stock index in 2016 rose 10.98%, the Bank's gain on stocks was NT\$12,048,000, the gain on beneficiary certificates was NT\$1,286,000, and the recognized valuation loss was NT\$3,472,000 (mainly due to the impact of the valuation of beneficiary certificates). In total, the Bank had a net profit of NT\$693,382,000 from various businesses throughout the year. In 2017, the stock index rose 10.98%, and though the Bank had a loss of NT\$727,000 on stocks, it had an increase in the valuation of stocks for sale by NT\$25,742,000. Beneficiary certificates showed a gain of NT\$38,054,000, and the recognized valuation gain for the year was NT\$1,860,000, mainly due to the impact of the valuation of beneficiary certificates. In total, the Bank obtained a net profit of NT\$711,622,000 for the year.

Income from Securities Investment in 2016 and 2017

Unit: NT\$1,000

Item \ Year	2017	2016	Increase / decrease
Bonds	484,992	509,752	(24,760)
Stocks	(727)	12,048	(12,775)
Beneficiary certificates	38,054	1,286	36,768
Short-term bills	170,332	157,948	12,384
Unrealized gain or loss	1,860	(3,472)	5,332
Stock dividend	17,111	15,820	1,291
Total	711,622	693,382	18,240

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

Unit: NT\$1,000

Business Items \ Year	2016		2015	
	Amount	Asset %	Amount	Asset %
Total Assets	438,154,152	100.00	396,850,700	100.00
Discounts and loans – net amount	286,291,918	65.34	260,550,705	65.65
Financial assets available for sale	64,871,328	14.81	65,789,356	16.58

Financial assets measured at fair value through profit or loss	22,436,526	5.12	11,768,419	2.97
Total Liabilities	411,765,342	93.98	392,972,965	99.02
Deposits and remittances	376,779,183	85.99	344,846,726	86.90
Financial debentures payable	13,780,000	3.15	13,500,000	3.40
Due from CBC and Banks	7,313,606	1.67	6,943,606	1.75

Note: The asset and liability items in the table are those with amounts among the top three of total assets in 2017.

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

Unit: NT\$1,000

Year Business Items	2017		2016	
	Amount	Ratio	Amount	Ratio
Net interest income	4,711,040	75.95	4,360,162	70.89
Net income other than interest	1,492,095	24.05	1,790,532	29.11
Net fee income	1,154,003	18.60	1,283,279	20.86
Net gain on financial assets and liabilities measured at fair value through profit or loss	149,166	2.40	99,724	1.62
Net realized gain on financial assets for sale	39,413	0.64	158,029	2.57
Exchange gain (loss)	(28,235)	(0.46)	19,132	0.31
Revolving interest from asset impairment	37,630	0.61	28,349	0.46
Share of subsidiaries' gains recognized by equity method	24,612	0.40	85,321	1.39
Net gain on financial assets measured at cost	34,648	0.56	37,037	0.60
Rental income	70,265	1.13	70,480	1.15
Net income other than interest	10,593	0.17	9,181	0.15
Total net income	6,203,135	100.00	6,150,694	100.00

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

(2) Business Plan of the Year

A. Deposit Business

- (A) Optimizing the structure of demand deposits and time deposits to increase the profit of total deposits.
- (B) Simplifying operating procedures and enhancing service efficiency.
- (C) Considering credit clients and clients nearby branch offices as the main client basis, while increasing NTD and USD deposits.

B. Loan Business

Continuously improving the loan structure and adhering to the ratio in Article 72.2 of the Banking Law, focusing on personal real-estate revolving loans with the characteristics of guarantee and profitability, and undertaking selected factory expansion loans to SMEs with good quality, profitability and capacity. In addition, promoting subordinated real-estate loans with the loan conditions offered according to those of credit loans with a high interest rate and a short loan period to help to enhance the Bank's capital efficiency.

(A) Implementation of Auditing Measures and Project Undertaking

- a. Auditing of internal operation and management performance in 2017:

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

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

C. Foreign Exchange Business

(A) Enhancement on solicitation USD and RMB deposits

To have a stable foreign currency source and keep the interest margin of deposits/loans, the Bank continues expanding USD deposits through the foreign exchange deposit activities, thereby increasing the foreign exchange net profit. In addition, in order to promote China to become the world's largest economy in 2019, the People's Bank of China will continue promoting the internationalization of RMB, and the world is optimistic about the trend of RMB in 2018. The Bank will be able to stabilize the growth of RMB deposits in order to consolidate the foreign exchange deposit base.

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

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

(C) Strengthening e-commerce function of foreign exchange

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

D. Credit Card Business

(A) Card Issuance:

The policy objectives and strategies of the 2018 policy plan announced by the FSC on August 31, 2017 mentioned the encouragement of R&D of financial innovation products and services, and the assistance to and encouragement of financial institutions to develop various mobile payment services, such as the HCE mobile credit card, mobile financial cards, the QR code, mPOS mobile receipts, etc., so as to accelerate the development and innovation of domestic mobile payments.

The overall business direction of the Bank's credit card products is based on sound operations. At present, the main card issuance targets are the Bank's customers, so as to increase the customers' use of the Bank's credit card and induce customers to apply for new cards and increase card consumption, and achieve the main strategic objectives of enhancing the breadth and depth of customer transactions and strengthening the adhesion of customers to the Bank. At the beginning of 2018, the company launched a high-return overseas consumption card which is quite positive for the increase in the number of cards and the amount of transactions. It is estimated that the total amount of transactions at the end of 2018 can reach the budget target of NT\$3.8 billion.

The marketing strategy will focus on improving the number of cards in circulation, the total amount of consumption, the effective card ratio and the fee income. In addition, the customer service team's manpower will be better utilized; in addition to answering general customer questions, it will help promoting card-issuing and marketing income-based services, such as issuing credit card to credit customers and the credit card installment business; in the future it will promote cross-business sales and sell higher-yielding financial products.

(B) Acquiring Business :

At the moment, there are 33 domestic acquirers. According to the credit card data published by FSC in December of 2017, Taishin Bank has 119,607 appointed stores, which count the most. Starting from the launch of acquiring service in December of 2014 until December of 2017, the Bank has accumulated 601 appointed stores with a total transaction amount over NT\$1.7 billion. In 2017, the Bank launched the "Appointed Store Activation and Promotion" project to increase the transaction volume of the existing stores and make a promotion among credit customers of the Bank, so as

to facilitate the increase of deposit amount of the Bank, provide complete financial services, strengthen the partnership with corporate customers, and promote the growth of other businesses such as loans and wealth management.

E. Electronic Banking

- (A) Continuously optimizing the functions and processes of banking services such as personal online banking, corporate online banking and iSunny Purchase and Pay, and provide customers with convenient financial services to enhance the efficiency of the Bank's services.
- (B) Building a “New Generation Mobile Internet App” service to provide a trend-compliant mobile online banking App and a smoother customer experience.
- (C) Providing the Taiwan Pay QR code service, in which customers can scan and be scanned through the QR code for more convenient transfer, collection and payment services.
- (D) Establishing “digital deposit accounts” to provide digital financial services for online deposit accounts.
- (E) Promoting the quality improvement plan for digital financial services of the whole bank, fostering the digital financial capabilities of the staff, and enhancing the digital financial literacy of the whole bank.

F. Wealth Management Business

In addition to continuing the layout in the fund market, the Bank will focus on installment–payment insurance products, USD insurance policies and investment-oriented insurance policies. Among them, the focus of installment–payment insurance products will be on floating interest rate insurance products from which customers have the opportunity to participate in the profits and benefits of insurance value appreciation when the interest rate rises. The above-mentioned insurance products will also bring higher financial handling fee income to the Bank than batch-payment products.

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

G. Trust Business

(A) Real Estate Trust :

- a. Development Trust: To continue real estate development trust coordinated with land and construction loans. To cooperate with constructors to conduct integrated trust associated with landlord’s willingness for co-construction or real estate trust that is provided to areas with expropriation and urban planning that involves with relatively larger number of people and longer expectation period.
- b. Pre-Sale Home Payment Trust: as requested by competent authority and for trust clients developed by the Bank, the pre-sale home payment trust is promoted for the protection of clients’ interests.

(B) Money Trust :

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

reduce manual operation costs and risks. The fund system service function and interface are also upgraded to increase the client satisfaction level.

(3) Market Analysis

A. Analysis on Area of the Banking Service Operations

According to the economic analysis report of the Ministry of Economic Affairs at home and abroad and the latest economic situation monthly report of the National Development Committee, this year's global economic growth momentum will continue to increase under the cyclical recovery trend. Particularly, the US passed the tax reform policy at the end of last year, and due to the spillover effect and the steady rise of international bulk raw material prices, the International Monetary Fund (IMF) estimates that global economic growth will be better than last year. In addition, the domestic economy is driven by the continued recovery of the global economy, and the Directorate General of Budget, Accounting and Statistics, Executive Yuan predicts that the domestic economic growth rate will be 2.29% in 2018. Due to the fierce competition in the domestic financial environment, domestic banks are expanding in the overseas lending market with higher spreads. In the future, the government will continue assisting the banking industry to deploy new southbound regional markets and help enhance the competitiveness of the domestic banking industry.

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

B. Future Market Supply and Demand and Potential Growth

(A) Supply Side

According to the CBC statistics, as of the end of December, 2017, 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 427 with 6,021 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. Domestic government-owned and private financial institutions continue to undertake organizational adjustments, pay more attention to improve the financial structure, strengthen risk management, comply with laws and regulations, increase transaction fee income and conduct product innovation and marketing activities.

(B) Demand Side

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

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

(C) Potential Growth

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

C. Competitive Niche, Future Outlook and Solutions

(A) Competitive Niches

- a. A network of a total 103 domestic branches, mainly located in metropolitan Taipei and Kaohsiung. Principal administration areas have established branches with a complete financial service network.
- b. Good locations, friendly and efficient services and smooth interaction with clients.
- c. Vying for a good reputation and stable operating foundation, the bank also actively seeks to promote corporate banking, consumer banking, wealth management, foreign exchange, trust, among other services, with which to continue improving its financial structure and excelling its service efficiency.
- d. Set up a Financial Consultant (FC) in the Northern, Central and Southern regions, with a professional, financial personnel in each branch, to provide the customer with adequate, comprehensive and diverse financial services, maximizing the cross-marketing synergy.

(B) Outlooks

a. Favorable Factors

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

b. Unfavorable Factors

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

c. Solutions

- (a) Continuing to inject resources and stepping up new financial product research and development to offer the client with differentiated quality service in a bid to curtail negative pricing competition.
- (b) Continuously adjusting the Bank's branch office allocation and improve the channel performance to maximize its channel advantages with 103 nationwide branch offices.
- (c) Utilizing the bank's existing operating foundation to actively excel the overall marketing functionalities to deep-root the business banking and foreign exchange service, and by fully expanding into the consumer banking

services and wealth management domains.

- (d) To intensify employees' trainings, realize their passion towards the services, enhance the efficiency of the organization and bring the corporate culture into full play.
- (e) Improving security codes and system performance of online banking to ensure the transaction security of our clients; launching electronic banking services and relevant business to increase clients' satisfaction level and enhance the Bank's market competitiveness.
- (f) By expanding the scope of foreign exchange business and recruiting good hands specialized in international finance to grasp the opportunity of financial openness and stabilize the Bank's deployment of the Financial Market of Asia Pacific.

(4) Research on Financial Products and Business Development

A. Size and profit/loss of major financial products and business units added in the last two years and the period up to the annual report publication date.

(A) For the major financial products of the last two years, please refer to "1. 2017 Operating Performance" under "I. Letter to Shareholders".

(B) For the new business units set up in the last two years, please refer to "1. 2017 Operating Performance" under "I. Letter to Shareholders".

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

The contactless financial card was issued in September 2016, with the expenditure of NT\$980,000. The Bank was the third one in Taiwan to issue such card, and won the recognition of "E-financial Business-The Best Innovation and Excellence Award" granted by Financial Information Service Co., Ltd. In 2017 the "Sunny Bank Big Data Development Plan and Application" project with Feng Chia University was launched.

At present, apart from the establishment of simple branches and some new branches, the Bank has launched the self-operated foreign exchange deposit operation at 96 designated foreign exchange branches. In order to improve the efficiency of foreign exchange deposit account opening operation, the Bank launched the "Electronic Operation of Foreign Exchange Demand/Time Deposit Account Opening Form" on September 27, 2017 to simplify the process of foreign exchange deposit account opening to improve service quality.

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

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

(5) Long and Short Term Business Development Plans

A. Short-term business development plans

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

The Bank plans to increase capital with cash or issue subordinated bonds to ensure its operating fund and to enhance its capital adequacy ratio. Besides, it is the Bank's goal to maintain its overdue loan ratio below 0.26% and the coverage rate for bad debt allowance above 434% by the end of 2018.

B. Mid- and long-term business development plan

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

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

2. Employee Profile

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

Year		2017	2016	Current year up to February 28
Number of Employees	Assistant Vice President	122	127	122
	Heads	443	413	442
	Office Employees	1,385	1,375	1,405
	Total	1,950	1,915	1,969
Average Age		40.47	40.16	40.27
Average years of service		11.42	11.27	11.3
Education background	PhD	0.15%	0.16%	0.15%
	Master	8.87%	8.98%	8.89%
	College	82.62%	82.30%	82.58%
	Senior High School	8.10%	8.36%	8.13%
	Under Senior High School	0.26%	0.21%	0.25%
	Total	100.00%	100.00%	100.00%
Professional licenses held by employees	Basic Proficiency Test for Bank Internal Control	1,165	1,139	1,164
	Proficiency Test for Trust Operations Personnel	1,418	1,406	1,424
	Trust Operations Management Personnel	453	441	452
	Trust Operations Supervisor	10	10	10
	Proficiency Test for Life Insurance Specialist	1,587	1,567	1,590
	Proficiency Test for Investment-oriented Insurance Personnel	745	746	745
	Proficiency Test for Property Insurance Personnel	1,516	1,481	1,522
	Proficiency Test for Financial Planning Personnel	344	352	344
	Basic Proficiency Test for International Banking Personnel	381	385	381
	Basic Proficiency Test for Bank Lending Personnel	699	691	697
	Advanced Proficiency Test for Bank Lending Personnel	22	18	21
	Proficiency Test for Futures Specialist	249	254	254
	Proficiency Test for Securities Specialist	251	234	256
	Proficiency Test for Senior Securities Specialist	151	161	154
	Proficiency Test for Securities Investment Trust and Consulting Professionals (3 courses)	117	133	120
	Proficiency Test for Bill Finance Specialist	61	58	61
	Proficiency Test for Financial Risk Management Personnel	3	3	3
	Proficiency Test for Bank Collateral Appraisal Personnel	15	16	15
	Qualification of Financial Market Knowledge & Professional Ethics Test	1,501	1,458	1,5007
Qualification of Investment Trust and Consulting Regulations Test	932	921	926	

Consultant of Financial Planning (CFP)	6	5	6
Proficiency Test for Bond Specialist	17	20	18
Proficiency Test for Securities Investment Analyst	5	5	5
Proficiency Test for Life Insurance Representative to Sell Foreign Currency Receiving and Paying in Non-Investment Oriented Insurance Products	623	607	625
Certificate of Completion of Risk Management for Foreign Exchange Derivatives Course	161	166	161
Property Insurance Agent Qualification Test	3	0	3
Life Insurance Agent Qualification Test	3	0	3

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

(2) Employee Training Status

- 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 2017, the Bank's key cultivation projects were related to the training of professional credit, wealth management, deposit and remittance, digital 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 2017 the number of participants in physical courses was 8,664 people-times and in online courses was 9,720 person-times, and the total number of participants was 18,384 person-times. The training results were in line with expectations.

3. Corporate Social Responsibility and Ethical Behavior

- (1) Donated NT\$1.5 million to Sunny Culture and Education Foundation.
- (2) Sponsored Kaohsiung Sunny Bank Women Football Team in 2017 for the second consecutive year, in order to support the development of Taiwan sports activities and cultivate the local football talents
- (3) The Bank shows care for disadvantaged group and fulfills the corporate social responsibilities for a long time. The annual welfare scheme "Dream Come True for Children in Remote Areas" has been carried out since 2012, which has visited nearly 40 elementary schools in rural areas such as Hsinchu County, Nantou County, Pingtung County, Great Chishan area of Kaohsiung City, Miaoli County, Hualien County, and Taitung County. It has provided physical materials for about 1,400 children, making them feel the warmth from the society. The children were inspired and encouraged to build dreams in the scheme with profound significance.
- (4) Sponsored the "Taiwan Red Leaf Little League Team", in a hope to attract more resources for Taiwan's grassroots baseball. It is expected that all walks of life will pay attention to the rooting and development of the sports of baseball in Taiwan.
- (5) In line with the government's promotion of energy conservation and carbon reduction policies and to support the sustainable development of the environment, the Bank invested more than NT\$14 million to replace the entire lighting equipment with LED lights to reduce the waste of energy. The

replacement was recognized and praised by government agencies.

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

Business Items \ Year	2017	2016
Number of non-supervisor employees	1,441	1,410
Average welfare expenses	821,319	834,808
Growth rate (%)	(1.64)	5.20

6.

VI. Special Remarks

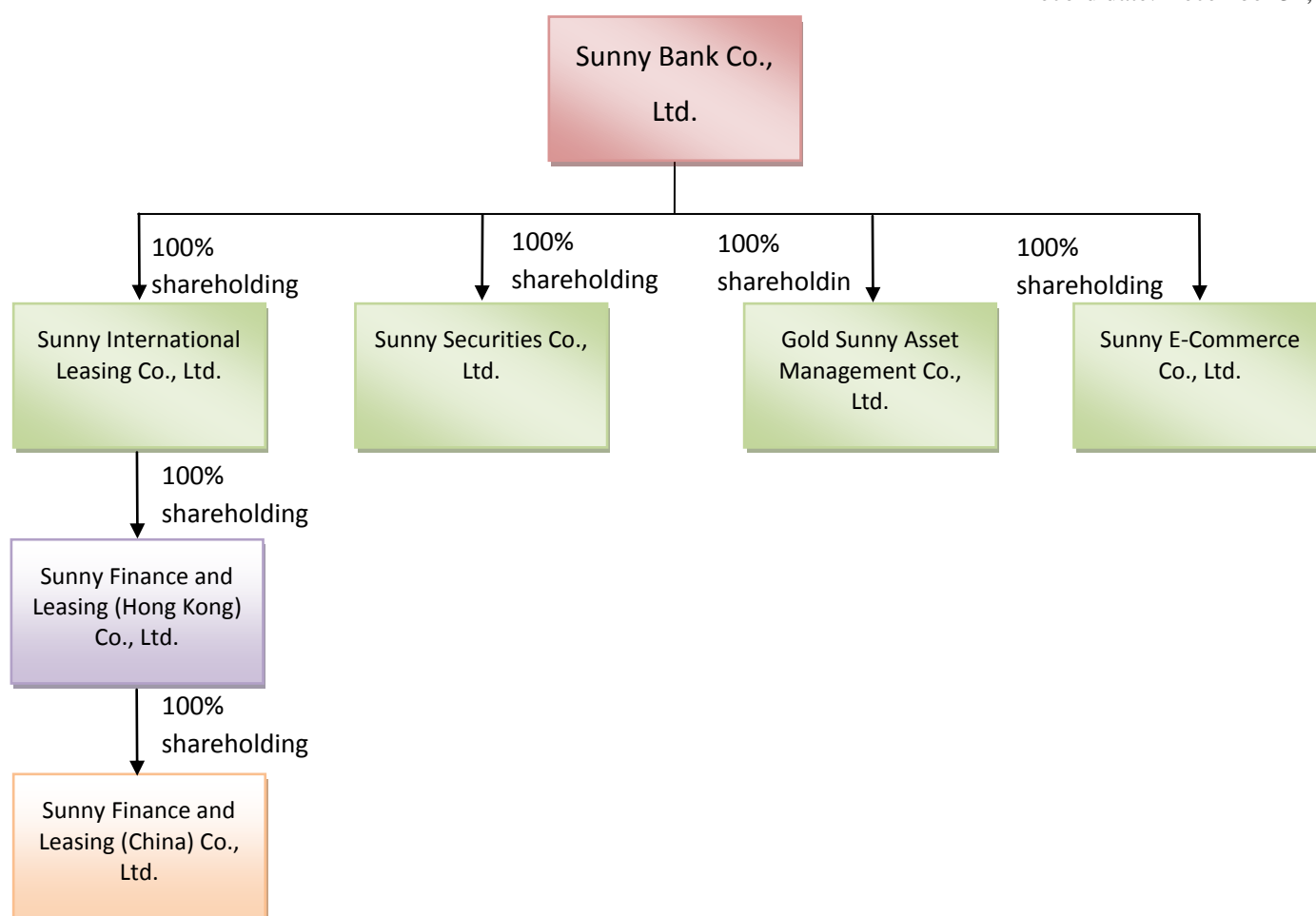
1. Information on Affiliates
2. Private Placement of Marketable Securities and Bank debentures during the Most Recent Fiscal Year before publishing the Annual Report
3. Holding or Disposal of the Bank Stocks by Affiliates during the Most Recent Fiscal Year before publishing the Annual Report
4. Additional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

1. Information on Affiliates

(1) Status of Affiliates

A. Organization Chart of Affiliates

Record date: December 31, 2017



B. Basic Information on Affiliates

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

Company Name	Date of Establishment	Address	Paid-in Capital	Major Business
Sunny Securities Co., Ltd.	Feb 4, 1998	B2, No.165, Sec. 5, Minsheng E. Rd., Songshan Dist., Taipei City	502,000	Commissioned trading of marketable securities and assistant in futures trading
Gold Sunny 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	1,125,000	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	USD22,000,000	Financing, leasing and investment
Sunny Finance and Leasing (China) Co., Ltd.	May 20, 2013	Unit D, 19F, No. 398, Middle Huaihai Road, Huangpu District, Shanghai City	USD18,500,000	Financing and leasing
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

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, 2017

Unit: 1000 shares, %

Company Name	Title	Name	Shareholdings	
			Shares	%
Sunny Securities Co., Ltd.	Chairman	Chou, San-Ho, Representative of Sunny Bank Co., Ltd.	502,000	100.00
	Director	Kuo, Cheng-Hung, Representative of Sunny Bank Co., Ltd.		
	Director	Huang, Yen-Chun, Representative of Sunny Bank Co., Ltd.		
	Director	Wang, Chien-Yi, Representative of Sunny Bank Co., Ltd.		
	Director	Li, Wen-Kuang, Representative of Sunny Bank Co., Ltd.		
	Supervisor	Sung, Ping-Ping, Representative of Sunny International Leasing Co., Ltd.		
	President	Yang, Hui-Ren	-	-
Gold Sunny Assets Management Co., Ltd.	Chairman	Lin, Chi-Liang, Representative of Sunny Bank Co., Ltd.	15,000	100.00
	Director	Cheng, Yan-Ching, Representative of Sunny Bank Co., Ltd.		
	Director	Li, Yu-Sheng, Representative of Sunny Bank Co., Ltd.		
	Supervisor	Chen, Hui-Ling, Representative of Sunny Bank Co., Ltd.		
	President	Chen, Yu-Li	-	-
Sunny International Leasing Co., Ltd.	Chairman	Lin, Yi-Tsun, Representative of Sunny Bank Co., Ltd.	112,500	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	-	-
Sunny Finance and Leasing (Hong Kong) Co., Ltd.	Director	Lin, Yi-Tsun, Representative of Sunny International Leasing Co., Ltd.	-	100.00
Sunny Finance and Leasing (China) Co., Ltd.	Executive	Liu, Jong-Sen, Representative of Sunny Finance and Leasing (Hong Kong) Co., Ltd.	-	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	Wang, Ya-Hsun, 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	Lin, Chia-Chang, Representative of Sunny Bank Co., Ltd.		

