

# Annual Report 2017

**Bank of Panhsin Head Office**

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Tel : (02)2962-9170

Web Site : [www.bop.com.tw](http://www.bop.com.tw)

**Spokesman**

Name : Li-Chin Wei

Title : S.E.V.P.Head Compliance

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**Deputy Spokesman**

Name : Fang-Chi Lin

Title : S.E.V.P.Head Compliance

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**Securities Agent**

Name : Bank of Panhsin, General Affair Department

Address : No.149-49, Sec. 2, Keelung Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)

Tel : (02)2736-5189

**Credit Rating Agent**

Taiwan Ratings Corporation

Address : 49F, No.7, Sec.5, Xingyi Rd., Taipei City, Taiwan (R.O.C.)

Tel : (02)8722-5800

Web Site : [www.taiwanratings.com](http://www.taiwanratings.com)

**Certified Public Accountants for Financial Statements**

KPMG Certified Public Accountants

Name of Accountants : Li Li Lu, Andrew Yu

Address : 68F, No.7, Sec.5, Xingyi Rd., Taipei City, Taiwan (R.O.C.)

Tel : (02)8101-6666

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## Directory of Head Office & Branches

## Individual Financial Statements of Recent Years Which Have Been Certified by CPAs

## Bank Overview

Bank of Panhsin (BOP), formerly known as Panchiao Credit Cooperatives (PCC), has always upheld a customer-centric integrity management since its establishment on April 25, 1957, achieving steady business expansion. Thereafter, in response to a rapidly liberalized financial environment and in compliance with the Standards and Methods for Reorganization of Credit Cooperative into Commercial Bank announced on December 6, 1995, PCC had acquired the Kaohsiung Fifth Credit Cooperative on September 29, 1997, and officially transformed into a commercial bank the following day. The business premise has thus surpassed the boundary of New Taipei City. Subsequently, the Bank has made several adjustments and established branch offices according to business development needs. In support of government policies, BOP had acquired the Chiayi First Credit Cooperative on March 7, 2005, opening 46 branches in total. On July 21, 2014, BOP officially acquired the Taipei City Ninth Credit Cooperative, obtaining a total of 64 branches after the merge. In particular, 48 branches are based in Taipei City and New Taipei City.

The Bank has reallocated its headquarters to Panhsin Twin Towers in New Banqiao Station Special Zone in 2011 (winning the throne of New Taipei City for seven consecutive years). This relocation not only enhanced the Bank's corporate image and achieved employee consensus, but also provided customers with the best professional service through the establishment of its financial flagship store and enhanced organizational performance. From today forward, BOP will persist in retaining its management concepts of "Integrity, Practicality, and Innovation" to offer perfect financial services, expand its operating scale, improve its asset quality, and ultimately maximize its profits. BOP is determined to become a professional mid-sized commercial bank.

### I 、Date of establishment

PCC was established on April 25, 1957, officially opened on July 5, 1957 and officially transformed into a commercial bank on September 30, 1997.

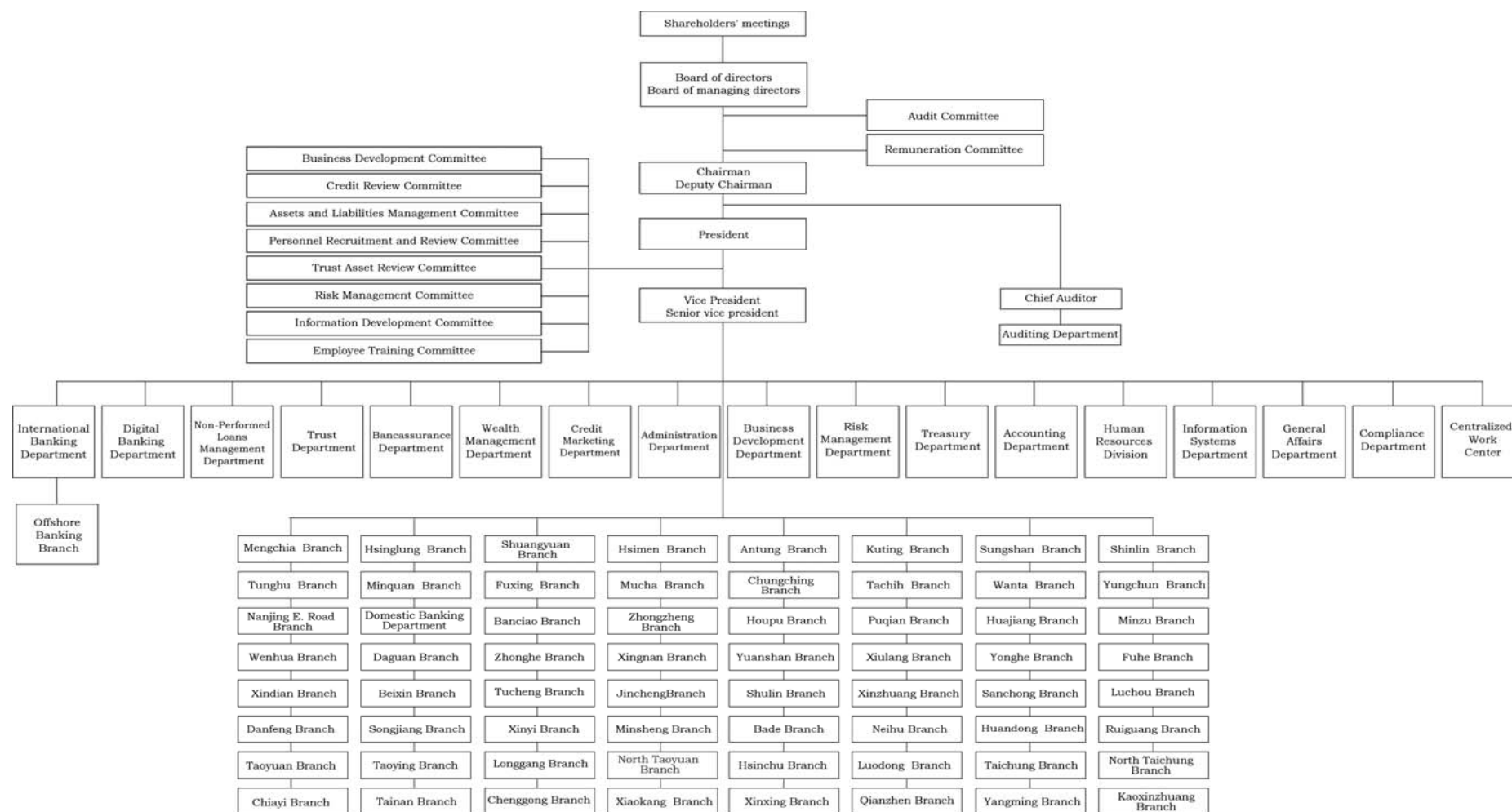
### II 、Credit rating

Rating Agency	Date	Long-Term	Short-Term	Outlook
Taiwan Ratings Co.	Oct. 30, 2017	tw BBB-	twA-3	Stable

# Corporate Governance

## I、Organizational Chart

Baseline date: February 28, 2018



## II 、Profiles of directors and Chairman

Baseline date: December 31, 2017

Position	Name	Country or place of registration	Date elected	Term (Year)	First elected	Shares held during election		No. of shares currently held		Current shares held by spouse and underage children		Major career (academic) achievements	Current job position at the Bank and other companies
						No. of shares	Percentage of shares	No. of shares	Percentage of shares	No. of shares	Percentage of shares		
Chairman	Ping-Hui Liu	Republic of China	2015.07.01	3	1996.12.27	36,142,606	3.27	38,991,580	2.87	31,537,291	2.32	Business Management at Chihlee University of Technology/ Chairman, Panchiao Credit Cooperative	Director, Yuanchih Investment Co., Ltd. Director, Sun Hui Construction Co., Ltd. Chairman, Panhsin Charitable Foundation
Managing Director	Ming-Hsin Chiu	Republic of China	2015.07.01	3	1996.12.27	4,504,116	0.41	4,880,063	0.36	2,291,267	0.17	Tatung Senior Vocational School/ Director, Panchiao Credit Cooperative	Director, Panhsin Asset Management Co., Ltd. Director, Panhsin Charitable Foundation
Managing Director	Dao-Ming Kuo	Republic of China	2015.07.01	3	1996.12.27	7,513,572	0.68	8,105,836	0.60	2,374,146	0.18	Masters, Meijo University/ Director, Panchiao Credit Cooperative	Chairman, SEH Biotechnology Co., Ltd. Chairman, Aizia Technology Co., Ltd. Chairman, Chingyen International Co., Ltd. Director, Mashangfa International Enterprise Ltd. Director, Chieh Hsiung Enterprise Ltd. Chairman, Panhsin Asset Management Co., Ltd. Director, Panhsin Charitable Foundation Chairman, Chung Hwa Rotary Education Foundation
Managing Director	Tong-Jen Lin	Republic of China	2015.07.01	3	2006.06.20	8,383,837	0.76	9,044,700	0.67	663,823	0.05	Tamkang University/ Assistant Manager, Bank of Panhsin	Director, Tripod Development and Construction Co., Ltd. Chairman, Aking Enterprise Ltd. Chairman, Kinpoti Enterprise Ltd. Director, Hungchung Development and Construction Co., Ltd.
Independent Managing Director	Fu-Yuan Chang	Republic of China	2015.07.01	3	2009.06.23	-	-	-	-	-	-	National Taipei University of Business/ Accountant, Yong Sheng Joint Accounting Firm	Manager, Yong Sheng Enterprise Consulting Ltd.

Position	Name	Country or place of registration	Date elected	Term (Year)	First elected	Shares held during election		No. of shares currently held		Current shares held by spouse and underage children		Major career (academic) achievements	Current job position at the Bank and other companies
						No. of shares	Percentage of shares	No. of shares	Percentage of shares	No. of shares	Percentage of shares		
Director	Peng-Lang Lin	Republic of China	2015.07.01	3	2015.06.25	11,604	-	14,056	-	-	-	Faculty of Business Administration, Aomori University/ Chairman, Sunny Bank	-
Director	Representative of Sanjun Construction Co., Ltd.: Zong-Liang Chen	Republic of China	2015.07.01	3	2006.06.20	12,421	-	13,398	-	-	-	Kainan Commercial & Technical School/ Manager, Bank of Panhsin	-
Director	Representative of Tianlu Construction Co., Ltd.: Sheng-Hong Shao	Republic of China	2015.07.01	3	2015.06.25	241,465	0.02	260,497	0.02	-	-	Tamsui Commercial Industrial Vocational Senior High School/ Director, Panchiao Credit Cooperative	Sheng-Hong Shao, Responsible Person
Director	Representative of Baiyuan Investment Co., Ltd.: Ching-Yi Yeh	Republic of China	2015.07.01	3	2009.06.23	33,178,251	3.00	35,793,558	2.64	-	-	National Taipei University of Business/ Resident supervisor of Bank of Panhsin	-
Director	Representative of Sanlight Construction Co., Ltd.: Mei-Yun Liao	Republic of China	2015.07.01	3	2006.06.20	32,912,421	2.98	35,506,773	2.62	-	-	Blessed Imelda's School/ Chairman, Sanlight Construction Co., Ltd.	Chairman, Dashun Construction Co., Ltd. Director, Sanxin Electrical and Mechanical Engineering Co., Ltd. Chairman, Yuanchih Investment Co., Ltd. Director, Sun Hui Construction Co., Ltd. Chairman, Sanlight Construction Co., Ltd. Chairman, Sanjun Construction Co., Ltd. Chairman, Tianlu Construction Ltd.
Director	Ling-Long Chien	Republic of China	2015.07.01	3	1996.12.27	8,294,038	0.75	9,528,223	0.70	1,606,784	0.12	Chihlee University of Technology/ Supervisor, Panchiao Credit Cooperative	Director, Panhsin Asset Management Co., Ltd. Deputy Chairman, Hechung Recreation Co., Ltd. Responsible person of Haotsaitou Construction Site Responsible person of Kinpinming Park Director, Zhuang-Yuan Lou Co., Ltd.

Position	Name	Country or place of registration	Date elected	Term (Year)	First elected	Shares held during election		No. of shares currently held		Current shares held by spouse and underage children		Major career (academic) achievements	Current job position at the Bank and other companies
						No. of shares	Percentage of shares	No. of shares	Percentage of shares	No. of shares	Percentage of shares		
Director	Representative of Hanchia Construction Co., Ltd.:Bing-Huang Liu	Republic of China	2015.07.01	3	2006.06.20	61,797	0.01	66,667	0.01	-	-	Chung Yuan Christian University/ Director, Panchiao Credit Cooperative	Supervisor, Yongthai Development Co., Ltd. Chairman, Yichang Development Co., Ltd. Chairman, Hanchia Construction Co., Ltd. Chairman, Haishan Land Construction Co., Ltd. Director, Genhsin Construction Co., Ltd. Director, Panhsin Asset Management Co., Ltd.
Director	Lai-Wei Liu	Republic of China	2015.07.01	3	1996.12.27	3,491,124	0.32	3,766,313	0.28	446,345	0.03	Ger Jyh Senior High School/ Director, Panchiao Credit Cooperative	Chairman, Kin-An-Nian Construction Co., Ltd. Chairman, Kin-Fu Construction Co., Ltd. Director, Kao-Du Construction Co., Ltd.
Director	Yao-Chih Chu	Republic of China	2015.07.01	3	2012.06.19	2,016,481	0.18	3,166,292	0.23	136,336	0.01	Fu Jen Catholic University/ Director, Bank of Panhsin	-
Director	Jui-Long Chen	Republic of China	2015.07.01	3	2009.06.23	-	-	-	-	-	-	National Chung Hsing University/ Minister of Ministry of Economic Affairs	Chairman, Liching Technology Co., Ltd. Director, HannStar Board Co., Ltd. Director, Asia Cement Co., Ltd. Managing Director, Formosa Chemicals & Fiber Co., Ltd. Director, Chihjen Technology Development Co., Ltd. Director, Power Gate Optical Co., Ltd. Independent Director, Inventec Co., Ltd. Independent Director, Walsin Lihwa Co., Ltd. Independent Director, China Petrochemical Development Co., Ltd. Director, Natural Beauty (Registered in Cayman and Hong Kong) Ltd. Chairman, Sinocon Industrial Standards Foundation

Position	Name	Country or place of registration	Date elected	Term (Year)	First elected	Shares held during election		No. of shares currently held		Current shares held by spouse and underage children		Major career (academic) achievements	Current job position at the Bank and other companies
						No. of shares	Percentage of shares	No. of shares	Percentage of shares	No. of shares	Percentage of shares		
Independent Directors	Song-Hui Su	Republic of China	2015.07.01	3	2012.06.19	-	-	-	-	-	-	Feng Chia University/ - President, Agricultural Bank of Taiwan	Director, IBF Financial Holding Co., Ltd. Supervisor, Waterland Venture Capital Director, Guowang International Finance Rental Corporation Liquidator, Foshin Transport Corporation
Independent Directors	Hsin-Yi Lo	Republic of China	2015.07.01	3	2009.06.23	-	-	-	-	-	-	National Chengchi University/ - Lawyer, Lo Hsin Yi Attorney Firm	Chairman, Yang Shu Construction Co., Ltd.
Independent Directors	Yue-Hsiu Liao	Republic of China	2015.07.01	3	2009.06.23	-	-	-	-	-	-	St. John's University/ - Associate Professor, Chihlee University of Technology	-

Note 1 : "Shares held by nominee shareholders": N/A.

Note 2 : The No. of Shares and Percentage of Shares columns during election were based on the 1,105,790,000 shares actually issued during the reelection on June 25, 2015.

Note 3 : The No. of Shares currently held and Percentage of Shares columns were based on the 1,356,584,886 shares actually issued on December 31, 2017.

Note 4 : Director reelection was held on June 25, 2015.

Note 5 : The Deputy Chairman Peng-Lang Lin retired from office at Apr 1, 2017 and was transferred to the post of director after leaving office. On the same day, The managing director is replaced by Tong-Jen Lin.

Note 6 : Panhsin Charitable Foundation is short for Provincial Private Panhsin Social Welfare Charitable Foundation.



### III 、Profiles of president, vice presidents, and management

Baseline date: March 12, 2018

Position	Nationality	Name	Date elected	Shares held		Shares held by spouse and underage children		Major career (academic) achievements	Current job position in other companies
				No. of shares	Percentage of shares	No. of shares	Percentage of shares		
President	Republic of China	Ming-Hsien Kao	2017.04.19	33,929	-	-	-	Department of Banking and Finance, Tamkang University/ President, Land Bank of Taiwan	-
Senior Executive Vice President	Republic of China	Li-Chin Wei	2014.04.21	112,103	0.01	4,004	-	Business Administration, Chihlee University of Technology/ Executive Vice President, Bank of Panhsin	Director, Panhsin Asset Management Co., Ltd.
Senior Executive Vice President	Republic of China	Simon Fang	2006.09.21	18,775,478	1.38	9,828,534	0.72	Department of Economics, Soochow University/ Senior Executive Vice President, Bank of Panhsin	Cooperative, Trust Association of R.O.C/ Independent Director, Charoen Pokphand Enterprise
Senior Executive Vice President	Republic of China	Hsin-Mao Huang	2017.03.01	122,273	0.01	381	-	Accounting Department, Fu Jen Catholic University/ Executive Vice President, Bank of Panhsin	-
Senior Executive Vice President	Republic of China	Shih-Chi Wu	2014.09.22	84,180	0.01	62,016	-	Executive Master of Business Administration, National Chengchi University/ Senior Executive Vice President, Bank of Panhsin	Director, Panhsin Asset Management Co., Ltd.
Senior Executive Vice President	Republic of China	Fang-Chi Lin	2017.04.10	20,695	-	-	-	Master, Institute of Land Economics, National Chengchi University/ President, Land Bank Insurance Brokers Co., Ltd.	-
Chief Auditor	Republic of China	Chuan-Ji Chen	2017.05.22	19,350	-	-	-	Department of Red Estate and Built Environment National Taipei University/ General Manager, Land Bank of Taiwan	-
Senior Executive Vice President	Republic of China	Chung-Chi Chang	2017.06.01	19,350	-	-	-	Master, Institute of Land Economics, National Chengchi University/ General Director of Information Technology Department, Ministry of Science and Technology, Executive Yuan	-
General Manager, Trust Department	Republic of China	Shu-Yu Wu	2017.03.20	12,484	-	-	-	Department of shipping & Transportation management, National Taiwan Ocean University/ Deputy General Manager, Bank of Panhsin	-
General Manager, Wealth Management Department	Republic of China	Hong-Ming Lin	2017.05.10	36,173	-	348	-	MBA Program, University of St Andrews/ General Manager, Bank of Panhsin	-

Position	Nationality	Name	Date elected	Shares held		Shares held by spouse and underage children		Major career (academic) achievements	Current job position in other companies
				No. of shares	Percentage of shares	No. of shares	Percentage of shares		
Executive Vice President, Risk Management Department	Republic of China	Chih-Hsun Chang	2018.01.29	143,199	0.01	-	-	Masters, Graduate Institute of Economics, National Taiwan University/ Executive Vice President, Bank of Panhsin	-
General Manager, Business Development Department	Republic of China	Shu-Nu Yang	2018.01.29	60,498	-	-	-	Masters, International Money and Banking, University of Birmingham/ General Manager, Bank of Panhsin	-
General Manager, Administration Department	Republic of China	Chao-Chung Lin	2014.04.21	60,000	-	-	-	Accounting Department, Feng Chia University/ General Manager, Bank of Panhsin	Director, Panhsin International Rental Co., Ltd.
General Manager, Centralized Work Center	Republic of China	Chung-Lian Lin	2010.07.26	124,172	0.01	21,952	-	Business Management, Sung-Shan High School of Commerce/ General Manager, Bank of Panhsin	-
General Manager, Compliance Department	Republic of China	Ryan Chang	2015.03.23	63,896	-	-	-	Department of Law, Fu Jen Catholic University/ General Manager, Bank of Panhsin	-
General Manager, Bancassurance Department	Republic of China	Yi-Fang Wen	2017.09.14	9,282	-	-	-	Master, Department of Radio & Television, National Chengchi University/ Deputy General Manager, Bank of Panhsin	-
General Manager, International Banking Department & Offshore Banking Branch	Republic of China	Sharon Chen	2018.01.29	11,934	-	-	-	Master, Financial research institute, Fu Jen Catholic University/ Deputy General Manager, Bank of Panhsin	-
General Manager, Credit Marketing Department	Republic of China	Cheng-Lung Yeh	2017.05.10	18,823	-	-	-	Department of International Trade, Tamkang University/ Deputy General Manager, Bank of Panhsin	-
General Manager, Information Systems Department & Digital Banking Department	Republic of China	Mao-Sen Kao	2009.01.01	159,225	0.01	11,538	-	Business Administration, National Taipei Business Vocational School/ General Manager, Bank of Panhsin	-
General Manager, Human Resources Department	Republic of China	Ta-Huang Chen	2014.10.27	43,000	-	-	-	MBA, Graduate Institute of Management, Fu Jen Catholic University/ General Manager, Bank of Panhsin	-

Position	Nationality	Name	Date elected	Shares held		Shares held by spouse and underage children		Major career (academic) achievements	Current job position in other companies
				No. of shares	Percentage of shares	No. of shares	Percentage of shares		
General Manager, General Affairs Department	Republic of China	A-Jen Lai	2010.02.01	133,309	0.01	96,700	0.01	Business Administration, Open College Affiliated With National Taipei Business Vocational School/ General Manager, Bank of Panhsin	-
General Manager, Accounting Department	Republic of China	Jone-Chih Huang	2011.08.01	56,224	-	-	-	Accounting Statistics, Chihlee Business Vocational School/ General Manager, Bank of Panhsin	Supervisor, Panhsin International Rental Co., Ltd.
General Manager, Treasury Department	Republic of China	Kevin Lee	2007.04.02	95,716	0.01	101,225	0.01	Department of Statistics, National Cheng Kung University/ Senior Executive Vice President, IBT Securities	-
General Manager, Domestic Banking Department	Republic of China	Jennie Lin	2018.01.29	42,979	-	-	-	Masters in International Finance, University of Birmingham/ General Manager, Bank of Panhsin	-
General Manager, Houpu Branch	Republic of China	Hsiao-Hsuan Lu	2016.02.01	12,063	-	-	-	Applied Commerce, National Taipei University of Business/ Business manager, Taipei Fubon Bank	-
General Manager, Yonghe Branch	Republic of China	Shu-Ming Liu	2017.05.10	55,774	-	-	-	Department of Applied Business, Open College Affiliated with National Taipei University of Business/ General Manager, Bank of Panhsin	-
General Manager, Puqian Branch	Republic of China	Pei-Yu Wong	2015.12.28	30,408	-	-	-	Department of Finance Management, National Chengchi University/ General Manager, Bank of Panhsin	-
General Manager, Huajiang Branch	Republic of China	Yi-Min Wan	2015.01.26	80,134	0.01	15,815	-	Department of International Trade, Chihlee Business Vocational School/ General Manager, Bank of Panhsin	-
General Manager, Minzu Branch	Republic of China	Ke-Han Liu	2018.01.29	96,526	0.01	801	-	Banking Insurance, Open College Affiliated With National Taipei Business Vocational School/ General Manager, Bank of Panhsin	-
General Manager, Zhonghe Branch	Republic of China	Lai-Wang Lin	2018.01.29	365,000	0.03	180,000	0.01	Accounting Statistics, National Taipei Business Vocational School/ General Manager, Bank of Panhsin	-
General Manager, Tucheng Branch	Republic of China	Chien-Wen Lee	2018.01.29	90,766	0.01	4,680	-	MBA, Stratford University/ General Manager, Bank of Panhsin	-

Position	Nationality	Name	Date elected	Shares held		Shares held by spouse and underage children		Major career (academic) achievements	Current job position in other companies
				No. of shares	Percentage of shares	No. of shares	Percentage of shares		
General Manager, Wenhua Branch	Republic of China	Wan-Ki Chen	2018.01.29	148,840	0.01	31,814	-	Business Administration, Chihlee - Business Vocational School/ General Manager, Bank of Panhsin	-
General Manager, Daguan Branch	Republic of China	Ying-An Hsieh	2016.01.25	26,030	-	18,115	-	Department of Economics, Fu Jen - Catholic University/ General Manager, Bank of Panhsin	-
General Manager, Xingnan Branch	Republic of China	Hui-Mei Liu	2015.12.28	123,265	0.01	-	-	Banking Information, Open College Affiliated With National Taipei Business Vocational School/ General Manager, Bank of Panhsin	-
General Manager, Songjiang Branch	Republic of China	Ming-Chou Tsai	2018.01.29	25,778	-	-	-	Department of Statistic, Tamkang - University/ General Manager, Bank of Panhsin	-
Executive Vice President, Xinyi Branch	Republic of China	Wei-Hsing Ku	2018.01.29	-	-	-	-	Business Administration, China University of Science and Technology/ General Manager, Land Bank of Taiwan	-
Executive Vice President, Xinzhuang Branch	Republic of China	Wen-Lung Hsu	2017.05.10	30,638	-	-	-	Department of Bussiness & Management, Tamkang College/ General Manager, Land Bank of Taiwan	-
General Manager, Xiulang Branch	Republic of China	Ping-Hung Tsao	2018.01.29	66,230	-	6,464	-	Master, Graduate Institute of Economics, Chinese Culture University/ General Manager, Bank of Makoto	-
General Manager, Taoyuan Branch	Republic of China	Chung-Fu Tu	2017.10.01	16,815	-	-	-	Department of Public Finance, Feng Chia University/ General Manager, Yuanta Bank A.V.P	-
General Manager, Sanchong Branch	Republic of China	Ming-Tao Lo	2018.01.29	-	-	-	-	Department of Law, Fu Jen Catholic University/ General Manager, Jih Sun International Bank	-
General Manager, Yuanshan Branch	Republic of China	Hua-Yi Kuo	2015.12.28	130,210	0.01	-	-	Business Management, Yu Da High School of Commerce and Home Economics/ General Manager, Bank of Panhsin	-
General Manager, Taoying Branch	Republic of China	Chih-Chung Yu	2016.12.26	33,865	-	-	-	Department of Enterprise Management, Chung Yuan Christian University/ General Manager, Bank of Panhsin	-
General Manager, Minsheng Branch	Republic of China	Eric Liu	2015.01.26	53,995	-	-	-	Department of Finance, Takming University of Science and Technology/ General Manager, Bank of Panhsin	-

				Shares held		Shares held by spouse and underage children			
Percentage of shares	Nationality	Name	Date elected			children		Major career (academic) achievements	Current job position in other companies
				No. of shares	Percentage of shares	No. of shares	Percentage of shares		
General Manager, Longgang Branch	Republic of China	June-Fang Chien	2018.01.29	18,400	-	-	-	Department of Industrial Economics, Tamkang University/ Deputy General Manager, Bank of Panhsin	-
General Manager, Shulin Branch	Republic of China	Co-In Ho	2018.01.29	6,368	-	-	-	Kuang-Fu High School Comprehensive Business Division/ Deputy General Manager, Bank of Panhsin	-
General Manager, Jincheng Branch	Republic of China	Da-Hu Yo	2015.01.26	32,828	-	-	-	Department of Business and Management, Tamkang University/ Executive Vice President, Cosmos Bank	-
General Manager, Hsinchu Branch	Republic of China	Su-Ching Chien	2015.12.28	37,633	-	-	-	Department of Statistics, Feng Chia University/ General Manager, Bank of Panhsin	-
General Manager, Bade Branch	Republic of China	Rui-Dian Chen	2015.01.26	81,967	0.01	-	-	Industrial Management, National Taipei Institute of Technology/ General Manager, Bank of Panhsin	-
Executive Vice President, Xindian Branch	Republic of China	Min-Hsiu Chou	2018.01.29	15,077	-	-	-	Master, Institute of Public Administrators, National Chengchi University/ General Manager, Land Bank of Taiwan	-
General Manager, Neihu Branch	Republic of China	Heng-Yu Chang	2016.03.01	19,014	-	-	-	Master, Institute Executive of Business Administration, National Chengchi University/ General Manager, Bank of Panshin	-
General Manager, Zhongzheng Branch	Republic of China	Wen-Hui Chou	2018.01.29	45,928	-	-	-	Department of Economics, National Chung Hsing University/ General Manager, Bank of Panhsin	-
General Manager, Luchou Branch	Republic of China	Tian-Yi Pan	2018.01.29	38,955	-	-	-	Masters, Institute of Business Administration, National Taiwan University/ General Manager, Bank of Panhsin	-
General Manager, Fuhe Branch	Republic of China	Chi-Ching Chuang	2017.05.10	10,000	-	-	-	Master, Finance and International Business, Fu Jen Catholic University/ Deputy General Manager, Bank of Panhsin	-
General Manager, Banciao Branch	Republic of China	Shu-Chuan Wei	2015.12.28	139,949	0.01	3,858	-	Department of Banking and Insurance, National Taipei Business Vocational School/ General Manager, Bank of Panhsin	-
General Manager, Ruiguang Branch	Republic of China	Mou-Chung Chou	2017.04.24	5,000	-	-	-	Department of Business Administration, Chinese Culture University/ Deputy General Manager, Bank of Panhsin	-

Position	Nationality	Name	Date elected	Shares held		Shares held by spouse and underage children		Major career (academic) achievements	Current job position in other companies
				No. of shares	Percentage of shares	No. of shares	Percentage of shares		
General Manager, Danfeng Branch	Republic of China	Chun-Sheng Lu	2017.08.22	42,246	-	2,279	-	Industrial Management, National Chin-Yi Institute of Technology/ Deputy General Manager, Bank of Panhsin	-
General Manager, Beixin Branch	Republic of China	Chin-Chuan Hsieh	2016.05.23	11,425	-	-	-	Masters, Financial Research Institute, Fu Jen Catholic University/ Executive Vice President, CTBC Bank	-
General Manager, Mengchia Branch	Republic of China	Chung-Wei Liao	2016.01.25	44,584	-	-	-	Department of International Trade, Chihlee University of Technology/ General Manager, Bank of Panhsin	-
General Manager, Hsinglung Branch	Republic of China	Yong-Yuan Chen	2016.01.25	32,903	-	3,858	-	MBA in Executive Management, Royal Roads University/ General Manager, Bank of Panhsin	-
General Manager, Shuangyuan Branch	Republic of China	Fang-Ming Huang	2016.06.27	54,967	-	431	-	Business Administration, Chihlee University of Technology/ General Manager, Bank of Panhsin	-
General Manager, Hsimen Branch	Republic of China	Ming-Hsing Shih	2015.10.28	49,237	-	-	-	Department of Accounting, Chung Yuan Christian University/ General Manager, Bank of Panhsin	-
Executive Vice President, Kuting Branch	Republic of China	Huei-Shu Liu	2018.01.29	10,000	-	-	-	Department of International Trade, Tamkang University/ Executive Vice President, Taiwan Cooperative Bank	-
General Manager, Antung Branch	Republic of China	Shih-Yang Liu	2015.09.21	21,743	-	-	-	MBA Program, University of Southern California/ General Manager, Bank of Panhsin	-
General Manager, Sungshan Branch	Republic of China	Ping-Hua Chen	2016.07.25	45,144	-	-	-	Department of Economics, Feng Chia University/ General Manager, Bank of Panshin	-
General Manager, Shinlin Branch	Republic of China	Shih-Yang Chien	2015.04.20	2,045	-	-	-	Department of Finance and Banking, Tamkang University/ Executive Vice President, Taishin International Bank	-
General Manager, Tunghu Branch	Republic of China	Yi-Cheng Su	2014.07.21	2,045	-	-	-	Department of English Language and Literature, Fu Jen Catholic University/ Executive Vice President, Taishin International Bank	-
General Manager, Fuxing Branch	Republic of China	Chao-I Chen	2018.01.29	10,000	-	-	-	Department of Computer Science, Oriental Institute of Technology/ General Manager, Entie Commercial Bank	-

Position	Nationality	Name	Date elected	Shares held		Shares held by spouse and underage children		Major career (academic) achievements	Current job position in other companies
				No. of shares	Percentage of shares	No. of shares	Percentage of shares		
General Manager, Minquan Branch	Republic of China	Anthony Chang	2018.01.29	5,202	-	-	-	Department of Business Administration, Chinese Culture University/ Deputy General Manager, Bank of Panhsin	-
General Manager, Chungching Branch	Republic of China	Fang-Li Cheng	2016.03.21	25,320	-	-	-	Department of Accounting Section, China University of Technology/ General Manager, Bank of Panhsin	-
General Manager, Mucha Branch	Republic of China	Song-Lin Chiang	2014.07.21	11,348	-	-	-	Kaiping Culinary School/ General Manager, Bank of Panhsin	-
General Manager, Tachih Branch	Republic of China	Kuang-Chung Huo	2018.01.29	70,029	0.01	-	-	Ph.D.Programs in Management, National Kaohsiung First University of Science and Technology/ General Manager, Bank of Panhsin	-
General Manager, Wanta Branch	Republic of China	Ling-Hui Kao	2015.10.27	52,910	-	-	-	Master, Institute Executive of Business Administration, National Chengchi University/ General Manager, Bank of Panhsin	-
General Manager, Yungchun Branch	Republic of China	Ming-Jen Chen	2015.09.21	11,499	-	-	-	Department of Accounting Statistics, Tamsui Institute of Business Administration/ General Manager, EnTie Bank	-
General Manager, Nanjing E. Road Branch	Republic of China	Yu-Tsi Yo	2016.10.17	26,277	-	-	-	Department of International Business, Soochow University/ General Manager, Bank of Panhsin	-
General Manager, North Taoyuan Branch	Republic of China	Yi-Pong Yu	2017.06.26	37,000	-	-	-	Department of Banking and Insurance, Hsing Wu Business Vocational School/ Deputy General Manager, Bank of Panhsin	-
General Manager, Huandong ranch	Republic of China	Yi-Chang Kao	2017.01.16	36,000	-	-	-	Department of Information Management, Chung Yuan Christian University/ General Manager, Bank of Panhsin	-
General Manager, Taichung Branch	Republic of China	Yung-Lun Lee	2015.01.26	123,824	0.01	-	-	Department of Business Administration, Taichung Business Vocational School/ General Manager, CTBC Bank	-
General Manager, North Taichung Branch	Republic of China	Fu-Yuan Shih	2016.07.25	41,537	-	-	-	Department of Agribusiness Management, National Pingtung Institute of Commerce/ General Manager, Bank of Panhsin	-
General Manager, Tainan Branch	Republic of China	Chin-Chu Wu	2015.01.26	23,250	-	-	-	Department of International Business, Feng Chia University/ General Manager, Bank of Panhsin	-

Position	Nationality	Name	Date elected	Shares held		Shares held by spouse and underage children		Major career (academic) achievements	Current job position in other companies
				No. of shares	Percentage of shares	No. of shares	Percentage of shares		
General Manager, Chenggong Branch	Republic of China	Tsung-Che Tsai	2016.07.25	14,000	-	-	-	Department of Enterprise Management, National Chung Hsing University/ General Manager, Bank of Panshin	-
General Manager, Xiaokang Branch	Republic of China	Mei-Hao Wang	2018.01.29	20,092	-	-	-	Institute of Wealth Taxation Management, National Kaohsiung Applied Sciences University/ Assistant Manager, Bank of Panshin	-
Executive Vice President, Xingxing Branch	Republic of China	Kuo-Fa Tsai	2018.01.29	-	-	-	-	MBA National Sun Yat-Sen University/ General Manager, Land Bank of Taiwan	-
General Manager, Qianzhen Branch	Republic of China	Chien-Tai Su	2018.01.29	32,824	-	-	-	Department of Financial, National Sun Yat-Sen University/ General Manager, Bank of Panshin	-
General Manager, Yangming Branch	Republic of China	Ching-Shun Wang	2016.04.25	29,721	-	-	-	Department of Enterprise Management, Fu Jen Catholic University/ General Manager, Bank of Panshin	-
General Manager, Kaohsiung Branch	Republic of China	Hsian-Chin Kuo	2018.01.29	47,214	-	-	-	Department of Finance and Banking, Shih Chien University/ General Manager, Bank of Panshin	-
General Manager, Chiayi Branch	Republic of China	Daniel Lin	2018.01.29	26,408	-	-	-	MBA, Chiayi University/ Deputy General Manager, Citibank	-
General Manager, Luodong Branch	Republic of China	Po-Kun Wang	2015.01.26	12,272	-	-	-	Masters, Department of Finance, Ming Chuan University/ General Manager, Bank of Panshin	-
General Manager, Yanchao Branch	Republic of China	Da-Hui Tsai	2018.01.29	33,793	-	-	-	Department of Management, National Taiwan University/ General Manager, Bank of Panshin	-

Note 1 : Information regarding the president, vice president, assistant vice president, and managers, as well as those whose position is equivalent to the president, vice president, or assistant vice president, regardless of their job title .

