

Annual Report 2019

**Bank of Panhsin Head Office**

Address : No.68, Sec.2, Xianmin Blvd., Banqiao Dist., New Taipei City, Taiwan (R.O.C.)

Tel : (02)2962-9170

Web Site : www.bop.com.tw

Spokesman

Name : Li-Chin Wei

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

Address : No.68, Sec.2, Xianmin Blvd., Banqiao Dist., New Taipei City, Taiwan (R.O.C.)

Tel : (02)2962-9170

E-mail : 26120@bop.com.tw

Deputy Spokesman

Name : Simon Fang

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

Address : No.68, Sec.2, Xianmin Blvd., Banqiao Dist., New Taipei City, Taiwan (R.O.C.)

Tel : (02)2962-9170

E-mail : 46204@bop.com.tw

Securities Agent

Name : Bank of Panhsin, General Affair Department

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

Tel : (02)2736-5189

Credit Rating Agent

Taiwan Ratings Corporation

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

Tel : (02)8722-5800

Web Site : www.taiwanratings.com

Certified Public Accountants for Financial Statements

KPMG Certified Public Accountants

Name of Accountants : Lily Lu, Lin Wu

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

Tel : (02)8101-6666

Web Site : www.kpmg.com.tw

Table of Contents

Bank Overview

I 、 Date of establishment	2
II 、 Credit rating	2

Corporate Governance

I 、 Organizational Chart	3
II 、 Profiles of directors and Chairman	4
III 、 Profiles of president, vice presidents, and managements	8
IV 、 Equity transfers and changes of equity interests in the most recent financial year up till the publication date of this annual report (2020.01.31), 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"	16
V 、 Percentage of shares held by the top-10 shareholders related persons, spouses, or family members within second degrees of kinship	26
VI 、 Numbers of shares in the subsidiaries held by the Bank, the Bank's directors, supervisors, president, vice presidents, assistant vice presidents, managers, and entities directly or indirectly controlled by the Bank and the total percentage of shares on a consolidated basis	28

Fund raising

I 、 Capital and Shares	29
II 、 Issuance of financial instruments	32

Overview of Business Operation

I 、 Scope of business	35
II 、 Employees	38

Financial Report

I 、 Five-year simplified balance sheet and profit and loss statement	39
II 、 Five-year financial analysis	45
III 、 Five-year capital adequacy analysis	51

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

53

Special disclosures

I 、 Affiliate information	157
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Directory of Head Office & Branches

158

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 on 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 support of government policies which balance Urban and Rural Development of remote areas, BOP had established Yanchao Branch in Yanchao District, Kaohsiung City, on November 27, 2018, and Miaoli Branch in Tongluo Township, Miaoli County, on December 16, 2019, opening 66 branches in total, among them 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 honor of the most expensive land in New Taipei City for ten 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.

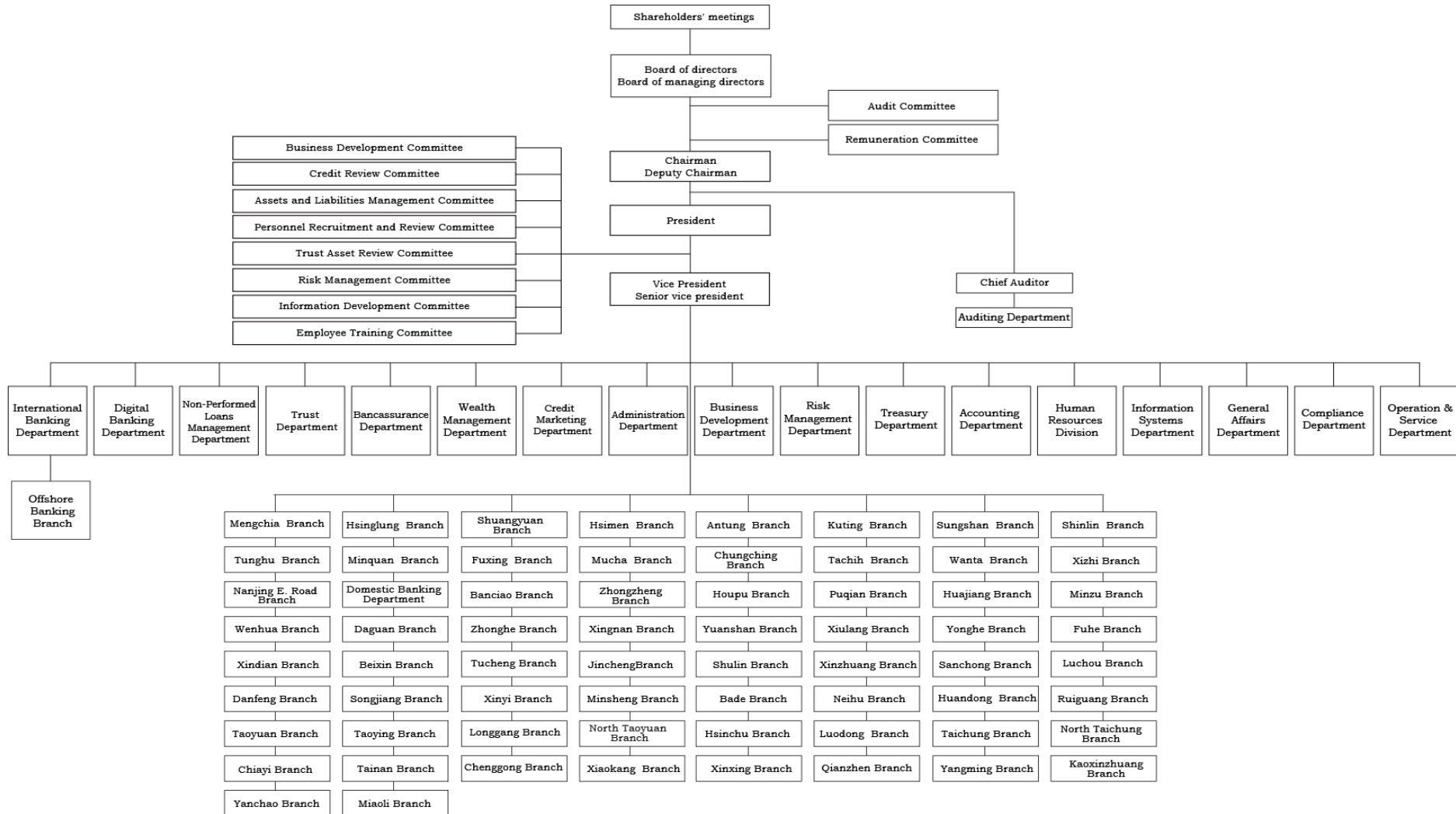
II 、Credit rating

Rating Agency	Date	Long-Term	Short-Term	Outlook
Taiwan Ratings Co.	Oct. 28, 2019	tw BBB-	twA-3	positive

Corporate Governance

I、Organizational Chart

Baseline date: January 31, 2020



II 、Profiles of directors and Chairman

Baseline date: December 31, 2019

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	2018.07.01	3	1996.12.27	38,991,580	2.87	45,650,578	3.16	33,188,207	2.30	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
Independent (Managing) Director	Mao-Chuan Lin	Republic of China	2018.07.01	3	2018.06.20	-	-	-	-	-	-	Department of Law, Soochow University/ Members and convener of the Board of Examiners, Examination Yuan of R.O.C.	-
Independent (Managing) Director	Peter Lin	Republic of China	2018.07.01	3	2018.06.20	-	-	-	-	-	-	Department of Enterprise Management, Fu Jen Catholic University/ Chairman, Taiwan Cooperative Bills Finance Corporation & President, Taiwan Cooperative Bank	-
Managing Director	Dao-Ming Kuo	Republic of China	2018.07.01	3	1996.12.27	8,105,836	0.60	8,604,702	0.60	2,448,186	0.17	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 Co., Ltd Chairman, Panhsin Asset Management Co., Ltd. Director, Panhsin Charitable Foundation Chairman, Chung Hwa Rotary Education 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		
Vice Chairman and Managing Director	Representative of Sanjun Construction Co., Ltd.: Ming-Dau Chang	Republic of China	2018.07.01	3	2006.06.20	13,398 -	- -	13,815 1,102,651	- 0.08	- -	- -	Masters, Department of Law, Chinese Culture University/ Chairman, Chang Hwa Bank & Deputy Chairman, Taiwan Financial Holding Co.,Ltd. & Director General, Executive Yuan, Banking Bureau, FSC	-
Director	Shiaan-Jung Chiou	Republic of China	2018.07.01	3	2018.06.20	961,744	0.07	1,296,821	0.09	37,728		Masters, Department of - Radio, Television & Film, Temple University	-
Director	Representative of Tianlu Construction Ltd.: Yueh-Shuang Chiu	Republic of China	2018.07.01	3	2015.06.25	260,497 -	0.02 -	268,619 9,401,942	0.02 0.65	- 7,891,812	- 0.55	Department of Affairs Management, Shih Chien College of Home Economics/ Chairman, Paifu Construction Co., Ltd.	Director, Chaochung Construction Co., Ltd.
Director	Representative of Hanchia Construction Co., Ltd.:Bing-Huang Liu	Republic of China	2018.07.01	3	2006.06.20	66,667 -	- -	68,745 -	- -	- 4,059,861	- 0.28	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.

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 Sanlight Construction Co., Ltd.: Mei-Yun Liao	Republic of China	2018.07.01	3	2006.06.20	35,506,773	2.62	36,614,092	2.53	-	-	Blessed Imelda's School/	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. Interim Manager, Sanchunshun Enterprise Co., Ltd.
Director	Tong-Jen Lin	Republic of China	2018.07.01	3	2006.06.20	9,044,700	0.67	9,326,768	0.65	684,524	0.05	Tamkang University/ E.V.P. & General Manager, Bank of Panhsin	Director, Tripod Development and Construction Co., Ltd. Chairman, Aking Enterprise Co., Ltd. Chairman, Kinpoti Enterprise Co., Ltd. Director, Hungchung Development and Construction Co., Ltd.
Director	Ling-Long Chien	Republic of China	2018.07.01	3	1996.12.27	9,528,223	0.70	9,089,148	0.63	1,220,338	0.08	Chihlee University of Technology/ Supervisor, Panchiao Credit Cooperative	Director, Panhsin Asset Management Co., Ltd. Vice Chairman, Hechung Recreation Co., Ltd. Responsible person of Haotsaitou Construction Site Responsible person of Kinpinming Park Director, Zhuang-Yuan Lou Co., Ltd. Responsible person, Fruits wholesaler No. 4498 Director, Yungsung International Investment Ltd.
Director	Yao-Chih Chu	Republic of China	2018.07.01	3	2012.06.19	3,166,292	0.23	3,315,036	0.23	140,587	0.01	Fu Jen Catholic University/ Director, Bank of Panhsin	-

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	Jui-Long Chen	Republic of China	2018.07.01	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. Independent (Managing) Director, Formosa Chemicals & Fiber Co., Ltd. Director, Chihjen Technology Development Co., Ltd. Director, Powerchip Semiconductor Manufacturing 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
Director	Peng-Lang Lin	Republic of China	2018.07.01	3	2015.06.25	14,056	-	14,919	-	-	-	Faculty of Business Administration, Aomori University/ Chairman, Sunny Bank	-
Independent Director	Fu-Yuan Chang	Republic of China	2018.07.01	3	2009.06.23	-	-	-	-	-	-	National Taipei University of Business/ Accountant, Yong Sheng Joint Accounting Firm	Manager, Yong Sheng Enterprise Consulting Ltd.

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

Note 2 : The No. of Shares currently held and Percentage of Shares columns were based on the 1,444,654,293 shares actually issued on December 31, 2019.

Note 3 : Panhsin Charitable Foundation is short for Provincial Private Panhsin Social Welfare Charitable Foundation.

Note 4 : The representative of Sanjun Construction Co., Ltd. which is replaced Chun-Sheng Lee to Ming-Dau Chang on June 16, 2019.

Note 5 : "Where the chairperson of the board of directors and the general manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship": N/A.

III 、Profiles of president, vice presidents, and managements

Baseline date: January 31, 2020

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	55,037	-	-	-	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	130,266	0.01	4,249	-	Master, Institute of International Business, Tamkang University/ Senior Executive Vice President, Bank of Panhsin	Supervisor, Panhsin Asset Management Co., Ltd.
Senior Executive Vice President	Republic of China	Simon Fang	2006.09.21	19,361,012	1.34	10,135,047	0.70	Department of Economics, Soochow University/ Senior Executive Vice President, Bank of Panhsin	Cooperative, Trust Association of R.O.C/ Independent Director, Charoen Pokphand Enterprise Co., Ltd.
Chief Auditor	Republic of China	Hsin-Mao Huang	2019.04.22	137,725	0.01	392	-	Department of Accounting, Fu Jen Catholic University/ Senior Executive Vice President, Bank of Panhsin	-
Senior Executive Vice President	Republic of China	Fang-Chi Lin	2017.04.10	32,979	-	-	-	Master, Institute of Land Economics, National Chengchi University/ President, Land Bank Insurance Brokers Co., Ltd.	-
Senior Executive Vice President & General Manager, Digital Banking Department	Republic of China	Chung-Chi Chang	2017.06.01	31,616	-	-	-	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	14,267	-	-	-	Department of shipping & Transportation management, National Taiwan Ocean University/ General Manager, Bank of Panhsin	-
Executive Vice President, Risk Management Department & Wealth Management Department	Republic of China	Chih-Hsun Chang	2018.01.29	157,170	0.01	-	-	Master, 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	70,452	-	-	-	Master, International Money and Banking, University of Birmingham/ General Manager, Bank of Panhsin	-
Executive Vice President, Administration Department	Republic of China	Yung-Lun Lee	2018.11.22	136,879	0.01	-	-	Department of Business Administration, Taichung Business Vocational School/ Executive Vice President, Bank of Panhsin	Director, Panhsin International Rental Co., Ltd.

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, Non-Performed Loans Management Department	Republic of China	Cheng-Lung Yeh	2020.01.20	21,443	-	-	-	Department of International Trade, Tamkang University/ General Manager, Bank of Panhsin	-
General Manager, Operation & Service Department	Republic of China	Mao-Sen Kao	2019.06.24	169,024	0.01	11,897	-	Business Administration, National Taipei Business Vocational School/ General Manager, Bank of Panhsin	-
General Manager, Compliance Department	Republic of China	Ryan Chang	2015.03.23	72,805	0.01	-	-	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	10,360	-	-	-	Master, Department of Radio & Television, National Chengchi University/ General Manager, Bank of Panhsin	-
General Manager, International Banking Department & Offshore Banking Branch	Republic of China	Sharon Chen	2018.01.29	15,356	-	-	-	Master, Financial Research Institute, Fu Jen Catholic University/ General Manager, Bank of Panhsin	-
Executive Vice President, Credit Marketing Department	Republic of China	Chung-Wei Wang	2018.11.26	60,888	-	-	-	Business Administration, Tamsui Institute of Business Administration/ General Manager, Bank of Panhsin	-
General Manager, Information Systems Department	Republic of China	Mei-Yu Hsiao	2019.06.24	25,000	-	-	-	Ph.D., Department of Electrical Engineering, National Taiwan University/ R&D Manager, YaChoice Technology Inc.	-
General Manager, Human Resources Department	Republic of China	Ta-Huang Chen	2014.10.27	51,909	-	-	-	MBA, Graduate Institute of Management, Fu Jen Catholic University/ General Manager, Bank of Panhsin	-
General Manager, General Affairs Department	Republic of China	A-Jen Lai	2010.02.01	145,784	0.01	99,714	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	63,062	-	-	-	Accounting Statistics, Chihlee Business Vocational School/ General Manager, Bank of Panhsin	Supervisor, Panhsin International Rental Co., Ltd.

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, Treasury Department	Republic of China	Kevin Lee	2007.04.02	107,645	0.01	141,297	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	44,318	-	-	-	Master, International Finance, University of Birmingham/ General Manager, Bank of Panhsin	-
General Manager, Banciao Branch	Republic of China	Su-Ching Chien	2020.01.20	46,348	-	-	-	Department of Statistics, Feng Chia University/ General Manager, Bank of Panhsin	-
General Manager, Houpu Branch	Republic of China	Cheng-Wei Wu	2020.01.20	45,226	-	-	-	Department of Cooperative Economics, National Chung Hsing University/ General Manager, Bank of Panhsin	-
General Manager, Yonghe Branch	Republic of China	Shu-Ming Liu	2017.05.10	65,084	-	-	-	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	38,997	-	-	-	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	82,632	0.01	16,307	-	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	99,535	0.01	825	-	Banking Insurance, Open College Affiliated With National Taipei Business Vocational School/ General Manager, Bank of Panhsin	-
General Manager, Zhonghe Branch	Republic of China	Po-Kun Wang	2019.02.23	15,704	-	-	-	Master, Department of Finance, Ming Chuan University/ General Manager, Bank of Panhsin	-
General Manager, Tucheng Branch	Republic of China	Chien-Wen Lee	2018.01.29	102,289	0.01	4,825	-	MBA, Stratford University/ General Manager, Bank of Panhsin	-
General Manager, Wenhua Branch	Republic of China	Hsiao-Hsuan Lu	2020.01.20	12,438	-	-	-	Applied Commerce, National Taipei University of Business/ 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, Dagan Branch	Republic of China	Ying-An Hsieh	2016.01.25	33,170	-	18,679	-	Department of Economics, Fu Jen Catholic University/ General Manager, Bank of Panhsin	-
General Manager, Xingnan Branch	Republic of China	Chao- Chi Chang	2019.07.22	-	-	-	-	Department of Economics, Feng Chia University/ Senior Manager, -Taichang Commercial Bank	-
General Manager, Xiaokang Branch	Republic of China	Mei-Hao Wang	2018.01.29	23,769	-	-	-	Master, Institute of Wealth Taxation Management, National Kaohsiung Applied Sciences University/ General Manager, Bank of Panhsin	-
General Manager, Xingxing Branch	Republic of China	Chin-Chu Wu	2020.01.20	31,409	-	-	-	Department of International Trade, Feng Chia University/ General Manager, Bank of Panhsin	-
General Manager, Qianzhen Branch	Republic of China	Chien-Tai Su	2018.01.29	36,897	-	-	-	Department of Financial, National Sun Yat-Sen University/ General Manager, Bank of Panhsin	-
General Manager, Yangming Branch	Republic of China	Ching-Shun Wang	2016.04.25	37,053	-	-	-	Department of Enterprise Management, Fu Jen Catholic University/ General Manager, Bank of Panhsin	-
General Manager, Kaohsiung Branch	Republic of China	Hsian-Chin Kuo	2018.01.29	51,736	-	-	-	Department of Finance and Banking, Shih Chien University/ General Manager, Bank of Panhsin	-
General Manager, Songjiang Branch	Republic of China	Ming-Chou Tsai	2018.01.29	26,581	-	-	-	Department of Statistic, Tamkang University/ General Manager, Bank of Panhsin	-
General Manager, Xinyi Branch	Republic of China	Eric Liu	2020.01.20	60,762	-	-	-	Department of Finance, Takming University of Science and Technology/ General Manager, Bank of Panhsin	-
Executive Vice President, Xinzhuang Branch	Republic of China	Rong-Cheng Fu	2020.01.20	-	-	-	-	Department of Economics, National Chengchi University/ S.V.P & General Manager, E.SUN Bank.	-
General Manager, Xiulang Branch	Republic of China	Ping-Hung Tsao	2018.01.29	68,295	-	6,665	-	Master, Graduate Institute of Economics, Chinese Culture University/ General Manager, Bank of Panhsin	-
General Manager, Taoyuan Branch	Republic of China	Yi-Pong Yu	2018.11.26	45,170	-	-	-	Department of Banking and Insurance, Hsing Wu Business Vocational School/ 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, Sanchong Branch	Republic of China	Zhao-Mao Kao	2019.01.29	62,004	-	-	-	Department of Cooperative Economics, National Chung Hsing University/ General Manager, Bank of Panhsin	-
General Manager, Yuanshan Branch	Republic of China	Pei-Yun Lin	2018.08.01	8,448	-	-	-	Finance and Banking Department, Tamkang University/ General Manager, Bank of Panhsin	-
General Manager, Taoying Branch	Republic of China	Chun-Hung Chen	2018.11.22	13,778	-	-	-	Department of Economics, Feng Chia University/ General Manager, Bank of Panhsin	-
Executive Vice President, Minsheng Branch	Republic of China	Henry Chien	2020.01.20	-	-	-	-	Department of Transportation and Engineering in national, Chaiao Tung Unersivity/ Senior Vice President, Cathay United Bank	-
General Manager, Longgang Branch	Republic of China	June-Fang Chien	2018.01.29	25,239	-	-	-	Department of Industrial Economics, Tamkang University/ General Manager, Bank of Panhsin	-
General Manager, Shulin Branch	Republic of China	Co-In Ho	2018.01.29	10,634	-	-	-	Kuang-Fu High school Comprehensive Business Division/ General Manager, Bank of Panhsin	-
General Manager, Jincheng Branch	Republic of China	Jui-Ching Li	2019.02.23	3,050	-	-	-	Department of Finance and Banking, Tamkang University/ General Manager, Bank of Panhsin	-
General Manager, Hsinchu Branch	Republic of China	Ming-Hsing Shih	2020.01.20	58,470	-	-	-	Department of Accounting, Chung Yuan Christian University/ General Manager, Bank of Panhsin	-
General Manager, Bade Branch	Republic of China	Rui-Dian Chen	2020.01.20	87,573	0.01	-	-	Industrial Management, National Taipei Institute of Technology/ General Manager, Bank of Panhsin	-
General Manager, Taichung Branch	Republic of China	Fu-Yuan Shih	2018.11.22	42,831	-	-	-	Department of Agribusiness Management, National Pingtung Instute of Commerce/ General Manager, Bank of Panshin	-
Executive Vice President, Tainan Branch	Republic of China	Po-Liang Hsieh	2020.01.20	-	-	-	-	Master, Department of Public Finance, National Chengchi University/ S.V.P & General Manager, E.SUN Bank	-
General Manager, Xindian Branch	Republic of China	Chao-Chung Lin	2018.11.22	61,871	-	-	-	Accounting Department, 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, Neihu Branch	Republic of China	Heng-Yu Chang	2016.03.01	21,640	-	-	-	Master, Executive of Business Administration, National Chengchi University/ General Manager, Bank of Panhsin	-
General Manager, Zhongzheng Branch	Republic of China	Tommy Chen	2018.09.25	6,172	-	-	-	Department of International Trade, Soochow University/ General Manager, Bank of Panhsin	-
Executive Vice President, Chiayi Branch	Republic of China	Daniel Lin	2018.01.29	32,315	-	-	-	MBA, Chiayi University/ Executive Vice President, Bank of Panhsin	-
General Manager, Yanchao Branch	Republic of China	Da-Hui Tsai	2018.01.29	35,863	-	-	-	Department of Management, National Taiwan University/ General Manager, Bank of Panhsin	-
General Manager, Luchou Branch	Republic of China	Tian-Yi Pan	2018.01.29	46,361	-	-	-	Master, Institute of Business Administration, National Taiwan University/ General Manager, Bank of Panhsin	-
General Manager, Luodong Branch	Republic of China	Te-Wei Lee	2019.02.23	61,687	-	-	-	Department of Theatre Arts, Chinese Culture University/ General Manager, Bank of Panhsin	-
General Manager, North Taichung Branch	Republic of China	Chung-An Lee	2018.10.08	14,051	-	-	-	Master, Department of Public Policy, Feng Chia University/ General Manager, Bank of Panhsin	-
General Manager, Chenggone Branch	Republic of China	Tsung-Che Tsai	2016.07.25	15,453	-	-	-	Department of Enterprise Management, National Chung Hsing University/ General Manager, Bank of Panhsin	-
General Manager, Fuhe Branch	Republic of China	Wei-Hsin Chung	2019.02.23	2,142	-	-	-	Department of Economics, Tung Hai University/ Deputy General Manager, Bank of Panhsin	-
General Manager, Ruiguang Branch	Republic of China	Mou-Chung Chou	2017.04.24	8,206	-	-	-	Department of Business Administration, Chinese Culture University/ General Manager, Bank of Panhsin	-
General Manager, Danfeng Branch	Republic of China	Joe Harn	2019.02.23	14,711	-	-	-	Master, Department of Banking and Finance, Tamkang University/ General Manager, Bank of Panhsin	-
General Manager, Beixin Branch	Republic of China	Yueh-Chin Ho	2018.09.25	24,043	-	-	-	Master, Department of Land Management, 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		
Executive Vice President, Mengchia Branch	Republic of China	Shu-Chuan Wei	2020.01.20	153,037	0.01	3,978		Department of Banking and Insurance, National Taipei Business Vocational School/ Executive Vice President, Bank of Panhsin	-
General Manager, Hsinglung Branch	Republic of China	Chung-Wei Liao	2018.11.26	45,974	-	-		Department of Red Estate and Built Environment, National Chung Hsing University / General Manager, Bank of Panhsin	-
General Manager, Shuangyuan Branch	Republic of China	Fang-Ming Huang	2016.06.27	65,577	-	444		Business Administration, Chihlee University of Technology/ General Manager, Bank of Panhsin	-
General Manager, Hsimen Branch	Republic of China	Hong-Ming Lin	2020.01.20	38,317	-	357		MBA Program, University of St Andrews/ General Manager, Bank of Panhsin	-
General Manager, Kuting Branch	Republic of China	Ming-Jen Chen	2019.02.23	11,856	-	-		Department of Accounting Statistics, Tamsui Institute of Business Administration/ General Manager, Bank of Panhsin	-
General Manager, Antung Branch	Republic of China	Jason Lee	2018.09.25	15,851	-	-		Master, Financial Management, Jinan University/ General Manager, Bank of Panhsin	-
General Manager, Sungshan Branch	Republic of China	Ping-Hua Chen	2016.07.25	53,068	-	-		Department of Economics, Feng Chia University/ General Manager, Bank of Panhsin	-
General Manager, Shinlin Branch	Republic of China	Shih-Yang Chien	2015.04.20	2,108	-	-		Department of Finance and Banking, Tamkang University/ General Manager, Bank of Panhsin	-
General Manager, Tunghu Branch	Republic of China	Pi-Chuan Hsu	2019.02.23	61,871	-	-		Department of Accounting, Soochow University/ General Manager, Bank of Panhsin	-
General Manager, Fuxing Branch	Republic of China	Ying-Chi Chen	2018.11.26	6,271	-	-		Department of Statistics, Ming Chuan University/ General Manager, Bank of Panhsin	-
General Manager, Minquan Branch	Republic of China	Anthony Chang	2018.01.29	8,414	-	-		Department of Business Administration, Chinese Culture University/ General Manager, Bank of Panhsin	-
General Manager, Chungching Branch	Republic of China	Fang-Li Cheng	2016.03.21	32,625	-	-		Department of Accounting Section, China University of Technology/ 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, Mucha Branch	Republic of China	Ching-Ping Tsai	2020.01.20	32,072	-	-	-	Department of Economics, Soochow University/ Deputy General Manager, Bank of Panhsin	-
General Manager, Huandong ranch	Republic of China	Yi-Chang Kao	2017.01.16	39,661	-	-	-	Department of Information Management, Chung Yuan Christian University/ General Manager, Bank of Panhsin	-
General Manager, Tachih Branch	Republic of China	Kuang-Chung Huo	2018.01.29	74,337	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	61,075	-	-	-	Master, Eminent of Public Administration, National Chengchi University/ General Manager, Bank of Panhsin	-
General Manager, Xizhi Branch	Republic of China	Daniel Lai	2018.09.10	15,629	-	-	-	Master, Executive Master of Business Administration, National Chung-Hsing University/ General Manager, Bank of Panhsin	-
General Manager, Nanjing E. Road Branch	Republic of China	Yu-Tsi Yo	2016.10.17	29,129	-	-	-	Department of International Trade, Soochow University/ General Manager, Bank of Panhsin	-
General Manager, North Taoyuan Branch	Republic of China	Tai-Yuan Chuang	2018.11.26	30,438	-	-	-	Department of Public Finance, Feng Chia University/ General Manager, Bank of Panhsin	-
General Manager, Miaoli Branch	Republic of China	Allen Chen	2019.12.16	-	-	-	-	Department of Finance and Banking, Yu Da University of Business/ Executive Vice President, KGI Bank	-

Note 1 : "Shares held by nominee shareholders", "Any one is a related party or a relative within the second degree of kinship of manager": N/A.

