

Annual Report 2018

**Bank of Panhsin Head Office**

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

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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 : Li Li Lu, Andrew Yu

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

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Directory of Head Office & Branches

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Bank Overview

Bank of Panhsin (BOP), formerly known as Panchiao Credit Cooperatives (PCC), has always upheld a customer-centric integrity management since its establishment on April 25, 1957, achieving steady business expansion. Thereafter, in response to a rapidly liberalized financial environment and in compliance with the Standards and Methods for Reorganization of Credit Cooperative into Commercial Bank announced on December 6, 1995, PCC had acquired the Kaohsiung Fifth Credit Cooperative on September 29, 1997, and officially transformed into a commercial bank the following day. The business premise has thus surpassed the boundary of New Taipei City. Subsequently, the Bank has made several adjustments and established branch offices according to business development needs. In support of government policies, BOP had acquired the Chiayi First Credit Cooperative on March 7, 2005, opening 46 branches in total. On July 21, 2014, BOP officially acquired the Taipei City Ninth Credit Cooperative, obtaining a total of 64 branches after the merge. In 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, opening 65 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 throne of 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.

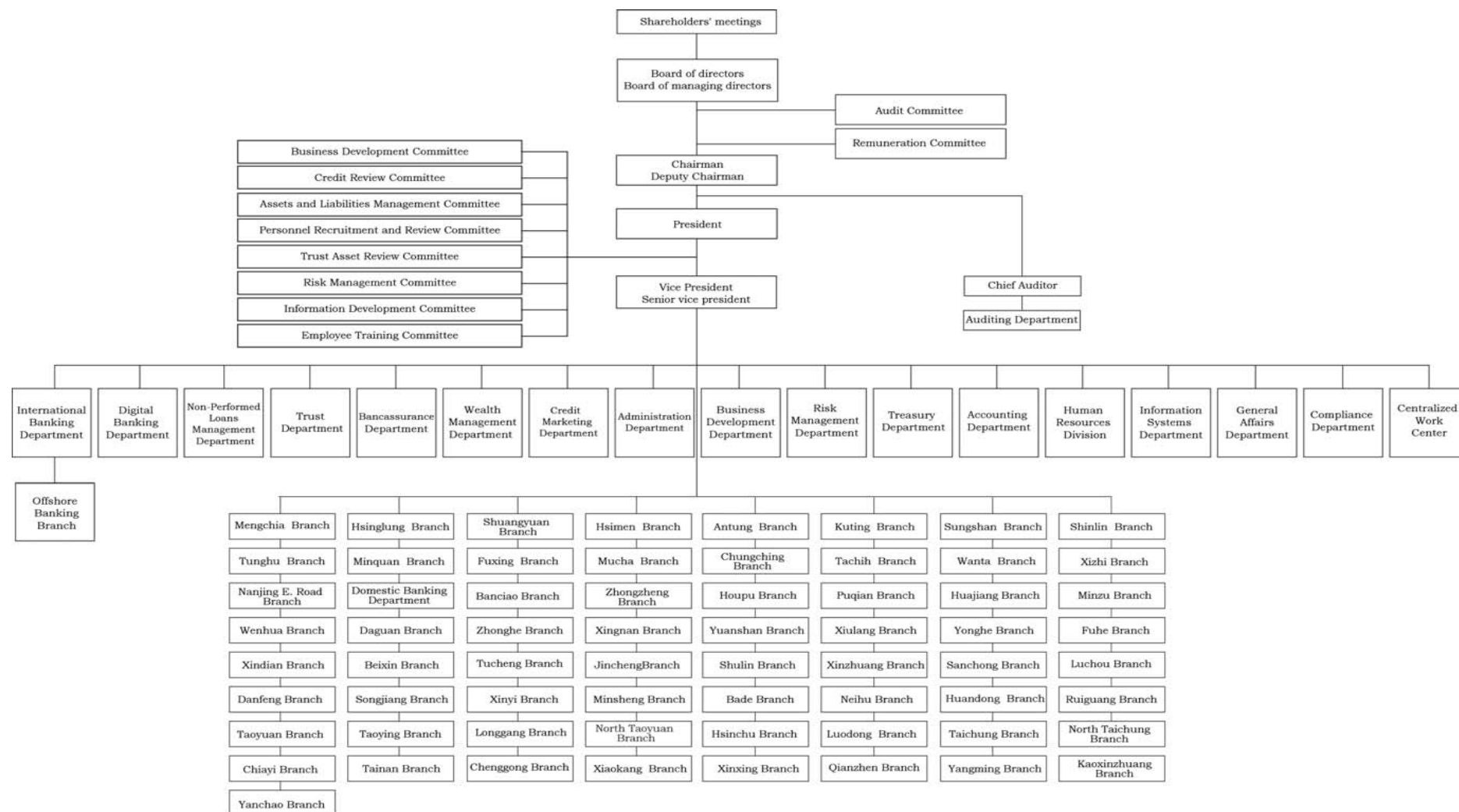
II 、Credit rating

Rating Agency	Date	Long-Term	Short-Term	Outlook
Taiwan Ratings Co.	Oct. 29, 2018	tw BBB-	twA-3	Stable

Corporate Governance

I、Organizational Chart

Baseline date: February 28, 2019



II 、Profiles of directors and Chairman

Baseline date: December 31, 2018

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	39,537,462	2.78	32,041,815	2.26	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 ROC	-
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	8,461,293	0.60	2,407,384	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		
Managing Director	Representative of Sanjun Construction Co., Ltd.: Chun-Sheng Lee	Republic of China	2018.07.01	3	2006.06.20	13,398	-	13,585	-	-	-	Masters, Institute of Business Administration, National Taiwan University/ Chairman, Taichung Bank	-
Director	Shiaan-Jung Chiou	Republic of China	2018.07.01	3	2018.06.20	961,744	0.07	1,275,208	0.09	37,100	-	Masters, Department of Radio, Television & Film, Temple University	-