Note 2 : The career experiences related to the current positions shall be disclosed. If the executive has worked in auditing CPAs or affiliate enterprises within the preceding period, he/she shall specify his/her titles and positions .

Note 3 : "Shares held by nominee shareholders", "Any one is a related party or a relative within the second degree of kinship of manager": N/A.



**IV 、Equity transfers and changes of equity interests in the most recent financial year up till the publication date of this annual report (2018.02.28), by directors, supervisors, managers, and those needing to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Individual Parties and Aggregate Related Parties"**

**(I) Changes of equity interests by directors, supervisors, managers, and those needing to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Individual Parties and Aggregate Related Parties"**

Baseline date: February 28, 2018

Position	Name	2017		By the end of February 2018	
		Increase/Decrease in the No. of Shares Held	Increase/Decrease in the No. of Pledged Shares Held	Increase/Decrease in the No. of Shares Held	Increase/Decrease in the No. of Pledged Shares Held
Chairman (Major shareholder)	Ping-Hui Liu	424,240	(17,000,000) 3,000,000	-	-
Managing Director	Dao-Ming Kuo	88,194	-	-	-
Managing Director	Ming-Hsin Chiu	53,096	-	-	-
Managing Director	Tong-Jen Lin	98,409	-	-	-
Director	Yao-Chih Chu	201,655	-	-	-
Director	Hanchia Construction Co., Ltd.	725	-	-	-
Director	Ling-Long Chien	103,670	-	-	-
Director	Lai-Wei Liu	40,978	-	-	-
Director	Peng-Lang Lin	894	-	-	-
Director (Major shareholder)	Baiyuan Investment Co., Ltd.	389,445	(18,300,000)	-	-
Director	Sanjun Construction Co., Ltd.	145	-	-	-
Director (Major shareholder)	Sanlight Construction Co., Ltd.	386,324	(17,000,000)	-	-
Director	Tianlu Construction Ltd.	2,834	-	-	-
Representative of corporate director (Major shareholder)	Mei-Yun Liao	343,135	(27,200,000) 6,300,000	-	17,220,000
Representative of corporate director	Ching-Yi Yeh	12,063	-	-	-
Representative of corporate director	Zong-Liang Chen	50,872	-	-	-
Representative of corporate director	Sheng-Hong Shao	83,268	-	-	-

Position	Name	2017		By the end of February 2018	
		Increase/Decrease in the No. of Shares Held	Increase/Decrease in the No. of Pledged Shares Held	Increase/Decrease in the No. of Shares Held	Increase/Decrease in the No. of Pledged Shares Held
An individual who needs to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Aggregate Related Parties" (Major shareholder)	Fuching Investment Co., Ltd.	32,652,340	17,600,000 (12,600,000)	-	33,170,000
An individual who needs to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Aggregate Related Parties" (Major shareholder)	Jingqing Investment Co., Ltd.	3,223,592	-	125,000	-
An individual who needs to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Aggregate Related Parties"	Hsinhui Construction Co., Ltd.	11,861	-	-	-
An individual who needs to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Aggregate Related Parties" (Major shareholder)	Yuanmao Construction Co., Ltd.	234,882	21,500,000 (20,000,000)	-	(10,000,000)
An individual who needs to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Aggregate Related Parties" (Major shareholder)	Yuanchih Investment Co., Ltd.	32,589,275	38,640,000 (35,530,000)	-	32,570,000
An individual who needs to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Aggregate Related Parties" (Major shareholder)	Sun Hui Construction Co., Ltd.	709,634	50,600,000 (48,432,000)	-	-

Position	Name	2017		By the end of February 2018	
		Increase/Decrease in the No. of Shares Held	Increase/Decrease in the No. of Pledged Shares Held	Increase/Decrease in the No. of Shares Held	Increase/Decrease in the No. of Pledged Shares Held
An individual who needs to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Aggregate Related Parties"	Hsiu-Lan Liu	336	-	-	-
An individual who needs to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Aggregate Related Parties"	Shun-Chih Liu	3	-	-	-
An individual who needs to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Aggregate Related Parties"	Hsiu-Hsia Liu	644	-	-	-
An individual who needs to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Aggregate Related Parties"	Liu-Miao Lin	3	-	-	-
An individual who needs to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Aggregate Related Parties"	Si-Hui Liu	2,368	-	-	-
An individual who needs to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Aggregate Related Parties"	Chao-Hsuan Liu	2,274	-	-	-

Position	Name	2017		By the end of February 2018	
		Increase/Decrease in the No. of Shares Held	Increase/Decrease in the No. of Pledged Shares Held	Increase/Decrease in the No. of Shares Held	Increase/Decrease in the No. of Pledged Shares Held
An individual who needs to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Aggregate Related Parties"	Chao-Tong Liu	2,663	-	-	-
An individual who needs to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Aggregate Related Parties"	Kin-Yu Liao (Maiden surname: He)	676	-	-	-
An individual who needs to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Aggregate Related Parties"	Ke-Huang Liao	835	-	-	-
An individual who needs to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Aggregate Related Parties"	Jung-Cuan Liao	6,365	-	-	-
President	Ming-Hsien Kao	33,929	-	-	-
Senior Executive Vice President	Shih-Chi Wu	20,698	-	-	-
Senior Executive Vice President	Li-Chin Wei	25,571	-	-	-
Senior Executive Vice President	Hsin-Mao Huang	21,112	-	-	-
Senior Executive Vice President (Major shareholder)	Simon Fang	204,283	-	-	-
Senior Executive Vice President	Fang-Chi Lin	20,695	-	-	-
Senior Executive Vice President	Chuan-Ji Chen	19,350	-	-	-
Senior Executive Vice President	Chung-Chi Chang	19,350	-	-	-

Position	Name	2017		By the end of February 2018	
		Increase/Decrease in the No. of Shares Held	Increase/Decrease in the No. of Shares Held	Increase/Decrease in the No. of Shares Held	Increase/Decrease in the No. of Pledged Shares Held
Executive Vice President	Min-Hsiu Chou	15,077	-	-	-
Executive Vice President	Huei-Shu Liu	10,000	-	-	-
Executive Vice President	Chih-Hsun Chang	18,134	-	-	-
Executive Vice President	Wen-Lung Hsu	30,638	-	-	-
General Manager	Kevin Lee	21,104	-	-	-
General Manager	Jone-Chih Huang	13,886	-	-	-
General Manager	Chung-Lian Lin	6,296	-	-	-
General Manager	Lai-Wang Lin	19,872	-	-	-
General Manager	Ke-Han Liu	12,919	-	-	-
General Manager	Wan-Ki Chen	5,575	-	-	-
General Manager	Hua-Yi Kuo	16,090	-	-	-
General Manager	Co-In Ho	2,047	-	-	-
General Manager	Chun-Sheng Lu	11,392	-	-	-
General Manager	A-Jen Lai	22,239	-	-	-
General Manager	Mao-Sen Kao	17,144	-	-	-
General Manager	Shu-Chuan Wei	16,824	-	-	-
General Manager	Hui-Mei Liu	6,286	-	-	-
General Manager	Yi-Min Wan	16,632 (539,412)	-	-	-
General Manager	Ta-Huang Chen	14,048	-	-	-
General Manager	Fang-Ming Huang	15,237	-	-	-
General Manager	Shu-Yu Wu	5,081	-	-	-
General Manager	Chung-Wei Liao	5,430	-	-	-
General Manager	Hong-Ming Lin	5,339	-	-	-
General Manager	Ying-An Hsieh	10,441	-	-	-
General Manager	Yong-Yuan Chen	6,292	-	-	-
General Manager	Yung-Lun Lee	16,489	-	-	-
General Manager	Su-Ching Chien	13,525	-	-	-
General Manager	Ping-Hua Chen	12,056	-	-	-
General Manager	Ming-Hsing Shih	13,551	-	-	-
General Manager	Tsung-Che Tsai	1,592	-	-	-

Position	Name	2017		By the end of February 2018	
		Increase/Decrease in the No. of Shares Held	Increase/Decrease in the No. of Shares Held	Increase/Decrease in the No. of Shares Held	Increase/Decrease in the No. of Pledged Shares Held
General Manager	Sharon Chen	3,097	-	-	-
General Manager	Yi-Chang Kao	4,509	-	-	-
General Manager	Yi-Pong Yu	10,896	-	-	-
General Manager	June-Fang Chien	4,156	-	-	-
General Manager	Tian-Yi Pan	8,336	-	-	-
General Manager	Chien-Wen Lee	14,207	-	-	-
General Manager	Heng-Yu Chang	3,174	-	-	-
General Manager	Eric Liu	7,511	-	-	-
General Manager	Chih-Chung Yu	5,314	-	-	-
General Manager	Ping-Hung Tsao	13,784	-	-	-
General Manager	Chao-Chung Lin	11,596	-	-	-
General Manager	Jennie Lin	7,589	-	-	-
General Manager	Da-Hui Tsai	5,313	-	-	-
General Manager	Rui-Dian Chen	5,837	-	-	-
General Manager	Ryan Chang	12,781	-	-	-
General Manager	Kuang-Chung Huo	13,221	-	-	-
General Manager	Shu-Nu Yang	14,740	-	-	-
General Manager	Ming-Chou Tsai	1,269	-	-	-
General Manager	Cheng-Lung Yeh	5,150	-	-	-
General Manager	Fang-Li Cheng	11,548	-	-	-
General Manager	Da-Hu Yo	357	-	-	-
General Manager	Pei-Yu Wong	9,232	-	-	-
General Manager	Ling-Hui Kao	11,737	-	-	-
General Manager	Wen-Hui Chou	14,081	-	-	-
General Manager	Fu-Yuan Shih	9,919	-	-	-
General Manager	Chin-Chu Wu	12,745	-	-	-
General Manager	Chien-Tai Su	11,648	-	-	-
General Manager	Anthony Chang	2,034	-	-	-
General Manager	Daniel Lin	5,232	-	-	-
General Manager	Mei-Hao Wang	3,185	-	-	-

Position	Name	2017		By the end of February 2018	
		Increase/Decrease in the No. of Shares Held	Increase/Decrease in the No. of Shares Held	Increase/Decrease in the No. of Shares Held	Increase/Decrease in the No. of Pledged Shares Held
General Manager	Ching-Shun Wang	10,712	-	-	-
General Manager	Po-Kun Wang	6,068	-	-	-
General Manager	Shih-Yang Chien	1,011	-	-	-
General Manager	Yi-Cheng Su	1,011	-	-	-
General Manager	Song-Lin Chiang	1,112	-	-	-
General Manager	Ming-Jen Chen	125	-	-	-
General Manager	Chin-Chuan Hsieh	11,425	-	-	-
General Manager	Mou-Chung Chou	5,000	-	-	-
General Manager	Chao-I Chen	10,000	-	-	-
General Manager	Yi-Fang Wen	9,282	-	-	-
General Manager	Chi-Ching Chuang	10,000	-	-	-
General Manager	Chung-Fu Tu	16,815	-	-	-
General Manager	Shu-Ming Liu	14,679	-	-	-
General Manager	Hsiao-Hsuan Lu	12,063	-	-	-
General Manager	Shih-Yang Liu	6,171	-	-	-
General Manager	Yu-Tsi Yo	1,275	-	-	-
General Manager	Hsian-Chin Kuo	13,589	-	-	-

## (II) Equity Transfer Information

Baseline date: February 28, 2018

Name	Reason for transfer	Transaction date	Counterparty	Relationship between counterparty and the bank, directors, supervisors, managers, and those needing to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Individual Parties and Aggregate Related Parties"	No. of shares (shares)	Transaction price
Yi-Min Wan	Disposal	2017.12.20	Chieh- Li Yeh	-	539,412	6.00
Jingqing Investment Co., Ltd.	Acquisition	2017.02.20	Chian-Hui Liao	-	222,000	7.30
Jingqing Investment Co., Ltd.	Acquisition	2017.02.20	Yu-Chu Hsu	-	141,582	7.20
Jingqing Investment Co., Ltd.	Acquisition	2017.03.30	Wei-Min Yo	-	124,000	7.20
Jingqing Investment Co., Ltd.	Acquisition	2017.04.14	Chian-Hui Liao	-	288,000	7.20
Jingqing Investment Co., Ltd.	Acquisition	2017.06.21	Wei-Min Yo	-	251,000	7.00
Jingqing Investment Co., Ltd.	Acquisition	2017.06.30	Yu-Chu Hsu	-	195,052	7.00
Jingqing Investment Co., Ltd.	Acquisition	2017.07.19	Chia-Ying Su	-	199,000	7.00
Jingqing Investment Co., Ltd.	Acquisition	2017.07.19	Chian-Hui Liao	-	144,000	7.00
Jingqing Investment Co., Ltd.	Acquisition	2017.08.08	Hsien-Tse Chiu	-	224,029	7.50
Jingqing Investment Co., Ltd.	Acquisition	2017.10.12	Wei-Min Yo	-	220,003	7.00
Jingqing Investment Co., Ltd.	Acquisition	2017.11.16	Chia-Ying Su	-	527,000	6.80
Jingqing Investment Co., Ltd.	Acquisition	2017.11.20	Wei-Min Yo	-	350,006	6.80
Jingqing Investment Co., Ltd.	Acquisition	2018.01.16	Chia-Ying Su	-	125,000	6.70



### (III) Equity pledge information

Baseline date: February 28, 2018

Name	Reason for change	Date of change	Counterparty	Relationship between counterparty and the bank, directors, supervisors, managers, and those needing to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Individual Parties and Aggregate Related Parties"	No. of shares (shares)	Secured small loan (redemption) amount
Ping-Hui Liu	Redemption	2017.08.23	Taichung Commercial Bank, Guishan Branch	-	17,000,000	-
Ping-Hui Liu	Pledge	2017.10.31	Kaohsiung Bank, Taipei Branch	-	3,000,000	-
Mei-Yun Liao	Redemption	2017.08.23	Mega Bank, Daan Branch	-	3,200,000	-
Mei-Yun Liao	Redemption	2017.10.25	KGI Bank, Head Office	-	8,000,000	-
Mei-Yun Liao	Redemption	2017.10.25	Taiwan Shin Kong Commercial Bank, Hsinpu Branch	-	16,000,000	-
Mei-Yun Liao	Pledge	2017.10.31	Kaohsiung Bank, Taipei Branch	-	6,300,000	-
Mei-Yun Liao	Pledge	2018.01.10	King's Town Bank, Luchou Branch	-	600,000	-
Mei-Yun Liao	Pledge	2018.02.28	Mega Bills, Banqiao Branch	-	16,620,000	-
Sanlight Construction Co., Ltd.	Redemption	2017.06.21	Bank SinoPac, Lanya Branch	-	3,000,000	-
Sanlight Construction Co., Ltd.	Redemption	2017.10.25	Mega Bills, Banqiao Branch	-	3,000,000	-
Sanlight Construction Co., Ltd.	Redemption	2017.10.25	KGI Bank, Head Office	-	2,000,000	-
Sanlight Construction Co., Ltd.	Redemption	2017.10.25	Co-Operative assets management Co.,Ltd	-	5,000,000	-
Sanlight Construction Co., Ltd.	Redemption	2017.12.21	King's Town Bank, Luchou Branch	-	4,000,000	-
Fuching Investment Co., Ltd.	Redemption	2017.05.24	Ta Chong Bank, Taoyuan Branch	-	10,000,000	-

Name	Reason for change	Date of change	Counterparty	Relationship between counterparty and the bank, directors, supervisors, managers, and those needing to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Individual Parties and Aggregate Related Parties"	No. of shares (shares)	Secured small loan (redemption) amount
Fuching Investment Co., Ltd.	Pledge	2017.07.24	Fina Finance & Trading Co.,Ltd.	-	14,600,000	-
Fuching Investment Co., Ltd.	Pledge	2017.08.16	Mega Bank, Daan Branch	-	3,000,000	-
Fuching Investment Co., Ltd.	Redemption	2017.10.25	Fina Finance & Trading Co.,Ltd	-	2,600,000	-
Fuching Investment Co., Ltd.	Pledge	2018.01.10	King's Town Bank, Luchou Branch	-	10,940,000	-
Fuching Investment Co., Ltd.	Pledge	2018.01.10	Kaohsung Bank, Taipei Branch	-	22,230,000	-
Yuanmao Construction Co., Ltd.	Redemption	2017.07.13	King's Town Bank, Luchou Branch	-	20,000,000	-
Yuanmao Construction Co., Ltd.	Pledge	2017.08.23	TCBL Co., Ltd.	-	10,000,000	-
Yuanmao Construction Co., Ltd.	Pledge	2017.10.31	Kaohsung Bank, Taipei Branch	-	11,500,000	-
Yuanmao Construction Co., Ltd.	Redemption	2018.02.08	TCBL Co., Ltd.	-	10,000,000	-
Yuanchih Investment Co., Ltd.	Pledge	2017.05.24	Bank SinoPac, Lanya Branch	-	3,000,000	-
Yuanchih Investment Co., Ltd.	Redemption	2017.05.24	Ta Chong Bank, Taoyuan Branch	-	200,000	-
Yuanchih Investment Co., Ltd.	Redemption	2017.05.24	China Bill Finance	-	3,000,000	-
Yuanchih Investment Co., Ltd.	Pledge	2017.08.08	Union Bank of Taiwan Tenshin Branch	-	31,640,000	-
Yuanchih Investment Co., Ltd.	Redemption	2017.08.08	Industrial Bank	-	32,330,000	-

Name	Reason for change	Date of change	Counterparty	Relationship between counterparty and the bank, directors, supervisors, managers, and those needing to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Individual Parties and Aggregate Related Parties"	No. of shares (shares)	Secured small loan (redemption) amount
Yuanchih Investment Co., Ltd.	Pledge	2017.12.21	King's Town Bank, Luchou Branch	-	40,000,000	-
Yuanchih Investment Co., Ltd.	Pledge	2018.01.10	King's Town Bank, Luchou Branch	-	10,340,000	-
Yuanchih Investment Co., Ltd.	Pledge	2018.01.10	Kaohsung Bank, Taipei Branch	-	22,230,000	-
Baiyuan Investment Co., Ltd.	Redemption	2017.08.23	Jihsun Bank	-	9,300,000	-
Baiyuan Investment Co., Ltd.	Redemption	2017.11.07	Ta Chong Bank, Taoyuan Branch	-	9,000,000	-
Sun Hui Construction Co., Ltd.	Pledge	2017.05.18	China Bill Finance	-	3,000,000	-
Sun Hui Construction Co., Ltd.	Pledge	2017.05.18	Ta Chong Bank, Taoyuan Branch	-	10,200,000	-
Sun Hui Construction Co., Ltd.	Pledge	2017.05.18	Co-Operative assets management Co.,Ltd.	-	20,000,000	-
Sun Hui Construction Co., Ltd.	Redemption	2017.05.18	KGI Bank Head Office	-	7,272,000	-
Sun Hui Construction Co., Ltd.	Redemption	2017.05.18	Ta Chong Bank, Taoyuan Branch	-	2,810,000	-
Sun Hui Construction Co., Ltd.	Redemption	2017.05.18	Mega Bills	-	13,750,000	-
Sun Hui Construction Co., Ltd.	Redemption	2017.05.18	Fina Finance & Trading Co.,Ltd.	-	10,000,000	-
Sun Hui Construction Co., Ltd.	Pledge	2017.08.08	Firstholding Co.,Ltd.	-	10,000,000	-
Sun Hui Construction Co., Ltd.	Redemption	2017.08.08	Fina Finance & Trading Co.,Ltd.	-	14,600,000	-
Sun Hui Construction Co., Ltd.	Pledge	2017.10.31	Kaohsung Bank, Taipei Branch	-	7,400,000	-

**V 、Percentage of shares held by the top-10 shareholders related persons, spouses, or family members within second degrees of kinship**

Baseline date: December 31, 2017

Name	Shareholding		Shares held by spouse and underage children		Total shareholding by nominee arrangement		Titles, names, and relationship of parties, spouse, relative of second degree or closer, in relation to top 10 shareholders.	
	No. of shares (shares)	Percentage of shares	No. of shares (shares)	Percentage of shares	No. of shares (shares)	Percentage of shares	Name	Relationship
Representative of Fuching Investment Co., Ltd.: Wei-Ren Liao	161,088,443	11.87	-	-	-	-	Baiyuan Investment Co., Ltd.	Chairman Same person
Representative of Yuanchih Investment Co., Ltd.: Mei-Yun Liao	155,292,105	11.45	-	-	-	-	Mei-Yun Liao	Chairman
							Ping-Hui Liu	Director
							Sanlight Construction Co., Ltd.	Chairman Same person
							Sun Hui Construction Co., Ltd. Representative: Chao-Tong Liu	Second degree kinship
Representative of Sun Hui Construction Co., Ltd.: Chao-Tong Liu	65,221,900	4.81	-	-	-	-	Mei-Yun Liao	Second degree kinship
							Ping-Hui Liu	
							Representative of Yuanchih Investment Co., Ltd.: Mei-Yun Liao	
							Representative of Sanlight Construction Co., Ltd.: Mei-Yun Liao	
Ping-Hui Liu	38,991,580	2.87	31,537,291	2.32	-	-	Representative of Yuanchih Investment Co., Ltd.: Mei-Yun Liao	Director
							Representative of Sun Hui Construction Co., Ltd.: Chao-Tong Liu	Second degree kinship
							Mei-Yun Liao	Spouse
							Representative of Sanlight Construction Co., Ltd.: Mei-Yun Liao	Spouse
Representative of Baiyuan Investment Co., Ltd.: Wei-Ren Liao	35,793,558	2.64	-	-	-	-	Fuching Investment Co., Ltd.	Chairman Same person

Name	Shareholding		Shares held by spouse and underage children		Total shareholding by nominee arrangement		Titles, names, and relationship of parties, spouse, relative of second degree or closer, in relation to top 10 shareholders.	
	No. of shares (shares)	Percentage of shares	No. of shares (shares)	Percentage of shares	No. of shares (shares)	Percentage of shares	Name	Relationship
Representative of Sanlight Construction Co., Ltd.: Mei-Yun Liao	35,506,773	2.62	-	-	-	-	Mei-Yun Liao	Chairman
							Ping-Hui Liu	Director
							Representative of Yuanchih Investment Co., Ltd.: Mei-Yun Liao	Chairman Same person
							Representative of Sun Hui Construction Co., Ltd.: Chao-Tong Liu	Second degree kinship
Representative of Jingqing Investment Co., Ltd.: Chung-Er Lin	32,379,020	2.39	-	-	-	-	Yuanmao Construction Co., Ltd.	Chairman Same person
Mei-Yun Liao	31,537,291	2.32	38,991,580	-	-	-	Yuanchih Investment Co., Ltd.	Chairman
							Sanlight Construction Co., Ltd.	Chairman
							Representative of Sun Hui Construction Co., Ltd.: Chao-Tong Liu	Second degree kinship
							Ping-Hui Liu	Spouse
Representative of Yuanmao Construction Co., Ltd.: Chung-Er Lin	21,587,846	1.59	-	-	-	-	Jingqing Investment Co., Ltd.	Chairman Same person
Simon Fang	18,775,478	1.38	-	-	-	-	-	-

**VI、Numbers of shares in the subsidiaries held by the Bank, the Bank's directors, supervisors, president, vice president, assistant vice president, managers, and entities directly or indirectly controlled by the Bank and the total percentage of shares on a consolidated basis**

Baseline date: December 31, 2017

Investment Transfer	Investment by Bank of Panhsin		Investment by directors, supervisors, president, vice president, assistant vice president, managers, and entities directly or indirectly controlled by the Bank		Consolidated Investment	
	No. of shares (shares)	Percentage of shares (%)	No. of shares (shares)	Percentage of shares (%)	No. of shares (shares)	Percentage of shares (%)
Hsinruidu Development Co., Ltd.	4,940,000	1.86	-	-	4,940,000	1.86
Financial Information Service Co., Ltd.	5,937,750	1.14	-	-	5,937,750	1.14
Taiwan Depository & Clearing Corporation	292,499	0.09	-	-	292,499	0.09
Yangguang Asset Management Co., Ltd.	69,180	1.15	-	-	69,180	1.15
Taiwan Mobile Payment Co., Ltd.	300,000	0.50	-	-	300,000	0.50
Panhsin Asset Management Co., Ltd.	48,800,000	100.00	-	-	48,800,000	100.00
Panhsin International Rental Co., Ltd.	30,000,000	100.00	-	-	30,000,000	100.00

Note : Investment made in accordance with Article 74 of the Banking Act.

## Fund raising

### I、Capital and Shares

#### (I) Sources of capital

Year/ Month	Issue price	Authorized capital		Paid-in capital		Note		
		No. of shares (thousand shares)	Amount (NT\$1,000)	No. of shares (thousand shares)	Amount (NT\$1,000)	Sources of capital	Shares acquired by non-cash assets	Others
1997.09	10	600,000	6,000,000	600,000	6,000,000	Note 1	N/A	N/A
2005.06	10	819,800	8,198,000	819,800	8,198,000	Note 2	N/A	N/A
2006.07	10	1,500,000	15,000,000	819,800	8,198,000	Note 3	N/A	N/A
2006.09	10	1,500,000	15,000,000	855,790	8,557,900	Note 3	N/A	N/A
2006.12	10	1,500,000	15,000,000	955,790	9,557,900	Note 4	N/A	N/A
2011.05	10	1,500,000	15,000,000	1,055,790	10,557,900	Note 5	N/A	N/A
2011.06	10	1,500,000	15,000,000	955,790	9,557,900	Note 5	N/A	N/A
2014.05	10	1,500,000	15,000,000	1,105,790	11,057,900	Note 6	N/A	N/A
2015.08	10	1,500,000	15,000,000	1,141,175	11,411,753	Note 7	N/A	N/A
2015.12	10	1,500,000	15,000,000	1,221,175	12,211,753	Note 8	N/A	N/A
2016.11	10	1,800,000	18,000,000	1,262,695	12,626,952	Note 9	N/A	N/A
2017.08	10	1,800,000	1,800,000	1,276,584	12,765,848	Note 10	N/A	N/A
2017.11	10	1,800,000	1,800,000	1,356,584	13,565,848	Note 11	N/A	N/A

Note 1 : Transformation of Panchiao Credit Cooperative.

Note 2 : With June 20, 2005 as the baseline date for capital increase, the capital increase by surplus was NT\$198,000,000; approval was received from FSC on June 24, 2005 in accordance with Jing-Guan-Yin (3) Letter No. 0940015799. With July 11, 2005 as the baseline date for capital increase, the capital increase by issuing of preferred shares was NT\$1,000,000,000. With June 24, 2005 as the baseline date for capital increase, the capital increase by issuing of common stock was NT\$1,000,000,000; approval was received from FSC on September 10, 2004 in accordance with Jing-Guan-Yin (3) Letter No. 0938011560.

Note 3 : On June 20, 2006, the shareholders' meeting passed the resolution to change capital amount to NT\$15 billion; with September 1, 2006 as the baseline date for capital increase, the capital reserves transferred to capital totaled to NT\$359,900,000; approval was received from FSC on July 18, 2006 in accordance with Jing-Guan-Yin (3) Letter No. 09500320330.

Note 4 : With December 28, 2006 as the baseline date for capital increase, the capital increase by issuing of common stock was NT\$1,000,000,000; approval was received from FSC in accordance with Jin-Guan-Yin (3) Letter No. 09500439170 on October 3, 2006 and Jin-Guan-Yin Letter No. 0950150935 on November 14, 2006.

Note 5 : With June 16, 2011 as the baseline date for capital increase, the capital increase by issuing of common stock was NT\$1,000,000,000; approval was received from FSC on May 4, 2011 in accordance with Jing-Guan-Zheng-Fa-Zi No. 1000016060; NT\$1,000,000,000 of preferred shares expired on June 23, 2011 and were redeemed as share prices obtained from issuing of new shares on June 16, 2011.

Note 6 : With May 27, 2014 as the baseline date for capital increase, the capital increase by issuing of common stock was NT\$1,500,000,000; approval was received from FSC on April 11, 2014 in accordance with Jing-Guan-Zheng-Fa-Zi No. 1030009692.

Note 7 : With August 28, 2015 as the baseline date for capital increase, the capital increase by surplus was NT\$353,853,000; approval was received from FSC on August 5, 2015 in accordance with Jing-Guan-Zheng-Fa-Zi No. 1040028772.

Note 8 : With December 10, 2015 as the baseline date for capital increase, the capital increase by issuing of common stock was NT\$800,000,000; approval was received from FSC on October 13, 2015 in accordance with Jing-Guan-Zheng-Fa-Zi No. 1040039950.

Note 9 : On June 23, 2016, the shareholders' meeting passed the resolution to change capital amount to NT\$18 billion; with October 3, 2016 as the baseline date for capital increase, the capital increase by surplus was NT\$415,199,000; approval was received from FSC on September 13, 2016.

Note 10 : With August 7, 2017 as the baseline date for capital increase, the capital increase by surplus was NT\$138,896,000; approval was received from FSC on July 20, 2017.

Note 11 : With November 16, 2017 as the baseline date for capital increase, the capital increase by issuing of common stock was NT\$800,000,000; approval was received from FSC on September 12, 2017 in accordance with Jing-Guan-Zheng-Fa-Zi No. 1060034708.

Type \ Shares	Authorized capital (thousand shares)			Note
	Outstanding shares	Unissued shares	Total	
Common Stock	1,356,584	443,416	1,800,000	Became a public issuing company as of November 14, 2006

## (II) Shareholder structure

Baseline date: December 31, 2017

Shareholder structure \ Quantity	Government agencies	Financial institutions	Other corporations	Individuals	Foreign institutions and foreigners	Total
Number of people	2	14	87	97,997	26	98,126
Number of shares held	3,585	414,719,159	146,426,740	794,982,661	452,741	1,356,584,886
Percentage of shares (%)	-	30.57	10.79	58.61	0.03	100.00

Note : Number of shares held was based on the 1,356,584,886 common stock issued by December 31, 2017.

## (III) Equity Distribution (Denomination of NT\$10 per share)

Baseline date: December 31, 2017

Shareholding range	Number of shareholders	No. of shares held	Percentage of shares (%)
1 to 999	72,409	27,111,115	2.00
1,000 to 5,000	13,073	39,347,803	2.90
5,001 to 10,000	3,391	22,763,579	1.68
10,001 to 15,000	1,870	22,796,104	1.68
15,001 to 20,000	747	12,580,689	0.93
20,001 to 30,000	3,574	88,680,788	6.54
30,001 to 50,000	1,011	37,927,856	2.80
50,001 to 100,000	1,399	91,536,825	6.75
100,001 to 200,000	318	42,660,806	3.14
200,001 to 400,000	144	39,946,804	2.94
400,001 to 600,000	49	24,537,038	1.81
600,001 to 800,000	36	25,283,081	1.86
800,001 to 1,000,000	15	13,540,983	1.00
1,000,001 to 999,999,999	90	867,871,415	63.97
Total	98,126	1,356,584,886	100.00

Note : Number of shares held and percentage of shares were based on the 1,356,584,886 common stock issued by December 31, 2017.



#### (IV) Major shareholders

Baseline date: December 31, 2017

Name of majority shareholders	No. of shares held	Percentage of shares (%)
Fuching Investment Co., Ltd.	161,088,443	11.87
Yuanchih Investment Co., Ltd.	155,292,105	11.45
Sun Hui Construction Co., Ltd.	65,221,900	4.81
Ping-Hui Liu	38,991,580	2.87
Baiyuan Investment Co., Ltd.	35,793,558	2.64
Sanlight Construction Co., Ltd.	35,506,773	2.62
Jingqing Investment Co., Ltd.	32,379,020	2.39
Mei-Yun Liao	31,537,291	2.32
Yuanmao Construction Co., Ltd.	21,587,846	1.59
Simon Fang	18,775,478	1.38

Note 1 : List only shareholders with a shareholding ratio of more than 1% of the shareholders or shareholdings in the top 10.

Note 2 : Number of shares held and percentage of shares were based on the 1,356,584,886 common stock issued by December 31, 2017.

## II 、 Issuance of financial instruments

Baseline date: December 31, 2017

Order of Share Issuance	12th	13th	14th
Term	2012 Term 1	2012 Term 2	2014 Term 1
Central competent authority	2011.10.06, Jing-Guan-Yin-He-Zi	2012.10.08, Jing-Guan-Yin-He-Zi	2014.03.28, Jing-Guan-Yin-He-Zi
Approval date, Letter No.	No. 10000337280	No. 10100319820	No. 10300083390
Date of issue	2012.03.21	2012.11.12	2014.06.06
Denomination (NT\$)	NT\$10 million		NT\$100 thousand
Place of issue and trading	-		
Currency	TWD		
Issue price	Fully issued at denomination		
Total	NT\$100 million	NT\$700 million	NT\$3,000 million
Interest rate	Fixed:3%	Fixed:3%	Fixed:3% Floating: : +1.50% floating rate for 1-year time deposit according to Chunghwa Post Co., Ltd.
Term	6 years	6 years	6 years
	Maturity date: 2018.03.21	Maturity date: 2018.11.12	Maturity date: 2020.06.06
Claim Priority	Second		
Terms of repayment	Lump-sum at maturity		
Unpaid Balance	NT\$100 million	NT\$700 million	NT\$3,000 million
Previous-year paid-in capital	NT\$9,558 million	NT\$9,558 million	NT\$9,558 million
Previous-year net value after settlement	NT\$7,868 million	NT\$7,868 million	NT\$9,817 million
Contract Implementation	-		
Provisions for redemption or advanced settlement	-		
Criteria for conversion and exchange	-		
Restrictive terms	Sales and transfer objects of the Bank's debentures are limited to banks, bill finance companies, trust enterprises, insurance companies, securities firms, specific persons who participate in the Bank's Capital Strengthening Program.		
Capital Allocation Plan	Adequate capital structure		
The ratio of the reported issue amount plus the balance of already issued and outstanding bonds to the net worth after final report of the preceding year (%)	35.07	43.96	58.06
Conformance to regulatory capital and its associated category	Yes, Category 2		
Name of credit rating institution, date of credit rating, and credit rating	Taiwan Ratings Corporation		
	2012.03.21	2012.11.05	2014.06.04
	twBB+	twBB+	twBB

Order of Share Issuance	15th	16th
Term	2016 Term 1	2016 Term 2
Central competent authority	2016.07.25, Jing-Guan-Yin-He-Zi	
Approval date, Letter No.	No. 10500180450	
Date of issue	2016.08.31	2016.09.30
Denomination (NT\$)	NT\$1 million	
Place of issue and trading	-	
Currency	TWD	
Issue price	Fully issued at denomination	
Total	NT\$1,216 million	NT\$410 million
Interest rate	Fixed:4.75%	
Term	Maturity date: N/A	
Claim Priority	Second	
Terms of repayment	Redeemable after the issue date up to 5 years with approval	
Unpaid Balance	NT\$1,216 million	NT\$410 million
Previous-year paid-in capital	NT\$12,212 million	NT\$12,212 million
Previous-year net value after settlement	NT\$13,181 million	NT\$13,181 million
Contract Implementation	-	
Provisions for redemption or advanced settlement	Redeemable after the issue date up to 5 years with approval	
Criteria for conversion and exchange	-	
Restrictive terms	Sales limited to the Professional Investor was defined under the " Regulations Governing Offshore Structured Products "	
Capital Allocation Plan	Adequate capital structure	
The ratio of the reported issue amount plus the balance of already issued and outstanding bonds to the net worth after final report of the preceding year (%)	44.88	47.99
Conformance to regulatory capital and its associated category	Yes, Category 1	
Name of credit rating institution, date of credit rating, and credit rating	Taiwan Ratings Corporation	
	2015.10.30	
	twBBB-	

Order of Share Issuance	17th	18th
Term	2017 Term 1	2017 Term 2
Central competent authority	2016.04.06, Jing-Guan-Yin-He-Zi	
Approval date, Letter No.	No. 10500079110	
Date of issue	2017.03.22	2017.03.31
Denomination (NT\$)	NT\$1 million	
Place of issue and trading	-	
Currency	TWD	
Issue price	Fully issued at denomination	
Total	NT\$397 million	NT\$305 million
Interest rate	Fixed:2.5%	
Term	7 years	7 years
	Maturity date: 2024.03.22	Maturity date: 2024.03.31
Claim Priority	Second	
Terms of repayment	Lump-sum at maturity	
Unpaid Balance	NT\$397 million	NT\$305 million
Previous-year paid-in capital	NT\$12,627 million	NT\$12,627 million
Previous-year net value after settlement	NT\$13,300 million	NT\$13,300 million
Contract Implementation	-	
Provisions for redemption or advanced settlement	-	
Criteria for conversion and exchange	-	
Restrictive terms	Sales limited to the Professional Investor was defined under the " Regulations Governing Offshore Structured Products "	
Capital Allocation Plan	Adequate capital structure	
The ratio of the reported issue amount plus the balance of already issued and outstanding bonds to the net worth after final report of the preceding year (%)	46.79	49.08
Conformance to regulatory capital and its associated category	Yes, Category 1	
Name of credit rating institution, date of credit rating, and credit rating	Taiwan Ratings Corporation	
	2016.10.26	
	Long term:twBBB-/ Short term:twA-3	

Order of Share Issuance	19th	20th	21th
Term	2017 Term 3	2017 Term 4	2017 Term 5
Central competent authority	2016.07.25, Jing-Guan-Yin-He-Zi		2017.07.14, Jing-Guan-Yin-He-Zi
Approval date, Letter No.	No. 10500180450		No. 10600163460
Date of issue	2017.04.28	2017.07.21	2017.11.15
Denomination (NT\$)	NT\$1 million	NT\$1 million	NT\$10 million
Place of issue and trading	-		
Currency	TWD		
Issue price	Fully issued at denomination		
Total	NT\$150 million	NT\$133 million	NT\$700 million
Interest rate	Fixed:4.75%		Fixed:2.5%
Term	Maturity date: N/A		7 years Maturity date: 2024.11.15
Claim Priority	Second		
Terms of repayment	Redeemable after the issue date up to 5 years with approval		Lump-sum at maturity
Unpaid Balance	NT\$150 million	NT\$133million	NT\$700million
Previous-year paid-in capital	NT\$12,627 million	NT\$12,627 million	NT\$12,627 million
Previous-year net value after settlement	NT\$13,300 million	NT\$13,300 million	NT\$13,300 million
Contract Implementation	-		
Provisions for redemption or advanced settlement	Redeemable after the issue date up to 5 years with approval		-
Criteria for conversion and exchange	-		
Restrictive terms	Sales limited to the Professional Investor was defined under the " Regulations Governing Offshore Structured Products "		
Capital Allocation Plan	Adequate capital structure		
The ratio of the reported issue amount plus the balance of already issued and outstanding bonds to the net worth after final report of the preceding year (%)	50.21	51.21	56.47
Conformance to regulatory capital and its associated category	Yes, Category I		Yes, Category II
Name of credit rating institution, date of credit rating, and credit rating	Taiwan Ratings Corporation 2016.10.26 Long term:twBBB-/ Short term:twA-3		

## Overview of Business Operation

### I 、Scope of business

#### (I) Primary business revenue breakdown

##### 1. Deposit

Unit: NT\$ thousand

Category	End of December 2017		End of December 2016		Difference	
	Amount	Proportion(%)	Amount	Proportion(%)	Amount	Growth rate(%)
<b>Current Deposit</b>	82,412,492	38.70	78,530,321	37.77	3,882,171	4.94
<b>Checking Deposit</b>	2,134,406	1.00	2,074,767	1.00	59,639	2.87
<b>Demand Deposit</b>	30,714,151	14.42	28,245,832	13.58	2,468,319	8.74
<b>Demand Savings Deposit</b>	49,563,935	23.27	48,209,722	23.19	1,354,213	2.81
<b>Time Deposit</b>	129,241,136	60.68	128,099,671	61.61	1,141,465	0.89
<b>Time Deposit</b>	45,395,170	21.32	48,390,794	23.27	-2,995,624	-6.19
<b>Negotiable Certificates of Deposit (NCD)</b>	627,700	0.29	799,400	0.38	-171,700	-21.48
<b>Time Savings Deposit</b>	83,218,267	39.07	78,909,478	37.95	4,308,789	5.46
<b>Interest-drawing Savings Deposit</b>	70,070,495	32.90	67,958,855	32.68	2,111,640	3.11
<b>Non-interest-drawing Time Savings Deposit</b>	13,018,641	6.11	10,818,394	5.20	2,200,247	20.34
<b>Installment Savings Deposit</b>	129,131	0.06	132,229	0.06	-3,098	-2.34
<b>Re-deposit from Banks &amp; Post Office</b>	1,319,059	0.62	1,302,332	0.63	16,727	1.28
<b>Total Deposits</b>	212,972,687	100.00	207,932,325	100.00	5,040,362	2.42

Note : Total Deposits include TWD and foreign currency deposit.