Note 2 : "Where the chairperson of the board of directors and the general manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship": 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 (2020.01.31), 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: January 31, 2020

Position	Name	2019		By the end of January 2020	
		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	6,113,116	18,808,000 (3,000,000)	-	-
Vice Chairman and Managing Director	Sanjun Construction Co., Ltd.	230	-	-	-
Vice Chairman and Legal Representative of managing director	Ming-Dau Chang	1,102,651	-	145,000	-
Managing Director	Dao-Ming Kuo	143,409	-	-	-
Director	Shiaan-Jung Chiou	21,613	-	-	-
Director	Tong-Jen Lin	155,443	-	-	-
Director	Yao-Chih Chu	104,416	-	-	-
Director	Hanchia Construction Co., Ltd.	1,145	-	-	-
Director	Ling-Long Chien	151,483 (1,008,391)	-	-	-
Director	Peng-Lang Lin	248	-	-	-
Director (Major shareholder)	Sanlight Construction Co., Ltd.	610,225	18,930,000	-	-
Director	Tianlu Construction Ltd.	4,476	-	-	-
Representative of corporate director (Major shareholder)	Mei-Yun Liao	1,146,392	22,920,000 (22,920,000)	-	-
Representative of corporate director	Yueh-Shuang Chiu	156,696	-	-	-
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)	Baiyuan Investment Co., Ltd.	1,740,235	65,793,361	-	-

Position	Name	2019		By the end of January 2020	
		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.	2,768,495	28,060,000 (10,940,000)	-	-
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.	2,158,541 (5,443,000)	8,870,000 (5,443,000)	-	-
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.	18,735	-	-	-
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.	371,012	10,000,000 (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.	2,668,878	4,860,000	-	-
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.	1,120,915	50,740,000 (59,200,000)	-	-

Position	Name	2019		By the end of January 2020	
		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	531	-	-	-
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	5	-	-	-
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	1,017	-	-	-
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	3,741	-	-	-
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	3,593	-	-	-
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	4,206	-	-	-

Position	Name	2019		By the end of January 2020	
		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"	Ke-Huang Liao	232	-	-	-
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	(593,264)	-	-	-
President	Ming-Hsien Kao	917	-	-	-
Senior Executive Vice President	Li-Chin Wei	2,171	-	-	-
Senior Executive Vice President	Simon Fang	322,678	-	-	-
Senior Executive Vice President	Hsin-Mao Huang	2,295	-	-	-
Senior Executive Vice President	Fang-Chi Lin	549	-	-	-
Senior Executive Vice President	Chung-Chi Chang	526	-	-	-
General Manager	Shu-Yu Wu	237	-	-	-
Executive Vice President	Chih-Hsun Chang	2,619	-	-	-
General Manager	Shu-Nu Yang	1,174	-	-	-
Executive Vice President	Yung-Lun Lee	2,281	-	-	-
General Manager	Cheng-Lung Yeh	357	-	-	-
General Manager	Mao-Sen Kao	2,817	-	-	-
General Manager	Ryan Chang	1,213	-	-	-
General Manager	Yi-Fang Wen	172	-	-	-
General Manager	Sharon Chen	255	-	-	-
Executive Vice President	Chung-Wei Wang	1,014	-	-	-
General Manager	Mei-Yu Hsiao	10,000	-	15,000	-
General Manager	Ta-Huang Chen	865	-	-	-

Position	Name	2019		By the end of January 2020	
		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	A-Jen Lai	2,429	-	-	-
General Manager	Jone-Chih Huang	1,051	-	-	-
General Manager	Kevin Lee	1,794	-	-	-
General Manager	Jennie Lin	738	-	-	-
General Manager	Su-Ching Chien	772	-	-	-
General Manager	Cheng-Wei Wu	753	-	-	-
General Manager	Shu-Ming Liu	1,084	-	-	-
General Manager	Pei-Yu Wong	649	-	-	-
General Manager	Yi-Min Wan	1,377	-	-	-
General Manager	Ke-Han Liu	1,658	-	-	-
General Manager	Po-Kun Wang	261	-	-	-
General Manager	Chien-Wen Lee	1,704	-	-	-
General Manager	Hsiao-Hsuan Lu	207	-	-	-
General Manager	Ying-An Hsieh	552	-	-	-
General Manager	Chao-Chi Chang	-	-	-	-
General Manager	Mei-Hao Wang	396	-	-	-
General Manager	Chin-Chu Wu	523	-	-	-
General Manager	Chien-Tai Su	614	-	-	-
General Manager	Ching-Shun Wang	617	-	-	-
General Manager	Hsian-Chin Kuo	862	-	-	-
General Manager	Ming-Chou Tsai	443	-	-	-
General Manager	Eric Liu	1,012	-	-	-
Executive Vice President	Rong-Cheng Fu	-	-	-	-
General Manager	Ping-Hung Tsao	1,138	-	-	-
General Manager	Yi-Pong Yu	752	-	-	-
General Manager	Zhao-Mao Kao	1,033	-	-	-
General Manager	Pei-Yun Lin	140	-	-	-
General Manager	Chun-Hung Chen	229	-	-	-
Executive Vice President	Henry Chien	-	-	-	-
General Manager	June-Fang Chien	420	-	-	-

Position	Name	2019		By the end of January 2020	
		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	Co-In Ho	177	-	-	-
General Manager	Jui-Ching Li	50	-	-	-
General Manager	Ming-Hsing Shih	974	-	-	-
General Manager	Rui-Dian Chen	1,459	-	-	-
General Manager	Fu-Yuan Shih	713	-	-	-
Executive Vice President	Po-Liang Hsieh	-	-	-	-
General Manager	Chao-Chung Lin	1,031	-	-	-
General Manager	Heng-Yu Chang	360	-	-	-
General Manager	Tommy Chen	102	-	-	-
Executive Vice President	Daniel Lin	538	-	-	-
General Manager	Da-Hui Tsai	597	-	-	-
General Manager	Tian-Yi Pan	772	-	-	-
General Manager	Te-Wei Lee	1,028	-	-	-
General Manager	Chung-An Lee	234	-	-	-
General Manager	Tsung-Che Tsai	257	-	-	-
General Manager	Wei-Hsin Chung	35	-	-	-
General Manager	Mou-Chung Chou	136	-	-	-
General Manager	Joe Harn	245	-	-	-
General Manager	Yueh-Chin Ho	400	-	-	-
Executive Vice President	Shu-Chuan Wei	2,550	-	-	-
General Manager	Chung-Wei Liao	766	-	-	-
General Manager	Fang-Ming Huang	1,092	-	-	-
General Manager	Hong-Ming Lin	638	-	-	-
General Manager	Ming-Jen Chen	197	-	-	-
General Manager	Jason Lee	264	-	-	-
General Manager	Ping-Hua Chen	884	-	-	-
General Manager	Shih-Yang Chien	35	-	-	-
General Manager	Pi-Chuan Hsu	1,031	-	-	-
General Manager	Ying-Chi Chen	104	-	-	-
General Manager	Anthony Chang	140	-	-	-

Position	Name	2019		By the end of January 2020	
		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	Fang-Li Cheng	543	-	-	-
General Manager	Ching-Ping Tsai	534	-	-	-
General Manager	Yi-Chang Kao	661	-	-	-
General Manager	Kuang-Chung Huo	1,238	-	-	-
General Manager	Ling-Hui Kao	1,017	-	-	-
General Manager	Daniel Lai	260	-	-	-
General Manager	Yu-Tsi Yo	485	-	-	-
General Manager	Tai-Yuan Chuang	507	-	-	-
General Manager	Allen Chen	-	-	-	-

(II) Equity Transfer Information

Baseline date: January 31, 2020

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
Ping-Hui Liu	Acquisition	2019.12.10	Jingqing Investment Co., Ltd.	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)	5,443,000	8.50
Ming-Dau Chang	Acquisition	2019.06.21	Chia-Ying Su	-	151,000	6.20
Ming-Dau Chang	Acquisition	2019.07.22	Wei-Min Yo	-	31,000	6.50
Ming-Dau Chang	Acquisition	2019.07.31	Yu-Chu Hsu	-	197,196	6.80
Ming-Dau Chang	Acquisition	2019.08.29	Chuan-Chih Lin	-	68,902	7.00
Ming-Dau Chang	Acquisition	2019.08.29	Shu-Man Tsai	-	268,000	7.00
Ming-Dau Chang	Acquisition	2019.08.29	Shou-Chen Tsai	-	33,737	7.00
Ming-Dau Chang	Acquisition	2019.08.29	Chih-Shun Tsai	-	90,573	7.00
Ming-Dau Chang	Acquisition	2019.11.27	Chia-Ying Su	-	248,000	6.80
Ming-Dau Chang	Acquisition	2020.01.08	Chia-Ying Su	-	145,000	6.80

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
Ling-Long Chien	Disposal	2019.04.01	Yungsung International Investment Ltd.	Person in charge of juristic person	1,008,391	13.00
Yao-Chih Chu	Acquisition	2019.09.04	Chun-La Chen	-	50,000	6.00
Mei-Yun Liao	Acquisition	2019.01.10	Jung-Cuan Liao	Second degree kinship	593,264	9.50
Jung-Cuan Liao	Disposal	2019.01.10	Mei-Yun Liao	Second degree kinship	593,264	9.50
Jingqing Investment Co., Ltd.	Acquisition	2019.04.18	Chia-Ying Su	-	123,000	6.40
Jingqing Investment Co., Ltd.	Acquisition	2019.07.31	Wei-Min Yo	-	87,000	7.20
Jingqing Investment Co., Ltd.	Acquisition	2019.11.27	Tsung-Liang Chen	-	1,300,000	7.00
Jingqing Investment Co., Ltd.	Disposal	2019.12.10	Ping-Hui Liu	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)	5,443,000	8.50
Mei-Yu Hsiao	Acquisition	2019.09.10	Ming-Hui Chen	-	10,000	7.50
Mei-Yu Hsiao	Acquisition	2020.01.13	Alex Huang	-	15,000	6.00

(III) Equity pledge information

Baseline date: January 31, 2020

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	Pledge	2019.02.23	Grand Bills Finance Co., Ltd.	-	2,808,000	-
Ping-Hui Liu	Pledge	2019.04.16	King's Town Bank, Luchou Branch	-	10,000,000	-
Ping-Hui Liu	Pledge	2019.07.22	Hwatai Bank, Banqiao Branch	-	3,000,000	-
Ping-Hui Liu	Redemption	2019.07.22	Kaohsung Bank, Taipei Branch	-	3,000,000	-
Ping-Hui Liu	Pledge	2019.12.25	Taichung Bank, Zhongli Branch	-	3,000,000	-
Fuching Investment Co., Ltd.	Pledge	2019.01.10	Union Bank of Taiwan, Huilong Branch	-	14,390,000	-
Fuching Investment Co., Ltd.	Pledge	2019.12.10	Taichung Bank, Zhongli Branch	-	10,940,000	-
Fuching Investment Co., Ltd.	Redemption	2019.12.10	King's Town Bank, Luchou Branch	-	10,940,000	-
Fuching Investment Co., Ltd.	Pledge	2019.12.25	Taichung Bank, Zhongli Branch	-	2,730,000	-
Mei-Yun Liao	Pledge	2019.06.21	Mega Bills, Banqiao Branch	-	16,620,000	-
Mei-Yun Liao	Redemption	2019.06.21	Mega Bills, Banqiao Branch	-	16,620,000	-
Mei-Yun Liao	Pledge	2019.07.22	Hwatai Bank, Banqiao Branch	-	6,300,000	-
Mei-Yun Liao	Redemption	2019.07.22	Kaohsung Bank, Taipei Branch	-	6,300,000	-
Sun Hui Construction Co., Ltd.	Redemption	2019.02.22	Firstholding Co., Ltd.	-	10,000,000	-
Sun Hui Construction Co., Ltd.	Pledge	2019.03.26	IBT Leasing Co., Ltd.	-	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
Sun Hui Construction Co., Ltd.	Pledge	2019.04.16	King's Town Bank, Luchou Branch	-	1,540,000	-
Sun Hui Construction Co., Ltd.	Pledge	2019.07.22	Hwatai Bank, Banqiao Branch	-	27,400,000	-
Sun Hui Construction Co., Ltd.	Redemption	2019.07.22	Yuanta Bank (Originally Ta Chong Bank)	-	11,800,000	-
Sun Hui Construction Co., Ltd.	Redemption	2019.07.22	Kaohsung Bank, Taipei Branch	-	7,400,000	-
Sun Hui Construction Co., Ltd.	Redemption	2019.07.22	Cooperative Assets Management Co., Ltd.	-	20,000,000	-
Sun Hui Construction Co., Ltd.	Pledge	2019.10.17	Yuanta Bank, Taohsing Branch	-	11,800,000	-
Sun Hui Construction Co., Ltd.	Redemption	2019.10.17	TCBL Co., Ltd.	-	10,000,000	-
Sanlight Construction Co., Ltd.	Pledge	2019.02.22	International Bills Finance Co., Ltd., Banqiao Branch	-	18,930,000	-
Yuanmao Construction Co., Ltd.	Redemption	2019.06.21	Hua Nan International Leasing Co., Ltd.	-	10,000,000	-
Yuanmao Construction Co., Ltd.	Pledge	2019.10.17	TCBL Co., Ltd.	-	10,000,000	-
Yuanchih Investment Co., Ltd.	Pledge	2019.01.10	Grand Bills Finance Co., Ltd.	-	2,100,000	-
Yuanchih Investment Co., Ltd.	Pledge	2019.12.25	Grand Bills Finance Co., Ltd.	-	2,760,000	-
Baiyuan Investment Co., Ltd.	Pledge	2019.02.22	Taiwan Shin Kong Bank, Sinban Branch	-	26,209,361	-
Baiyuan Investment Co., Ltd.	Pledge	2019.02.22	Yuanta Bank, Taohsing Branch	-	17,000,000	-

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
Baiyuan Investment Co., Ltd.	Pledge	2019.02.23	Grand Bills Finance Co., Ltd.	-	20,844,000	-
Baiyuan Investment Co., Ltd.	Pledge	2019.12.25	Grand Bills Finance Co., Ltd.	-	1,740,000	-
Jingqing Investment Co., Ltd.	Pledge	2019.01.10	KGI Bank, Head Office	-	6,450,000	-
Jingqing Investment Co., Ltd.	Redemption	2019.11.27	KGI Bank, Head Office	-	5,443,000	-
Jingqing Investment Co., Ltd.	Pledge	2019.12.25	Grand Bills Finance Co., Ltd.	-	2,420,000	-

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, 2019

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	166,112,176	11.50	-	-	-	-	Baiyuan Investment Co., Ltd.	Chairman Same person
Representative of Yuanchih Investment Co., Ltd.: Mei-Yun Liao	160,135,072	11.08	-	-	-	-	Mei-Yun Liao	Chairman Spouse is the Chairman
							Ping-Hui Liu	Chairman
							Sanlight Construction Co., Ltd.	Chairman Same person
							Representative of Sun Hui Construction Co., Ltd.: Chao-Tong Liu	Second degree kinship
Representative of Baiyuan Investment Co., Ltd.: Wei-Ren Liao	104,415,675	7.23	-	-	-	-	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 Sun Hui Construction Co., Ltd.: Chao-Tong Liu	67,255,921	4.66	-	-	-	-	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	45,650,578	3.16	33,188,207	2.30	-	-	Representative of Yuanchih Investment Co., Ltd.: Mei-Yun Liao	Spouse is the Chairman
							Representative of Sanlight Construction Co., Ltd.: Mei-Yun Liao	
							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	36,614,092	2.53	-	-	-	-	Mei-Yun Liao	Chairman
							Ping-Hui Liu	Spouse
							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
Mei-Yun Liao	33,188,207	2.30	45,650,578	3.16	-	-	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 Jingqing Investment Co., Ltd.: Chung-Er Lin	30,741,772	2.13	-	-	-	-	Yuanmao Construction 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 Yuanmao Construction Co., Ltd.: Chung-Er Lin	22,261,087	1.54	-	-	-	-	Jingqing Investment Co., Ltd.	Chairman Same person

Simon Fang 19,361,012 1.34 10,135,047 0.70 - - - -

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

Baseline date: December 31, 2019

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	314,988	0.08	-	-	314,988	0.08
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.	50,703,200	100.00	-	-	50,703,200	100.00
Panhsin International Rental Co., Ltd.	37,186,880	100.00	-	-	37,186,880	100.00

Note1 : Investment made in accordance with Article 74 of the Banking Act.

Note2 : Hsinruidu Development Co., Ltd. has gone bankrupt, the investment cost of the account was NT\$4,940,000. the Bank has recognized the cumulative impairment of NT\$4,940,000. and the net book value is zero.

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
2006.09	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
2011.06	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
2016.10	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	18,000,000	1,276,584	12,765,848	Note 10	N/A	N/A
2017.11	10	1,800,000	18,000,000	1,356,584	13,565,848	Note 11	N/A	N/A
2018.09	10	1,800,000	18,000,000	1,375,577	13,755,770	Note 12	N/A	N/A
2018.12	10	1,800,000	18,000,000	1,420,577	14,205,770	Note 13	N/A	N/A
2019.09	10	1,800,000	18,000,000	1,444,654	14,446,542	Note 14	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.

Note 12 : With September 3, 2018 as the baseline date for capital increase, the capital increase by surplus was NT\$189,922,000; approval was received from FSC on August 20, 2018.

Note 13 : With December 27, 2018 as the baseline date for capital increase, the capital increase by issuing of common stock was NT\$450,000,000; approval was received from FSC on October 11, 2018 in accordance with Jing-Guan-Zheng-Fa-Zi No. 1070336195.

Note 14 : With September 3, 2019 as the baseline date for capital increase, the capital increase by surplus was NT\$240,772,000; approval was received from FSC on August 21, 2019.

Type \ Shares	Authorized capital (thousand shares)			Note
	Outstanding shares	Unissued shares	Total	
Common Stock	1,444,654,293	355,345,707	1,800,000,000	Became a public issuing company as of November 14, 2006

(II) Shareholder structure

Baseline date: December 31, 2019

Quantity \ Shareholder structure	Government agencies	Financial institutions	Other corporations	Individuals	Foreign institutions and foreigners	Total
Number of people	2	17	85	97,625	27	97,756
Number of shares held	68,371	485,199,701	151,246,283	807,719,064	420,874	1,444,654,293
Percentage of shares (%)	-	33.59	10.47	55.91	0.03	100.00

Note : Number of shares held was based on the 1,444,654,293 common stock issued by December 31, 2019.

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

Baseline date: December 31, 2019

Shareholding range	Number of shareholders	No. of shares held	Percentage of shares (%)
1 to 999	72,057	27,632,833	1.91
1,000 to 5,000	12,803	38,735,852	2.68
5,001 to 10,000	3,599	24,071,878	1.67
10,001 to 15,000	1,950	23,976,374	1.66
15,001 to 20,000	791	13,448,427	0.93
20,001 to 30,000	3,354	84,736,013	5.87
30,001 to 50,000	1,131	42,236,659	2.92
50,001 to 100,000	1,393	92,390,294	6.40
100,001 to 200,000	337	45,367,083	3.14

Shareholding range	Number of shareholders	No. of shares held	Percentage of shares (%)
200,001 to 400,000	155	43,234,369	2.99
400,001 to 600,000	42	20,866,719	1.44
600,001 to 800,000	38	26,587,156	1.84
800,001 to 1,000,000	12	10,790,505	0.75
1,000,001 to 10,000,000	80	222,124,259	15.38
10,000,001 to 30,000,000	6	84,342,379	5.84
30,000,001 to 50,000,000	4	146,194,649	10.11
50,000,001 to 100,000,000	1	67,255,921	4.66
100,000,001 to 999,999,999	3	430,662,923	29.81
Total	97,756	1,444,654,293	100.00

Note: : Number of shares held and percentage of shares were based on the 1,444,654,293 common stock issued by December 31, 2019.

(IV) Major shareholders

Baseline date: December 31, 2019

Shares	No. of shares held	Percentage of shares (%)
Name of majority shareholders		
Fuching Investment Co., Ltd.	166,112,176	11.50
Yuanchih Investment Co., Ltd.	160,135,072	11.08
Baiyuan Investment Co., Ltd.	104,415,675	7.23
Sun Hui Construction Co., Ltd.	67,255,921	4.66
Ping-Hui Liu	45,650,578	3.16
Sanlight Construction Co., Ltd.	36,614,092	2.53
Mei-Yun Liao	33,188,207	2.30
Jingqing Investment Co., Ltd.	30,741,772	2.13
Yuanmao Construction Co., Ltd.	22,261,087	1.54
Simon Fang	19,361,012	1.34

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 1,444,654,293 common stock issued by December 31, 2019.

II 、 Issuance of financial instruments

Baseline date: December 31, 2019

Order of Share Issuance	14th	15th	16th
Term	2014 Term 1	2016 Term 1	2016 Term 2
Central competent authority	2014.03.28, Jing-Guan-Yin-He-Zi	2016.07.25, Jing-Guan-Yin-He-Zi	
Approval date, Letter No.	No. 10300083390	No. 10500180450	
Date of issue	2014.06.06	2016.08.31	2016.09.30
Denomination (NT\$)	NT\$100 thousand	NT\$1 million	
Place of issue and trading		R.O.C.	
Currency		TWD	
Issue price	Fully issued at denomination		
Total	NT\$3,000 million	NT\$1,216 million	NT\$410 million
Interest rate	Fixed : 3% Floating : +1.50% floating rate for 1-year time deposit according to Chunghwa Post Co., Ltd.	Fixed : 4.75%	
Term	6 years Maturity date: 2020.06.06	Maturity date: N/A	
Claim Priority		Second	
Terms of repayment	Lump-sum at maturity	Redeemable after the issue date up to 5 years with approval	
Unpaid Balance	NT\$3,000 million	NT\$1,216 million	NT\$410 million
Previous-year paid-in capital	NT\$9,558 million	NT\$12,212 million	NT\$12,212 million
Previous-year net value after settlement	NT\$9,817 million	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 (%)	58.06	44.88	47.99
Conformance to regulatory capital and its associated category	Yes, Category 2	Yes, Category 1	
Name of credit rating institution, date of credit rating, and credit rating	2014.06.04	2015.10.30	
	twBB	twBBB-	

Order of Share Issuance	17th	18th	19th
Term	2017 Term 1	2017 Term 2	2017 Term 3
Central competent authority	2016.04.06, Jing-Guan-Yin-He-Zi		2016.07.25, Jing-Guan-Yin-He-Zi
Approval date, Letter No.	No. 10500079110		No. 10500180450
Date of issue	2017.03.22	2017.03.31	2017.04.28
Denomination (NT\$)	NT\$1 million		
Place of issue and trading	R.O.C.		
Currency	TWD		
Issue price	Fully issued at denomination		
Total	NT\$397 million	NT\$305 million	NT\$150 million
Interest rate	Fixed : 2.5%		Fixed : 4.75%
Term	7 years Maturity date: 2024.03.22	7 years Maturity date: 2024.03.31	Maturity date: N/A
Claim Priority	Second		
Terms of repayment	Lump-sum at maturity		Redeemable after the issue date up to 5 years with approval
Unpaid Balance	NT\$397 million	NT\$305 million	NT\$150 million
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 "		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	50.21
Conformance to regulatory capital and its associated category	Yes, Category 2		Yes, Category I
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	20th	21th	22th
Term	2017 Term 4	2017 Term 5	2019 Term 1
Central competent authority	2016.07.25, Jing-Guan-Yin-He-Zi	2017.07.14, Jing-Guan-Yin-He-Zi	2019.04.02, Jing-Guan-Yin-He-Zi
Approval date, Letter No.	No. 10500180450	No. 10600163460	No. 10802046230
Date of issue	2017.07.21	2017.11.15	2019.06.26
Denomination (NT\$)	NT\$1 million	NT\$10 million	
Place of issue and trading	R.O.C.		
Currency	TWD		
Issue price	Fully issued at denomination		
Total	NT\$133 million	NT\$700 million	NT\$660 million
Interest rate	Fixed：4.75%	Fixed：2.50%	Fixed：2.25%
Term	Maturity date: N/A	7 years Maturity date: 2024.11.15	7 years Maturity date: 2026.06.26
Claim Priority	Second		
Terms of repayment	Redeemable after the issue date up to 5 years with approval	Lump-sum at maturity	
Unpaid Balance	NT\$133million	NT\$700million	NT\$660million
Previous-year paid-in capital	NT\$12,627 million	NT\$12,627 million	NT\$14,206 million
Previous-year net value after settlement	NT\$13,300 million	NT\$13,300 million	NT\$15,404 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 (%)	51.21	56.47	45.25
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		Taiwan Ratings Corporation
	2016.10.26		2018.10.29
	Long term:twBBB-/ Short term:twA-3		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 2019		End of December 2018		Difference	
	Amount	Proportion(%)	Amount	Proportion(%)	Amount	Growth rate(%)
Current Deposit	92,873,678	42.23	85,240,302	39.46	7,633,376	8.96
Checking Deposit	1,899,645	0.86	2,092,277	0.97	-192,632	-9.21
Demand Deposit	37,483,942	17.04	31,677,522	14.66	5,806,420	18.33
Demand Savings Deposit	53,490,091	24.32	51,470,503	23.82	2,019,589	3.92
Time Deposit	125,855,803	57.22	129,585,893	59.98	-3,730,090	-2.88
Time Deposit	42,209,140	19.19	46,045,066	21.31	-3,835,926	-8.33
Negotiable Certificates of Deposit (NCD)	394,100	0.18	427,700	0.20	-33,600	-7.86
Time Savings Deposit	83,252,563	37.85	83,113,127	38.47	139,436	0.17
Interest-drawing Savings Deposit	68,977,558	31.36	69,508,006	32.17	-530,448	-0.76
Non-interest-drawing Time Savings Deposit	14,148,914	6.43	13,484,264	6.24	664,650	4.93
Installment Savings Deposit	126,091	0.06	120,857	0.06	5,234	4.33
Re-deposit from Banks & Post Office	1,216,861	0.55	1,210,030	0.56	6,831	0.56
Total Deposits	219,946,342	100.00	216,036,226	100.00	3,910,117	1.81

Note : Total Deposits include TWD and foreign currency deposit.