Director	Representative of Tianlu Construction Co., Ltd.: Yueh-Shuang Chiu	Republic of China	2018.07.01	3	2015.06.25	260,497	0.02	264,143	0.02	-	-	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	-	67,600	-	-	-	Chung Yuan Christian University/ Director, Panchiao Credit Cooperative	Supervisor, Yongthai Development Co., Ltd. Chairman, Yichang Development Co., Ltd. Chairman, Hanchia Construction Co., Ltd. Chairman, Haishan Land Construction Co., Ltd. Director, Genhsin Construction Co., Ltd. Director, Panhsin Asset Management Co., Ltd.
Director	Representative of Sanlight Construction Co., Ltd.: Mei-Yun Liao	Republic of China	2018.07.01	3	2006.06.20	35,506,773	2.62	36,003,867	2.53	-	-	Blessed Imelda's School/ Chairman, Sanlight Construction Co., Ltd.	Chairman, Dashun Construction Co., Ltd. Director, Sanxin Electrical and Mechanical Engineering Co., Ltd. Chairman, Yuanchih Investment Co., Ltd. Director, Sun Hui Construction Co., Ltd. Chairman, Sanlight Construction Co., Ltd. Chairman, Sanjun Construction Co., Ltd. Chairman, Tianlu Construction Ltd. Interim Manager, Sanchunshun Enterprise 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	Tong-Jen Lin	Republic of China	2018.07.01	3	2006.06.20	9,044,700	0.67	9,171,325	0.65	673,116	0.05	Tamkang University/ Assistant 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	9,946,056	0.70	1,629,278	0.11	Chihlee University of Technology/ Supervisor, Panchiao Credit Cooperative	Director, Panhsin Asset Management Co., Ltd. Deputy Chairman, Hechung Recreation Co., Ltd. Responsible person of Haotsaitou Construction Site Responsible person of Kinpinming Park Director, Zhuang-Yuan Lou Co., Ltd. Responsible person, Fruits wholesaler No. 4498
Director	Yao-Chih Chu	Republic of China	2018.07.01	3	2012.06.19	3,166,292	0.23	3,210,620	0.23	138,244	0.01	Fu Jen Catholic University/ Director, Bank of Panhsin	-
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

Position	Name	Country or place of registration	Date elected	Term (Year)	First elected	Shares held during election		No. of shares currently held		Current shares held by spouse and underage children		Major career (academic) achievements	Current job position at the Bank and other companies
						No. of shares	Percentage of shares	No. of shares	Percentage of shares	No. of shares	Percentage of shares		
Director	Peng-Lang Lin	Republic of China	2018.07.01	3	2015.06.25	14,056	-	14,671	-	-	-	Faculty of Business Administration, Aomori University/ Chairman, Sunny Bank National Taipei	-
Independent Director	Fu-Yuan Chang	Republic of China	2018.07.01	3	2009.06.23	-	-	-	-	-	-	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 and Percentage of Shares columns during election were based on the 1,356,584,886 shares actually issued during the reelection on June 20, 2018.