E. Operations of Affiliated Companies

Unit: NT\$1,000, EPS in NTD

Company	Capital	Total Assets	Total Liabilities	Net Value	Operating Income	Operating Income	Current Profit /Loss (After Tax)	Earnings Per Share (After Tax)
Sunny Securities Co., Ltd.	502,000	1,070,421	495,906	574,515	91,245	4,528	987	0.02
Gold Sunny Assets Management Co., Ltd.	150,000	347,347	181,698	165,649	20,791	3,837	8,794	0.59
Sunny International Leasing Co., Ltd.	1,125,000	2,373,787	1,249,193	1,124,594	79,365	13,213	20,794	0.18
Sunny Finance and	656,656	654,724	543	654,181	-	-	15,432	-

Leasing (Hong Kong) Co., Ltd.									
Sunny Finance and Leasing (China) Co., Ltd.	552,188	589,986	21,647	568,339	33,150	19,381	15,443	-	
Sunny E-Commercial Co., Ltd.	50,000	40,005	7,675	32,330	20,776	(6,932)	(5,962)	(1.19)	

(2) Consolidated Financial Statements Covering Affiliated Enterprises

Please see “Annex I: Financial Statements”.

(3) Reports on Affiliations: Not Applicable

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

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

Record date: February 28, 2018

Unit: NT1,000; shares; %

Affiliates (Note 1)	Paid-in Capital	Source of Fund	Shareholdings of the Bank	Date of acquisition or disposal	Shares and Amount Acquired (Note 2)	Shares And Amount Disposed (Note 2)	Profit Loss	Shares and Amount Held as of publication Date of the (Note 3)	Pledge Creation (Note 4)	The Bank's Endorsement & Guarantee to	The Bank's Loans to Affiliates
Sunny Securities Co., Ltd.	502,000	The company's own funds	100.00	-	-	-	-	-	-	500 million	200 million
Gold Sunny Assets Management Co., Ltd.	150,000	The company's own funds	100.00	-	-	-	-	-	-	50 million	-
Sunny International Leasing Co., Ltd.	1,125,000	The company's own funds	100.00	-	-	-	-	-	-	-	-
Sunny E-Commercial Co., Ltd.	50,000	The company's own funds	100.00	-	-	-	-	-	-	-	-

Note 1: Please list respectively by branch.

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

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

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

Note 5: The Bank's endorsement guarantee amount for its subsidiaries is the credit line extended in implied warranties or support agreements issued.

Note 6: The Bank acquired its subsidiary Sunny Life Insurance Agent Co., Ltd. and Sunny Property Insurance Agent Co., Ltd. on January 20, 2017, and according to law cancelled the 490,856 shares in the Bank held by Sunny Life Insurance Agent Co., Ltd.

4. Additional Supplementary Remarks: None

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



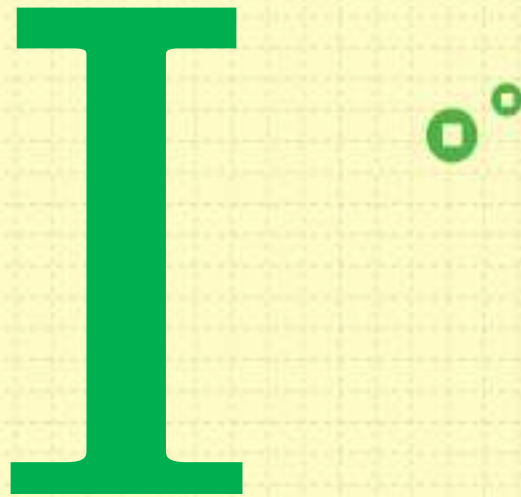
VII. Service Network

Unit Name	Address		Tel.	
ADMINISTRATION MANAGEMENT DEPARTMENT	11271	NO.90, SEC.1, 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



Sunny Bank Ltd. And Subsidiaries

Consolidated Financial Statements for the
Years Ended December 31, 2017 and 2016 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, 2017, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Sunny Bank Ltd. and its subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

SUNNY BANK LTD.

By:

SHEN-HUNG CHEN
Chairman

March 20, 2018

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Sunny Bank Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Sunny Bank Ltd. (the Company) and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and subsidiaries as of December 31, 2017 and 2016, and their consolidated financial performance and their 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, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company and subsidiaries' consolidated financial statements for the year ended December 31, 2017 are stated as follows:

Impairment of Loans and Receivables

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

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

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

Other Matter

As disclosed in Notes 1 and 46 to the consolidated financial statements, on January 20, 2017, the Company undertook merger by absorption of Sunny Life Insurance Brokerage Co., Ltd. and Sunny Property & Insurance Brokerage Co., Ltd., in which the combined equity interests of the Company were 100%. This consolidation is a reorganization under common control. According to IFRS Q&A and interpretations issued by Accounting Research and Development Foundation, when the Company prepared comparative financial statements, the financial statements were retrospectively restated to reflect the merger assuming both entities had merged at the beginning of the comparative period.

We have also audited the financial statements of Sunny Bank Ltd. as of and for the years ended December 31, 2017 and 2016, on which we have issued an unmodified opinion with description of other matter and an unmodified opinion, respectively.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Company and subsidiaries' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and subsidiaries 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 Company and subsidiaries' financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and subsidiaries' internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company and subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company and subsidiaries to express an opinion on the consolidated 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 consolidated financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chih-Ming Shao and Dien-Sheng Chang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 20, 2018

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, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

ASSETS	2017		2016	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	\$ 6,548,460	2	\$ 8,305,831	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Note 7)	15,100,800	4	16,909,331	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 3, 4 and 8)	22,436,526	5	11,768,419	3
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 4 and 9)	1,790,880	-	1,388,427	-
RECEIVABLES, NET (Notes 3, 4, 5, 10, 11 and 39)	4,048,582	1	3,921,566	1
CURRENT TAX ASSETS (Note 37)	950	-	36,450	-
DISCOUNTS AND LOANS, NET (Notes 3, 4, 5, 11 and 39)	286,837,682	65	260,816,501	66
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 3, 4, 12 and 40)	64,871,328	15	65,789,356	17
HELD-TO-MATURITY FINANCIAL ASSETS (Notes 3, 4, 13 and 40)	21,147,709	5	14,131,821	4
OTHER FINANCIAL ASSETS, NET (Notes 3, 4, 11, 14 and 40)	5,844,071	1	4,030,856	1
PROPERTY AND EQUIPMENT, NET (Notes 4 and 15)	9,382,899	2	9,485,108	2
INVESTMENT PROPERTIES (Notes 4 and 16)	202,201	-	179,088	-
INTANGIBLE ASSETS (Notes 4 and 17)	1,113,705	-	1,072,468	-
DEFERRED TAX ASSETS (Notes 4 and 37)	162,004	-	117,806	-
OTHER ASSETS, NET (Notes 4, 18 and 40)	<u>377,608</u>	-	<u>243,702</u>	-
TOTAL	<u>\$ 439,865,405</u>	<u>100</u>	<u>\$ 398,196,730</u>	<u>100</u>
LIABILITIES AND EQUITY				
DUE TO THE CENTRAL BANK AND OTHER BANKS (Note 19)	\$ 7,313,606	2	\$ 6,943,606	2
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	8,040	-	13,256	-
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE (Notes 4, 13 and 20)	9,655,135	2	3,600,338	1
PAYABLES (Notes 21 and 25)	3,944,228	1	3,664,146	1
CURRENT TAX LIABILITIES (Notes 4 and 37)	178,904	-	178,543	-
DEPOSITS AND REMITTANCES (Notes 22 and 39)	376,540,732	86	344,605,249	87
BANK DEBENTURES (Note 23)	13,780,000	3	13,500,000	3
SHORT-TERM BORROWINGS	1,209,000	-	1,150,000	-
OTHER FINANCIAL LIABILITIES	329,736	-	269,915	-
PROVISIONS (Notes 3, 4, 11, 24 and 25)	70,737	-	78,079	-
DEFERRED TAX LIABILITIES (Notes 4 and 37)	114,695	-	112,071	-
OTHER LIABILITIES (Note 26)	<u>331,782</u>	-	<u>302,857</u>	-
Total liabilities	<u>413,476,595</u>	<u>94</u>	<u>374,418,060</u>	<u>94</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 3, 4 and 27)				
Ordinary shares	<u>21,629,440</u>	<u>5</u>	<u>20,032,947</u>	<u>5</u>
Capital surplus	<u>50,443</u>	-	<u>49,042</u>	-
Retained earnings				
Legal reserve	2,194,441	1	1,492,736	-
Special reserve	382,808	-	24,936	-
Unappropriated earnings	<u>1,990,667</u>	-	<u>2,553,630</u>	<u>1</u>
Total retained earnings	<u>4,567,916</u>	<u>1</u>	<u>4,071,302</u>	<u>1</u>
Other equity	<u>141,011</u>	-	<u>(371,113)</u>	-
Treasury shares	-	-	<u>(3,508)</u>	-
Total equity	<u>26,388,810</u>	<u>6</u>	<u>23,778,670</u>	<u>6</u>
TOTAL	<u>\$ 439,865,405</u>	<u>100</u>	<u>\$ 398,196,730</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 20, 2018)

SUNNY BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST REVENUE	\$ 7,883,833	124	\$ 7,320,570	117	8
LESS: INTEREST EXPENSE	<u>3,054,869</u>	<u>48</u>	<u>2,838,093</u>	<u>45</u>	8
NET INTEREST (Notes 4, 28 and 39)	<u>4,828,964</u>	<u>76</u>	<u>4,482,477</u>	<u>72</u>	8
NET REVENUES OTHER THAN INTEREST (Note 4)					
Commission and fee revenues, net (Note 29)	1,160,160	18	1,295,306	21	(10)
Net Gains on financial assets and liabilities at fair value through profit or loss (Notes 4 and 30)	149,166	2	99,724	2	50
Realized gain on available-for-sale financial assets (Note 31)	39,413	1	158,029	2	(75)
Net Foreign exchange gains(losses)	(28,258)	-	19,126	-	(248)
Net gains on reversal of impairment loss on assets (Note 32)	34,506	-	28,349	-	22
Securities brokerage income	60,981	1	35,884	1	70
Gains on financial assets carried at cost	34,648	1	37,037	1	(6)
Purchased claim revenue received	20,743	-	30,074	-	(31)
Rental income	62,384	1	61,836	1	1
Other noninterest net revenues (Note 33)	<u>17,816</u>	<u>-</u>	<u>12,653</u>	<u>-</u>	41
Total net revenues other than interest	<u>1,551,559</u>	<u>24</u>	<u>1,778,018</u>	<u>28</u>	(13)
TOTAL NET REVENUES	<u>6,380,523</u>	<u>100</u>	<u>6,260,495</u>	<u>100</u>	2
ALLOWANCE FOR DOUBTFUL ACCOUNTS AND GUARANTEES (Notes 4, 5, 11 and 39)	<u>(676,848)</u>	<u>(11)</u>	<u>(71,467)</u>	<u>(1)</u>	847 (Continued)

SUNNY BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
OPERATING EXPENSES					
Employee benefits (Notes 4, 25, 27, 34 and 39)	\$ 2,095,689	33	\$ 2,116,459	34	(1)
Depreciation and amortization (Notes 4 and 35)	242,168	4	230,015	3	5
Others (Note 36)	<u>1,123,636</u>	<u>17</u>	<u>1,118,736</u>	<u>18</u>	<u>-</u>
Total operating expenses	<u>3,461,493</u>	<u>54</u>	<u>3,465,210</u>	<u>55</u>	<u>-</u>
INCOME BEFORE INCOME TAX	2,242,182	35	2,723,818	44	(18)
INCOME TAX EXPENSE (Notes 4 and 37)	<u>331,582</u>	<u>5</u>	<u>384,800</u>	<u>6</u>	(14)
NET INCOME	<u>1,910,600</u>	<u>30</u>	<u>2,339,018</u>	<u>38</u>	(18)
OTHER COMPREHENSIVE INCOME (Note 4)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation (Note 25)	(14,485)	-	(31,305)	(1)	(54)
Income tax benefit relating to items that will not be reclassified subsequently (Note 37)	<u>2,462</u>	<u>-</u>	<u>5,322</u>	<u>-</u>	(54)
	<u>(12,023)</u>	<u>-</u>	<u>(25,983)</u>	<u>(1)</u>	(54)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations	(9,647)	-	(49,342)	(1)	(80)
Unrealized gain (loss) on available-for-sale financial assets	520,557	8	(539,313)	(8)	197
Income tax benefit relating to items that may be reclassified subsequently (Note 37)	<u>1,214</u>	<u>-</u>	<u>7,420</u>	<u>-</u>	(84)
	<u>512,124</u>	<u>8</u>	<u>(581,235)</u>	<u>(9)</u>	188
Other comprehensive income (loss) for the year, net of income tax	<u>500,101</u>	<u>8</u>	<u>(607,218)</u>	<u>(10)</u>	182
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,410,701</u>	<u>38</u>	<u>\$ 1,731,800</u>	<u>28</u>	39

(Continued)

SUNNY BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
NET PROFIT ATTRIBUTABLE TO:					
Owners of the Company	\$ 1,910,600	30	\$ 2,339,018	37	(18)
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	-
	<u>\$ 1,910,600</u>	<u>30</u>	<u>\$ 2,339,018</u>	<u>37</u>	(18)
TOTAL COMPREHENSIVE INCOME					
ATTRIBUTABLE TO:					
Owners of the Company	\$ 2,410,701	38	\$ 1,731,800	28	39
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	-
	<u>\$ 2,410,701</u>	<u>38</u>	<u>\$ 1,731,800</u>	<u>28</u>	39
EARNINGS PER SHARE (Note 38)					
Basic	<u>\$0.90</u>		<u>\$1.20</u>		
Diluted	<u>\$0.90</u>		<u>\$1.20</u>		

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

(With Deloitte & Touche auditors' report dated March 20, 2018)

(Concluded)

SUNNY BANK LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Company							Other Equity		Treasury Shares	Total Equity
	Share Capital		Capital Surplus	Retained Earnings			Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets		
	Shares in Thousand	Ordinary Shares		Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2016	1,743,674	\$ 17,436,742	\$ 48,717	\$ 875,554	\$ 87,810	\$ 2,189,843	\$ 3,153,207	\$ 12,553	\$ 197,569	\$ (3,508)	\$ 20,845,280
Appropriation of the 2015 earnings											
Legal reserve	-	-	-	617,182	-	(617,182)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(348,735)	(348,735)	-	-	-	(348,735)
Share dividends	104,621	1,046,205	-	-	-	(1,046,205)	(1,046,205)	-	-	-	-
Reversal of special reserve	-	-	-	-	(62,874)	62,874	-	-	-	-	-
Net income for the year ended December 31, 2016	-	-	-	-	-	2,339,018	2,339,018	-	-	-	2,339,018
Other comprehensive loss for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(25,983)	(25,983)	(41,922)	(539,313)	-	(607,218)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	2,313,035	2,313,035	(41,922)	(539,313)	-	1,731,800
Issue of ordinary shares for cash	155,000	1,550,000	-	-	-	-	-	-	-	-	1,550,000
Value of share-based payment under employee share options	-	-	232	-	-	-	-	-	-	-	232
Adjustments to capital surplus of cash dividends to subsidiary	-	-	93	-	-	-	-	-	-	-	93
BALANCE AT DECEMBER 31, 2016	2,003,295	20,032,947	49,042	1,492,736	24,936	2,553,630	4,071,302	(29,369)	(341,744)	(3,508)	23,778,670
Appropriation of the 2016 earnings											
Legal reserve	-	-	-	701,705	-	(701,705)	-	-	-	-	-
Special reserve	-	-	-	-	357,872	(357,872)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(400,561)	(400,561)	-	-	-	(400,561)
Share dividends	100,140	1,001,402	-	-	-	(1,001,402)	(1,001,402)	-	-	-	-
Net income for the year ended December 31, 2017	-	-	-	-	-	1,910,600	1,910,600	-	-	-	1,910,600
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(12,023)	(12,023)	(8,433)	520,557	-	500,101
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	1,898,577	1,898,577	(8,433)	520,557	-	2,410,701
Issue of ordinary shares for cash	60,000	600,000	-	-	-	-	-	-	-	-	600,000
Treasury stock retired	(491)	(4,909)	1,401	-	-	-	-	-	-	3,508	-
BALANCE AT DECEMBER 31, 2017	<u>2,162,944</u>	<u>\$ 21,629,440</u>	<u>\$ 50,443</u>	<u>\$ 2,194,441</u>	<u>\$ 382,808</u>	<u>\$ 1,990,667</u>	<u>\$ 4,567,916</u>	<u>\$ (37,802)</u>	<u>\$ 178,813</u>	<u>\$ -</u>	<u>\$ 26,388,810</u>

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

(With Deloitte & Touche auditors' report dated March 20, 2018)

SUNNY BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 2,242,182	\$ 2,723,818
Adjustments for:		
Depreciation expenses	222,956	213,642
Amortization expenses	19,212	16,373
Allowance for doubtful accounts and guarantees	676,848	71,467
Interest expenses	3,054,869	2,838,093
Interest revenues	(7,883,833)	(7,320,570)
Dividend income	(51,759)	(52,857)
Decrease in provisions	(24,445)	(232,976)
Share-based payments	-	232
Loss (gain) on disposal of property and equipment	(81)	432
Loss on disposal of available-for-sale financial asset	3	-
Realized gain on available-for-sale financial asset	(22,302)	(142,209)
Gain on reversal of impairment loss on financial assets	(37,531)	(28,349)
Impairment loss on non-financial assets	3,025	-
Changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank and call loans to other banks	872,314	(1,150,397)
Increase in financial assets at fair value through profit or loss	(10,668,107)	(2,032,465)
Decrease (increase) in receivables	(15,262)	103,332
Increase in discounts and loans	(26,604,248)	(22,829,324)
Increase in due to the Central Bank and banks	370,000	1,370,000
Decrease in financial liabilities at fair value through profit or loss	(5,216)	(3,365)
Increase in securities sold under agreements to repurchase	6,054,797	750,299
Increase in payables	124,348	954,935
Increase in deposits and remittances	31,935,483	25,995,828
Net cash generated from operations	263,253	1,245,939
Interest received	7,929,994	7,131,069
Dividends received	51,759	52,857
Interest paid	(2,897,147)	(2,806,125)
Income tax paid	(333,619)	(119,223)
Net cash generated from operating activities	<u>5,014,240</u>	<u>5,504,517</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	(505,456,911)	(567,476,240)
Proceeds from disposal of available-for-sale financial assets	506,460,856	571,566,896
Purchase of held-to-maturity financial assets	(7,125,562)	(12,284,140)
Proceeds from disposal of held-to-maturity financial assets	1,992	-
Purchase of financial assets carried at cost	(99)	-
Payments for property and equipment	(154,114)	(221,340)
Proceeds from disposal of property and equipment	432	3
Payments for intangible assets	(25,307)	(15,892)
Payments for investment properties	(23,113)	(89,413)

(Continued)

SUNNY BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
Increase in other financial assets	\$ (1,779,512)	\$ (2,489,965)
Decrease in other assets	<u>30,236</u>	<u>126,539</u>
Net cash used in investing activities	<u>(8,071,102)</u>	<u>(10,883,552)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	59,000	(51,000)
Issue of bank debentures	2,780,000	3,100,000
Repayment of bank debentures on maturity	(2,500,000)	-
Increase (decrease) in other financial liabilities	57,833	(51,881)
Increase in other liabilities	28,925	417
Cash dividends	(400,561)	(348,642)
Proceeds from issue of ordinary shares	<u>600,000</u>	<u>1,550,000</u>
Net cash generated from financing activities	<u>625,197</u>	<u>4,198,894</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>140,530</u>	<u>29,632</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(2,291,135)	(1,150,509)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>11,231,049</u>	<u>12,381,558</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 8,939,914</u>	<u>\$ 11,231,049</u>

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets at December 31, 2017 and 2016:

	<u>December 31</u>	
	2017	2016
Cash and cash equivalents in consolidated balance sheets	\$ 6,548,460	\$ 8,305,831
Due from the Central Bank and call loans to other banks reclassified as cash and cash equivalents under IAS 7 "Statement of Cash Flows"	600,574	1,536,791
Securities purchased under agreements to resell reclassified as cash and cash equivalents under IAS 7 "Statement of Cash Flows"	<u>1,790,880</u>	<u>1,388,427</u>
Cash and cash equivalents in consolidated statements of cash flows	<u>\$ 8,939,914</u>	<u>\$ 11,231,049</u>

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

(With Deloitte & Touche auditors' report dated March 20, 2018)

(Concluded)

SUNNY BANK LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Sunny Bank Ltd. (the Company) is a public company that deals with: (1) businesses eligible for commercial banks to operate as stated in the Act of Banking; (2) all kinds of deposit and trust business; (3) other relevant businesses approved by central authorities; (4) planning, management and operating a trust businesses stated in the Act of Banking (Department of Trust), as well as investment of national negotiable securities and trust operations. As of December 31, 2017, the Bank had 103 branches nationwide.