2. Credit business

(1) Personal Loans

Unit: NT\$ thousand

Category	End of December 2019		End of December 2018		Difference	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Growth rate (%)
Secured overdraft	11,761	0.02	14,750	0.02	-2,989	-20.26
Short-term loans	651,691	0.95	852,230	1.24	-200,539	-23.53
Short-term secured loans	22,437,413	32.87	24,495,163	35.71	-2,057,750	-8.40
Mid-term loans	1,249,816	1.83	1,131,241	1.65	118,574	10.48
Mid-term secured loans	6,597,207	9.66	6,275,125	9.15	322,082	5.13
Long-term loans	159,701	0.23	192,841	0.28	-33,140	-17.19
Long-term secured loans	37,161,936	54.43	35,633,362	51.95	1,528,574	4.29
Total outstanding loan balance in TWD	68,269,524	100.00	68,594,712	100.00	-325,188	-0.47

(2) Corporate TWD loans

Unit: NT\$ thousand

Category	End of December 2019		End of December 2018		Difference	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Growth rate (%)
Short-term loans	17,175,828	20.42	12,623,282	18.09	4,552,545	36.06
Short-term secured loans	15,973,341	18.99	15,263,860	21.88	709,481	4.65
Mid-term loans	12,943,134	15.39	9,707,315	13.92	3,235,818	33.33
Mid-term secured loans	32,944,751	39.17	28,029,500	40.18	4,915,250	17.54
Long-term loans	352,853	0.42	321,719	0.46	31,134	9.68
Long-term secured loans	4,708,308	5.60	3,815,393	5.47	892,915	23.40
Total outstanding loan balance in TWD	84,098,213	100.00	69,761,069	100.00	14,337,143	20.55

(3) Corporate foreign currency loans

Unit: US\$ thousand

Category	End of December 2019		End of December 2018		Difference	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Growth rate (%)
Export bill	7,261	1.44	4,068	0.84	3,193	78.50
Short-term loans	223,309	44.39	213,306	44.24	10,003	4.69
Short-term secured loans	12,331	2.45	15,978	3.31	-3,647	-22.83
Mid-term loans	218,438	43.42	212,505	44.07	5,933	2.79
Mid-term secured loans	26,435	5.26	21,054	4.37	5,381	25.56
Long-term loans	14,265	2.84	14,265	2.96	-	-
Long-term secured loans	1,000	0.20	1,000	0.21	-	-
Total outstanding loan balance in Foreign currency	503,040	100.00	482,176	100.00	20,864	4.33

3. Wealth management and trust services

Unit: NT\$ thousand

Primary Businesses	2019		2018		Difference	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Growth rate (%)
Special monetary trust in domestic and offshore securities	172,794	27.63	122,662	21.61	50,132	40.87
Real-estate trust (development and management)	46,665	7.46	33,946	5.98	12,719	37.47
Other trusts	11,746	1.88	8,658	1.52	3,088	35.67
Fee income subtotal	231,205	36.97	165,266	29.11	65,940	39.90
Insurance	394,248	63.03	402,456	70.89	-8,208	-2.04
Fee income grand total	625,453	100.00	567,722	100.00	57,732	10.17

4. Debt collection and management services

Overdue loan payment amounted to NT\$540,824,000 at the end of 2019, Non-Performing Loans Ratio is 0.32%, reflecting a decreasing NT\$776,694,000 of compared with the NT\$1,317,518,000 in 2018 and Non-Performing Loans Ratio decreasing 0.53%. Regarding the undertaken collateral, the remaining balance for 2018 was NT\$191,649,000. Undertaken collateral remaining balance in 2019 was NT\$289,903,000, which the undertaken collateral is increasing NT\$110,295,000 and disposition of collateralis is increasing NT\$12,041,000.

5. Foreign currencies

Unit: US\$ thousand

Category	End of December 2019		End of December 2018		Difference	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Growth rate (%)
Imports	698,857	11.95	651,127	12.28	47,730	7.33
Exports	271,052	4.64	240,464	4.53	30,588	12.72
Outward remittance	2,322,968	39.73	2,006,810	37.84	316,158	15.75
Inward remittance	2,554,252	43.68	2,405,670	45.36	148,582	6.18
Total	5,847,130	100.00	5,304,071	100.00	543,059	10.24
Foreign currency deposit balance	629,723	-	604,176	-	25,547	4.23
Foreign currency loan balance	503,040	-	482,176	-	20,864	4.33

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

Unit: NT\$ thousand

Primary businesses	End of December 2019		End of December 2018	
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)
Total assets	255,702,104	100.00	247,066,363	100.00
Loans and discounts	165,944,398	64.90	152,561,304	61.75
Deposits at the CBC as well as loans to other banks	9,390,804	3.67	10,874,533	4.40
Investments in bills, bonds, and securities	55,263,483	21.61	60,209,908	24.37
Others	25,103,419	9.82	23,420,618	9.48
Total liabilities	239,281,278	93.58	231,662,166	93.77
Deposits and remittances	218,671,761	85.52	214,826,237	86.95
Deposits from CBC and peer banks	3,404,476	1.33	1,650,240	0.67
Financial bonds payable	6,971,000	2.73	6,311,000	2.55
Others	10,234,041	4.00	8,874,689	3.59

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	2019		2018	
	Amount	As a percentage of net income (%)	Amount	As a percentage of net income (%)
Net interest income	2,597,405	65.46	2,351,870	64.82
Net fee income	933,828	23.53	781,731	21.55
Financial asset or financial liability measured at fair value through profit (loss)	82,900	2.09	-69,482	-1.92
Financial assets measured at fair value through other comprehensive profit or loss have realized interest	133,912	3.37	56,477	1.56
Exchange gains	-15,796	-0.40	106,671	2.94
Reversal gains from asset impairments (losses)	-18,254	-0.46	-90	-
Other non-interest income	254,002	6.40	401,117	11.06
Net income	3,967,997	100.00	3,628,294	100.00

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

II 、Employees

Year		2018	2019	Now until January 31, 2020
Number of employees	Staff	1,378	1,378	1,374
	Service personnel	28	34	32
	Total	1,406	1,412	1,406
Average age		40.53	40.89	40.95
Average years of services		11.08	11.18	11.23
Academic qualification	Higher education	9.67	9.77	10.03
	Bachelors Degree	80.01	80.82	80.09
	High school	9.89	8.99	9.46
	Below high school	0.43	0.42	0.42

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 (Note 2)					Up to January 31, 2020
	2019	2018	2017 (Note 3)	2016 (Note 3)	2015 (Note 3)	
Cash and cash equivalents	4,895,465	5,071,404	4,975,231	5,433,632	4,558,525	Note 4
Deposits at CBC and interbank loans	9,390,804	10,874,533	20,767,098	49,712,132	33,738,715	
Financial assets measured at fair value through profit and loss	906,373	1,100,594	4,621,004	4,104,384	3,057,697	
Financial assets measured at fair value through other comprehensive income	16,750,207	14,058,368	-	-	-	
Debt instrument investments measured at amortised cost	36,957,425	41,835,000	-	-	-	
Investment in resale bills and bonds	649,478	3,215,946	5,817,368	7,021,795	6,233,031	
Accounts receivables - net	5,937,371	3,841,226	3,610,097	5,738,144	3,808,133	
Current income tax assets	42,541	51,661	27,458	20,298	34,148	
Loans and discounts - net	165,944,398	152,561,304	144,041,791	137,516,023	131,236,162	
Financial assets available for sale	-	-	42,045,954	9,239,105	12,728,369	
Held-to-maturity financial assets	-	-	798,918	100,000	750,450	
Other financial assets - net	-	184	55,537	55,537	55,537	
Property and equipment - net	6,936,681	7,192,805	6,378,384	6,563,692	6,709,010	
Right of use asset - net	366,778	-	-	-	-	
Investment property - net	2,995,539	2,776,023	2,379,171	2,333,805	2,315,100	
Intangible assets - net	2,355,794	2,369,131	2,351,750	2,375,266	2,418,500	
Deferred taxes assets - net	420,911	490,491	535,375	603,079	657,869	
Other assets	1,152,339	1,627,693	2,300,711	1,765,662	1,665,666	
Total assets	255,702,104	247,066,363	240,705,847	232,582,554	209,966,912	
Deposits at the CBC and peer banks	3,404,476	1,650,240	1,319,059	1,302,332	1,320,036	
Loans from CBC and peer banks	3,029,000	2,015,000	1,653,000	1,401,000	438,000	
Financial liabilities at fair value through profit and loss	4,303	28,226	5,757	185,181	431,388	
Bills and bonds sold under repurchase agreements	3,165,799	2,913,216	542,417	-	-	
Payables	2,444,450	3,210,902	3,450,320	3,593,163	3,234,613	
Current income tax liabilities	38,137	-	4,919	10,961	-	

Item \ Year		Financial data over the last five years (Note 2)					Up to January 31, 2020
		2019	2018	2017	2016	2015	
				(Note 3)	(Note 3)	(Note 3)	
Deposits and remittances		218,671,761	214,826,237	211,661,967	206,495,592	186,111,200	Note 4
Financial bonds payable		6,971,000	6,311,000	7,111,000	5,826,000	4,700,000	
Other financial liabilities		630,000	210,000	170,000	-	-	
Liability provisions		246,625	206,183	180,591	183,924	180,049	
Lease obligations		371,542	-	-	-	-	
Deferred income tax liabilities		108,823	108,823	108,292	108,292	111,197	
Other liabilities		195,362	182,339	195,223	208,462	239,729	
Total liabilities	Before distribution	239,281,278	231,662,166	226,402,545	219,314,907	196,766,212	
	After distribution	(Note 1)	231,662,166	226,402,545	219,314,907	196,827,271	
Equity attributable to parent company shareholders		16,420,826	15,404,197	14,303,302	13,267,647	13,200,700	
Share capital	Before distribution	14,446,543	14,205,771	13,565,849	12,626,953	12,211,753	
	After distribution	(Note 1)	14,446,543	13,755,771	12,765,849	12,626,953	
Capital reserves		-	-	-	-	-	
Retained earnings	Before distribution	1,603,915	937,037	789,040	719,929	860,809	
	After distribution	(Note 1)	696,265	599,118	581,033	384,550	
Other equity		370,368	261,389	-51,587	-79,235	128,138	
Treasury stock		-	-	-	-	-	
Non-controlling shareholders		-	-	-	-	-	
Total equity	Before distribution	16,420,826	15,404,197	14,303,302	13,267,647	13,200,700	
	After distribution	(Note 1)	15,404,197	14,303,302	13,267,647	13,139,641	

Note 1: The aforementioned data obtained after distribution are based on the resolution of the annual shareholders' meeting. Earnings distribution for 2019 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 3-8 of No. 330, Zhongzheng Road, Banqiao District, New Taipei City, as profit due to 2018 changes in the leaseback period. This recognition was considered an accounting error and was rectified; therefore, the profit and loss for 2015-2017 were adjusted.

Note 4: There is no further update from CPA till the publication date of this annual report (2020.01.31).

(2) Individual

Unit: NT\$ thousand

Item \ Year	Financial data over the last five years (Note 2)					Up to January 31, 2020
	2019	2018	2017 (Note 3)	2016 (Note 3)	2015 (Note 3.4)	
Cash and cash equivalents	4,814,052	4,943,462	4,915,172	5,370,693	4,541,415	Note 5
Deposits at CBC and interbank loans	9,390,804	10,874,533	20,767,098	49,712,132	33,738,715	
Financial assets measured at fair value through profit and loss	906,373	1,100,594	4,621,004	4,104,384	3,057,697	
Financial assets measured at fair value through other comprehensive income	16,750,207	14,058,368	-	-	-	
Debt instrument investments measured at amortised cost	36,957,425	41,835,000	-	-	-	
Investment in resale bills and bonds	649,478	3,215,946	5,817,368	7,021,795	6,233,031	
Accounts receivables - net	1,581,468	1,604,095	1,708,534	4,125,604	3,242,478	
Current income tax assets	41,955	50,913	27,425	19,966	34,028	
Loans and discounts - net	165,944,398	152,561,304	144,041,791	137,516,023	131,236,162	
Financial assets available for sale	-	-	42,045,954	9,239,105	12,728,369	
Held-to-maturity financial assets	-	-	798,918	100,000	750,450	
Equity-accounted investments - net	1,006,607	872,761	828,575	487,197	481,811	
Other financial assets - net	-	184	55,537	55,537	55,537	
Property and equipment - net	6,930,606	7,184,946	6,374,610	6,560,824	6,706,664	
Right of use asset - ne	352,061	-	-	-	-	
Investment property - net	2,995,539	2,776,023	2,379,171	2,333,805	2,315,100	
Intangible assets - net	2,355,794	2,369,131	2,351,750	2,375,266	2,418,500	
Deferred taxes assets - net	420,911	490,491	535,375	603,079	657,869	
Other assets	904,023	929,075	1,646,407	1,686,123	1,445,185	
Total assets	252,001,701	244,866,826	238,914,689	231,311,533	209,643,011	
Deposits at the CBC and peer banks	3,404,476	1,650,240	1,319,059	1,302,332	1,320,036	
Financial liabilities at fair value through profit and loss	4,303	28,226	5,757	185,181	431,388	
Bills and bonds sold under repurchase agreements	3,165,799	2,913,216	542,417	-	-	
Payables	2,402,215	3,204,523	3,437,652	3,571,675	3,213,878	
Current income tax liabilities	7,648	-	-	10,019	-	
Deposits and remittances	218,754,650	214,870,883	211,717,497	206,650,562	186,251,343	
Financial bonds payable	6,971,000	6,311,000	7,111,000	5,826,000	4,700,000	
Liability provisions	246,625	206,183	180,591	183,924	180,049	
Lease obligations	356,686	-	-	-	-	
Deferred income tax liabilities	108,823	108,823	108,292	108,292	111,197	

Item \ Year		Financial data over the last five years (Note 2)					Up to January 31, 2020
		2019	2018	2017 (Note 3)	2016 (Note 3)	2015 (Note 3.4)	
Other liabilities		158,650	169,535	189,122	205,901	234,420	Note 5
Total liabilities	Before distribution	235,580,875	229,462,629	224,611,387	218,043,886	196,442,311	
	After distribution	(Note 1)	229,462,629	224,611,387	218,043,886	196,503,307	
Equity attributable to parent company shareholders		16,420,826	15,404,197	14,303,302	13,267,647	13,200,700	
Share capital	Before distribution	14,446,543	14,205,771	13,565,849	12,626,953	12,211,753	
	After distribution	(Note 1)	14,446,543	13,755,771	12,765,849	12,626,953	
Capital reserves		-	-	-	-	-	
Retained-earnings	Before distribution	1,603,915	937,037	789,040	719,929	860,809	
	After distribution	(Note 1)	696,265	599,118	581,033	384,550	
Other equity		370,368	261,389	-51,587	-79,235	128,138	
Treasury stock		-	-	-	-	-	
Non-controlling shareholders		-	-	-	-	-	
Total equity	Before distribution	16,420,826	15,404,197	14,303,302	13,267,647	13,200,700	
	After distribution	(Note 1)	15,404,197	14,303,302	13,267,647	13,139,641	

Note 1 : The aforementioned data obtained after distribution are based on the resolution of the annual shareholders' meeting. Earnings distribution for 2019 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 3-8 of No. 330, Zhongzheng Road, Banqiao District, New Taipei City, as profit due to 2018 changes in the leaseback period. This recognition was considered an accounting error and was rectified; therefore, the profit and loss for 2015-2017 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 is no further update from CPA till the publication date of this annual report (2020.01.31).

(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 (Note 1)					Up to January 31, 2020
	2019	2018	2017	2016	2015	
			(Note 3)	(Note 3)	(Note 3)	
Interest income	4,597,948	4,220,817	3,912,101	3,829,018	3,994,187	Note 4
Less: Interest expenses	2,000,543	1,868,947	1,698,299	1,594,232	1,633,541	
Net interest income	2,597,405	2,351,870	2,213,802	2,234,786	2,360,646	
Non-interest net income	1,370,592	1,276,424	1,016,945	1,356,271	1,367,442	
Net operating income	3,967,997	3,628,294	3,230,747	3,591,057	3,728,088	
Bad loan expenses and provisions for guarantee liabilities	106,743	542,763	353,363	496,179	231,758	
Operating expenses	2,819,962	2,646,340	2,611,780	2,651,953	2,640,444	
Pre-tax profit from continuing operations	1,041,292	439,191	265,604	442,925	855,886	
Income tax gains (expenses)	-149,843	-47,725	-61,367	-104,363	-143,963	
Current profit from continuing operations	891,449	391,466	204,237	338,562	711,923	
Profit and loss from discontinuing operations	-	-	-	-	-	
Net profit (loss) for the current period	891,449	391,466	204,237	338,562	711,923	
Other comprehensive income/losses for the current period (net, after-tax)	125,180	190,031	31,418	-210,556	103,837	
Total comprehensive income for the current period	1,016,629	581,497	235,655	128,006	815,760	
Net profit attributable to parent company shareholders	891,449	391,466	204,237	338,562	711,923	
Net profit attributable to non-controlling shareholders	-	-	-	-	-	
Total comprehensive income attributable to parent company shareholders	1,016,629	581,497	235,655	128,006	815,760	
Total comprehensive income attributable to non-controlling shareholders	-	-	-	-	-	
Earnings (loss) per share	0.62	0.28	0.16	0.27	0.60	

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 3-8 of No. 330, Zhongzheng Road, Banqiao District, New Taipei City, as profit due to 2018 changes in the leaseback period. This recognition was considered an accounting error and was rectified; therefore, the profit and loss for 2015-2017 were adjusted.

Note 4 : There is no further update from CPA till the publication date of this annual report (2020.01.31).

(2) Individual

Unit: NT\$ thousand

Item \ Year	Financial data over the last five years (Note 1)					Up to January 31, 2020
	2019	2018	2017	2016	2015	
			(Note 3)	(Note 3)	(Note 3.4)	
Interest income	4,404,845	4,122,155	3,808,263	3,779,734	3,994,132	Note 5
Less: Interest expenses	1,938,560	1,837,995	1,663,748	1,580,885	1,630,882	
Net interest income	2,466,285	2,284,160	2,144,515	2,198,849	2,363,250	
Non-interest net income	1,348,814	1,274,176	1,036,622	1,336,083	1,335,856	
Net operating income	3,815,099	3,558,336	3,181,137	3,534,932	3,699,106	
Bad loan expenses and provisions for guarantee liabilities	65,241	535,631	357,784	476,888	224,126	
Operating expenses	2,740,419	2,585,660	2,563,490	2,615,934	2,619,435	
Pre-tax profit from continuing operations	1,009,439	437,045	259,863	442,110	855,545	
Income tax gains (expenses)	-117,990	-45,579	-55,626	-103,548	-143,622	
Current profit from continuing operations	891,449	391,466	204,237	338,562	711,923	
Profit and loss from discontinuing operations	-	-	-	-	-	
Net profit (loss) for the current period	891,449	391,466	204,237	338,562	711,923	
Other comprehensive income/losses for the current period (net, after-tax)	125,180	190,031	31,418	-210,556	103,837	
Total comprehensive income for the current period	1,016,629	581,497	235,655	128,006	815,760	
Net profit attributable to parent company shareholders	891,449	391,466	204,237	338,562	711,923	
Net profit attributable to non-controlling shareholders	-	-	-	-	-	
Total comprehensive income attributable to parent company shareholders	1,016,629	581,497	235,655	128,006	815,760	
Total comprehensive income attributable to non-controlling shareholders	-	-	-	-	-	
Earnings (loss) per share	0.62	0.28	0.16	0.27	0.60	

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 3-8 of No. 330, Zhongzheng Road, Banqiao District, New Taipei City, as profit due to 2018 changes in the leaseback period. This recognition was considered an accounting error and was rectified; therefore, the profit and loss for 2015-2017 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 is no further update from CPA till the publication date of this annual report (2020.01.31).

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 (Note 1)					Up to January 31, 2020
		2019	2018	2017	2016	2015	
				(Note 9)	(Note 9)	(Note 9)	
Operational Efficiency	Loans to deposit ratio (%)	77	72	69	67	71	Note 10
	Overdue loan ratio (%)	0.32	0.85	0.80	0.84	0.72	
	Interest expense as a percentage of annual average deposit balance (%)	0.75	0.72	0.70	0.73	0.76	
	Interest income as a percentage of annual average loan balance (%)	2.37	2.36	2.31	2.40	2.46	
	Asset turnover rate (times)	0.02	0.01	0.01	0.02	0.02	
	Operating revenue per employee	2,712	2,499	2,253	2,585	2,613	
	Profit per employee	609	270	142	244	499	
Profitability	Tier 1 capital return ratio (%)	7	3	2	4	9	
	Return on assets (%)	0.35	0.16	0.09	0.15	0.34	
	Return on equity (%)	5.60	2.64	1.48	2.56	5.74	
	Net profit margin (%)	22.47	10.79	6.32	9.43	19.10	
	Earnings per share (NT\$)	0.62	0.28	0.16	0.27	0.60	
Financial structure	Liabilities to total assets (%)	94	94	94	94	94	
	Real estate and equipment as a percentage of total equity (%)	42	47	45	49	51	
Growth rate	Asset growth rate (%)	3	3	3	11	3	
	Profit growth rate (%)	137	65	-40	-48	30	
Cash Flows	Operating cash flow ratio (%)	(Note 8)	(Note 8)	(Note 8)	402	157	
	Cash flow adequacy ratio (%)	(Note 8)	(Note 8)	(Note 8)	(Note 8)	(Note 8)	
	Cash flow satisfied ratio (%)	(Note 8)	(Note 8)	(Note 8)	10,084	665	
Liquid reserve ratio (%)		23	27	27	26	26	
Total secured credit balance of stakeholders		2,037,332	2,550,252	2,465,721	3,337,770	3,261,177	
Total secured credit balance of stakeholders as a percentage of total credit balance (%)		1.19	1.62	1.66	2.33	2.39	
Operating scale	Asset market share (%)	0.38	0.38	0.39	0.39	0.36	
	Equity market share (%)	0.36	0.36	0.36	0.34	0.36	
	Deposit market share (%)	0.49	0.50	0.51	0.52	0.48	
	Loan market share (%)	0.58	0.56	0.55	0.55	0.55	

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 Overdue loan ratio : Mainly due to the decrease in overdue loans in 2018 compared with 2019.
2. Increase in Operating revenue per employee, profit per employee, Tier 1 capital return ratio, return on assets, return on equity, net profit margin, earnings per share and profit growth rate: Mainly due to increase in Net income at 2019.
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 in Total secured credit balance of stakeholders at 2019.

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 3-8 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 2014-2017 were adjusted.

Note 10 : There is no further update from CPA till the publication date of this annual report (2020.01.31).

2. Individual

Unit: NT\$ thousand

Item \ Year		Financial analysis for the last five years (Note 1)					Up to January 31, 2020
		2019	2018	2017 (Note 9)	2016 (Note 9)	2015 (Note 9.10)	
Operational Efficiency	Loans to deposit ratio (%)	77	72	69	67	71	Note 11
	Overdue loan ratio (%)	0.32	0.85	0.80	0.84	0.72	
	Interest expense as a percentage of annual average deposit balance (%)	0.75	0.72	0.70	0.73	0.82	
	Interest income as a percentage of annual average loan balance (%)	2.37	2.36	2.31	2.40	2.64	
	Asset turnover rate (times)	0.02	0.01	0.01	0.02	0.02	
	Operating revenue per employee	2,704	2,525	2,259	2,545	2,592	
	Profit per employee	632	278	145	244	499	
Profitability	Tier 1 capital return ratio (%)	7	3	2	4	9	
	Return on assets (%)	0.36	0.16	0.09	0.15	0.34	
	Return on equity (%)	5.60	2.64	1.48	2.56	5.74	
	Net profit margin (%)	23.37	11.00	6.42	9.58	19.25	
	Earnings per share (NT\$)	0.62	0.28	0.16	0.27	0.60	
Financial structure	Liabilities to total assets (%)	93	94	94	94	94	
	Real estate and equipment as a percentage of total equity (%)	42	47	45	49	51	
Growth rate	Asset growth rate (%)	3	2	3	10	2	
	Profit growth rate (%)	131	68	-41	-48	33	
Cash Flows	Operating cash flow ratio (%)	(Note 8)	(Note 8)	(Note 8)	433	166	
	Cash flow adequacy ratio (%)	(Note 8)	(Note 8)	(Note 8)	(Note 8)	(Note 8)	
	Cash flow satisfied ratio (%)	(Note 8)	(Note 8)	(Note 8)	5,613	866	
Liquidity Reserve Ratio (%)		23	27	27	26	26	
Total secured credit balance of stakeholders		2,037,332	2,550,252	2,465,721	3,337,770	3,261,177	
Total secured credit balance of stakeholders as a percentage of total credit balance (%)		1.19	1.62	1.66	2.33	2.39	
Operating scale	Asset market share (%)	0.38	0.38	0.39	0.39	0.36	
	Equity market share (%)	0.36	0.36	0.36	0.34	0.36	
	Deposit market share (%)	0.49	0.50	0.51	0.52	0.48	
	Loan market share (%)	0.58	0.56	0.55	0.55	0.55	

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 Overdue loan ratio : Mainly due to the decrease in overdue loans in 2018 compared with 2019.
2. Increase in operating revenue per employee, profit per employee, Tier 1 capital return ratio, return on assets, return on equity, net profit margin, earnings per share and Profit growth rate: Mainly due to increase in Net income at 2019.
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 in Total secured credit balance of stakeholders at 2019.

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 3-8 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 2014-2017 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 is no further update from CPA till the publication date of this annual report (2020.01.31).