## 2. Credit business

### (1) Personal Loans

Unit: NT\$ thousand

Category	End of December 2017		End of December 2016		Difference	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Growth rate (%)
Secured overdraft	15,301	0.02	26,164	0.04	-10,863	-41.52
Short-term loans	824,935	1.25	596,100	0.93	228,835	38.39
Short-term secured loans	24,372,947	36.85	17,669,933	27.70	6,703,014	37.93
Mid-term loans	1,013,522	1.53	960,195	1.51	53,327	5.55
Mid-term secured loans	7,767,588	11.74	13,402,637	21.01	-5,635,049	-42.04
Long-term loans	231,106	0.35	239,883	0.38	-8,777	-3.66
Long-term secured loans	31,917,919	48.26	30,891,049	48.43	1,026,870	3.32
Total outstanding loan balance in TWD	66,143,318	100.00	63,785,961	100.00	2,357,357	3.70

### (2) Corporate TWD loans

Unit: NT\$ thousand

Category	End of December 2017		End of December 2016		Difference	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Growth rate (%)
Short-term loans	14,289,200	20.92	15,050,230	22.88	-761,030	-5.06
Short-term secured loans	15,953,448	23.36	12,060,302	18.34	3,893,146	32.28
Mid-term loans	8,783,724	12.86	8,732,889	13.28	50,835	0.58
Mid-term secured loans	25,129,883	36.79	24,999,388	38.01	130,495	0.52
Long-term loans	532,700	0.78	496,658	0.75	36,042	7.26
Long-term secured loans	3,619,421	5.29	4,430,956	6.74	-811,535	-18.32
Total outstanding loan balance in TWD	68,308,376	100.00	65,770,423	100.00	2,537,953	3.86

### (3) Corporate foreign currency loans

Unit: US\$ thousand

Category	End of December 2017		End of December 2016		Difference	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Growth rate (%)
Export bill	2,682	0.77	895	0.34	1,787	199.80
Short-term loans	179,219	51.14	132,888	50.07	46,331	34.86
Short-term secured loans	15,812	4.51	21,201	7.99	-5,389	-25.42
Mid-term loans	144,806	41.32	92,293	34.77	52,513	56.90
Mid-term secured loans	6,160	1.76	16,381	6.17	-10,221	-62.40
Long-term loans	1,750	0.50	1,750	0.66	-	-
<b>Total outstanding loan balance in Foreign currency</b>	<b>350,429</b>	<b>100.00</b>	<b>265,408</b>	<b>100.00</b>	<b>85,020</b>	<b>32.03</b>

### 3. Wealth management and trust services

Unit: NT\$ thousand

Primary Businesses	2017		2016		Difference	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Growth rate (%)
Special monetary trust in domestic and offshore securities	144,166	25.82	98,191	15.38	45,975	46.82
Real-estate trust (development and management)	39,127	7.01	51,004	7.99	-11,877	-23.29
Other trusts	10,655	1.91	13,375	2.10	-2,720	-20.34
Fee income subtotal	193,948	34.74	162,570	25.47	31,378	19.30
Insurance	364,353	65.26	475,694	74.53	-111,341	-23.41
Fee income grand total	558,301	100.00	638,264	100.00	-79,963	-12.53

### 4. Debt collection and management services

Overdue loan payment amounted to NT\$1,169,189,000 at the end of 2017, reflecting a increasing of NT\$5,062,000 compared with the NT\$1,164,127,000 in 2016. Regarding the undertaken collateral, the remaining balance for 2017 was NT\$972,803,000 which is NT\$37,579,000 more less the NT\$1,010,382,000 for 2016.

### 5. Foreign currencies

Unit: US\$ thousand

Category	2017		2016		Difference	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Growth rate (%)
Imports	406,309	9.89	369,896	10.20	36,413	9.84
Exports	168,485	4.10	137,132	3.78	31,353	22.86
Outward remittance	1,614,051	39.28	1,401,846	38.66	212,205	15.14
Inward remittance	1,920,198	46.73	1,717,602	47.36	202,596	11.80
Total	4,109,043	100.00	3,626,476	100.00	482,567	13.31
Foreign currency deposit balance	619,332	-	463,793	-	155,539	33.54
Foreign currency loan balance	350,429	-	265,408	-	85,020	32.03



## 6. Primary business as a percentage of the Bank's total assets and its changes

Unit: NT\$ thousand

Primary businesses	End of December 2017		End of December 2016	
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)
Total assets	240,705,847	100.00	232,582,554	100.00
Loans and discounts	144,041,791	59.84	137,516,023	59.13
Deposits at the CBC as well as loans to other banks	20,767,098	8.63	49,712,132	21.37
Investments in bills, bonds, and securities	53,283,244	22.14	20,465,284	8.80
Others	22,613,714	9.39	24,889,115	10.70
Total liabilities	226,357,820	94.04	219,282,109	94.28
Deposits and remittances	211,661,967	87.93	206,495,592	88.78
Deposits from CBC and peer banks	1,319,059	0.55	1,302,332	0.56
Financial bonds payable	7,111,000	2.95	5,826,000	2.50
Others	6,265,794	2.60	5,658,185	2.43

Note : Compiled in accordance with the International Financial Reporting Standards (IFRSs) for consolidated statements.

## 7. Various business revenue as a percentage of operating revenue and its changes

Unit: NT\$ thousand

Primary businesses	2017		2016	
	Amount	As a percentage of net income (%)	Amount	As a percentage of net income (%)
Net interest income	2,213,802	68.27	2,234,786	62.03
Net fee income	763,043	23.53	917,469	25.46
Financial asset or financial liability at fair value through profit (loss)	127,339	3.93	154,234	4.28
Realized gain (loss) on available-for-sale financial assets	59,027	1.82	220,114	6.11
Share of gain (loss) from subsidiaries recognized by equity method	0	0.00	0	0.00
Exchange gains	-47,481	-1.46	-106,479	-2.96
Reversal gains from asset impairments (losses)	-2,175	-0.07	-578	-0.02
Other non-interest income	129,119	3.98	183,437	5.09
Net income	3,242,674	100.00	3,602,983	100.00

Note : Compiled in accordance with the International Financial Reporting Standards (IFRSs) for consolidated statements.

## II 、 Employees

Year		2016	2017	Now until February 28, 2018
Number of employees	Staff	1,349	1,363	1,363
	Service personnel	47	51	50
	Total	1,396	1,414	1,413
Average age		39.66	39.88	40.10
Average years of services		9.98	10.19	10.26
Academic qualification	Higher education	8.67	9.69	10.05
	Bachelors Degree	80.80	80.76	80.40
	High school	10.32	9.41	9.41
	Below high school	0.21	0.14	0.14

## Financial Report

### I · Five-year simplified balance sheet and profit and loss statement

#### (I) Comparative summary of balance sheet

##### 1. Adoption of International Financial Reporting Standards

##### (1) Consolidated

Unit: NT\$ thousand

Item \ Year	Financial data over the last five years					Up to February 28, 2018
	2017	2016	2015	2014	2013	
			(Note 3)	(Note 3)		
Cash and cash equivalents, deposits at CBC and interbank loans	25,742,329	55,145,764	38,297,240	37,210,318	36,880,549	Note 4
Financial assets at fair value through profit and loss	4,621,004	4,104,384	3,057,697	4,679,723	557,936	
Financial assets available for sale	42,045,954	9,239,105	12,728,369	14,711,668	8,900,515	
Financial asset derivatives for hedging purposes	-	-	-	-	-	
Investment in resale bills and bonds	5,817,368	7,021,795	6,233,031	3,926,169	199,781	
Accounts receivables - net	3,610,097	5,738,144	3,808,133	1,556,966	1,527,932	
Current income tax assets	27,458	20,298	34,148	76,510	101,259	
Assets for sale - net	-	-	-	-	-	
Loans and discounts - net	144,041,791	137,516,023	131,236,162	128,273,163	103,162,173	
Held-to-maturity financial assets	798,918	100,000	750,450	753,678	707,940	
Equity-accounted investments - net	-	-	-	-	-	
Restricted assets	-	-	-	-	-	
Other financial assets - net	55,537	55,537	55,537	65,537	62,537	
Property and equipment - net	6,378,384	6,563,692	6,709,010	6,914,737	5,700,952	
Investment property - net	2,379,171	2,333,805	2,315,100	2,231,343	1,837,972	
Intangible assets - net	2,351,750	2,375,266	2,418,500	2,464,359	1,463,675	
Deferred taxes assets - net	535,375	603,079	657,869	773,941	879,997	
Other assets	2,300,711	1,765,662	1,665,666	827,227	846,039	
Total assets	240,705,847	232,582,554	209,966,912	204,465,339	162,829,257	
Deposits at the CBC and peer banks	1,319,059	1,302,332	1,320,036	1,650,763	1,118,851	
Loans from CBC and peer banks	1,653,000	1,401,000	438,000	-	-	
Financial liabilities at fair value through profit and loss	5,757	185,181	431,388	962	11,997	
Financial liability derivatives for hedging purposes	-	-	-	-	-	
Bills and bonds sold under repurchase agreements	542,417	-	-	-	-	

Item \ Year		Financial data over the last five years					Up to February 28, 2018
		2017	2016	2015	2014	2013	
				(Note 3)	(Note 3)		
Payables		3,450,320	3,593,163	3,234,613	3,145,610	2,000,824	Note 4
Current income tax liabilities		4,919	10,961	-	13,614	-	
Liabilities directly related to for-sale assets		-	-	-	-	-	
Deposits and remittances		211,661,967	206,495,592	186,111,200	181,967,628	146,574,270	
Bonds payable		7,111,000	5,826,000	4,700,000	5,420,000	2,939,000	
Special share liabilities		-	-	-	-	-	
Other financial liabilities		170,000	-	-	-	13,928	
Liability provisions		180,591	183,924	180,049	186,989	178,245	
Deferred income tax liabilities		108,292	108,292	111,197	111,197	35,037	
Other liabilities		150,498	175,664	218,857	374,691	140,416	
Total liabilities	Before distribution	226,357,820	219,282,109	196,745,340	192,871,454	153,012,568	
	After distribution	(Note 1)	219,282,109	196,806,399	192,871,454	153,169,021	
Equity attributable to parent company shareholders		14,348,027	13,300,445	13,221,572	11,593,885	9,816,689	
Share capital	Before distribution	13,565,849	12,626,953	12,211,753	11,057,900	9,557,900	
	After distribution	(Note 1)	12,765,849	12,626,952	11,411,753	9,557,900	
Capital reserves		-	-	-	-	-	
Retained earnings	Before distribution	833,765	752,727	881,681	505,916	264,267	
	After distribution	(Note 1)	613,831	405,423	152,063	107,814	
Other equity		-51,587	-79,235	128,138	30,069	-5,478	
Treasury stock		-	-	-	-	-	
Non-controlling shareholders		-	-	-	-	-	
Total equity	Before distribution	14,348,027	13,300,445	13,221,572	11,593,885	9,816,689	
	After distribution	(Note 1)	13,300,445	13,160,513	11,593,885	9,660,236	

Note 1: The aforementioned data obtained after distribution are based on the resolution of the annual shareholders' meeting. Earnings distribution for 2017 has not yet been approved by the shareholders' meeting.

Note 2: The above mentioned financial report has been audited by CPA.

Note 3: According to Jing-Guan-Ying-Fa No. 10200070270 issued by the FSC on 2013.05.15, the Bank recognized the sale of Floors 5-8 and 10 of No. 330, Zhongzheng Road, Banqiao District, New Taipei City, as profit due to changes in the leaseback period. This recognition was considered an accounting error and was rectified; therefore, the profit and loss for 2015 were adjusted. And, the Bank recognized the sale of Floors 1 and 2 of No. 330, Zhongzheng Road, Banqiao District, New Taipei City, as profit due to changes in the leaseback period. This recognition was considered an accounting error and was rectified; therefore, the profit and loss for 2014 were adjusted.

Note 4: There no further update from CPA till the publication date of this annual report (2018.02.28).

## (2) Individual

Unit: NT\$ thousand

Item \ Year	Financial data over the last five years					Up to February 28, 2018
	2017	2016	2015	2014	2013	
			(Note 3.4)	(Note 3)		
Cash and cash equivalents, deposits at CBC and interbank loans	25,682,270	55,082,825	38,280,130	37,187,724	36,877,989	Note 5
Financial assets at fair value through profit and loss	4,621,004	4,104,384	3,057,697	4,679,723	557,936	
Financial assets available for sale	42,045,954	9,239,105	12,728,369	14,711,668	8,900,515	
Financial asset derivatives for hedging purposes	-	-	-	-	-	
Investment in resale bills and bonds	5,817,368	7,021,795	6,233,031	3,926,169	199,781	
Accounts receivables - net	1,708,534	4,125,604	3,242,478	1,501,115	1,419,362	
Current income tax assets	27,425	19,966	34,028	69,614	94,365	
Assets for sale - net	-	-	-	-	-	
Loans and discounts - net	144,041,791	137,516,023	131,236,162	128,273,163	103,162,173	
Held-to-maturity financial assets	798,918	100,000	750,450	753,678	707,940	
Equity-accounted investments - net	828,575	487,197	481,811	555,412	259,808	
Restricted assets	-	-	-	-	-	
Other financial assets - net	55,537	55,537	55,537	65,537	62,537	
Property and equipment - net	6,374,610	6,560,824	6,706,664	6,911,428	5,700,779	
Investment property - net	2,379,171	2,333,805	2,315,100	2,215,464	1,821,843	
Intangible assets - net	2,351,750	2,375,266	2,418,500	2,464,359	1,463,675	
Deferred taxes assets - net	535,375	603,079	657,869	773,941	879,997	
Other assets	1,646,407	1,686,123	1,445,185	792,111	813,192	
Total assets	238,914,689	231,311,533	209,643,011	204,881,106	162,921,892	
Deposits at the CBC and peer banks	1,319,059	1,302,332	1,320,036	1,650,763	1,118,851	
Loans from CBC and peer banks	-	-	-	-	-	
Financial liabilities at fair value through profit and loss	5,757	185,181	431,388	962	11,997	
Financial liability derivatives for hedging purposes	-	-	-	-	-	
Bills and bonds sold under repurchase agreements	542,417	-	-	-	-	
Payables	3,437,652	3,571,675	3,213,878	3,137,455	1,988,282	
Current income tax liabilities	-	10,019	-	-	-	
Liabilities directly related to for-sale assets	-	-	-	-	-	
Deposits and remittances	211,717,497	206,650,562	186,251,343	182,411,479	146,684,018	
Bonds payable	7,111,000	5,826,000	4,700,000	5,420,000	2,939,000	
Special share liabilities	-	-	-	-	-	
Other financial liabilities	-	-	-	-	13,928	

Item \ Year		Financial data over the last five years					Up to February 28, 2018
		2017	2016	2015	2014	2013	
				(Note 3.4)	(Note 3)		
Liability provisions		180,591	183,924	180,049	186,989	178,245	Note 5
Deferred income tax liabilities		108,292	108,292	111,197	111,197	35,037	
Other liabilities		144,397	173,103	213,548	368,376	135,845	
Total liabilities	Before distribution	224,566,662	218,011,088	196,421,439	193,287,221	153,105,203	
	After distribution	(Note 1)	218,011,088	196,482,498	193,287,221	153,261,656	
Equity attributable to parent company shareholders		14,348,027	13,300,445	13,221,572	11,593,885	9,816,689	
Share capital	Before distribution	13,565,849	12,626,953	12,211,753	11,057,900	9,557,900	
	After distribution	(Note 1)	12,765,849	12,626,952	11,411,753	9,557,900	
Capital reserves		-	-	-	-	-	
Retained-earnings	Before distribution	833,765	752,727	881,681	505,916	264,267	
	After distribution	(Note 1)	613,831	405,423	152,063	107,814	
Other equity		-51,587	-79,235	128,138	30,069	-5,478	
Treasury stock		-	-	-	-	-	
Non-controlling shareholders		-	-	-	-	-	
Total equity	Before distribution	14,348,027	13,300,445	13,221,572	11,593,885	9,816,689	
	After distribution	(Note 1)	13,300,445	13,160,513	11,593,885	9,660,236	

Note 1 : The aforementioned data obtained after distribution are based on the resolution of the annual shareholders' meeting. Earnings distribution for 2017 has not yet been approved by the shareholders' meeting.

Note 2 : The above mentioned financial report has been audited by CPA.

Note 3 : According to Jing-Guan-Ying-Fa No. 10200070270 issued by the FSC on 2013.05.15, the Bank recognized the sale of Floors 5-8 and 10 of No. 330, Zhongzheng Road, Banqiao District, New Taipei City, as profit due to changes in the leaseback period. This recognition was considered an accounting error and was rectified; therefore, the profit and loss for 2015 were adjusted. And, the Bank recognized the sale of Floors 1 and 2 of No. 330, Zhongzheng Road, Banqiao District, New Taipei City, as profit due to changes in the leaseback period. This recognition was considered an accounting error and was rectified; therefore, the profit and loss for 2014 were adjusted.

Note 4 : Panhsin brokerage agency was merged by Bank of Panhsin on 2016.07.01, the Financial Statements was re-edited in 2015.

Note 5 : There no further update from CPA till the publication date of this annual report (2018.02.28).

## (II) Comparative summary of income statement

### 1. Adoption of International Financial Reporting Standards

#### (1) Consolidated

Unit: NT\$ thousand

Item \ Year	Financial data over the last five years					Up to February 28, 2018
	2017	2016	2015	2014	2013	
			(Note 3)	(Note 3)		
Interest income	3,912,101	3,829,018	3,994,187	3,669,634	3,139,337	Note 4
Less: Interest expenses	1,698,299	1,594,232	1,633,541	1,474,956	1,268,884	
Net interest income	2,213,802	2,234,786	2,360,646	2,194,678	1,870,453	
Non-interest net income	1,028,872	1,368,197	1,379,369	1,403,894	2,161,240	
Net operating income	3,242,674	3,602,983	3,740,015	3,598,572	4,031,693	
Bad loan expenses and provisions for guarantee liabilities	353,363	496,179	231,758	565,891	84,606	
Operating expenses	2,611,780	2,651,953	2,640,444	2,364,736	1,967,157	
Pre-tax profit from continuing operations	277,531	454,851	867,813	667,945	1,979,930	
Income tax gains (expenses)	-61,367	-104,363	-143,963	-184,147	-94,043	
Current profit from continuing operations	216,164	350,488	723,850	483,798	1,885,887	
Profit and loss from discontinuing operations	-	-	-	-	-	
Net profit (loss) for the current period	216,164	350,488	723,850	483,798	1,885,887	
Other comprehensive income/losses for the current period (net, after-tax)	31,418	-210,556	103,837	35,547	-62,067	
Total comprehensive income for the current period	247,582	139,932	827,687	519,345	1,823,820	
Net profit attributable to parent company shareholders	216,164	350,488	723,850	483,798	1,885,887	
Net profit attributable to non- controlling shareholders	-	-	-	-	-	
Total comprehensive income attributable to parent company shareholders	247,582	139,932	827,687	519,345	1,823,820	
Total comprehensive income attributable to non-controlling shareholders	-	-	-	-	-	
Earnings (loss) per share	0.17	0.28	0.61	0.46	1.97	

Note 1 : The above mentioned financial report has been audited by CPA.

Note 2 : Earnings (loss) per share are based on the weighted average number of shares.

Note 3 : According to Jing-Guan-Ying-Fa No. 10200070270 issued by the FSC on 2013.05.15, the Bank recognized the sale of Floors 5-8 and 10 of No. 330, Zhongzheng Road, Banqiao District, New Taipei City, as profit due to changes in the leaseback period. This recognition was considered an accounting error and was rectified; therefore, the profit and loss for 2015 were adjusted. And, the Bank recognized the sale of Floors 1 and 2 of No. 330, Zhongzheng Road, Banqiao District, New Taipei City, as profit due to changes in the leaseback period. This recognition was considered an accounting error and was rectified; therefore, the profit and loss for 2014 were adjusted.

Note 4 : There no further update from CPA till the publication date of this annual report (2018.02.28).

## (2) Individual

Unit: NT\$ thousand

<div>Item</div> <div>Year</div>		Financial data over the last five years					Up to February 28, 2018
		2017	2016	2015	2014	2013	
				(Note 3.4)	(Note 3)		
Interest income		3,808,263	3,779,734	3,994,132	3,673,403	3,156,900	Note 5
Less: Interest expenses		1,663,748	1,580,885	1,630,957	1,475,190	1,269,061	
Net interest income		2,144,515	2,198,849	2,363,175	2,198,213	1,887,839	
Non-interest net income		1,048,549	1,348,009	1,347,858	849,839	2,055,011	
Net operating income		3,193,064	3,546,858	3,711,033	3,048,052	3,942,850	
Bad loan expenses and provisions for guarantee liabilities		357,784	476,888	224,126	69,460	47,606	
Operating expenses		2,563,490	2,615,934	2,619,435	2,326,197	1,922,990	
Pre-tax profit from continuing operations		271,790	454,036	867,472	652,395	1,972,254	
Income tax gains (expenses)		-55,626	-103,548	-143,622	-164,886	-86,367	
Current profit from continuing operations		216,164	350,488	723,850	487,509	1,885,887	
Profit and loss from discontinuing operations		-	-	-	-	-	
Net profit (loss) for the current period		216,164	350,488	723,850	487,509	1,885,887	
Other comprehensive income/losses for the current period (net, after-tax)		31,418	-210,556	103,837	23,051	-62,067	
Total comprehensive income for the current period		247,582	139,932	827,687	510,560	1,823,820	
Net profit attributable to parent company shareholders		216,164	350,488	723,850	487,509	1,885,887	
Net profit attributable to non-controlling shareholders		-	-	-	-	-	
Total comprehensive income attributable to parent company shareholders		247,582	139,932	827,687	510,560	1,823,820	
Total comprehensive income attributable to non-controlling shareholders		-	-	-	-	-	
Earnings (loss) per share		0.17	0.28	0.61	0.46	1.97	

Note 1 : The above mentioned financial report has been audited by CPA.

Note 2 : Earnings (loss) per share are based on the weighted average number of shares.

Note 3 : According to Jing-Guan-Ying-Fa No. 10200070270 issued by the FSC on 2013.05.15, the Bank recognized the sale of Floors 5-8 and 10 of No. 330, Zhongzheng Road, Banqiao District, New Taipei City, as profit due to changes in the leaseback period. This recognition was considered an accounting error and was rectified; therefore, the profit and loss for 2015 were adjusted. And, the Bank recognized the sale of Floors 1 and 2 of No. 330, Zhongzheng Road, Banqiao District, New Taipei City, as profit due to changes in the leaseback period. This recognition was considered an accounting error and was rectified; therefore, the profit and loss for 2014 were adjusted.

Note 4 : Panhsin brokerage agency was merged by Bank of Panhsin on 2016.07.01, the Financial Statements was re-edited in 2015.

Note 5 : There no further update from CPA till the publication date of this annual report (2018.02.28).



## II 、Five-year financial analysis

### (I) Adoption of International Financial Reporting Standards

#### 1. Consolidated

Unit: NT\$ thousand

Item \ Year		Financial analysis for the last five years					Up to February 28, 2018
		2017	2016	2015	2014	2013	
				(Note 9)	(Note 9)		
Operational Efficiency	Loans to deposit ratio (%)	69	67	71	71	71	Note 10
	Overdue loan ratio (%)	0.80	0.84	0.72	0.88	1.20	
	Interest expense as a percentage of annual average deposit balance (%)	0.70	0.73	0.76	0.80	0.80	
	Interest income as a percentage of annual average loan balance (%)	2.32	2.40	2.46	2.66	2.69	
	Asset turnover rate (times)	0.01	0.02	0.02	0.02	0.02	
	Operating revenue per employee	2,261	2,594	2,629	2,526	3,565	
	Profit per employee	151	252	515	331	1667	
Profitability	Tier 1 capital return ratio (%)	2	4	9	8	26	
	Return on assets (%)	0.09	0.16	0.35	0.26	1.17	
	Return on equity (%)	1.56	2.64	5.55	4.37	21.18	
	Net margin (%)	6.67	9.73	19.60	13.09	46.78	
	Earnings per share (NT\$)	0.17	0.27	0.64	0.45	1.97	
Financial structure	Liabilities to total assets (%)	94	94	94	94	94	
	Real estate and equipment as a percentage of total equity (%)	44	49	51	60	58	
Growth rate	Asset growth rate (%)	3	11	3	26	2	
	Profit growth rate (%)	-39	-48	30	-66	596	
Cash Flows	Operating cash flow ratio (%)	(Note 8)	402	157	(Note 8)	(Note 8)	
	Cash flow adequacy ratio (%)	(Note 8)	(Note 8)	(Note 8)	(Note 8)	60	
	Cash flow satisfied ratio (%)	(Note 8)	10,084	665	(Note 8)	(Note 8)	
Liquid reserve ratio (%)		27	26	26	27	25	
Total secured credit balance of stakeholders		2,465,721	3,337,770	3,261,177	2,436,941	1,701,311	
Total secured credit balance of stakeholders as a percentage of total credit balance (%)		1.66	2.33	2.39	1.82	1.59	
Operating scale	Asset market share (%)	0.39	0.39	0.36	0.37	0.32	

Equity market share (%)	0.36	0.35	0.36	0.34	0.32
Deposit market share (%)	0.51	0.52	0.48	0.50	0.43
Loan market share (%)	0.55	0.55	0.55	0.55	0.47

The causes of changes in each financial ratio for the preceding two fiscal years (except when the change is less than 20%)

1. Decrease in profit per employee, Tier 1 capital return ratio, return on assets, return on equity, net profit margin, earnings per share: Mainly due to a reduction in realized gain on Financial assets available for sale in 2017 compared with 2016.
2. Decrease in asset growth rate: Mainly due to decrease disposal at CBC and interbank loans in 2017 compared with 2016.
3. Decrease in total secured credit balance of stakeholders and total secured credit balance of stakeholders as a percentage of total credit balance: Mainly due to decrease total secured credit balance of stakeholders and increase in total credit balance from secured credit in 2017 compared with 2016.

Note 1 : The above mentioned financial report has been audited by CPA.

Note 2 : Calculation formulas used are as follows:

1. Operational Efficiency

- (1) Loans to deposit ratio = Total loans / Total deposits
- (2) Overdue loan ratio = Total overdue loans / Total loans
- (3) Interest expenses to average deposit balances = Total deposit balance interest expenses / Annual average deposit balances.
- (4) Interest Income to average loan balances = Total credit interest income / Annual average loan balances.
- (5) Total assets turnover rate = Net income / Average total assets
- (6) Operating revenue per employee (Note 6) = Net income / Total number of employees
- (7) Profit per employee = Net income / Total number of employees

2. Profitability

- (1) Tier 1 capital return ratio = Income before tax / Average net Tier 1 capital
- (2) Return on assets = Net income / Average total assets
- (3) Return on equity = Net income / Average total shareholder equity
- (4) Net profit margin = Net income / Net revenue
- (5) Earnings per share = (Profit or loss attributable to parent company shareholders – special stock dividends) / Weighted average outstanding shares (Note 4)

3. Financial structure

- (1) Liabilities to total assets = Total liabilities / Total assets
- (2) Property and equipment to equity ratio = net value of property and equipment / net equity value.

4. Growth rate

- (1) Asset growth rate = (Current total asset – Last year's total asset) / Last year's total asset
- (2) Profit growth rate = (Current total earnings – Last year's total earnings) / Last year's total earnings

5. Cash flow (Note 8)

- (1) Cash flow ratio = Cash flows from operating activities / (Due to borrow or draw from overdraft limits by banks and peer banks + commercial bills payable + financial liabilities at fair value through income statement + bills and bonds sold under repurchase agreements + accounts payable in 1 year)
- (2) Net cash flow adequacy ratio = 5-year net cash flow from operations / (5-year capital expenditures + 5-year cash dividends)
- (3) Cash flow satisfied ratio = Cash flows from operating activities / Cash flows from investing activities

6. Liquidity Reserve Ratio = Current assets required by the CBC / Liabilities for which the various current reserve shall be provided.

7. Operating scale

- (1) Asset market share = Total assets / Total assets of financial institutes which can operate deposits and loans business (Note 5)
- (2) Equity market share = Total equities / Total net equities of financial institutes which can operate deposits and loans business
- (3) Deposit market share = Total deposits / Total deposits of financial institutes which can operate deposits and loans business
- (4) Loan market share = Total loans / Total loans of financial institutes which can operate deposits and loans business

Note 3 : Total liabilities are net of reserves for losses on guarantees and accidental loss.

Note 4 : When the above formula for calculation of earnings per share is used during measurement, attention should be paid to the following matters :

1. Measurement should be based on the weighted average number of common stock, not the number of issued shares at year end.

2. Where there is a cash capital increase or treasury stock transaction, the period of time in circulation shall be considered in calculating the weighted average number of shares.
3. In the case of capital increase by earnings or capital reserves, the calculation of earnings per share for the past fiscal year and the fiscal half-year shall be retrospectively adjusted based on the capital increase ratio, without the need to consider the issuance period for the capital increase.
4. If the preferred shares are non-convertible cumulative preferred shares, the dividend of the current year (whether issued or not) shall be subtracted from the net profit after tax, or added to the net loss after tax.
5. In the case of non-cumulative preferred shares, if there is net profit after tax, dividend on preferred shares shall be subtracted from the net profit after tax; if there is loss, and then no adjustment is required.

Note 5 : Financial institutes which can operate deposits and loans business include banks in Taiwan, Chinese branch banks in Taiwan, foreign branch banks in Taiwan, credit cooperatives, and agriculture or fishery associations.

Note 6 : Operating revenue refers to the sum of interest income and non-interest income.

Note 7 : Attention should be paid to the following matters when carrying out cash flow analysis :

1. Net cash flow from operating activities means net cash in-flow amounts from operating activities listed in the statement of cash flows.
2. Capital expenditures means the amounts of cash out-flows for annual capital investment.
3. Cash dividend includes cash dividends from both common stock and preferred shares.
4. Gross property and equipment value means the total value of property and equipment prior to the subtraction of accumulated depreciation.

Note 8 : Cash flow from operating activities is a net outflow and is therefore not expressed.

Note 9 : According to Jing-Guan-Ying-Fa No. 10200070270 issued by the FSC on 2013.05.15, the Bank recognized the sale of Floors 5-8 and 10 of No. 330, Zhongzheng Road, Banqiao District, New Taipei City, as profit due to changes in the leaseback period. This recognition was considered an accounting error and was rectified; therefore, the profit and loss for 2015 were adjusted. And, the Bank recognized the sale of Floors 1 and 2 of No. 330, Zhongzheng Road, Banqiao District, New Taipei City, as profit due to changes in the leaseback period. This recognition was considered an accounting error and was rectified; therefore, the profit and loss for 2014 were adjusted.

Note 10 : There no further update from CPA till the publication date of this annual report (2018.02.28).

## 2. Individual

Unit: NT\$ thousand

Item \ Year		Financial analysis for the last five years					Up to February 28, 2018
		2017	2016	2015	2014	2013	
				(Note 9.10)	(Note 9)		
Operational Efficiency	Loans to deposit ratio (%)	69	67	71	71	71	Note 11
	Overdue loan ratio (%)	0.80	0.84	0.72	0.88	1.20	
	Interest expense as a percentage of annual average deposit balance (%)	0.70	0.73	0.82	0.80	0.80	
	Interest income as a percentage of annual average loan balance (%)	2.32	2.40	2.64	2.66	2.69	
	Asset turnover rate (times)	0.01	0.02	0.02	0.02	0.02	
	Operating revenue per employee	2,268	2,554	2,582	2,154	3,486	
	Profit per employee	154	252	515	350	1,667	
Profitability	Tier 1 capital return ratio (%)	2	4	10	8	26	
	Return on assets (%)	0.09	0.16	0.35	0.27	1.17	
	Return on equity (%)	1.56	2.64	5.92	4.63	21.18	
	Net profit margin (%)	6.77	9.88	19.96	16.23	47.83	
	Earnings per share (NT\$)	0.17	0.27	0.64	0.45	1.97	
Financial structure	Liabilities to total assets (%)	94	94	94	94	94	
	Real estate and equipment as a percentage of total equity (%)	44	49	51	60	58	
Growth rate	Asset growth rate (%)	3	10	2	26	2	
	Profit growth rate (%)	-40	-48	33	-66	672	
Cash Flows	Operating cash flow ratio (%)	(Note 8)	433	166	(Note 8)	(Note 8)	
	Cash flow adequacy ratio (%)	(Note 8)	(Note 8)	(Note 8)	(Note 8)	116	
	Cash flow satisfied ratio (%)	(Note 8)	5,613	866	(Note 8)	(Note 8)	
Liquidity Reserve Ratio (%)		27	26	26	27	25	
Total secured credit balance of stakeholders		2,465,721	3,337,770	3,261,177	2,436,941	1,701,311	
Total secured credit balance of stakeholders as a percentage of total credit balance (%)		1.66	2.33	2.39	1.82	1.59	
Operating scale	Asset market share (%)	0.39	0.39	0.36	0.37	0.32	
	Equity market share (%)	0.36	0.35	0.36	0.34	0.32	
	Deposit market share (%)	0.51	0.52	0.48	0.50	0.43	
	Loan market share (%)	0.55	0.55	0.55	0.55	0.47	

The causes of changes in each financial ratio for the preceding two fiscal years (except when the change is less than 20%)

1. Decrease in profit per employee, Tier 1 capital return ratio, return on assets, return on equity, net profit margin, earnings per share: Mainly due to a reduction in realized gain on Financial assets available for sale in 2017 compared with 2016.
2. Decrease in asset growth rate: Mainly due to decrease deposits at CBC and interbank loans in 2017 compared with 2016.
3. Decrease in total secured credit balance of stakeholders and total secured credit balance of stakeholders as a percentage of total credit balance: Mainly due to decrease total secured credit balance of stakeholders and increase in total credit balance from secured credit in 2017 compared with 2016.