On December 6, 2016, the Company's board of directors resolved to adjust its organizational structure and undertake merger by absorption of Sunny Life Insurance Brokerage Co., Ltd. (Sunny Life Insurance) and Sunny Property & Insurance Brokerage Co., Ltd. (Sunny Property & Insurance). The purpose of the resolution is to improve the operational efficiency of the Company and subsidiaries (collectively referred to as the Group) in response to future industrial development and enhance its competitiveness. The record date of the merger was January 20, 2017. The Company was the survivor company and Sunny Life Insurance and Sunny Property & Insurance the dissolved company after the merger. Refer to Note 46 for related disclosures.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors and authorized for issue on March 20, 2018.

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

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

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

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

The amendment clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which impairment loss has been recognized or reversed is fair value less costs of disposal, the Group is required to disclose the fair value hierarchy. If the fair value measurements are categorized within Level 2 or Level 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using present value technique. The amendment should be applied retrospectively, starting from January 1, 2017.

2) Annual Improvements to IFRSs: 2010-2012 Cycle

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

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

3) Annual Improvements to IFRSs: 2011-2013 Cycle

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

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

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

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

The amendments also require additional disclosure if there is a significant difference between the actual operation conditions after a business combination and the expected benefits at the acquisition date.

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions and impairment of goodwill are enhanced. Refer to Note 39 for the related disclosures.

- b. The Regulations Governing the Preparation of Financial Reports by Public Banks, the Regulations Governing the Preparation of Financial Reports by Securities Firms, and the IFRSs issued and endorsed by FSC for application starting from 2018

New, Revised or Amended Standards and Interpretations ("New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

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

Except for the following items, the Group believes that the adoption of the above standards or interpretations will not have any material impact on the Group's accounting policies.

IFRS 9 "Financial Instruments" and related amendments - classification, measurement and impairment of financial assets

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

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

- 1) For debt instruments, if they are held within a business model whose objective is to collect contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method; and

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

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

The Group analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed an assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

- 1) Listed shares and unlisted shares classified as available-for-sale will be designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal. Besides this, unlisted shares measured at cost will be measured at fair value instead;
- 2) Mutual funds classified as available-for-sale will be classified as at fair value through other comprehensive income under IFRS 9, because, on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets; and
- 3) Debt investments classified as held-to-maturity financial assets and measured at amortized cost will be classified as measured at amortized cost under IFRS 9 because, on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect contractual cash flows/Debt investments without active market will be classified as at fair value through profit or loss, because, on initial recognition, the contractual cash flows are solely payments of principal and interest on the principal outstanding but the objective of the Group's business model is not to collect contractual cash flows and neither is it achieved both by collecting contractual cash flows and selling financial assets.

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

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

The Group has performed a preliminary assessment in which it will apply the simplified approach to recognize full-lifetime expected credit losses for trade receivables, contract assets and lease receivables. In relation to debt instrument investments and financial guarantee contracts, the Group will assess whether there has been a significant increase in credit risk to determine whether to recognize 12-month or full-lifetime expected credit losses. In general, the Group anticipates that the application of the expected credit losses model of IFRS 9 will result in an earlier recognition of credit losses for financial assets.

The Group elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

The anticipated impact on assets, liabilities and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
<u>Impact on assets, liabilities and equity</u>			
Financial assets at fair value through other comprehensive income - current	\$ -	\$ 65,539,907	\$ 65,539,907
Financial assets measured at amortized cost - current	-	21,147,405	21,147,405
Available-for-sale financial assets - current	64,871,328	(64,871,328)	-
Held-to-maturity financial assets - current	21,147,709	(21,147,709)	-
Trade receivables from unrelated parties, net	4,048,582	(74,849)	3,973,733
Other financial - asset, net	<u>5,844,071</u>	<u>(196,392)</u>	<u>5,647,679</u>
Total effect on assets	<u>\$ 95,911,690</u>	<u>\$ 397,034</u>	<u>\$ 96,308,724</u>
Reserve for liabilities	<u>\$ 70,737</u>	<u>\$ 25,284</u>	<u>\$ 96,021</u>
Total effect on liabilities	<u>\$ 70,737</u>	<u>\$ 25,284</u>	<u>\$ 96,021</u>
Retained earnings	\$ 4,567,916	\$ (101,869)	\$ 4,466,047
Other equity	<u>141,011</u>	<u>473,619</u>	<u>614,630</u>
Total effect on equity	<u>\$ 4,708,927</u>	<u>\$ 371,750</u>	<u>\$ 5,080,677</u>

Except for the above impact, 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 the 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 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
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 16 “Leases”	January 1, 2019 (Note 3)
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 4)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019

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

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

Except for the following items, the Group believes that the adoption of the above standards or interpretations will not have any material impact on the Group’s accounting policies.

IFRS 16 “Leases”

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value 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 43 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, 2017 and 2016 were as follows:

Investor Company	Subsidiary	Business Nature	Percentage of Shareholding (%)	
			December 31 2017	2016
Sunny Bank Ltd.	Sunny Securities Co., Ltd. ("Sunny Securities Co.")	Accepting orders to sell and purchase negotiable securities in centralized markets and its sales office, and dealing with commodity trading business	100.00	100.00
Sunny Bank Ltd.	King Sunny Assets Management Co., Ltd. ("King Sunny Assets Management Co.")	Business related to the financial institution creditor's right (money) purchase	100.00	100.00
Sunny Bank Ltd.	Sunny International Leasing Co. ("Sunny International Leasing Co.")	Financing and leasing business	100.00	100.00
Sunny Bank Ltd.	Sunny E-Commercial Co., Ltd. ("Sunny E-Commercial Co.")	Internet, software design, information processing and retailing service	100.00	100.00
Sunny International Leasing Co.	Sunny Finance Lease (HK) Limited	Financing and leasing business	100.00	100.00
Sunny Finance Lease (HK) Limited	Sunny Finance and Leasing (China) Co., Ltd.	Financing and leasing business	100.00	100.00

To enhance the efficiency of information services operating, utilize expertise in industrial services, and satisfy diversified financial services and needs, so as to enforce Company's competitiveness, on December 9, 2014, under the approval of the board of director, Company purchased 100% shareholding of Sunny E-Commercial Co from King Sunny Asset Management Co and obtained the approval for reference from FSC.

Company has accomplished investment in March 2016.

Company merged with Sunny Life Insurance Brokerage Co., Ltd. and Sunny Property & Insurance Brokerage Co., Ltd. which were held by Sunny Bank Ltd, please refer to Notes 1 and 46.

Foreign Currencies

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

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

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

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including branches that use currencies which are different from the currency of the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

Financial Instruments

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

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

Financial assets

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

a. Measurement category

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

1) Financial assets at fair value through profit or loss

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

Financial assets designated as at fair value through profit or loss shall be stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 42.

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

2) Available-for-sale financial assets

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

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

Fair value is determined with methods described in Note 42.

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

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

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

3) Held-to-maturity investments

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

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

4) Loans and receivables

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

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

b. Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

c. Derecognition of financial assets

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

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

Financial liabilities and equity instruments

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

a. Measurement and recognition

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

1) Financial liabilities at fair value through profit or loss

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

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 42.

2) Financial guarantee contracts

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

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

b. Derecognition of financial liabilities

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

Derivative Financial Instruments

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

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

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

Repurchase and Reverse Repurchase Transactions

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

Margin Loans and Stock Loans

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

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

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

Property, Plant and Equipment

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

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

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

Investment Properties

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

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated impairment loss.

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

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

Leasing

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

a. The Group as lessor

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

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

b. The Group as lessee

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

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

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

Intangible Assets

a. Intangible assets acquired separately

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

b. Intangible assets acquired in a business combination

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

c. Derecognition of intangible assets

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

Goodwill

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

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

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

Collaterals Assumed

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

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets can be identified as reasonable and consistent basis of allocation.

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

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

Provisions

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefit costs

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

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

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

c. Preferential interest on employees' deposits

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

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

Revenue Recognition

a. Interest income and expense

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

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

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

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

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

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

b. Commission revenue

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

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

c. Dividend income

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

Share-based Payment Arrangements

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

Income Tax

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

a. Current tax

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

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

b. Deferred tax

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

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

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

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

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

c. Current and deferred tax for the period

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Impairment Loss on Loans and Receivables

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

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

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2017	2016
Cash on hand	\$ 2,910,206	\$ 2,963,968
Checks for clearing	2,096,648	2,027,519
Bank deposits and due from other banks	<u>1,541,606</u>	<u>3,314,344</u>
	<u>\$ 6,548,460</u>	<u>\$ 8,305,831</u>

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

	<u>December 31</u>	
	2017	2016
Deposit reserve - checking accounts	\$ 2,482,497	\$ 5,848,061
Deposit reserve - demand accounts	9,920,700	9,233,097
Deposit reserve - foreign currencies	37,517	33,149
Call loans and overdraft to banks	2,059,512	1,194,323
Due from the Central Bank - interbank settlement funds	<u>600,574</u>	<u>600,701</u>
	<u>\$ 15,100,800</u>	<u>\$ 16,909,331</u>

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

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Held-for-trading financial assets		
Commercial papers	\$ 22,212,931	\$ 11,761,432
Beneficial certificates	196,711	-
Currency swap contracts	26,320	2,424
Forward contracts	<u>564</u>	<u>4,563</u>
	<u>\$ 22,436,526</u>	<u>\$ 11,768,419</u>
Held-for-trading financial liabilities		
Currency swap contracts	\$ 8,022	\$ 12,797
Forward contracts	<u>18</u>	<u>459</u>
	<u>\$ 8,040</u>	<u>\$ 13,256</u>

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

Outstanding derivative contracts (nominal) are shown as follows:

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Currency swap contracts	\$ 2,849,374	\$ 1,625,798
Forward contracts	72,427	109,572

9. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Bank debentures	\$ 1,152,133	\$ 1,285,091
Corporate bonds	<u>638,747</u>	<u>103,336</u>
	<u>\$ 1,790,880</u>	<u>\$ 1,388,427</u>
Amounts of resell agreements	<u>\$ 1,794,138</u>	<u>\$ 1,390,184</u>
Dates of resell agreements	2018.1.3- 2018.1.29	2017.1.3- 2017.1.17

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

10. RECEIVABLES, NET

	December 31	
	2017	2016
Lease receivables	\$ 1,882,452	\$ 1,998,482
Interest receivables	1,088,881	900,114
Credit card receivables	563,305	546,489
Account receivable - settlement	308,059	182,542
Purchased claim receivables	151,842	179,308
Acceptances	36,675	74,908
Other receivables	<u>361,315</u>	<u>370,505</u>
	4,392,529	4,252,348
Less: Allowance for credit losses (Note 11)	<u>343,947</u>	<u>330,782</u>
Net amount	<u>\$ 4,048,582</u>	<u>\$ 3,921,566</u>
Minimum lease payments receivables	\$ 2,056,235	\$ 2,186,943
Less: Unearned finance income	<u>173,783</u>	<u>188,461</u>
Present value of minimum lease payment	<u>\$ 1,882,452</u>	<u>\$ 1,998,482</u>

11. DISCOUNTS AND LOANS, NET

	December 31	
	2017	2016
Export negotiation	\$ 100,891	\$ 89,769
Short-term loans	24,183,953	23,461,341
Secured short-term loans	67,328,836	59,850,232
Margin loan receivables	545,764	265,796
Medium-term loans	32,240,409	27,802,583
Secured medium-term loans	90,805,674	75,857,531
Long-term loans	1,441,219	1,548,758
Secured long-term loans	73,501,510	74,925,019
Nonperforming loans transferred from loans	<u>199,477</u>	<u>107,714</u>
	290,347,733	263,908,743
Less: Allowance for credit losses	3,520,270	3,100,797
Premium or discount on discounts and loans	<u>10,219</u>	<u>8,555</u>
Net amount	<u>\$ 286,837,682</u>	<u>\$ 260,816,501</u>

Please refer to Note 43 for the analysis of impairment loss on receivables, and discounts and loans.

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

	2017						
	Discounts and Loans			Receivables	Non-performing Loans Transferred from Other than Loans	Provision for Guarantee Liability	Total
	Specific Risk	General Risk	Subtotal				
Balance, January 1	\$ 7,747	\$ 3,093,050	\$ 3,100,797	\$ 330,782	\$ 1,714	\$ 25,740	\$ 3,459,033
(Reversal) provisions	255,375	408,072	663,447	7,858	3,927	1,616	676,848
Write-off	(798,860)	-	(798,860)	(3,920)	(18,069)	-	(820,849)
Recovery of written-off credits	574,249	-	574,249	9,306	14,591	-	598,146
Effect of exchange rate charges	(19,363)	-	(19,363)	(79)	-	-	(19,442)
Balance, December 31	<u>\$ 19,148</u>	<u>\$ 3,501,122</u>	<u>\$ 3,520,270</u>	<u>\$ 343,947</u>	<u>\$ 2,163</u>	<u>\$ 27,356</u>	<u>\$ 3,893,736</u>

	2016						
	Discounts and Loans			Receivables	Non-performing Loans Transferred from Other than Loans	Provision for Guarantee Liability	Total
	Specific Risk	General Risk	Subtotal				
Balance, January 1	\$ 8,357	\$ 2,976,730	\$ 2,985,087	\$ 385,079	\$ 1,671	\$ 28,573	\$ 3,400,410
(Reversal) provisions	16,635	116,320	132,955	(61,508)	2,853	(2,833)	71,467
Write-off	(579,042)	-	(579,042)	(19,661)	(15,367)	-	(614,070)
Recovery of written-off credits	564,489	-	564,489	25,333	14,779	-	604,601
Reclassification	-	-	-	2,222	(2,222)	-	-
Effect of exchange rate charges	(2,692)	-	(2,692)	(683)	-	-	(3,375)
Balance, December 31	<u>\$ 7,747</u>	<u>\$ 3,093,050</u>	<u>\$ 3,100,797</u>	<u>\$ 330,782</u>	<u>\$ 1,714</u>	<u>\$ 25,740</u>	<u>\$ 3,459,033</u>

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2017	2016
Negotiable certificates of deposits	\$ 36,850,377	\$ 36,525,825
Government bonds	20,536,299	22,317,093
Commercial papers	3,659,856	2,242,173
Bank debentures	2,322,229	1,055,342
Corporate bonds	1,134,546	3,079,691
Stocks	368,021	226,901
Beneficial certificates	-	342,331
	<u>\$ 64,871,328</u>	<u>\$ 65,789,356</u>

As of December 31, 2017 and 2016, no bond investments had been sold under repurchase agreements.

Please refer to Note 40 for information on available-for-sale financial assets pledged as security.

13. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31	
	2017	2016
Government bonds	<u>\$ 21,147,709</u>	<u>\$ 14,131,821</u>

As of December 31 2017 and 2016, the principal of bond investments amounting to \$9,650,000 thousand and \$3,600,000 thousands, had been sold under repurchase agreements, respectively.

Please refer to Note 40 for information relating to held-to-maturity financial assets pledged as security.

14. OTHER FINANCIAL ASSETS, NET

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Financial assets carried at cost		
Unlisted common stocks		
Financial Information Service Co., Ltd.	\$ 115,771	\$ 115,771
Taiwan Financial Asset Service Co., Ltd.	50,000	50,000
Taiwan Depository and Clearing Co., Ltd.	21,490	21,490
Taiwan Mobile Payment Co., Ltd.	6,000	6,000
Sunny Real Estate Management Co., Ltd.	3,099	3,000
Protop Technology Co., Ltd.	-	10,782
	<u>196,360</u>	<u>207,043</u>
Less: Accumulated impairment loss	<u>99</u>	<u>10,782</u>
	<u>196,261</u>	<u>196,261</u>
Debt instruments with no active markets		
Structured products	45,652	85,437
Structured time deposit	86,102	128,284
Less: Accumulated impairment loss	<u>86,102</u>	<u>128,284</u>
	<u>45,652</u>	<u>85,437</u>
Other financial assets		
Time deposits not qualifying as cash and cash equivalents	<u>5,599,673</u>	<u>3,747,274</u>
Nonperforming loans transferred from other than loans	4,648	3,598
Less: Allowance for credit losses (Note 11)	<u>2,163</u>	<u>1,714</u>
	<u>2,485</u>	<u>1,884</u>
	<u>\$ 5,844,071</u>	<u>\$ 4,030,856</u>

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

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

Please refer to Note 40 for information relating to other financial assets pledged as security.

15. PROPERTY AND EQUIPMENT, NET

	Land	Buildings	Machinery Equipment	Transportation Equipment	Other Equipment	Leasehold Improvement	Prepayments for Equipment and Construction in Progress	Lease Assets	Total
Cost									
Balance, January 1, 2016	\$ 7,293,171	\$ 2,931,866	\$ 780,686	\$ 48,498	\$ 754,229	\$ 26,745	\$ 84,695	\$ 117	\$ 11,920,007
Additions	-	-	51,673	11,724	43,402	687	113,910	-	221,396
Disposals	-	-	(57,683)	(3,667)	(11,831)	(208)	-	(117)	(73,506)
Reclassification	-	-	23,163	-	30,558	-	(61,332)	-	(7,611)
Effect of foreign currency exchange differences	-	-	-	(104)	(35)	-	-	-	(139)
Balance, December 31, 2016	<u>7,293,171</u>	<u>2,931,866</u>	<u>797,839</u>	<u>56,451</u>	<u>816,323</u>	<u>27,224</u>	<u>137,273</u>	<u>-</u>	<u>12,060,147</u>
Accumulated depreciation									
Balance, January 1, 2016	-	1,244,201	475,834	32,293	648,000	24,105	-	68	2,424,501
Depreciation	-	65,330	93,853	6,204	47,238	968	-	49	213,642
Disposals	-	-	(57,505)	(3,667)	(11,682)	(100)	-	(117)	(73,071)
Effect of foreign currency exchange differences	-	-	-	(10)	(23)	-	-	-	(33)
Balance, December 31, 2016	<u>-</u>	<u>1,309,531</u>	<u>512,182</u>	<u>34,820</u>	<u>683,533</u>	<u>24,973</u>	<u>-</u>	<u>-</u>	<u>2,565,039</u>
Accumulated impairment loss									
Balance, January 1, 2016	10,000	-	-	-	-	-	-	-	10,000
Balance, December 31, 2016	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Net amount									
Balance, January 1, 2016	\$ 7,283,171	\$ 1,687,665	\$ 304,852	\$ 16,205	\$ 106,229	\$ 2,640	\$ 84,695	\$ 49	\$ 9,485,506
Balance, December 31, 2016	<u>\$ 7,283,171</u>	<u>\$ 1,622,335</u>	<u>\$ 285,657</u>	<u>\$ 21,631</u>	<u>\$ 132,790</u>	<u>\$ 2,251</u>	<u>\$ 137,273</u>	<u>\$ -</u>	<u>\$ 9,485,108</u>
Cost									
Balance, January 1, 2017	\$ 7,293,171	\$ 2,931,866	\$ 797,839	\$ 56,451	\$ 816,323	\$ 27,224	\$ 137,273	\$ -	\$ 12,060,147
Additions	-	-	41,045	5,856	35,499	1,002	71,714	-	155,116
Disposals	-	-	(53,500)	(2,152)	(10,092)	(900)	-	-	(66,644)
Reclassification	-	-	20,696	-	1,916	-	(56,599)	-	(33,987)
Effect of foreign currency exchange differences	-	-	-	(25)	(6)	-	-	-	(31)
Balance, December 31, 2017	<u>7,293,171</u>	<u>2,931,866</u>	<u>806,080</u>	<u>60,130</u>	<u>843,640</u>	<u>27,326</u>	<u>152,388</u>	<u>-</u>	<u>12,114,601</u>
Accumulated depreciation									
Balance, January 1, 2017	-	1,309,531	512,182	34,820	683,533	24,973	-	-	2,565,039
Depreciation	-	64,363	100,980	6,607	50,269	737	-	-	222,956
Disposals	-	-	(53,500)	(1,801)	(10,092)	(900)	-	-	(66,293)
Effect of foreign currency exchange differences	-	-	-	3	(3)	-	-	-	-
Balance, December 31, 2017	<u>-</u>	<u>1,373,894</u>	<u>559,662</u>	<u>39,629</u>	<u>723,707</u>	<u>24,810</u>	<u>-</u>	<u>-</u>	<u>2,721,702</u>
Accumulated impairment loss									
Balance, January 1, 2017	10,000	-	-	-	-	-	-	-	10,000
Balance, December 31, 2017	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Net amount									
Balance, December 31, 2017	<u>\$ 7,283,171</u>	<u>\$ 1,557,972</u>	<u>\$ 246,418</u>	<u>\$ 20,501</u>	<u>\$ 119,933</u>	<u>\$ 2,516</u>	<u>\$ 152,388</u>	<u>\$ -</u>	<u>\$ 9,382,899</u>

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

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

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

16. INVESTMENT PROPERTY

	December 31	
	2017	2016
Land	\$ 135,375	\$ 135,375
Buildings	<u>66,826</u>	<u>43,713</u>
	<u>\$ 202,201</u>	<u>\$ 179,088</u>

The movements of investment property are summarized as follow:

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Cost</u>		
Balance, January 1	\$ 179,088	\$ 89,675
Addition	<u>23,113</u>	<u>89,413</u>
Balance, December 31	<u>\$ 202,201</u>	<u>\$ 179,088</u>

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

The Group's management was unable to reliably determine the fair value of investment property as of December 31, 2016 because these investment properties are apartments and commercial buildings still under construction and the alternative reliable measurements of fair value are not available.