III 、Five-year capital adequacy analysis

1. Consolidated

Unit: NT\$ thousand

Item \ Year			Five-Year Capital Adequacy Ratio (Note 1)					Up to January 31, 2020
			2019	2018	2017	2016	2015	
Regulatory Capital	Common stock equity		13,243,319	12,214,831	11,359,075	10,294,401	10,025,073	Note 4
	Other non-ordinary share Tier 1 capital		1,895,251	1,895,310	1,895,116	1,587,116	-	
	Tier 2 capital		3,706,652	3,646,586	4,035,570	2,843,024	3,637,850	
	Regulatory capital		18,845,222	17,756,727	17,289,761	14,724,541	13,662,923	
Total weighted risk asset	Credit risk	Standardized approach	153,901,372	143,388,468	136,703,563	135,420,096	127,134,024	
		Internal rating approach	-	-	-	-	-	
		Asset securitisation	-	-	-	-	-	
	Operating risk	Basic indicator approach	6,439,788	6,137,313	6,218,525	6,290,025	5,845,263	
		Standardized approach/optional standardized approach	-	-	-	-	-	
		Advanced approach	-	-	-	-	-	
	Market Risk	Standardized approach	499,613	596,712	1,774,475	3,119,475	2,620,013	
		Internal modeling approach	-	-	-	-	-	
	Total weighted risk asset		160,840,773	150,122,493	144,696,563	144,829,596	135,599,300	
	Capital adequacy ratio (%)			11.72	11.83	11.95	10.17	
Tier 1 capital as a percentage of risk assets (%)			9.41	9.40	9.16	8.20	7.39	
Common stock equity as a percentage of risk assets (%)			8.23	8.14	7.85	7.11	7.39	
Leverage ratio (%)			5.71	5.54	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 is no further update from CPA till the publication date of this annual report (2020.01.31).

2. Individual

Unit: NT\$ thousand

Item			Year	Five-Year Capital Adequacy Ratio (Note 1)					Up to January 31, 2020
				2019	2018	2017	2016	2015	
Regulatory Capital	Common stock equity		12,991,667	11,996,641	11,151,932	10,172,601	9,762,200	Note 4	
	Other non-ordinary share Tier 1 capital		1,643,599	1,677,120	1,687,972	1,465,317	-		
	Tier 2 capital		3,203,348	3,210,206	3,621,282	2,599,425	3,374,976		
	Regulatory Capital		17,838,614	16,883,967	16,461,186	14,237,343	13,137,176		
Total weighted risk asset	Credit risk	Standardized approach	149,260,597	140,419,282	134,131,916	133,712,568	126,324,158		
		Internal rating approach	-	-	-	-	-		
		Asset securitisation	-	-	-	-	-		
	Operational risk	Basic indicator approach	6,322,775	6,030,425	6,134,188	5,970,013	5,504,663		
		Standardized approach/optional standardized approach	-	-	-	-	-		
		Advanced approach	-	-	-	-	-		
	Market Risk	Standardized approach	499,613	596,713	1,774,475	3,119,475	2,620,013		
		Internal modeling approach	-	-	-	-	-		
	Total weighted risk asset		156,082,985	147,046,420	142,040,579	142,802,056	134,448,834		
	Capital adequacy ratio (%)			11.43	11.48	11.59	9.97		9.77
Tier 1 capital as a percentage of risk assets (%)			9.38	9.30	9.04	8.15	7.26		
Common stock equity as a percentage of risk assets (%)			8.32	8.16	7.85	7.12	7.26		
Leverage ratio (%)			5.61	5.42	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 is no further update from CPA till the publication date of this annual report (2020.01.31).

BANK OF PANHSIN**Parent Company Only Financial Statements****With Independent Auditors' Report
For the Years Ended December 31, 2019 and 2018**

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 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, the Chinese version shall prevail.

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Report	3
4. Statements of Financial Position	4
5. Statements of Comprehensive Income	5
6. Statements of Changes in Equity	6
7. Statements of Cash Flows	7
8. Notes to the Financial Statements	
(1) Organization and Business Scope	8
(2) Financial statements authorization date and authorization process	8
(3) New standards and interpretations not yet adopted	9~11
(4) Summary of significant accounting policies	11~22
(5) Primary sources of significant accounting assumptions, judgments, and estimation uncertainty	22~23
(6) Explanation of significant accounts	23~82
(7) Related-party transactions	83~86
(8) Pledged assets	87
(9) Significant contingent liabilities and unrecognized contract commitments	87~90
(10) Signification disaster loss	90
(11) Subsequent events	90
(12) Other	91~99
(13) Notes to disclosure items	
(a) Information on significant transactions	100~101
(b) Information on investees	101
(c) Information regarding investment in China	101
(14) Operating segment information	101

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, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, 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 of the consolidated financial statements as of and for the year ended December 31, 2019 in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants", Rule No. 10802731571 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2018 in accordance with the "Regulations Governing Auditing and Certification of Financial Industry Financial Statements 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 Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries 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 for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements 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 notes 6(g), 6(h), 6(i), 6(u) and 6(an) for the details of the impairment of loans and receivables.

Description of Key audit matters

The Bank mainly engages in loan business. The Bank's loans and receivables are significant to its overall financial statements. Assessment on the impairment of loans and receivables, provisions for guarantee liabilities, and provisions for loan commitments rely on the management's assumptions of probability of default (PD) and expected credit loss (ECL). These assumptions are influenced by the historical experiences, current market conditions and forward-looking estimation, and therefore, have high uncertainty risks. Consequently, the 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; testing whether the loans and receivables are classified into each stage of expected credit loss according to the procedures for loans and bad debt assessment; testing whether the input values used for probability of default (PD) and expected credit loss (ECL) of each stage of expected credit loss are based on reasonable and verifiable information (including forward looking macroeconomic information). We also assessed whether the impaired amounts recognized by the management are in accordance with the related regulations issued by the authority.

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(n) for the details of the impairment of goodwill.

Description of key audit matters

As of December 31, 2019, 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 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.

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with 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 18, 2020

Notes to Readers

The accompanying parent company only financial statements are intended only to present the financial position, financial performance and 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 are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying parent company only 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' audit report and parent company only financial statements, the Chinese version shall prevail.

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

Statements of Financial Position

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2019		December 31, 2018			December 31, 2019		December 31, 2018	
	Amount	%	Amount	%		Amount	%	Amount	%
Assets					Liabilities and Equity				
11000 Cash and cash equivalents (note 6(a))	\$ 4,814,052	2	4,943,462	2	21000 Deposits from Central Bank and other banks (note 6(p))	\$ 3,404,476	1	1,650,240	1
11500 Due from Central Bank and call loans to banks (notes 6(b) and 8)	9,390,804	4	10,874,533	5	22000 Financial liabilities at fair value through profit or loss (note 6(c))	4,303	-	28,226	-
12000 Financial assets at fair value through profit or loss (note 6(c))	906,373	-	1,100,594	1	22500 Securities sold under repurchase agreements (note 6(q))	3,165,799	1	2,913,216	1
12100 Financial assets at fair value through other comprehensive income (notes 6(d) and 8)	16,750,207	7	14,058,368	6	23000 Payables (notes 6(r) and 7)	2,402,215	1	3,204,523	1
12200 Investment in debt instruments at amortized cost (notes 6(e) and 8)	36,957,425	15	41,835,000	17	23200 Current income tax liabilities	7,648	-	-	-
12500 Securities purchased under resell agreements (note 6(f))	649,478	-	3,215,946	1	23500 Deposits and remittances (notes 6(s) and 7)	218,754,650	87	214,870,883	88
13000 Receivables, net (note 6(g))	1,581,468	1	1,604,095	1	24000 Financial debenture (notes 6(t) and 7)	6,971,000	3	6,311,000	3
13200 Current income tax assets	41,955	-	50,913	-	25600 Provisions (notes 6(u) and (x))	246,625	-	206,183	-
13500 Loans and discounts, net (notes 6(h) and 7)	165,944,398	66	152,561,304	62	26000 Lease liabilities (note 6(v))	356,686	-	-	-
15000 Investments accounted for using equity method, net (note 6(j))	1,006,607	-	872,761	-	29300 Deferred tax liabilities (note 6(y))	108,823	-	108,823	-
15500 Other financial assets, net (note 6(i))	-	-	184	-	29500 Other liabilities (notes 6(k) and (w))	158,650	-	169,535	-
18500 Property and equipment, net (note 6(k))	6,930,606	3	7,184,946	3	Total liabilities	<u>235,580,875</u>	<u>93</u>	<u>229,462,629</u>	<u>94</u>
18600 Right-of-use assets, net (notes 6(l) and 7)	352,061	-	-	-	Equity:				
18700 Investment property, net (note 6(m))	2,995,539	1	2,776,023	1	31101 Ordinary shares (note 6(z))	<u>14,446,543</u>	<u>6</u>	<u>14,205,771</u>	<u>6</u>
19000 Intangible assets, net (note 6(n))	2,355,794	1	2,369,131	1	Retained earnings (note 6(aa)):				
19300 Deferred income tax assets, net (note 6(y))	420,911	-	490,491	-	32001 Legal reserve	691,804	-	587,873	-
19500 Other assets (notes 6(o) and 8)	904,023	-	929,075	-	32003 Special reserve	4,459	-	54,313	-
					32005 Unappropriated earnings	<u>907,652</u>	<u>1</u>	<u>294,851</u>	<u>-</u>
						<u>1,603,915</u>	<u>1</u>	<u>937,037</u>	<u>-</u>
					32500 Other equity (note 6(z))	<u>370,368</u>	<u>-</u>	<u>261,389</u>	<u>-</u>
Total assets	<u>\$ 252,001,701</u>	<u>100</u>	<u>244,866,826</u>	<u>100</u>	Total equity	<u>16,420,826</u>	<u>7</u>	<u>15,404,197</u>	<u>6</u>
					Total liabilities and equity	<u>\$ 252,001,701</u>	<u>100</u>	<u>244,866,826</u>	<u>100</u>

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

Statements of Comprehensive Income
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

	2019		2018		Variance
	Amount	%	Amount	%	
41000 Interest income (notes 6(ac) and 7)	\$ 4,404,845	116	4,122,155	116	7
51000 Less: Interest expense (notes 6(ac) and 7)	1,938,560	51	1,837,995	52	5
Net income of interest	2,466,285	65	2,284,160	64	8
Net non-interest income					
49100 Service fees, net (note 6(ad))	917,148	24	775,085	22	18
49200 Gain (loss) on financial asset or liabilities at fair value through profit or loss (note 6(ae))	82,900	2	(69,482)	(2)	219
49310 Realized gain on financial assets at fair value through other comprehensive income (notes 6(d) and (af))	133,912	3	56,477	2	137
49600 Foreign exchange gain (loss), net	(15,796)	-	106,629	3	(115)
49700 Reversal of (provision for) impairment loss on assets (notes 6(d), (e), (o) and (ag))	(15,210)	-	2,898	-	(625)
49750 Investment income under the equity method	118,561	3	44,186	1	168
49800 Other non-interest income (loss), net (notes 6(m), (ah) and 7)	(5,985)	-	8,779	-	(168)
49823 Gain (loss) on disposal of foreclosed assets (notes 6(o) and 7)	(436)	-	223,275	6	(100)
49851 Rental income (note 7)	113,842	3	106,451	3	7
49863 Net gain on disposal of property (note 6(k))	19,878	-	19,878	1	-
Total income	3,815,099	100	3,558,336	100	7
58200 Bad debt expense and reserve for guarantees (notes 6(g), (h), (i), (u) and (ai))	65,241	2	535,631	15	(88)
Operation expense:					
58500 Employee benefit expense (notes 6(x), (aj) and (ak))	1,598,022	42	1,469,297	41	9
59000 Depreciation and amortization expense (notes 6(k), (l), (n) and (al))	356,746	9	178,098	5	100
59500 Other general and administrative expense (notes 6(am) and 7)	785,651	20	938,265	27	(16)
Total Expenses	2,740,419	71	2,585,660	73	6
Profit from continuing operations before tax	1,009,439	27	437,045	12	131
61003 Less: Income tax expense (note 6(y))	(117,990)	(3)	(45,579)	(1)	(159)
Profit	891,449	24	391,466	11	128
65000 Other comprehensive income:					
65200 Components of other comprehensive income that will not be reclassified to profit or loss (note 6(x))					
65201 Gains (losses) on remeasurements of defined benefit plans	(28,432)	(1)	84	-	(33,948)
65204 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	46,111	1	219,488	6	(79)
65220 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-
Components of other comprehensive income that will not be reclassified to profit or loss	17,679	-	219,572	6	(92)
65300 Components of other comprehensive income (loss) that will be reclassified to profit or loss					
65301 Exchange differences on translation of foreign financial statements	(7,981)	-	2,910	-	(374)
65308 Unrealized gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	115,648	3	(29,553)	(1)	491
65319 Other components of other comprehensive income that will be reclassified to profit or loss	(166)	-	(2,898)	-	94
65320 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-
Components of other comprehensive income that will be reclassified to profit or loss	107,501	3	(29,541)	(1)	464
65000 Other comprehensive income	125,180	3	190,031	5	(34)
Total comprehensive income	\$ 1,016,629	27	581,497	16	75
Earnings per share(expressed in New Taiwan dollars) (note 6(ab)):					
67500 Basic earnings per share	\$ 0.62		\$ 0.28		
67700 Diluted earnings per share	\$ 0.62		\$ 0.28		

See accompanying notes to parent company only financial statements.

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

Statements of Changes in Equity
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

	Total other equity interest									
		Retained earnings				Foreign currency translation differences for foreign operations	Gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total other equity interest	Total equity
	Common stock	Legal reserve	Special reserve	Retained earnings	Total retained earnings					
Balance at January 1, 2018	\$ 13,565,849	523,024	80,880	185,136	789,040	4,656	-	(56,243)	(51,587)	14,303,302
Effects of retrospective application	-	-	-	(74,371)	(74,371)	-	87,526	56,243	143,769	69,398
Balance on January 1, 2018 after adjustments	13,565,849	523,024	80,880	110,765	714,669	4,656	87,526	-	92,182	14,372,700
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	64,849	-	(64,849)	-	-	-	-	-	-
Stock dividends of ordinary share	189,922	-	-	(189,922)	(189,922)	-	-	-	-	-
Reversal of special reserve	-	-	(26,567)	26,567	-	-	-	-	-	-
Net Income	-	-	-	391,466	391,466	-	-	-	-	391,466
Other comprehensive income	-	-	-	84	84	2,910	187,037	-	189,947	190,031
Total comprehensive income	-	-	-	391,550	391,550	2,910	187,037	-	189,947	581,497
Issue of shares	450,000	-	-	-	-	-	-	-	-	450,000
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	20,740	20,740	-	(20,740)	-	(20,740)	-
Balance at December 31, 2018	14,205,771	587,873	54,313	294,851	937,037	7,566	253,823	-	261,389	15,404,197
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	103,931	-	(103,931)	-	-	-	-	-	-
Stock dividends of ordinary share	240,772	-	-	(240,772)	(240,772)	-	-	-	-	-
Reversal of special reserve	-	-	(49,854)	49,854	-	-	-	-	-	-
Net income	-	-	-	891,449	891,449	-	-	-	-	891,449
Other comprehensive income	-	-	-	(28,432)	(28,432)	(7,981)	161,593	-	153,612	125,180
Total comprehensive income	-	-	-	863,017	863,017	(7,981)	161,593	-	153,612	1,016,629
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	44,633	44,633	-	(44,633)	-	(44,633)	-
Balance at December 31, 2019	\$ 14,446,543	691,804	4,459	907,652	1,603,915	(415)	370,783	-	370,368	16,420,826

See accompanying notes to parent company only financial statements.

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

Bank of Panhsin

Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from (used in) operating activities:		
Income before income tax expense	\$ 1,009,439	437,045
Adjustments:		
Adjustments for the effects of non-cash transactions:		
Depreciation expense	343,817	169,718
Amortization expense	42,462	36,291
Provision for bad debt expense, commitment and guarantee liability provision	65,241	535,631
Interest expense	1,938,560	1,837,995
Interest income	(4,404,845)	(4,122,155)
Dividend income	(72,821)	(66,360)
Net change in other provisions	-	(4,048)
Loss (gain) on disposal for foreclosed collaterals	436	(223,275)
Share of profit of subsidiaries	(118,561)	(44,186)
Gain on disposal of property and equipment	(14,629)	(16,760)
Loss on disposal intangible assets	-	19
Impairment loss (gain) on financial assets	267	(2,898)
Impairment loss on non-financial assets	14,943	-
Total adjustments to reconcile net income	(2,205,130)	(1,900,028)
Changes in operating assets and liabilities:		
Due from Central Bank and call loans to banks	(64,823)	812,783
Financial assets at fair value through profit or loss	194,221	3,653,151
Financial assets at fair value through other comprehensive income	(2,530,080)	(3,447,949)
Investments in debt instruments measured at amortised cost	4,877,142	(9,405,000)
Receivables	23,316	162,192
Loans and discounts, net	(13,423,785)	(9,034,679)
Other financial assets	(14,911)	(184)
Deposits from Central Bank and other banks	1,754,236	331,181
Financial liabilities at fair value through profit or loss	(23,923)	22,469
Payables	(791,592)	(258,905)
Deposits and remittances	3,883,767	3,153,386
Provision for employee benefit	547	(373)
Other liabilities	8,993	291
Total net changes in operating assets and liabilities	(6,106,892)	(14,011,637)
Total adjustments	(8,312,022)	(15,911,665)
Cash inflow (outflow) generated used in operations	(7,302,583)	(15,474,620)
Interest received	4,402,814	4,060,616
Dividends received	107,536	66,360
Interest paid	(1,940,624)	(1,812,219)
Income taxes paid	(31,804)	(23,652)
Net Cash flows used in operating activities	(4,764,661)	(13,183,515)
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	(50,000)	-
Acquisition of property and equipment	(42,911)	(1,346,309)
Disposal of foreclosed collateral	11,605	1,004,429
Acquisition of foreclosed collateral	(110,295)	-
Other assets	(27,775)	(151,228)
Net cash flows used in investing activities	(219,376)	(493,108)
Cash flows from (used in) financing activities:		
Proceeds from issuing financial debenture	660,000	-
Repayments of financial debenture	-	(800,000)
Increase of securities sold under repurchase agreement	252,583	2,370,799
Payments of lease liabilities	(164,995)	-
Proceeds from issuing shares	-	450,000
Net cash flows from financing activities	747,588	2,020,799
Effect of exchange rate changes on cash and cash equivalents	(7,981)	2,910
Net decrease in cash and cash equivalents	(4,244,430)	(11,652,914)
Cash and cash equivalents at beginning of period	12,992,671	24,645,585
Cash and cash equivalents at end of period	\$ 8,748,241	12,992,671
Composition of cash and cash equivalents:		
Cash and cash equivalents reported in the statement of financial position	\$ 4,814,052	4,943,462
Due from Central bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	3,284,711	4,833,263
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	649,478	3,215,946
Cash and cash equivalents at end of period	\$ 8,748,241	12,992,671

See accompanying notes to parent company only financial statements.

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

Bank of Panhsin

Notes to the Financial Statements

For the years ended December 31, 2019 and 2018

(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 Fifth 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 First 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 18, 2020.

(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, 2019.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
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 19 "Plan Amendment, Curtailment or Settlement"	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

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 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Bank applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below,

(i) Definition of a lease

Previously, the Bank determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Bank assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 4(i).

On transition to IFRS 16, the Bank elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Bank applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

(Continued)

Bank of Panhsin
Notes to the Financial Statements

(ii) As a lessee

As a lessee, the Bank previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Bank. Under IFRS 16, the Bank recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Bank decided to apply recognition exemptions to short-term leases of machinery and leases of parking space.

Leases classified as operating leases under IAS 17, the amount is measured by remaining operating leases' present value when transition, and use the incremental borrowing rate of interest when the day applicable as discount rate. Right-of-use assets is measured at the amount of operating leases. Adjust the amount related to the payment of prepaid and payable expense.

In addition, the Bank used the following practical expedients when applying IFRS 16 to leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

(iii) As a lessor

The Bank is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, and accounted for its leases in accordance with IFRS 16 from the date of initial application.

(iv) Impacts on financial statements

On transition to IFRS 16, the Bank recognized additional \$407,800 of right-of-use assets and \$413,103 of lease liabilities; eliminated \$3,349 and payables \$8,652. When measuring lease liabilities, the Bank discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 2.76%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

	<u>January 1, 2019</u>
Operating lease commitment at December 31, 2018 as disclosed in the Bank's financial statements	\$ 441,582
Recognition exemption for:	
Leases of low-value assets	(7,150)
	<u>\$ 434,432</u>
Lease liabilities recognized at January 1, 2019	<u>\$ 413,103</u>

(Continued)

Bank of Panhsin
Notes to the 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, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Bank assesses that the adoption of the abovementioned standards would not have any material impact on its financial statements.

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
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 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

The Bank is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. 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).

(Continued)

Bank of Panhsin
Notes to the Financial Statements

(ii) Functional currency and presentation currency

The Bank's financial statements are presented in New Taiwan dollars, which is the Bank's functional currency. The assets and liabilities of foreign operations are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Foreign currency transactions

Transactions denominated or settled in foreign currencies are using the spot conversion rate to functional currency on the date of the transaction.

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 into 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, checks for clearing, 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. On the selling/purchasing date, these agreements are recognized as securities sold under repurchase agreements or securities purchased under resell agreements. The difference between the cost and the repurchase/resell price is treated as interest expense/revenue and recognized over the term of the agreement.

(f) Financial instruments

(i) Financial assets

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

(Continued)

Bank of Panhsin
Notes to the Financial Statements

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at original cost with accumulated amortization using the effective interest method and adjusted allowance losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt instrument is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal amount outstanding.

The debt instruments measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. The resulting gain or loss from such fair value remeasurement is recognized directly in other comprehensive income. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. The credit impairment losses recognized before derecognition, interest income and foreign exchange gains and losses deriving from debt investments are recognized in profit or loss. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss.

On initial recognition of an equity investment that is not held-for-trading, the Bank may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

The equity instruments measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. The dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. The resulting gain or loss from such fair value remeasurement is recognized directly in other comprehensive income. On derecognition, gains and losses accumulated in OCI of equity investments are reclassified to retain earnings instead of profit or loss.

(Continued)

Bank of Panhsin
Notes to the Financial Statements

Dividend income derived from equity investments is recognized on the date that the Bank's right to receive payments is established, which in the case of quoted securities is normally the ex-dividend date.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including financial assets. On initial recognition, the Bank may irrevocably designate a financial asset, which otherwise meets the requirements to be measured at amortized cost or at FVOCI, at FVTPL to eliminate or significantly reduce an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

4) Impairment of financial assets

The Bank recognizes loss allowances for expected credit losses on financial assets measured at amortized cost, debt investments measured at FVOCI and financing commitments; and on "Loans and receivables" and off-balance-sheet loan assets in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrued Loans" for the provision of appropriate allowance for loss, guarantee reserve and financing commitment reserve.

The Bank determines whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information, and analysis, based on the Bank's historical experience and informed credit assessment, as well as forward-looking information.

Lifetime expected credit loss (ECL) are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Bank is exposed to credit risk.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Bank recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

(Continued)

Bank of Panhsin

Notes to the Financial Statements

Credits deemed as uncollectible are written off upon approval of the board of directors. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Bank transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a debt instrument in its entirety, the Bank recognizes the difference between its carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in "other equity-unrealized gains or losses on fair value through other comprehensive income", in profit or loss, and presented it in realized gain and loss on financial assets measured at fair value through other comprehensive income.

On derecognition of a financial asset other than in its entirety, the Bank allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized, and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, is recognized in profit or loss and presented in realized gain and loss on financial assets measured at fair value through other comprehensive income. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

(ii) Financial liabilities

1) Subsequent measurement

Except for financial liabilities at fair value through profit or loss, all financial liabilities are evaluated by using the amortized cost under the effective interest rate method.

Financial liabilities at fair value through profit or loss includes financial liabilities held-for-trading and financial liabilities measured at fair value through profit or loss.

Any profit or loss remeasurement from financial liabilities held-for-trading (including any dividend payout or interest expense) are recognized in profit or loss.

The Bank designates its financial liabilities, 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:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on a different basis;

(Continued)

Bank of Panhsin
Notes to the Financial Statements

- Performance of the financial liabilities is evaluated on a fair value basis;
- A hybrid instrument contains one or more embedded derivatives.

For financial liabilities measured at fair value through profit or loss, their fair value that changes due to the liabilities that are exposed to credit risk should be recognized under other comprehensive income. The financial liabilities will be reclassified to retained earnings then subsequently reclassified under profit or loss during derecognition. All changes in other fair value (including any dividend payout or interest expense) should be recognized under profit or loss. If, and only if, an accounting mismatch occurs, the changes in fair value shall be accounted as current profit or loss.

2) Derecognition

The difference between the carry amount and the payment (including all transferred non-case assets or liabilities) should be accounted as current profit or loss when derecognizing financial liabilities.

(g) Investments accounted for using equity method, net

In the preparation of the 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 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, 7 to 65 years; machinery and equipment, 3 to 13 years; transportation equipment, 3 to 11 years; other equipment, 3 to 16 years; and leasehold improvements, 1 to 11 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

Applicable from January 1, 2019

(i) Identifying a lease

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(ii) As a lessee

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Bank's incremental borrowing rate, and measured at amortized cost using the effective interest method in the subsequent. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank has elected not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value items. The Bank recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

When the Bank acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Bank makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(Continued)

Bank of Panhsin
Notes to the Financial Statements

Applicable before January 1, 2019

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

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

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 10 years.

(Continued)

Bank of Panhsin
Notes to the Financial Statements

(l) Other assets — foreclosed collateral

Foreclosed collateral are initially recognized at the sale price. Any difference from the original value of the loans is recognized as bad debts. Foreclosed assets are remeasured at the net realizable value (NRV) on the reporting date, and recognized impairment losses if sufficient evidence shows the fair value is lower than the book value. Losses or gains on the disposal of foreclosed assets are recorded as other non-interest expense or income, net.

(m) Impairment of non-financial assets

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.

(Continued)

Bank of Panhsin
Notes to the Financial Statements

(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.

(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 rereasurement, 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. Rereasurement, 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. Rereasurement 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.

(Continued)

Bank of Panhsin

Notes to the Financial Statements

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.

(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.

(Continued)

Bank of Panhsin

Notes to the Financial Statements

(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.

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 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 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.

(Continued)

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) Assessment of financial assets impairment

The Bank recognizes loss allowances for expected credit losses on loans and receivables, debt instruments and financial guarantee contracts. Assessing the expected credit losses relies on the management's assumptions of probability of default (PD) and expected credit loss (ECL). The Bank considers the historical experiences, current market conditions and forward-looking estimation to the input values to be used in determining the impairment loss. The Bank periodically reviews the methods and assumptions behind the amount and schedule of expected credit loss to reduce the difference between expected and actual loss. For the details of the relevant assumptions, please refer to note 6(an).

(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, 2019	December 31, 2018
Cash	\$ 3,611,693	1,838,070
Checks for clearing	306,310	1,078,004
Due from banks	896,049	2,027,388
Total	<u>\$ 4,814,052</u>	<u>4,943,462</u>

Components of cash and cash equivalents are as follows:

	December 31, 2019	December 31, 2018
Cash and cash equivalents reported in the statements of financial position	\$ 4,814,052	4,943,462
Due from Central Bank and call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7 (note 6(b))	3,284,711	4,833,263
Securities purchased under resell agreements qualifying as cash and cash equivalents under the definition of IAS 7 (note 6(f))	649,478	3,215,946
Cash and cash equivalents at end of period	<u>\$ 8,748,241</u>	<u>12,992,671</u>

(Continued)

Bank of Panhsin
Notes to the Financial Statements

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

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

	December 31, 2019	December 31, 2018
Deposit reserves—account A(including foreign currency)	\$ 2,200,894	2,652,773
Deposit reserves—account B	5,955,896	5,740,703
Call loans to banks	1,083,817	2,180,490
Checking and settlement account	<u>150,197</u>	<u>300,567</u>
Total	<u><u>\$ 9,390,804</u></u>	<u><u>10,874,533</u></u>

Deposit reserves—account A 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—account B are interest-free and can be withdrawn at any time; Deposit reserves—account A are interest-bearing and cannot be withdrawn except for the monthly adjustment to the required reserves permitted by relevant regulations.