Note 3 : The No. of Shares currently held and Percentage of Shares columns were based on the 1,420,577,074 shares actually issued on December 31, 2018.

Note 4 : Director reelection was held on June 20, 2018.

Note 5 : Panhsin Charitable Foundation is short for Provincial Private Panhsin Social Welfare Charitable Foundation.

III 、Profiles of president, vice presidents, and management

Baseline date: February 28, 2019

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	54,120	-	-	-	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	128,095	0.01	4,179	-	Business Administration, Chihlee University of Technology/ Executive Vice President, Bank of Panhsin	Supervisor, Panhsin Asset Management Co., Ltd.
Senior Executive Vice President	Republic of China	Simon Fang	2006.09.21	19,038,334	1.34	9,966,133	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.
Senior Executive Vice President	Republic of China	Hsin-Mao Huang	2017.03.01	135,430	0.01	386	-	Accounting Department, Fu Jen Catholic University/ Executive Vice President, Bank of Panhsin	Director, Panhsin Asset Management Co., Ltd.
Senior Executive Vice President	Republic of China	Shih-Chi Wu	2014.09.22	96,620	0.01	62,884	-	Executive Master of Business Administration, National Chengchi University/ Senior Executive Vice President, Bank of Panhsin	-
Senior Executive Vice President	Republic of China	Fang-Chi Lin	2017.04.10	32,430	-	-	-	Master, Institute of Land Economics, National Chengchi University/ President, Land Bank Insurance Brokers Co., Ltd.	-
Chief Auditor	Republic of China	Chuan-Ji Chen	2017.05.22	31,090	-	-	-	Department of Red Estate and Built Environment National Taipei University/ General Manager, Land Bank of Taiwan	-
Senior Executive Vice President	Republic of China	Chung-Chi Chang	2017.06.01	31,090	-	-	-	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	14,030	-	-	-	Department of shipping & Transportation management, National Taiwan Ocean University/ General Manager, Bank of Panhsin	-
General Manager, Wealth Management Department	Republic of China	Hong-Ming Lin	2017.05.10	37,679	-	352	-	MBA Program, University of St Andrews/ General Manager, Bank of Panhsin	-