17. INTANGIBLE ASSETS

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Goodwill	\$ 1,034,579	\$ 1,034,579
Computer software	<u>79,126</u>	<u>37,889</u>
	<u>\$ 1,113,705</u>	<u>\$ 1,072,468</u>

The movements of intangible assets are shown as follows:

	<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>
Balance, January 1	\$ 1,072,468	\$ 1,063,409
Additions	25,307	15,892
Amortization	(18,057)	(14,444)
Reclassifications	<u>33,987</u>	<u>7,611</u>
Balance, December 31	<u>\$ 1,113,705</u>	<u>\$ 1,072,468</u>

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

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

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

18. OTHER ASSETS, NET

	December 31	
	2017	2016
Collaterals assumed		
Cost	\$ 195,223	\$ 20,859
Less: Accumulated impairment loss	<u>23,884</u>	<u>20,859</u>
Collaterals assumed, net	171,339	-
Refundable deposits	112,280	160,568
Prepayments	47,008	34,844
Operating deposits, clearing and settlement fund	14,998	17,520
Others	<u>31,983</u>	<u>30,770</u>
	<u>\$ 377,608</u>	<u>\$ 243,702</u>

19. DUE TO THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2017	2016
Due to banks	\$ 3,665,000	\$ 3,745,000
Call loans from banks	2,350,000	1,900,000
Deposits from Chunghwa Post Co., Ltd.	<u>1,298,606</u>	<u>1,298,606</u>
	<u>\$ 7,313,606</u>	<u>\$ 6,943,606</u>

20. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	December 31	
	2017	2016
Government bonds	<u>\$ 9,655,135</u>	<u>\$ 3,600,338</u>
Agreed-upon repurchase price	<u>\$ 9,658,237</u>	<u>\$ 3,601,851</u>
Maturity date	2018.1.4- 2018.1.30	2017.1.9- 2017.2.9

21. PAYABLES

	December 31	
	2017	2016
Notes and checks in clearing	\$ 2,096,648	\$ 2,027,519
Interest payables	580,196	424,462
Accrued expenses	566,658	563,732
Accounts payable for settlement	320,244	173,638
Other tax payables	74,480	74,270
Acceptances payables	38,309	75,031
Bill for collection	16,759	52,328
Other payables	<u>250,934</u>	<u>273,166</u>
	<u>\$ 3,944,228</u>	<u>\$ 3,664,146</u>

22. DEPOSITS AND REMITTANCES

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Checking	\$ 3,225,697	\$ 3,167,460
Demand	47,627,103	43,793,886
Time deposits	130,339,614	110,516,014
Savings	195,231,918	187,116,015
Remittances	<u>116,400</u>	<u>11,874</u>
	<u>\$ 376,540,732</u>	<u>\$ 344,605,249</u>

23. BANK DEBENTURES

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

	Maturity Date	Rates	<u>December 31</u>	
			<u>2017</u>	<u>2016</u>
First subordinated bank debentures issued in 2010 (A)	2010.04.30-2017.04.30 Principal is repayable on maturity date.	Fixed interest rate of 3.25%. Interest is paid annually.	\$ -	\$ 570,000
First subordinated bank debentures issued in 2010 (B)	2010.04.30-2017.04.30 Principal is repayable on maturity date.	Variable interest rate plus 1.83%. Interest is paid annually.	-	230,000
Second subordinated bank debentures issued in 2010 (A)	2010.10.29-2017.10.29 Principal is repayable on maturity date.	Fixed interest rate of 3.25%. Interest is paid annually.	-	500,000
Second subordinated bank debentures issued in 2010 (B)	2010.10.29-2017.10.29 Principal is repayable on maturity date.	Variable interest rate plus 1.71%. Interest is paid annually.	-	300,000
Third subordinated bank debentures issued in 2010	2010.11.11-2017.10.11 Principal is repayable on maturity date.	Fixed interest rate of 3.25%. Interest is paid annually.	-	400,000
First subordinated bank debentures issued in 2011 (A)	2011.06.27-2018.06.27 Principal is repayable on maturity date.	Fixed interest rate of 2.85%. Interest is paid annually.	100,000	100,000
First subordinated bank debentures issued in 2011 (B)	2011.06.27-2018.06.27 Principal is repayable on maturity date. Principal amount of \$300,000 thousand repaid early in April 2017.	Fixed interest rate of 1.25%. Interest is paid annually.	200,000	500,000
Second subordinated bank debentures issued in 2011	2011.09.30-2018.09.30 Principal is repayable on maturity date. Repaid early in April 2017.	Variable interest rate plus 1.17%. Interest is paid annually.	-	200,000
First subordinated bank debentures issued in 2012 (A)	2012.05.30-2019.05.30 Principal is repayable on maturity date.	Fixed interest rate of 2.45%. Interest is paid annually.	500,000	500,000
First subordinated bank debentures issued in 2012 (B)	2012.05.30-2019.05.30 Principal is repayable on maturity date.	Variable interest rate plus 0.97%. Interest is paid annually.	600,000	600,000
Second subordinated bank debentures issued in 2012	2012.06.29-2019.05.29 Principal is repayable on maturity date.	Fixed interest rate of 2.45%. Interest is paid annually.	200,000	200,000
First subordinated bank debentures issued in 2013 (A)	2013.04.30-2020.04.30 Principal is repayable on maturity date.	Fixed interest rate of 2.45%. Interest is paid annually.	1,450,000	1,450,000
First subordinated bank debentures issued in 2013 (B)	2013.04.30-2020.04.30 Principal is repayable on maturity date.	Variable interest rate plus 0.77%. Interest is paid annually.	50,000	50,000
First subordinated bank debentures issued in 2014 (A)	2014.03.31-2021.03.31 Principal is repayable on maturity date.	Fixed interest rate of 2.35%. Interest is paid annually.	1,450,000	1,450,000
First subordinated bank debentures issued in 2014 (B)	2014.03.31-2021.03.31 Principal is repayable on maturity date.	Variable interest rate plus 0.67%. Interest is paid annually.	50,000	50,000
Second subordinated bank debentures issued in 2014	2014.08.26-2021.08.26 Principal is repayable on maturity date.	Fixed interest rate of 2.35%. Interest is paid annually.	700,000	700,000
Third subordinated bank debentures issued in 2014	2014.12.30-2021.12.30 Principal is repayable on maturity date.	Fixed interest rate of 2.45%. Interest is paid annually.	800,000	800,000
Second subordinated bank debentures issued in 2015	2015.10.08-2022.10.08 Principal is repayable on maturity date.	Fixed interest rate of 2.50%. Interest is paid annually.	400,000	400,000
Third subordinated bank debentures issued in 2015	2015.11.10-2022.11.10 Principal is repayable on maturity date.	Fixed interest rate of 2.50%. Interest is paid annually.	500,000	500,000
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

(Continued)

	Maturity Date	Rates	December 31	
			2017	2016
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	-
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	-
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	-
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	-
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	-
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	-
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	-
			<u>\$ 13,780,000</u>	<u>\$ 13,500,000</u>

(Concluded)

24. PROVISIONS

	December 31	
	2017	2016
Provisions for employee benefits (Note 25)	\$ 34,518	\$ 43,578
Provisions for guarantee liabilities (Note 11)	27,356	25,740
Provisions for decommissioning liabilities	<u>8,863</u>	<u>8,761</u>
	<u>\$ 70,737</u>	<u>\$ 78,079</u>

25. PROVISIONS FOR EMPLOYEE BENEFITS

	December 31	
	2017	2016
Recognized in consolidated balance sheets (accounts payable and provisions)		
Defined benefit plans	\$ 30,828	\$ 39,593
Defined contribution plans	11,757	12,095
Preferential interest rate plan for employees' deposits	<u>3,690</u>	<u>3,985</u>
	<u>\$ 46,275</u>	<u>\$ 55,673</u>

a. Defined benefit plans

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

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

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

	December 31	
	2017	2016
Present value of defined benefit obligation	\$ 696,596	\$ 727,191
Fair value of plan assets	<u>(665,768)</u>	<u>(687,598)</u>
Net defined benefit liability	<u>\$ 30,828</u>	<u>\$ 39,593</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, 2016	<u>\$ 722,808</u>	<u>\$ (484,769)</u>	<u>\$ 238,039</u>
Service cost			
Current service cost	9,894	-	9,894
Net interest expense (income)	<u>12,299</u>	<u>(8,332)</u>	<u>3,967</u>
Recognized in profit or loss	<u>22,193</u>	<u>(8,332)</u>	<u>13,861</u>
Remeasurement			
Return on plan assets	-	2,612	2,612
Actuarial loss - changes in demographic assumptions	361	-	361
Actuarial loss - changes in financial assumptions	1,806	-	1,806
Actuarial loss - experience adjustments	<u>30,010</u>	<u>(3,484)</u>	<u>26,526</u>
Recognized in other comprehensive income	<u>32,177</u>	<u>(872)</u>	<u>31,305</u>
Contributions from the employer	-	(243,612)	(243,612)
Benefits paid	<u>(49,987)</u>	<u>49,987</u>	-
Balance at December 31, 2016	<u>727,191</u>	<u>(687,598)</u>	<u>39,593</u>
Service cost			
Current service cost	9,758	-	9,758
Net interest expense (income)	<u>9,861</u>	<u>(9,415)</u>	<u>446</u>
Recognized in profit or loss	<u>19,619</u>	<u>(9,415)</u>	<u>10,204</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Remeasurement			
Return on plan assets	\$ -	\$ 5,982	\$ 5,982
Actuarial loss - changes in demographic assumptions	(1,157)	-	(1,157)
Actuarial loss - changes in financial assumptions	(5,783)	-	(5,783)
Actuarial loss - experience adjustments	<u>18,099</u>	<u>(2,656)</u>	<u>15,443</u>
Recognized in other comprehensive income	<u>11,159</u>	<u>3,326</u>	<u>14,485</u>
Contributions from the employer	-	(33,454)	(33,454)
Benefits paid	<u>(61,373)</u>	<u>61,373</u>	<u>-</u>
Balance at December 31, 2017	<u>\$ 696,596</u>	<u>\$ (665,768)</u>	<u>\$ 30,828</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, the Group's return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2017	2016
Discount rate(s)	1.250%	1.375%
Expected rate(s) of salary increase	1.250%-2.000%	1.500%-2.000%

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

	December 31	
	2017	2016
Discount rate(s)		
0.25% increase	<u>\$ (14,098)</u>	<u>\$ (15,262)</u>
0.25% decrease	<u>\$ 14,591</u>	<u>\$ 15,813</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 13,993</u>	<u>\$ 15,174</u>
0.25% decrease	<u>\$ (13,584)</u>	<u>\$ (14,715)</u>

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

	December 31	
	2017	2016
The expected contributions to the plan for the next year	<u>\$ 42,250</u>	<u>\$ 14,240</u>
The average duration of the defined benefit obligation	10-12 years	10-12 years

b. Defined contribution plans

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

The subsidiaries in China contribute to pension fund monthly at the specified percentage of the standard salary regulated by the local government of China.

The total expense recognized in profit or loss for the years ended December 31, 2017 and 2016 was \$68,506 thousand and \$69,022 thousand, respectively, which represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

c. Preferential interest on employees’ deposits

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

The preferential interest on employees’ deposits for the years ended December 31, 2017 and 2016 had not been assessed by an independent valuer because there is very little number of employees that meet those relevant criteria, instead the Company’s management gauged those assumptions used in the most recent actuarial valuation report for the estimate of the preferential interest on employee’s deposits.

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

	<u>Valuation at</u> <u>December 31</u>	
	2017	2016
Discount rate	4%	4%
Expected return on employees' deposits	2%	2%
Withdrawal percentage of preferential deposits	1%	1%
The probability of preferential interest on employees' deposits is canceled within ten years	50%	50%

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

	<u>December 31</u>	
	2017	2016
Present value of preferential interest on employees' deposits	\$ 3,690	\$ 3,985
Fair value of plan assets	<u>-</u>	<u>-</u>
Provision of preferential interest on employees' deposits	<u>\$ 3,690</u>	<u>\$ 3,985</u>

The Company expects to make a contribution of \$0 thousand to the preferential interest on employees' deposits for the years ended December 31, 2017 and 2016.

26. OTHER LIABILITIES

	<u>December 31</u>	
	2017	2016
Advance receipts	\$ 191,623	\$ 191,439
Guarantee deposits received	133,982	104,407
Others	<u>6,177</u>	<u>7,011</u>
	<u>\$ 331,782</u>	<u>\$ 302,857</u>

27. EQUITY

Common Shares

a. Share capital

	<u>December 31</u>	
	2017	2016
Number of shares authorized (in thousands)	<u>3,000,000</u>	<u>3,000,000</u>
Shares authorized	<u>\$ 30,000,000</u>	<u>\$ 30,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>2,162,944</u>	<u>2,003,295</u>
Shares issued	<u>\$ 21,629,440</u>	<u>\$ 20,032,947</u>

In their meeting on May 8, 2017, the Company's stockholders resolved to issue 100,140 thousand shares by earnings reallocated as capital, with a par value of NT\$10 each, which increased the share capital issued and fully paid to \$21,029,440 thousand. The above transaction was approved by authorities, and the record date of earnings capitalization was August 15, 2017.

In their meeting on May 16, 2016, the Company's stockholders resolved to issue 104,621 thousand shares by earnings reallocated as capital, with a par value of NT\$10 each, which increased the share capital issued and fully paid to \$18,482,947 thousand. The above transaction was approved by authorities, and the record date of earnings capitalization was July 22, 2016.

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

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

The shares of the capital issued for a cash increase were reserved for the Company's employees in accordance with Company's Act article 267. The grant date was the date that the employees' subscribed and the fair value determined at the grant date of the equity-settled share-based payments is recognized as an expense and capital surplus - employee share options. Related compensation cost of employee share options recognized for the years ended December 31, 2017 and 2016 were \$0 thousand and \$232 thousand, respectively.

In 2017 and 2016 the compensation cost calculated based on employees' subscription of new shares reserved and issued for capital increased by cash were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	The First Subscription in 2017 (Base Date: August 15, 2017)	The First Subscription in 2016 (Base Date: December 9, 2016)
Grant-date share price	\$8.81	\$9.02
Exercise price	\$10	\$10
Expected volatility	12.17%	13.87%
Expected life (years)	0.16	0.15
Risk-free interest rate	0.41%	0.27%

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

Capital Surplus

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (a)</u>		
Arising from issuance of common shares	\$ 18,072	\$ 18,072
Treasury stock transactions	1,401	-
<u>May be used to offset a deficit only</u>		
Lost employee share options	30,790	30,790
Treasury stock transactions (b)	<u>180</u>	<u>180</u>
	<u>\$ 50,443</u>	<u>\$ 49,042</u>

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

Retained Earnings and Dividend Policy

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

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

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

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

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

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

The appropriations from the 2016 and 2015 earnings were proposed in the shareholders' meetings on May 8, 2017 and May 16, 2016, respectively. The appropriations, including dividends per share, were as follows:

	Appropriation of Earnings		Dividends Per Share (\$)	
	2016	2015	2016	2015
Beginning unappropriated earnings	\$ 240,595	\$ 189,741		
Net income	2,339,018	2,057,272		
Adjustments of investments accounted for by the equity method	98	(795)		
Adjustment of actuarial loss on defined benefit plans	(26,081)	(56,375)		
Legal reserve	(701,705)	(617,182)		
Reversal (recognition) of special reserve	(357,872)	62,874		
Cash dividends	(400,561)	(348,735)	\$ 0.2	\$ 0.2
Share dividends	<u>(1,001,402)</u>	<u>(1,046,205)</u>	0.5	0.6
	<u>\$ 92,090</u>	<u>\$ 240,595</u>		

The appropriations of earnings for 2017 had been proposed by the Company's board of directors on March 20, 2018. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Beginning unappropriated earnings	\$ 92,090	
Remeasurement on defined benefit plans recognized in retained earnings	(10,797)	
Unappropriated earnings adjusted for equity investment	<u>(1,226)</u>	
Adjusted unappropriated earnings	80,067	
Net profit after tax for the year ended 2017	1,910,600	
30% Legal reserve	(573,180)	
Special Reserve	346,177	
Special reserve	<u>(9,553)</u>	
Earnings available for appropriation	1,754,111	
Share dividends	(1,297,766)	\$ 0.6
Cash dividends	<u>(432,589)</u>	0.2
Ending retained earnings	<u>\$ 23,756</u>	

The appropriations of earnings for 2017 are subject to the resolution of the shareholders' meeting to be held on June 4, 2018.

Other Equity Items

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

	For the Year Ended December 31	
	2017	2016
Balance at January 1	\$ (29,369)	\$ 12,553
Exchange differences arising on translating the financial statements of foreign operations	(9,647)	(49,342)
Income tax related to gains arising on translating the financial statements of foreign operations	<u>1,214</u>	<u>7,420</u>
Balance at December 31	<u>\$ (37,802)</u>	<u>\$ (29,369)</u>

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

	For the Year Ended December 31	
	2017	2016
Balance at January 1	\$ (341,744)	\$ 197,569
Unrealized gain (loss) arising on revaluation of available-for-sale financial assets	542,859	(397,104)
Realized gain arising on revaluation of available-for-sale financial assets	<u>(22,302)</u>	<u>(142,209)</u>
Balance at December 31	<u>\$ 178,813</u>	<u>\$ (341,744)</u>

Treasury Shares

The Company's shares held by Sunny Life Insurance Brokerage Co. at the end of the reporting periods were 491 thousands of shares, and transferred to treasury share from investment by the equity method with book value \$7.14 per share.

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

In order to acquire shares of Sunny Life Insurance and Sunny Property & Insurance, on January 16, 2017, the board of directors resolved to eliminate 491 thousand shares of the Company held by Sunny Life Insurance and the record date of the consolidated capital reduction was January 20, 2017.