Call loans to banks, deposit reserves—account A, due from Central Bank, 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, 2019	December 31, 2018
Deposit reserves—account A	\$ 2,200,894	2,652,773
Call loans to banks	<u>1,083,817</u>	<u>2,180,490</u>
	<u><u>\$ 3,284,711</u></u>	<u><u>4,833,263</u></u>

(Continued)

Bank of Panhsin
Notes to the Financial Statements

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

As of December 31, 2019 and 2018, the financial assets at fair value through profit or loss were as follows:

	December 31, 2019	December 31, 2018
Financial assets mandatorily measured at fair value through profit or loss		
Fixed income	\$ 805,633	1,041,694
Equity securities	8,805	34,817
Beneficiary certificates	68,060	15,443
Derivatives	23,875	8,640
Total	<u>\$ 906,373</u>	<u>1,100,594</u>

As of December 31, 2019 and 2018 the financial liabilities at fair value through profit or loss were as follows:

	December 31, 2019	December 31, 2018
Derivatives	<u>\$ 4,303</u>	<u>28,226</u>

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

(d) Financial assets at fair value through other comprehensive income

	December 31, 2019	December 31, 2018
Investments in debt instruments at fair value through other comprehensive income :		
Government bonds	\$ 14,090,495	11,609,487
Corporate bonds	1,000,000	1,000,000
Financial debenture	645,120	748,608
Revaluation	89,455	(26,193)
Subtotal	<u>15,825,070</u>	<u>13,331,902</u>
Investments in equity instruments measured at fair value through other comprehensive income:		
Listed companies	585,618	388,425
Private companies	60,477	60,477
Revaluation	279,042	277,564
Subtotal	<u>925,137</u>	<u>726,466</u>
Total	<u>\$ 16,750,207</u>	<u>14,058,368</u>

(Continued)

Bank of Panhsin
Notes to the Financial Statements

(i) Investments in debt instruments at fair value through other comprehensive income

The Bank assesses that these securities are held within a business model whose objective is achieved by both collecting the contractual cash flows and selling securities. For securities sold under repurchase agreements, please refer to note 6(q).

(ii) Investment in equity instruments at fair value through other comprehensive income

The purpose of the company holding this kind of assets is for long-term investments, and had been measured at fair value through other comprehensive income.

The Bank sold its investments which were designated as at fair value through other comprehensive income due to assets allocation. The fair value of the disposed investments and the gain on disposal amounted to \$784,106 and \$738,547, respectively, for the years ended December 31, 2019 and 2018. Thus, the accumulated gains on disposal were transferred from other equity to retained earnings. \$44,633 and \$20,740, respectively.

The dividend revenue of investment in equity instruments at fair value through other comprehensive income for the years ended December 31, 2019 and 2018 is as follows,

	2019	2018
Derecognize in reporting period	\$ 16,116	5,006
Holding at the end of reporting date	40,816	44,350
Total	<u>\$ 56,932</u>	<u>49,356</u>

(iii) Please refer to note 6(an) for the credit risk (including the impairment of investment in debt instruments) and market risk information.

(iv) Please refer to note 8 for pledged financial assets measured at fair value through other comprehensive income.

(v) Impairment loss of debt instruments at fair value through other comprehensive income recognized was as follow:

	2019			
	12-month ECL	Lifetime ECL- not impairment	Lifetime ECL- impairment	Total
Balance at January 1, 2019	\$ 2,452	-	-	2,452
Changes due to financial instruments that have been identified at the beginning of the period:				
— The financial assets that have been derecognized	(16)	-	-	(16)
Foreign exchange and other movements	(150)	-	-	(150)
Balance at December 31, 2019	<u>\$ 2,286</u>	<u>-</u>	<u>-</u>	<u>2,286</u>

(Continued)

Bank of Panhsin
Notes to the Financial Statements

	2018			
	12-month ECL	Lifetime ECL- not impairment	Lifetime ECL- impairment	Total
Balance at January 1, 2018	\$ 5,350	-	-	5,350
Changes due to financial instruments that have been identified at the beginning of the period:				
-- The financial assets that have been derecognized	(3,164)	-	-	(3,164)
Purchased or originated financial assets	264	-	-	264
Foreign exchange and other movements	2	-	-	2
Balance at December 31, 2018	<u>\$ 2,452</u>	<u>-</u>	<u>-</u>	<u>2,452</u>

(e) Financial assets at amortized cost

	December 31, 2019	December 31, 2018
Negotiable certificates of deposit	\$ 34,165,000	41,835,000
Foreign bonds	2,792,858	-
Less: accumulated impairment	(433)	-
Total	<u>\$ 36,957,425</u>	<u>41,835,000</u>

	2019			
	12-month ECL	Lifetime ECL- not impairment	Lifetime ECL- impairment	Total
Balance at January 1, 2019	\$ -	-	-	-
Purchased or originated financial assets	433	-	-	433
Balance at December 31, 2019	<u>\$ 433</u>	<u>-</u>	<u>-</u>	<u>433</u>

The Bank assessed that these financial assets were held-to-maturity to collect the contractual cash flows, which consisted solely of payments of principal and interest on principal amount outstanding.

Please refer to Note 6 (an) for the credit risk (including the impairment of investment in debt instruments) and market risk information.

(f) Securities purchased under resell agreements

	December 31, 2019			
	Amount	Contractual repurchase or resell period	Contractual interest rate range (%)	Amount of resell agreements
Securities purchased under resell agreements	<u>\$ 649,478</u>	2020.1.2~2020.1.3	0.56~0.57	<u>649,537</u>

	December 31, 2018			
	Amount	Contractual repurchase or resell period	Contractual interest rate range (%)	Amount of resell agreements
Securities purchased under resell agreements	<u>\$ 3,215,946</u>	2019.1.2~2019.1.9	0.61~0.64	<u>3,216,457</u>

(Continued)

Bank of Panhsin
Notes to the Financial Statements

(g) Receivables, net

	December 31, 2019	December 31, 2018
Interests receivable	\$ 332,283	330,252
Accounts receivable	72,036	87,683
Spot exchange receivable	799,403	895,951
Acceptance receivable	274,198	155,292
Accrued revenue	68,197	83,940
Securities settlement	-	7,648
Other receivables	46,398	54,310
Total	1,592,515	1,615,076
Less: allowance for interests receivable	(2,975)	(2,975)
allowance for acceptance receivable	(5,116)	(6,136)
allowance for other receivable	(2,956)	(1,870)
	<u>\$ 1,581,468</u>	<u>1,604,095</u>

For the years ended December 31, 2019 and 2018, changes in allowance for receivables was as follows:

	2019						
	12-month ECL	Lifetime ECL	Lifetime ECL (Not purchased or originated credit-impaired financial assets)	Lifetime ECL (Purchased or originated credit-impaired financial assets)	The provision of impairment in accordance with IFRS 9	Additional provision of impairment in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal With Non-performing/ Non-accrual Loans"	Total
Beginning balance	\$ 3,496	204	1,244	-	4,944	6,037	10,981
Changes due to financial instruments that have been identified at the beginning of the period:							
—Transfer to lifetime ECL	(2)	42	(40)	-	-		-
—Transfer to credit-impaired financial assets	(23)	(32)	55	-	-		-
—Transfer to 12-month ECL	10	(7)	(3)	-	-		-
—The financial assets that have been derecognized	(2,965)	(31)	(336)	-	(3,332)		(3,332)
New financial assets originated or purchased	6,205	18	273	-	6,496		6,496
Additional provision of impairment in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal With Non- performing / Non-accrual Loans"						(3,540)	(3,540)
Write-offs	-	-	(1,276)	-	(1,276)		(1,276)
Foreign exchange and other movements	12	(53)	1,759	-	1,718		1,718
Ending balance	<u>\$ 6,733</u>	<u>141</u>	<u>1,676</u>	<u>-</u>	<u>8,550</u>	<u>2,497</u>	<u>11,047</u>

(Continued)

Bank of Panhsin
Notes to the Financial Statements

	2018						
	12-month ECL	Lifetime ECL	Lifetime ECL (Not purchased or originated credit-impaired financial assets)	Lifetime ECL (Purchased or originated credit-impaired financial assets)	The provision of impairment in accordance with IFRS 9	Additional provision of impairment in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal With Non-performing/ Non-accrual Loans"	Total
Beginning balance	\$ 4,142	330	1,728	-	6,200	44	6,244
Changes due to financial instruments that have been identified at the beginning of the period:							
— Transfer to lifetime ECL	(23)	45	(22)	-	-		-
— Transfer to credit-impaired financial assets	(286)	(109)	395	-	-		-
— The financial assets that have been derecognized	(3,796)	(23)	(344)	-	(4,163)		(4,163)
New financial assets originated or purchased	3,182	6	268	-	3,456		3,456
Additional provision of impairment in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal With Non-performing / Non-accrual Loans"						5,993	5,993
Write-offs	-	-	(4,025)	-	(4,025)		(4,025)
Recoveries	-	-	5,011	-	5,011		5,011
Foreign exchange and other movements	277	(45)	(1,767)	-	(1,535)		(1,535)
Ending balance	<u>\$ 3,496</u>	<u>204</u>	<u>1,244</u>	<u>-</u>	<u>4,944</u>	<u>6,037</u>	<u>10,981</u>

(h) Loans and discounts, net

	December 31, 2019	December 31, 2018
Export bills negotiated and Bills and notes discounted	\$ 218,610	125,006
Short-term loans and overdrafts	63,344,210	60,295,878
Medium-term loans	61,107,067	52,321,172
Long-term loans	42,842,365	40,432,453
Non-performing loans	<u>442,583</u>	<u>1,302,045</u>
Subtotal	167,954,835	154,476,554
Less: allowance for doubtful accounts	<u>(2,010,437)</u>	<u>(1,915,250)</u>
	<u>\$ 165,944,398</u>	<u>152,561,304</u>

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

For the years ended December 31, 2019 and 2018, suspended accrual of interest for all of non-performing loans amounted to \$19,818 and \$39,052, respectively.

(Continued)

Bank of Panhsin

Notes to the Financial Statements

For the years ended December 31, 2019 and 2018, changes in allowance for loans and discounts was as follows:

2019							
	12-month ECL	Lifetime ECL	Lifetime ECL (Not purchased or originated credit-impaired financial assets)	Lifetime ECL (Purchased or originated credit-impaired financial assets)	The provision of impairment in accordance with IFRS 9	Additional provision of impairment in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal With Non-performing/ Non-accrual Loans"	Total
Beginning balance	\$ 604,232	126,925	214,284	-	945,441	969,809	1,915,250
Changes due to instruments that have been identified at the beginning of the period:							
—Transfer to lifetime ECL	(1,153)	9,922	(8,769)	-	-		-
—Transfer to credit-impaired financial assets	(6,993)	(14,818)	21,811	-	-		-
—Transfer to 12-month ECL	3,100	(2,364)	(736)	-	-		-
—The financial assets that have been derecognized	(349,205)	(14,960)	(44,758)	-	(408,923)		(408,923)
Originated or purchased financial assets	670,751	11,043	16,817	-	698,611		698,611
Additional provision of impairment in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal With Non-performing/ Non-accrual Loans"						(220,155)	(220,155)
Write-off	-	-	(253,787)	-	(253,787)		(253,787)
Recoveries	-	-	308,283	-	308,283		308,283
Foreign exchange and other movement	69,859	(5,573)	(93,128)	-	(28,842)		(28,842)
Ending balance	<u>\$ 990,591</u>	<u>110,175</u>	<u>160,017</u>	<u>-</u>	<u>1,260,783</u>	<u>749,654</u>	<u>2,010,437</u>
2018							
	12-month ECL	Lifetime ECL	Lifetime ECL (Not purchased or originated credit-impaired financial assets)	Lifetime ECL (Purchased or originated credit-impaired financial assets)	The provision of impairment in accordance with IFRS 9	Additional provision of impairment in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal With Non-performing/ Non-accrual Loans"	Total
Beginning balance	\$ 611,339	196,156	353,035	-	1,160,530	651,386	1,811,916
Changes due to instruments that have been identified at the beginning of the period:							
—Transfer to lifetime ECL	(8,658)	20,406	(11,748)	-	-		-
—Transfer to credit-impaired financial assets	(38,593)	(19,538)	58,131	-	-		-
—Transfer to 12-month ECL	81	(64)	(17)	-	-		-
—The financial assets that have been derecognized	(414,416)	(16,803)	(58,379)	-	(489,598)		(489,598)
Originated or purchased financial assets	438,580	4,188	28,753	-	471,521		471,521
Additional provision of impairment in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal With Non-performing/ Non-accrual Loans"						318,423	318,423
Write-off	-	-	(560,569)	-	(560,569)		(560,569)
Recoveries	-	-	148,737	-	148,737		148,737
Foreign exchange and other movement	15,899	(57,420)	256,341	-	214,820		214,820
Ending balance	<u>\$ 604,232</u>	<u>126,925</u>	<u>214,284</u>	<u>-</u>	<u>945,441</u>	<u>969,809</u>	<u>1,915,250</u>

(i) Other financial assets, net

	December 31, 2019	December 31, 2018
Exchange bills negotiated	\$ -	184
Non-performing loans	15,095	-
Less: allowance for doubtful accounts	(15,095)	-
Total	<u>\$ -</u>	<u>184</u>

(Continued)

Bank of Panhsin

Notes to the Financial Statements

For the year ended December 31, 2019, changes in allowance for Other financial assets was as follows:

	2019					
	12-month ECL	Lifetime ECL	Lifetime ECL (Not purchased or originated credit-impaired financial assets)	Lifetime ECL (Purchased or originated credit-impaired financial assets)	The provision of impairment in accordance with IFRS 9	Additional provision of impairment in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal With Non-performing/ Non-accrual Loans"
Beginning balance	\$ -	-	-	-	-	-
Originated or purchased financial assets	-	-	15,095	-	15,095	-
Ending balance	\$ -	-	15,095	-	15,095	-

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

As of December 31, 2019 and 2018, details of long-term investments under the equity method were as follows:

December 31, 2019			
	Percentage of ownership (%)	Investment Cost	Amount
Subsidiaries			
Panhsin Asset Management Co., Ltd.	100.00	\$ 488,000	625,945
Panhsin International Leasing Co., Ltd.	100.00	350,000	380,662
		<u>\$ 838,000</u>	<u>1,006,607</u>
December 31, 2018			
	Percentage of ownership (%)	Investment Cost	Amount
Subsidiaries			
Panhsin Asset Management Co., Ltd.	100.00	\$ 488,000	547,967
Panhsin International Leasing Co., Ltd.	100.00	300,000	324,794
		<u>\$ 788,000</u>	<u>872,761</u>

(k) Property and equipment, net

December 31, 2019	Cost	Accumulated depreciation	Net
Land	\$ 4,742,994	-	4,742,994
Buildings	2,129,854	(354,368)	1,775,486
Machinery and equipment	377,308	(239,878)	137,430
Transportation equipment	128,044	(87,612)	40,432
Other equipment	739,737	(555,085)	184,652
Leasehold improvements	272,768	(227,653)	45,115
Construction in progress	4,497	-	4,497
Total	<u>\$ 8,395,202</u>	<u>(1,464,596)</u>	<u>6,930,606</u>

(Continued)

Bank of Panhsin
Notes to the Financial Statements

December 31, 2018	Cost	Accumulated depreciation	Net
Land	\$ 4,984,650	-	4,984,650
Buildings	2,118,231	(319,076)	1,799,155
Machinery and equipment	325,152	(230,063)	95,089
Transportation equipment	116,040	(81,191)	34,849
Other equipment	726,192	(507,953)	218,239
Leasehold improvements	249,831	(207,324)	42,507
Construction in progress	10,457	-	10,457
Total	\$ 8,530,553	(1,345,607)	7,184,946

Movements of cost were as below:

	January 1, 2019	Additions	Disposals or retirements	Other (note 1)	December 31, 2019
Land	\$ 4,984,650	17,923	-	(259,579)	4,742,994
Buildings	2,118,231	-	-	11,623	2,129,854
Machinery and equipment	325,152	-	(25,861)	78,017	377,308
Transportation equipment	116,040	-	(3,469)	15,473	128,044
Other equipment	726,192	8,011	(4,640)	10,174	739,737
Leasehold improvements	249,831	14,632	-	8,305	272,768
Construction in progress	10,457	2,345	-	(8,305)	4,497
Total	\$ 8,530,553	42,911	(33,970)	(144,292)	8,395,202

	January 1, 2018	Additions	Disposals or retirements	Other (note 2)	December 31, 2018
Land	\$ 3,822,163	1,319,871	-	(157,384)	4,984,650
Buildings	2,410,730	-	-	(292,499)	2,118,231
Machinery and equipment	316,927	-	(13,256)	21,481	325,152
Transportation equipment	108,790	-	(1,418)	8,668	116,040
Other equipment	726,406	4,994	(8,773)	3,565	726,192
Leasehold improvements	242,282	11,089	(3,554)	14	249,831
Construction in progress	115	10,355	-	(13)	10,457
Total	\$ 7,627,413	1,346,309	(27,001)	(416,168)	8,530,553

Note: 1) Reclassification from (to) other assets— prepayments, buildings under investment properties and buildings under investment properties amounting to \$103,664, \$11,623 and \$(259,579), respectively.

2) Reclassification from (to) other assets— prepayments, buildings under investment properties and buildings under investment properties amounting to \$ 33,715, \$(157,384) and \$(292,499) respectively.

(Continued)

Bank of Panhsin
Notes to the Financial Statements

Movements of accumulated depreciation were as below:

	January 1, 2019	Additions	Disposals or retirements	Other (note 3)	December 31, 2019
Buildings	\$ 319,076	34,199	-	1,093	354,368
Machinery and equipment	230,063	31,500	(21,685)	-	239,878
Transportation equipment	81,191	9,412	(2,991)	-	87,612
Other equipment	507,953	51,177	(4,045)	-	555,085
Leasehold improvements	207,324	20,329	-	-	227,653
Total	<u>\$ 1,345,607</u>	<u>146,617</u>	<u>(28,721)</u>	<u>1,093</u>	<u>1,464,596</u>

	January 1, 2018	Additions	Disposals or retirements	Other (note 4)	December 31, 2018
Buildings	\$ 308,373	35,823	-	(25,120)	319,076
Machinery and equipment	216,285	25,500	(11,722)	-	230,063
Transportation equipment	74,988	7,396	(1,193)	-	81,191
Other equipment	460,545	55,162	(7,754)	-	507,953
Leasehold improvements	192,612	17,926	(3,214)	-	207,324
Total	<u>\$ 1,252,803</u>	<u>141,807</u>	<u>(23,883)</u>	<u>(25,120)</u>	<u>1,345,607</u>

Note: 3) Reclassification from investment property of \$1,093.

Note: 4) Reclassification to investment property of \$25,120.

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, 2019 and 2018, was \$44,725 and \$64,603, respectively, which was recognized as other liabilities-deferred revenue. The realized gain on property exchange for 2019 and 2018, were both \$19,878, which was recognized as gain on property exchange and other non-interest income-investment property.

(l) Right-of-use assets

December 31, 2019	Cost	Accumulated depreciation	Net
Buildings	476,444	(145,323)	331,121
Transportation equipment	13,460	(5,368)	8,092
Other equipment	15,155	(2,307)	12,848
Total	<u>\$ 505,059</u>	<u>(152,998)</u>	<u>352,061</u>

(Continued)

Bank of Panhsin
Notes to the Financial Statements

Movements of cost were as below:

	January 1, 2019	Additions	Disposals or retirements	December 31, 2019
Buildings	\$ 398,110	93,295	(14,961)	476,444
Transportation equipment	8,497	5,860	(897)	13,460
Other equipment	1,193	13,962	-	15,155
Total	<u>\$ 407,800</u>	<u>113,117</u>	<u>(15,858)</u>	<u>505,059</u>

Movements of accumulated depreciation were as below:

	January 1, 2019	Additions	Disposals or retirements	December 31, 2019
Buildings	\$ -	159,404	(14,081)	145,323
Transportation equipment	-	5,956	(588)	5,368
Other equipment	-	2,307	-	2,307
Total	<u>\$ -</u>	<u>167,667</u>	<u>(14,669)</u>	<u>152,998</u>

(m) Investment property, net

December 31, 2019	Cost	Accumulated depreciation	Net
Land	\$ 1,153,633	-	1,153,633
Buildings	2,067,101	(225,195)	1,841,906
Total	<u>\$ 3,220,734</u>	<u>(225,195)</u>	<u>2,995,539</u>

December 31, 2018	Cost	Accumulated depreciation	Net
Land	\$ 894,054	-	894,054
Buildings	2,078,724	(196,755)	1,881,969
Total	<u>\$ 2,972,778</u>	<u>(196,755)</u>	<u>2,776,023</u>

Movements of cost were as below:

	January 1, 2019	Additions	Disposals or retirements	Reclassification (note 1)	December 31, 2019
Land	\$ 894,054	-	-	259,579	1,153,633
Buildings	2,078,724	-	-	(11,623)	2,067,101
Total	<u>\$ 2,972,778</u>	<u>-</u>	<u>-</u>	<u>247,956</u>	<u>3,220,734</u>

	January 1, 2018	Additions	Disposals or retirements	Reclassification (note 2)	December 31, 2018
Land	\$ 736,670	-	-	157,384	894,054
Buildings	1,786,225	-	-	292,499	2,078,724
Total	<u>\$ 2,522,895</u>	<u>-</u>	<u>-</u>	<u>449,883</u>	<u>2,972,778</u>

(Continued)

Bank of Panhsin
Notes to the Financial Statements

Note: 1) Reclassification from (to) land and buildings under property and equipment amounting to \$259,579 and \$(11,623), respectively.

2) Reclassification from land and buildings under property and equipment amounting to \$157,384 and \$292,499, respectively.

Movements of accumulated depreciation were as follows:

	January 1, 2019	Current increase	Current decrease	Reclassification (note 3)	December 31, 2019
Building	\$ 196,755	29,533	-	(1,093)	225,195

	January 1, 2018	Current increase	Current decrease	Reclassification (note 4)	December 31, 2018
Building	\$ 143,724	27,911	-	25,120	196,755

Note: 3) Reclassification to buildings under property and equipment amounting to \$1,093.

4) Reclassification from buildings under property and equipment amounting to \$25,120.

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, 2019 and 2018, was \$6,315,091 and \$6,271,392, respectively. The appraisal approaches including sales comparison approach, income approach, and land development analysis. The fair value hierarchy for input value are level 2 or 3.

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(an).

As of December 31, 2019, the investment properties owned by the Bank were not under pledge.

(n) Intangible assets, net

	December 31, 2019	December 31, 2018
Goodwill	\$ 2,197,921	2,197,921
Computer software	59,190	65,305
Core deposits	98,683	105,905
Total	\$ 2,355,794	2,369,131

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

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

(Continued)

Bank of Panhsin
Notes to the Financial Statements

Movements of intangible assets were as follows:

	January 1, 2019	Additions	Disposals or retirements	Amortization	Other (note 1)	December 31, 2019
Goodwill	\$ 2,197,921	-	-	-	-	2,197,921
Computer software	65,305	-	-	(35,240)	29,125	59,190
Core deposits	105,905	-	-	(7,222)	-	98,683
Total	<u>\$ 2,369,131</u>	<u>-</u>	<u>-</u>	<u>(42,462)</u>	<u>29,125</u>	<u>2,355,794</u>

	January 1, 2018	Additions	Disposals or retirements	Amortization	Other (note 2)	December 31, 2018
Goodwill	\$ 2,197,921	-	-	-	-	2,197,921
Computer software	40,703	-	(19)	(29,070)	53,691	65,305
Core deposits	113,126	-	-	(7,221)	-	105,905
Total	<u>\$ 2,351,750</u>	<u>-</u>	<u>(19)</u>	<u>(36,291)</u>	<u>53,691</u>	<u>2,369,131</u>

Note: 1) Reclassification from other assets—prepayments amounting to \$29,125.

2) Reclassification from other assets—prepayments amounting to \$53,691.

(o) Other assets

	December 31, 2019	December 31, 2018
Prepayments	\$ 175,765	229,770
Refundable deposits	462,959	517,317
Foreclosed collateral	265,299	181,988
Total	<u>\$ 904,023</u>	<u>929,075</u>

Movements of the foreclosed collateral were as follows:

	January 1, 2019	Additions	Disposals or retirements	Reclassification	December 31, 2019
Cost	\$ 191,649	110,295	(12,041)	-	289,903
Less: Accumulated impairment	9,661	14,943	-	-	24,604
Total	<u>\$ 181,988</u>	<u>95,352</u>	<u>(12,041)</u>	<u>-</u>	<u>265,299</u>

	January 1, 2018	Additions	Disposals or retirements	Reclassification	December 31, 2018
Cost	\$ 972,803	-	(781,154)	-	191,649
Less: Accumulated impairment	9,661	-	-	-	9,661
Total	<u>\$ 963,142</u>	<u>-</u>	<u>(781,154)</u>	<u>-</u>	<u>181,988</u>

In compliance with the due date of the collateral disposal announced by the Regulatory and Article 76-2 of The Banking Act, the Bank entered into an agreement with a counterparty to sell its foreclosed collaterals, (the 75 pieces of land acquired from Xin Rui Du, located at Tian Fu Section, Hu Nei Dist., Kaohsiung City) on August 7, 2018, at the price of \$872,500, in which the deed was transferred in November 2018. The net gain with the carrying amount of \$214,630, recognized as gain on sale of foreclosed collaterals, was calculated by deducting the related expenses of \$24,876.