Position	Nationality	Name	Date elected	Shares held		Shares held by spouse and underage children		Major career (academic) achievements	Current job position in other companies
				No. of shares	Percentage of shares	No. of shares	Percentage of shares		
Executive Vice President, Risk Management Department	Republic of China	Chih-Hsun Chang	2018.01.29	154,551	0.01	-	-	Master, Graduate Institute of Economics, National Taiwan University/ Executive Vice President, Bank of Panhsin	-
General Manager, Business Development Department	Republic of China	Shu-Nu Yang	2018.01.29	69,278	-	-	-	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	134,598	0.01	-	-	Department of Business Administration, Taichung Business Vocational School/ General Manager, CTBC Bank	Director, Panhsin International Rental Co., Ltd.
General Manager, Centralized Work Center	Republic of China	Chung-Lian Lin	2010.07.26	127,000	0.01	22,259	-	Business Management, Sung-Shan High School of Commerce/ General Manager, Bank of Panhsin	-
General Manager, Compliance Department	Republic of China	Ryan Chang	2015.03.23	71,592	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	10,188	-	-	-	Master, Department of Radio & Television, National Chengchi University/ General Manager, Bank of DBS Taiwan	-
General Manager, International Banking Department & Offshore Banking Branch	Republic of China	Sharon Chen	2018.01.29	15,101	-	-	-	Master, Financial research institute, Fu Jen Catholic University/ Deputy General Manager, Bank of Panhsin	-
General Manager, Credit Marketing Department	Republic of China	Chung-Wei Wang	2018.11.26	59,874	-	-	-	Business Administration, Tamsui Institute of Business Administration/ General Manager, Bank of Panhsin	-
General Manager, Information Systems Department	Republic of China	Mao-Sen Kao	2009.01.01	166,207	0.01	11,699	-	Business Administration, National Taipei Business Vocational School/ General Manager, Bank of Panhsin	-
General Manager, Digital Banking Department	Republic of China	Alex Huang	2018.03.29	22,991	-	-	-	Master, Department of Applied Mathematics, National Chung Hsing University/ COO, Smart Catch International 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, Human Resources Department	Republic of China	Ta-Huang Chen	2014.10.27	51,044	-	-	-	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	143,355	0.01	98,053	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	62,011	-	-	-	Accounting Statistics, Chihlee Business Vocational School/ General Manager, Bank of Panhsin	Supervisor, Panhsin International Rental Co., Ltd.
General Manager, Treasury Department	Republic of China	Kevin Lee	2007.04.02	105,851	0.01	102,642	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	43,580	-	-	-	Master, International Finance, University of Birmingham/ General Manager, Bank of Panhsin	-
Executive Vice President, Banciao Branch	Republic of China	Shu-Chuan Wei	2015.12.28	150,487	0.01	3,912	-	Department of Banking and Insurance, National Taipei Business Vocational School/ General Manager, Bank of Panhsin	-
General Manager, Houpu Branch	Republic of China	Hsiao-Hsuan Lu	2016.02.01	12,231	-	-	-	Applied Commerce, National Taipei University of Business/ Business manager, Taipei Fubon Bank	-
General Manager, Yonghe Branch	Republic of China	Shu-Ming Liu	2017.05.10	64,000	-	-	-	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	38,348	-	-	-	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	81,255	0.01	16,036	-	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	97,877	0.01	812	-	Banking Insurance, Open College Affiliated With National Taipei 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, Zhonghe Branch	Republic of China	Po-Kun Wang	2019.02.23	15,443	-	-	-	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	100,585	0.01	4,745	-	MBA, Stratford University/ General Manager, Bank of Panhsin	-
General Manager, Wenhua Branch	Republic of China	Shu-Ching Hsu	2019.02.23	28,620	-	-	-	Department of Business Administration, Takming University/ Deputy General Manager, Bank of Panhsin	-
General Manager, Daguan Branch	Republic of China	Ying-An Hsieh	2016.01.25	32,618	-	18,368	-	Department of Economics, Fu Jen Catholic University/ General Manager, Bank of Panhsin	-
General Manager, Xingnan Branch	Republic of China	Hui-Mei Liu	2015.12.28	124,990	0.01	-	-	Banking Information, Open College Affiliated With National Taipei Business Vocational School/ General Manager, Bank of Panhsin	-
General Manager, Xiaokang Branch	Republic of China	Mei-Hao Wang	2018.01.29	23,373	-	-	-	Master, Institute of Wealth Taxation Management, National Kaohsiung Applied Sciences University/ Assistant Manager, Bank of Panshin	-
Executive Vice President, Xingxing Branch	Republic of China	Kuo-Fa Tsai	2018.01.29	8,733	-	-	-	MBA National Sun Yat-Sen University/ General Manager, Land Bank of Taiwan	-
General Manager, Qianzhen Branch	Republic of China	Chien-Tai Su	2018.01.29	36,283	-	-	-	Department of Financial, National Sun Yat-Sen University/ General Manager, Bank of Panshin	-
General Manager, Yangming Branch	Republic of China	Ching-Shun Wang	2016.04.25	36,436	-	-	-	Department of Enterprise Management, Fu Jen Catholic University/ General Manager, Bank of Panshin	-
General Manager, Kaoxizhuang Branch	Republic of China	Hsian-Chin Kuo	2018.01.29	50,874	-	-	-	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	26,138	-	-	-	Department of Statistic, Tamkang University/ General Manager, Bank of Panhsin	-
Executive Vice President, Xinyi Branch	Republic of China	Wei-Hsing Ku	2018.01.29	8,579	-	-	-	Business Administration, China University of Science and Technology/ General Manager, Land Bank of Taiwan	-