28. NET INTEREST

	For the Year Ended December 31	
	2017	2016
Interest revenue		
Discounts and loans	\$ 6,739,810	\$ 6,337,304
Marketable securities held	751,627	671,435
Due from banks and call loans to banks	206,729	158,473
Securities purchased under agreement to resell	47,069	6,834
Others	<u>138,598</u>	<u>146,524</u>
	<u>7,883,833</u>	<u>7,320,570</u>
Interest expense		
Deposits	2,573,789	2,418,773
Bank debentures	377,846	325,425
Others	<u>103,234</u>	<u>93,895</u>
	<u>3,054,869</u>	<u>2,838,093</u>
	<u>\$ 4,828,964</u>	<u>\$ 4,482,477</u>

29. COMMISSION AND FEE REVENUE, NET

	For the Year Ended December 31	
	2017	2016
Commission and fee revenue		
Agency service	\$ 512,549	\$ 771,837
Trust and related business	312,549	207,697
Loan services	219,813	180,875
Credit card business	49,435	44,304
Others	<u>172,098</u>	<u>193,738</u>
	<u>1,266,444</u>	<u>1,398,451</u>
Commission and fee expense		
Credit card business	32,817	37,185
Interbank services	15,795	15,211
Others	<u>57,672</u>	<u>50,749</u>
	<u>106,284</u>	<u>103,145</u>
	<u>\$ 1,160,160</u>	<u>\$ 1,295,306</u>

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

	For the Year Ended December 31	
	2017	2016
Interest revenue	\$ 72,684	\$ 40,598
Disposal (loss) gain		
Beneficial certificates	4,373	2,115
Stocks	1,617	(2,227)
Commercial paper	1,214	9,070
Convertible corporate bonds with interest rate swap contracts	-	318
Bonds	-	(172)
Derivative financial instruments		
Currency swap contracts	34,065	47,482
Forward contracts	<u>8,240</u>	<u>2,739</u>
	<u>49,509</u>	<u>59,325</u>
Gain (loss) on valuation		
Beneficial certificates	4,999	(636)
Commercial paper	(3,139)	(3,493)
Stocks	-	937
Convertible corporate bonds with interest rate swap contracts	-	(89)
Bonds	-	(191)
Derivative financial instruments		
Currency swap contracts	28,671	(1,009)
Forward contracts	<u>(3,558)</u>	<u>4,282</u>
	<u>26,973</u>	<u>(199)</u>
	<u>\$ 149,166</u>	<u>\$ 99,724</u>

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

	For the Year Ended December 31	
	2017	2016
Gains (losses) on disposal of beneficial certificates	\$ 33,681	\$ (830)
Dividend income	17,111	15,820
Gains on disposal of commercial paper	643	944
Gains (losses) on disposal of stocks	(2,344)	14,275
Gains (losses) on disposal of bonds	<u>(9,678)</u>	<u>127,820</u>
	<u>\$ 39,413</u>	<u>\$ 158,029</u>

32. NET GAIN ON REVERSAL OF IMPAIRMENT LOSSES ON ASSETS

	For the Year Ended December 31	
	2017	2016
Other financial assets	\$ 37,531	\$ 28,349
Other assets	<u>(3,025)</u>	<u>-</u>
	<u>\$ 34,506</u>	<u>\$ 28,349</u>

33. OTHER NONINTEREST NET REVENUES

	For the Year Ended December 31	
	2017	2016
Government grants income	\$ 721	\$ 1,067
Gain (loss) on disposal of property and equipment	81	(432)
Others	<u>17,014</u>	<u>12,018</u>
	<u>\$ 17,816</u>	<u>\$ 12,653</u>

34. EMPLOYEE BENEFIT EXPENSE

	For the Year Ended December 31	
	2017	2016
Salaries and wages	\$ 1,699,965	\$ 1,704,072
Labor insurance, national health insurance and group life insurance	144,313	143,794
Pension costs	78,710	82,883
Other employee benefits expense	<u>172,701</u>	<u>185,710</u>
	<u>\$ 2,095,689</u>	<u>\$ 2,116,459</u>

Employees' compensation and remuneration of directors

The Company accrued employees' compensation and remuneration of directors at the rates no less than 2% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors.

The employees' compensation and remuneration to directors, accrued at 2% and 1%, for the years ended December 31, 2017 and 2016 which have been approved by the Company's board of directors on March 20, 2018 and March 14, 2017, respectively, were as follows:

	For the Year Ended December 31	
	2017	2016
	Cash	Cash
Employees' compensation	\$ 45,908	\$ 55,367
Remuneration of directors	22,954	27,684

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2016 and 2015.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

35. DEPRECIATION AND AMORTIZATION EXPENSE

	<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>
Depreciation expense		
Property and equipment	\$ <u>222,956</u>	\$ <u>213,642</u>
Amortization expense	\$ <u>19,212</u>	\$ <u>16,373</u>

36. OTHER OPERATING EXPENSES

	<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>
Taxation	\$ 442,962	\$ 459,281
Insurance	157,361	154,365
Rent	76,880	74,304
Repairs	64,891	61,834
Postage	57,655	53,869
Public utilities	40,298	41,264
Others	<u>283,589</u>	<u>273,819</u>
	\$ <u>1,123,636</u>	\$ <u>1,118,736</u>

37. INCOME TAXES RELATING TO CONTINUING OPERATIONS

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

The major components of tax expense were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Current tax</u>		
In respect of the current year	\$ 369,373	\$ 273,461
Income tax on unappropriated earnings	4	-
Adjustments for prior years	<u>103</u>	<u>610</u>
	<u>369,480</u>	<u>274,071</u>
<u>Deferred tax</u>		
In respect of the current year	<u>(37,898)</u>	<u>110,729</u>
Income tax expense recognized in profit or loss	\$ <u>331,582</u>	\$ <u>384,800</u>

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

	For the Year Ended December 31	
	2017	2016
Profit before tax from continuing operations	<u>\$ 2,242,182</u>	<u>\$ 2,723,818</u>
Income tax expense calculated at the statutory rate (17%)	\$ 381,171	\$ 463,049
Nondeductible expenses in determining taxable income	1,323	1,456
Tax-exempt income	(46,535)	(61,229)
Additional income tax under the alternative minimum tax act	4,859	-
Income tax on unappropriated earnings	4	-
Unrecognized deductible temporary differences	(11,084)	(20,254)
Effect of different tax rate of Group entities operating in other jurisdictions	1,741	1,168
Adjustments for prior years' tax	<u>103</u>	<u>610</u>
Income tax expense recognized in profit or loss	<u>\$ 331,582</u>	<u>\$ 384,800</u>

The applicable corporate income tax rate used by the group entities in the ROC is 17%, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

In February 2018, it was announced by the President that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and increase by \$28,589 thousand and \$1,388 thousand, respectively, in 2018.

As the status of 2018 appropriations of earnings is uncertain, the potential income tax consequences of 2017 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2017	2016
<u>Deferred tax</u>		
In respect of the current year:		
Remeasurement on defined benefit plan	\$ 2,462	\$ 5,322
Translation of foreign operations	<u>1,214</u>	<u>7,420</u>
Total income tax recognized in other comprehensive income	<u>\$ 3,676</u>	<u>\$ 12,742</u>

c. Current tax assets and liabilities

	December 31	
	2017	2016
Current tax assets		
Tax refund receivable	<u>\$ 950</u>	<u>\$ 36,450</u>
Current tax liabilities		
Income tax payable	<u>\$ 178,904</u>	<u>\$ 178,543</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, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Com- prehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for credit losses	\$ 96,765	\$ 32,869	\$ -	\$ 129,634
Unrealized gain on foreign exchange	3,369	11,603	-	14,972
Exchange difference on foreign operations	5,924	-	1,214	7,138
Defined benefit obligation	7,352	(3,873)	2,462	5,941
Provisions	1,197	(56)	-	1,141
Preferential interest deposits for employees	677	(50)	-	627
Deferred revenue	868	(308)	-	560
Others	210	591	-	801
	<u>116,362</u>	<u>40,776</u>	<u>3,676</u>	<u>160,814</u>
Loss carryforwards	<u>1,444</u>	<u>(254)</u>	<u>-</u>	<u>1,190</u>
	<u>\$ 117,806</u>	<u>\$ 40,522</u>	<u>\$ 3,676</u>	<u>\$ 162,004</u>
<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>5,242</u>	<u>2,624</u>	<u>-</u>	<u>7,866</u>
	<u>\$ 112,071</u>	<u>\$ 2,624</u>	<u>\$ -</u>	<u>\$ 114,695</u>

For the year ended December 31, 2016

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Com- prehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for credit losses	\$ 142,054	\$ (45,289)	\$ -	\$ 96,765
Defined benefit obligation	41,078	(39,048)	5,322	7,352
Exchange difference on foreign operations	-	-	5,924	5,924
Unrealized loss on foreign exchange	-	3,369	-	3,369
Provisions	1,608	(411)	-	1,197
Deferred revenue	762	106	-	868
Preferential interest deposits for employees	673	4	-	677
Others	<u>-</u>	<u>210</u>	<u>-</u>	<u>210</u>
	186,175	(81,059)	11,246	116,362
Loss carryforwards	<u>36,747</u>	<u>(35,303)</u>	<u>-</u>	<u>1,444</u>
	<u>\$ 222,922</u>	<u>\$ (116,362)</u>	<u>\$ 11,246</u>	<u>\$ 117,806</u>
<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	2,567	2,675	-	5,242
Unrealized gain on foreign exchange	8,308	(8,308)	-	-
Translation of foreign operations	<u>1,496</u>	<u>-</u>	<u>(1,496)</u>	<u>-</u>
	<u>\$ 119,200</u>	<u>\$ (5,633)</u>	<u>\$ (1,496)</u>	<u>\$ 112,071</u>

e. Information about unused loss carryforwards

Loss carryforwards of Sunny Securities Co. as of December 31, 2017 comprised:

Unused Amount	Expiry Year
<u>\$ 1,354</u>	2023

Loss carryforwards of Sunny E-Commercial Co. as of December 31, 2017 comprised:

Unused Amount	Expiry Year
\$ 502	2024
4,026	2025
6,423	2026
<u>5,962</u>	2027
 <u>\$ 16,913</u>	

f. Integrated income tax

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

2) Information about shareholder - imputed credits account is as follows:

	December 31	
	2017	2016
The Company	\$ 36,177	\$ 118,844
Sunny Securities Co.	40,557	37,048
King Sunny Assets Management Co.	15,199	15,385
Sunny International Leasing Co.	4,837	7,662
Sunny E-Commercial Co.	-	-

3) Creditable tax ratio

	The Excepted Creditable Tax Ratio Generated in 2017 (%)	The Actual Creditable Tax Ratio Generated in 2016 (%)
The Company	Note	11.64
Sunny Securities Co.	Note	20.48
King Sunny Assets Management Co.	Note	20.48
Sunny International Leasing Co.	Note	20.48
Sunny E-Commercial Co.	Note	-

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, the related information for 2017 is not applicable.

g. Income tax assessments

	<u>Examined Year</u>
The Company	2015
Sunny Securities Co.	2015
King Sunny Assets Management Co.	2016
Sunny International Leasing Co.	2015
Sunny E-Commercial Co.	2015

38. EARNINGS PER SHARE

Unit: NT\$

	For the Year Ended December 31	
	2017	2016
Basic earnings per share	<u>\$ 0.90</u>	<u>\$ 1.20</u>
Diluted earnings per share	<u>\$ 0.90</u>	<u>\$ 1.20</u>

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on August 15, 2017. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2016 were as follows:

Unit: \$ Per Share

	Before Adjusted Retrospectively	After Adjusted Retrospectively
Basic earnings per share	<u>\$ 1.26</u>	<u>\$ 1.20</u>
Diluted earnings per share	<u>\$ 1.26</u>	<u>\$ 1.20</u>

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

Net Profit for the Year

	For the Year Ended December 31	
	2017	2016
Profit for the year attributable to owners of the Company	<u>\$ 1,910,600</u>	<u>\$ 2,339,018</u>

Shares

(In Thousand Shares)

	For the Year Ended December 31	
	2017	2016
Weighted average number of ordinary shares in computation of basic earnings per share	2,125,793	1,950,421
Effect of potentially dilutive ordinary shares:		
Employees' compensation	<u>4,685</u>	<u>5,575</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>2,130,478</u>	<u>1,955,996</u>

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

39. TRANSACTIONS WITH RELATED PARTIES

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

a. Related parties

Name	Relationship with the Company and Subsidiaries
King Sunny Assets Management Co. (King Sunny)	Subsidiary of the Company
Rising Sun Publishing Co., Ltd.	Related party in substance
Cherng Yang Printing Co., Ltd.	Related party in substance
Huei Hang International Food & Beverage Co., Ltd.	Related party in substance
King Kong Precision Industry Co., Ltd.	Related party in substance
Chuan Yang Construction Co., Ltd.	Related party in substance
Forward Graphic Enterprise Co., Ltd.	Related party in substance
Hai Wong Printing Co., Ltd.	Related party in substance
Li Kwen Investment Co., Ltd.	Related party in substance
Yung Chi Paper Manufacturing Co., Ltd.	Related party in substance
Gloria Solar Co., Ltd.	Related party in substance
Fashion Beauty International Co., Ltd.	Related party in substance
Other related persons	<ul style="list-style-type: none"> • Directors, managers and their relatives within the second degree of consanguinity • The subsidiaries' directors supervisors managers

1) Loans

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

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

2) Deposits

	December 31, 2017		
	Ending Balance	% of the Account Balance	Annual Interest Rates (%)
Others	\$ <u>2,070,795</u>	<u>1</u>	0-4.8
	December 31, 2016		
	Ending Balance	% of the Account Balance	Annual Interest Rates (%)
Others	\$ <u>1,694,589</u>	<u>1</u>	0-4.8

3) Interest revenue

	For the Year Ended December 31			
	2017		2016	
	Amount	%	Amount	%
Others	\$ <u>49,794</u>	<u>1</u>	\$ <u>57,494</u>	<u>1</u>

4) Interest expense

	For the Year Ended December 31			
	2017		2016	
	Amount	%	Amount	%
Others	<u>\$ 12,373</u>	<u>-</u>	<u>\$ 14,647</u>	<u>1</u>

5) Sale of nonperforming loans

On the record date of July 25, 2007, the Company sold 41,272 accounts of nonperforming loans that worth \$1,041,038 thousand to King Sunny Assets Management Co. in a public tender bid for \$858,000 thousand, which was agreed to be paid in installments and expiring on July 31, 2010. However the time of payment had expired and supplementary contract was signed to extend the expiry date to 2012, which had been extended again to July 31, 2018. All payments were completed in 2017. The Company had transferred all rights, benefits and action for recourse onto King Sunny Assets Management Co. in accordance with the provisions of contract.

Factored trade receivables for the years ended December 31, 2017 and 2016 were as follows:

	For the Year Ended December 31	
	2017	2016
Factored trade receivables (included in receivables, net)	\$ -	\$ 25,668
Less: Allowance for credit losses	<u>-</u>	<u>25,668</u>
	<u>\$ -</u>	<u>\$ -</u>

For the years ended December 31, 2017 and 2016, such gain on reversal of bad debt were \$25,668 thousand and \$72,481 thousand, respectively.

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

b. Compensation of key management personnel

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

	For the Year Ended December 31	
	2017	2016
Short-term employee benefits	\$ 131,079	\$ 134,240
Post-employment benefits	<u>2,399</u>	<u>2,543</u>
	<u>\$ 133,478</u>	<u>\$ 136,783</u>

40. PLEDGED OR MORTGAGED ASSETS

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

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Available-for-sale financial assets	\$ 4,800,000	\$ 4,800,000
Held-to-maturity financial assets	407,400	319,400
Other financial assets, net	100,738	221,856
Other asset - guarantee deposits	112,280	160,568
- operating guarantee deposits	14,998	17,520
- pledge deposits	15,000	14,832
- specialized discharge account	8,803	6,406

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

41. 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, 2017 and 2016 were as follows:

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Receipts under custody	\$ 497,074	\$ 673,978
Travelers' checks consigned-in	32,178	38,713
Securities under custody	12,348,627	15,206,270
Trust assets	58,665,133	52,280,986

42. HIERARCHY AND FAIR VALUE INFORMATION

a. Fair value information

1) Overview

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

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

2) Hierarchy information of fair value

a) Level 1

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

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

b) Level 2

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

c) Level 3

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

b. Fair value of financial instruments measured at fair value

1) Hierarchy information of fair value

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

Fair value hierarchy as at December 31, 2017

Assets and Liabilities Item	December 31, 2017			
	Total	Level 1	Level 2	Level 3
<u>Measured on a recurring basis</u>				
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Commercial paper	\$ 22,212,931	\$ -	\$ 22,212,931	\$ -
Beneficial certificates	196,711	196,711	-	-
Available-for-sale financial assets				
Stocks	368,021	368,021	-	-
Bonds	26,518,384	-	26,518,384	-
Certificates of deposits and others	37,984,923	-	37,984,923	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss	26,884	-	26,884	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	8,040	-	8,040	-

Fair value hierarchy as at December 31, 2016

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

2) Fair value measurement technique

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

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

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

- a) Listed stock and TWSE stock: Closing price published by Taiwan Stock Exchange and Taipei Exchange as of the balance sheet date;
- b) Beneficial certificate: Net asset declared by an investment trust company;
- c) Government bond: Settlement price or theoretical price published by Taipei Exchange as of the balance sheet date multiplied by 100;
- d) Corporate bonds: Corporate bonds in New Taiwan dollars are calculated using the yield rate published by Taipei Exchange on the measurement date as the discount rate; corporate bonds in foreign currency estimated on the basis of the quotes published by Bloomberg or Reuters;
- e) Bank debentures and negotiable certificate of deposits: Estimated on the basis of the quotes published by Bloomberg or Reuters;
- f) Commercial paper: Determined using the discount rate based on TAIBIR 02 published by TDCC on the measurement date;
- g) Cross-currency swap contract: Result of the valuation of the financial instrument at maturity based on swap points published by Reuters and then discounted at TAIBOR.

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

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

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

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

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

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

3) Credit risk valuation adjustment is set out below:

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

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

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

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

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

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

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

4) Transfers between Level 1 and Level 2

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

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

The Group has no Level 3 financial assets or liabilities as at December 31, 2017 and 2016 and thus would not disclose quantitative information of such.

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

1) Fair value information

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

Items	Carrying Amount	Fair Value
<u>December 31, 2017</u>		
Financial assets		
Held-to-maturity financial assets	\$ 21,147,709	\$ 21,307,536
<u>December 31, 2016</u>		
Financial assets		
Held-to-maturity financial assets	14,131,821	13,677,290

2) Hierarchy information of fair value of financial instruments

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

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

3) Valuation techniques

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

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

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

43. FINANCIAL RISK MANAGEMENT

a. Overview

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

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

b. Risk management framework

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

c. Credit risk

1) Sources and definitions of credit risk

a) The Company

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

b) Sunny Securities Co.

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

i. Issuer's credit risk is the risk of financial loss if issuer fails to meet an obligation under a contract due to bankruptcy or liquidation;

ii. Counterparty's credit risk is the risk of financial loss if counterparty fails to meet an obligation to fulfill delivery or payment for financial instruments.

2) Policies and strategies

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

3) Procedures of credit risk management

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

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

4) Credit risk hedge or mitigation policies

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

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

a) The Company

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

Off-Balance Sheet Items	The Maximum Credit Exposure	
	December 31, 2017	December 31, 2016
Undrawn loan commitments	\$ 3,130,220	\$ 3,345,115
Undrawn credit card commitments	8,867,255	8,368,234
Standby letters of credit	740,181	707,904
Guarantees	2,598,199	2,574,021
Total	\$ 15,335,855	\$ 14,995,274

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

December 31, 2017	Collaterals	Enforceable Master Netting Arrangements	Other Credit Enhancement Instruments	Total
<u>On-balance sheet items</u>				
Receivables				
Others	\$ 285,570	\$ -	\$ 102,652	\$ 388,222
Discounts and loans	210,171,277	-	75,838,196	286,009,473
<u>Off-balance sheet items</u>				
Undrawn loan commitments	332,316	-	2,797,904	3,130,220
Standby letters of credit	-	-	740,181	741,181
Guarantees	-	-	2,598,199	2,598,199

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

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

b) Sunny Securities Co.

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

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

6) Credit risk concentration of the Company

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

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

a) By industry

By Industry	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%
Private enterprise	\$ 138,141,597	47.67	\$ 119,546,813	45.34
Government organization	7,353,275	2.54	7,539,588	2.86
Foreign organization	15,898,095	5.49	14,040,568	5.33
Non-profit organization	272,462	0.09	827,762	0.31
Natural person	128,135,601	44.21	121,687,128	46.16
Financial institution	939	-	1,088	-
Total	\$ 289,801,969	100.00	\$ 263,642,947	100.00

b) By geographical area

The Group's operations are mainly in Taiwan.

c) By collateral

By Collaterals	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%
Unsecured	\$ 37,693,888	13.01	\$ 36,399,423	13.81
Secured				
Stocks	4,733,063	1.63	2,838,124	1.08
Bonds	2,669,375	0.92	2,016,715	0.76
Real estate	231,040,156	79.72	209,682,743	79.53
Movable properties	7,668,644	2.65	6,482,265	2.46
Notes receivable	10,714	-	20,282	0.01
Guarantees	5,120,096	1.77	5,193,877	1.97
Others	866,033	0.30	1,009,518	0.38
Total	\$ 289,801,969	100.00	\$ 263,642,947	100.00

7) Credit quality and impairment assessment

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

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

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

a) Discounts and loans and receivables

December 31, 2017	Neither Overdue Nor Impaired				Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+(C)-(D)
	Group 1	Group 2	Group 3	Subtotal (A)				With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Receivables										
Credit card receivables	\$ 9,348	\$ 8,784	\$ 455,175	\$ 473,307	\$ 92,480	\$ 1,971	\$ 567,758	\$ 22,400	\$ 1,608	\$ 543,750
Others	3,224,321	193,810	37,941	3,456,072	11,680	361,517	3,829,269	260,078	62,024	3,507,167
Discounts and loans	204,432,206	65,461,563	16,661,468	286,555,237	2,651,760	1,140,736	290,347,733	102,824	3,417,446	286,827,463

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

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

Note 2: The receivables as of December 31, 2017 and 2016 excluded spot exchange transactions receivables were \$150 thousand and \$157 thousand, respectively.