Note 1 : The above mentioned financial report has been audited by CPA.

Note 2 : Calculation formulas used are as follows:

1. Operational Efficiency

- (1) Loans to deposit ratio = Total loans / Total deposits
- (2) Overdue loan ratio = Total overdue loans / Total loans
- (3) Interest expenses to average deposit balances = Total deposit balance interest expenses / Annual average deposit balances.
- (4) Interest Income to average loan balances = Total credit interest income / Annual average loan balances.
- (5) Total asset turnover rate = Net income / Average total assets
- (6) Operating revenue per employee (Note 6) = Net income / Total number of employees
- (7) Profit per employee = Net income / Total number of employees

2. Profitability

- (1) Tier 1 capital return ratio = Income before tax / Average net Tier 1 capital
- (2) Return on assets = Net income / Average total assets
- (3) Return on equity = Net income / Average total shareholder equity
- (4) Net profit margin = Net income / Net revenue
- (5) Earnings per share = (Profit or loss attributable to parent company shareholders – special stock dividends) / Weighted average outstanding shares (Note 4)

3. Financial structure

- (1) Liabilities to total assets = Total liabilities / Total assets
- (2) Property and equipment to equity ratio = net value of property and equipment / net equity value

4. Growth rate

- (1) Asset growth rate = (Current total asset – Last year's total asset) / Last year's total asset
- (2) Profit growth rate = (Current total earnings – Last year's total earnings) / Last year's total earnings

5. Cash flow (Note 8)

- (1) Cash flow ratio = Cash flows from operating activities / (Due to borrow or draw from overdraft limits by banks and peer banks + commercial bills payable + financial liabilities at fair value through income statement + bills and bonds sold under repurchase agreements + accounts payable in 1 year)
- (2) Net cash flow adequacy ratio = 5-year net cash flow from operations / (5-year capital expenditures + 5-year cash dividends)
- (3) Cash flow satisfied ratio = Cash flows from operating activities / Cash flows from investing activities

6. Liquidity Reserve Ratio = Current assets required by the CBC / Liabilities for which the various current reserve shall be provided.

7. Operating scale

- (1) Asset market share = Total assets / Total assets of financial institutes which can operate deposits and loans business (Note 5)
- (2) Equity market share = Total equities / Total net equities of financial institutes which can operate deposits and loans business
- (3) Deposit market share = Total deposits / Total deposits of financial institutes which can operate deposits and loans business
- (4) Loan market share = Total loans / Total loans of financial institutes which can operate deposits and loans business

Note 3 : Total liabilities are net of reserves for losses on guarantees and accidental loss.

Note 4 : When the above formula for calculation of earnings per share is used during measurement, attention should be paid to the following matters:

1. Measurement should be based on the weighted average number of common stock, not the number of issued shares at year end.
2. Where there is a cash capital increase or treasury stock transaction, the period of time in circulation shall be considered in calculating the weighted average number of shares.
3. In the case of capital increase by earnings or capital reserves, the calculation of earnings per share for the past fiscal year and the fiscal half-year shall be retrospectively adjusted based on the capital increase ratio, without the need to consider the issuance period for the capital increase.

4. If the preferred shares are non-convertible cumulative preferred shares, the dividend of the current year (whether issued or not) shall be subtracted from the net profit after tax, or added to the net loss after tax.
5. In the case of non-cumulative preferred shares, if there is net profit after tax, dividend on preferred shares shall be subtracted from the net profit after tax; if there is loss, and then no adjustment is required.

Note 5 : Financial institutes which can operate deposits and loans business include banks in Taiwan, Chinese branch banks in Taiwan, foreign branch banks in Taiwan, credit cooperatives, and agriculture or fishery associations.

Note 6 : Operating revenue refers to the sum of interest income and non-interest income.

Note 7 : Attention should be paid to the following matters when carrying out cash flow analysis:

1. Net cash flow from operating activities means net cash in-flow amounts from operating activities listed in the statement of cash flows.
2. Capital expenditures means the amounts of cash out-flows for annual capital investment.
3. Cash dividend includes cash dividends from both common stock and preferred shares.
4. Gross property and equipment value means the total value of property and equipment prior to the subtraction of accumulated depreciation.

Note 8 : Cash flow from operating activities is a net outflow and is therefore not expressed.

Note 9 : According to Jing-Guan-Ying-Fa No. 10200070270 issued by the FSC on 2013.05.15, the Bank recognized the sale of Floors 5-8 and 10 of No. 330, Zhongzheng Road, Banqiao District, New Taipei City, as profit due to changes in the leaseback period. This recognition was considered an accounting error and was rectified; therefore, the profit and loss for 2015 were adjusted. And, the Bank recognized the sale of Floors 1 and 2 of No. 330, Zhongzheng Road, Banqiao District, New Taipei City, as profit due to changes in the leaseback period. This recognition was considered an accounting error and was rectified; therefore, the profit and loss for 2014 were adjusted.

Note 10 : Panhsin brokerage agency was merged by Bank of Panhsin on 2016.07.01, the Financial Statements was re-edited in 2015.

Note 11 : There no further update from CPA till the publication date of this annual report (2018.02.28).

### III 、Five-year capital adequacy analysis

#### 1. Consolidated

Unit: NT\$ thousand

Item \ Year			Five-Year Capital Adequacy Ratio					Up to February 28, 2018
			2017	2016	2015	2014	2013	
Regulatory Capital	Common stock equity		11,359,075	10,294,401	10,025,073	8,592,198	8,035,661	Note 4
	Other non-ordinary share Tier 1 capital		1,895,116	1,587,116	-	-	-	
	Tier 2 capital		4,035,570	2,843,024	3,637,850	4,256,216	1,321,589	
	Regulatory capital		17,289,761	14,724,541	13,662,923	12,848,414	9,357,250	
Total weighted risk asset	Credit risk	Standardized approach	136,703,563	135,420,096	127,134,024	122,438,320	95,331,678	
		Internal rating approach	-	-	-	-	-	
		Asset securitisation	-	-	-	-	-	
	Operating risk	Basic indicator approach	6,218,525	6,290,025	5,845,263	5,428,538	4,381,675	
		Standardized approach/optional standardized approach	-	-	-	-	-	
		Advanced approach	-	-	-	-	-	
	Market Risk	Standardized approach	1,774,475	3,119,475	2,620,013	3,218,538	2,082,288	
		Internal modeling approach	-	-	-	-	-	
	Total weighted risk asset		144,696,563	144,829,596	135,599,300	131,085,396	101,795,641	
	Capital adequacy ratio (%)			11.95	10.17	10.08	9.80	
Tier 1 capital as a percentage of risk assets (%)			9.16	8.20	7.39	6.55	7.89	
Common stock equity as a percentage of risk assets (%)			7.85	7.11	7.39	6.55	7.89	
Leverage ratio (%)			5.36	4.96	4.61	-	-	
Reason of change to capital adequacy ratio for the past two periods: Change is less than 20% and is therefore not analyzed.								

Note 1 : The aforementioned calculations were audited by the CPAs.

Note 2 : The regulatory capital, weighted risk asset, and exposure measurement were calculated in accordance with the Regulations Governing the Capital Adequacy and Capital Category of Banks and Methods for Calculating Bank's Regulatory Capital and Risk Weighted Assets.

Note 3 : Calculation formulas used are as follows:

1. Regulatory capital = Common stock equity + other non-common stock equity Tier 1 capital + Tier 2 capital
2. Total weighted risk assets = Credit risk weighted risk assets + capital for (Operating risks + Market risks) × 12.5
3. Capital adequacy ratio = Regulatory capital / Total weighted risk assets
4. Tier 1 capital as a percentage of risk assets = (Common stock equity + other non-common stock equity Tier 1 capital) / Total weighted risk assets
5. Common stock equity as a percentage of risk assets = Common stock equity / Total weighted risk assets
6. Leverage ratio = Net Tier 1 capital value / total exposure value.

Note 4 : There no further update from CPA till the publication date of this annual report (2018.02.28).

## 2. Individual

Unit: NT\$ thousand

Item			Year	Five-Year Capital Adequacy Ratio					Up to February 28, 2018
				2017	2016	2015	2014	2013	
Regulatory Capital	Common stock equity		11,151,932	10,172,601	9,762,200	8,314,491	7,905,757	Note 4	
	Other non-ordinary share Tier 1 capital		1,687,972	1,465,317	-	-	-		
	Tier 2 capital		3,621,282	2,599,425	3,374,976	3,978,510	1,191,685		
	Regulatory Capital		16,461,186	14,237,343	13,137,176	12,293,001	9,097,442		
Total weighted risk asset	Credit risk	Standardized approach	134,131,916	133,712,568	126,324,158	122,323,791	95,173,479		
		Internal rating approach	-	-	-	-	-		
		Asset securitisation	-	-	-	-	-		
	Operational risk	Basic indicator approach	6,134,188	5,970,013	5,504,663	5,386,188	4,381,675		
		Standardized approach/optional standardized approach	-	-	-	-	-		
		Advanced approach	-	-	-	-	-		
	Market Risk	Standardized approach	1,774,475	3,119,475	2,620,013	3,218,538	2,082,288		
		Internal modeling approach	-	-	-	-	-		
	Total weighted risk asset		142,040,579	142,802,056	134,448,834	130,928,517	101,637,442		
	Capital adequacy ratio (%)			11.59	9.97	9.77	9.39		8.95
Tier 1 capital as a percentage of risk assets (%)			9.04	8.15	7.26	6.35	7.78		
Common stock equity as a percentage of risk assets (%)			7.85	7.12	7.26	6.35	7.78		
Leverage ratio (%)			5.24	4.89	4.50	-	-		
Reason of change to capital adequacy ratio for the past two periods: Change is less than 20% and is therefore not analyzed.									

Note 1 : The aforementioned calculations were audited by the CPAs.

Note 2 : The regulatory capital, weighted risk asset, and exposure measurement were calculated in accordance with the Regulations Governing the Capital Adequacy and Capital Category of Banks and Methods for Calculating Bank's Regulatory Capital and Risk Weighted Assets.

Note 3 : Calculation formulas used are as follows:

1. Regulatory capital = Common stock equity + other non-common stock equity Tier 1 capital + Tier 2 capital
2. Total weighted risk assets = Credit risk weighted risk assets + capital for (Operational risks + Market risks) × 12.5
3. Capital adequacy ratio = Equity capital/Total weighted risk assets
4. Tier 1 capital as a percentage of risk assets = (Common stock equity + other non-common stock equity Tier 1 capital) / Total weighted risk assets
5. Common stock equity as a percentage of risk assets = Common stock equity / Total weighted risk assets
6. Leverage ratio = Net Tier 1 capital value / total exposure value.

Note 4 : There no further update from CPA till the publication date of this annual report (2018.02.28).

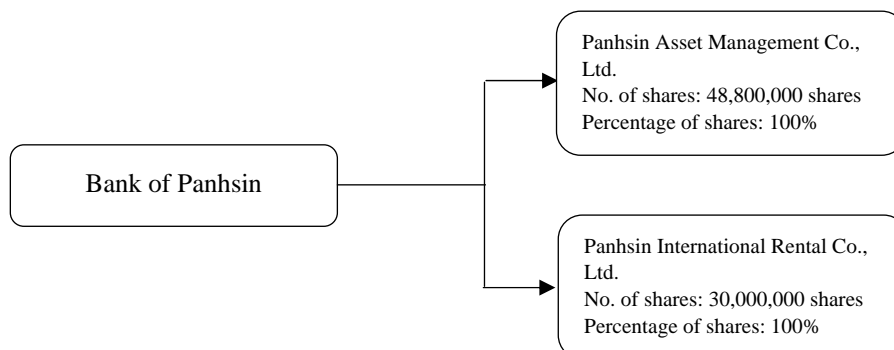


## Special disclosures

### I、Affiliate information

#### (I) Affiliate organizational structure

Baseline date: December 31, 2017



#### (II) Profiles of affiliates

Company name	Date of establishment	Address	Paid-in capital (NT\$1,000)	Main businesses/products
Panhsin Asset Management Co., Ltd.	2005.06.02	6F., No.210, Sec. 1, Sanmin Rd., Banqiao Dist., New Taipei City 220	488,000	Purchase of non-performing assets
Panhsin International Rental Co., Ltd.	2014.11.03	6F, No. 66, Chongqing Rd., Banqiao District, New Taipei City 220	300,000	Property/Lease

#### (III) Information of common shareholders who are presumed to have a relationship of control and subordination: N/A.

#### (IV) Information of directors, supervisors, and presidents of affiliates.

Baseline date: December 31, 2017

Company name	Position	Name or representative	Shares held	
			No. of shares	Percentage (%)
Panhsin Asset Management Co., Ltd.	Chairman	Dao-Ming Kuo (representative of Bank of Panhsin)	48,800,000	100.00
	Director	Ming-Hsin Chiu (representative of Bank of Panhsin)		
	Director	Ling-Long Chien (representative of Bank of Panhsin)		
	Director	Bing-Huang Liu (representative of Bank of Panhsin)		
	Director	Hsin-Mao Huang (representative of Bank of Panhsin)		
	Supervisor	Li-Chin Wei (representative of Bank of Panhsin)		
	President	Chien-Chong Tsao	-	-
Panhsin International Rental Co., Ltd.	Chairman	Jui-Tsai Chou (representative of Bank of Panhsin)	30,000,000	100.00
	Deputy Chairman	Wan-De Xiao (representative of Bank of Panhsin)		
	Director	Chao-Chung Lin (representative of Bank of Panhsin)		
	Supervisor	Jone-Chih Huang (representative of Bank of Panhsin)		

## Directory of Head Office & Branches

Units	Address	Telephone	Fax
Head Office	No.68, Sec.2, Xianmin Blvd., Banqiao Dist., New Taipei City, Taiwan (R.O.C.)	(02)29629170	(02)29572011
International Banking Department	27F., No.68, Sec.2, Xianmin Blvd., Banqiao Dist., New Taipei City, Taiwan (R.O.C.)	(02)29629170	(02)89646006
Offshore Banking Branch	27F., No.68, Sec.2, Xianmin Blvd., Banqiao Dist., New Taipei City, Taiwan (R.O.C.)	(02)29629170	(02)89646006
Trust Department	24F., No.68, Sec.2, Xianmin Blvd., Banqiao Dist., New Taipei City, Taiwan (R.O.C.)	(02)29629170	(02)29623668
Domestic Banking Department	No.68, Sec.2, Xianmin Blvd., Banqiao Dist., New Taipei City, Taiwan (R.O.C.)	(02)89514488	(02)29574588
Banciao Branch	No.11, Sec.1, Wenhua Rd., Banqiao Dist., New Taipei City, Taiwan (R.O.C.)	(02)29689101	(02)29665807
Houpu Branch	No.18, Chengdu St., Banqiao Dist., New Taipei City, Taiwan (R.O.C.)	(02)29629121	(02)89538113
Puqian Branch	No.100, Sec. 2, Zhongshan Rd., Banqiao Dist., New Taipei City, Taiwan (R.O.C.)	(02)29629106	(02)29541499
Huajiang Branch	No.382, Sec.2, Wenhua Rd., Banqiao Dist., New Taipei City, Taiwan (R.O.C.)	(02)22529101	(02)82537007
Minzu Branch	No.339, Hansheng E.Rd., Banqiao Dist., New Taipei City, Taiwan (R.O.C.)	(02)29629111	(02)29581242
Wenhua Branch	No.261, Sec.1, Wenhua Rd., Banqiao Dist., New Taipei City, Taiwan (R.O.C.)	(02)22587777	(02)22593584
Daguan Branch	No.155, Sec.2, Daguan Rd., Banqiao Dist., New Taipei City, Taiwan (R.O.C.)	(02)22756566	(02)22752574
Zhongzheng Branch	No.252, Minquan Rd., Banqiao Dist., New Taipei City, Taiwan (R.O.C.)	(02)89658998	(02)89682156
Yonghe Branch	No.12, Renai Rd., Yonghe Dist., New Taipei City, Taiwan (R.O.C.)	(02)29299481	(02)29210495
Xiulang Branch	No.118, Dehe Rd., Yonghe Dist., New Taipei City, Taiwan (R.O.C.)	(02)29417966	(02)29498035
Fuhe Branch	No.45, Yongzhen Rd., Yonghe Dist., New Taipei City, Taiwan (R.O.C.)	(02)89211919	(02)89213377
Zhonghe Branch	No.232, Zhonghe Rd., Zhonghe Dist., New Taipei City, Taiwan (R.O.C.)	(02)22498756	(02)22497418
Xingnan Branch	No.338, Jingxin St., Zhonghe Dist., New Taipei City, Taiwan (R.O.C.)	(02)29459366	(02)29458495
Yuanshan Branch	No.753, Zhongzheng Rd., Zhonghe Dist., New Taipei City, Taiwan (R.O.C.)	(02)22259199	(02)22260657
Tucheng Branch	No.289, Sec.1, Zhongyang Rd., Tucheng Dist., New Taipei City, Taiwan (R.O.C.)	(02)22629119	(02)22654536
Jincheng Branch	No.91, Sec.3, Jincheng Rd., Tucheng Dist., New Taipei City, Taiwan (R.O.C.)	(02)82615666	(02)22709241
Xinzhuang Branch	No.719, Xingfu Rd., Xinzhuang Dist., New Taipei City, Taiwan (R.O.C.)	(02)29906699	(02)29900433
Danfeng Branch	No.706, Zhongzheng Rd., Xinzhuang Dist., New Taipei City, Taiwan (R.O.C.)	(02)29033199	(02)29033488
Sanchong Branch	No.35, Sec.4, Chongyang Rd., Sanchong Dist., New Taipei City, Taiwan (R.O.C.)	(02)89839966	(02)29871976
Shulin Branch	No.58, Zhenqian St., Shulin Dist., New Taipei City, Taiwan (R.O.C.)	(02)86755666	(02)86755656

Units	Address	Telephone	Fax
Xindian Branch	No.60, Minquan Rd., Xindian Dist., New Taipei City, Taiwan (R.O.C.)	(02)89113377	(02)89113661
Beixin Branch	No.17, Sec. 3, Beixin Rd., Xindian Dist., New Taipei City, Taiwan (R.O.C.)	(02)29115428	(02)29124753
Luchou Branch	No.258, Minzu Rd., Luchou Dist., New Taipei City, Taiwan (R.O.C.)	(02)82850666	(02)82835789
Songjiang Branch	No.122, Songjiang Rd., Jhongshan Dist., Taipei City, Taiwan (R.O.C.)	(02)25429999	(02)25311707
Xinyi Branch	No.127, Sec. 2, Keelung Rd., Xinyi Dist., Taipei City, Taiwan (R.O.C.)	(02)27329999	(02)27334900
Minsheng Branch	No.133-1, Sec. 3, Minsheng E.Rd., Songshan Dist., Taipei City, Taiwan (R.O.C.)	(02)87129966	(02)27120222
Bade Branch	No.360, Sec. 2, Bade Rd., Songshan Dist., Taipei City, Taiwan (R.O.C.)	(02)27528833	(02)27405959
Neihu Branch	No.163, Sec. 4, Chenggong Rd., Neihu Dist., Taipei City, Taiwan (R.O.C.)	(02)87919999	(02)87919899
Ruiguang Branch	No.633, Ruiguang Rd., Neihu Dist., Taipei City, Taiwan (R.O.C.)	(02)26560188	(02)26560166
Mengchia Branch	No.322, Kunming St., Wanhua Dist., Taipei City, Taiwan (R.O.C.)	(02)23086165	(02)23086452
Hsinglung Branch	No.185, Sec. 2, Xinglong Rd., Wenshan Dist., Taipei City, Taiwan (R.O.C.)	(02)29320555	(02)29313382
Shuangyuan Branch	No.145, Dongyuan St., Wanhua Dist., Taipei City, Taiwan (R.O.C.)	(02)23011180	(02)23016894
Hsimen Branch	No.193, Hanzhong St., Wanhua Dist., Taipei City, Taiwan (R.O.C.)	(02)23122155	(02)23116316
Kuting Branch	No.271, Sec. 3, Roosevelt Rd., Da'an Dist., Taipei City, Taiwan (R.O.C.)	(02)23629211	(02)23620161
Antung Branch	No.188, Sec. 2, Bade Rd., Songshan Dist., Taipei City, Taiwan (R.O.C.)	(02)27110633	(02)27417381
Sungshan Branch	No.196, Zhuangjing Rd., Xinyi Dist., Taipei City, Taiwan (R.O.C.)	(02)27208541	(02)27203851
Shinlin Branch	No.79, Ln. 109, Dexing E. Rd., Shilin Dist., Taipei City, Taiwan (R.O.C.)	(02)28349361	(02)28333280
Tunghu Branch	No.55, Donghu Rd., Neihu Dist., Taipei City, Taiwan (R.O.C.)	(02)26312411	(02)26333251
Fuxing Branch	No.426, Fuxing N. Rd., Zhongshan Dist., Taipei City, Taiwan (R.O.C.)	(02)25151488	(02)25184088
Minquan Branch	No.136, Minquan W. Rd., Datong Dist., Taipei City, Taiwan (R.O.C.)	(02)25575818	(02)25573258
Chungching Branch	No.27, Zhengzhou Rd., Datong Dist., Taipei City, Taiwan (R.O.C.)	(02)25558151	(02)25591831
Mucha Branch	No.59, Baoyi Rd., Wenshan Dist., Taipei City, Taiwan (R.O.C.)	(02)29362121	(02)29362883
Huandong Branch	No.108, Xinming Rd., Neihu Dist., Taipei City, Taiwan (R.O.C.)	(02)27965589	(02)27967988
Tachih Branch	No.632, Bei'an Rd., Zhongshan Dist., Taipei City, Taiwan (R.O.C.)	(02)25329933	(02)25321086
Wanta Branch	No.244, Wanda Rd., Wanhua Dist., Taipei City, Taiwan (R.O.C.)	(02)23377719	(02)23370694
Yungchun Branch	No.30, Sec. 6, Xinyi Rd., Xinyi Dist., Taipei City, Taiwan (R.O.C.)	(02)89785667	(02)27282808
Nanjing E. Road Branch	No.130, Sec. 3, Nanjing E. Rd., Zhongshan Dist., Taipei City, Taiwan (R.O.C.)	(02)27722629	(02)27720569

Units	Address	Telephone	Fax
Luodong Branch	No.119, Gongzheng Rd., Luodong Town, Yilan County, Taiwan (R.O.C.)	(03)9568866	(03)9557199
Taoyuan Branch	No.360, Yongan Rd., Taoyuan Dist, Taoyuan City, Taiwan (R.O.C.)	(03)3398777	(03)3396362
Taoying Branch	No.102, Taoying Rd., Taoyuan Dist, Taoyuan City, Taiwan (R.O.C.)	(03)3758999	(03)3660551
Longgang Branch	No.78, Longdong Rd., Jhongli Dist, Taoyuan City, Taiwan (R.O.C.)	(03)4657799	(03)4655511
North Taoyuan Branch	No.449, Jingguo Rd., Taoyuan Dist., Taoyuan City, Taiwan (R.O.C.)	(03)3167377	(03)3165229
Hsinchu Branch	No.56, Zihciang S.Rd., Jhubei City, Hsinchu County, Taiwan (R.O.C.)	(03)6581588	(03)6580189
Taichung Branch	No.556, Sec. 1, Wunsin Rd., Nantun Dist., Taichung City, Taiwan (R.O.C.)	(04)23267799	(04)23266029
North Taichung Branch	No.186, Sec. 4, Wunsin Rd., North Dist., Taichung City, Taiwan (R.O.C.)	(04)22961798	(04)22961885
Chiayi Branch	No.298, Jhongshan Rd., West Dist., Chiayi City, Taiwan (R.O.C.)	(05)2279045	(05)2291649
Tainan Branch	No.189, Chongming Rd., East Dist., Tainan City, Taiwan (R.O.C.)	(06)3368799	(06)3361287
Chenggong Branch	No.457, Chenggong Rd., West Central Dist., Tainan City, Taiwan (R.O.C.)	(06)2113999	(06)2112388
Xiaokang Branch	No.213, Erling Rd., Xiaogang Dist., Kaohsiung City, Taiwan (R.O.C.)	(07)8011161	(07)8023727
Xinxing Branch	No.65, Zhongzheng 4th Rd., Xinxing Dist., Kaohsiung City, Taiwan (R.O.C.)	(07)2413168	(07)2514088
Qianzhen Branch	No.421, Rueilong Rd., Cianjhen Dist., Kaohsiung City, Taiwan (R.O.C.)	(07)7513176	(07)7513380
Yangming Branch	No.178, Jyuemin Rd., Sanmin Dist., Kaohsiung City, Taiwan (R.O.C.)	(07)3865111	(07)3828199
Kaoxinhuang Branch	No.485, Xinzhuangzai Rd., Zuoying Dist., Kaohsiung City, Taiwan (R.O.C.)	(07)3412621	(07)3416142

**Individual Financial Statements of Recent Years Which Have Been Certified by CPAs**

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

**BANK OF PANHSIN****Parent Company Only Financial Statements****December 31, 2017 and 2016****(With Independent Auditors' Report Thereon)**

**Address:** No. 68, Sec. 2, Xianmin Blvd., Banqiao Distr., New Taipei City, Taiwan,  
R.O.C.

**Telephone:** (02)2962-9170

The independent auditors' report and the accompanying parent company only financial statements financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent company only financial statements financial statements, the Chinese version shall prevail.

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## Independent Auditors' Report

To the Board of Directors  
Bank of Panhsin:

### Opinion

We have audited the financial statements of Bank of Panhsin ("the Bank"), which comprise the statements of financial position as of December 31, 2017 and 2016, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, and 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 accordance with the "Regulations Governing the Preparation of Financial Reports by Public Banks".

### Basis for Opinion

We conducted our audit in accordance with the "Regulations Governing Auditing and Certification of Financial Statements of Financial Institutions by Certified Public Accountants" and the 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 Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 of the current period. 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.

#### 1. Impairment of Loans and Receivables

Please refer to Note 4(f) "loans and receivables" for related accounting policy, Note 5 for the uncertainty of accounting estimation and assumptions, and Note 6(g), 6(h) and 6(al) for the details of the impairment of loans and receivables.

## Description of Key audit matters

The major business of the Bank is loan business. The Bank's ratio of loans and receivable to total asset is approximately 61% as of December 31, 2017. This is a significant amount in the overall financial statement. Assessing the impairment of loans and receivables relies on the management's estimates of their recoverability. These estimates are influenced by economic trends and price fluctuation of collaterals, and therefore has a high uncertainty risk. Consequently, impairment of loans and receivables has been identified as a key audit matter.

### How the matter was addressed in our audit

Our principal audit procedures included: understanding and assessing the Bank's internal control procedures for loans and bad debt assessment; assessing the reasonableness of recoverable amounts and the value of collaterals, if any; for collectively assessed loans, evaluating the reasonableness of the assumptions and input values used for impairment assessment, including verifying the reasonableness of impairment rate and recoverable rate; and reviewing whether bad debt allowance policy for loans and receivables is followed consistently and in accordance with regulations.

## 2. Impairment of Goodwill

Please refer to note 4(k) "Intangible assets" for related accounting policy, Note 5 for the uncertainty of accounting estimation and assumptions, and Note 6(m) for the details of the impairment of goodwill.

### Description of key audit matters

As of December 31, 2017, the Bank has goodwill amounting to \$2,197,921 thousand from its merger and acquisition activities over the years. Since the recoverable amount of goodwill depends on the management's estimation of discounted future cash flows, it relies on the management's subjective judgment of future operations and is highly uncertain. Therefore, we considered impairment of goodwill a key audit matter.

### How the matter was addressed in our audit

Our principal audit procedures included: assessing how management identifies cash-generating units; understanding and testing management's assumptions on future operating plans, including future revenue growth rate and expense rate, etc.; and comparing actual performance with forecasts to determine the reasonableness of forecasts and future cash flows.

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

The 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 for such internal control as management determines necessary to enable the preparation of the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the 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 the 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.



### **Auditor's 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 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 investment in other entities accounted for using the equity method to express an opinion on this 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.

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 of the current period 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 Lily Lu and Lin Wu.

KPMG

Taipei, Taiwan (Republic of China)

March 21, 2018

#### Notes to Readers

The independent accompanying parent company only financial statements financial statements are intended only to present the parent company only financial statements statement of financial position, financial performance and its cash flows in accordance with the 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 parent company only financial statements financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying parent company only financial statements financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent company only financial statements financial statements, the Chinese version shall prevail.

## December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2017		December 31, 2016		December 31, 2017		December 31, 2016	
		Amount	%	Amount	%	Amount	%	Amount	%
11000	Cash and cash equivalents (note 6(a))	\$ 4,915,172	2	5,370,693	2	21000	Liabilities from Central Bank and other banks (note 6(o))	\$ 1,319,059	1
11500	Due from Central Bank and call loans to banks (notes 6(b) and 8)	20,767,098	9	49,712,132	21	22000	Financial liabilities at fair value through profit or loss (note 6(e))	5,757	-
12000	Financial assets at fair value through profit or loss (note 6(c))	4,621,004	2	4,104,384	2	22500	Securities sold under repurchase agreements (note 6(p))	542,417	-
12500	Securities purchased under resell agreements (note 6(f))	5,817,368	2	7,021,795	3	23000	Payables (note 6(q))	3,437,652	1
13000	Receivable—net (notes 6(g) and 7)	1,708,534	1	4,125,604	2	23200	Current income tax liabilities	-	-
13200	Current income tax assets	27,425	-	19,966	-	23500	Deposits and remittances (notes 6(r) and 7)	211,717,497	89
13500	Loans and discounts, net (notes 6(h) and 7)	144,041,791	60	137,516,023	60	24000	Financial bonds payable (notes 6(s) and 7)	7,111,000	3
14000	Available-for-sale financial assets—net (notes 6(d) and 8)	42,045,954	18	9,239,105	4	25600	Provision (notes 6(t) and (v))	180,591	-
14500	Held-to-maturity financial assets—net (notes 6(e) and 8)	798,918	-	100,000	-	29300	Provision for deferred tax liabilities (note 6(w))	108,292	-
15000	Long-term investments under equity method—net (note 6(i))	828,575	-	487,197	-	29500	Other liabilities (notes 6(k) and (u))	144,397	-
15500	Other financial assets—net (note 6(i))	55,537	-	55,537	-		Total liabilities	224,566,662	94
18500	Property and equipment, net (note 6(k))	6,374,610	3	6,560,824	3		Equity:		
18700	Investment property—net (note 6(l))	2,379,171	1	2,333,805	1	31101	Capital stock (note 6(y))	13,565,849	6
19000	Intangible assets—net (note 6(m))	2,351,750	1	2,375,266	1		Retained earnings (notes 6(x) and (z)):		
19300	Deferred income tax assets—net (note 6(w))	535,375	-	603,079	-	32001	Legal reserve	523,024	-
19500	Other assets (notes 6(n) and 8)	1,646,407	1	1,686,123	1	32003	Special reserve	80,880	-
						32005	Unappropriated earnings	229,861	-
							Other equity (note 6(y))	833,765	-
						32500	Total head office equity	(51,587)	-
							Total liabilities and equity	14,348,027	6
	Total assets	\$ 238,914,689	100	231,311,533	100			\$ 238,914,689	100
								231,311,533	100

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

## Bank of Panhsin

## Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	2017		2016		Variance
	Amount	%	Amount	%	%
41000 Interest income (notes 6(ab) and 7)	\$ 3,808,263	119	3,779,734	107	1
51000 Less: Interest expense (notes 6(ab) and 7)	<u>1,663,748</u>	<u>52</u>	<u>1,580,885</u>	<u>45</u>	5
Net income (loss) of interest	2,144,515	67	2,198,849	62	(2)
Net non-interest income (loss)					
49100 Service fees—net (note 6(ac))	752,431	24	896,942	25	(16)
49200 Gain on financial asset or liabilities measured at fair value through profit or loss (notes 6(ad))	127,339	4	154,234	5	(17)
49300 Realized gain on available-for-sale financial assets (note 6(ae))	59,027	2	220,114	6	(73)
49600 Foreign exchange loss—net	(47,480)	(1)	(106,841)	(3)	56
49750 Investment income under the equity method	42,900	1	5,386	-	697
49800 Other non-interest income—net (notes 6(af) and 7)	80,279	2	98,125	3	(18)
49863 Gain on property exchange—net (note 6(k))	<u>34,053</u>	<u>1</u>	<u>80,049</u>	<u>2</u>	(57)
Total revenue	<u>3,193,064</u>	<u>100</u>	<u>3,546,858</u>	<u>100</u>	(10)
58200 Bad debt expense and reserve for guarantees (notes 6(g), (h) and (ag))	<u>357,784</u>	<u>11</u>	<u>476,888</u>	<u>13</u>	(25)
Operation and expenses:					
58500 Employee benefit expenses (notes 6(v), (ah) and (ai))	1,441,205	45	1,476,507	42	(2)
59000 Depreciation and amortization expenses (notes 6(k), (m) and (aj))	208,856	6	211,827	6	(1)
59500 Other general and administrative expenses (notes 6(ak) and 7)	<u>913,429</u>	<u>29</u>	<u>927,600</u>	<u>26</u>	(2)
Total Expenses	<u>2,563,490</u>	<u>80</u>	<u>2,615,934</u>	<u>74</u>	(2)
Income from continuing operations before tax	271,790	9	454,036	13	(40)
61003 Less : Income tax expense (note 6(w))	<u>(55,626)</u>	<u>(2)</u>	<u>(103,548)</u>	<u>(3)</u>	46
Net income	<u>216,164</u>	<u>7</u>	<u>350,488</u>	<u>10</u>	(38)
65000 Other comprehensive income:					
65200 Items that may not be reclassified subsequently to profit or loss (note 6(v))					
65201 Remeasurements from defined benefit plans	3,770	-	(3,183)	-	218
65220 Income tax related to items that may not be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	-
Items that may not be reclassified subsequently to profit or loss	<u>3,770</u>	<u>-</u>	<u>(3,183)</u>	<u>-</u>	218
65300 Items that may be reclassified subsequently into profit or loss (note 6(y))					
65301 Foreign currency translation differences for foreign operations	(1,135)	-	(378)	-	(200)
65302 Unrealized gains on available-for-sale	28,783	1	(206,995)	(6)	114
65320 Income tax relating to items that may be subsequently reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	-
Items that may be reclassified subsequently into profit or loss	<u>27,648</u>	<u>1</u>	<u>(207,373)</u>	<u>(6)</u>	113
65000 Other comprehensive income, after tax	<u>31,418</u>	<u>1</u>	<u>(210,556)</u>	<u>(6)</u>	115
Total comprehensive income	<u>\$ 247,582</u>	<u>8</u>	<u>139,932</u>	<u>4</u>	77
Earnings per share(expressed in New Taiwan dollars) (note 6(aa)):					
67500 Basic earnings per share	<u>\$ 0.17</u>		<u>0.27</u>		
67700 Diluted earnings per share	<u>\$ 0.17</u>		<u>0.27</u>		

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)  
Bank of Panhsin

Statements of Changes in Equity

For the years ended December 31, 2017 and 2016  
(Expressed in Thousands of New Taiwan Dollars)

	Capital stock Common stock	Retained earnings			Total other equity interest			
		Legal reserve	Special reserve	Retained earnings	Foreign currency translation differences for foreign operations	Unrealized gains (losses) on available- for-sale financial assets	Total other equity interest	Total equity
Balance at January 1, 2016 (restated)	\$ 12,211,753	219,990	5	661,686	881,681	121,969	128,138	13,221,572
Appropriations and distributions								
Legal reserve	-	204,592	-	(204,592)	-	-	-	-
Cash dividends	-	-	-	(61,059)	-	-	-	(61,059)
Stock dividends	415,200	-	-	(415,200)	-	-	-	-
Net income for the year	-	-	-	350,488	-	-	-	350,488
Other comprehensive income for the year	-	-	-	(3,183)	(378)	(206,995)	(207,373)	(210,556)
Total comprehensive income for the year	-	-	-	347,305	(378)	(206,995)	(207,373)	139,932
Balance at December 31, 2016	12,626,953	424,582	5	328,140	752,727	(85,026)	(79,235)	13,300,445
Appropriations and distributions								
Legal reserve	-	98,442	-	(98,442)	-	-	-	-
Special reserve appropriated	-	-	80,875	(80,875)	-	-	-	-
Stock dividends	138,896	-	-	(138,896)	-	-	-	-
Net income for the year	-	-	-	216,164	-	-	-	216,164
Other comprehensive income for the year	-	-	-	3,770	(1,135)	28,783	27,648	31,418
Total comprehensive income for the year	-	-	-	219,934	(1,135)	28,783	27,648	247,582
Issue of shares	800,000	-	-	-	-	-	-	800,000
Balance at December 31, 2017	\$ 13,565,849	523,024	80,880	229,861	4,656	(56,243)	(51,587)	14,348,027

Note: As of December 31, 2017 and 2016, the Bank's directors' remuneration were recognized \$2,802 and \$4,450, respectively, employee remuneration were recognized \$5,604 and \$8,901, respectively. All of above were deducted in the statements of comprehensive income.