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, Xinzhuang Branch	Republic of China	Cheng-Wei Wu	2018.09.25	44,473	-	-	-	Department of Cooperative Economics, National Chung Hsing University/ Deputy General Manager, Bank of Panhsin	-
General Manager, Xiulang Branch	Republic of China	Ping-Hung Tsao	2018.01.29	67,157	-	6,554	-	Master, Graduate Institute of Economics, Chinese Culture University/ General Manager, Bank of Makoto	-
General Manager, Taoyuan Branch	Republic of China	Yi-Pong Yu	2018.11.26	44,418	-	-	-	Department of Banking and Insurance, Hsing Wu Business Vocational School/ Deputy General Manager, Bank of Panhsin	-
General Manager, Sanchong Branch	Republic of China	Zhao-Mao Kao	2019.01.29	60,971	-	-	-	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	8,308	-	-	-	Finance and Banking Department, Tamkang University/ General Manager, CTBC Bank	-
General Manager, Taoying Branch	Republic of China	Chun-Hung Chen	2018.11.22	13,549	-	-	-	Department of Economics, Feng Chia University/ Deputy General Manager, Bank of Panhsin	-
General Manager, Minsheng Branch	Republic of China	Rui-Dian Chen	2018.11.26	86,114	0.01	-	-	Industrial Management, National Taipei Institute of Technology/ General Manager, Bank of Panhsin	-
General Manager, Longgang Branch	Republic of China	June-Fang Chien	2018.01.29	24,819	-	-	-	Department of Industrial Economics, Tamkang University/ Deputy General Manager, Bank of Panhsin	-
General Manager, Shulin Branch	Republic of China	Co-In Ho	2018.01.29	10,457	-	-	-	Kuang-Fu High school Comprehensive Business Division/ Deputy General Manager, Bank of Panhsin	-
General Manager, Jincheng Branch	Republic of China	Jui-Ching Li	2019.02.23	3,000	-	-	-	Department of Finance and Banking, Tamkang University/ General Manager, TC Bank	-
General Manager, Hsinchu Branch	Republic of China	Su-Ching Chien	2015.12.28	45,576	-	-	-	Department of Statistics, Feng Chia University/ General Manager, Bank of Panhsin	-
General Manager, Bade Branch	Republic of China	Cheng-Lung Yeh	2018.11.26	21,086	-	-	-	Department of International Trade, Tamkang University/ Deputy General Manager, Bank of Panhsin	-

Position	Nationality	Name	Date elected	Shares held		Shares held by spouse and underage children		Major career (academic) achievements	Current job position in other companies
				No. of shares	Percentage of shares	No. of shares	Percentage of shares		
General Manager, Taichung Branch	Republic of China	Fu-Yuan Shih	2018.11.22	42,118	-	-	-	Department of Agribusiness Management, National Pingtung University of Education/ General Manager, Bank of Panhsin	-
General Manager, Tainan Branch	Republic of China	Chin-Chu Wu	2015.01.26	30,886	-	-	-	Department of International Trade, Feng Chia University/ General Manager, Bank of Panhsin	-
General Manager, Xindian Branch	Republic of China	Chao-Chung Lin	2018.11.22	60,840	-	-	-	Accounting Department, Feng Chia University/ General Manager, Bank of Panhsin	-
General Manager, Neihu Branch	Republic of China	Heng-Yu Chang	2016.03.01	21,280	-	-	-	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	6,070	-	-	-	Department of International Trade, Soochow University/ Deputy General Manager, Bank of Panhsin	-
Executive Vice President, Chiayi Branch	Republic of China	Daniel Lin	2018.01.29	31,777	-	-	-	MBA, Chiayi University/ Deputy General Manager, Citibank	-
General Manager, Yanchao Branch	Republic of China	Da-Hui Tsai	2018.01.29	35,266	-	-	-	Department of Management, National Taiwan University/ General Manager, Bank of Panhsin	-
General Manager, Luchou Branch	Republic of China	Tian-Yi Pan	2018.01.29	45,589	-	-	-	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	60,659	-	-	-	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	13,817	-	-	-	Master, Department of Public Policy, Feng Chia University/ Deputy General Manager, Bank of Panhsin	-
General Manager, Chenggong Branch	Republic of China	Tsung-Che Tsai	2016.07.25	15,196	-	-	-	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	2,107	-	-	-	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	8,070	-	-	-	Department of Business Administration, Chinese Culture 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, Danfeng Branch	Republic of China	Joe Harn	2019.02.23	14,466	-	-	-	Master, Department of Banking and Finance, Tamkang University/ Deputy General Manager, Bank of Panhsin	-
General Manager, Beixin Branch	Republic of China	Yueh-Chin Ho	2018.09.25	23,643	-	-	-	Master, Department of Land Management, Feng Chia University/ Deputy General Manager, Bank of Panhsin	-
General Manager, Mengchia Branch	Republic of China	Eric Liu	2018.11.26	59,750	-	-	-	Department of Finance, Takming University of Science and Technology/ General Manager, Bank of Panhsin	-
General Manager, Hsinglung Branch	Republic of China	Chung-Wei Liao	2018.11.26	45,208	-	-	-	Department of Red Estate and Built Environment, National Taipei University/ General Manager, Bank of Panhsin	-
General Manager, Shuangyuan Branch	Republic of China	Fang-Ming Huang	2016.06.27	64,485	-	437	-	Business Administration, Chihlee University of Technology/ General Manager, Bank of Panhsin	-
General Manager, Hsimen Branch	Republic of China	Ming-Hsing Shih	2015.10.28	57,496	-	-	-	Department of Accounting, Chung Yuan Christian University/ General Manager, Bank of Panhsin	-
General Manager, Kuting Branch	Republic of China	Ming-Jen Chen	2019.02.23	11,659	-	-	-	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	15,587	-	-	-	Master, Financial Management, Jinan University/ Deputy General Manager, Bank of Panhsin	-
General Manager, Sungshan Branch	Republic of China	Ping-Hua Chen	2016.07.25	52,184	-	-	-	Department of Economics, Feng Chia University/ General Manager, Bank of Panhsin	-
General Manager, Shinlin Branch	Republic of China	Shih-Yang Chien	2015.04.20	2,073	-	-	-	Department of Finance and Banking, Tamkang University/ Executive Vice President, Taishin International Bank	-
General Manager, Tunghu Branch	Republic of China	Pi-Chuan Hsu	2019.02.23	60,840	-	-	-	Department of Accounting, Soochow University/ General Manager, Bank of Panhsin	-
General Manager, Fuxing Branch	Republic of China	Ying-Chi Chen	2018.11.26	6,167	-	-	-	Department of Statistics, Ming Chuan University/ Deputy General Manager, Bank of Panhsin	-