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

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

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

c) Credit quality analysis for marketable securities

December 31, 2017	Neither Overdue Nor Impaired				Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)	Net Total (A)+(B)+(C)-(D)
	Low	Medium	High	Total (A)					
Available-for-sale financial assets (Note 1)									
Investment in bonds	\$ 21,745,565	\$ 4,772,819	\$ -	\$ 26,518,384	\$ -	\$ -	\$ 26,518,384	\$ -	\$ 26,518,384
Others	36,800,371	1,184,552	-	37,984,923	-	-	37,984,923	-	37,984,923
Held-to-maturity financial assets									
Investment in bonds	21,147,709	-	-	21,147,709	-	-	21,147,709	-	21,147,709
Other financial assets (Note 2)									
Others	-	5,645,325	-	5,645,325	-	86,102	5,731,427	86,102	5,645,325

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

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

December 31, 2016	Neither Overdue Nor Impaired				Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)	Net Total (A)+(B)+(C)-(D)
	Low	Medium	High	Total (A)					
Available-for-sale financial assets (Note 1)									
Investment in bonds	\$ 22,520,279	\$ 3,048,907	\$ 45,422	\$ 25,614,608	\$ -	\$ -	\$ 25,614,608	\$ -	\$ 25,614,608
Others	37,696,791	1,609,395	299,330	39,605,516	-	-	39,605,516	-	39,605,516
Held-to-maturity financial assets									
Investment in bonds	14,131,821	-	-	14,131,821	-	-	14,131,821	-	14,131,821
Other financial assets (Note 2)									
Investment in stocks	-	-	-	-	-	10,782	10,782	10,782	-
Others	-	3,832,711	-	3,832,711	-	128,284	3,960,995	128,284	3,832,711

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

Note 2: Other financial assets excluded equity investment of financial assets carried at cost, with original cost amounted to \$196,261 thousand.

8) Aging analysis of financial assets that are overdue but not impaired

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

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

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

	Overdue by Less Than 120 Days	Overdue by 120 to 149 Days	Overdue by 150 to 180 Days	Overdue by 181 Days	Total
Receivables - others	\$ 9,070	\$ 434	\$ 579	\$ 1,597	\$ 11,680
Discounts and loans					
Consumer banking					
Mortgage	1,152,757	20,267	6,453	109,149	1,288,626
Microcredit	76,970	393	78	32	77,473
Car loan	25,074	3,179	296	1,092	29,641
Corporate banking					
Major enterprises	130,287	-	10,000	-	140,287
SMEs	1,005,039	8,412	15,656	86,626	1,115,733

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

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

9) Analysis of financial asset impairment

The Lehman structured notes and Iceland Government bonds that had been recorded as debt instruments with no active market were assessed as impaired because of the drop in the issuer's credit; hence, the Group recognized accumulated impairment losses of \$86,102 thousand and \$128,284 thousand as of December 31, 2017 and 2016, respectively.

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

Item		Discounts and Loans		Allowance for Credit Losses	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
With objective evidence of impairment	Individually assessed	\$ 1,140,736	\$ 2,618,394	\$ 22,815	\$ 52,368
	Collectively assessed	2,651,760	2,803,659	80,009	71,609
With no objective evidence of impairment	Collectively assessed	286,555,237	258,486,690	3,417,446	2,976,820

Item		Receivables		Allowance for Credit Losses	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
With objective evidence of impairment (Note)	Individually assessed	\$ 365,433	\$ 371,799	\$ 253,632	\$ 262,581
	Collectively assessed	93,753	105,764	28,846	31,775
With no objective evidence of impairment	Collectively assessed	3,937,841	3,778,226	63,632	38,140

Note: The receivables as of December 31, 2017 and 2016 exclude the amount of the spot exchange transaction receivables amounting to \$150 thousand and \$157 thousand, respectively.

10) Management policies of collaterals assumed

The Group's collaterals assumed are all real estate and securities as of December 31, 2017 and 2016. Related information is shown in Note 18.

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

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

a) Overdue loans and receivables

Date		December 31, 2017					
Item		Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)	
Corporate loan	Secured	\$ 94,290	\$ 112,671,056	0.08%	\$ 1,394,912	1,479.38%	
	Unsecured	38,548	50,352,727	0.08%	539,817	1,400.38%	
	Mortgage (Note 4)	86,555	31,367,094	0.28%	391,494	452.31%	
Consumer loan	Cash card	-	-	-	-	-	
	Microcredit (Note 5)	1,813	358,763	0.51%	14,153	780.64%	
	Others (Note 6)	Secured	112,801	88,442,754	0.13%	1,097,031	972.54%
		Unsecured	1,592	6,609,575	0.02%	82,863	5,204.96%
Total		335,599	289,801,969	0.12%	3,520,270	1,048.95%	
		Overdue Receivables	Accounts Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio	
Credit card (Note 8)		\$ 1,971	\$ 567,758	0.35%	\$ 24,008	1,218.06%	
Accounts receivable - factoring with no recourse (Note 7)		-	-	-	-	-	

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

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

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

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

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

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

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

Note 4: Household mortgage loan is a financing to be used by a borrower to buy, build, or fix a dwelling, and the dwelling owned by the borrower, spouse, or children is used to fully secure the loan.

Note 5: Micro credit is regulated by the Banking Bureau letter dated December 19, 2005 (Ref. No. 09440010950).

Note 6: Others in consumer loans refers to secured or unsecured loans excluding mortgage, cash card, micro credit, and credit cards.

Note 7: For account receivables - factoring with no recourse, as required by the Banking Bureau letter dated July 19, 2005 (Ref. No. 094000494), and allowance for bad debts is recognized once no compensation is made from factoring or insurance within three months.

Note 8: Included nonperforming loans transferred from other than loans.

b) Excluded NPLs and excluded overdue receivables

Date	December 31, 2017		December 31, 2016	
Item	Excluded NPL	Excluded Overdue Receivables	Excluded NPL	Excluded Overdue Receivables
As a result of debt negotiation and loan agreements (Note 1)	\$ 2,530	\$ -	\$ 3,898	\$ -
As a result of consumer debt clearance (Note 2)	4,207	1,501	5,535	1,736

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

Year	December 31, 2016		
Rank (Note 1)	Industry Category (Note 2)	Total Credit Consists of Loans (Note 3)	Percentage of Net Worth (%)
1	Group A (other metal working activities)	\$ 3,202,807	13.47
2	Group B (ocean transportation)	2,710,389	11.40
3	Group C (constructions)	2,429,358	10.22
4	Company D (short-term accommodation services)	1,950,816	8.20
5	Group E (real estate developments)	1,927,579	8.11
6	Group F (real estate developments)	1,853,647	7.80
7	Group G (other financial service activities)	1,789,770	7.53
8	Group H (manufacture of man-made fibers)	1,633,750	6.87
9	Group I (investment advisory services)	1,337,020	5.62
10	Company J (refrigerated warehousing and storage)	1,301,750	5.47

Note 1: Ranking of top 10 groups (excluding government or state - owned utilities) whose total credit consists of loans.

Note 2: Groups were those as defined in Articles 6 of the Supplementary Provisions to the Taiwan Stock Exchange Corporation's Rules for Review of Securities Listings Law.

Note 3: Total credit is the sum of all loans (including import and export bills negotiated, discounts, overdrafts, short-term loans, short-term secured loans, marginal receivables, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, and nonperforming loans), exchange bills negotiated, account receivables factored without recourse, acceptances receivable, and guarantee deposit issued.

d. Liquidity risk management

1) Definition of liquidity risk

a) The Company

Liquidity risk means the risk the Company cannot realize asset or obtain financing to provide capital to fulfill obligation then suffer loss. It may cut down the cash resource from loan operations, transactions and investing activities. Under some extreme situations, insufficient liquidity may cause possibility of overall balance sheet positions goes downward, sell the assets and fail to perform the loan commitments.

b) Sunny Securities Co.

Liquidity risk refers to an enterprise's inability to convert an asset or security into cash to meet obligations as they become due (also called capital risks). Market risk refers to the Group's difficulty in transacting its open positions resulting from market fluctuations due to a lack of market depth or due to market confusion.

2) Policies of liquidity risk management

a) The Company

The procedures of liquidity risk managements perform individually and monitor by related independent risk management departments. The monitoring procedures are summarized as follows:

- i. Monitoring future cash flows to ensure daily capital mobility would able to meet to needs.
- ii. Maintaining adequate realizable high liquidity assets for any unexpected accidents.
- iii. Monitoring the liquidity ratio with internal management purpose and external supervisors' regulations.
- iv. Managing bond due dates

The monitoring and reporting procedures for estimating future cash flows are applied daily, weekly and monthly. The estimates are based on an analysis of the maturity dates of the financial liabilities and the dates when expected financial assets can be turned into cash. Related information is reported timely to the Company's Risk Management Committee and Board of Directors.

b) Sunny Securities Co.

Sunny Securities Co. maintains the need of cash and cash equivalent, high mobility securities and sufficient financing line of banks to ensure financial flexibility. Bank loan is a main resource of liquidity for Sunny Securities Co., the unutilized of bank loan are \$786,000 thousand and \$820,000 thousand, respectively as of December 31, 2017 and 2016.

3) Maturity analysis of financial assets and non-derivative financial liabilities held to manage liquidity risk

a) Financial assets held to manage liquidity risk

The Group holds cash and premium interest-generating assets with high liquidity to fulfill payment obligations and meet any potential urgent capital needs. The financial assets the Group holds to manage liquidity risks include cash and cash equivalents, due from the Central Bank and call loans to other banks, financial assets at fair value through profit or loss, discounts and loans, available-for-sale financial assets, held-to-maturity investments, and debt instruments with no active markets.

b) Maturity analysis of non-derivative financial liabilities

Cash outflow analysis of non-derivative financial liabilities of the Group is summarized in the following tables. The amounts are provided on a contract cash flow basis so some of the amounts will not match the amounts in the consolidated balance sheet.

Maturity analysis of operating lease commitments is summarized as follows:

December 31, 2017	Less Than 30 Days	31-90 Days	91-180 Days	181 Days -1 Year	Over 1 Year	Total
Due to the Central Bank and other banks	\$ 2,581,436	\$ 2,140,671	\$ 1,172,983	\$ 1,427,455	\$ -	\$ 7,322,545
Securities sold under agreements to repurchase	9,658,237	-	-	-	-	9,658,237
Payables	2,751,427	66,448	330,146	91,629	49,902	3,289,552
Deposits and remittances	51,845,672	55,901,493	62,134,708	116,872,341	90,153,010	376,907,224
Bank debentures	25,131	55,163	354,642	67,211	13,480,000	13,982,147
Short-term borrowings	964,653	70,030	65,000	110,000	-	1,209,683
Other financial liabilities	-	329,736	-	-	-	329,736

December 31, 2016	Less Than 30 Days	31-90 Days	91-180 Days	181 Days -1 Year	Over 1 Year	Total
Due to the Central Bank and other banks	\$ 2,629,613	\$ 660,804	\$ 2,199,367	\$ 1,462,782	\$ -	\$ 6,952,566
Securities sold under agreements to repurchase	3,101,604	500,247	-	-	-	3,601,851
Payables	2,816,352	63,284	172,546	-	113,232	3,165,414
Deposits and remittances	46,444,293	50,761,811	55,100,120	107,572,288	84,979,809	344,858,321
Bank debentures	25,138	26,454	866,253	1,243,372	11,500,000	13,661,217
Short-term borrowings	-	1,010,425	140,000	-	-	1,150,425
Other financial liabilities	269,915	-	-	-	-	269,915

4) Maturity analysis of derivative financial liabilities

Derivative instruments of total clearing and settlement

The Group's derivative instruments of total clearing and settlement are mainly forward contracts and currency swap contracts. Derivative instrument of total clearing and settlement of the Group is summarized in the following tables. The table disclosures with cash flow base and may not be matched with consolidated balance sheet. Maturity analysis of derivative instruments of total clearing and settlement are as follow:

December 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Derivative instruments of exchange rates						
Cash outflow	\$ 1,960,707	\$ 547	\$ -	\$ -	\$ -	\$ 1,961,254
Cash inflow	1,955,305	542	-	-	-	1,955,847
Cash outflow	1,960,707	547	-	-	-	1,961,254
Cash inflow	1,955,305	542	-	-	-	1,955,847
Net cash flow	(5,402)	(5)	-	-	-	(5,407)

December 31, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Derivative instruments of exchange rates						
Cash outflow	\$ 1,169,592	\$ 8,842	\$ 5,322	\$ -	\$ -	\$ 1,183,756
Cash inflow	1,157,619	8,600	5,198	-	-	1,171,417
Cash outflow	1,169,592	8,842	5,322	-	-	1,183,756
Cash inflow	1,157,619	8,600	5,198	-	-	1,171,417
Net cash flow	(11,973)	(242)	(124)	-	-	(12,339)

5) Maturity analysis of off balance sheet items

According to the greatest amount of obligation might be asked to fulfill to list in following table. The table disclosures with cash flow base and may not be matched with consolidated balance sheet.

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

December 31, 2016	Under 1 Year	1-5 Years	Over 5 Years	Total
Undrawn loan commitments	\$ -	\$ 2,544,770	\$ 800,345	\$ 3,345,115
Undrawn credit card commitments	1,125,363	4,318,790	2,924,081	8,368,234
Standby letters of credit	707,904	-	-	707,904
Guarantees	2,083,274	479,164	11,583	2,574,021
Total	3,916,541	7,342,724	3,736,009	14,995,274

6) Maturity analysis of lease commitments

Lease commitment refers to operating lease and finance lease.

Operating lease commitment is the minimum lease payment to be made by the Group under irrevocable operating lease conditions, as the lessee or lessor.

Finance lease commitment refers to the future obligations payable under a finance lease when the Group acts as the lessee.

Maturity analysis of lease commitments is summarized as follows:

December 31, 2017	Less than 1 Year	1-5 Years	Over 5 Years	Total
Operating lease commitments				
Operating lease expense (lessee)	\$ 71,248	\$ 161,694	\$ 19,431	\$ 252,373
Operating lease income (lessor)	59,332	169,253	43,450	272,035
Financial lease income (lessor)	495,862	1,064,506	-	1,560,368

December 31, 2016	Less than 1 Year	1-5 Years	Over 5 Years	Total
Operating lease commitments				
Operating lease expense (lessee)	\$ 75,666	\$ 159,438	\$ 8,684	\$ 243,788
Operating lease income (lessor)	60,764	207,449	71,689	339,902
Financial lease income (lessor)	471,756	1,715,187	-	2,186,943

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

a) Maturity analysis of assets and liabilities of the Company (New Taiwan dollars)

	December 31, 2017						
	Total	0 to 10 Days	11 to 30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 407,612,086	\$ 63,768,173	\$ 22,930,723	\$ 20,009,304	\$ 38,986,382	\$ 55,244,590	\$ 206,672,914
Main capital outflow on maturity	489,365,617	28,862,971	32,820,406	60,815,314	72,555,563	141,349,490	152,961,873
Gap	(81,753,531)	34,905,202	(9,889,683)	(40,806,010)	(33,569,181)	(86,104,900)	53,711,041

	December 31, 2016						
	Total	0 to 10 Days	11 to 30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 372,363,543	\$ 51,496,954	\$ 26,614,469	\$ 26,164,363	\$ 35,833,927	\$ 55,474,696	\$ 176,779,134
Main capital outflow on maturity	445,604,698	25,420,369	24,508,762	54,950,189	68,902,159	132,756,774	139,066,445
Gap	(73,241,155)	26,076,585	2,105,707	(28,785,826)	(33,068,232)	(77,282,078)	37,712,689

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

	December 31, 2016					
	Total	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 882,911	\$ 268,364	\$ 100,408	\$ 95,820	\$ 65,739	\$ 352,580
Main capital outflow on maturity	847,628	375,522	195,532	103,378	166,452	6,744
Gap	35,283	(107,158)	(95,124)	(7,558)	(100,713)	345,836

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

e. Market risk

1) The Company

a) Definition of market risk

Market risk arises from market changes (such as those referring to interest rates, exchange rates, equity securities and commodity prices) which may cause the fluctuation of a financial instrument's fair value or future cash flow. The Company's net revenue and investment portfolio value may fluctuate when risk factors above change.

b) Management strategies

In accordance with the risk management limit approved by the board of directors, the Company supervises every loss limit and position at risk such as credit, profit valuation and operation stress testing, and reporting to risk management committee and the board then for reference to management decision making.

c) Management procedures

i. Identification and measurement

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

ii. Supervision and reporting

The Company market risk management department prepares risk management reports such as those on daily market valuations, value at risk and risk limits. If the risk is over the limit, the department should report this situation to the transaction department and appropriate managers in the risk management department. The department should also collect and organize bank market risk exposure information, risk value, risk limit rules, and information on situations in which limits are exceeded, analyze security investments, and submit regularly to the board of directors reports on the collected information and security investment analysis.

d) Trading book risk management policies

i. Identification and measurement

The trading book is an accounting book of the financial instruments and physical commodities held for trading or hedged by the Company. Held-for-trading position refers to revenues earned from practical or impractical trading differences. Positions that should not be recorded in the trading book are recorded in the banking book.

ii. Procedures

Traders may autonomously operate and manage positions within the range of authorized limits and the approved trading strategy. The market risk management department supervises trading positions based on market information and evaluates market information which is calculated into the pricing model.

e) Trading book interest rate risk management

Interest rate risk refers to a decrease in earnings and value of financial instruments due to adverse interest rate fluctuations. Major instruments with interest rate risk include securities and derivative instruments.

i. Strategies

Interest rate risk management enhances resilience of the Company, preventing to suffer loss from change in interest rate.

ii. Procedures

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

f) Exchange rate risk management

i. Definitions

Exchange rate risk refers to the incurrence of loss from the exchange of currencies in different timing. The Company's major financial instruments exposed to exchange rate risk spot contract and forward contracts.

ii. Policies, procedures and measurements

To control the exchange rate risk, the Company sets trading limit and stop-loss limit and requires the dealing room, dealers, etc., to observe these limits.

g) Equity risk management

i. Definitions

Market risk of equity securities is the risk that stock or stock index prices and/or their implied volatility will change (specific risk) or that the general market will give rise to conditions that will negatively affect security prices.

ii. Purposes

To avoid the price of equity securities suffering severe fluctuations results the Company's financial position and profit getting worse, and enhance the operating efficiency and strengthen the business.

iii. Procedures

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

h) Market risk measurement technique

i. Stress testing

The Company uses stress testing to measure its investment portfolio risk and uses several hypotheses about market conditions to measure market risk and expected maximum loss of holding positions. The Company's stress testing included risk factors, emerging markets and temporary markets, the result of testing would be report to management and some of the resting would be minute adjusted by different sectors, and usually performing with scenario analysis.

ii. Sensitivity analysis

Interest risks

Under the assumption that other variants remain the same, if the yield interest curve of December 31, 2017 and 2016 move 100 basis points upwards, the Company's income before tax will have a decrease of \$40,093 thousand and \$23,221 thousand, respectively, whereas its other comprehensive income will have a decrease of \$173,791 thousand and \$69,173 thousand, respectively. If the yield interest curves of December 31, 2017 and 2016 move 100 basis points downwards, the Company's income before tax will have an increase of \$40,346 thousand and \$23,392 thousand, whereas its other comprehensive income will have an increase of \$176,744 thousand and \$73,588 thousand, respectively.

Exchange rate risks

Under the assumption that other variants remain the same, if the exchange rate of December 31, 2017 and 2016 depreciate 3% for USD/NTD and EUR/NTD, and 5% for JPY/NTD and other currencies/NTD also depreciate 5%, the Company's income before tax will have a decrease of \$22,453 thousand and \$26,744 thousand.

Under the assumption that other variants remain the same, if the exchange rate of December 31, 2017 and 2016 appreciate 3% for USD/NTD and EUR/NTD, and 5% for JPY/NTD and other currencies/NTD also appreciate 5%, the Company's income before tax will have an increase of \$22,453 thousand and \$26,744 thousand.

Equity securities price risks

Under the assumption that other variants remain the same, if the price of domestic equity securities of December 31, 2017 and 2016 increase 15%, and the price of foreign equity securities also increase 20%, the Company's income before tax will have an increase of \$29,507 thousand and \$0 thousand, and its other comprehensive income will also have an increase of \$55,203 thousand and \$85,385 thousand.

Under the assumption that other variants remain the same, if the price of domestic equity securities of December 31, 2017 and 2016 drop 15%, and the price of foreign equity securities also drop 20%, the Company's income before tax will have a decrease of \$29,507 thousand and \$0 thousand, and its other comprehensive income will also have a decrease of \$55,203 thousand and \$85,385 thousand.

Above analyses are based on the assumption that the trends and historical data of all equity instruments are the same.