See accompanying notes to parent company only financial statements.



(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)  
Bank of Panhsin

Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	2017	2016
<b>Cash flows from (used in) operating activities:</b>		
Income before tax	\$ 271,790	454,036
Adjustments:		
Adjustments for the effects of non-cash transactions:		
Depreciation expense	179,404	166,822
Amortization expense	54,463	70,242
Bad debt expenses	357,784	476,888
Interest expense	1,663,748	1,580,885
Interest income	(3,808,263)	(3,779,734)
Dividend income	(70,612)	(52,899)
Net change in other provisions	5,530	-
Provision gain on disposal of foreclosed collaterals	(2,048)	-
Investment income under the equity method	(42,900)	(5,386)
Gain on disposal of property and equipment	(27,410)	(49,104)
Gain on disposal of investment property	-	(16,761)
Loss on disposal of intangible assets	-	292
Total adjustments to reconcile profit (loss)	(1,690,304)	(1,608,755)
<b>Changes in operating assets and liabilities:</b>		
Net changes in operating assets:		
Due from Central Bank and call loans to banks	(279,151)	(559,802)
Financial assets at fair value through profit or loss	(516,620)	(1,046,687)
Receivables	2,407,603	(952,874)
Loans and discounts — net	(6,858,825)	(6,708,772)
Available-for-sale financial assets	(32,778,066)	3,282,269
Held-to-maturity financial assets	(698,918)	650,450
Net changes in operating liabilities:		
Deposits from Central Bank and other banks	16,727	(17,704)
Financial liabilities at fair value through profit or loss	(179,424)	(246,207)
Payables	(179,390)	338,711
Deposits and remittances	5,066,935	20,399,219
Employee benefit liabilities	(93)	229
Other liabilities	5,347	7,101
Total net changes in operating assets and liabilities	(33,993,875)	15,145,933
Total adjustments	(35,684,179)	13,537,178
Cash inflow generated from (used in) operations	(35,412,389)	13,991,214
Interest received	3,790,249	3,801,968
Dividends received	70,612	52,899
Interest paid	(1,618,381)	(1,561,799)
Income taxes paid	(5,400)	(27,582)
Net Cash flows from (used in) operating activities	(33,175,309)	16,256,700
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of property and equipment	(19,806)	(64,256)
Proceeds from disposal of property and equipment	-	44,700
Proceed from disposal of foreclosed collateral	39,627	-
Proceeds from disposal of investment property	-	71,129
Other financial assets	(54,203)	(341,179)
Net cash used in investing activities	(34,382)	(289,606)
<b>Cash flows from (used in) financing activities:</b>		
Proceeds from issuing bank notes payable	1,685,000	1,626,000
Repayments of bank notes payable	(400,000)	(500,000)
Securities sold under repurchase agreement	542,417	-
Cash dividends paid	-	(61,059)
Proceeds from issuing shares	800,000	-
Acquisition of ownership interests in subsidiaries	(300,724)	-
Net cash flows from financing activities	2,326,693	1,064,941
Effect of exchange rate changes on cash and cash equivalents	(1,135)	(378)
Net increase (decrease) in cash and cash equivalents	(30,884,133)	17,031,657
Cash and cash equivalents at beginning of period	55,529,718	38,498,061
Cash and cash equivalents at end of period	\$ 24,645,585	55,529,718
<b>Composition of cash and cash equivalents:</b>		
Cash and cash equivalents reported in the statement of financial position	\$ 4,915,172	5,370,693
Due from the central bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	13,913,045	43,137,230
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	5,817,368	7,021,795
Cash and cash equivalents at end of period	\$ 24,645,585	55,529,718

See accompanying notes to parent company only financial statements.

**(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)**  
**Bank of Panhsin**

**Notes to the Financial Statements**

**December 31, 2017 and 2016**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Stated)**

**(1) Organization and Business Scope**

Bank of Panhsin (the Bank), formerly named "Pan Chiao Credit Cooperative", was founded on April 25, 1957. Pursuant to an approval granted by the Ministry of Finance, the Bank was re incorporated as a commercial bank on July 8, 1997, and completed the acquisition of "The 5th Credit Cooperative of Kaohsiung" on September 29, 1997. The Bank obtained a banking license authorized by the Ministry of Finance to operate as a commercial bank on September 30, 1997. In October 1999, the Bank received its trust license from the Ministry of Finance and started operations on November 26 of the same year with capital of \$100 million. On November 27, 2002, the Bank was authorized by the Ministry of Finance to establish an International Banking Department, which started operations on July 7, 2003. Furthermore, the Bank completed the acquisition of The 1st Credit Cooperative of Chiayi on March 6, 2005, and completed the acquisition of the Ninth Credit Cooperative of Taipei (NCCT) on July 21, 2014.

The Bank was established pursuant to the Banking Law to engage in:

- (a) all commercial banking operations allowed by the Banking Law;
- (b) savings operations;
- (c) trust operations;
- (d) credit card operations;
- (e) trading in government bonds and other debt securities; and
- (f) insurance agent;
- (g) other operations as authorized by the relevant central authority.

On November 14, 2006, the Bank was approved by the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan ("FSC"), to offer its shares publicly.

The Bank's board of director approved the application for operating insurance broker business according to the Regulations Governing Insurance Brokers and conducted a short-form merger with its subsidiary, Panhsin Insurance Broker Co., Ltd., according to the Business Mergers and Acquisitions Act. The Bank is the surviving entity after the merger. The application and the merger were approved by the FSC on May 6, 2016. For the operation of the insurance broker business, the Bank's board of director approved July 1, 2016 as the date of the merger on May 18, 2016.

**(2) Financial statements authorization date and authorization process:**

These financial statements were authorized for issuance by the Bank's Board of Directors on March 21, 2018.

(Continued)

**Bank of Panhsin**  
**Notes to the Financial Statements**

**(3) New standards and interpretations not yet adopted:**

- (a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Presentation of Financial Statements-Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 "Impairment of Non-Financial assets- Recoverable Amount Disclosures for Non Financial Assets"	January 1, 2014
Amendments to IAS 39 "Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual Improvements to IFRSs 2010 2012 Cycle and 2011 2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012 2014 Cycle	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

The Bank believes that the adoption of the above IFRSs would not have any material impact on its financial statements.

- (b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018

(Continued)



**Bank of Panhsin**  
**Notes to the Financial Statements**

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Except for the following items, the Bank believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

(i) Classification- Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliable. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

(Continued)

## Bank of Panhsin

### Notes to the Financial Statements

Based on its assessment, the Bank does not believe that the new classification requirements will have a material impact on its accounting for investments in debt securities and investments in equity securities that are managed on a fair value basis.

The Bank estimated that the application of IFRS 9's classification requirements on January 1, 2018 will result in an increase of \$138,420 in other equity, as well as a decrease of \$55,603 in retained earnings.

#### (ii) Impairment-Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost, FVOCI excepting for investments in equity instruments, and contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Bank believes that impairment losses are likely to increase and become more volatile for assets in the scope of the IFRS 9 impairment model. Therefore, the Bank estimated that the application of IFRS 9's impairment requirements on January 1, 2018 will result in the increase of \$35 in its allowance for the impairment and reserves, \$13,383 in its provision, and \$5,350 in other equity; as well as a decrease of 18,768 in its retained earnings.

#### (iii) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Bank's assessment included an analysis to identify data gaps against current processes and the Bank plans to implement the system and controls changes that it believes will be necessary to obtain the required data.

(Continued)

**Bank of Panhsin**  
**Notes to the Financial Statements**

(iv) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Bank will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and reserves as at January 1, 2018.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following are IFRSs that have been issued by the IASB but not yet endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019

(Continued)

**Bank of Panhsin**  
**Notes to the Financial Statements**

Those which may be relevant to The Company are set out below:

<b>Issuance / Release Dates</b>	<b>Standards or Interpretations</b>	<b>Content of amendment</b>
January 13, 2016	IFRS 16 "Leases"	<p>The new standard of accounting for lease is amended as follows:</p> <ul style="list-style-type: none"> <li>For a contract that is, or contains, a lease, the lessee shall recognize a right of use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right of-use asset during the lease term.</li> <li>A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.</li> </ul>
June 7, 2017	IFRIC 23 "Uncertainty over Income Tax Treatments"	<ul style="list-style-type: none"> <li>In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.</li> <li>If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.</li> </ul>

(Continued)

**Bank of Panhsin**  
**Notes to the Financial Statements**

<b>Issuance / Release Dates</b>	<b>Standards or Interpretations</b>	<b>Content of amendment</b>
February 7, 2018	Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	<p>The amendments clarify that:</p> <ul style="list-style-type: none"> <li>· upon amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the remainder of the reporting period after the change to the plan; and</li> <li>· the effect of the asset ceiling is disregarded when calculating past service cost and the gain or loss on settlement. Any change in that effect is recognized in other comprehensive income.</li> </ul>

The Bank is evaluating the impact on its financial position and financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Bank completes its evaluation.

**(4) Summary of significant accounting policies:**

Significant accounting policies adopted in the financial reports are summarized as below. Unless stated otherwise, they have been applied consistently to all periods in the financial reports.

**(a) Statement of compliance**

The financial statements were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks.

**(b) Basis of preparation**

**(i) Basis of measurement**

The financial statements have been mainly prepared on a historical cost basis unless otherwise specified (refer to each accounting policies).

**(ii) Functional currency and presentation currency**

The Bank's financial statements are presented in New Taiwan dollars, which is the Bank's functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(Continued)

**Bank of Panhsin**  
**Notes to the Financial Statements**

(c) Foreign currency transactions and translation of foreign currency financial statements

Transactions in foreign currencies are translated to the respective functional currency of the Bank at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, due from banks, demand deposits, and highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of change in value.

(e) Transactions under repurchase/resell agreements

Securities sold/purchased with a commitment to repurchase/resell at a predetermined price are treated as financing transactions. The difference between the cost and the repurchase/resell price is treated as interest expense/revenue and recognized over the term of the agreement. On the selling/purchasing date, these agreements are recognized as securities sold under repurchase agreements or securities purchased under resell agreements.

(f) Financial instruments

The Bank classifies financial assets into the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets, financial assets carried at cost, and loans and receivables. The purchase and disposal of financial assets are recognized using trade-date accounting.

(i) Financial assets and liabilities at fair value through profit or loss (FVTPL)

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling in the short term. Derivatives held by the Bank are classified in this category. Such assets are initially recognized at fair value, with transaction costs expensed as incurred, and are re-measured at fair value subsequently, with changes in fair value recognized in earnings.

The Bank designates financial assets, other than those classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations:

- 1) Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- 2) Performance of the financial asset is evaluated on a fair value basis;
- 3) A hybrid instrument contains one or more embedded derivatives.

(Continued)

**Bank of Panhsin**  
**Notes to the Financial Statements**

The hybrid instruments with embedded derivatives held by the Bank are designated as at FVTPL.

Financial assets measured at fair value through profit or loss and designated as such at the time of initial recognition are classified as "financial assets measured at fair value through profit or loss" in the statement of financial position. Changes in fair value are recognized in profit or loss as "gain or loss on financial assets and liabilities measured at fair value through profit or loss".

(ii) Available-for-sale financial assets

Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, dividend income, and foreign currency gains or losses which are recognized as current earnings, are recognized in other comprehensive income and presented in the unrealized gain/loss from available-for-sale financial assets in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and is included in other gains and losses under non-operating income and expenses.

For available-for-sale debt securities, the difference between the initially recognized amount and the maturity amount is amortized using the effective interest method, while the straight-line method is used if the difference is insignificant. Interest receivables are recognized on an accrual basis. If there is objective evidence of impairment, impairment loss is recognized. When the impairment amount decreases in a subsequent period, the reduced impairment amount of available-for-sale equity securities is recognized as adjustments to stockholders' equity, while the reduced impairment amount of available-for-sale debt securities is reversed and recognized as profit in the period, if the reduced impairment is deemed to be in connection with events occurring after recognition of impairment. The book value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized.

(iii) Held-to-maturity financial assets

Held-to-maturity financial assets are recorded at amortized cost. Impairment loss is recognized when there is objective evidence of impairment. If the impairment loss subsequently decreases and the decrease is objectively related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit and loss. The carrying value after the reversal should not exceed the amortized balance of the assets assuming no impairment loss was recognized.

(iv) Financial assets carried at cost

Equity instruments with no quoted market price and whose fair value cannot be reliably measured are stated at cost. If there is objective evidence that financial assets carried at cost are impaired, the carrying amount of the assets is reduced, and impairment loss is recognized.

(Continued)

**Bank of Panhsin**  
**Notes to the Financial Statements**

(v) Loans and receivables

Loans and receivables include those originated by the Bank and those not originated by the Bank. Those originated by the Bank are created by the Bank by providing money, goods, or services directly to a debtor, and those not originated by the Bank are loans and receivables other than those originated by the Bank.

Loans and receivables are initially recognized at fair value plus incremental direct transaction costs, services fees, and discount or premium, and subsequently measured at their amortized cost using the effective interest method. When the discounted effect is insignificant, loans and receivables can be measured at original cost.

The Bank considers evidence of impairment for loans and receivables at both a specific asset and collective level. The Bank first assesses whether objective evidence of impairment for loans and receivables that are individually significant. Individually significant loans and receivables without objective evidence of impairment are grouped together with similar risk characteristics and are collectively assessed for impairment. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

If objective evidence of impairment exists, an impairment loss should be recognized. An impairment loss in respect of a financial asset is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Collateral and proceeds from insurance should also be considered when determining the estimated future cash flows.

The aforesaid objective evidence includes:

- 1) Significant financial difficulty of the issuer or obligor;
- 2) A breach of contract, such as a default or delinquency in interest or principal payments;
- 3) The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- 4) It becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- 5) The disappearance of an active market for that financial asset because of the issuer's financial difficulties;
- 6) Adverse changes in the payment status of the borrowers; and
- 7) Changes in national or local economic conditions that correlate with defaults on the assets.

(Continued)



**Bank of Panhsin**  
**Notes to the Financial Statements**

(vi) Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire, or when all the risks and rewards of ownership of the financial asset are substantially transferred.

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled, or have expired.

If the Bank provides bonds or stocks as security for repo transactions, the financial assets are not derecognized since all risks and rewards of ownership are still retained by the Bank.

(vii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position if, and only if, the Bank has the legally enforceable right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(g) Long-term investments under equity method—net

In the preparation of the individual financial statements, if the Bank has control of an investee company, it is accounted for under the equity method. Under the equity method, the net income and total comprehensive income in the individual financial statements are consistent with the net income and total comprehensive income attributed to the parent company in the consolidated financial report.

Changes in the Bank's ownership interest in a subsidiary that do not result in the Bank losing control of the subsidiary are treated as transactions between owners.

(h) Property and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Major improvements and renewals are capitalized, while repairs and maintenance are charged to current expenses.

When an item of property, plant and equipment consists of different components and the cost of a component is significant relative to the total cost of the item of property, plant and equipment, the component will be depreciated separately.

Depreciation is computed using the straight-line method over service lives estimated as follows: buildings, 3 to 70 years; machinery and equipment, 3 to 6 years; transportation equipment, 3 to 11 years; other equipment, 3 to 16 years; and leasehold improvements, 1 to 10 years.

The depreciation method, useful life, and residual value of an asset shall be reviewed at each financial year-end and adequately adjusted when necessary.

Upon retirement or disposal of property and equipment, the related cost and accumulated depreciation are deducted from the respective accounts, and the related gain or loss is recognized as other noninterest income or loss.

(Continued)

**Bank of Panhsin**  
**Notes to the Financial Statements**

(i) Leases

A lease contract is classified as an operating lease or a finance lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the Bank. At initial recognition, the leased asset is recognized at an amount equal to the lower of the fair value of the leased asset or the present value of the minimum lease payments. The subsequent treatment follows the accounting policies for property, plant and equipment.

Lease payments, including payments in advance, under an operating lease shall be recognized in profit or loss on a straight-line basis over the lease term.

(j) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, or to use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently measured under the cost model, and the depreciation expense is calculated using the depreciable amount. The depreciation method, useful life, and residual amount are the same as those adopted for property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property and any other cost and capitalized borrowing costs that can be directly attributed.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its carrying amount at the date of reclassification becomes its cost for subsequent accounting.

(k) Intangible assets

(i) Goodwill is measured as an excess of the cost of acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired on the acquisition date. It is subsequently measured at cost, less, any accumulated impairment losses. To test for impairment, goodwill is allocated to each of the acquirer's cash-generating units, or groups of cash-generating units. If the carrying amount of the unit exceeds the recoverable amount of the unit, the Bank shall recognize the impairment loss. Impairment losses in respect of goodwill are irreversible.

(ii) Core deposits obtained from acquisition is measured on the fair value of the acquisition date and recorded separately from goodwill. Core deposits are stated at cost, less, accumulated amortization consequently. Amortization is computed using the straight-line method over 19 to 20 years

(iii) Computer software

Computer software is recorded on the basis of the actual cost of acquisition and amortized using the straight-line method over 3 to 5 years.

(Continued)

**Bank of Panhsin**  
**Notes to the Financial Statements**

(l) Other assets—foreclosed assets

Foreclosed assets are stated at their net realizable value. Any difference from the original value of the loans is recognized as bad debts. Losses or gains on the disposal of foreclosed assets are recorded as other non-interest expense or income, net.

(m) Non-financial asset impairment

The Bank estimates the recoverable amount (the lower of net fair value and value in use) for assets that have an indication of impairment (individual assets except for goodwill or a cash-generating unit) on the statement of financial position date. An impairment loss is recognized if the carrying amount is higher than the recoverable amount. For assets other than goodwill, reversal of impairment loss is recognized when the recoverable amount of the asset has increased from its prior-period estimation. The carrying amount after the reversal shall not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods. Regardless whether there exists an indication of impairment, goodwill is tested for impairment every year.

(n) Provisions

A provision shall be recognized when a present obligation results from a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. A provision is determined by discounting the expected future cash flow, using a pre-tax discount rate that reflects current market assessments of the time value of money and those risks specific to the liability.

(o) Revenue and expense

Except for financial assets and liabilities reported at fair value through profit or loss, all interest-bearing 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 profit or loss. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest revenue is recognized using the interest rate to discount the future cash flows for the purpose of assessing impairment.

Commission fee revenue and expense are recognized when loans or other services are provided. Commission fee revenue and expense on significant projects are recognized when the projects are completed.

Commission revenue and fees relating to loan services are amortized over the service periods or included in the effective interest rate for loans and receivables.

(p) Employee benefits

(i) Short-term employee benefits

For short-term employee benefits that are expected to be paid in the near future, the Bank recognized the non-discounted amount as current expenses.

(Continued)

**Bank of Panhsin**  
**Notes to the Financial Statements**

(ii) Termination benefits

Termination benefits are incurred when the Bank terminates employment prior to employees qualifying for retirement, or the employees accepted voluntary redundancy to get termination benefits in return. If termination benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(iii) Post-employment benefit plans

Post-employment benefit plans of the Bank are a defined contribution plan and a defined benefit plan.

A defined contribution plan is a post-employment benefit plan under which the Bank pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

A defined benefit plan is a post-employment benefit plan under which a benefit is paid to an employee on the basis of their age, service period, and salary at the date of retirement.

Costs, including service cost, net interest, and remeasurement, which comprise of the defined 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 benefit expenses in the period they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets, excluding the amount included in net interest on the net defined liability (asset), are recognized in other comprehensive income in the period occurred. Remeasurement recognized in other comprehensive income is classified under retained earnings and will not be reclassified subsequently to profit or loss.

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

(iv) Preferential interest deposits

The Bank provides its employees preferential interest on deposits, including current and retired employees. The difference between the preferential interest rate and the market rate is recorded as an employee benefit.

In accordance with the Regulations Governing the Preparation of Financial Reports by Publicly Held Banks, if the preferential interest rate for retired employees exceeds the market rate, when the employees retire, the Bank shall calculate the excess interest using an actuarial method by adopting IAS 19. However the actuarial assumptions shall follow the government's related regulations.

(Continued)

**Bank of Panhsin**  
**Notes to the Financial Statements**

(q) Financial guarantee contracts

Guarantee services are recognized at the fair value when the guarantee services are rendered. The aforementioned fair value is the service charges received when the contracts are signed, since the charges are set at arm's length. Unearned bank charges are recorded as deferred income and recognized as income on a straight-line basis in the contract period.

(r) Income taxes

Income tax expenses include both taxes and deferred taxes. Except for expenses recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, which are normally the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

- (i) The entity has the legal right to settle tax assets and liabilities on a net basis; and
- (ii) The taxing of deferred tax assets and liabilities fulfills one of the scenarios below:
  - 1) levied by the same taxing authority; or
  - 2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be utilized. Such deferred tax assets shall also be reviewed at each reporting date, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(s) Business Combinations

The Business Combinations use the acquisition method. The relevant cost of acquisition is recognized as expense during the period year when expense occurred or services provided.

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**Bank of Panhsin**  
**Notes to the Financial Statements**

The Bank measures goodwill by the fair value of the transfer consideration, including any amount belonging to non-controlling interests of the acquire, less, net amount of the identifiable assets and undertaking liabilities (used to be identified as fair value). If there is any negative after deduction, the Bank will reassess whether the acquired assets and undertaking liabilities are correctly identified, then will recognize the amount as bargain purchase benefit.

The Bank will recognize the tentative amounts on the reporting date if the evaluation of the identifiable assets and undertaking liabilities has not yet been completed. To reflect the new information or the existing facts on the acquisition date, the Bank will make retroactive adjustment or recognize the additional assets and liability in the measurement period. The measurement period shall not exceed one year after the acquisition date.

(t) Earnings (loss) per share of common stock

Earnings (loss) per share are computed by dividing net income (loss) divided by the weighted-average number of issued shares of common stock outstanding during the year. The increase in issuance of stock dividends from retained earnings or capital surplus or the decrease in stock by offsetting accumulated deficits is adjusted retroactively. Furthermore, if the designated date of record for a stock dividend is proposed before publishing the financial statements, the earnings per common share are adjusted retroactively. If there is cumulative preferred stock outstanding, preferred stock dividends shall be deducted from net income whether or not dividends are declared.

Stock-based employee bonuses not yet approved by the shareholders' meeting are regarded as potential common stock. The Bank has to disclose basic earnings per share and diluted earnings per share if the increase in potential common stock would dilute earnings per share; otherwise, the Bank only needs to disclose basic earnings per share. The calculation of diluted earnings per share should consider the effect on net income and outstanding potential common stock.

(u) Operating segments

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Bank). The segment's operating results are reviewed regularly by the Bank's chief operating decision maker to make decisions pertaining to the allocation of resources to the segment and to assess its performance for which discrete financial information is available.

The Bank discloses the operating segment information in the consolidated financial statements and does not disclose the information in the individual financial statements.

**(5) Primary sources of significant accounting assumptions, judgments, and estimation uncertainty:**

The preparation of the financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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**Bank of Panhsin**  
**Notes to the Financial Statements**

The related information of significant impacts on assumptions and estimation uncertainty which may result in adjustments in the upcoming year is as below:

(a) Impairment of loans and receivables

When the Bank decides whether or not to recognize impairment loss, it mainly assesses if there are any observable evidence indicating possible impairment. Impairment loss is based on the estimation of expected future cash flow. If actual cash flow is less than expected, significant impairment losses may incur. The Bank periodically reviews the methods and assumptions behind the amount and schedule of expected cash flow, to reduce the difference between expected and actual loss.

(b) Assessment of goodwill impairment

Assessment of goodwill impairment requires the management to make subjective judgments to identify cash-generating units, allocate the goodwill to related cash generating units, and estimate the recoverable amount of related cash generating units. The management of the Bank shall estimate the expected future cash flow from cash generating units and decide a proper discount rate for calculating the present value. If the actual cash flow is less than the expected cash flow, significant impairment losses may incur.

**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

	December 31, 2017	December 31, 2016
Cash	\$ 1,753,964	2,778,085
Negotiable instruments for clearing	1,326,174	1,326,806
Deposits with other banks	1,835,034	1,265,802
Total	<u>\$ 4,915,172</u>	<u>5,370,693</u>

Components of cash and cash equivalents are as follows:

	December 31, 2017	December 31, 2016
Cash and cash equivalents reported in the statements of financial position	\$ 4,915,172	5,370,693
Due from Central Bank and call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7 (note 6(b))	13,913,045	43,137,230
Securities purchased under resell agreements qualifying as cash and cash equivalents under the definition of IAS 7 (note 6(f))	5,817,368	7,021,795
Cash and cash equivalents at end of period	<u>\$ 24,645,585</u>	<u>55,529,718</u>

Analysis of interest rate risk and sensitivity for financial assets and liabilities is disclosed in note 6(al).

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**Bank of Panhsin**  
**Notes to the Financial Statements**

(b) Due from Central Bank and call loans to banks

	December 31, 2017	December 31, 2016
Deposit reserves — checking accounts (including foreign currency)	\$ 4,990,455	4,388,210
Deposit reserves — demand account	5,553,496	5,474,808
Deposits in Central Bank	2,665,000	29,430,000
Call loans to banks	7,257,590	10,119,020
Checking and settlement account	300,557	300,094
Total	<u>\$ 20,767,098</u>	<u>49,712,132</u>

Deposit reserves — checking accounts are calculated at prescribed rates, using the average monthly balances of various deposit accounts, and are appropriated and deposited in the reserve account of the Central Bank of the Republic of China (Taiwan). Deposit reserves — demand accounts are interest-free and can be withdrawn at any time; Deposit reserves — checking accounts are interest-bearing and cannot be withdrawn except for the monthly adjustment to the required reserves permitted by relevant regulations.

Part of the use of deposits in Central Bank were restricted, please refer to note 8.

Deposit reserves — checking accounts, deposits in Central Bank, call loans to banks, and highly liquid investments that are readily convertible into known amount of cash and that are subject to insignificant risk of change in value are defined as cash and cash equivalents under IAS 7. The details were as follows:

	December 31, 2017	December 31, 2016
Deposit reserves — checking accounts	\$ 4,990,455	4,388,210
Deposits in Central Bank	1,665,000	28,630,000
Call loans to banks	7,257,590	10,119,020
	<u>\$ 13,913,045</u>	<u>43,137,230</u>

(c) Financial assets at fair value through profit or loss

As of December 31, 2017 and 2016, the financial assets held for trading were as follows:

	December 31, 2017	December 31, 2016
Financial assets held for trading:		
Interest rate-related instruments	\$ 3,923,676	3,611,288
Equity securities	328,113	20,620
Beneficiary certificates	346,689	150,432
Derivatives	22,526	186,436
Total	<u>4,621,004</u>	<u>3,968,776</u>

(Continued)



**Bank of Panhsin**  
**Notes to the Financial Statements**

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Financial assets designated as at fair value through profit or loss:		
Credit-linked notes	\$ <u>-</u>	<u>135,608</u>
	<u>\$ 4,621,004</u>	<u>4,104,384</u>

As of December 31, 2017 and 2016, the financial liabilities measured at fair value through profit or loss were as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Financial liabilities held for trading		
Derivatives	\$ <u>5,757</u>	<u>185,181</u>

There were no financial liabilities designated as at fair value through profit or loss.

(d) Available-for-sale financial assets

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Government bonds	\$ 6,956,579	7,151,650
Corporate bonds	1,533,990	1,637,840
Financial debenture	592,661	-
Equity securities	535,541	293,364
Beneficiary certificates	-	156,251
Negotiable certificates of deposit	<u>32,427,183</u>	<u>-</u>
Total	<u>\$ 42,045,954</u>	<u>9,239,105</u>

Please refer to note 8 for the available-for-sale financial assets under pledge.

(e) Held-to-maturity financial assets

	<u>December 31, 2017</u>	
	<u>Percentage of ownership</u>	<u>Investment cost      Amount</u>
Government bonds	-	<u>\$ 798,918</u> <u>798,918</u>
	<u>December 31, 2016</u>	
	<u>Percentage of ownership</u>	<u>Investment cost      Amount</u>
Financial bonds	-	<u>\$ 100,000</u> <u>100,000</u>

(Continued)

**Bank of Panhsin**  
**Notes to the Financial Statements**

(f) Securities purchased under resell agreements

<b>December 31, 2017</b>			
	<b>Amount</b>	<b>Contractual repurchase or resell period</b>	<b>Contractual interest rate range (%)</b>
Securities purchased under resell agreements	<u>\$ 5,817,368</u>	107.1.2~107.1.22	0.34~0.42
			<u>5,818,256</u>

<b>December 31, 2016</b>			
	<b>Amount</b>	<b>Contractual repurchase or resell period</b>	<b>Contractual interest rate range (%)</b>
Securities purchased under resell agreements	<u>\$ 7,021,795</u>	106.1.3~106.1.18	0.29~0.35
			<u>7,023,120</u>

(g) Receivables — net

As of December 31, 2017 and 2016, accounts receivable—net were as follows:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Interest receivable	\$ 268,713	250,699
Accounts receivable	61,920	76,087
Spot exchange receivable	1,022,175	1,108,532
Acceptance receivable	228,849	295,763
Accrued revenue	35,414	1,118
Derivatives default receivable	-	69,241
Other receivable	<u>97,672</u>	<u>2,375,028</u>
Total	1,714,743	4,176,468
Less: allowance for bad and doubtful accounts		
— acceptance receivable	(3,483)	(3,483)
— other receivable	(2,726)	(1,867)
— derivatives default receivable	<u>-</u>	<u>(45,514)</u>
	<u>\$ 1,708,534</u>	<u>4,125,604</u>

Changes in allowance for doubtful accounts were as follows:

	<b>2017</b>	<b>2016</b>
Beginning balance	\$ 50,864	5,751
Provision for doubtful accounts	29,727	47,514
Current charge-off	<u>(74,382)</u>	<u>(2,401)</u>
Ending balance	<u>\$ 6,209</u>	<u>50,864</u>

(Continued)

**Bank of Panhsin**  
**Notes to the Financial Statements**

Receivables assessed for impairment to determine the allowance for bad debts were as follows:

Items		Receivables		Allowance for bad debts	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
With objective evidence of impairment	Individual assessment	10,997	-	-	-
	Collective assessment	3,587	69,241	952	45,514
Without objective evidence of impairment	Collective assessment	1,700,159	4,107,227	5,257	5,350
Total		1,714,743	4,176,468	6,209	50,864

(h) Loans and discounts, net

As of December 31, 2017 and 2016, details of loans and discounts were as follows:

	December 31, 2017	December 31, 2016
Remittance and discounts for exports	\$ 80,045	28,874
Short-term loans and overdrafts	61,277,107	50,376,580
Medium-term loans	47,200,753	51,603,014
Long-term loans	36,353,380	36,115,034
Non-performing loans	942,422	1,126,992
Subtotal	145,853,707	139,250,494
Less: allowance for bad and doubtful accounts	(1,811,916)	(1,734,471)
	<u>\$ 144,041,791</u>	<u>137,516,023</u>

Please refer to note 6(al) for the industry information.

For the years ended December 31, 2017 and 2016, suspended accrual of interest for all of non-performing loans amounted to \$31,748 and \$27,290, respectively.

Changes in allowance for bad debts (including loans and discounts, and guarantee liability) were as follows:

	2017		
	Loans and discounts	Guarantee liability	Total
Beginning balance	\$ 1,734,471	39,856	1,774,327
Current provision	333,057	-	333,057
Reverse of provision	-	(5,000)	(5,000)
Current charge-off	(481,087)	-	(481,087)
Recovery of bad debts	225,475	-	225,475
Ending balance	<u>\$ 1,811,916</u>	<u>34,856</u>	<u>1,846,772</u>

(Continued)

**Bank of Panhsin**  
**Notes to the Financial Statements**

	2016		
	Loans and discounts	Guarantee liability	Total
Beginning balance	\$ 1,649,398	39,393	1,688,791
Current provision	428,911	463	429,374
Current charge-off	(554,545)	-	(554,545)
Recovery of bad debts	210,707	-	210,707
Ending balance	<u>\$ 1,734,471</u>	<u>39,856</u>	<u>1,774,327</u>

Loans and discounts to be assessed for impairment to determine their allowance for bad debts were as follows:

Item		Loans and discounts		Allowance for bad debts	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
With objective evidence of impairment	Individual assessment	2,197,937	2,614,000	203,038	175,470
	Collective assessment	358,687	361,497	109,913	142,255
Without objective evidence of impairment	Collective assessment	143,297,083	136,274,997	1,498,965	1,416,746
Total		145,853,707	139,250,494	1,811,916	1,734,471

(i) Other financial assets—net

	December 31, 2017	December 31, 2016
Financial assets carried at cost—net	<u>\$ 55,537</u>	<u>55,537</u>

Details of financial asset carried at cost were as follows:

	December 31, 2017	December 31, 2016
Xin-Rui-Du Development Co., Ltd.	\$ 4,940	4,940
Tsai-Jin Information Co., Ltd.	45,500	45,500
Taiwan Depository & Clearing Corporation	6,345	6,345
Yang Guang Asset Management Company	692	692
Taiwan Mobile Payment Corporation	3,000	3,000
	60,477	60,477
Less: accumulated impairment loss	(4,940)	(4,940)
	<u>\$ 55,537</u>	<u>55,537</u>

Financial assets carried at cost include equity investments held by the Bank. Since such assets have no quoted market price and their fair value cannot be reliably measured, the assets are carried at cost.

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**Bank of Panhsin**  
**Notes to the Financial Statements**

(j) Long-term investments under equity method—net

As of December 31, 2017 and 2016, details of long-term investments under the equity method were as follows:

<b>December 31, 2017</b>			
	<b>Percentage of ownership</b>	<b>Investment Cost</b>	<b>Amount</b>
Subsidiaries			
Panhsin Asset Management Co., Ltd.	100.00	\$ 488,000	509,651
Panhsin International Leasing Co., Ltd.	100.00	300,000	318,924
		<u>\$ 788,000</u>	<u>828,575</u>
<b>December 31, 2016</b>			
	<b>Percentage of ownership</b>	<b>Investment Cost</b>	<b>Amount</b>
Subsidiaries			
Panhsin Asset Management Co., Ltd.	100.00	\$ 660,000	184,701
Panhsin International Leasing Co., Ltd.	100.00	300,000	302,496
		<u>\$ 960,000</u>	<u>487,197</u>

(k) Property and equipment—net

<b>December 31, 2017</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net</b>
Land	\$ 3,822,163	-	3,822,163
Buildings	2,410,730	(308,373)	2,102,357
Machinery and equipment	316,927	(216,285)	100,642
Transportation equipment	108,790	(74,988)	33,802
Other equipment	726,406	(460,545)	265,861
Leasehold improvement	242,282	(192,612)	49,670
Construction in progress	115	-	115
Total	<u>\$ 7,627,413</u>	<u>(1,252,803)</u>	<u>6,374,610</u>

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**Bank of Panhsin**  
**Notes to the Financial Statements**

December 31, 2016	Cost	Accumulated depreciation	Net
Land	\$ 3,846,790	-	3,846,790
Buildings	2,460,232	(273,403)	2,186,829
Machinery and equipment	334,879	(219,005)	115,874
Transportation equipment	109,204	(69,610)	39,594
Other equipment	711,601	(403,202)	308,399
Leasehold improvement	226,194	(171,853)	54,341
Construction in progress	8,997	-	8,997
Total	<u>\$ 7,697,897</u>	<u>(1,137,073)</u>	<u>6,560,824</u>

Movements of cost were as below:

	January 1, 2017	Current increase	Current decrease	Other (note 1)	December 31, 2017
Land	\$ 3,846,790	-	-	(24,627)	3,822,163
Buildings	2,460,232	-	-	(49,502)	2,410,730
Machinery and equipment	334,879	-	(35,532)	17,580	316,927
Transportation equipment	109,204	-	(2,715)	2,301	108,790
Other equipment	711,601	3,605	(3,307)	14,507	726,406
Leasehold improvement	226,194	16,088	-	-	242,282
Construction in progress	8,997	113	-	(8,995)	115
Total	<u>\$ 7,697,897</u>	<u>19,806</u>	<u>(41,554)</u>	<u>(48,736)</u>	<u>7,627,413</u>

	January 1, 2016	Current increase	Current decrease	Other (note 2)	December 31, 2016
Land	\$ 3,946,128	-	(23,743)	(75,595)	3,846,790
Buildings	2,489,865	-	(5,621)	(24,012)	2,460,232
Machinery and equipment	324,726	-	(38,383)	48,536	334,879
Transportation equipment	115,398	-	(26,756)	20,562	109,204
Other equipment	672,592	25,733	(13,442)	26,718	711,601
Leasehold improvement	196,045	32,457	(2,308)	-	226,194
Construction in progress	25,806	6,066	-	(22,875)	8,997
Total	<u>\$ 7,770,560</u>	<u>64,256</u>	<u>(110,253)</u>	<u>(26,666)</u>	<u>7,697,897</u>

Note: 1) Reclassification from other assets — prepayment amounting to \$25,393 and to land and buildings under property and equipment amounting to \$24,627 and \$49,502, respectively.