(Continued)

Bank of Panhsin
Notes to the Financial Statements

(p) Deposits from Central Bank and other banks

	December 31, 2019	December 31, 2018
Deposits from banks	\$ 517,221	510,390
Deposits transferred from the Post Office	699,640	699,640
Call loans from bank	2,187,615	440,210
Total	<u><u>\$ 3,404,476</u></u>	<u><u>1,650,240</u></u>

(q) Securities sold under repurchase agreements

December 31, 2019				
Item	Par Value	Selling price (note)	Designated repurchase amount	Designated repurchase date
Financial assets at fair value through other comprehensive income	\$ 2,769,752	2,601,329	2,615,005	Before March 26, 2020
Financial assets at amortized cost	602,120	564,470	567,786	Before March 12, 2020
Total	<u><u>\$ 3,371,872</u></u>	<u><u>3,165,799</u></u>	<u><u>3,182,791</u></u>	
December 31, 2018				
Item	Par Value	Selling price (note)	Designated repurchase amount	Designated repurchase date
Financial assets at fair value through other comprehensive income	\$ <u><u>3,257,698</u></u>	<u><u>2,913,216</u></u>	<u><u>2,932,848</u></u>	Before March 26, 2019

(Continued)

Bank of Panhsin
Notes to the Financial Statements

(r) Payable

	December 31, 2019	December 31, 2018
Accounts payable	\$ 39,010	40,500
Accrued expense	443,682	291,434
Accrued Tax	40,592	36,950
Interest payable	309,332	311,396
Acceptance payable	274,198	169,403
Collection payable	76,113	55,909
Spot exchange payable	800,329	896,104
Other payables	418,959	1,402,827
Total	<u><u>\$ 2,402,215</u></u>	<u><u>3,204,523</u></u>

(s) Deposits and remittances

	December 31, 2019	December 31, 2018
Checking account	\$ 1,899,645	2,092,277
Demand deposits		
Demand deposits	37,483,941	31,677,522
Demand savings deposits	52,311,918	50,306,139
Staff deposits	1,178,174	1,164,364
Subtotal	<u>90,974,033</u>	<u>83,148,025</u>
Time deposits		
Time deposits	30,326,127	33,199,065
Negotiable certificates of deposit	394,100	427,700
Subtotal	<u>30,720,227</u>	<u>33,626,765</u>
Time savings deposits		
Installment savings deposits	126,091	120,857
Non-interest-drawing time savings deposits	14,148,914	13,484,264
Interest-drawing savings deposits	68,977,558	69,508,006
Subtotal	<u>83,252,563</u>	<u>83,113,127</u>
Foreign currency time deposits	<u>11,883,013</u>	<u>12,846,001</u>
Remittances	<u>25,169</u>	<u>44,688</u>
Total	<u><u>\$ 218,754,650</u></u>	<u><u>214,870,883</u></u>

(Continued)

Bank of Panhsin
Notes to the Financial Statements

(t) Financial bonds payable

Name of bond	During	Interest rate	December 31, 2019	December 31, 2018
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	397,000
The second series of the subordinate financial debenture in 2017	2017.03.31~ 2024.03.31	Fixed 2.50%	305,000	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	150,000
The fourth series of the non-cumulative perpetual subordinate financial debenture in 2017	2017.07.21 (note 2)	Fixed 4.75%	133,000	133,000
The fifth series of the subordinate financial debenture in 2017	2017.11.15~ 2024.11.15	Fixed 2.50%	700,000	700,000
The first series of the subordinate financial debenture in 2019	2019.06.26~ 2026.06.26	Fixed 2.25%	660,000	-
			<u>\$ 6,971,000</u>	<u>6,311,000</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 could obtain the full amount of interest in advance according to the denomination.

(u) Provision

	December 31, 2019	December 31, 2018
Employee benefit obligation—pension	\$ 131,456	104,074
Employee benefit obligation—retired employee preferential interest rate deposits	33,333	31,736
Provision for guarantee liabilities	35,828	30,030
Provision for loan commitments	31,773	28,354
Other provisions	5,465	6,569
Provision for decommissioning	<u>8,770</u>	<u>5,420</u>
Total	<u>\$ 246,625</u>	<u>206,183</u>

(Continued)

Bank of Panhsin

Notes to the Financial Statements

For the years ended December 31, 2019 and 2018, changes in provision was as follows:

	2019						Total
	12-month ECL	Lifetime ECL	Lifetime ECL (Not purchased or originated credit-impaired financial assets)	Lifetime ECL (Purchased or originated credit-impaired financial assets)	The provision of impairment in accordance with IFRS 9	Additional provision of impairment in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal With Non-performing/ Non-accrual Loans"	
Beginning balance	\$ 28,453	21	-	-	28,474	36,479	64,953
Changes due to instruments that have been identified at the beginning of the period:							
—Transfer to lifetime ECL	(91)	91	-	-	-	-	-
—Transfer to credit-impaired financial assets	(15)	-	15	-	-	-	-
—The financial assets that have been derecognized	(6,401)	(21)	-	-	(6,422)	-	(6,422)
New financial assets originated purchased	12,037	50	-	-	12,087	-	12,087
Additional provision of impairment in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal With Non-performing/ Non-accrual Loans"	-	-	-	-	-	(15,767)	(15,767)
Recovery of bad debts	13,005	282	4,928	-	18,215	-	18,215
Ending balance	\$ 46,988	423	4,943	-	52,354	20,712	73,066

	2018						Total
	12-month ECL	Lifetime ECL	Lifetime ECL (Not purchased or originated credit-impaired financial assets)	Lifetime ECL (Purchased or originated credit-impaired financial assets)	The provision of impairment in accordance with IFRS 9	Additional provision of impairment in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal With Non-performing/ Non-accrual Loans"	
Beginning balance	\$ 25,593	36	-	-	25,629	22,610	48,239
Changes due to instruments that have been identified at the beginning of the period:							
—The financial assets that have been derecognized	(14,507)	(36)	-	-	(14,543)	-	(14,543)
New financial assets originated purchased	19,968	21	-	-	19,989	-	19,989
Additional provision of impairment in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal With Non-performing/ Non-accrual Loans"	-	-	-	-	-	13,869	13,869
Foreign exchange and other movement	(2,601)	-	-	-	(2,601)	-	(2,601)
Ending balance	\$ 28,453	21	-	-	28,474	36,479	64,953

(v) Lease liabilities

Amount of lease liabilities was as follows:

	December 31, 2019
Lease liabilities	\$ 356,686

For the maturity analysis, please refer to note 6(an).

The amounts recognized in profit or loss was as follows:

	2019
Interest on lease liabilities	\$ 9,432
Variable lease payments not included in the measurement of lease liabilities	\$ 2,834
Expenses relating to short-term leases	\$ 390
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ 4,924

(Continued)

Bank of Panhsin
Notes to the Financial Statements

The amounts recognized in the statement of cash flows for the Bank was as follows:

	2019
Total cash outflow for leases	\$ <u><u>182,575</u></u>

(i) Buildings

As of December 31, 2019, the Bank leases land and buildings for its branches and parking spaces. The leases typically run for a period of 3 to 5 years.

(ii) Others

The Bank also leases transportation equipment and other equipment with contract terms of 3 to 5 years and 5 years, respectively. These leases are short-term and/or leases of low-value items. The Bank has elected not to recognize right-of-use assets and lease liabilities for these leases.

(w) Other liabilities

	December 31, 2019	December 31, 2018
Unearned revenue	\$ 22,776	15,235
Advance interest receipts	459	336
Other advance receipts	4,501	10,932
Guarantee deposits received	63,619	57,480
Deferred revenue	44,725	64,603
Temporary receipts and suspense accounts	<u>22,570</u>	<u>20,949</u>
Total	<u>\$ 158,650</u>	<u>169,535</u>

(x) 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, 2019	December 31, 2018
Present value of the defined benefit	\$ 649,835	630,459
Fair value of plan assets obligations	<u>(518,379)</u>	<u>(526,385)</u>
	131,456	104,074
Effect of Asset Ceiling	<u>-</u>	<u>-</u>
Net defined benefit liability (provision-employee benefit obligation)	<u>\$ 131,456</u>	<u>104,074</u>

(Continued)

Bank of Panhsin
Notes to the Financial Statements

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.

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>2019</u>	<u>2018</u>
Defined benefit obligation at January 1	\$ 630,459	625,826
Current service costs and interest	15,789	16,815
Remeasurements of a net defined benefit (liability) assets		
— Actuarial (losses) gains arising from experience adjustments	18,189	10,799
— Actuarial (losses) gains arising from changes in demographic assumptions	4,119	101
— Actuarial (losses) gains arising from changes in financial assumptions	20,595	501
Benefits paid by the plan	<u>(39,316)</u>	<u>(23,583)</u>
Defined benefit obligation at December 31	<u>\$ 649,835</u>	<u>630,459</u>

(Continued)

Bank of Panhsin
Notes to the Financial Statements

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:

	2019	2018
Fair value of plan assets at January 1	\$ 526,385	520,713
Current interest	5,985	6,581
Remeasurements of the net defined benefit (liabilities) assets	14,471	11,485
Return on plan assets (excluding current interest)	10,854	11,189
Benefits paid by the plan	(39,316)	(23,583)
Fair value of plan assets at December 31	<u><u>\$ 518,379</u></u>	<u><u>526,385</u></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 2019 and 2018.

5) Expenses recognized in profit or loss

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

	2019	2018
Current service costs	\$ 8,696	8,992
Net interests on net defined benefit liabilities	1,108	1,242
	<u><u>\$ 9,804</u></u>	<u><u>10,234</u></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 2019 and 2018 were as follows:

	2019	2018
Cumulative amounts at January 1	\$ 6,057	6,141
Recognized during the period	28,432	(84)
Cumulative amounts at December 31	<u><u>\$ 34,489</u></u>	<u><u>6,057</u></u>

(Continued)

Bank of Panhsin
Notes to the Financial Statements

7) Actuarial assumptions

The following are the Bank's principal actuarial assumptions:

	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>Managers</u>	<u>Regular employees</u>	<u>Managers</u>	<u>Regular employees</u>
Discount rate	0.80 %	0.80 %	1.13 %	1.13 %
Future salary increase	2.00 %	2.00 %	2.00 %	2.00 %

The Bank expected the contributions of \$520,143 to be paid to its benefit plans within a year after the reporting date in 2019.

As of December 31, 2019, the weighted average durations for managers and regular employees based on the defined benefit plan were 10 and 13 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.

As of December 31, 2019 and 2018, the effect of changes in actuarial assumption on the present value of the defined benefit obligation was as follows:

	<u>The effect of defined benefit obligation</u>	
	<u>Increase%</u>	<u>Decrease%</u>
At December 31, 2019		
Discount rate (changes 0.25%)	(2.47)%	2.57 %
Future salary increase (changes 0.25%)	2.47 %	(2.39)%
At December 31, 2018		
Discount rate (changes 0.25%)	(2.47)%	2.56 %
Future salary increase (changes 0.25%)	2.47 %	(2.40)%

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.

(Continued)

Bank of Panhsin
Notes to the Financial Statements

(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:

	December 31, 2019	December 31, 2018
Present value of the defined benefit	\$ 33,333	31,736
Fair value of plan asset obligations	-	-
	33,333	31,736
Effect of Asset Ceiling	-	-
Net defined benefit liabilities (provisions-employee benefit obligations)	<u>\$ 33,333</u>	<u>31,736</u>

1) Expenses recognized in profit or loss

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

	2019	2018
Current service costs (as Costs recognized for the preferential interest rate deposit plan)	<u>\$ 1,597</u>	<u>582</u>

2) Actuarial assumptions

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

	2019	2018
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	4.16 %	4.16 %

(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 \$49,532 and \$48,679 for the years ended December 31, 2019 and 2018, respectively. Payment was made to the Bureau of Labor Insurance.

(Continued)

Bank of Panhsin
Notes to the Financial Statements

(y) Income tax

(i) The income tax expenses for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Income tax expense	\$ 48,410	164
Deferred income tax expense	69,580	45,415
Income tax expense	<u><u>\$ 117,990</u></u>	<u><u>45,579</u></u>

Reconciliation of income tax and profit before tax for the years ended December 31, 2019 and 2018 was follows:

	2019	2018
Profit before tax	<u><u>\$ 1,009,439</u></u>	<u><u>437,045</u></u>
Income tax at statutory rate	\$ 201,888	87,409
	-	(93,947)
Income of OBU exempt from tax	(61,765)	(33,339)
Investment income under the equity method	(23,712)	(8,837)
Dealing gain from securities trading, net	(10,859)	23,409
Dividend income	(12,154)	(10,241)
Gain on sale of land, net	-	(52,059)
Adjustment and expiration of prior year's loss carryforwards	117,615	986
Adjustment of prior year's tax	11,154	(10,420)
Basic income tax	36,999	5,898
Unrecognized deferred tax assets for tax loss carryforward	(133,095)	146,850
Other	(8,081)	(10,130)
Income tax expense	<u><u>\$ 117,990</u></u>	<u><u>45,579</u></u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

Unrecognized deferred tax assets were as follows:

	December 31, 2019	December 31, 2018
Tax loss	<u><u>\$ 1,402,234</u></u>	<u><u>2,067,710</u></u>

(Continued)

Bank of Panhsin
Notes to the Financial Statements

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.

As of December 31, 2019, the amounts, of unutilized losses and the years of expiry were as follows:

Year of net loss	Recognized unutilized losses	Unrecognized unutilized losses	Amount	Expiry year
2010	\$ 218,144	1,402,234	1,620,378	2020
2011	252,418	-	252,418	2021
2012	71,463	-	71,463	2022
2017	458,452	-	458,452	2027
	\$ 1,000,477	1,402,234	2,402,711	

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 \$1,402,234 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.

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

The movements of deferred tax assets and liabilities for the years ended December 31, 2019 and 2018, were as follows:

Deferred Tax Liabilities:

	Operating leases	Land incremental tax	Total
January 1, 2018	\$ 3,007	105,285	108,292
Recognized in profit or loss	531	-	531
December 31, 2018 (As of December 31 and January 1, 2019)	\$ 3,538	105,285	108,823

(Continued)

Bank of Panhsin
Notes to the Financial Statements

Deferred Tax Assets:

	Defined benefit plan	Allowance for bad debts in excess of limit	Tax loss	Others	Total
January 1, 2019	\$ 41,337	166,021	270,036	13,097	490,491
Recognized in profit or loss	(210)	-	(69,940)	570	(69,580)
December 31, 2019	<u>\$ 41,127</u>	<u>166,021</u>	<u>200,096</u>	<u>13,667</u>	<u>420,911</u>
January 1, 2018	\$ 35,299	141,118	347,835	11,123	535,375
Recognized in profit or loss	6,038	24,903	(77,799)	1,974	(44,884)
December 31, 2018	<u>\$ 41,337</u>	<u>166,021</u>	<u>270,036</u>	<u>13,097</u>	<u>490,491</u>

(iii) Examined status

The Banks' tax returns were examined by the tax authorities for all years through 2016.

(z) Equity

(i) Capital stock and capital surplus

As of December 31, 2019 and 2018 the Bank's authorized capital and issued capital were \$15,000,000, and paid-in capital for common stock was \$14,446,543 and \$14,205,771, respectively.

Following the resolution of shareholders' meeting held on June 18, 2019, the Bank decided a capital increase of 24,077 thousand common stocks to be issued at NT\$10 per share from the retained earnings amounting to \$240,772, with September 3, 2019 as its issuance date for capital increase. The bank had completed the registration.

Following the resolution of shareholders' meeting held on June 20, 2018, the Bank decided a capital increase of 18,992 thousand common stocks to be issued at NT\$10 per share from the retained earnings amounting to \$189,922, with September 3, 2018 as its issuance date for capital increase. The bank had completed the registration.

A resolution was approved during the board meeting held on August 15, 2018 for the issuance of 45,000 thousand common stocks, at a par value of NT\$10 per share, amounting to \$450,000, with the issuance date set on December 27, 2018. The related registration procedures have been completed.

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.

(Continued)

Bank of Panhsin
Notes to the Financial Statements

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

	Foreign currency translation difference for foreign operations	Gains (losses) on financial assets measured at fair value through other comprehensive income	Total
January 1, 2019	\$ 7,566	253,823	261,389
Unrealized gains (losses) on financial assets at fair value through other comprehensive income	-	238,573	238,573
Reclassified accumulated profit (loss) to profit or loss on disposal of investments in debt instruments measured at fair value through other comprehensive income	-	(76,980)	(76,980)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(44,633)	(44,633)
Foreign currency translation differences for foreign operations	(7,981)	-	(7,981)
December 31, 2019	<u>\$ (415)</u>	<u>370,783</u>	<u>370,368</u>

	Foreign currency translation difference for foreign operations	Gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total
January 1, 2019	\$ 4,656	-	(56,243)	(51,587)
Effects of retrospective application of new standards	-	87,526	56,243	143,769
Equity at beginning of period after adjustments	<u>4,656</u>	<u>87,526</u>	<u>-</u>	<u>92,182</u>
Unrealized gains (losses) on financial assets at fair value through other comprehensive income	-	194,157	-	194,157
Reclassified accumulated profit (loss) to profit or loss on disposal of investments in debt instruments measured at fair value through other comprehensive income	-	(7,120)	-	(7,120)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(20,740)	-	(20,740)
Foreign currency translation differences for foreign operations	2,910	-	-	2,910
December 31, 2019	<u>\$ 7,566</u>	<u>253,823</u>	<u>-</u>	<u>261,389</u>

(Continued)

Bank of Panhsin
Notes to the Financial Statements

(aa) 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. On June 18, 2019 and June 20, 2018, the shareholders' meeting resolved to make the reversal of special reserve amounting to \$51,586 and \$27,647, respectively.

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 18, 2019 and June 20, 2018, the shareholders' meeting resolved to make the appropriation of special reserve amounting to \$1,732 and \$1,080, respectively.

On June 18, 2019, the shareholders' meeting resolved to distribute previous years' retain earnings as a stock dividend of \$0.17 (in New Taiwan dollar) per share, amounting to \$240,772.

On June 20, 2018, the shareholders' meeting resolved to distribute previous years' retain earnings as a cash dividend of \$0.14 (in New Taiwan dollar) per share, amounting to \$189,922.

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

(Continued)

Bank of Panhsin
Notes to the Financial Statements

(ab) Earnings per share

The basic earnings per share of the Bank for the years ended December 31, 2019 and 2018, were as follows:

	<u>2019</u>	<u>2018</u>
Basic earnings per share		
Net income attributable to ordinary shareholders of the Bank	\$ <u>891,449</u>	<u>391,466</u>
Weighted-average number of ordinary shares outstanding (in thousands)	<u>1,444,654</u>	<u>1,400,271</u>
Basic earnings per share (in New Taiwan dollars)	\$ <u>0.62</u>	<u>0.28</u>
Diluted earnings per share		
Net income for calculating diluted earnings per share	\$ <u>891,449</u>	<u>391,466</u>
Weighted-average number of thousand ordinary shares outstanding	1,444,654	1,400,271
Influence of potentially dilutives shares		
Conversion of convertible compensation	<u>1,990</u>	<u>862</u>
Weighted-average number of ordinary shares outstanding (in thousands)	<u>1,446,644</u>	<u>1,401,133</u>
Diluted earnings per share (in New Taiwan dollars)	\$ <u>0.62</u>	<u>0.28</u>

(ac) Net interest income

	<u>2019</u>	<u>2018</u>
Interest income		
Loans and discounts	\$ 3,854,982	3,589,513
Deposit reserves from Central Bank	27,353	27,616
Due from Central Bank	-	7,583
Due from banks and call loans to banks	35,283	74,364
Investment in securities	414,822	378,314
Others	<u>72,405</u>	<u>44,765</u>
Subtotal	<u>4,404,845</u>	<u>4,122,155</u>

(Continued)

Bank of Panhsin
Notes to the Financial Statements

	<u>2019</u>	<u>2018</u>
Interest expense		
Deposits from customers	\$ 1,614,971	1,524,434
Due to Central Bank and other banks	49,132	28,769
Securities sold under repurchase agreements	45,185	53,740
Financial debenture	219,566	230,808
Lease liabilities	9,432	-
Others	274	244
Subtotal	<u>1,938,560</u>	<u>1,837,995</u>
	<u>\$ 2,466,285</u>	<u>2,284,160</u>

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

(ad) Service fees, net

	<u>2019</u>	<u>2018</u>
Service fee income		
Insurance agent	\$ 394,248	402,456
Agency	7,172	7,027
Loans	226,236	150,104
Trusts	231,205	164,470
Foreign exchange	32,938	26,344
Interbank	22,281	21,899
Guarantee	35,055	33,765
Others	5,184	5,083
Service fee income total	<u>954,319</u>	<u>811,148</u>
Service fee expense		
Remittance	3,857	3,110
Custodian	3,475	2,619
Agency	2,759	2,318
Others	9,707	10,527
Trusts	1,680	2,252
Interbank	15,693	15,237
Service fee expense total	<u>37,171</u>	<u>36,063</u>
	<u>\$ 917,148</u>	<u>775,085</u>

(Continued)

Bank of Panhsin
Notes to the Financial Statements

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

	<u>2019</u>	<u>2018</u>
Gain (loss) on disposal		
Government bonds	\$ 10,417	988
Convertible Bond	(815)	-
Convertible Bond Asset Swap	-	1,230
Beneficiary certificates	(464)	(4,526)
Equity securities	1,467	(104,892)
Derivatives	<u>10,408</u>	<u>7,051</u>
Subtotal	<u>21,013</u>	<u>(100,149)</u>
Revaluation gains (losses)		
Government bonds	4,162	(80)
Commercial paper	(4)	174
Beneficiary certificates	106	(8,038)
Equity securities	2,585	58,443
Derivatives	39,149	(36,376)
Convertible Bond Asset Swap	<u>-</u>	<u>(460)</u>
Subtotal	<u>45,998</u>	<u>13,663</u>
Dividend income and interest income	<u>15,889</u>	<u>17,004</u>
Total	<u><u>\$ 82,900</u></u>	<u><u>(69,482)</u></u>

(af) Realized gain (loss) on financial assets at fair value through other comprehensive income

	<u>2019</u>	<u>2018</u>
Gains on disposal of investments in debt instruments	\$ 76,980	7,121
Dividend income	<u>56,932</u>	<u>49,356</u>
	<u><u>\$ 133,912</u></u>	<u><u>56,477</u></u>

(Continued)

Bank of Panhsin
Notes to the Financial Statements

(ag) Reversal of (provision for) impairment loss on assets, net

	2019	2018
Reversal of impairment loss on investments in debt instruments at fair value through other comprehensive income	\$ 166	2,898
Loss on investments in debt instruments measured at amortized cost	(433)	-
Impairment loss of foreclosed collateral	(14,943)	-
	<u>\$ (15,210)</u>	<u>2,898</u>

(ah) Other non-interest income, net

	2019	2018
Loss on disposal of assets	(5,249)	(3,137)
Investment property depreciation	(29,533)	(27,911)
Others	28,797	39,827
Total	<u>\$ (5,985)</u>	<u>8,779</u>

(ai) Bad debt expense and reserve for guarantees

	2019	2018
Loans and discounts	\$ 40,691	515,166
Guarantee liabilities	5,798	(4,826)
Loan commitments	3,419	14,971
Others	(1,104)	6,569
Receivables	1,342	3,751
Other financial assets	15,095	-
Total	<u>\$ 65,241</u>	<u>535,631</u>

(aj) Employee benefits expense

	2019	2018
Salary	\$ 1,381,765	1,254,484
Labor and health insurance	102,454	99,893
Pension	59,336	59,495
Others	54,467	55,425
Total	<u>\$ 1,598,022</u>	<u>1,469,297</u>

(Continued)

Bank of Panhsin
Notes to the Financial Statements

(ak) 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.

For the years ended December 31, 2019 and 2018, the Bank accrued and recognized the remuneration to its employees and directors amounting to \$20,813 and \$10,407, 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. For the year ended December 31, 2018, the Bank accrued and recognized the remuneration to its employees and directors amounting to \$8,083 and \$4,041, respectively. A resolution on the remuneration to the Bank's employees and directors in 2018 was approved during the Board meeting held on March 20, 2019, in which there was no difference between the estimated amount and the actual amount distributed. The information is available at the Market Observation Post System website.

(al) Depreciation and amortization expense

	2019	2018
Buildings	\$ 34,199	35,823
Machinery and equipment	31,500	25,500
Transportation equipment	9,412	7,396
Other equipment	51,177	55,162
Leasehold improvement	20,329	17,926
Right-of-use assets	<u>167,667</u>	<u>-</u>
Depreciation subtotal	<u>314,284</u>	<u>141,807</u>
Computer software	35,240	29,070
Core deposit	<u>7,222</u>	<u>7,221</u>
Amortization subtotal	<u>42,462</u>	<u>36,291</u>
Total	<u><u>\$ 356,746</u></u>	<u><u>178,098</u></u>

(Continued)

Bank of Panhsin
Notes to the Financial Statements

(am) Other general and administrative expense

	2019	2018
Rental and facility	\$ 8,148	177,866
Administrative	312,235	328,170
Marketing	21,424	21,868
Value-added tax	297,393	285,766
Other expense	146,451	124,595
Total	<u>\$ 785,651</u>	<u>938,265</u>

(an) Financial instruments

(i) 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, Due to Central Bank and banks, Securities sold under repurchase agreements, Payables, and Deposits and remittances.
- 2) For financial instruments at fair value through profit or loss and financial assets at fair value through other comprehensive income, the quoted market 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 and 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 their fair value.
- 4) Please refer to note 6(m) for further information of valuation of investment property.
- 5) For valuation of financial debentures, the fair value is the present value of future cash flow. The discount rate is based on the interest rate for loans with similar terms (e.g. 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.

(Continued)

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 IFRS 9 or take any observable data into account to evaluate the probability of impairment and loss rate of allowance for doubtful accounts as the estimates of PD and LGD. In addition, mark to market assessment of a derivative instrument from Over the Counter (OTC) is applied as EAD. For those accounts which have significant increase in credit risk, their CVA will be assessed individually by taking into account their changes of exposures, conditions of collaterals and their probabilities of recovery.

- (ii) 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.

(Continued)

Bank of Panhsin
Notes to the Financial Statements

- ii) The quoted market price of the same or identical financial instruments in an inactive market.
- 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, 2019				
	Book value	Level 1	Level 2	Level 3	Total
<u>Instruments at fair value</u>					
<u>Instruments at fair value on a recurring basis</u>					
<u>Non-Derivative Financial Instruments</u>					
Assets					
Financial assets at fair value through profit or loss					
Financial assets mandatorily at fair value through profit or loss					
Investment in stocks	\$ 8,805	8,805	-	-	8,805
Investment in bonds	805,633	505,114	300,519	-	805,633
Investment in beneficiary certificates	68,060	68,060	-	-	68,060
Financial assets at fair value through other comprehensive income					
Investment in stocks	925,137	595,182	-	329,955	925,137
Investment in bonds	15,825,070	10,201,900	5,623,170	-	15,825,070

(Continued)

Bank of Panhsin

Notes to the Financial Statements

December 31, 2019					
Fair value measurement for a financial instrument	Book value	Level 1	Level 2	Level 3	Total
<u>Instruments at fair value</u>					
<u>Instruments at fair value on a recurring basis</u>					
<u>Derivative Financial Instruments</u>					
Assets					
Financial assets at fair value through profit or loss	\$ 23,875	-	23,875	-	23,875
Liabilities					
Financial liabilities at fair value through profit or loss	4,303	-	4,303	-	4,303
December 31, 2018					
Fair value measurement for a financial instrument	Book value	Level 1	Level 2	Level 3	Total
<u>Instruments measured at fair value</u>					
<u>Non-Derivative Financial Instruments</u>					
Assets					
Financial assets at fair value through profit or loss					
Financial assets held for trading					
Investment in stocks	\$ 34,817	34,817	-	-	34,817
Investment in bonds	741,788	489,723	252,065	-	741,788
Investment in bills	299,906	-	299,906	-	299,906
Investment in beneficiary certificates	15,443	15,443	-	-	15,443
Financial assets at fair value through other comprehensive income					
Investment in stocks	726,466	400,407	-	326,059	726,466
Investment bonds	1,331,902	9,470,974	3,860,928	-	13,331,902
<u>Derivative Financial Instruments</u>					
Assets					
Financial assets at fair value through profit or loss	\$ 8,640	-	8,640	-	8,640
Liabilities					
Financial liabilities at fair value through profit or loss	28,226	-	28,226	-	28,226

(Continued)

Bank of Panhsin
Notes to the Financial Statements

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

2019									
Items	Beginning balance	The amount recognized in net income	The amount recognized in other comprehensive income	Increase		Transfer from financial liabilities in Level 3 to financial assets in Level 3	Decrease		Ending balance
				Purchase or issue	Transfer into Level 3		Sale, disposal, or settlement	Transfer out of Level 3	
Financial assets at fair value through other comprehensive income	\$ 326,059	-	3,896	-	-	-	-	-	329,955

2018									
Items	Beginning balance	The amount recognized in net income	The amount recognized in other comprehensive income	Increase		Transfer from financial liabilities in Level 3 to financial assets in Level 3	Decrease		Ending balance
				Purchase or issue	Transfer into Level 3		Sale, disposal, or settlement	Transfer out of Level 3	
Financial assets at fair value through other comprehensive income	\$ 135,536	-	190,523	-	-	-	-	-	326,059

4) There is no transfer between level 1 and level 2 financial instrument measured at fair value for the years ended December 31, 2019 and 2018.