Summarized of sensitivity analysis as shown below:

December 31, 2017			
Main Risks	Variation	Effectuated Amount	
		Equity	Profit
Exchange rate risks (major currencies)	USD/NTD, EUR/NTD increased 3%	\$ -	\$ 22,230
Exchange rate risks (major currencies)	USD/NTD, EUR/NTD decreased 3%	-	(22,230)
Exchange rate risks (minor currencies)	JPY/NTD, other currencies/NTD increased 5%	-	223
Exchange rate risks (minor currencies)	JPY/NTD, other currencies/NTD dropped 5%	-	(223)
Interest rate risks	Yield curve increased 100 BPS	(173,391)	(40,093)
Interest rate risks	Yield curve decreased 100 BPS	176,744	40,346
Equity securities price risks	Domestic equity securities price increase 15%	55,203	29,507
Equity securities price risks	Foreign equity securities price increase 20%	-	-
Equity securities price risks	Domestic equity securities price decrease 15%	(55,203)	(29,507)
Equity securities price risks	Foreign equity securities price decrease 20%	-	-

December 31, 2016			
Main Risks	Variation	Effectuated Amount	
		Equity	Profit
Exchange rate risks (major currencies)	USD/NTD, EUR/NTD increased 3%	\$ -	\$ 26,441
Exchange rate risks (major currencies)	USD/NTD, EUR/NTD decreased 3%	-	(26,441)
Exchange rate risks (minor currencies)	JPY/NTD, other currencies/NTD increased 5%	-	303
Exchange rate risks (minor currencies)	JPY/NTD, other currencies/NTD dropped 5%	-	(303)
Interest rate risks	Yield curve increased 100 BPS	(69,173)	(23,221)
Interest rate risks	Yield curve decreased 100 BPS	73,588	23,392
Equity securities price risks	Domestic equity securities price increase 15%	85,385	-
Equity securities price risks	Foreign equity securities price increase 20%	-	-
Equity securities price risks	Domestic equity securities price decrease 15%	(85,385)	-
Equity securities price risks	Foreign equity securities price decrease 20%	-	-

i) Exchange rate risks

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

	December 31					
	2017			2016		
	Foreign Currency	Exchange Rate	Converted to NTD	Foreign Currency	Exchange Rate	Converted to NTD
Financial assets						
USD	\$ 956,721	29.848	\$ 28,556,209	\$ 692,477	32.279	\$ 22,352,450
RMB	733,822	4.579	3,360,170	565,976	4.622	2,615,942
JPY	1,722,129	0.265	456,364	1,202,147	0.276	331,552
EUR	12,056	35.68	430,143	29,800	33.930	1,011,112
HKD	81,396	3.819	310,851	143,201	4.162	596,003
Financial liabilities						
USD	952,092	29.848	28,418,047	635,948	32.279	20,527,754
RMB	608,420	4.579	2,785,956	431,479	4.622	1,944,296
AUD	29,109	23.260	677,067	30,013	23.310	699,597
JPY	1,723,082	0.265	456,617	140,167	2.370	332,196
EUR	12,028	35.68	429,154	919,056	0.276	253,476
ZAR	168,159	2.42	406,944	29,508	33.930	1,001,212
HKD	48,806	3.819	186,390	46,256	4.162	192,517
SGD	4,358	22.33	97,324	9,154	22.310	204,221

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, 2017

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

December 31, 2016

Items	1-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 277,136,216	\$ 20,754,986	\$ 1,841,491	\$ 47,639,227	\$ 347,371,920
Interest rate-sensitive liabilities	137,723,716	133,928,876	51,578,661	17,637,184	340,868,437
Interest rate-sensitive gap	139,412,500	(113,173,890)	(49,737,170)	30,002,043	6,503,483
Net worth					23,731,009
Ratio of interest rate-sensitive assets to liabilities (%)					101.91%
Ratio of interest rate-sensitive gap to net worth (%)					27.40%

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, 2017

Unit: USD in Thousands

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

December 31, 2016

Unit: USD in Thousands

Items	1-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 636,922	\$ 54,309	\$ 2,832	\$ 74,898	\$ 768,961
Interest rate-sensitive liabilities	506,790	101,698	166,199	-	774,687
Interest rate-sensitive gap	130,132	(47,389)	(163,367)	74,898	(5,726)
Net worth					6,623
Ratio of interest rate-sensitive assets to liabilities (%)					99.26%
Ratio of interest rate-sensitive gap to net worth (%)					(86.46%)

Note 1: The above amounts include only USD held by the Company and exclude contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earnings assets and interest-bearing liabilities are affected by interest-rate changes.

Note 3: Interest rate-sensitive gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets/Interest rate-sensitive liabilities (in U.S. dollars)

2) Sunny Securities Co.

Market risk refers to the possible loss due to the change in market price of a financial product as a result of change in such factors as market interest rates, exchange rates, share prices and consumer goods.

f. Transfer of financial assets

Transferred financial assets that are not derecognized in their entirety during the normal operations of the Group, are mainly securities sold under agreements to repurchase. Such transactions had transferred the risk and reward of the financial assets upon receiving the proceeds, and reflected the associated liability of when the securities are repurchased back in the future. The Group cannot use, sell or pledge such transferred financial assets during the effective terms of the transaction, however they are not derecognized in their entirety because the Group still bears related interest rate and credit risks. Information regarding these transferred financial assets and liabilities not derecognized entirely are summarized as below:

Financial Asset Categories	December 31, 2017				
	Book value of Transferred Financial Asset	Book Value of Associated Liability	Fair Value of Transferred Financial Asset	Fair Value of Associated Liability	Fair Value, Net
<u>Repurchase agreements</u>					
Held to maturity financial asset	\$10,435,041	\$ 9,655,135	\$10,525,463	\$ 9,655,135	\$ 870,328

Financial Asset Categories	December 31, 2016				
	Book value of Transferred Financial Asset	Book Value of Associated Liability	Fair Value of Transferred Financial Asset	Fair Value of Associated Liability	Fair Value, Net
<u>Repurchase agreements</u>					
Held to maturity financial asset	\$ 4,099,635	\$ 3,600,338	\$ 3,977,779	\$ 3,600,338	\$ 377,441

g. Offsetting financial assets and financial liabilities

The Group has no financial assets or liabilities meeting the criteria of IAS 32 and 42 endorsed by FSC. There is no enforceable master netting arrangements or other similar arrangements of the sort, the proceeds would be settled in full amounts. However if one party showed signs of default, the other party may choose to settle in net amounts.

Related information regarding the netting of financial asset and financial liability are shown as follows:

December 31, 2017

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

Financial Liability	Total amount of Recognized Financial Liability	Total Amount of Offset Financial Liability Recognized on Balance Sheet	Net Amount of Financial Liability Shown on Balance Sheet	Amounts not Offset on Balance Sheet		Net Amount
				Financial Instrument (Note)	Pledged Cash Collaterals	
Derivative financial instruments	\$ 8,040	\$ -	\$ 8,040	\$ -	\$ -	\$ 8,040
Securities under agreement to repurchase	9,655,135	-	9,655,135	10,525,463	-	(870,328)

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

December 31, 2016

Financial Asset	Total amount of Recognized Financial Asset	Total Amount of Offset Financial Liability Recognized on Balance Sheet	Net Amount of Financial Liability Shown on Balance Sheet	Amounts not Offset on Balance Sheet		Net Amount
				Financial Instrument (Note)	Received Cash Collaterals	
Derivative financial instruments	\$ 6,987	\$ -	\$ 6,987	\$ -	\$ -	\$ 6,987
Securities under agreement to resell	1,388,427	-	1,388,427	1,373,860	-	14,567

Financial Liability	Total amount of Recognized Financial Liability	Total Amount of Offset Financial Liability Recognized on Balance Sheet	Net Amount of Financial Liability Shown on Balance Sheet	Amounts not Offset on Balance Sheet		Net Amount
				Financial Instrument (Note)	Pledged Cash Collaterals	
Derivative financial instruments	\$ 13,256	\$ -	\$ 13,256	\$ -	\$ -	\$ 13,256
Securities under agreement to repurchase	3,600,338	-	3,600,338	3,977,779	-	(377,441)

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

44. CAPITAL MANAGEMENT

a. Overview

The Group's capital management goals are as follows:

As a basic target, the Group's eligible capital should be sufficient to meet their operation needs and minimum requirements of the capital adequacy ratio. Eligible capital and legal capital are calculated under the regulations announced by the authority.

The Group should have adequacy capital to bear the risks, measure capital demand according to risk combination and risk characteristics, fulfill the optimization of resource and capital allocation by risk management.

b. Capital management procedures

The Group's capital is managed by the planning department in the administrative division under the Group's Capital Adequacy Management Policy. Regulatory capital is calculated according to "Regulations Governing the Capital Adequacy and Capital Category of Banks," and reported to the authority quarterly. Regulatory capital is classified into net Tier 1 Capital (the aggregate amount of net common equity Tier 1 and net additional Tier 1 Capital) and net Tier 2 Capital.

1) Net Tier 1 capital

- a) Net common equity Tier 1 capital: Common equity mainly includes common shares, capital surplus, retained earnings, other equity and non-controlling interests, with the total less the following items: Intangible assets, unrealized gains on available-for-sale financial assets, material investments of financial institutions, deferred tax assets and other deductive items of Net Tier 1 and Tier 2 capitals.
- b) Net additional Tier 1 capital: Additional items included perpetual non-cumulative preferred shares and non-cumulative subordinated bonds with no due dates.

2) Net Tier 2 capital

This capital base comprises of perpetual cumulative preferred shares, cumulative subordinated bonds with no due dates, revaluation gain, convertible bonds, operation reserves and allowance for accounts receivable.

The Group performs the evaluation of capital adequacy quarterly, and also evaluates the demand of capital in the future, and raises the capital if needed to maintain capital adequacy.

c. Statement of capital adequacy

The calculation for eligible capital, risk-weighted assets and capital adequacy ratio is shown as follows:

Capital management of the Group for the years ended December 31, 2017 and 2016 both meet the standards and regulations as required by the authority.

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

Analysis Items		Year	December 31, 2016	
			Standalone	Consolidation
Eligible capital	Ordinary shares equity		\$ 22,133,942	\$ 22,571,016
	Other Tier 1 capital		902,746	1,350,935
	Tier 2 capital		8,772,861	9,667,677
	Eligible capital		31,809,549	33,589,628
Risk-weighted assets	Credit risk	Standardized approach	252,953,800	255,994,001
		Internal rating - based approach	-	-
		Securitization	-	-
	Operating risk	Basic indicator approach	10,360,026	10,617,033
		Standardized approach/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	16,639,405	16,639,405
		Internal model approach	-	-
Total risk-weighted assets		279,953,231	283,250,439	
Capital adequacy ratio		11.36%	11.86%	
Ordinary shares equity risk-based capital ratio		7.91%	7.97%	
Tier 1 risk-based capital ratio		8.23%	8.45%	
Leverage ratio		5.79%	5.97%	

Note 1: These tables were filled according to “Regulations Governing the Capital Adequacy Ratio of Banks” and related calculation tables.

Note 2: The Group shall disclose the capital adequacy ratio for the current and previous period in annual financial reports. For semiannual financial report, the Group shall disclose the capital adequacy ratio for the current period, previous period, and previous year end.

Note 3: The formula is as follows:

- 1) Eligible capital = Ordinary shares equity + Other Tier 1 capital + Tier 2 capital.
- 2) Total risk - weighted assets = Risk-weighted assets for credit risk + (Capital requirements for operational risk + Capital requirement for market risk) x 12.5.
- 3) Ratio of capital adequacy = Eligible capital/Total risk - weighted assets.
- 4) Ordinary shares equity risk - based capital ratio = Common shares equity/Total risk - weighted assets.
- 5) Tier 1 risk - based capital ratio = (Common shares equity + Other Tier 1 capital)/Total risk - weighted assets.
- 6) Leverage ratio = Tier 1 capital/Total exposure risk.

45. TRUST BUSINESS UNDER THE TRUST LAW

Balance Sheets of Trust Accounts December 31, 2017 and 2016

	2017	2016
<u>Trust assets</u>		
Cash and bank deposits	\$ 6,032,907	\$ 4,223,690
Short term investments		
Funds	22,576,383	23,095,713
Bonds	789,037	642,911
Stocks	104,392	19,872
Real estate		
Land	25,594,156	20,715,492
Buildings	8,938	8,983
Securities under custody	<u>3,559,320</u>	<u>3,574,325</u>
	<u>\$ 58,665,133</u>	<u>\$ 52,280,986</u>
<u>Trust liabilities</u>		
Payable on securities under custody	\$ 3,559,320	\$ 3,574,325
Trust capital		
Money	27,335,398	26,451,281
Real estate	26,543,965	21,327,745
Monetary bonds and collaterals	1,451,588	1,242,168
Securities	104,392	19,873
Accumulated loss	(1,206,650)	(1,070,053)
Profit for current year	<u>877,120</u>	<u>735,647</u>
	<u>\$ 58,665,133</u>	<u>\$ 52,280,986</u>

Trust Properties of Trust Accounts December 31, 2017 and 2016

Investment Portfolio	2017	2016
Cash and bank deposits	\$ 6,032,907	\$ 4,223,690
Short term investments		
Funds - NTD	10,705,601	11,435,638
- other currencies	11,870,782	11,660,075
Bonds - other currencies	789,037	642,911
Stocks	104,392	19,872
Real estate		
Land	25,594,156	20,715,492
Buildings	8,938	8,983
Securities under custody	<u>3,559,320</u>	<u>3,574,325</u>
	<u>\$ 58,665,133</u>	<u>\$ 52,280,986</u>

Income Statements of Trust Accounts
Years Ended December 31, 2017 and 2016

	2017	2016
Trust income		
Interest income	\$ 6,911	\$ 3,001
Dividends	1,181,343	1,122,127
Gains from properties trading	259,280	95,957
Realized capital gains	<u>18,892</u>	<u>15,523</u>
	<u>1,466,426</u>	<u>1,236,608</u>
Trust expense		
Trust administrative expenses	23,290	12,731
Tax expenses	150	539
Commission and fee expenses	12,229	12,150
Loss from property trading	553,108	475,483
Others	<u>529</u>	<u>58</u>
	<u>589,306</u>	<u>500,961</u>
	<u>\$ 877,120</u>	<u>\$ 735,647</u>

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

46. OTHERS

On May 31, 2016, the Company's board of directors resolved to undertake merger by absorption of Sunny Life Insurance and Sunny Property & Insurance, as well as to purchase 60.01% shares of Sunny Life Insurance from Sunny Securities Co. and 40% shares of Sunny Property & Insurance from King Sunny Assets Management Co. The purpose of the resolution is to enhance the profitability of the Group and to improve the efficiency of business by integration. The record date of the merger was January 20, 2017 resolved by the board of directors on December 6, 2016. Sunny Life Insurance and Sunny Property & Insurance are both wholly held subsidiaries of the Company. In accordance with IFRS Q&A "Interpretation for IFRS 3, Business Combinations Controlled by the Same Company" issued by Accounting Research and Development Foundation (the ARDF), there is no clear requirement in business combination controlled by the same company in IFRS 3 "Business Combination". Therefore, it is still suitable to adopt the original related interpretations.

The merger between the Company, Sunny Life Insurance and Sunny Property & Insurance was a reorganization. In accordance with interpretation issued by ARDF, the assets and liabilities of the dissolved companies should be recorded at the book value to prepare the consolidated balance sheet after the merger when the Company merged Sunny Life Insurance and Sunny Property & Insurance by absorption. Additionally when the Company prepared comparative financial statements, the financial statements were retroactively restated to reflect the merger assuming both entities had merged at the beginning of the comparative period. The Company paid \$102,061 thousand and \$3,538 thousand in cash to Sunny Securities Co. and King Sunny Assets Management Co., respectively, for the merger of Sunny Life Insurance and Sunny Property & Insurance, and assumed all of the assets, liabilities and operations of the dissolved companies.

47. PROFITABILITY

Items		December 31, 2017	December 31, 2016
Return on total assets	Before income tax	0.53%	0.71%
	After income tax	0.46%	0.62%
Return on net worth	Before income tax	8.86%	12.04%
	After income tax	7.60%	10.48%
Profit margin		30.80%	38.72%

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, 2017 and 2016.

48. ADDITIONAL DISCLOSURES

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

49. SEGMENTS INFORMATION

Based on IFRS 8 “Operating Segments” approved by the Financial Supervisory Commission (FSC), the operating results of the operating segments should be approved by the Group’s Board of Directors (those charged with governance) and from the basis for resource allocation and performance evaluation decisions. All of the Group’s operating segments meet the definition under IFRS 8.

The Group’s operating segments are identified on the basis of their industry characteristics, and consist of the banking, securities, and other segments.

Other operations of the Group, including the management of funds and trusts, do not fall under the IFRS 8 definition of an individual reportable segment.

The major revenue streams of the Group’s operating segments come from interest revenue, and the Group’s Board of Directors evaluates the operating segments’ performance based on net interest. The operating results of all operating segments are expressed at their net amounts, i.e., total interest revenue less total interest expense.

Adjustments of internal pricing and transfer pricing have been reflected in the segments’ performance evaluation. Revenues generated from external customers are amortized on a reasonable basis as agreed upon by all segments.

Transactions between operating segments are treated as regular transactions. Revenues generated from external customers submitted to and approved by the Board of Directors are measured on the same basis as that used for the consolidated statement of comprehensive income.

The Group’s internal management report is based on net operating profit, which includes net interest, allowance for doubtful accounts and guarantees, commission and other fee revenues, net gains (losses) on financial products and other operating profit (loss). The evaluation excludes nonrecurring items such as litigation expenses.

Inter-segment analysis is prepared on the basis of internal management reports provided to and approved by the Board of directors on segment profit (loss) and segment assets, liabilities and information.

Operating assets and liabilities refer to all operating departments are the main components of the consolidated balance sheet. However, some items such as the tax expenses are excluded from this balance sheet.

a. Segment revenue and operating results

The Following was an analysis of the Group's revenue and results from continuing operations by reportable segment:

	2017				
	Banking	Securities	Other	Internal Elimination	Total
Net interest	\$ 4,711,040	\$ 23,997	\$ 93,927	\$ -	\$ 4,828,964
Commission and fee revenues, net	1,154,003	-	6,753	(596)	1,160,160
Other noninterest net revenues	<u>338,092</u>	<u>64,512</u>	<u>23,133</u>	<u>(34,338)</u>	<u>391,399</u>
Net revenues	<u>6,203,135</u>	<u>88,509</u>	<u>123,813</u>	<u>(34,934)</u>	<u>6,380,523</u>
Allowance for doubtful accounts and guarantees	643,915	-	32,933	-	676,848
Operating expenses	<u>3,332,684</u>	<u>81,556</u>	<u>57,575</u>	<u>(10,322)</u>	<u>3,461,493</u>
Income before income tax	<u>\$ 2,226,536</u>	<u>\$ 6,953</u>	<u>\$ 33,305</u>	<u>\$ (24,612)</u>	<u>\$ 2,242,182</u>
	2016				
	Banking	Securities	Other	Internal Elimination	Total
Net interest	\$ 4,360,162	\$ 17,981	\$ 104,334	\$ -	\$ 4,482,477
Commission and fee revenues, net	1,283,279	-	14,063	(2,036)	1,295,306
Other noninterest net revenues	<u>507,253</u>	<u>82,336</u>	<u>38,674</u>	<u>(145,551)</u>	<u>482,712</u>
Net revenues	<u>6,150,694</u>	<u>100,317</u>	<u>157,071</u>	<u>(147,587)</u>	<u>6,260,495</u>
Allowance for doubtful accounts and guarantees	56,705	-	14,762	-	71,467
Operating expenses	<u>3,348,853</u>	<u>72,090</u>	<u>61,640</u>	<u>(17,373)</u>	<u>3,465,210</u>
Income before income tax	<u>\$ 2,745,136</u>	<u>\$ 28,227</u>	<u>\$ 80,669</u>	<u>\$ (130,214)</u>	<u>\$ 2,723,818</u>

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

b. Segment assets and liabilities

Segment assets and liabilities are disclosed as \$0 due to the fact that the Group evaluates the amount with deposits and loans and financial assets and liabilities equally.

c. Segment information

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

Item	2016				
	Domestic and Others	Hong Kong and Macau	China	Elimination	Total
External revenue	\$ 6,219,831	\$ 26	\$ 40,638	\$ -	\$ 6,260,495
Internal revenue	<u>193,779</u>	<u>15,870</u>	<u>-</u>	<u>(209,649)</u>	<u>-</u>
Net revenue	<u>\$ 6,413,610</u>	<u>\$ 15,896</u>	<u>\$ 40,638</u>	<u>\$ (209,649)</u>	<u>\$ 6,260,495</u>
Income before income tax	<u>\$ 2,702,472</u>	<u>\$ (132)</u>	<u>\$ 21,478</u>	<u>\$ -</u>	<u>\$ 2,723,818</u>
Identifiable assets	<u>\$ 397,613,029</u>	<u>\$ 3</u>	<u>\$ 583,698</u>	<u>\$ -</u>	<u>\$ 398,196,730</u>

d. Main customers information

There is no one individual customer from whom the revenue received is higher than 10% of the net revenue for both the years ended 2017 and 2016.

SUNNY BANK AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
1	Sunny International Leasing Co.	Sunny Finance and Leasing (China) Co., Ltd.	Note 1	\$ 1,124,594 (Note 2)	\$ 89,280	\$ 89,280	\$ -	\$ -	7.94	\$ 1,124,594 (Note 2)	Yes	No	Yes

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

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

SUNNY BANK AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Investee Company	Location	Main Businesses and Products	Percentage of Ownership	Carrying Amount	Investment Gain	Consolidated Investment (Note 1)				Note
						Shares (Thousands)	Imitated Shares (Thousands)	Total		
								Shares (Thousands)	Percentage of Ownership	
Sunny Securities Co.	Taipei	Investment securities business	100.00	\$ 575,385	\$ 987	50,200	-	50,200	100.00	Subsidiary, Note 2
King Sunny Assets Management Co.	Taipei	Evaluating, auctioning and managing for financial institutions' loan	100.00	142,896	8,793	15,000	-	15,000	100.00	Subsidiary, Note 2
Sunny E-Commercial Co., Ltd.	Taipei	Mobile payment and business	100.00	32,330	(5,962)	5,000	-	5,000	100.00	Subsidiary, Note 2
Sunny International Leasing Co.	Taipei	Leasing business	100.00	1,124,594	20,794	112,500	-	112,500	100.00	Subsidiary, Note 2
Financial Information Service Co., Ltd.	Taipei	Planning and developing the information system of across banking institution and managing the information web system	2.42	115,771	32,817	12,622	-	12,622	2.42	Note 3
Taiwan Financial Asset Service Co., Ltd.	Taipei	Auction	2.94	50,000	100	5,000	-	5,000	2.94	Note 3
Taiwan Depository and Clearing Co., Ltd.	Taipei	Business related to the depository and book-entry system of TOCC	0.29	21,490	1,536	1,049	-	1,049	0.29	Note 3
Sunny Asset Management Corp.	Taipei	Purchasing for financial institutions' loan assets	1.11	-	77	67	-	67	1.11	Note 3
Taiwan Mobile Payment Co., Ltd.	Taipei	Mobile payment and business	1.00	6,000	-	600	-	600	1.00	

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

Note 2: The transactions and balances above had been eliminated when preparing consolidated financial statement.