2) Reclassification from other assets — prepayment amounting to \$72,941 and to land and buildings under property and equipment amounting to \$75,595 and \$24,012, respectively.

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**Bank of Panhsin**  
**Notes to the Financial Statements**

Movements of accumulated depreciation were as below:

	January 1, 2017	Current increase	Current decrease	Other (note 3)	December 31, 2017
Buildings	\$ 273,403	38,722	-	(3,752)	308,373
Machinery and equipment	219,005	26,885	(29,605)	-	216,285
Transportation equipment	69,610	7,790	(2,412)	-	74,988
Other equipment	403,202	60,237	(2,894)	-	460,545
Leasehold improvement	171,853	20,759	-	-	192,612
Total	<u>\$ 1,137,073</u>	<u>154,393</u>	<u>(34,911)</u>	<u>(3,752)</u>	<u>1,252,803</u>

	January 1, 2016	Current increase	Current decrease	Other (note 4)	December 31, 2016
Buildings	\$ 237,207	38,591	(1,588)	(807)	273,403
Machinery and equipment	227,243	23,667	(31,905)	-	219,005
Transportation equipment	83,905	7,825	(22,120)	-	69,610
Other equipment	357,594	56,559	(10,951)	-	403,202
Leasehold improvement	157,947	14,943	(1,037)	-	171,853
Total	<u>\$ 1,063,896</u>	<u>141,585</u>	<u>(67,601)</u>	<u>(807)</u>	<u>1,137,073</u>

Note: 3) Reclassification to investment property of \$3,752.

Note: 4) Reclassification to investment property of \$807.

As of March 28, 2014, the Bank sold the self-owned building, located at No. 330 Zhongzheng Rd., Banqiao Dist., New Taipei City 220, Taiwan (R.O.C.) with the price of \$950,000. Gain on disposal of the building amounting to \$495,714 was recognized after deducting the related expenses of \$37,615 and carrying value. According to the Banking Bureau's letter dated May 15, 2013 (Ref. No. 10200070270), while banks sale and lease back real estates, the gain on property exchange shall be deferred. The gain deferred by the Bank on property exchange for sale and lease back as of December 31, 2017 and 2016, was \$39,756 and \$73,809, respectively, which was recognized as other liabilities-deferred revenue. The realized gain on property exchange for December 31, 2017 and 2016, was \$34,053 and \$47,546, respectively, which was recognized as gain on property exchange and other non-interest income-investment property.

(I) Investment property—net

December 31, 2017	Cost	Accumulated depreciation	Net
Land	\$ 736,670	-	736,670
Building	1,786,225	(143,724)	1,642,501
Total	<u>\$ 2,522,895</u>	<u>(143,724)</u>	<u>2,379,171</u>

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**Notes to the Financial Statements**

December 31, 2016	Cost	Accumulated depreciation	Net
Land	\$ 712,043	-	712,043
Building	1,736,723	(114,961)	1,621,762
Total	<u>\$ 2,448,766</u>	<u>(114,961)</u>	<u>2,333,805</u>

Movements of cost were as below:

	January 1, 2017	Current increase	Current decrease	Reclassification (note 1)	December 31, 2017
Land	\$ 712,043	-	-	24,627	736,670
Building	1,736,723	-	-	49,502	1,786,225
Total	<u>\$ 2,448,766</u>	<u>-</u>	<u>-</u>	<u>74,129</u>	<u>2,522,895</u>

	January 1, 2016	Current increase	Current decrease	Reclassification (note 2)	December 31, 2016
Land	\$ 691,306	-	(54,858)	75,595	712,043
Building	1,712,711	-	-	24,012	1,736,723
Total	<u>\$ 2,404,017</u>	<u>-</u>	<u>(54,858)</u>	<u>99,607</u>	<u>2,448,766</u>

Note: 1) Reclassification to land and buildings under property and equipment amounting to \$24,627 and \$49,502, respectively.

2) Reclassification to land and buildings under property and equipment amounting to \$75,595 and \$24,012, respectively.

Movements of accumulated depreciation were as follows:

	January 1, 2017	Current increase	Current decrease	Reclassification (note 1)	December 31, 2017
Building	\$ 114,961	25,011	-	3,752	143,724

	January 1, 2016	Current increase	Current decrease	Reclassification (note 2)	December 31, 2016
Building	\$ 88,917	25,237	-	807	114,961

Note: 1) Reclassification to buildings under property and equipment of \$3,752.

2) Reclassification to buildings under property and equipment of \$807.

According to the evaluation of investment property by external and internal appraisers, the fair value of the investment property held by the Bank as of December 31, 2017 and 2016, was \$5,139,621 and \$5,232,247, respectively.

The investment properties held by the Bank included commercial real estate leasing to others. Every leasing contract contained originally nonrenewable leasing period. The subsequent leasing periods were negotiated with lessees and there were no contingent rents. Please refer to note 6(al).

As of December 31, 2016, the investment properties owned by the Bank were not under pledge.

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**Notes to the Financial Statements**

(m) Intangible assets—net

	December 31, 2017	December 31, 2016
Goodwill	\$ 2,197,921	2,197,921
Computer software	40,703	56,997
Core deposits	113,126	120,348
Total	<u>\$ 2,351,750</u>	<u>2,375,266</u>

Goodwill of the Bank arose from acquisition of the outstanding assets and liabilities of The Ninth Credit Cooperative of Taipei, The Kaohsiung Fifth Credit Cooperative and The First Credit Cooperative of Chiayi and the guarantee.

The bank perform impairment test of goodwill based on projected future cash flow with normal operation situation and business cycle.

After performing the assessment above, the Bank did not recognize goodwill impairment loss for the years ended December 31, 2017 and 2016.

Movements of intangible assets were as follows:

	January 1, 2017	Current increase	Current decrease	Amortization	Other (note 1)	December 31, 2017
Goodwill	\$ 2,197,921	-	-	-	-	2,197,921
Computer software	56,997	-	-	(47,241)	30,947	40,703
Core deposits	120,348	-	-	(7,222)	-	113,126
Total	<u>\$ 2,375,266</u>	<u>-</u>	<u>-</u>	<u>(54,463)</u>	<u>30,947</u>	<u>2,351,750</u>

	January 1, 2016	Current increase	Current decrease	Amortization	Other (note 2)	December 31, 2016
Goodwill	\$ 2,197,921	-	-	-	-	2,197,921
Computer software	93,010	-	(292)	(63,021)	27,300	56,997
Core deposits	127,569	-	-	(7,221)	-	120,348
Total	<u>\$ 2,418,500</u>	<u>-</u>	<u>(292)</u>	<u>(70,242)</u>	<u>27,300</u>	<u>2,375,266</u>

Note: 1) Reclassification from other assets—prepayment amounting to \$30,947.

2) Reclassification from other assets—prepayment amounting to \$27,300.

(n) Other assets

	December 31, 2017	December 31, 2016
Prepayments	\$ 183,453	68,087
Refundable deposits	499,812	617,315
Foreclosed collateral	963,142	1,000,721
Total	<u>\$ 1,646,407</u>	<u>1,686,123</u>

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**Bank of Panhsin**  
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Movements of the foreclosed collateral were as follows:

	January 1, 2017	Current increase	Current decrease	Reclassification	December 31, 2017
Cost	\$ 1,010,382	-	(37,579)	-	972,803
Less: Accumulated impairment	9,661	-	-	-	9,661
Total	<u>\$ 1,000,721</u>	<u>-</u>	<u>(37,579)</u>	<u>-</u>	<u>963,142</u>

	January 1, 2016	Current increase	Current decrease	Reclassification	December 31, 2016
Cost	\$ 660,631	349,751	-	-	1,010,382
Less: Accumulated impairment	9,661	-	-	-	9,661
Total	<u>\$ 650,970</u>	<u>349,751</u>	<u>-</u>	<u>-</u>	<u>1,000,721</u>

As of December 31, 2017 and 2016, the foreclosed assets related to Xin Rui Du amounted to \$632,994. Actions taken by the Bank were as follows:

- (i) The Bank took over the loans which were guaranteed by Xin Rui Du Development Co., Ltd. (Xin Rui Du) from Kaohsiung 5th Credit Cooperative. Xin Rui Du provided 75 pieces of land, located at Plot No. 73, Tie Fu Section, Hu Nei District, Kaohsiung City, as collateral. These pieces of land had been rezoned as industrial and commercial land. Because the majority owner of Xin Rui Du, Su Huei Jen, was involved in a political scandal, Xin Rui Du was not able to repay the loan. However, due to illegal sand mining done by other debtors of Xin Rui Du, the court auctions failed several times. To prevent huge losses, the Bank took these pieces of land as repayment of the loan. The Bank now owns these pieces of land and employs 24-hour security and has set up fences to protect the land.
- (ii) The foreclosed land was classified as industrial and commercial land. The Bank owns the property, but the rights of the property were separated from the ownership and were granted to Xin Rui Du. Through legal action, the Bank was appointed as the liquidator of Xin Rui Du, and the Bank publicly auctioned the development rights. Panhsin Asset Management Co., Ltd. acquired the development rights from the auction, expecting to combine the Bank's ownership and Panhsin Asset Management Co., Ltd.'s development rights to continue land development, so as to simplify the legal relationship in order to search for potential investors. The Bank has appointed a consultant to apply to the Ministry of Economic Affairs for continuing the development plan with Panhsin Asset Management Co., Ltd. as the developer for the plan. The Ministry has announced Panhsin Asset Management Co., Ltd. to take over the plan on April 8, 2014.
- (iii) The land would have changed to "agricultural area" from "industrial and commercial land" due to the urban development of Kaohsiung City Government. To protect its rights, the Bank visited the Urban Development Bureau, Kaohsiung City Government and Ministry of the Interior and submitted its petition. The Bank also attended to the first meeting held by the ad hoc group of the Urban Development Bureau, Kaohsiung City Government. In the meeting, the Bank emphasized the efforts made to the land after taking over the development, and reinforced the statement of keeping the land as industrial and commercial land.

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**Bank of Panhsin**  
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- (iv) Kaohsiung City Government is still reviewing the petition. The bank would follow up the latest result and submit its petition. The government recommended the bank submit a new development plan if possible. The land is being appraised regularly by an external appraisal organization to determine whether any impairment existed. For the year ended December 31, 2017, no impairment loss was recognized.

- (o) Deposits from Central Bank and other banks

	December 31, 2017	December 31, 2016
Deposits by other banks	\$ 619,419	602,692
Call loans from bank—credit	699,640	699,640
Total	<u>\$ 1,319,059</u>	<u>1,302,332</u>

- (p) Securities sold under repurchase agreements

December 31, 2017				
Item	Par Value	Selling price (note)	Designated repurchase amount	Designated repurchase date
Available-for-sale financial assets— net	\$ <u>596,960</u>	<u>542,417</u>	<u>544,314</u>	Before 2018.2.27

Note: Accounted for under sold repurchase agreements.

- (q) Payable

	December 31, 2017	December 31, 2016
Accounts payable	\$ 33,359	43,495
Accrued expense	290,484	298,735
Accrued Tax	36,344	36,092
Interest payable	285,620	240,253
Acceptance payable	230,739	295,763
Collection payable	53,690	57,767
Spot exchange payable	1,022,357	1,111,270
Other payable	<u>1,485,059</u>	<u>1,488,300</u>
Total	<u>\$ 3,437,652</u>	<u>3,571,675</u>

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(r) Deposits and remittances

	December 31, 2017	December 31, 2016
Checking account	\$ 2,134,406	2,074,767
Demand deposits		
Demand deposits	30,714,151	28,245,832
Demand savings deposits	48,422,650	47,058,321
Staff deposits	1,141,284	1,151,402
Subtotal of demand deposits	80,278,085	76,455,555
Time deposits		
Time deposits	33,820,892	38,492,593
Negotiable certificates of deposit	627,700	799,400
Subtotal of demand deposits	34,448,592	39,291,993
Time savings deposits		
Installment savings deposits	129,131	132,229
Non-interest-drawing time savings deposits	13,018,641	10,818,394
Interest-drawing savings deposits	70,070,495	67,958,855
Subtotal of time savings deposits	83,218,267	78,909,478
Foreign currency time deposits	11,574,278	9,898,200
Remittances	63,869	20,569
Deposits and remittances total	\$ 211,717,497	206,650,562

(s) Financial bonds payable

Name of bond	During	Interest rate	December 31, 2017	December 31, 2016
The first series of the subordinate financial debenture in 2011	2011.12.02~ 2017.12.02	Fixed 3.00%	\$ -	400,000
The first series of the subordinate financial debenture in 2012	2012.03.21~ 2018.03.21	Fixed 3.00%	100,000	100,000
The second series of the subordinate financial debenture in 2012	2012.11.12~ 2018.11.12	Fixed 3.00%	700,000	700,000
The first series of the subordinate financial debenture in 2014	2014.06.06~ 2020.06.06	Fixed 3.00% or floating rate (note 1)	3,000,000	3,000,000
The first series of the non-cumulative perpetual subordinate financial debenture in 2016	2016.08.31 (note 2)	Fixed 4.75%	1,216,000	1,216,000
The second series of the non-cumulative perpetual subordinate financial debenture in 2016	2016.09.30 (note 2)	Fixed 4.75%	410,000	410,000
The first series of the subordinate financial debenture in 2017	2017.03.22~ 2024.03.22	Fixed 2.50%	397,000	-
The second series of the subordinate financial debenture in 2017	2017.03.31~ 2024.03.31	Fixed 2.50%	305,000	-
The third series of the non-cumulative perpetual subordinate financial debenture in 2017	2017.04.28 (note 2)	Fixed 4.75%	150,000	-

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Name of bond	During	Interest rate	December 31, 2017	December 31, 2016
The fourth series of the non-cumulative perpetual subordinate financial debenture in 2017	2017.07.21 (note 2)	Fixed 4.75%	\$ 133,000	-
The fifth series of the subordinate financial debenture in 2017	2017.11.15~ 2024.11.15	Fixed 2.50%	700,000	-
			<u>\$ 7,111,000</u>	<u>5,826,000</u>

Note 1: Floating interest rate is 1.50% plus Chunghwa Post Co., Ltd.'s stated one-year time deposit rate. The interest rate is reset two working days before the effective date every year.

Note 2: No expiration date, five years after the issuance, the Bank shall obtain the full amount of interest in advance according to the denomination.

(t) Provision

	December 31, 2017	December 31, 2016
Employee benefit obligation — pension	\$ 105,113	109,575
Employee benefit obligation — retired employee preferential interest rate deposits	31,154	30,555
Guarantee reserve	34,856	39,856
Unexpected losses reserve	3,938	3,938
Provision for decommissioning, restoration and rehabilitation costs	5,530	-
Total	<u>\$ 180,591</u>	<u>183,924</u>

(u) Other liabilities

	December 31, 2017	December 31, 2016
Unearned revenue	\$ 16,445	17,441
Advance interest receipts	244	50
Other advance receipts	8,153	8,471
Guarantee deposits received	65,948	57,551
Deferred revenue	39,756	73,809
Temporary receipts and suspense accounts	13,851	15,781
Total	<u>\$ 144,397</u>	<u>173,103</u>

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**Bank of Panhsin**  
**Notes to the Financial Statements**

(v) Employee benefits

(i) Defined benefits plan-pension

The present value of defined benefit obligation and the fair value adjustments of the plan assets for the Bank were as follows:

	December 31, 2017	December 31, 2016
Present value of the defined benefit	\$ 625,826	647,549
Fair value of plan assets obligations	<u>(520,713)</u>	<u>(537,974)</u>
	105,113	109,575
Effect of Asset Ceiling	<u>-</u>	<u>-</u>
Net defined benefit liability (provision-employee benefit obligation)	<u><u>\$ 105,113</u></u>	<u><u>109,575</u></u>

1) Composition of plan assets

The Bank maintains funds for its retirement plan covering all regular employees and recognizing the pension expense based on the actuarial report.

In accordance with the retirement plan, payments of pension benefits are calculated based on the employees' average monthly salary for the last six months prior to their approved retirement and base point (b.p.) entitlement. The b.p. earned by each employee is 2 b.p. for one year of service, and 1 b.p. for the 15th year and thereafter where the maximum b.p. is 45 b.p. The b.p. for employees who rendered services for less than one year and over half year will be 0.5 b.p. and 1 b.p., respectively.

Under the Labor Standards Act, the Bank makes monthly contributions of no less than 2% of the gross salary to the employees' pension fund, which is deposited into a designated depository account with Bank of Taiwan. As well, the Bank contributes pension fund at the rate of 3.5% (previously at 4.7% until February 2001) of the monthly payroll to the employees' pension fund administration committee, which is being deposited in the committee's name in the Bank's Operating Department for interest bearing. This pension fund is not reflected in the financial statements.

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**Bank of Panhsin**  
**Notes to the Financial Statements**

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Bank were as follows:

	<u>2017</u>	<u>2016</u>
Defined benefit obligation at January 1	\$ 647,549	681,657
Current service costs and interest	18,396	21,858
Remeasurements of a net defined benefit (liability) assets		
— Actuarial (losses) gains arising from experience adjustments	(16,610)	(35,220)
— Actuarial (losses) gains arising from changes in demographic assumptions	1,639	5,260
— Actuarial (losses) gains arising from changes in financial assumptions	8,198	26,300
Benefits paid by the plan	<u>(33,346)</u>	<u>(52,306)</u>
Defined benefit obligation at December 31	<u>\$ 625,826</u>	<u>647,549</u>

3) Movements of the defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Bank were as follows:

	<u>2017</u>	<u>2016</u>
Fair value of plan assets at January 1	\$ 537,974	574,621
Current interest	7,482	10,169
Remeasurements of the net defined benefit (liabilities) assets	(3,003)	(6,843)
Return on plan assets (excluding current interest)	11,606	12,333
Benefits paid by the plan	<u>(33,346)</u>	<u>(52,306)</u>
Fair value of plan assets at December 31	<u>\$ 520,713</u>	<u>537,974</u>

4) Movements of the effect of the asset ceiling

There were no movements in the effect of the asset ceiling for the Bank in 2017 and 2016.

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**Bank of Panhsin**  
**Notes to the Financial Statements**

5) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Bank were as follows:

	<u>2017</u>	<u>2016</u>
Current service costs	\$ 9,492	9,929
Net interests on net defined benefit liabilities	<u>1,422</u>	<u>1,760</u>
	<u>\$ 10,914</u>	<u>11,689</u>

6) Net remeasurement of the defined benefits liability recognized in other comprehensive income

The Bank's net remeasurement of the defined benefits liability recognized in other comprehensive income as 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Cumulative amounts at January 1	\$ 9,911	6,728
Recognized during the period	<u>(3,770)</u>	<u>3,183</u>
Cumulative amounts at December 31	<u>\$ 6,141</u>	<u>9,911</u>

7) Actuarial assumptions

The following are the Bank's principal actuarial assumptions:

	<u>December 31, 2017</u>		<u>December 31, 2016</u>	
	<u>Managers</u>	<u>Regular employees</u>	<u>Managers</u>	<u>Regular employees</u>
Discount rate	1.25 %	1.25 %	1.38 %	1.38 %
Future salary increase	2.13 %	2.13 %	2.13 %	2.13 %

The Bank expected the contributions of \$24,287 to be paid to its benefit plans within a year after the reporting date in 2017.

The weighted average durations for managers and regular employees based on the defined benefit plan were 10 and 15 years, respectively.

8) Sensitivity analysis for actuarial assumption

When calculating the present value of the defined benefit obligations, the Bank uses judgments and estimations to determine the actuarial assumptions, including discount rates and future salary changes, as of the financial statement date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

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As of December 31, 2017 and 2016, the effect of changes in actuarial assumption on the present value of the defined benefit obligation was as follows:

	<b>The effect of defined benefit obligation</b>	
	<b>Increase%</b>	<b>Decrease%</b>
At December 31, 2017		
Discount rate (changes 0.25%)	(2.65)%	2.76 %
Future salary increase (changes 0.25%)	2.66 %	(2.57)%
At December 31, 2016		
Discount rate (changes 0.25%)	(2.74)%	2.85 %
Future salary increase (changes 0.25%)	2.76 %	(2.66)%

The above sensitivity analysis is analyzed based on the effect of changes in a single assumption under the condition that other assumptions remain constant. In practice, many changes in assumptions may be correlative. The method used for sensitivity analysis and the calculation of the net pension liability are the same.

The method used for measurement and the assumption used for sensitivity analysis are the same with those of the previous years.

(ii) Defined benefit plans — retired employee preferential interest rate deposits

The present value of the defined benefit obligations and the fair value of the plan assets of the Bank were as follows:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Present value of the defined benefit	\$ 31,154	30,555
Fair value of plan asset obligations	-	-
	31,154	30,555
Effect of Asset Ceiling	-	-
Net defined benefit liabilities (provisions-employee benefit obligations)	<u>\$ 31,154</u>	<u>30,555</u>

1) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Bank were as follows:

	<b>2017</b>	<b>2016</b>
Current service costs (as Costs recognized for the preferential interest rate deposit plan)	<u>\$ 599</u>	<u>873</u>

(Continued)

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**Notes to the Financial Statements**

2) Actuarial assumptions

Actuarial assumptions used for the preferential interest rate deposit plan of the Bank were as follows:

	<u>2017</u>	<u>2016</u>
Discount rates	4.00 %	4.00 %
Returns on fund deposits	2.00 %	2.00 %
Withdrawal rates	1.00 %	1.00 %
Possibility of changes in the preferential deposit plan	50.00 %	50.00 %
Preferential interests	4.00 %	3.00 %

(iii) Defined contribution plans

The Bank allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Bank allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

The Bank's pension costs under the defined contribution method were \$45,885 and \$45,941 for the years ended December 31, 2017 and 2016, respectively. Payment was made to the Bureau of Labor Insurance.

(w) Income tax

(i) The income tax expenses for December 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Income tax expense	\$ (12,078)	51,663
Deferred income tax expense	<u>67,704</u>	<u>51,885</u>
Income tax expense	<u>\$ 55,626</u>	<u>103,548</u>

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Reconciliation of income tax and profit before tax for December 31, 2017 and 2016 was follows:

	<u>2017</u>	<u>2016</u>
Profit before tax	\$ <u>271,790</u>	<u>454,036</u>
Income tax at statutory rate	\$ 46,204	77,186
Income of OBU exempt from tax	(11,803)	5,703
Investment income under the equity method	(7,293)	(916)
Dealing gain from securities trading, net	(15,358)	(36,464)
Dividend income	(8,311)	(5,658)
Gain on sale of land, net	(7,265)	(11,750)
Capital reduction to offset accumulated deficits of long term investment under equity method	(80,363)	-
Adjustment and expiration of prior year's loss carryforwards	32,326	2,758
Adjustment of prior year's tax	(22,633)	(374)
Basic income tax	10,234	20,521
Unrecognized deferred tax assets for tax loss carryforward	119,412	48,276
Other	<u>476</u>	<u>4,266</u>
Income tax expense	\$ <u><u>55,626</u></u>	<u><u>103,548</u></u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

Unrecognized deferred tax assets were as follows:

	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Tax loss	\$ <u><u>226,688</u></u>	<u><u>107,276</u></u>

The ROC Income Tax Act states that net losses can be carried forward for ten consecutive years to reduce taxable income. However, the losses were not recognized as deferred tax assets since the Bank has little possibility of utilizing the loss carry forward in the future.

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As of December 31, 2017, the amounts, of unutilized losses and the years of expiry were as follows:

<b>Year of net loss</b>	<b>Recognized unutilized losses</b>	<b>Unrecognized unutilized losses</b>	<b>Amount</b>	<b>Expiry year</b>
2009	\$ 674,727	266,547	941,274	2019
2010	553,466	1,066,912	1,620,378	2020
2011	252,418	-	252,418	2021
2012	71,463	-	71,463	2022
2017	494,014	-	494,014	2027
	<u>\$ 2,046,088</u>	<u>1,333,459</u>	<u>3,379,547</u>	

Tax losses were not recognized as deferred tax assets because the management determined that profitability has yet to stabilize and may not generate sufficient taxable gains in the future. Consequently, based on current estimates, tax loss of \$1,333,459 was not recognized as deferred tax asset. However, once operating income continues to grow in the upcoming year, it is expected that the unrecognized tax loss mentioned above can be recognized and additional taxable profit of \$226,688 will occur.

2) **Recognized deferred tax assets and liabilities**

The movements of deferred tax assets and liabilities for the years ended December 31, 2016 and 2015, were as follows:

Deferred Tax Liabilities:

	<b>Operating leases</b>	<b>Land incremental tax</b>	<b>Total</b>
<b>December 31, 2017(As of January 1, 2017)</b>	<u>\$ 3,007</u>	<u>105,285</u>	<u>108,292</u>
<b>January 1, 2016</b>	\$ 3,007	108,190	111,197
<b>Recognized in profit or loss</b>	-	(2,905)	(2,905)
<b>December 31, 2016</b>	<u>\$ 3,007</u>	<u>105,285</u>	<u>108,292</u>

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Deferred Tax Assets:

	Defined benefit plan	Allowance for bad debts in excess of limit	Tax loss	Others	Total
January 1, 2017	\$ 35,417	141,118	415,591	10,953	603,079
Recognized in profit or loss	(118)	-	(67,756)	170	(67,704)
December 31, 2017	<u>\$ 35,299</u>	<u>141,118</u>	<u>347,835</u>	<u>11,123</u>	<u>535,375</u>
January 1, 2016	\$ 34,990	141,118	474,007	7,754	657,869
Recognized in profit or loss	427	-	(58,416)	3,199	(54,790)
December 31, 2016	<u>\$ 35,417</u>	<u>141,118</u>	<u>415,591</u>	<u>10,953</u>	<u>603,079</u>

(iii) Examined status

The Banks' tax returns were examined by the tax authorities for all years through 2015.

(x) Imputation tax information

Imputation tax information was as follows:

	December 31, 2017	December 31, 2016
Unappropriated earnings of 1998 and after	(Note)	<u>\$ 328,140</u>
Balance of imputation credit account	(Note)	<u>\$ 35,745</u>
	<u>2017 (actual)</u>	<u>2016 (actual)</u>
Imputation tax credit ratio of earnings to be distributed to R.O.C. residents-cash dividends	(Note)	<u>13.15 %</u>
Imputation tax credit ratio of earnings to be distributed to R.O.C. residents-stock dividends	(Note)	<u>12.54 %</u>

Effective January 1, 2015, the creditable ratio for distribution of earnings to R.O.C. residents will be half of the original creditable ratio mentioned above in accordance with the amended Income Tax Act. In case that the gross dividends or the gross earnings received by such individual or profit-seeking enterprise contain any income subject to a 10% surcharge of profit-seeking income tax which was actually paid under the provisions, half of the amount of the surcharged profit-seeking income tax may offset the amount of income tax which should be withheld from the payment of the net amount of such dividends or earnings.

Note: According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, effective January 1, 2018, companies will no longer be required to establish, record, calculate, and distribute their ICA due to the abolishment of the imputation tax system.

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**Bank of Panhsin**  
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(y) Equity

(i) Capital stock and capital surplus

As of December 31, 2017 and 2016 the Bank's authorized capital and issued capital were \$15,000,000, and paid-in capital for common stock was \$13,565,849 and \$12,626,953, respectively.

Following the resolution of shareholders' meeting held on June 13, 2017, the bank decided a capital increase of 13,890 thousand common stocks to be issued at NT\$10 per share from the retained earnings amounting to \$138,896, with August 7, 2017 as its issuance date for capital increase. The bank had completed the registration.

A resolution was approved during the board meeting held on July 19, 2017 for the issuance 150,000 thousand common stocks, with par value of NT\$10 per share, amounting to \$1,500,000, and the Board of Directors authorized the Chairman to decide on the issuance date and conditions. On August 3, 2017, The Chairman decided to issue of 80,000 thousand common stocks amounting to \$800,000, with par value of NT\$10 per share, with the issuance date set on November 16, 2017. The related registration procedures have been completed.

Following the resolution of shareholders' meeting held on June 21, 2016, the bank decided a capital increase of 41,520 thousand common stocks to be issued at NT\$10 per share from the retained earnings amounting to \$415,200, with October 3, 2016 as its issuance date for capital increase. The bank had completed the registration.

Pursuant to the Company Act, realized capital surplus should be used initially to cover the deficit (or a loss), and the balance, if any, can be transferred to capital or distributed as case dividend. Also, realized capital surplus includes premium income derived from the issuance of new shares and endowments received by the Bank. According to the Regulation Governing the Offering and Issuance of Securities by Securities Issuers, the amount of capital surplus used to increase capital shall not exceed 10% of the total paid-in capital.

(ii) Changes in the Bank's other equity interest were as below:

	Exchange differences of overseas subsidiaries' financial reports translation	Unrealized (losses) gains on available- for-sale financial assets	Total
January 1, 2017	\$ 5,791	(85,026)	(79,235)
Available-for-sale financial assets			
— Valuation adjustment	-	(93)	(93)
— Realized amount	-	28,876	28,876
Foreign currency translation difference	(1,135)	-	(1,135)
December 31, 2017	<u>\$ 4,656</u>	<u>(56,243)</u>	<u>(51,587)</u>

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**Notes to the Financial Statements**

	Exchange differences of overseas subsidiaries' financial reports translation	Unrealized (losses) gains on available- for-sale financial assets	Total
January 1, 2016	\$ 6,169	121,969	128,138
Available-for-sale financial assets			
— Valuation adjustment	-	(3,031)	(3,031)
— Realized amount	-	(203,964)	(203,964)
Foreign currency translation difference	(378)	-	(378)
December 31, 2016	<u>\$ 5,791</u>	<u>(85,026)</u>	<u>(79,235)</u>

(z) Restrictions on legal reserve and appropriation of retained earnings

The ROC Company Act stipulates that when a company incurs no loss, it may, pursuant to a resolution to be adopted by the shareholders' meeting as required, distribute its legal reserve by issuing new shares or distributing cash. Only the portion of legal reserve which exceeds 25% of the issued share capital may be distributed. However, according to the Bank Act of the Republic of China, unless and until the accumulated legal reserve equals the bank's paid-in capital, the maximum cash profit which may be distributed shall not exceed 15% of the bank's paid-in capital.

According to the Bank's Articles of Incorporation, any annual earnings of the Bank shall first be used to pay income tax and offset any deficits, after which, 30% of the remaining earnings, as well as the special reserve, shall be provided as legal reserve. Afterwards, the board of directors may propose during shareholders' meeting to distribute the remaining, along with previous years' accumulated undistributed surplus earnings, as dividends among the shareholders.

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. The amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

In accordance with Ruling No. 10510001510 issued by the FSC on May 25, 2016, a special reserve accounted for 0.5% to 1.0% of the Bank's annual earnings should be made when making the appropriations of earnings from 2016 to 2018 to cope with the staff transformation due to financial technology development. The Bank may reverse the special reserve at the same amount with the actual spending on transitioning or settling of its employees beginning 2017. On June 13, 2017, the shareholders' meeting resolved to make the appropriation of special reserve amounting to \$1,640.

On June 13, 2017, the shareholders' meeting resolved to distribute previous years' retain earnings as a stock dividend of \$0.11 (in New Taiwan dollar) per share, amounting to \$138,896.

(Continued)

**Bank of Panhsin**  
**Notes to the Financial Statements**

On June 21, 2016, the shareholders' meeting resolved to distribute previous years' retain earning as a cash dividend of \$0.05 (in New Taiwan dollar) per share, amounting to \$61,059 and a stock dividend of \$0.34 (in New Taiwan dollar) per share, amounting to \$415,200.

The related information on earnings distribution approved at the shareholders' meeting and board meeting is available on the Market Observation Post System Website.

(aa) Earnings per share

The basic earnings per share of the Bank for the years ended December 31, 2017 and 2016, were as follows:

	<u>2017</u>	<u>2016</u>
<b>Basic earnings per share</b>		
Net income attributable to common stockholders of the Bank	\$ <u>216,164</u>	<u>350,488</u>
Weighted-average number of thousand common shares outstanding	<u>1,286,667</u>	<u>1,276,585</u>
Basic earnings per share (in New Taiwan dollars)	\$ <u>0.17</u>	<u>0.27</u>
<b>Diluted EPS</b>		
Net income for calculating diluted EPS	\$ <u>216,164</u>	<u>350,488</u>
Weighted-average number of thousand common shares outstanding	1,286,667	1,276,585
Influence of potentially dilutives shares – employees' bonus		
Conversion of convertible compensation	<u>701</u>	<u>1,169</u>
Weighted-average number of thousand common shares outstanding	<u>1,287,368</u>	<u>1,277,754</u>
Diluted EPS (in New Taiwan dollars)	\$ <u>0.17</u>	<u>0.27</u>

(ab) Net interest income

	<u>2017</u>	<u>2016</u>
<b>Interest income</b>		
Loans and advances to customers	\$ 3,361,877	3,388,042
Loans and advances to Central Bank	27,105	26,624
Due from Central Bank	31,072	155,178
Due from banks and call loans to banks	54,360	41,183
Investment in securities	279,156	122,705
Other	<u>54,693</u>	<u>46,002</u>
Subtotal	<u>3,808,263</u>	<u>3,779,734</u>

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**Bank of Panhsin**  
**Notes to the Financial Statements**

	<u>2017</u>	<u>2016</u>
Interest expense		
Deposits from customers	\$ 1,425,677	1,403,905
Deposits and placements of banks	15,326	14,746
Financial bonds	227	-
Debt securities issued	222,303	161,969
Other	215	265
Subtotal	<u>1,663,748</u>	<u>1,580,885</u>
	<u>\$ 2,144,515</u>	<u>2,198,849</u>

The interest above did not include interest from financial assets or liabilities at fair value through profit or loss.