5) Quantitative information about the significant unobservable inputs in Level 3

Quantitative information about the significant unobservable inputs are as follows:

December 31, 2019			
Items	Valuation techniques	Significant unobservable inputs	Relation ship between the significant unobservable inputs and fair value
Financial assets at fair value through other comprehensive income-equities investments in inactive market	Market approach-relevant information generated by listed companies	·Liquidity discount (19.95%~30.00%) ·Multiplier (1.05~1.89)	·The higher the liquidity discount, the lower the fair value. ·The higher the multiplier, the higher the fair value.
//	Income approach	·Discount rate (7.27%)	·The higher the discount rate, the lower the fair value.
//	Income approach	·Perpetual growth rate (1.58%)	·The higher perpetual growth rate, the higher the fair value.

(Continued)

Bank of Panhsin
Notes to the Financial Statements

December 31, 2018

Items	Valuation techniques	Significant unobservable inputs	Relation ship between the significant unobservable inputs and fair value
Financial assets at fair value through other comprehensive income-equities investments in inactive market	Market approach-relevant information generated by listed companies	·Liquidity discount (20.13%~30.00%) ·Multiplier (1.05~1.60)	·The higher the liquidity discount, the lower the fair value. ·The higher the multiplier, the higher the fair value.
"	Income approach	·Discount rate (7.16%)	·The higher the discount rate, the lower the fair value.
"	Income approach	·Perpetual growth rate (1.07%)	·The higher perpetual growth rate, the higher the fair value.

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

		Change in fair value recognize under other comprehensive income	
		Positive	Negative
December 31, 2019	Inputs	Variance	
Financial assets at fair value through other comprehensive income			
Equities investments in inactive market	Liquidity discount	1%	277 (277)
	Multiplier	1%	218 (218)
	Discount rate	1%	43,286 (29,986)
	Perptual growth rate	0.1%	3,028 (2,909)

(Continued)

Bank of Panhsin
Notes to the Financial Statements

	Inputs	Variance	Change in fair value recognize under other comprehensive income	
			Positive	Negative
December 31, 2018				
Financial assets measured at fair value through other comprehensive income				
Equities investments in inactive market	Liquidity discount	1%	262	(262)
	Multiplier	1%	206	(206)
	Discount rate	1%	38,061	(26,957)
	Perptual growth rate	0.1%	2,672	(2,553)

(iii) For the years ended December 31, 2019 and 2018, gain (loss) recognized by the Bank from the fair value evaluation of financial instruments by using valuation techniques amounted to \$49,557 and \$(29,325), respectively.

(iv) 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 no exercisable master netting arrangements or similar agreements (such as repurchase agreement, reverse repurchase and derivatives transaction).

(v) 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.

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.

(Continued)

Bank of Panhsin

Notes to the Financial Statements

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.

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

(Continued)

Bank of Panhsin
Notes to the Financial Statements

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) Determining the credit risk has increased significantly since the initial recognition
- i) At each reporting date, the Bank shall determine whether the credit risk of financial assets has increased significantly since initial recognition and measures loss allowances at an amount equal to lifetime expected credit loss (ECL)

If one or more of the following conditions are satisfied, the credit risk of financial asset is determined as increased significantly:

1. In accordance with the internal rules of the Bank, wherein the status of the debtor is "Alerts" but no tracking is required.
2. The status of the debtor is "Normal" and overdue is more than 30 days.
3. The debtor has reached its overdue and made the repayment 7 days thereafter, through negotiation with the Bank.
4. TCRI rating of the debtor has dropped two degree (or more), or dropped one degree but with "C" or "D".

- ii) Low credit risk: If the credit risk of a financial instrument is assessed as low, the Bank may consider it as insignificant since initial recognition.

- f) Definition of financial assets being credit impaired

If one or more of the following conditions are satisfied, the financial asset is determined to be credit impaired:

- i) Status of the debtor is "Overdue" or "Recoverable".
- ii) The debtor has reached its overdue and made the repayment over 7 days, through negotiation with the Bank.
- iii) Other special or abnormal condition which is assessed to be listed.

- g) Write-off policies

The Bank writes-off uncollectable receivables after reporting to the Board. Adjustments for provision were made after recovery of the write-offs.

(Continued)

Bank of Panhsin
Notes to the Financial Statements

h) Measurement of expected credit loss (ECL)

i) Adopted methods and assumptions

For financial assets with low credit risk and no significant increase in credit risk since the initial recognition, the 12-month expected credit loss amount is used to measure the allowance loss. For various financial assets that have been significantly increased in credit risk or credit impaired since the initial recognition, the lifetime expected credit loss amount is used to measure the allowance loss.

To measure the expected credit loss, the Bank considers the borrower's probability of default (PD) for the next 12 months and its lifetime, and then include the loss given default (LGD) multiplied by the exposure at default (EAD), and considers the impact of the time value of money to calculate the expected credit losses for 12 months and lifetime, respectively.

PD is the default probability of the borrower, and LGD is the rate of loss caused by default by the borrower. PD and LGD used in the impairment assessment for various loans businesses of the Bank are calculated after adjusting historical data based on internal historical information (such as credit loss experience) of each combination, and based on the current observable information and forward-looking general economic information.

ii) Consideration of forward-looking information

When the Bank measure ECL in various types of financial assets, it takes into consideration the forward-looking information, performs the forward-looking model estimations based on the nature of loan products, and establishes credit risk link models based on past default rates and overall economic information. The model estimates the relationship between the default rate and the overall economic information, and establishes a model to predict the forecast value of the overall economic information to predict the default rate in the following year. Then, the forward-looking adjustments are applied to the ECL. In principle, the validity of the abovementioned forward-looking model is examined annually.

i) 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.

(Continued)

Bank of Panhsin
Notes to the Financial Statements

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.

j) 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, 2019	December 31, 2018
Unused amounts of irrevocable loan commitments	\$ 4,230,597	3,781,294
Unused amount of irrevocable letter of credit	1,483,718	1,345,602
Various guarantee proceeds	3,419,741	2,855,153
Total	<u>\$ 9,134,056</u>	<u>7,982,049</u>

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:

December 31, 2019	Collateral	Master netting arrangement	Other credit enhancement	Total
<u>Items on statement of financial positions</u>				
Loans and discounts	\$ 124,496,455	-	43,458,380	167,954,835
Acceptance receivables	48,241	-	225,957	274,198
<u>Items off statement of financial positions</u>				
Various guarantee proceeds	622,260	-	2,797,481	3,419,741
Total	<u>\$ 125,166,956</u>	<u>-</u>	<u>46,481,818</u>	<u>171,648,774</u>

(Continued)

Bank of Panhsin
Notes to the Financial Statements

<u>December 31, 2018</u>	<u>Collateral</u>	<u>Master netting arrangement</u>	<u>Other credit enhancement</u>	<u>Total</u>
<u>Items on statement of financial positions</u>				
Loans and discounts	\$ 117,411,025	-	37,065,529	154,476,554
Acceptance receivables	31,975	-	120,317	152,292
<u>Items off statement of financial positions</u>				
Various guarantee proceeds	292,354	-	2,562,799	2,855,153
Total	<u>\$ 117,735,354</u>	<u>-</u>	<u>39,748,645</u>	<u>157,483,999</u>

k) 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:

By industry

<u>By industry</u>	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Manufacturing	\$ 19,149,201	11.40	16,852,238	10.91
General businesses	60,518,795	36.03	48,178,226	31.19
Constructions	5,368,362	3.20	7,219,080	4.67
Individuals	70,679,072	42.08	70,547,859	45.67
Others	12,239,405	7.29	11,679,151	7.56
	<u>\$ 167,954,835</u>	<u>100.00</u>	<u>154,476,554</u>	<u>100.00</u>

By collateral

<u>By collateral</u>	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Non-secured	\$ 43,458,380	25.88	37,065,529	23.99
Secured	124,496,455	74.12	117,411,025	76.01
Financial collateral	3,073,739	1.83	3,115,100	2.02
Accounts receivable	111,981,009	66.67	106,004,044	68.62
Real estate	8,577,178	5.11	7,387,311	4.78
Guarantee	864,529	0.51	904,570	0.59
	<u>\$ 167,954,835</u>	<u>100.00</u>	<u>154,476,554</u>	<u>100.00</u>

(Continued)

Bank of Panhsin
Notes to the Financial Statements

l) 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 banks, financial assets at fair value through profit or loss, securities purchased under resell agreements, 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.

(Continued)

Bank of Panhsin
Notes to the Financial Statements

Additional credit quality analysis of financial assets was as follows:

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

Name	December 31, 2019										
	12 months				Lifetime (not impaired)				Lifetime (impaired)	Allowance for impairment loss	Total
	Low risk	Medium risk	High risk	Subtotal	Low risk	Medium risk	High risk	Subtotal			
Items on statement of financial position											
Receivables											
Acceptance	\$ 274,198	-	-	274,198	-	-	-	-	-	5,116	269,082
Loan interest	198,885	331	162	199,378	2,176	195	450	2,821	14,706	2,975	213,930
Others	1,095,452	6	5	1,095,463	21	3	2	26	5,923	2,956	1,098,456
Loans and discounts	163,575,926	135,868	76,331	163,788,125	1,877,543	33,336	43,787	1,954,666	2,212,044	2,010,437	165,944,398
Non-accrual loan	-	-	-	-	-	-	-	-	15,095	15,095	-
	<u>\$ 165,144,461</u>	<u>136,205</u>	<u>76,498</u>	<u>165,357,164</u>	<u>1,879,740</u>	<u>33,534</u>	<u>44,239</u>	<u>1,957,513</u>	<u>2,247,768</u>	<u>2,036,579</u>	<u>167,525,866</u>
Items off statement of financial position											
Guarantees	\$ 3,244,991	-	-	3,244,991	100,000	-	-	100,000	74,750	35,828	3,383,913
Letter of Credit	1,471,324	-	-	1,471,324	10,649	-	-	10,649	1,745	5,465	1,478,253
Loan Commitments	4,230,597	-	-	4,230,597	-	-	-	-	-	31,773	4,198,824

(Continued)

Bank of Panhsin
Notes to the Financial Statements

December 31, 2018											
Name	12 months				Lifetime (not impaired)				Lifetime (impaired)	Allowance for impairment loss	Total
	Low risk	Medium risk	High risk	Subtotal	Low risk	Medium risk	High risk	Subtotal			
Items on statement of financial position											
Receivables											
Acceptance	\$ 155,292	-	-	155,292	-	-	-	-	-	6,136	149,156
Loan interest	222,534	385	166	223,085	2,610	736	310	3,656	1,936	2,975	225,702
Others	1,218,691	6	9	1,218,706	32	8	3	43	12,358	1,870	1,229,237
Loans and discounts	<u>150,343,656</u>	<u>171,550</u>	<u>61,247</u>	<u>150,576,453</u>	<u>1,641,923</u>	<u>167,208</u>	<u>40,079</u>	<u>1,849,210</u>	<u>2,050,891</u>	<u>1,915,250</u>	<u>152,561,304</u>
	<u>\$ 151,940,173</u>	<u>171,941</u>	<u>61,422</u>	<u>152,173,536</u>	<u>1,644,565</u>	<u>167,952</u>	<u>40,392</u>	<u>1,852,909</u>	<u>2,065,185</u>	<u>1,926,231</u>	<u>154,165,399</u>
Items off statement of financial position											
Guarantees	\$ 2,855,153	-	-	2,855,153	-	-	-	-	-	30,030	2,825,123
Letter of Credit	1,335,238	-	-	1,335,238	10,364	-	-	10,364	-	6,569	1,339,033
Loan Commitments	3,781,294	-	-	3,781,294	-	-	-	-	-	28,354	3,752,940

Bank of Panhsin
Notes to the Financial Statements

ii) Credit quality analysis for marketable securities

Name	December 31, 2019										
	12 months				Lifetime (not impaired)				Lifetime (impaired)	Accumulated impairment loss	Total
	Investment grade	Non- investment grade	No credit ratings	Subtotal	Investment grade	Non- investment grade	No credit ratings	Subtotal			
Financial assets at fair value through other comprehensive income											
Debt instrument investment	\$ 15,825,070	-	-	15,825,070	-	-	-	-	-	2,286	15,822,784
Debt instrument investment at amortized cost											
Debt instrument investment	36,957,858	-	-	36,957,858	-	-	-	-	-	433	36,957,425

(Continued)

Bank of Panhsin
Notes to the Financial Statements

Name	December 31, 2018									
	12 months				Lifetime (not impaired)				Accumulated impairment loss	Total
	Investment grade	Non- investment grade	No credit ratings	Subtotal	Investment grade	Non- investment grade	No credit ratings	Subtotal		
Financial assets at fair value through other comprehensive income										
Debt instrument investment	\$ 13,331,902	-	-	13,331,902	-	-	-	-	2,452	13,329,450
Debt instrument investment at amortized cost										
Debt instrument investment	41,835,000	-	-	41,835,000	-	-	-	-	-	41,835,000

Bank of Panhsin
Notes to the Financial Statements

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.

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.

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.

(Continued)

Bank of Panhsin
Notes to the Financial Statements

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.

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, net stable funding ratio, and the ratio of the Bank's interest-rate-sensitive assets to its interest-rate-sensitive liabilities (gap ratio).

(Continued)

Bank of Panhsin
Notes to the Financial Statements

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.

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, 2019							
Items	0~10 Days	11~30 Days	31~90 Days	91~180 Days	181 Days~ 1 Year	Over 1 Year	Total
Assets							
Cash and Deposits with other banks	\$ 6,261,253	313,280	830,847	966,046	1,732,945	1,946,387	12,050,758
Securities Investments	9,674,148	12,000,000	1,000,000	3,240,000	6,130,241	15,814,152	47,858,541
Securities purchased under resell agreements	649,478	-	-	-	-	-	649,478
Loans (include NPL)	7,590,061	4,996,826	12,096,197	25,152,058	27,717,415	75,257,764	152,810,321
Interest Receivables	51,712	113,655	10,638	33,402	35,413	14,231	259,051
Liabilities							
Deposits from Central Bank and banks	346,141	280	603,950	373,550	192,940	-	1,516,861
Demand deposits	720,705	1,441,411	4,324,232	6,486,349	12,972,697	59,852,869	85,798,263
Time deposits	3,844,959	9,074,094	23,552,224	25,925,039	46,150,880	5,425,594	113,972,790
Borrowings	-	-	-	3,000,000	-	3,971,000	6,971,000
Interest payables	71,679	16,056	37,529	80,914	55,693	5,661	267,532
Lease liabilities	-	15,148	27,305	43,851	46,258	218,066	350,628
Others	679,472	347,052	67,898	91,411	-	532,541	1,718,374

(Continued)

Bank of Panhsin
Notes to the Financial Statements

December 31, 2018							
Items	0~10 Days	11~30 Days	31~90 Days	91~180 Days	181 Days~ 1 Year	Over 1 Year	Total
Assets							
Cash and Deposits with other banks	\$ 6,767,219	355,350	855,365	921,957	1,721,063	1,796,266	12,417,220
Securities Investments	11,252,433	13,200,261	2,775,000	2,945,000	9,919,615	13,074,516	53,166,825
Securities purchased under resell agreements	2,416,582	799,364	-	-	-	-	3,215,946
Loans (include NPL)	7,496,864	4,642,778	11,964,358	19,008,161	30,017,910	66,527,754	139,657,825
Interest Receivables	63,469	130,191	17,839	23,821	43,324	12,138	290,782
Liabilities							
Deposits from Central Bank and banks	39,310	280	502,480	475,020	192,940	-	1,210,030
Demand deposits	667,952	1,335,905	4,007,715	6,011,572	12,023,145	55,471,864	79,518,153
Time deposits	2,432,459	10,815,644	25,242,171	25,515,388	46,809,029	5,925,202	116,739,893
Borrowing	-	-	-	-	-	6,311,000	6,311,000
Interest payables	76,709	15,646	36,455	71,146	56,556	5,248	261,760
Others	1,263,495	271,112	245,297	102,150	23,789	373,639	2,279,482

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.

December 31, 2019			
	Less than 1 year	Over 1 year	Total
Unused amount of irrevocable loan commitment	\$ 300,465	3,930,132	4,230,597
Unused amount of irrevocable letter of credit	1,411,085	72,633	1,483,718
Various guarantee proceeds	685,412	2,734,329	3,419,741
December 31, 2018			
	Less than 1 year	Over 1 year	Total
Unused amount of irrevocable loan commitment	\$ 473,492	3,307,802	3,781,294
Unused amount of irrevocable letter of credit	1,194,024	151,578	1,345,602
Various guarantee proceeds	874,013	1,981,140	2,855,153

(Continued)

Bank of Panhsin
Notes to the Financial Statements

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:

<u>December 31, 2019</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Lease commitments				
Operating lease income (lessor)	\$ 105,760	229,379	43,527	378,666

<u>December 31, 2018</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Lease commitments				
Operating lease payment (lessee)	\$ 172,956	264,891	3,735	441,582
Operating lease income (lessor)	105,455	244,217	65,753	415,425

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:

Main risk	Name	December 31, 2019		
		Cost/ par value	Amount	
			Equity	Gain or loss
Interest rate risk	Government bonds, corporate bonds, and financial debentures	19,328,132	(716,432)	(201,434)

(Continued)

Bank of Panhsin
Notes to the Financial Statements

Main risk	Name	December 31, 2018		
		Cost/ par value	Amount	
			Equity	Gain or loss
Interest rate risk	Government bonds, corporate bonds, and financial debentures	14,058,467	(439,688)	(41,778)

g) Exchange rate risk

December 31, 2019			
	Foreign currency (thousand dollars)	Exchange rate (dollars)	New Taiwan dollars (thousand dollars)
Financial assets			
Monetary item			
USD	451,180	30.1060	13,583,225
EUR	8,111	33.7368	273,636
JPY	390,781	0.2771	108,272
HKD	39,000	3.8660	150,775
CAD	184	23.0821	4,236
SGD	3,878	22.3670	86,737
CNY	223,100	4.3235	964,579
Financial liabilities			
Monetary item			
USD	544,287	30.1060	16,386,291
EUR	4,098	33.7368	138,263
JPY	1,486,158	0.2771	411,764
HKD	12,648	3.8660	48,896
AUD	34,887	21.1043	736,275
GBP	892	39.5292	35,245
CAD	3,972	23.0821	91,677
CHF	4	31.0724	133
NZD	2,207	20.2704	44,731
SGD	92	22.3670	2,057
ZAR	156,854	2.1392	335,536
CNY	174,100	4.3235	752,727

(Continued)

Bank of Panhsin
Notes to the Financial Statements

	December 31, 2018		
	Foreign currency (thousand dollars)	Exchange rate (dollars)	New Taiwan dollars (thousand dollars)
Financial assets			
Monetary item			
USD	437,425	30.7330	13,443,390
EUR	4,924	35.1985	173,319
JPY	138,471	0.2784	38,551
HKD	45,750	3.9240	179,524
AUD	37	21.6760	801
CNY	187,184	4.4744	837,528
Financial liabilities			
Monetary item			
USD	523,884	30.7330	16,100,531
EUR	4,287	35.1985	150,899
JPY	1,222,505	0.2784	340,350
HKD	14,041	3.9240	55,095
AUD	35,108	21.6760	761,009
GBP	1,954	38.8957	76,011
CAD	3,191	22.5945	72,102
CHF	3	31.2105	94
NZD	2,118	20.6249	43,678
SGD	90	22.4920	2,032
ZAR	140,392	2.1296	298,973
CNY	159,143	4.4744	712,063

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.

(Continued)

Bank of Panhsin
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 1 Capital and Tier 2 Capital following the "Regulations Governing the Capital Adequacy and Capital Category of Banks".

Tier 1 capital includes common equity and additional Tier I capital.

The common equity Tier I capital consists of the common equity that reduces intangible assets, the deferred tax assets due to losses from the previous year, the insufficiency of operation reserves and loan loss provisions, the revaluation surplus of real estate, and the statutory adjustment items calculated in accordance with other rules for calculation methods.

The common equity Tier I capital shall mean the sum of the following items:

1. Common stock and additional paid-in capital in excess of par- common stock
2. Capital collected in advance
3. Capital reserves
4. Statutory surplus reserves
5. Special reserves
6. Accumulated profit or loss
7. Non-controlling interests
8. Other items of interest

(Continued)

Bank of Panhsin
Notes to the Financial Statements

The range of additional Tier I capital shall mean the total amount of the following items reduces the total amount of the deductible items in accordance with the rules for calculation methods.

1. Non-cumulative perpetual preferred stock and its capital stock premium.
2. Non-cumulative perpetual subordinated debts.
3. The additional Tier I capital, which are issued by the Banks' subsidiaries, and are not directly or indirectly held by the Bank.

The range of Tier II capital shall mean the total amount of the following items reduces the total amount of the deductible items in accordance with the rules for calculation methods.

1. Cumulative perpetual preferred stock and its capital stock premium.
2. Cumulative perpetual subordinated debts.
3. Convertible subordinated debts
4. Long-term subordinated debts
5. Non-perpetual preferred stock and its capital stock premium
6. When first time applying International Financial Reporting Standards in real estate and using the fair value or the re-estimated value method as the deemed cost, the difference in amount between the deemed cost and the book value recognized in retained earnings.
7. The 45% of unrealized gains on changes in the fair value of investment properties using fair value method, as well as the 45% of unrealized gains on financial assets measured at fair value through other comprehensive income.
8. Operational reserves and loan-loss provisions.
9. The Tier II capital, which are issued by the Banks' subsidiaries, and are not directly or indirectly held by the Bank.

(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, 2019	December 31, 2018
Eligible capital	Common equity			12,991,667	11,996,641
	capital	Additional Tier I capital		1,643,599	1,677,120
		Tier II capital		3,203,348	3,210,206
		Eligible capital			17,838,614
Risk-weighted assets	Credit risk	Standardized approach		149,260,597	140,419,282
		Internal rating-based approach		-	-
		Securitization		-	-
	Operational risk	Basic indicator standardized approach		6,322,775	6,030,425
		Standardized approach / alternative approach		-	-
		Advanced measurement approach		-	-
	Market risk	Standardized approach		499,613	596,713
		Internal model approach		-	-
	Total risk-weighted assets				156,082,985
Capital adequacy ratio				11.43 %	11.48 %
Tier I captial ratio				9.38 %	9.30 %
Common equity Tier I ratio				8.32 %	8.16 %
Leverage ratio				5.61 %	5.42 %

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 + additional 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 equity Tier I ratio = common equity / total risk-weighted assets
- (5) Tier I 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 and relationship of related parties

Related parties	Relationship
Panhsin Asset Management Co., Ltd.	Subsidiary
Panhsin International Leasing Co., Ltd.	Subsidiary
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
Other related parties	The board of directors, general manager, vice general manager, and managers of the Bank, and according to IAS 24- Related Party Disclosures, related parties should include: 1. The spouse or a relative within the second degree or closer of the Bank's management. 2. A company's directors, supervisors, and general manager is the same person from the Bank's management and above relatives.

(b) Significant transactions with related parties

(i) Deposits

2019			
Name	Ending balance	Percentage of deposits	Interest rate (%)
Deposits by each related party not over 1% of total deposits	\$ <u><u>1,052,516</u></u>	<u><u>0.48</u></u>	0.01~8.16
2018			
Name	Ending balance	Percentage of deposits	Interest rate (%)
Deposits by each related party not over 1% of total deposits	\$ <u><u>1,685,600</u></u>	<u><u>0.78</u></u>	0.01~8.16

For the years ended December 31, 2019 and 2018, apart from an interest rate limit on staff demand savings deposits of 6.42% to 6.50% and 6.50% to 6.75%, respectively, the interest rates and other terms provided to the above related parties were the same as the terms offered to the general public.

(Continued)

Bank of Panhsin
Notes to the Financial Statements

For the years ended December 31, 2019 and 2018 interest expense paid on the above deposits was \$8,059 and \$8,075, respectively.

(ii) Loans

2019							
Type of loan	Number of accounts or name of related party	Maximum during the period	Ending balance	Repayment		Collateral	Difference between terms and conditions offered to the accounts and to the general public
				On time	Overdue		
Employee credit loan	26	63,904	43,273	43,273	-	Real estate	None
Mortgage	11	57,194	38,900	38,900	-	Real estate	None
Others	28	871,399	408,211	408,211	-	Real estate	None

2018							
Type of loan	Number of accounts or name of related party	Maximum during the period	Ending balance	Repayment		Collateral	Difference between terms and conditions offered to the accounts and to the general public
				On time	Overdue		
Employee credit loan	23	51,996	39,890	39,890	-	Real estate	None
Mortgage	10	57,121	54,914	54,914	-	None	None
Others	Sheng Ping Zuo Construction Co.	291,332	-	-	-	Real estate	None
	15	838,165	412,749	412,749	-	Real estate	None

For the years ended December 31, 2019 and 2018, interest income recognized for the above loans was \$10,193 and \$12,956, respectively.