Note 3: The investment gain (loss) recognized were cash dividends. Gains on financial assets carried at cost contains cash dividends of Taichung Machinery were \$118 thousand.

SUNNY BANK AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Holding Company	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Number of Shares (In Thousands)	Carrying Amount	Percentage of Ownership	Fair Value	
King Sunny Assets Management Co.	<u>Stock</u> Sunny Real Estate Management Co., Ltd.	-	Financial assets measured at cost	10	\$ 3,000	10.00	\$ 3,000	
Sunny International Leasing Co.	<u>Stock</u> Sunny Finance Lease (HK) Limited	Subsidiary	Investments accounted for using equity method	22,000	671,933	100.00	671,933	
Sunny Finance Lease (HK) Limited	<u>Stock</u> Sunny Finance and Leasing (China) Co., Ltd.	Subsidiary	Investments accounted for using equity method	-	568,339	100.00	568,339	

SUNNY BANK AND SUBSIDIARIES

INFORMATION ON THE INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2017

(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, 2017 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2017	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2017	Accumulated Repatriation of Investment Income as of December 31, 2017
					Outward	Inward						
Sunny Finance and Leasing (China) Co., Ltd.	Leasing	\$ 552,188 (US\$ 18,500)	Investment in Mainland China companies through an existing company established in a third region.	\$ 552,188 (US\$ 18,500)	\$ -	\$ -	\$ 552,188 (US\$ 18,500)	\$ 15,443 (RMB 3,426)	100	\$ 15,443 (RMB 3,426)	\$ 568,339	\$ -

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA (Notes 1 and 2)	Limit on the Amount of Investment, as Stipulated by the Investment Commission, MOEA
\$552,188 (US\$18,500)	\$656,656 (US\$22,000)	\$674,756

Note 1: Based on Rule No. 10200005490 approved by the Investment commission, MOEA on January 18, 2013, the authorized investment amount is US\$10,000 thousand; on Rule No. 10400025930 and Rule No. 10400089230 approved by the Investment commission, MOEA on February 25, 2015 and on May 11, 2015, the authorized investment amount is US\$7,000 thousand; on Rule No. 10500137350 approved by the Investment Commission, MOEA on June 27, 2016, the authorized investment amount is US\$1,500 thousand.

Note 2: Based on Rule No. 10600290020 approved by the investment commission, MOEA on December 1, 2017, the authorized investment amount is US\$3,500 thousand.

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

SUNNY BANK LTD. AND SUBSIDIARIES

RELATED PARTY TRANSACTIONS
 FOR THE YEAR ENDED DECEMBER 31, 2017
 (In Thousands of New Taiwan Dollars)

No.	Transaction Company	Counter-party	Flow of Transaction	Description of Transactions			Percentage to Consolidated Revenue/Assets
				Financial Statement Account	Transaction Amount	Transaction Item	
0	Sunny Bank Ltd. ("Parent company" or "Sunny Bank")	Sunny Securities Co.	From parent company to subsidiary	Deposits and remittances	\$ 147,297	Interest is calculated based on annual deposit interest rate from 0% to 1.065%.	0.03
		Sunny International Leasing Co.	From parent company to subsidiary	Deposits and remittances	53,218	Interest is calculated based on annual deposit interest rate from 0% to 0.65%.	0.01
		Sunny E-Commercial Co.	From parent company to Subsidiary	Deposits and remittances	29,371	Interest is calculated based on annual deposit interest rate from 0.03% to 1.035%.	0.01

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

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



Sunny Bank Ltd.

Financial Statements for the
Years Ended December 31, 2017 and 2016 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, 2017 and 2016, 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, 2017 and 2016, and its financial performance and its cash flows for the years then ended, in conformity with Regulations Governing the Preparation of Financial Reports by Public Banks and the guidelines issued by the authority.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Bank's financial statements for the year ended December 31, 2017 are stated as follows:

Impairment of Loans and Receivables

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

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

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

Other Matter

On January 20, 2017, the Company merged with Sunny Life Insurance Brokerage Co., Ltd and Sunny Property & Insurance Brokerage Co., Ltd which were held by Sunny Bank Ltd, please refer to Notes 1 and 47. This consolidation is reorganization under common control. According to IFRS Q&A and interpretation issued by Accounting Research and Development Foundation, when the Company prepared comparative financial statement, the financial statements were retrospectively restated to reflect the merger assuming both entities had merged.

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, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chih-Ming Shao and Dien-Sheng Chang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 20, 2018

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, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017		2016 (Restated)	
	Amount	%	Amount	%
ASSETS				
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	\$ 6,360,064	2	\$ 8,241,614	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Note 7)	15,100,800	4	16,909,331	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 3, 4 and 8)	22,436,526	5	11,768,419	3
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 4 and 9)	1,790,880	-	1,388,427	-
RECEIVABLES, NET (Notes 3, 4, 5, 10, 11 and 39)	1,705,759	-	1,523,849	-
CURRENT TAX ASSETS (Note 37)	108	-	36,100	-
DISCOUNTS AND LOANS, NET (Notes 3, 4, 5, 11 and 39)	286,291,918	65	260,550,705	66
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 3, 4, 12 and 41)	64,871,328	15	65,789,356	17
HELD-TO-MATURITY FINANCIAL ASSETS (Notes 3, 4, 13 and 41)	21,147,709	5	14,131,821	4
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD, NET (Notes 3, 4 and 14)	1,875,205	1	1,733,802	1
OTHER FINANCIAL ASSETS, NET (Notes 3, 4, 11, 15 and 41)	5,795,354	1	3,942,355	1
PROPERTY AND EQUIPMENT, NET (Notes 4 and 16)	9,375,223	2	9,474,098	2
INTANGIBLE ASSETS, NET (Notes 4 and 17)	1,102,156	-	1,062,509	-
DEFERRED TAX ASSETS (Notes 4 and 37)	143,668	-	106,160	-
OTHER ASSETS, NET (Notes 4, 18 and 41)	<u>157,454</u>	-	<u>192,154</u>	-
TOTAL	<u>\$ 438,154,152</u>	<u>100</u>	<u>\$ 396,850,700</u>	<u>100</u>
LIABILITIES AND EQUITY				
DUE TO THE CENTRAL BANK AND BANKS (Note 19)	\$ 7,313,606	2	\$ 6,943,606	2
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	8,040	-	13,256	-
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE (Notes 4, 13 and 20)	9,655,135	2	3,600,338	1
PAYABLES (Notes 21 and 25)	3,575,166	1	3,436,625	1
CURRENT TAX LIABILITIES (Note 4 and 37)	169,866	-	170,135	-
DEPOSITS AND REMITTANCES (Notes 22 and 39)	376,779,183	86	344,846,726	87
BANK DEBENTURES (Note 23)	13,780,000	3	13,500,000	3
PROVISIONS (Notes 3, 4, 11, 24 and 25)	73,052	-	81,570	-
DEFERRED TAX LIABILITIES (Notes 4 and 37)	106,829	-	106,829	-
OTHER LIABILITIES (Notes 26 and 39)	<u>304,465</u>	-	<u>273,880</u>	-
Total liabilities	<u>411,765,342</u>	<u>94</u>	<u>372,972,965</u>	<u>94</u>
EQUITY (Notes 3, 4 and 27)				
Ordinary shares	<u>21,629,440</u>	<u>5</u>	<u>20,032,947</u>	<u>5</u>
Capital surplus	<u>50,443</u>	-	<u>49,042</u>	-
Retained earnings				
Legal reserve	2,194,441	1	1,492,736	-
Special reserve	382,808	-	24,936	-
Unappropriated earnings	<u>1,990,667</u>	-	<u>2,553,630</u>	<u>1</u>
Total retained earnings	<u>4,567,916</u>	<u>1</u>	<u>4,071,302</u>	<u>1</u>
Other equity	<u>141,011</u>	-	<u>(371,113)</u>	-
Treasury shares	-	-	<u>(3,508)</u>	-
Prior interest under common control	-	-	<u>99,065</u>	-
Total equity	<u>26,388,810</u>	<u>6</u>	<u>23,877,735</u>	<u>6</u>
TOTAL	<u>\$ 438,154,152</u>	<u>100</u>	<u>\$ 396,850,700</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 20, 2018)

SUNNY BANK LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016 (Restated)		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST REVENUE	\$ 7,749,512	125	\$ 7,181,199	117	8
LESS: INTEREST EXPENSE	<u>3,038,472</u>	<u>49</u>	<u>2,821,037</u>	<u>46</u>	8
NET INTEREST (Notes 4, 28 and 39)	<u>4,711,040</u>	<u>76</u>	<u>4,360,162</u>	<u>71</u>	8
NET REVENUES OTHER THAN INTEREST (Note 4)					
Commission and fee revenues, net (Notes 29 and 39)	1,154,003	19	1,283,279	21	(10)
Gains on financial assets and liabilities at fair value through profit or loss (Notes 4 and 30)	149,166	2	99,724	2	50
Realized gains on available-for-sale financial assets (Note 31)	39,413	1	158,029	3	(75)
Foreign exchange gains (losses)	(28,235)	(1)	19,132	-	(248)
Reversal of impairment loss (impairment loss) on assets (Note 32)	37,630	1	28,349	-	33
Share of profit of subsidiaries	24,612	-	85,321	1	(71)
Gains on financial assets carried at cost	34,648	1	37,037	1	(6)
Rental income (Note 39)	70,265	1	70,480	1	-
Other noninterest net revenues (Note 33)	<u>10,593</u>	<u>-</u>	<u>9,181</u>	<u>-</u>	15
Total net revenues other than interest	<u>1,492,095</u>	<u>24</u>	<u>1,790,532</u>	<u>29</u>	(17)
TOTAL NET REVENUES	<u>6,203,135</u>	<u>100</u>	<u>6,150,694</u>	<u>100</u>	1
ALLOWANCE FOR DOUBTFUL ACCOUNTS AND GUARANTEES (Notes 4, 5, 11 and 39)	<u>(643,915)</u>	<u>(10)</u>	<u>(56,705)</u>	<u>(1)</u>	1,036
OPERATING EXPENSES					
Employee benefits (Notes 4, 25, 27, 34 and 39)	2,010,516	32	2,039,379	33	(1)
Depreciation and amortization (Notes 4 and 35)	235,809	4	223,321	3	6
Others (Note 36)	<u>1,086,359</u>	<u>18</u>	<u>1,086,153</u>	<u>18</u>	-
Total operating expenses	<u>3,332,684</u>	<u>54</u>	<u>3,348,853</u>	<u>54</u>	-

(Continued)

SUNNY BANK LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016 (Restated)		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INCOME BEFORE INCOME TAX	\$ 2,226,536	36	\$ 2,745,136	45	(19)
INCOME TAX EXPENSE (Notes 4 and 37)	<u>315,936</u>	<u>5</u>	<u>361,500</u>	<u>6</u>	(13)
NET INCOME	<u>1,910,600</u>	<u>31</u>	<u>2,383,636</u>	<u>39</u>	(20)
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation (Notes 4 and 25)	(13,008)	-	(31,423)	-	(59)
Share of other comprehensive gain (loss) of subsidiaries	(1,226)	-	98	-	(1,351)
Income tax benefit relating to items that will not be reclassified subsequently (Notes 4 and 37)	<u>2,211</u>	<u>-</u>	<u>5,342</u>	<u>-</u>	(59)
	<u>(12,023)</u>	<u>-</u>	<u>(25,983)</u>	<u>-</u>	(54)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations	(2,504)	-	(5,694)	-	(56)
Unrealized gain (loss) on available-for-sale financial assets	520,557	8	(539,337)	(9)	197
Share of other comprehensive loss of subsidiaries	<u>(5,929)</u>	<u>-</u>	<u>(36,204)</u>	<u>(1)</u>	(84)
	<u>512,124</u>	<u>8</u>	<u>(581,235)</u>	<u>(10)</u>	188
Other comprehensive income (loss) for the year, net of income tax	<u>500,101</u>	<u>8</u>	<u>(607,218)</u>	<u>(10)</u>	182
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,410,701</u>	<u>39</u>	<u>\$ 1,776,418</u>	<u>29</u>	36
NET PROFIT ATTRIBUTABLE TO:					
Shareholders of parent company	\$ 1,910,600	31	\$ 2,339,018	38	(18)
Prior interests under common control	<u>-</u>	<u>-</u>	<u>44,618</u>	<u>1</u>	(100)
	<u>\$ 1,910,600</u>	<u>31</u>	<u>\$ 2,383,636</u>	<u>39</u>	(20)

(Continued)

SUNNY BANK LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016 (Restated)		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
TOTAL COMPREHENSIVE INCOME					
ATTRIBUTABLE TO:					
Shareholders of parent company	\$ 2,410,701	39	\$ 1,731,800	28	39
Prior interests under common control	<u>-</u>	<u>-</u>	<u>44,618</u>	<u>1</u>	(100)
	<u>\$ 2,410,701</u>	<u>39</u>	<u>\$ 1,776,418</u>	<u>29</u>	36
EARNINGS PER SHARE (Note 38)					
Basic	<u>\$ 0.90</u>		<u>\$ 1.20</u>		
Diluted	<u>\$ 0.90</u>		<u>\$ 1.20</u>		

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

(With Deloitte & Touche auditors' report dated March 20, 2018)

(Concluded)

SUNNY BANK LTD.
**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)**

	Share Capital		Capital Surplus	Retained Earnings				Other Equity		Treasury Shares	Prior Interests under Common Control	Total Equity
	Shares in Thousand	Ordinary Shares		Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets			
BALANCE AT JANUARY 1, 2016	1,743,674	\$ 17,436,742	\$ 48,717	\$ 875,554	\$ 87,810	\$ 2,189,843	\$ 3,153,207	\$ 12,553	\$ 197,569	\$ (3,508)	\$ -	\$ 20,845,280
Retrospective adjustment of equity attributable to the prior interests under common control	-	-	-	-	-	-	-	-	-	-	93,931	93,931
BALANCE AT JANUARY 1, 2016 AS RESTATED	1,743,674	17,436,742	48,717	875,554	87,810	2,189,843	3,153,207	12,553	197,569	(3,508)	93,931	20,939,211
Appropriation of the 2015 earnings												
Legal reserve	-	-	-	617,182	-	(617,182)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(348,735)	(348,735)	-	-	-	-	(348,735)
Share dividends	104,621	1,046,205	-	-	-	(1,046,205)	(1,046,205)	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(62,874)	62,874	-	-	-	-	-	-
Change in prior interest under common control	-	-	-	-	-	-	-	-	-	-	(39,484)	(39,484)
Net income for the year ended December 31, 2016	-	-	-	-	-	2,339,018	2,339,018	-	-	-	44,618	2,383,636
Other comprehensive loss for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(25,983)	(25,983)	(41,922)	(539,313)	-	-	(607,218)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	2,313,035	2,313,035	(41,922)	(539,313)	-	44,618	1,776,418
Issue of ordinary shares for cash	155,000	1,550,000	-	-	-	-	-	-	-	-	-	1,550,000
Value of share-based payment under employee share options	-	-	232	-	-	-	-	-	-	-	-	232
Adjustments to capital surplus of cash dividends to subsidiary	-	-	93	-	-	-	-	-	-	-	-	93
BALANCE AT DECEMBER 31, 2016	2,003,295	20,032,947	49,042	1,492,736	24,936	2,553,630	4,071,302	(29,369)	(341,744)	(3,508)	99,065	23,877,735
Appropriation of the 2016 earnings												
Legal reserve	-	-	-	701,705	-	(701,705)	-	-	-	-	-	-
Special reserve	-	-	-	-	357,872	(357,872)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(400,561)	(400,561)	-	-	-	-	(400,561)
Share dividends	100,140	1,001,402	-	-	-	(1,001,402)	(1,001,402)	-	-	-	-	-
Net income for the year ended December 31, 2017	-	-	-	-	-	1,910,600	1,910,600	-	-	-	-	1,910,600
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(12,023)	(12,023)	(8,433)	520,557	-	-	500,101
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	1,898,577	1,898,577	(8,433)	520,557	-	-	2,410,701
Issue of ordinary shares for cash	60,000	600,000	-	-	-	-	-	-	-	-	-	600,000
Change in prior interest under common control	-	-	-	-	-	-	-	-	-	-	(99,065)	(99,065)
Treasury stock	(491)	(4,909)	1,401	-	-	-	-	-	-	3,508	-	-
BALANCE AT DECEMBER 31, 2017	2,162,944	\$ 21,629,440	\$ 50,443	\$ 2,194,441	\$ 382,808	\$ 1,990,667	\$ 4,567,916	\$ (37,802)	\$ 178,813	\$ -	\$ -	\$ 26,388,810

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

(With Deloitte & Touche auditors' report dated March 20, 2018)

SUNNY BANK LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 2,226,536	\$ 2,745,136
Adjustments for:		
Depreciation expenses	219,977	210,364
Amortization expenses	15,832	12,957
Allowance for doubtful accounts and guarantees	643,915	56,705
Interest expenses	3,038,472	2,821,037
Interest revenues	(7,749,512)	(7,181,199)
Dividend income	(51,759)	(52,857)
Decrease in provisions	(24,144)	(232,700)
Share-based payments	-	232
Share of profit of subsidiaries	(24,612)	(85,321)
Loss (gain) on disposal of property and equipment	(68)	432
Loss on disposal of investments	3	-
Realized gain on available-for-sale financial asset	(22,302)	(142,209)
Reversal of impairment loss on financial assets	(37,630)	(28,349)
Changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank and call loans to other banks	872,314	(1,150,397)
Increase in financial assets at fair value through profit or loss	(10,668,107)	(2,032,465)
Decrease in receivables	22,779	106,360
Increase in discounts and loans	(26,324,280)	(22,877,844)
Increase in due to the central bank and banks	370,000	1,370,000
Decrease in financial liabilities at fair value through profit or loss	(5,216)	(3,365)
Increase in securities sold under agreements to repurchase	6,054,797	750,299
Increase (decrease) in payables	(16,924)	1,038,779
Increase in deposits and remittances	31,932,457	25,895,594
Net cash generated from operations	472,528	1,221,189
Interest received	7,903,914	7,118,766
Dividends received	129,347	140,340
Interest paid	(2,883,007)	(2,790,426)
Income tax paid	(315,510)	(93,392)
Net cash generated from operating activities	<u>5,307,272</u>	<u>5,596,477</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(505,456,911)	(567,476,240)
Proceeds from disposal of available-for-sale financial assets	506,460,856	571,566,896
Acquisition of held-to-maturity financial assets	(7,125,562)	(12,284,140)
Proceeds from disposal of held-to-maturity financial assets	1,992	-
Acquisition of investments accounted for using equity method	(195,000)	(152,747)
Acquisition of subsidiary	(105,599)	-
Acquisition of property and equipment	(149,712)	(214,115)
Proceeds from disposal of property and equipment	68	3

(Continued)

SUNNY BANK LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016 (Restated)
Acquisition of intangible assets	\$ (24,841)	\$ (14,569)
Increase in other financial assets	(1,819,296)	(2,526,930)
Decrease in other assets	<u>33,674</u>	<u>29,843</u>
Net cash used in investing activities	<u>(8,380,331)</u>	<u>(11,071,999)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issued of bank debentures	2,780,000	3,100,000
Repayment of bank debentures on maturity	(2,500,000)	-
Increase in other liabilities	30,585	8,341
Cash dividends	(400,561)	(388,126)
Proceeds from issue of ordinary shares	<u>600,000</u>	<u>1,550,000</u>
Net cash generated from financing activities	<u>510,024</u>	<u>4,270,215</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>147,721</u>	<u>73,857</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,415,314)	(1,131,450)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>11,166,832</u>	<u>12,298,282</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 8,751,518</u>	<u>\$ 11,166,832</u>

Reconciliation of the amounts in the statement of cash flows with the equivalent items reported in the balance sheets at December 31, 2017 and 2016:

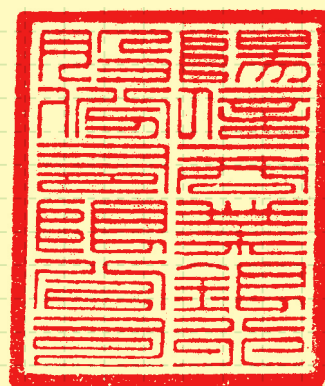
	<u>December 31</u>	
	2017	2016 (Restated)
Cash and cash equivalents in balance sheets	\$ 6,360,064	\$ 8,241,614
Due from the Central Bank and call loans to other banks reclassified as cash and cash equivalents under IAS 7 "Statement of Cash Flows"	600,574	1,536,791
Securities purchased under agreements to resell reclassified as cash and cash equivalents under IAS 7 "Statement of Cash Flows"	<u>1,790,880</u>	<u>1,338,427</u>
Cash and cash equivalents at the end of the year	<u>\$ 8,751,518</u>	<u>\$ 11,166,832</u>

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

(With Deloitte & Touche auditors' report dated March 20, 2018)

(Concluded)

Sunny Bank Co., Ltd



Chairman : CHEN, SHENG-HUNG





陽信銀行
SUNNY BANK