(ac) Service fees—net

	<u>2017</u>	<u>2016</u>
Service fee income		
Agency insurance charge revenue	\$ 364,353	480,837
Agency service charge revenue	6,980	7,079
Loan service fee income	135,584	182,042
Trust service fee income	193,153	157,846
Foreign exchange service income	22,881	24,288
Interbank service	15,035	19,428
Guarantee service income	38,542	50,039
Other service income	13,263	15,053
Service fee income total	<u>789,791</u>	<u>936,612</u>
Service fee expense		
Remittance fee	2,790	2,366
Custodian fee	2,831	2,463
Agency fee	1,984	2,061
Other service fee	11,914	15,588
Trust service fee	2,754	1,957
Interbank service fee	15,087	15,235
Service fee expense total	<u>37,360</u>	<u>39,670</u>
	<u>\$ 752,431</u>	<u>896,942</u>

(Continued)

**Bank of Panhsin**  
**Notes to the Financial Statements**

(ad) Gain (loss) on financial assets or liabilities measured at fair value through profit or loss

	<u>2017</u>	<u>2016</u>
Gain (loss) on disposal of financial assets or liabilities measured at fair value through profit or loss		
Government bonds	\$ (980)	(42,216)
Convertible Bond Asset Swap	5,504	11,212
Beneficiary securities	10,103	7,931
Equity securities	13,896	12,291
Derivatives	48,936	158,572
Corporate Bond	-	1,639
Commercial paper	-	(64)
	<u>77,459</u>	<u>149,365</u>
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss — evaluation		
Government bonds	995	(1,981)
Convertible Bond Asset Swap	1,745	(3,285)
Commercial paper	(160)	54
Beneficiary securities	10,928	1,833
Equity securities	2,239	(1,768)
Derivatives	9,629	(19,443)
Credit-linked notes	-	9,846
	<u>25,376</u>	<u>(14,744)</u>
Dividend income and interest income	<u>24,504</u>	<u>19,613</u>
	<u>\$ 127,339</u>	<u>154,234</u>

(ae) Realized gain on available-for-sale financial assets

	<u>2017</u>	<u>2016</u>
Government bonds	\$ 28,241	100,516
Corporate bonds	-	6,154
Equity securities	10,153	87,321
Beneficiary securities	(9,518)	9,973
Dividend income and interest income	<u>30,151</u>	<u>16,150</u>
Total	<u>\$ 59,027</u>	<u>220,114</u>

(Continued)

**Bank of Panhsin**  
**Notes to the Financial Statements**

(af) Other non-interest income (expense)

	<u>2017</u>	<u>2016</u>
Rental income	\$ 91,002	88,041
Gain on equity investment carried at cost	15,957	17,136
Loss on disposal of assets	(6,643)	(14,476)
Investment property depreciation	(25,011)	(25,237)
Gain on disposal of foreclosed assets	2,048	-
Other revenue (loss)	<u>2,926</u>	<u>32,661</u>
Total	<u>\$ 80,279</u>	<u>98,125</u>

(ag) Bad debt expense and reserve for guarantees

	<u>2017</u>	<u>2016</u>
Loans and discounts	\$ 333,057	428,911
Provision for (reversal of) guarantee liabilities	(5,000)	463
Provision for derivatives default receivable	23,727	47,514
Provision for other receivables	<u>6,000</u>	<u>-</u>
Total	<u>\$ 357,784</u>	<u>476,888</u>

(ah) Employee benefits expense

	<u>2017</u>	<u>2016</u>
Salary	\$ 1,232,040	1,267,434
Labor and health insurance	98,032	94,811
Pension	57,398	58,503
Others	<u>53,735</u>	<u>55,759</u>
Total	<u>\$ 1,441,205</u>	<u>1,476,507</u>

(ai) Remuneration to employees and directors

In compliance with the Bank's Articles of Incorporation, annual earnings shall first be offset against any deficit, and then 2% will be distributed as employee remuneration and a maximum of 1% will be allocated as directors' remuneration.

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**Bank of Panhsin**  
**Notes to the Financial Statements**

For the year ended December 31, 2017, the Bank accrued and recognized the remuneration to its employees and directors amounting to \$5,604 and \$2,802, respectively. For the year ended December 31, 2016, the Bank accrued and recognized the remuneration to its employees and directors amounting to \$8,901 and \$4,450, respectively. The remuneration to employee and directors is based on a percentage of net income before income tax for the given time of the Bank excluding remuneration to employees and directors and cumulative losses, then multiplying the separate parameter in compliance with the Bank's articles. The estimated percentage rates of the remuneration to employees and directors are 2% and 1%, respectively. The remuneration to employee and directors should be reported as operating expenses in the current year. If there are any changes after the reporting date in the following year, the changes would be treated as accounting estimates and recognized in profit or loss.

(aj) Depreciation and amortization expenses

	2017	2016
Building	\$ 38,722	38,591
Machinery and equipment	26,885	23,667
Transportation equipment	7,790	7,825
Other equipment	60,237	56,559
Leasehold improvement	20,759	14,943
Depreciation subtotal	<u>154,393</u>	<u>141,585</u>
Computer software	47,241	63,021
Core deposit	7,222	7,221
Amortization subtotal	<u>54,463</u>	<u>70,242</u>
Total	<u>\$ 208,856</u>	<u>211,827</u>

(ak) Other general and administrative expenses

	2017	2016
Rental and facility expense	\$ 171,030	166,478
Administrative expense	320,117	313,894
Marketing expense	21,476	21,090
Value-added tax expense	276,134	295,865
Other expense	124,672	130,273
Total	<u>\$ 913,429</u>	<u>927,600</u>

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**Bank of Panhsin**  
**Notes to the Financial Statements**

(a) Financial instruments

(i) Information on fair value of financial instruments

Financial Assets	December 31, 2017		December 31, 2016	
	Book value	Book value	Book value	Book value
Non-derivative financial instruments				
Cash and cash equivalents	\$ 4,915,172	4,915,172	5,370,693	5,370,693
Due from Central Bank and call loans to banks	20,767,098	20,767,098	49,712,132	49,712,132
Financial assets at fair value through profit or loss	4,598,478	4,598,478	3,917,948	3,917,948
Available for sale financial assets	42,045,954	42,045,954	9,239,105	9,239,105
Securities purchased under resell agreements	5,817,368	5,817,368	7,021,795	7,021,795
Receivables—net	1,708,534	1,708,534	4,125,604	4,125,604
Discounts and loans	144,041,791	144,041,791	137,516,023	137,516,023
Held-to-maturity financial assets—net	798,918	798,918	100,000	100,000
Other financial assets—net	55,537	55,537	55,537	55,537
Derivative financial instruments				
Trading purpose				
FX Forwards	\$ 23	23	-	-
FX Swaps	22,503	22,503	15,459	15,459
FX Options	-	-	170,977	170,977
Financial Liabilities				
Non-derivative financial instruments				
Deposits from Central Bank and other banks	\$ 1,319,059	1,319,059	1,302,332	1,302,332
Securities sell under repurchase agreements	542,417	542,417		
Payables	3,437,652	3,437,652	3,571,675	3,571,675
Deposits and remittances	211,717,497	211,717,497	206,650,562	206,650,562
Financial debentures	7,111,000	7,111,000	5,826,000	5,826,000
Derivative financial instruments				
Trading purpose				
FX Forwards	\$ -	-	128	128
FX Swaps	5,757	5,757	13,075	13,075
FX Options	-	-	171,978	171,978

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**Bank of Panhsin**  
**Notes to the Financial Statements**

The Bank enters into forwards to satisfy its clients' transaction needs, to offset the Bank's funding gap between local currency and foreign currency, and to avoid the market price risk arising from rising interest rates.

- (ii) Methods and assumptions applied to estimate the fair value of financial instruments are summarized as follows:
- 1) The bank measured fair value of short term financial instruments based on book value due to insignificant duration, it believes that book value provides a reasonable basis. The method adopted for the following subjects: Cash and cash equivalents, Due from Central Bank and call loans to banks, Securities purchased under resell agreements, Receivables, Other financial assets, Deposits from Central Bank and other banks, Securities sold under repurchase agreements, Payables, and Deposits and remittances.
  - 2) For financial instruments designated as at FVTPL, available-for-sale financial assets, and financial assets carried at cost, the quoted price is regarded as its fair value. If there is no quoted price for the financial asset, its fair value is estimated on the basis of a valuation technique that refers to quoted prices provided by financial institutions. Estimates and assumptions for a valuation technique used by the Bank are consistent with the information adopted by market participants when pricing the financial instruments when such information is available to the Bank.
  - 3) Loans and discounts, and deposits are interest-bearing assets or liabilities; therefore, the book value of both financial assets and liabilities is equivalent to their fair value. The net book value of non-performing accounts, after deducting provision for bad debts, is adopted as the fair value.
  - 4) Please refer to note 6(1) for further information of valuation of investment property.
  - 5) For valuation of financial debentures, the fair value is the discounted present value of future cash flow. The discount rate is based on the interest rate for loans with similar terms (e.g. the same maturity date).
  - 6) For valuation of derivative instruments with no quoted market prices, the fair value is determined on the basis of the discounted cash flow method.
  - 7) The Bank estimated the fair value of each forward contract on the basis of exchange rates quoted by Reuters. The fair value of interest rate swap contracts and cross-currency swap contracts is estimated on the basis of market quotations by Reuters.

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**Bank of Panhsin**  
**Notes to the Financial Statements**

- 8) The Bank would calculate its Credit Valuation Adjustment (CVA) by assessing the Probability of Default (PD) and Loss Given Default (LGD) of the counterparty before multiplying the Exposure At Default (EAD) of the counterparty. On the contrary, DVA is computed by applying the PD of the Bank and considering the LGD of the Bank before being multiplied by the amount of the EAD of the Bank.

The Bank adopts IAS 39 or considers the obtainable information to evaluate the possibility of bad debt occurrence and loss rate, which are the basis of its estimation for the PD and LGD. The Bank also uses the Mark To Market (MTM) of the derivation traded in Over-the-Counter as a basis of its estimation for EAD.

- (iii) Information on fair value hierarchy of financial instruments and movement of financial assets measured at fair value classified in Level 3

- 1) The levels of the fair value hierarchy are described below:

a) Level 1

Fair value measurement for a financial instrument classified in Level 1 is determined as the quoted price for an identical financial instrument in an active market. The definition of active market has all of the following conditions: (1) the products traded in the market are homogeneous, (2) willing parties are available anytime in the market, and (3) price information is available for the public.

b) Level 2

Fair value measurement for a financial instrument classified in Level 2 is determined as the observable price other than the quoted price in an active market, including an observable input obtained in an active market, either directly (i.e., as prices) or indirectly (i.e., derived from prices). The examples of an observable price are as follows:

- i) The quoted price for an identical financial instrument in an active market means the fair value from the market transaction prices for an identical financial instrument. An identical financial instrument should be determined by its characteristics and terms of transaction. The fair value of a financial instrument has to be adjusted according to the observable market price of the identical financial instrument. The reasons for adjustments include time lag of the occurring market transaction prices for an identical financial instrument (the quoted prices do not represent the fair value at the measurement date), the difference in transaction terms for financial instruments, transaction prices involving related parties, and the correlation between the observable transaction prices of identical financial instruments and the market prices of held financial instruments.
- ii) The quoted market price of the same or identical financial instruments in an inactive market.

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**Bank of Panhsin**  
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- iii) The fair value is estimated on the basis of the results of a valuation technique, and the market inputs used (i.e., interest rate, yield curve, and fluctuation rate) are based on obtainable data from the market (an observable input means an input can be derived from market data and can reflect the expectation of market participants when the inputs are used in evaluating the prices of financial instruments).
- iv) A majority of inputs are derived from observable market data, or the input correlation can be tested based on observable market data.

c) Level 3

Input for a fair value measurement for a financial instrument classified in Level 3 is not based on obtainable data from market but is based on the assumption in making appropriate estimates and adjustments. If it is not possible to develop a valuation model, quoted price from the counterparty is used as fair value. Certain derivative instruments, and debts investment without an active market of the Bank and its subsidiary's investment, belong to such category.

2) Fair value hierarchy of financial instruments

Fair value measurement for a financial instrument	December 31, 2017				
	Book value	Level 1	Level 2	Level 3	Total
<b>Instruments measured at fair value</b>					
<b><u>Non-Derivative Financial Instruments</u></b>					
<b>Assets</b>					
Financial assets measured at fair value through profit or loss					
Financial assets held for trading					
Investment in stocks	\$ 328,113	328,113	-	-	328,113
Investment in bonds	234,842	-	234,842	-	234,842
Investment in bills	3,688,834	3,688,834	-	-	3,688,834
Investment in beneficiary certificates	346,689	346,689	-	-	346,689
Available-for-sale financial assets					
Investment in stocks	535,541	535,541	-	-	535,541
Investment in debentures	9,083,230	6,350,501	2,732,729	-	9,083,230
Negotiable Certificates of Deposit	32,427,183	32,427,183	-	-	32,427,183
<b><u>Derivative Financial Instruments</u></b>					
<b>Assets</b>					
Financial assets measured at fair value through profit or loss	\$ 22,526	-	22,526	-	22,526
<b>Liabilities</b>					
Financial liabilities measured at fair value through profit or loss	5,757	-	5,757	-	5,757

(Continued)



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Fair value measurement for a financial instrument		December 31, 2017				
		Book value	Level 1	Level 2	Level 3	Total
<b>Instruments not measured at fair value</b>						
Held-to-maturity financial assets—net	\$	798,918	798,918	-	-	798,918
		December 31, 2016				
Fair value measurement for a financial instrument		Book value	Level 1	Level 2	Level 3	Total
<b>Instruments measured at fair value</b>						
<b>Non-Derivative Financial Instruments</b>						
<b>Assets</b>						
Financial assets measured at fair value through profit or loss						
Financial assets held for trading						
Investment in stocks	\$	20,620	20,620	-	-	20,620
Investment in bonds		742,002	-	742,002	-	742,002
Investment in bills		2,869,286	2,869,286	-	-	2,869,286
Investment in beneficiary certificates		150,432	150,432	-	-	150,432
Financial assets designated as at fair value through profit or loss		135,608	-	-	135,608	135,608
Available-for-sale financial assets						
Investment in stocks		293,364	293,364	-	-	293,364
Investment in debentures		8,789,490	4,793,892	3,995,598	-	8,789,490
Beneficiary certificates		156,251	156,251	-	-	156,251
<b>Derivative Financial Instruments</b>						
<b>Assets</b>						
Financial assets measured at fair value through profit or loss	\$	186,436	-	186,436	-	186,436
<b>Liabilities</b>						
Financial liabilities measured at fair value through profit or loss		185,181	-	185,181	-	185,181
<b>Instruments not measured at fair value</b>						
Held-to-maturity financial assets—net		100,000	100,000	-	-	100,000

3) Movement of financial assets measured at fair value classified in Level 3

Items	Beginning balance	The amount recognized in current net income	The amount recognized in other comprehensive income	2017		Transfer of financial liabilities in Level 3 to financial assets in Level 3	Current decrease		Transfer of financial assets in Level 3 to financial liabilities in Level 3	Ending balance
				Purchase or issue	Transfer into Level 3		Sale, disposal, or settlement	Transfer out of Level 3		
Financial assets measured at FVTPL										
Financial assets held for trading	\$	135,608	-	-	-	-	(135,608)	-	-	-

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Items	2016								Ending balance
	Beginning balance	The amount recognized in current net income	The amount recognized in other comprehensive income	Current increase		Current decrease		Transfer of financial assets to Level 3 to financial liabilities in Level 3	
				Purchase or issue	Transfer into Level 3	Sale, disposal, or settlement	Transfer out of Level 3		
Financial assets measured at FVTPL									
Financial assets held for trading	\$ 134,239	1,369	-	-	-	-	-	-	135,608

- 4) There is no transfer between level 1 and level 2 financial instrument measured at fair value.
- 5) Quantitative information on significant unobservable inputs (Level 3) used in fair value measurement

Classified under Level 3 were credit-linked notes. The positions belonging to a third-party source (including quotes from bonds in foreign currency) and the "Sensitivity Analysis of Fair Value If Reasonably Possible Alternative Assumptions Are Used" are not adopted because the relationship between the significant unobservable inputs and the fair value is difficult to obtain.

- 6) Valuation processes for Level 3 fair value measurements

The Bank's Financial Division (the "Division") is responsible for independently verifying fair value, confirming the reasonableness of price provided by third parties.

- 7) Sensitivity analysis of Level 3 fair value if reasonably possible alternative assumptions are used

The Bank does not establish its valuation models. The fair value is based on the quoted price of the counterparty. Therefore, the Sensitivity analysis of Level 3 fair value is not applicable.

- (iv) For December 31, 2017 and 2016, gains (losses) recognized by the Bank from the fair value evaluation of financial instruments by using valuation techniques amounted to \$58,565 and \$148,975, respectively.

- (v) Offsetting financial assets and financial liabilities

IAS 32 section 42 on "Offsetting financial instruments transaction" is not applicable to the Bank, and the transactions related to financial assets and financial liabilities are not expressed as net value on the balance sheet.

The Bank has an exercisable master netting arrangement or similar agreements (such as repurchase agreement, reverse repurchase and derivatives transaction)

- (vi) Financial risk management

The Bank uses risk management with effective risk diversification to meet its business operating targets, to increase its value, and to ensure benefit to its shareholders. The risk management is based on the needs of customers, business development, overall risk tolerance, and regulatory requirements.

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**Bank of Panhsin**  
**Notes to the Financial Statements**

The major risks that the Bank might possibly face are credit risk, market risk, and liquidity risk of items on and off the statements of financial position.

The Bank has established and documented various risk management policies and procedures which have been approved by the board of directors. The board of directors of the Bank has ultimate responsibility for risk management and is responsible for the establishment and effectiveness of operation of risk management. There are a business development committee, credit committee, asset and liability management committee, risk management committee, trust property management committee, human recruitment committee, employee training committee, and information development committee to take charge of business development, business operation, risk controls, etc. The risk management committee is responsible for the principles, policies and targets of the Bank's overall risk control and is also responsible for coordination among committees. Internal control is in charge of the independent check of the risk controls.

1) Credit risk

a) Description of credit risk

Credit risk refers to the risk of financial loss of the Bank and its subsidiaries resulting from a borrower failing to meet its contractual obligations due to credit deterioration or other factors (such as an argument between the borrower and a counter-party).

b) Credit risk management policy

The Bank's target is to develop a sound system of credit risk management mechanisms by using effective identification, measurement, communication and reporting, monitoring and management of the various credit risks to control possible credit risk at a tolerable level, to maintain adequate capital, to increase the return on assets after adjustments, to connect the risk level and business strategies, and to achieve the business and operation goals by gradually making transparent, systematizing, and professional the credit risk management.

c) Credit risk management scope

The Bank is engaged in activities on and off the statement of financial position, which would cause (occurred or not yet occurred) credit risk. The activities are the overall credit business, overdue loan business, and use of credit risk mitigation tools (such as the provision of collateral guarantees and hedging) as well as other operations related to the product or parts of the credit risk associated with the activities aforementioned included in the scope of credit risk management mechanisms.

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**Bank of Panhsin**  
**Notes to the Financial Statements**

d) Credit risk management procedures

The credit risk management procedures include risk identification, measurement, communication, monitoring, and reporting. To maintain the standard of credit business at a safe and moderate level, to monitor the credit risk, to evaluate new business opportunities, and to identify and manage problems in credit cases, the business department must follow all the procedures of the Bank when conducting business. To ensure credit risk at a tolerable level, each credit case must be authorized by decentralized procedures which include a serious review process to improve the quality of assets, reassessment and an early alarm system after authorizing loans to fully grasp the operating and financial information of the client and the status of the economy, and continuous evaluation and monitoring of changes in credibility to early discover any information which has not been announced publicly and to detect any indication of default risk. Thus, the Bank could control the quality of assets at a tolerable level, balance the risks and profitability, and also improve the business performance and benefit the investors.

e) Credit risk hedging policy

i) Strengthening security

Besides strengthening the reviews process, setting risk limits, adjusting credit amounts and conditions, and monitoring loans, the Bank is also increasing the pledged amount and the quality of guarantee to reduce credit risk. Also, the Bank has established standards and measurement, management, and disposal procedures for pledged assets.

ii) Managing credit concentration risk limits and risk management

To avoid the risk of business concentration, the Bank sets limits to its main business by country, by industry, by group, and by individual client each year. The limits are reviewed and updated yearly according to the overall economic environment and industrial development prospects. Transactions are kept within prescribed limits to control the risk of business concentration. In addition, for credit for individual companies and groups, the Bank also sets limits for industries, individuals, related parties, and related companies of the same group. Monthly reporting of changes in circumstances and the credit limits is required to implement the principle of spreading risk to ensure stable operation.

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f) Policy of Mitigation of Credit Risk

i) Collateral

The Bank adopts different policies and measures to reduce credit risk. For those events with lower possibility of default and having large amounts, the Bank requires the borrower to provide collateral and guarantor, or uses the on-balance sheet netting methods to mitigate or transfer credit risk. However, the Bank will take the risk for those events with relatively low possibility of default and having small amounts.

ii) Credit extension limit and credit risk concentration control

To bear and control concentration risk, the Bank set up its concentration limits to individuals, related parties, groups of companies, industries and their respective locations, as well as by classifying different types of collaterals.

iii) General conventions of net settlement

Most of the transactions are settled on a gross basis. However, to lower the credit risk, the Bank will deal with certain counterparties on a master netting arrangement basis. Also, when default of counterparties occurs, the Bank will cease all of the transactions and deal on net basis with the defaulting counterparties

g) Maximum exposure to credit risk

Without taking any collateral or other credit enhancement mitigation effect into account, the maximum exposure to credit risk of on-balance sheet financial assets is equal to their carrying values and the maximum exposure to credit risk of off-balance sheet financial instruments were as follows:

	December 31, 2017	December 31, 2016
Unused amounts of irrevocable loan commitments	\$ 2,160,538	1,873,036
Unused amount of irrevocable letter of credit	984,852	1,045,979
Various guarantee proceeds	2,897,412	3,772,444
Total	<u>\$ 6,042,802</u>	<u>6,691,459</u>

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Information on the maximum exposure and impact on financial statements related to on balance sheet and off-balance sheet items held as collateral, master netting arrangement, and other credit enhancements were as follows:

<u>December 31, 2017</u>	<u>Collateral</u>	<u>Master netting arrangement</u>	<u>Other credit enhancement</u>	<u>Total</u>
<b><u>Items on statement of financial positions</u></b>				
Loans and discounts	\$ 111,020,871	-	34,832,836	145,853,707
Acceptance receivables	10,359	-	218,490	228,849
<b><u>Items off statement of financial positions</u></b>				
Various guarantee proceeds	478,072	-	2,419,340	2,897,412
Total	<u>\$ 111,509,302</u>	<u>-</u>	<u>37,470,666</u>	<u>148,979,968</u>

<u>December 31, 2016</u>	<u>Collateral</u>	<u>Master netting arrangement</u>	<u>Other credit enhancement</u>	<u>Total</u>
<b><u>Items on statement of financial positions</u></b>				
Loans and discounts	\$ 106,802,105	-	32,448,389	139,250,494
Acceptance receivables	6,017	-	289,746	295,763
<b><u>Items off statement of financial positions</u></b>				
Various guarantee proceeds	1,273,866	-	2,498,578	3,772,444
Total	<u>\$ 108,081,988</u>	<u>-</u>	<u>35,236,713</u>	<u>143,318,701</u>

h) The Bank's credit risk concentration

The Bank attaches importance to the principles of credit risk diversification. For extension of credit and investment as a whole, the Bank has no concentration of credit risk on a single customer or counterparty. The Bank's credit exposure arises mainly from business loans based in Taiwan. Thus, there is no breakdown of credit risk by area. Concentration of credit risk by industry and collateral was as follows:

Industry

<u>Industry type</u>	<u>December 31, 2017</u>		<u>December 31, 2016</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Manufacturing	\$ 15,582,004	10.68	12,453,844	8.94
General businesses	47,230,559	32.39	48,789,390	35.04
Constructions	5,694,821	3.90	4,472,858	3.21
Individuals	69,074,879	47.36	66,591,532	47.82
Others	8,271,444	5.67	6,942,870	4.99
	<u>\$ 145,853,707</u>	<u>100.00</u>	<u>139,250,494</u>	<u>100.00</u>

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Collaterals

<b>Types of collateral</b>	<b>December 31, 2017</b>		<b>December 31, 2016</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Non-secured	\$ 34,832,836	23.88	32,448,389	23.30
Secured	111,020,871	76.12	106,802,105	76.70
Financial collateral	2,869,599	1.97	2,575,918	1.85
Real estate	100,954,577	69.22	96,362,075	69.20
Guarantee	6,067,058	4.16	6,630,946	4.76
Others	<u>1,129,637</u>	<u>0.77</u>	<u>1,233,166</u>	<u>0.89</u>
	<b><u>\$ 145,853,707</u></b>	<b><u>100.00</u></b>	<b><u>139,250,494</u></b>	<b><u>100.00</u></b>

i) Credit quality and impairment analysis of overdue credit

Due to the high credibility of counterparties, the Bank has assessed the credit risk of the financial assets owned, for example, cash and cash equivalents, due from Central Bank and call loans to other banks, financial assets at fair value through profit or loss, securities purchased under resell agreements, loans, refundable deposits, operating deposits and settlement funds, to be low.

Though the financial assets may be overdue when the borrower has temporarily delayed its payment, no impairment has occurred. According to the Bank's policy, no impairment has occurred if the financial assets were less than 90 days overdue, unless, other objective evidence appears.

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Additional credit quality analysis of financial assets was as follows:

i) Credit quality analysis for loans and discounts, and receivables

December 31, 2017										
		Non-overdue and non-impaired amount				Allowance for impairment loss (D)				
Name		Low risk	Medium risk	High risk	Subtotal (A)	Overdue but not impaired amount (B)	Impairment (C)	Total (A)+(B)+(C)	With objective evidence of impairment	No objective evidence of impairment
Items on statement of financial position										
Receivables										
Acceptance receivables		\$ 228,849	-	-	228,849	-	-	228,849	-	3,483
Other receivables		88,821	909	16	89,746	7,892	34	97,672	952	1,774
Others		1,388,222	-	-	1,388,222	-	-	1,388,222	-	-
Loans and discounts		141,885,552	1,276,768	188,542	143,350,862	1,560,423	942,422	145,853,707	312,951	1,498,965
		<u>\$ 143,591,444</u>	<u>1,277,677</u>	<u>188,558</u>	<u>145,057,679</u>	<u>1,568,315</u>	<u>942,456</u>	<u>147,568,450</u>	<u>313,903</u>	<u>1,504,222</u>
Items off statement of financial position										
Commitments and guarantees		\$ 2,897,412	-	-	2,897,412	-	-	2,897,412	-	-
Letter of Credit		974,139	568	10,145	984,852	-	-	984,852	-	-

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December 31, 2016										
		Non-overdue and non-impaired amount			Allowance for impairment loss (D)				Net (A)+(B)-(C)-(D)	
		Low risk	Medium risk	High risk	Subtotal (A)	Overdue but not impaired amount (B)	Impairment (C)	Total (A)+(B)+(C)		With objective evidence of impairment
Name										
Items on statement of financial position										
Receivables										
	Acceptance receivables	\$ 295,763	-	-	295,763	-	-	295,763	-	3,483
	Other receivables	2,368,017	82	1,279	2,369,378	5,650	-	2,375,028	-	1,867
	Derivatives default receivables	-	-	-	-	-	69,241	69,241	45,514	-
	Others	1,436,436	-	-	1,436,436	-	-	1,436,436	-	-
	Loans and discounts	134,830,372	948,305	86,971	135,865,648	2,257,854	1,126,992	139,250,494	317,725	1,416,746
		<u>\$ 138,930,588</u>	<u>948,387</u>	<u>88,250</u>	<u>139,967,225</u>	<u>2,263,504</u>	<u>1,196,233</u>	<u>143,426,962</u>	<u>363,239</u>	<u>1,422,096</u>
Items off statement of financial position										
	Commitments and guarantees	\$ 3,772,444	-	-	3,772,444	-	-	3,772,444	-	-
	Letter of Credit	1,029,185	16,794	-	1,045,979	-	-	1,045,979	-	-

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- ii) Credit analysis for neither overdue nor impaired loans and discounts according to the Bank's internal rating standard was as follows:

<b>December 31,</b> <b>2017</b>	<b>Non-overdue and non-impaired amount</b>			
	<b>Low risk</b>	<b>Medium risk</b>	<b>High risk</b>	<b>Total</b>
Corporate	\$ 77,114,021	526,592	6,429	77,647,042
Consumer	64,771,531	750,176	182,113	65,703,820
<b>Total</b>	<b>\$141,885,552</b>	<b>1,276,768</b>	<b>188,542</b>	<b>143,350,862</b>

<b>December 31,</b> <b>2016</b>	<b>Non-overdue and non-impaired amount</b>			
	<b>Low risk</b>	<b>Medium risk</b>	<b>High risk</b>	<b>Total</b>
Corporate	\$ 72,434,337	311,645	34,624	72,780,606
Consumer	62,396,035	636,660	52,347	63,085,042
<b>Total</b>	<b>\$134,830,372</b>	<b>948,305</b>	<b>86,971</b>	<b>135,865,648</b>

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**Bank of Panhsin**  
**Notes to the Financial Statements**

iii) Credit analysis for marketable securities

	December 31, 2017						
	Non-overdue and non-impaired amount			Overdue but non-impaired amount (B)		Impairment loss recognized (D)	
Name	Investment grade	Non-investment grade	No credit ratings	Subtotal (A)	Impaired amount (C)	Total (A)+(B)+(C)	Net total (A)+(B)+(C)-(D)
Available-for-sale financial assets							
Bond investment	\$ 9,083,230	-	-	9,083,230	-	9,083,230	9,083,230
Stock investment	535,541	-	-	535,541	-	535,541	535,541
Others	32,427,183	-	-	32,427,183	-	32,427,183	32,427,183
Held-to-maturity financial assets							
Bond investment	798,918	-	-	798,918	-	798,918	798,918
Other financial assets							
Stock investment	55,537	-	-	55,537	4,940	60,477	55,537

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Name	December 31, 2016						
	Non-overdue and non-impaired amount			Overdue but non-impaired amount (B)			
	Investment grade	Non-investment grade	No credit ratings	Subtotal (A)	Impaired amount (C)	Total (A)+(B)+(C)	Impairment loss recognized (D)
							Net total (A)+(B)+(C)-(D)
Available-for-sale financial assets							
Bond investment	\$ 8,789,490	-	-	8,789,490	-	8,789,490	-
Stock investment	293,364	-	-	293,364	-	293,364	-
Others	156,251	-	-	156,251	-	156,251	-
Held-to-maturity financial assets							
Bond investment	100,000	-	-	100,000	-	100,000	-
Other financial assets							
Stock investment	55,537	-	-	55,537	4,940	60,477	4,940
							55,537

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**Notes to the Financial Statements**

iv) Aging analysis on past due but not impaired financial assets

Delays in processing payments by borrowers and other administrative reasons could result in unimpaired financial assets becoming overdue. According to the internal credit risk assets impairment evaluation guideline, unless there are other objective evidence that shows a potential loss, a less than 90-day past due loan is typically not treated as impairment.

The aging analysis on past due but not impaired financial assets was as follows:

<b>December 31, 2017</b>			
	<b>Overdue within 1 month</b>	<b>Overdue between 1 and 3 months</b>	<b>Total</b>
Receivables	\$ -	7,892	7,892
Discount and loans	313,882	1,246,541	1,560,423
Corporate	-	900,784	900,784
Consumer	313,882	345,757	659,639
<b>Total</b>	<b>\$ 313,882</b>	<b>1,254,433</b>	<b>1,568,315</b>

<b>December 31, 2016</b>			
	<b>Overdue within 1 month</b>	<b>Overdue between 1 and 3 months</b>	<b>Total</b>
Receivables	\$ -	5,650	5,650
Discount and loans	445,247	1,812,607	2,257,854
Corporate	-	672,986	672,986
Consumer	445,247	1,139,621	1,584,868
<b>Total</b>	<b>\$ 445,247</b>	<b>1,818,257</b>	<b>2,263,504</b>

2) Market risk, liquidity risk, and interest rate risk

a) Risk management framework

Market risk, liquidity risk, interest rate risk, and other risks related to daily operations are managed by the Bank.

i) Market risk

This is the risk that market prices of assets go against the position of the Bank. Market prices refer to interest rates, stock prices, foreign exchange rates, and commodity prices.

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**Bank of Panhsin**  
**Notes to the Financial Statements**

ii) Liquidity risk

This is the risk that a given security or asset has difficulty in being sold in the market to fulfill financial obligations. This may cause a loss or a capital decrease for the Bank.

iii) Interest risk

This is the risk that an investment's value changes due to a change in interest rates. A change in interest rates can affect net interest income and income from other interest-sensitive assets, and inversely affect the Bank's earnings. Simultaneously, it can also affect the valuation gain or loss on and off the statement of financial position the statement of financial position.

b) Risk management process

The Bank's risk management process includes risk identification, measurement, assessment, and reporting. The risks relate to the Bank's trading activities and process, commodity trading, and system. All such risks are managed on a daily basis.

i) Risk identification

1. Market risk

The Bank's sales department and risk management department must understand the sources of market risk, market risk factors, and the aftermath of a market downturn. In addition to understanding the risks mentioned above, the Bank also must know the impacts on the business.

2. Liquidity risk

The Bank's sales department and risk management department must understand that liquidity risk comes from mismatch between assets and liabilities either on or off the statement of financial position.

3. Interest rate risk

The Bank's sales department and risk management department must understand that interest rate risk comes from changes in interest rates due to pricing risk, yield curve risk, and basis risk that will have an impact on the Bank's earnings.

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ii) Risk assessment and measurement

1. Market risk

The Bank measures market risk, including the level of risk acceptance and the level of concentration. In addition, it follows the capital adequacy rules under the Basel Accords and risk indicators issued by the authority. The Bank does not evaluate the risk with a model due to the simplicity of its business. The Bank evaluates its investment position by the following methods: (1) market prices, (2) prices of other similar assets, or (3) other adequate evaluation methods, which have to be used consistently.

2. Liquidity risk

The Bank assesses for measures liquidity risk by using all liquidity risk indicators, balance sheet mismatch, source of funds, use of funds, line of credit level, and plans for funding in the market.

3. Interest rate risk

The Bank's interest rate risk includes reprising risk, yield curve risk, and basis risk. Methods to assess and measure risk are analyzing (1) the interest sensitivity gap; (2) the capital adequacy ratio; (3) interest rate caps and floors; and (4) the structure of the position concentration ratio.

iii) Risk monitoring and control

The Bank has used several techniques such as credit limitation management, a stop-loss system, transaction quotas, the capital liquidity gap, and the interest sensitivity gap in order to monitor market risk, liquidity risk, and interest rate risk, and has a clear reporting process. Things monitored are the trading unit, financial instruments traded in whole or in part, the liquid reserve ratio, the core deposit ratio, and the ratio of the Bank's interest-rate-sensitive assets to its interest-rate-sensitive liabilities (gap ratio).

iv) Risk reporting

The Bank has required departments involved in defined market risk, liquidity risk, and interest rate risk in the banking book to submit immediate, daily, or periodic transaction information to the business units. In cases where an overrun or an exception occurs, immediate notification is necessary. The risk management unit is responsible for providing information regarding risk position, the profit and loss situation, usage limits, etc., to the board, Risk Management Committee, and Asset and Liability Management Committee and for providing other appropriate reports and recommendations of the Committees.

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**Bank of Panhsin**  
**Notes to the Financial Statements**

c) Maturity analysis of financial assets and financial liabilities

The management policy of the Bank is to match to the contractual maturity profile with the interest rate risk exposures of assets and liabilities and to manage unexpected cash outflow. Because of uncertainty, the maturities did not fully match the interest rates, resulting in gaps that may potentially give rise to gain or loss. The maturity analysis of assets and liabilities was as follows:

December 31, 2017							
Items	0~10 Days	11~30 Days	31~90 Days	91~180 Days	181 Days~1 Year	Over 1 Year	Total
<b>Assets</b>							
Cash and Deposits with other banks	\$ 9,057,538	311,551	1,274,120	1,235,757	3,674,373	1,602,184	17,155,523
Due from Central Bank and call loans to banks	1,700,000	400,000	-	-	-	-	2,100,000
Securities Investments	15,745,422	11,279,021	1,349,789	999,203	3,401,705	12,718,844	45,493,984
Securities purchased under resell agreements	3,275,113	2,542,255	-	-	-	-	5,817,368
Loans (include NPL)	9,780,918	5,985,242	15,006,248	21,348,360	26,843,808	56,429,540	135,394,116
Interest Receivables	65,059	116,480	16,237	14,549	21,206	7,660	241,191
<b>Liabilities</b>							
Deposits from Central Bank and other banks	48,339	280	602,480	475,020	192,940	-	1,319,059
Demand deposits	699,845	1,399,691	4,199,073	6,298,609	12,597,219	50,306,523	75,500,960
Time deposits	3,497,797	9,428,370	26,200,401	26,939,022	46,173,653	5,427,615	117,666,858
Borrowing	-	-	100,000	-	700,000	6,311,000	7,111,000
Interest payables	74,789	31,868	59,311	71,869	21,882	4,597	264,316
December 31, 2016							
Items	0~10 Days	11~30 Days	31~90 Days	91~180 Days	181 Days~1 Year	Over 1 Year	Total
<b>Assets</b>							
Cash and Deposits with other banks	\$ 21,184,684	8,998,566	2,540,359	1,086,371	6,390,335	3,926,396	44,126,711
Due from Central Bank and call loans to banks	4,515,000	-	-	-	-	-	4,515,000
Securities Investments	2,526,159	1,189,603	450,744	150,691	705,707	7,529,127	12,552,031
Securities purchased under resell agreements	4,044,069	2,977,726	-	-	-	-	7,021,795
Loans (include NPL)	7,750,479	3,556,202	14,149,956	15,164,081	28,675,170	61,312,432	130,608,320
Interest Receivables	53,901	102,073	22,623	10,187	21,823	4,333	214,940
<b>Liabilities</b>							
Deposits from Central Bank and other banks	31,612	280	703,950	373,550	192,940	-	1,302,332
Demand deposits	967,688	1,935,375	5,806,125	8,709,188	17,418,376	38,621,010	73,457,762
Time deposits	2,973,358	12,025,296	30,257,087	22,328,293	45,079,563	5,537,874	118,201,471
Borrowing	-	-	-	-	400,000	5,426,000	5,826,000
Interest payables	68,935	27,468	44,906	57,456	18,768	5,753	223,286

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d) Maturity analysis of items off the statement of financial position

The table below shows the maturity analysis of the items off the statement of financial position based on the remaining time until the contractual maturity date. For issued financial guarantee contracts, the maximum guaranteed amount included in the guarantee may be required to be paid at the very beginning of the contract period. The amount disclosed is based on contractual cash flows and may be different from that included in the consolidated statement of financial position.