(iii) Leases

1) As a lesser

Name	Rental income	
	2019	2018
Panshin Asset Management Co., Ltd.	\$ 3,600	4,650

2) As a lessee

Name	Right-of-use assets	
	December 31, 2019	January 1, 2019
Xin Hui Construction Co., Ltd.	\$ 7,353	9,243
Cheng Hui Construction Co., Ltd.	7,353	9,243
Da Wang Construction Co., Ltd.	257	2,962
Shan Hui Construction Co., Ltd.	3,500	9,500
Total	\$ 18,463	30,948

(Continued)

Bank of Panhsin
Notes to the Financial Statements

Name	Lease liabilities	
	December 31, 2019	January 1, 2019
Xin Hui Construction Co., Ltd.	\$ 7,436	9,505
Cheng Hui Construction Co., Ltd.	7,436	9,505
Da Wang Construction Co., Ltd.	-	2,962
Shan Hui Construction Co., Ltd.	3,749	9,952
Total	\$ 18,621	31,924

Name	Rental expense	
	2019	2018
Xin Hui Construction Co., Ltd.	\$ 2,283	2,283
Cheng Hui Construction Co., Ltd.	2,283	2,283
Da Wang Construction Co., Ltd.	3,043	3,022
Shan Hui Construction Co., Ltd.	6,377	6,300
Total	\$ 13,986	13,888

(iv) Other

- 1) For the years ended December 31, 2019 and 2018, the details of the Bank's selling a series of subordinated financial debentures to related parties were as follows:

2019			
Related party	Ending balance	Interest rate (%)	Interest expense
Other related parties	<u>62,700</u>	2.56~4.75	<u>2,747</u>
2018			
Related party	Ending balance	Interest rate (%)	Interest expense
Other related parties	<u>68,700</u>	2.56~4.75	<u>3,032</u>

(Continued)

Bank of Panhsin
Notes to the Financial Statements

2) Xin Rui Du foreclosed collateral sell contract

The Bank publicly auctioned the development rights of Xin Rui Du in 2008, and Panhsin Asset Management Co., Ltd. ("the AMC") was able to acquire the said development rights. The Ministry of Economic Affairs announced the AMC to take over the "Da Hu Industrial and Commercial Integrated District" develop plan. In compliance with the collateral disposal due date announced by the Regulatory and Article 76-2 of The Banking Act, the Bank entered into agreement with a counterparty to dispose the foreclosed collateral of Xin Rui Du on August 7, 2018. The AMC agreed to transfer the aforementioned development rights to the buyer, and decided to charge the Bank the disposal income distribution and repayment amounting to \$12,244, recognized as other payables by the bank. The disposal income distribution of \$3,217 (tax included) was recognized as the deduction of net gain (loss) on sales of foreclosed collaterals.

3) Operating income (loss) between related people:

Name	2019	2018
Other revenue		
Panshin Asset Management Co., Ltd.	\$ <u>19</u>	<u>19</u>

(c) Primary management

	2019	2018
Short-term employee benefits	\$ <u>57,469</u>	<u>58,897</u>
Post-employment benefits	\$ <u>867</u>	<u>925</u>

(Continued)

Bank of Panhsin
Notes to the Financial Statements

(8) Pledged assets

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

Pledged Assets	Pledged for	December 31, 2019	December 31, 2018
Time deposit (recognized in AC)	Foreign currency—denominated overdraft guarantee	\$ 2,000,000	1,044,743
Government bonds (recognized in FVOCI)	Trust fund indenture reserve deposits	50,793	50,835
	Provisional seizure	117,645	129,326
	Operating deposits for trading bills	50,000	50,913
	Settlement operating deposits for trading bonds	10,000	10,183
	Deposits for Taxation Administration, Ministry of Finance	133,910	133,880
Bank savings (recognized in other assets, net)	Settlement deposits for bonds	8,100	8,100
	Deposits for lawsuits	2,208	11,998
		<u>\$ 2,372,656</u>	<u>1,439,978</u>

(9) Significant contingent liabilities and unrecognized contract commitments

(a) Significant contingent liabilities and unrecognized contract commitments

(i) Significant purchase agreements

December 31, 2019		
Contract name	Contract price	Unpaid portion of contract price
Significant purchase agreements:		
Software system	\$ 177,197	30,120
Computer facilities construction	109,880	108,192
Total	<u>\$ 287,077</u>	<u>138,312</u>

(Continued)

Bank of Panhsin
Notes to the Financial Statements

December 31, 2018

Contract name	Contract price	Unpaid portion of contract price
Significant purchase agreements:		
Software system	\$ <u>251,630</u>	<u>54,155</u>

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

(b) Other

	December 31, 2019	December 31, 2018
Consignment collection for others	\$ 7,439,148	8,046,264
Consignment released and loans for others	1,008,550	257,063
Collateral held as performance bond	23,773	17,105
Traveler's checks held for consignment sale	7,755	8,256
Custodial securities	130,000	130,000
Trust assets	<u>42,233,875</u>	<u>40,846,973</u>
Total	<u>\$ 50,843,101</u>	<u>49,305,661</u>
Unused amounts of irrevocable loan commitments	<u>\$ 4,230,597</u>	<u>3,781,294</u>
Various guarantee proceeds	<u>\$ 3,419,741</u>	<u>2,855,153</u>
Unused amount of irrevocable letter of credit	<u>\$ 1,483,718</u>	<u>1,345,602</u>

(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:

Trust balance sheet			
December 31, 2019			
Trust assets		Trust liabilities	
Bank deposits	\$ 4,978,983	Management fees payable	341
Investment in bonds	1,654,973	Trust capital—monetary trust	19,582,421
Investment in stocks	1,811,333	Trust capital—securities trust	1,302,542
Investment in funds	13,418,844	Trust capital—real estate	21,114,248
Land	17,247,802	Trust capital—land rights	10,000
Building	52,079	Net income	605,976
Construction in progress	3,059,861	Unappropriated earnings	(317,660)
Land rights	<u>10,000</u>	Deferred suspense accounts	<u>(63,993)</u>
Total trust assets	<u>\$ 42,233,875</u>	Total trust liabilities	<u>42,233,875</u>

(Continued)

Bank of Panhsin
Notes to the Financial Statements

Trust balance sheet			
December 31, 2018			
Trust assets		Trust liabilities	
Bank deposits	\$ 3,733,405	Trust capital—monetary trust	18,713,998
Investment in bonds	867,958	Trust capital—real estate	19,866,231
Investment in stocks	1,994,768	Trust capital—monetary loans and guaranteed assets	735,482
Investment in funds	14,047,374	Trust capital—securities	1,364,826
Investment in loans	735,479	Trust capital—land rights	10,000
Land	16,230,862	Net income	517,329
Building	232,660	Unappropriated earnings	(315,524)
Construction in progress	2,994,467	Deferred suspense accounts	(45,369)
Land rights	10,000		
Total trust assets	<u>\$ 40,846,973</u>	Total trust liabilities	<u>40,846,973</u>

Trust income statement

	2019	2018
Trust revenue:		
Interest revenue	\$ 63,353	39,996
Realized investment gain—funds	122,186	123,559
Realized investment gain—bonds	18,343	587
Realized investment gain—stock	7,661	9,789
Cash dividends revenue	<u>774,380</u>	<u>766,445</u>
Subtotal	<u>985,923</u>	<u>940,376</u>
Trust expenses:		
Management expenses	9,512	16,098
Trust fees	9,328	5,790
Realized investment loss—funds	329,168	383,951
Realized investment loss—bonds	4,529	4,923
Realized investment loss—stock	27,333	12,203
Other expenses	<u>7</u>	<u>13</u>
Subtotal	<u>379,877</u>	<u>422,978</u>
Net income before income tax	606,046	517,398
Income tax expense	<u>70</u>	<u>69</u>
Net income after income tax	<u>\$ 605,976</u>	<u>517,329</u>

(Continued)

Bank of Panhsin
Notes to the Financial Statements

Trust asset register	
December 31, 2019	
Item	Amount
Bank deposits	\$ 4,978,983
Investment in bonds	1,654,973
Investment in stocks	1,811,333
Investment in funds	13,418,844
Land	17,247,802
Building	52,079
Construction in progress	3,059,861
Land rights	10,000
Total	\$ 42,233,875

Trust asset register	
December 31, 2018	
Item	Amount
Bank deposits	\$ 3,733,405
Investment in bonds	867,958
Investment in stocks	1,994,768
Investment in funds	14,047,374
Investment in loans	735,479
Land	16,230,862
Building	232,660
Construction in progress	2,994,467
Land rights	10,000
Total	\$ 40,846,973

(10) Signification disaster loss: None

(11) Subsequent events: None

(Continued)

Bank of Panhsin
Notes to the Financial Statements

(12) Other

- (a) A summary of employee benefit costs, depreciation, depletion and amortization for the years ended December 31, 2019 and 2018 was as follows:

Function Account	2019			2018		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefit costs						
Salaries	-	1,346,901	1,346,901	-	1,234,002	1,234,002
Labor and health insurance	-	102,454	102,454	-	99,893	99,893
Pension	-	59,336	59,336	-	59,495	59,495
Remuneration of directors	-	35,825	35,825	-	22,748	22,748
Other personnel expense	-	54,467	54,467	-	55,425	55,425
Depreciation	-	314,284	314,284	-	141,807	141,807
Depletion	-	-	-	-	-	-
Amortization	-	42,462	42,462	-	36,291	36,291

The depreciation expense was \$29,533 and \$27,911 in 2019 and 2018, respectively, and was recorded under other non-interest income, net.

As of December 31, 2019 and 2018, the Bank had 1,426 and 1,424 employees, respectively, excluding 15 directors, who were non-employees.

(Continued)

Bank of Panhsin
Notes to the Financial Statements

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

	2019	
	<u>Average Amount</u>	<u>Average Interest Rate (%)</u>
Interest-earning assets:		
Cash due from banks	\$ 745,128	0.69
Due from Central Bank and call loans to banks	7,130,303	0.81
Financial assets at fair value through profit or loss	1,442,348	0.84
Financial assets at fair value through other comprehensive income	13,176,126	1.27
Investments in debt instruments at amortised cost	38,418,699	0.60
Loans and receivables	159,374,588	2.42
Securities purchased under resell agreements	3,230,931	0.57
Interest-bearing liabilities:		
Due to banks and call loans from banks	3,524,393	1.39
Securities sold under repurchase agreements	1,766,061	2.56
Demand deposits	31,495,868	0.10
Time deposits	45,964,484	1.27
Negotiable certificates of deposit	415,332	0.63
Demand savings deposits	52,650,566	0.28
Time savings deposits	83,511,705	1.07
Financial debentures	6,652,753	3.30

(Continued)

Bank of Panhsin
Notes to the Financial Statements

	2018	
	Average Amount	Average Interest Rate (%)
Interest-earning assets:		
Cash due from banks	\$ 690,189	1.09
Due from Central Bank and call loans to banks	10,572,001	0.97
Financial assets at fair value through profit or loss	2,472,342	0.60
Financial assets at fair value through other comprehensive income	10,910,565	1.34
Investments in debt instruments at amortised cost	37,408,356	0.55
Loans and discounts	148,965,899	2.41
Securities purchased under resell agreements	5,467,365	0.46
Interest-bearing liabilities:		
Due to banks and call loans from banks	2,274,206	1.27
Securities sold under repurchase agreements	2,332,215	2.30
Demand deposits	29,231,108	0.08
Time deposits	47,277,518	1.06
Negotiable certificates of deposit	655,670	0.70
Demand savings deposits	50,212,501	0.29
Time savings deposits	83,233,836	1.08
Bank debentures issued	6,936,753	3.33

(Continued)

Bank of Panhsin
Notes to the Financial Statements

- (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, 2019				
Product		Overdue loan amount	Loan balance	Overdue ratio	Allowance for bad debts	Coverage ratio	
Corporate banking	Secured		341,980	55,158,916	0.62 %	729,396	213.29 %
	Unsecured		2,849	44,419,146	0.01 %	416,239	14,610.00 %
Consumer banking	Mortgage		57,861	25,281,087	0.23 %	416,226	719.36 %
	Cash card		-	-	- %	-	- %
	Credit loan		869	358,115	0.24 %	13,287	1,529.00 %
	Others	Secured	137,265	41,080,081	0.33 %	415,219	302.49 %
		Unsecured	-	1,657,490	- %	20,070	- %
	Total		540,824	167,954,835	0.32 %	2,010,437	371.74 %
			Overdue	Accounts receivable	Overdue ratio	Allowance for bad debts	Coverage ratio
Credit cards			-	-	- %	-	- %
Without-recourse factoring			-	-	- %	-	- %

Period			December 31, 2018				
Product			Overdue loan amount	Loan balance	Overdue ratio	Allowance for bad debts	Coverage ratio
Corporate banking	Secured		844,886	49,118,948	1.72 %	657,640	77.84 %
	Unsecured		14,758	36,315,124	0.04 %	351,635	2,382.67 %
Consumer banking	Mortgage		277,038	25,412,258	1.09 %	425,371	153.54 %
	Cash card		-	-	- %	-	- %
	Credit loan		48	473,740	0.01 %	8,167	17,014.58 %
	Others	Secured	180,788	41,482,658	0.44 %	452,096	250.07 %
		Unsecured	-	1,673,826	- %	20,341	- %
	Total		1,317,518	154,476,554	0.85 %	1,915,250	145.37 %
			Overdue	Accounts receivable	Overdue ratio	Allowance for bad debts	Cover rate
Credit cards			-	-	- %	-	- %
Without-recourse factoring			-	-	- %	-	- %

(Continued)

Bank of Panhsin
Notes to the Financial Statements

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

	December 31, 2019		December 31, 2018	
	Excluded NPL	Excluded overdue receivables	Excluded NPL	Excluded overdue receivables
As a result of debt consultation and loan agreement	17,712	-	25,929	-
As a result of debt solvency and restart plan	10,078	-	14,567	-
Total	27,790	-	40,496	-

(ii) Information on concentration of credit risk

Unit: NTD thousand

December 31, 2019			
Rank	Group company	Outstanding loan	Percentage of net worth (%)
1	A United Group (6811-Real Estate Activities for Sale and Rental with Own or Leased Property)	2,277,600	13.87 %
2	B United Group (4100-Construction of Buildings)	1,601,226	9.75 %
3	C United Group (2413-Iron and Steel Rolls over Extends and Crowding)	1,684,884	10.26 %
4	D United Group (6429-Activities of Other Holding Companies)	1,635,413	9.96 %
5	E United Group (6700-Real Estate Development Activities)	1,368,000	8.33 %
6	F United Group (6700-Real Estate Development Activities)	1,123,650	6.84 %
7	G United Group (6700-Real Estate Development Activities)	834,015	5.08 %
8	H United Group (6811-Real Estate Activities for Sale and Rental with Own or Leased Property)	796,000	4.85 %
9	I United Group (6691-Investment Advisory Services)	785,625	4.78 %
10	J United Group (6491-Financial leasing)	782,308	4.76 %
	Total	12,888,721	

(Continued)

Bank of Panhsin
Notes to the Financial Statements

December 31, 2018			
Rank	Group company	Outstanding loan	Percentage of net worth (%)
1	A United Group (6811-Real Estate Activities for Sale and Rental with Own or Leased Property)	2,613,900	16.97 %
2	D United Group (6429-Activities of Other Holding Companies)	1,631,876	10.59 %
3	B United Group (6499-Other financial service activities)	1,452,140	9.43 %
4	E United Group (4340-Building Completion and Finishing)	1,368,000	8.88 %
5	F United Group (6812-Real Estate Agencies Activities)	1,082,650	7.03 %
6	K United Group (4390-Other specialized construction activities)	940,108	6.10 %
7	L United Group (1850-Manufacture of Man-made Fiber)	881,864	5.72 %
8	I United Group (6691-Investment Advisory Services)	810,487	5.26 %
9	M United Group (2699-Manufacture of Other Electronic Parts and Components Not Elsewhere Classified)	746,034	4.84 %
10	N United Group (2101-Manufacture of Tires)	695,883	4.52 %
	Total	12,222,942	

Note: According to the total credit balance of credit-granting households, list the names of the top ten credit-granting enterprises that are not government or state-owned enterprises. If the credit-granting household is a group enterprise, the credit amount of the group enterprise should be returned to the household and added List and disclose by", code" plus "industry type" [such as company A (group) LCD panel and its component manufacturing industry], if it is a group company, it should disclose the industry with the greatest risk to the group company Type, industry category should be listed in the "Sub-category" industry name according to the industry standard classification of the main accounting department.

(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, 2019

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	\$181,173,378	3,240,340	6,136,456	14,229,691	204,779,865
Interest-rate-sensitive liabilities	85,437,578	96,707,197	17,907,887	6,264,388	206,317,050
Interest-rate sensitivity gap	95,735,800	(93,466,857)	(11,771,431)	7,965,303	(1,537,185)
Net worth					16,420,826
Ratio of interest-rate-sensitive assets to liabilities					99.25
Ratio of interest-rate sensitivity gap to net worth					(9.36)

December 31, 2018

Item	1~90 days (inclusive)	91~180 days (inclusive)	181 days~1 year (inclusive)	Over 1 year	Total
Interest-rate-sensitive assets	\$174,545,116	2,962,579	9,893,032	11,938,196	199,338,923
Interest-rate-sensitive liabilities	86,243,801	87,565,982	18,538,441	9,303,186	201,651,410
Interest-rate sensitivity gap	88,301,315	(84,603,403)	(8,645,409)	2,635,010	(2,312,487)
Net worth					15,404,197
Ratio of interest-rate-sensitive assets to liabilities					98.85
Ratio of interest-rate sensitivity gap to net worth					(15.01)

(Continued)

Bank of Panhsin
Notes to the Financial Statements

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

December 31, 2019

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	\$ 460,525	44,014	-	248,954	753,493
Interest-rate-sensitive liabilities	532,280	95,824	72,662	376	701,142
Interest-rate sensitivity gap	(71,755)	(51,810)	(72,662)	248,578	52,351
Net worth					11,097
Ratio of interest-rate-sensitive assets to liabilities					107.47
Ratio of interest-rate sensitivity gap to net worth					471.76

December 31, 2018

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	\$ 492,982	28,932	-	147,589	669,503
Interest-rate-sensitive liabilities	508,229	62,996	46,502	102	617,829
Interest-rate sensitivity gap	(15,247)	(34,064)	(46,502)	147,487	51,674
Net worth					3,660
Ratio of interest-rate-sensitive assets to liabilities					108.36
Ratio of interest-rate sensitivity gap to net worth					1,411.86

(iv) Profitability

Unit: %

Item		December 31, 2019	December 31, 2018
Return on total assets	Before income tax	0.41	0.18
	After income tax	0.36	0.16
Return on net worth	Before income tax	6.34	2.94
	After income tax	5.60	2.64
Profit margin		23.37	11.00

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.

(Continued)

Bank of Panhsin
Notes to the Financial Statements

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

1) Duration analysis in New Taiwan dollars

December 31, 2019

Unit: NTD thousand

	Total	Aging for remaining period until expiration					
		0~10 days	11~30 days	31~90 days	91~180 days	181 days~ 1year	Over 1 year
Capital provided	\$225,001,910	24,708,328	17,442,923	14,032,950	29,446,524	35,705,644	103,665,541
Capital used	280,576,306	6,627,233	12,827,982	34,409,574	44,695,768	76,807,775	105,207,974
Spread	(55,574,396)	18,081,095	4,614,941	(20,376,624)	(15,249,244)	(41,102,131)	(1,542,433)

December 31, 2018

Unit: NTD thousand

	Total	Aging for remaining period until expiration					
		0~10 days	11~30 days	31~90 days	91~180 days	181 days~ 1year	Over 1 year
Capital provided	\$219,789,313	28,221,543	19,154,439	15,718,501	22,922,999	41,702,632	92,069,199
Capital used	264,484,366	5,246,729	13,976,479	34,643,511	39,089,365	72,933,637	98,594,645
Spread	(44,695,053)	22,974,814	5,177,960	(18,925,010)	(16,166,366)	(31,231,005)	(6,525,446)

2) Duration analysis in US dollars

December 31, 2019

Unit: USD thousand

	Total	Aging for remaining period until expiration				
		0~30 days	31~90 days	91~180 days	181 days~ 1year	Over 1 year
Capital provided	\$ 790,746	142,778	115,808	49,392	44,571	438,197
Capital used	926,455	185,540	262,962	117,023	113,752	247,178
Spread	(135,709)	(42,762)	(147,154)	(67,631)	(69,181)	191,019

December 31, 2018

Unit: USD thousand

	Total	Aging for remaining period until expiration				
		0~30 days	31~90 days	91~180 days	181 days~ 1year	Over 1 year
Capital provided	\$ 701,798	181,865	101,123	49,063	19,847	349,900
Capital used	831,233	221,555	232,389	80,798	80,700	215,791
Spread	(129,435)	(39,690)	(131,266)	(31,735)	(60,853)	134,109

(Continued)

Bank of Panhsin
Notes to the Financial Statements

(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) Loans to other parties: Not applicable for banking industry; Subsidiaries:

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral Item	Value	Individual funding loan limits	Maximum limit of fund financing
1	Panhsin Asset Management	Dung Ma Construction Co., Ltd.	Accounts Receivable	No	80,000	80,000	80,000	15.0 %	1	80,000	None.	8,000	None.	-	625,819	4,380,736
1	Panhsin Asset Management	Tang Hsi Construction Co., Ltd.	Accounts Receivable	No	260,166	260,166	260,166	13.5 %	1	260,166	None.	26,017	None.	-	625,819	4,380,736
1	Panhsin Asset Management	Heng He Construction Co., Ltd.	Accounts Receivable	No	141,600	141,600	141,600	12.0 %	1	141,600	None.	141,600	None.	-	625,819	4,380,736
1	Panhsin Asset Management	Tai Kun Construction Co., Ltd.	Accounts Receivable	No	370,000	-	-	6.0 %	1	-	None.	-	None.	-	625,819	4,380,736

Note 1: The explanation in the number column is as follows:

- (1) Issuer fills in 0
- (2) Invested companies are numbered sequentially starting from the Arabic number 1 according to company type.

Note 2: The quota / amount of loan to others for funds still valid.

Note 3: The capital loan and nature should be filled in:

- (1) For business correspondence fill in 1.
- (2) If necessary for short-term financing, fill in 2.

Note 4: Loans and limits for individual target funds: The limit is 1 times the net value of the latest financial report of Panhsin Asset Management..

Note 5: Limit of loaning of funds: The total amount of funds and loans is limited to 7 times the net value of the latest financial report of Panhsin Asset Management..

- (ii) Guarantees and endorsements for other parties: Not applicable for banking industry; Subsidiaries: None.**
- (iii) Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures): Not applicable for banking industry; Subsidiaries: None.**
- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of TWD 300 million or 10% of the capital stock: None.**
- (v) Acquisition of individual real estate with amount exceeding the lower of TWD 300 million or 10% of the capital stock: None.**
- (vi) Disposal of individual real estate with amount exceeding the lower of TWD 300 million or 10% of the capital stock:**

Name of company	Type of property	Transaction date	Acquisition date	Book value	Transaction amount	Amount actually receivable	Gain from disposal	Counter-party	Nature of relationship	Purpose of disposal	Price reference	Other terms
Bank of Panhsin Co., Ltd.	Real estate	Nov. 3, 2019	May. 24, 2017	543,740	640,000	872,500	84,274	Bora Pharmaceuticals Co., Ltd.	Non-related parties	Disposal	Pan Asia Real Estate Appraisers Firm	None

- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of TWD 50 million: None.**

(Continued)

Bank of Panhsin
Notes to the Financial Statements

- (viii) Receivables from related parties with amounts exceeding the lower of TWD 300 million or 10% of capital stock: None.
- (ix) Trading in derivative instruments: Not applicable for banking industry; Subsidiaries: None.
- (x) Information regarding selling non-performing loans:
- 1) Summary table of selling non-performing loans: None.
 - 2) Selling non-performing loans by single over TWD 1 billion: None.
- (xi) Approved securitization instrument types and related information according to "asset-backed securitization" or "mortgage-backed securitization": None.
- (xii) Other material transaction items which were significant to people who use the information in the financial statements: None.

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2019 (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.	Banqiao City, New Taipei City	Purchasing non-performing loans; Parking business; Urban renewal financing	100.00 %	625,945	112,472	50,703	-	50,703	100.00 %	subsidiary
Panhsin International Leasing Co., Ltd.	Banqiao City, New Taipei City	Rental and leasing	100.00 %	380,662	6,089	37,187	-	37,187	100.00 %	subsidiary

(c) Information regarding investment in China: None.

(14) Operating segment information

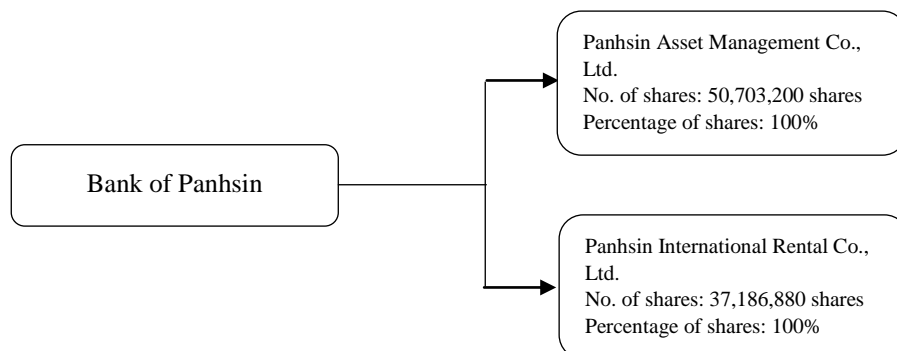
Please refer to 2019 Chinese consolidated financial statements.

Special disclosures

I、Affiliate information

(I) Affiliate organizational structure

Baseline date: December 31, 2019



(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	507,032	Purchase of non-performing assets
Panhsin International Rental Co., Ltd.	2014.11.03	6F, No. 66, Chongqing Rd., Banqiao District, New Taipei City 220	371,869	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, 2019

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)	50,703,200	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	Shih-Chi Wu (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)	37,186,880	100.00
	Director	Wan-De Xiao (representative of Bank of Panhsin)		
	Director	Yung-Lun Lee (representative of Bank of Panhsin)		
	Supervisor	Jone-Chih Huang (representative of Bank of Panhsin)		
	President	Chin-Ting Chang	-	-

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)89646101	(02)89646006
Offshore Banking Branch	27F., No.68, Sec. 2, Xianmin Blvd., Banqiao Dist., New Taipei City, Taiwan (R.O.C.)	(02)89646101	(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
Xizhi Branch	1-2F., No.91-2, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City 221, Taiwan (R.O.C.)	(02)26972959	(02)26973500
Songjiang Branch	No.122, Songjiang Rd., Zhongshan 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)23066452
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., Zhongshan 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	1-2F., 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.236, Sec. 3, Muxin 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
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	1-2F., No. 28-8, Yanping Rd., Taoyuan Dist., Taoyuan City 330, 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
Miaoli Branch	No.39, Zhongzheng Rd., Tongluo Township, Miaoli County, Taiwan (R.O.C.)	(037)985366	(037)985775
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
Kaoxinzhuang Branch	No.485, Xinzhuangzai Rd., Zuoying Dist., Kaohsiung City, Taiwan (R.O.C.)	(07)3412621	(07)3416142
Yanchao Branch	No.761, Zhongmin Rd., Yanchao Dist., Kaohsiung City, Taiwan(R.O.C.)	(07)6169558	(07)6169006