	<b>December 31, 2017</b>		
	<b>Less than 1 year</b>	<b>Over 1 year</b>	<b>Total</b>
Unused amount of irrevocable loan commitment	\$ 167,700	1,992,838	2,160,538
Unused amount of irrevocable letter of credit	966,269	18,583	984,852
Various guarantee proceeds	405,621	2,491,791	2,897,412

	<b>December 31, 2016</b>		
	<b>Less than 1 year</b>	<b>Over 1 year</b>	<b>Total</b>
Unused amount of irrevocable loan commitment	\$ 562,367	1,310,669	1,873,036
Unused amount of irrevocable letter of credit	894,625	151,354	1,045,979
Various guarantee proceeds	1,835,277	1,937,167	3,772,444

e) Maturity analysis of lease agreements and capital expenditure

The lease contracts of the Bank are operating leases. The operating lease commitment is the future minimum rental payment under operating leases when the Bank is a lessee or lessor.

The capital expenditure commitment of the Bank is the contractual commitment for obtaining buildings and equipment.

Maturity analysis of lease agreements and capital expenditure is as follows:

<b>December 31, 2017</b>	<b>Less than 1 year</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Lease commitments				
Operating lease payment (lessee)	\$ 158,371	310,911	8,212	477,494
Operating lease income (lessor)	90,482	200,849	108,089	399,420

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<b>December 31, 2016</b>	<b>Less than 1 year</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Lease commitments</b>				
Operating lease payment (lessee)	\$ 127,646	287,941	882	416,469
Operating lease income (lessor)	86,655	192,310	131,884	410,849

f) **Market risk sensitivity analysis**

The Bank uses market risk sensitivity as a tool to manage risks. Market risk sensitivity is the change in the value of positions due to the change in specific market risk factors by one unit.

Interest rate sensitivity is the change in the price value of a basis point (PVBP) of future cash flow of the Bank's interest rate product position as the yield curve shifts up by 1.0% on the statement of financial position date.

In addition, the Bank does not have a significant net foreign currency position. Therefore, exchange rate fluctuation will not cause any significant exchange rate risk to the Bank.

Sensitivity analysis is as follows:

<b>Main risk</b>	<b>Name</b>	<b>December 31, 2017</b>		
		<b>Cost/ par value</b>	<b>Amount</b>	
			<b>Equity</b>	<b>Gain or loss</b>
Interest rate risk	Government and corporate bonds	7,236,494	(230,312)	(3,310)

<b>Main risk</b>	<b>Name</b>	<b>December 31, 2016</b>		
		<b>Cost/ par value</b>	<b>Amount</b>	
			<b>Equity</b>	<b>Gain or loss</b>
Interest rate risk	Government and corporate bonds	8,491,183	(331,620)	(4,688)

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g) Exchange rate risk

<b>December 31, 2017</b>			
	<b>Foreign currency (thousand dollars)</b>	<b>Exchange rate (dollars)</b>	<b>New Taiwan dollars (thousand dollars)</b>
<b>Financial assets</b>			
<b>Monetary item</b>			
USD	320,589	29.8480	9,568,927
EUR	3,176	35.6713	113,291
JPY	138,983	0.2650	36,825
HKD	30,525	3.8190	116,577
AUD	13	23.2605	298
CNY	129,930	4.5790	594,947
<b>Financial liabilities</b>			
<b>Monetary item</b>			
USD	539,586	29.8480	16,105,561
EUR	3,591	35.6713	128,099
JPY	1,021,923	0.2650	270,771
HKD	15,355	3.8190	58,643
AUD	31,491	23.2605	732,497
GBP	2,018	40.1993	81,128
CAD	3,206	23.7776	76,223
CHF	335	30.5569	10,237
NZD	2,146	21.1981	45,500
SGD	113	22.3279	2,533
ZAR	124,505	2.4189	301,162
CNY	161,024	4.5790	737,324

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**Notes to the Financial Statements**

	December 31, 2016		
	Foreign currency (thousand dollars)	Exchange rate (dollars)	New Taiwan dollars (thousand dollars)
<b>Financial assets</b>			
<b>Monetary item</b>			
USD	254,719	32.2790	8,222,075
EUR	5,885	33.9155	199,578
JPY	196,087	0.2757	54,061
HKD	18,565	4.1622	77,274
SGD	30	22.3106	659
CNY	68,127	4.6226	314,923
AUD	37	23.2990	853
CHF	1,487	31.5533	46,931
<b>Financial liabilities</b>			
<b>Monetary item</b>			
USD	403,422	32.2790	13,022,050
EUR	5,476	33.9155	185,705
JPY	696,697	0.2757	192,079
HKD	13,030	4.1622	54,233
AUD	33,241	23.2990	774,489
GBP	2,472	39.6063	97,898
CAD	3,084	23.9281	73,785
CHF	3	31.5533	95
NZD	1,621	22.4081	36,319
SGD	123	22.3106	2,748
ZAR	116,342	2.3694	275,656
CNY	59,765	4.6226	276,268

h) **Capital management**

i) **Capital management objectives**

The capital management objective of the Bank is to have sufficient eligible capital to meet the capital requirements and the minimum legal capital adequacy ratio. The eligible capital and the authorized capital are calculated pursuant to the regulations set by the regulators.

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**Notes to the Financial Statements**

To enable the Bank to have adequate capital to cover various risks, the required capital should be calculated based on the portfolio risk and the risk characteristics that the Bank faces. Optimal allocation of resources can be achieved by regularly reviewing the objectives of capital management.

ii) Capital management procedures

The Bank maintains adequate capital to meet the requirements of the authority and reports to the authority on a quarterly basis.

The Bank's regulatory capital is divided into Tier I Capital and Tier II Capital following the "Regulations Governing the Capital Adequacy and Capital Category of Banks".

Tier I capital includes common equity and additional Tier I capital. Common equity includes common shares, capital surplus (except for additional paid-in capital in excess of par value of preferred shares), accumulated profit or loss, and adjustment items of equity. Items that should be deducted are intangible assets (including goodwill), unamortized loss on sales of non-performing loans, investments on financial institutions, deferred income tax assets, deferred pension costs, and the deduction items. Additional Tier I capital includes non-cumulative perpetual preferred shares and non-cumulative perpetual subordinated debt.

Tier II capital consists of cumulative perpetual preferred shares, cumulative perpetual subordinated debt, value increased through revaluation, convertible bonds, operating reserve, and loan-loss provisions.

To properly monitor and maintain the capital adequacy ratio, the Bank calculates the capital adequacy ratio on a quarterly basis, examines the risk exposure and the changes in eligible capital, and analyzes the achievement of the objectives and the changes in factors that may influence the capital adequacy ratio such as expected profit, provision of allowance for bad debt, changes in non-performing loans, investments in securities (financial and non-financial), and risky assets. If the estimated and actual results differ materially, reviews for improvements are conducted. When it is possible that the capital adequacy ratio is significantly lower than the management objective, top management or the risk management committee should be informed, and strategies should be developed, such as adjusting the asset structure or issuing qualified asset instruments in order to reduce risk exposures or to increase eligible capital.

(Continued)

**Bank of Panhsin**  
**Notes to the Financial Statements**

The capital adequacy ratios of the Bank and its subsidiaries are disclosed below:

Analysis item			Period-end December 31, 2017	December 31, 2016
Eligible capital	Common capital		11,151,932	10,172,601
	Other Tier I capital		1,687,972	1,465,317
	Tier II capital		3,621,282	2,599,425
	Eligible capital		16,461,186	14,237,343
Risk-weighted assets	Credit risk	Standardized approach	134,131,916	133,712,568
		Internal rating-based approach	-	-
		Securitization	-	-
	Operational risk	Basic indicator standardized approach	6,134,188	5,970,013
		Standardized approach / alternative approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	1,774,475	3,119,475
		Internal model approach	-	-
	Total risk-weighted assets		142,040,579	142,802,056
Capital adequacy ratio			11.59 %	9.97 %
Tier 1 capital / risk-weighted assets ratio			9.04 %	8.15 %
Common stock / risk-weighted assets ratio			7.85 %	7.12 %
Leverage ratio			5.24 %	4.89 %

Note: 1. The calculation of eligible capital, risk-weighted assets, and the total amount of risk exposure shall follow the "Regulations Governing the Capital Adequacy and Capital Category of Banks" and "Explanation of Methods for Calculating the Eligible Capital and Risk-Weighted Assets of Banks".

2. The table uses the calculation formulas as follows:

- (1) Eligible capital = common equity + other Tier I capital + tier II capital
- (2) Risk-weighted assets = credit risk-weighted assets + (capital requirement for operational risk + capital requirement for market risk) × 12.5
- (3) Capital adequacy ratio = eligible capital / risk-weighted assets
- (4) Common stock-based capital ratio = common equity / total risk-weighted assets
- (5) Tier I risk-based capital ratio = (common equity + other Tier I capital) / risk-weighted assets
- (6) Leverage ratio = Tier I capital / total exposure

(Continued)

**Bank of Panhsin**  
**Notes to the Financial Statements**

**(7) Related-party transactions:**

**(a) Name of subsidiaries of the Bank**

	<u>Location</u>	<u>Equity (% of ownership)</u>	
		<u>December 31, 2017</u>	<u>December 31, 2016</u>
Panhsin Assets Management Co., Ltd.	Taiwan	100.00	100.00
Panhsin International Leasing Co., Ltd.	Taiwan	100.00	100.00

The Bank is the ultimate controlling party of the Bank and its subsidiaries.

**(b) Name and relationship of related parties**

<u>Related parties</u>	<u>Relationship</u>
Panhsin Asset Management Co., Ltd.	Subsidiary
Panhsin International Leasing Co., Ltd.	Subsidiary
TransAsia Airways Co., Ltd.	Related Party in substance
Sheng Ping Zuo Construction Co.	Related Party in substance
Xin Hui Construction Co., Ltd.	Related Party in substance
Cheng Hui Construction Co., Ltd.	Related Party in substance
Da Wang Construction Co., Ltd.	Related Party in substance
Shan Hui Construction Co., Ltd.	Related Party in substance
Yi Chang Construction Co., Ltd.	Related Party in substance
Boards, General Manager, Vice General Managers	Primary Management
Other related parties	According to IAS 24- Related Party Disclosures, related parties should include: 1. Management's spouse, immediate family and second-degree relatives. 2. Management and above relatives are chairmen, supervisor and general manager of company.

**(c) Significant transactions with related parties**

**(i) Deposits**

<u>2017</u>			
<u>Name</u>	<u>Ending balance</u>	<u>Percentage of deposits</u>	<u>Interest rate (%)</u>
Deposits by each related party not over 1% of total deposits	\$ <u>1,236,576</u>	<u>0.58</u>	0.01~8.16

(Continued)

**Bank of Panhsin**  
**Notes to the Financial Statements**

2016			
Name	Ending balance	Percentage of deposits	Interest rate (%)
Deposits by each related party not over 1% of total deposits	\$ <u>877,619</u>	<u>0.42</u>	0.01~8.16

For the years ended December 31, 2017 and 2016, apart from an interest rate limit on staff demand savings deposits of 6.480% to 6.740% and 6.520% to 6.950%, respectively, the interest rates and other terms provided to the above related parties were the same as the terms offered to the general public.

For the years ended December 31, 2017 and 2016 interest expense paid on the above deposits was \$4,308 and \$3,968, respectively.

(ii) Loans

2017							
Type of loan	Number of accounts or name of related party	Maximum during the period	Ending balance	Repayment			Difference between terms and conditions offered to the accounts and to the general public
				On time	Overdue	Collateral	
Employee credit loan	4	20,269	12,715	12,715	-	Real estate	None
Others	TransAsia Airways Co., Ltd.	59,877	59,877	-	59,877	None (note)	None
	Sheng Ping Zuo Construction Co.	842,664	291,332	291,332	-	Real estate	None
	18	808,319	386,996	386,996	-	Real estate	None

2016							
Type of loan	Number of accounts or name of related party	Maximum during the period	Ending balance	Repayment			Difference between terms and conditions offered to the accounts and to the general public
				On time	Overdue	Collateral	
Employee credit loan	3	15,023	4,696	4,696	-	Real estate	None
Others	Sheng Ping Zuo Construction Co.	278,041	278,041	278,041	-	Real estate	None
	Yi Chang Construction Co., Ltd.	80,000	-	-	-	Real estate	None
	17	878,113	399,501	399,501	-	Real estate	None

Note: TransAsia Airways Co., Ltd.(TransAsia) was not yet a related party of the Bank when the bank approved the loans on September 22, 2016. Since the Bank's independent director was elected as the liquidator of TransAsia on January 11, 2017, TransAsia became a related party of the Bank.

For the years ended December 31, 2017 and 2016, interest income recognized for the above loans was \$19,786 and \$17,241, respectively.

(iii) The detail of office rentals by the Bank to a related party for operating purpose were as follows:

Name	2017	2016
Rent revenue		
Panhsin Asset Management Co., Ltd.	\$ <u>7,178</u>	<u>1,394</u>

(Continued)



**Bank of Panhsin**  
**Notes to the Financial Statements**

Name	2017	2016
Rent expense		
Xin Hui Construction Co., Ltd.	\$ 2,283	2,283
Cheng Hui Construction Co., Ltd.	2,283	2,283
Da Wang Construction Co., Ltd.	3,040	3,014
Shan Hui Construction Co., Ltd.	6,188	6,103
	<u>\$ 13,794</u>	<u>13,683</u>

The rental fee is determined based on nearby rental rates. No significant discrepancy in transaction terms found between related party transaction and non-related party transaction.

Name	2017	2016
Other revenue		
Panhsin Asset Management Co., Ltd.	\$ <u>886</u>	<u>575</u>

(iv) Other

For the years ended December 31, 2017 and 2016, the details of the Bank's selling a series of subordinated financial debentures to related parties were as follows:

2017				
Related party	Highest balance	Ending balance	Interest rate (%)	Interest expense
Directors, supervisors, and main stockholders	\$ 56,100	<u>56,100</u>	3.00~4.75	<u>2,663</u>
2016				
Related party	Highest balance	Ending balance	Interest rate (%)	Interest expense
Directors, supervisors, and main stockholders	\$ 56,100	<u>56,100</u>	3.00~4.75	<u>3</u>

(d) Primary management

	2017	2016
Short-term employee benefits	\$ <u>62,888</u>	<u>60,044</u>
Post-employment benefits	\$ <u>836</u>	<u>769</u>

(Continued)

**Bank of Panhsin**  
**Notes to the Financial Statements**

**(8) Pledged assets:**

Pledged assets of the Bank and its subsidiaries were as follows:

<b>Pledged Assets</b>	<b>Pledged for</b>	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Time deposit (recorded as due from central bank and placement to other banks)	Foreign currency—denominated overdraft guarantee	\$ 1,045,790	846,226
Government bonds (recorded as available-for-sale financial assets)	Reserve for trust business	51,006	50,099
	Provisional seizure	163,526	107,905
	Operating deposits for trading bills	10,220	50,140
	Operating deposits for trading bonds	51,102	10,028
	Deposits for Taxation Administration, Ministry of Finance	108,336	106,103
	Derivative financial products credit guarantee	19,805	361,350
Bank savings (recorded as other assets-net)	Settlement deposits for bonds	8,100	7,400
	Deposits for lawsuits	11,378	9,170
		<u>\$ 1,469,263</u>	<u>1,548,421</u>

**(9) Significant contingent liabilities and unrecognized contract commitments:**

**(a) Significant contingent liabilities and unrecognized contract commitments**

**(i) Significant purchase agreements**

<b>December 31, 2017</b>		
<b>Contract name</b>	<b>Contract price</b>	<b>Unpaid portion of contract price</b>
Significant purchase agreements:		
Software system	\$ 251,092	114,365
Headquarters construction	1,310,000	1,310,000
	<u>\$ 1,561,092</u>	<u>1,424,365</u>

(Continued)

**Bank of Panhsin**  
**Notes to the Financial Statements**

<b>December 31, 2016</b>		
<b>Contract name</b>	<b>Contract price</b>	<b>Unpaid portion of contract price</b>
Significant purchase agreements:		
Software system	\$ 59,910	13,127
Headquarters construction	<u>1,310,000</u>	<u>1,310,000</u>
	<u><u>\$ 1,369,910</u></u>	<u><u>1,323,127</u></u>

(ii) For significant leases and capital expenditure, please refer to note 6(al).

(b) Other

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Consignment collection for others	\$ 7,966,254	10,429,708
Consignment released and loans for others	238,066	954,711
Collateral held as performance bond	17,105	300
Traveler's checks held for consignment sale	8,373	10,775
Custodial securities	130,000	130,000
Trust assets	<u>42,556,010</u>	<u>43,915,421</u>
Total	<u><u>\$ 50,915,808</u></u>	<u><u>55,440,915</u></u>
Lines of credit provided but not used	<u><u>\$ 2,160,538</u></u>	<u><u>1,873,036</u></u>
Guarantees	<u><u>\$ 2,897,412</u></u>	<u><u>3,772,444</u></u>
Unused amount of irrevocable letter of credit	<u><u>\$ 984,852</u></u>	<u><u>1,045,979</u></u>

(Continued)

**Bank of Panhsin**  
**Notes to the Financial Statements**

- (c) In accordance with local regulations, disclosure of accounts in the statement of financial position and a summary of trust asset items for trust business are as follows:

<b>Trust balance sheet</b>			
<b>December 31, 2017</b>			
<b>Trust assets</b>		<b>Trust liabilities</b>	
Bank deposits	\$ 3,352,310	Trust capital—monetary trust	18,506,864
Investment in funds	14,692,045	Trust capital—real estate	21,792,559
Investment in bonds	734,969	Trust capital—monetary loans and guaranteed assets	735,482
Investment in stocks	1,905,478	Trust capital—securities trust	1,419,506
Investment in loans	735,479	Net income	535,513
Land	16,480,625	Unappropriated earnings	(392,967)
Building	435,247	Deferred suspense accounts	(40,947)
Construction in progress	4,219,857		
Total trust assets	<u>\$ 42,556,010</u>	Total trust liabilities	<u>42,556,010</u>

<b>Trust balance sheet</b>			
<b>December 31, 2016</b>			
<b>Trust assets</b>		<b>Trust liabilities</b>	
Bank deposits	\$ 3,434,470	Trust capital—monetary trust	18,851,650
Investment in funds	15,573,142	Trust capital—real estate	22,182,885
Investment in bonds	545,056	Trust capital—monetary loans and guaranteed assets	1,359,832
Investment in stocks	1,693,322	Trust capital—securities trust	1,492,413
Investment in loans	1,359,729	Net income	272,242
Land	15,214,913	Unappropriated earnings	(229,744)
Building	387,430	Deferred suspense accounts	(13,857)
Construction in progress	5,707,359		
Total trust assets	<u>\$ 43,915,421</u>	Total trust liabilities	<u>43,915,421</u>

(Continued)

**Bank of Panhsin**  
**Notes to the Financial Statements**

Trust income statement

	<u>2017</u>	<u>2016</u>
Trust revenue:		
Interest revenue	\$ 33,789	18,604
Realized investment gain — funds	170,328	58,994
Realized investment gain — bonds	1,860	1,313
Realized investment gain — stock	8,078	117
Cash dividends revenue	<u>711,305</u>	<u>703,367</u>
Subtotal	<u>925,360</u>	<u>782,395</u>
Trust expenses:		
Management expenses	18,268	18,658
Trust fees	6,800	4,676
Realized investment loss — funds	356,670	484,695
Realized investment loss — bonds	5,338	1,949
Realized investment loss — stock	2,705	79
Other expenses	<u>12</u>	<u>13</u>
Subtotal	<u>389,793</u>	<u>510,070</u>
Net income before income tax	535,567	272,325
Income tax expense	<u>54</u>	<u>83</u>
Net income after income tax	<u>\$ 535,513</u>	<u>272,242</u>

**Trust asset register**

**December 31, 2017**

<u>Item</u>	<u>Amount</u>
Bank deposits	\$ 3,352,310
Investment in funds	14,692,045
Investment in bonds	734,969
Investment in stocks	1,905,478
Investment in loans	735,479
Land	16,480,625
Building	435,247
Construction in progress	<u>4,219,857</u>
Total	<u>\$ 42,556,010</u>

(Continued)

**Bank of Panhsin**  
**Notes to the Financial Statements**

Trust asset register	
December 31, 2016	
Item	Amount
Bank deposits	\$ 3,434,470
Investment in funds	15,573,142
Investment in bonds	545,056
Investment in stocks	1,693,322
Investment in loans	1,359,729
Land	15,214,913
Building	387,430
Construction in progress	5,707,359
Total	<u>\$ 43,915,421</u>

(10) Signification disaster loss:None

(11) Subsequent events:

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing FY 2018. This increase does not affect the amounts of the current or deferred income taxes recognized on December 31, 2017. However, it will affect the Bank's current and deferred taxes charge accordingly in the future.

(12) Other:

- (a) A summary of employee benefit costs, depreciation, depletion and amortization for the years ended December 31, 2017 and 2016, was as follows:

Function Account	2017			2016		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefit costs						
Salaries	-	1,232,040	1,232,040	-	1,267,434	1,267,434
Labor and health insurance	-	98,032	98,032	-	94,811	94,811
Pension	-	57,398	57,398	-	58,503	58,503
Other personnel expense	-	53,735	53,735	-	55,759	55,759
Depreciation	-	154,393	154,393	-	141,585	141,585
Depletion	-	-	-	-	-	-
Amortization	-	54,463	54,463	-	70,242	70,242

The depreciation expense for leased-out assets was \$25,011 and \$25,237 in 2017 and 2016, respectively, and was recorded under other non-interest income—net.

(Continued)

**Bank of Panhsin**  
**Notes to the Financial Statements**

As of December 31, 2017 and 2016, the Bank had 1,408 and 1,389 employees, respectively.

- (b) Average amount of, and current average interest rates on, interest-bearing assets and liabilities:

	2017	
	<u>Average Amount</u>	<u>Average Interest Rate (%)</u>
Interest-earning assets:		
Cash due from banks	\$ 706,560	0.52
Due from Central Bank and call loans to banks	17,294,982	0.63
Financial assets at fair value through profit or loss	3,501,399	0.43
Loans and discounts	141,611,811	2.37
Available-for-sale financial assets	34,309,377	0.73
Held-to-maturity financial assets	833,988	0.64
Securities purchased under resell agreements	6,451,052	0.37
Interest-bearing liabilities:		
Due to banks	1,441,094	1.06
Securities sell under repurchase agreements	12,712	1.79
Demand deposits	26,613,933	0.07
Time deposits	45,056,914	0.92
Negotiable certificates of deposit	742,132	0.67
Demand savings deposits	48,438,003	0.29
Time savings deposits	81,634,237	1.10
Financial debentures	6,587,745	3.37
	2016	
	<u>Average Amount</u>	<u>Average Interest Rate (%)</u>
Interest-earning assets:		
Cash due from banks	\$ 887,823	0.66
Due from Central Bank and call loans to banks	37,107,933	0.59
Financial assets at fair value through profit or loss	2,707,344	0.46
Loans and discounts	137,243,250	2.47
Available-for-sale financial assets	8,725,618	1.16
Held-to-maturity financial assets	279,266	1.53
Securities purchased under resell agreements	4,827,818	0.35

(Continued)

**Bank of Panhsin**  
**Notes to the Financial Statements**

	2016	
	<u>Average Amount</u>	<u>Average Interest Rate (%)</u>
Interest-bearing liabilities:		
Due to banks	\$ 1,456,843	1.01
Demand deposits	25,674,229	0.07
Time deposits	41,379,913	0.91
Negotiable certificates of deposit	657,105	0.62
Demand savings deposits	46,682,726	0.31
Time savings deposits	77,398,034	1.17
Financial debentures	5,137,699	3.15

- (c) Supplementary disclosures of asset quality, overdue loans and receivables, concentration of credit extensions, interest rate sensitivity information, profitability, and the structure analysis of assets' and liabilities' time to maturity were as follows:

(i) Asset quality

Period		December 31, 2017					
Product		Overdue loan amount	Loan balance	Overdue ratio	Allowance for bad debts	Cover rate	
Corporate banking	Secured	537,631	45,697,549	1.18 %	614,287	114.26 %	
	Unsecured	46,256	33,434,163	0.14 %	317,909	687.28 %	
Consumer banking	Mortgage	302,684	24,498,509	1.24 %	405,581	133.99 %	
	Cash card	-	-	- %	-	- %	
	Credit loan	2,448	575,850	0.43 %	12,372	505.39 %	
	Others	Secured	280,103	40,151,043	0.70 %	444,120	158.56 %
		Unsecured	67	1,496,593	0.004 %	17,647	26,338.81 %
	Total		1,169,189	145,853,707	0.80 %	1,811,916	154.97 %
		Overdue	Account receivables	Overdue ratio	Allowance for bad debts	Cover rate	
Credit cards		-	-	- %	-	- %	
Without-recourse factoring		-	-	- %	-	- %	

(Continued)



**Bank of Panhsin**  
**Notes to the Financial Statements**

Period		December 31, 2016					
Product		Overdue loan amount	Loan balance	Overdue ratio	Allowance for bad debts	Cover rate	
Corporate banking	Secured	608,549	43,305,746	1.41 %	558,928	91.85 %	
	Unsecured	158,545	31,783,585	0.50 %	379,689	239.48 %	
Consumer banking	Mortgage	164,848	23,588,924	0.70 %	370,870	224.98 %	
	Cash card	-	-	- %	-	- %	
	Credit loan	1,685	492,990	0.34 %	4,692	278.46 %	
	Others	Secured	230,483	38,675,725	0.60 %	404,715	175.59 %
		Unsecured	17	1,403,524	0.001 %	15,577	91,629.41 %
Total		1,164,127	139,250,494	0.84 %	1,734,471	148.99 %	
		Overdue	Account receivables	Overdue ratio	Allowance for bad debts	Cover rate	
Credit cards		-	-	- %	-	- %	
Without-recourse factoring		-	-	- %	-	- %	

Exemption from reporting non-performing loans (NPL) and overdue receivables

	December 31, 2017		December 31, 2016	
	Excluded NPL	Excluded overdue receivables	Excluded NPL	Excluded overdue receivables
As a result of debt consultation and loan agreement	35,950	-	48,890	-
As a result of debt solvency and restart plan	18,656	-	24,032	-
Total	54,606	-	72,922	-

(Continued)

**Bank of Panhsin**  
**Notes to the Financial Statements**

(ii) Information on concentration of credit risk

Unit: NTD thousand

December 31, 2017			
Rank	Group company	Outstanding loan	Percentage of net worth (%)
1	A United Group (Real Estate Leasing)	2,733,138	19.05 %
2	B United Group (Financial Services)	1,460,797	10.18 %
3	C United Group (Real Estate)	1,217,980	8.49 %
4	D United Group (Real Estate)	1,114,090	7.76 %
5	E United Group (Real Estate Agent)	1,082,650	7.55 %
6	F United Group (Steel Rolling and Extrusion)	915,556	6.38 %
7	G United Group (Real Estate)	891,968	6.22 %
8	H United Group (LED Panel Assembly)	828,909	5.78 %
9	I United Group (Rayon Manufacturing)	780,000	5.44 %
10	J United Group (Real Estate Agent)	753,616	5.25 %
	Total	11,778,704	

December 31, 2016			
Rank	Group company	Outstanding loan	Percentage of net worth (%)
1	A United Group (Real Estate Leasing)	2,746,136	20.65 %
2	B United Group (Real Estate)	1,946,320	14.63 %
3	C United Group (Smelting and Refining of Iron and Steel)	887,948	6.68 %
4	D United Group (LED Panel Assembly)	849,243	6.39 %
5	E United Group (Real Estate)	799,188	6.01 %
6	F United Group (Real Estate)	797,769	6.00 %
7	G United Group (Rayon Manufacturing)	782,000	5.88 %
8	H United Group (Real Estate Managing)	712,841	5.36 %
9	I United Group (Real Estate)	650,078	4.89 %
10	J United Group (Real Estate)	640,800	4.82 %
	Total	10,812,323	

(Continued)

**Bank of Panhsin**  
**Notes to the Financial Statements**

(iii) Interest rate sensitivity information

1) Sensitivity analysis of interest rate for assets and liabilities (NTD)

December 31, 2017

Unit: NTD thousand, %

Item	1~90 days (inclusive)	91~180 days (inclusive)	181 days~1 year (inclusive)	Over 1 year	Total
Interest-rate-sensitive assets	\$174,619,902	1,455,651	5,551,760	12,458,273	194,085,586
Interest-rate-sensitive liabilities	81,816,732	85,878,659	22,115,594	9,608,069	199,419,054
Interest-rate sensitivity gap	92,803,170	(84,423,008)	(16,563,834)	2,850,204	(5,333,468)
Net worth					14,348,027
Ratio of interest-rate-sensitive assets to liabilities					97.33
Ratio of interest-rate sensitivity gap to net worth					(37.17)

December 31, 2016

Item	1~90 days (inclusive)	91~180 days (inclusive)	181 days~1 year (inclusive)	Over 1 year	Total
Interest-rate-sensitive assets	\$169,508,738	1,520,576	5,327,422	11,612,028	187,968,764
Interest-rate-sensitive liabilities	78,322,893	83,753,470	25,153,361	9,455,382	196,685,106
Interest-rate sensitivity gap	91,185,845	(82,232,894)	(19,825,939)	2,156,646	(8,716,342)
Net worth					13,300,445
Ratio of interest-rate-sensitive assets to liabilities					95.57
Ratio of interest-rate sensitivity gap to net worth					(65.53)

2) Sensitivity analysis of interest rate for assets and liabilities (USD)

December 31, 2017

Unit: USD thousand, %

Item	1~90 days (inclusive)	91~180 days (inclusive)	181 days~1 year (inclusive)	Over 1 year	Total
Interest-rate-sensitive assets	\$ 470,592	25,839	5	87,842	584,278
Interest-rate-sensitive liabilities	398,727	51,422	105,560	22	555,731
Interest-rate sensitivity gap	71,865	(25,583)	(105,555)	87,820	28,547
Net worth					1,223
Ratio of interest-rate-sensitive assets to liabilities					105.14
Ratio of interest-rate sensitivity gap to net worth					2,334.18

(Continued)

**Bank of Panhsin**  
**Notes to the Financial Statements**

December 31, 2016

Unit: USD thousand, %

Item	1~90 days (inclusive)	91~180 days (inclusive)	181 days~1 year (inclusive)	Over 1 year	Total
Interest-rate-sensitive assets	\$ 406,854	20,413	662	11,602	439,531
Interest-rate-sensitive liabilities	318,403	40,674	43,794	277	403,148
Interest-rate sensitivity gap	88,451	(20,261)	(43,132)	11,325	36,383
Net worth					5,239
Ratio of interest-rate-sensitive assets to liabilities					109.02
Ratio of interest-rate sensitivity gap to net worth					694.46

(iv) Profitability

Unit: %

Item		December 31, 2017	December 31, 2016
Return on total assets	Before income tax	0.12	0.21
	After income tax	0.09	0.16
Return on net worth	Before income tax	1.97	3.42
	After income tax	1.56	2.64
Profit margin		6.77	9.88

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 operating revenues

Note 4: Income before (after) income tax is the income for the whole year.

(v) Structure analysis of assets' and liabilities' time to maturity

1) Duration analysis in New Taiwan dollars

December 31, 2017

Unit: NTD thousand

	Total	Aging for remaining period until expiration					
		0~10 days	11~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year
Capital provided	\$216,820,464	39,981,916	20,673,864	17,751,001	23,655,268	34,574,207	80,184,208
Capital used	259,894,274	6,751,207	12,372,479	35,293,118	40,166,038	71,904,473	93,406,959
Spread	(43,073,810)	33,230,709	8,301,385	(17,542,117)	(16,510,770)	(37,330,266)	(13,222,751)

(Continued)

**Bank of Panhsin**  
**Notes to the Financial Statements**

December 31, 2016

Unit: NTD thousand

	Total	Aging for remaining period until expiration					
		0~10 days	11~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year
Capital provided	\$212,704,383	42,931,391	16,873,743	17,242,338	16,492,475	36,426,029	82,738,407
Capital used	251,300,891	6,381,230	15,507,380	40,667,013	37,204,321	74,676,289	76,864,658
Spread	(38,596,508)	36,550,161	1,366,363	(23,424,675)	(20,711,846)	(38,250,260)	5,873,749

2) Duration analysis in US dollars

December 31, 2017

Unit: USD thousand

	Total	Aging for remaining period until expiration				
		0~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year
Capital provided	\$ 614,255	232,753	114,054	60,472	8,128	198,848
Capital used	718,442	126,128	138,964	67,408	134,880	251,062
Spread	(104,187)	106,625	(24,910)	(6,936)	(126,752)	(52,214)

December 31, 2016

Unit: USD thousand

	Total	Aging for remaining period until expiration				
		0~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year
Capital provided	\$ 478,994	262,333	53,415	49,710	24,558	88,978
Capital used	589,884	99,502	152,092	54,420	69,677	214,193
Spread	(110,890)	162,831	(98,677)	(4,710)	(45,119)	(125,215)

**(13) Notes to disclosure items:**

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Publicly Held Banks":

- (i) Financing provided to others: Not applicable.
- (ii) Endorsements/guarantees provided to others: Not applicable.
- (iii) Marketable securities held as of December 31, 2017 (not including investments in subsidiaries, associates and jointly controlled entities): None.

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**Bank of Panhsin**  
**Notes to the Financial Statements**

- (iv) Accumulated acquisition or disposal of individual marketable securities at costs or prices of at least NT\$300 million or 10% of the paid-in capital: None.

(In Thousands of New Taiwan Dollars/Thousands of shares)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales			Gain (loss) on disposal	Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost		Shares	Amount
The Bank	Panhsin Asset Management Co., Ltd.	Investment measured by equity method	-	-	66,000	184,701	30,072	300,724	-	-	-	-	48,800 (note 1)	509,651 (note 1 and 2)

Note 1: Panhsin Asset Management Co., Ltd. had capital reduction for cover accumulated deficits for 47,272 thousand common stocks to be issued at \$10 (in New Taiwan dollars) per share, amounting to \$472,724.

Note 2: Including recognized investment gain under equity method, amounting to \$24,226

- (v) Information regarding securities for which the accumulated purchase or sale amounts for the period exceeded NT\$300 million or 10% of the Bank's paid-in capital: None.
- (vi) Information on the acquisition of real estate for which the purchase amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: None.
- (vii) Information on the disposal of real estate for which the sale amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: None.
- (viii) Information regarding discounted processing fees on transactions for which the amount exceeded \$5 million: None.
- (ix) Information regarding receivable from related parties for which the amount exceeded \$300 million or 10% of the Bank's paid-in capital: None.
- (x) Financial derivative transactions: None.
- (xi) Information regarding selling non-performing loans:
- 1) Summary table of selling non-performing loans: None.
  - 2) Selling non-performing loans by single over NT\$1,000 million: None.
- (xii) Approved securitization instrument types and related information according to "asset-backed securitization" or "mortgage-backed securitization": None.
- (xiii) Other material transaction items which were significant to people who use the information in the financial statements: None.

(Continued)

**Bank of Panhsin**  
**Notes to the Financial Statements**

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2017 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars/Thousands of shares))										
Name of investee	Investee Location	Investee's operation	Percentage of ownership	Book Value of investments	Gain(loss) recognized due the period	Aggregate shareholding of the Company and its subsidiaries				Remark
						Number of shares	Pro forma number of shares	Total		
								shares	Percentage	
Panhsin Asset Management Co., Ltd.	Panchiao City, Taipei County	Purchasing non-performing loans	100.00 %	509,651	24,226	48,800	-	48,800	100.00 %	subsidiary
Panhsin International Leasing Co., Ltd.	Panchiao City, Taipei County	Real estate	100.00 %	318,924	18,674	30,000	-	30,000	100.00 %	subsidiary

(c) Information regarding investment in China: None.

(14) Operating segment information:

Please refer to consolidated financial statements for 2017.