Position	Nationality	Name	Date elected	Shares held		Shares held by spouse and underage children		Major career (academic) achievements	Current job position in other companies
				No. of shares	Percentage of shares	No. of shares	Percentage of shares		
General Manager, Minquan Branch	Republic of China	Anthony Chang	2018.01.29	8,274	-	-	-	Department of Business Administration, Chinese Culture University/ Deputy General Manager, Bank of Panhsin	-
General Manager, Chungching Branch	Republic of China	Fang-Li Cheng	2016.03.21	32,082	-	-	-	Department of Accounting Section, China University of Technology/ General Manager, Bank of Panshin	-
General Manager, Mucha Branch	Republic of China	Song-Lin Chiang	2014.07.21	11,506	-	-	-	Kaiping Culinary School/ General Manager, Bank of Panshin	-
General Manager, Huandong ranch	Republic of China	Yi-Chang Kao	2017.01.16	39,000	-	-	-	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	73,099	0.01	-	-	Ph.D.Programs in Management, National Kaohsiung First University of Science and Technology/ General Manager, Bank of Panshin	-
General Manager, Wanta Branch	Republic of China	Ling-Hui Kao	2015.10.27	60,058	-	-	-	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	15,369	-	-	-	Master, Executive Master of Business Administration, National Chung-Hsing University/ Deputy General Manager, Bank of Panhsin	-
General Manager, Nanjing E. Road Branch	Republic of China	Yu-Tsi Yo	2016.10.17	28,644	-	-	-	Department of International Trade, Soochow University/ General Manager, Bank of Panshin	-
General Manager, North Taoyuan Branch	Republic of China	Tai-Yuan Chuang	2018.11.26	29,931	-	-	-	Department of Public Finance, Feng Chia University/ Deputy General Manager, Bank of Panhsin	-

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

IV 、Equity transfers and changes of equity interests in the most recent financial year up till the publication date of this annual report (2019.02.28), by directors, supervisors, managers, and those needing to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Individual Parties and Aggregate Related Parties"

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

Baseline date: February 28, 2019

Position	Name	2018		By the end of February 2019	
		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	545,882	-	-	2,808,000
Managing Director	Dao-Ming Kuo	355,457	-	-	-
Director	Shiaan-Jung Chiou	313,464	-	-	-
Director	Tong-Jen Lin	126,625	-	-	-
Director	Yao-Chih Chu	44,328	-	-	-
Director	Hanchia Construction Co., Ltd.	933	-	-	-
Director	Ling-Long Chien	417,833	(8,000,000)	-	-
Director	Peng-Lang Lin	615	-	-	-
Managing Director	Sanjun Construction Co., Ltd.	187	-	-	-
Director (Major shareholder)	Sanlight Construction Co., Ltd.	497,094		-	18,930,000
Director	Tianlu Construction Ltd.	3,646	-	-	-
Representative of corporate director (Major shareholder)	Mei-Yun Liao	504,524	25,220,000	593,264	-
Representative of corporate director	Yueh-Shuang Chiu	127,646	-	-	-
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.	66,881,882	38,622,000 (15,000,000)	-	64,053,361

Position	Name	2018		By the end of February 2019	
		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.	2,255,238	46,570,000 (17,400,000)	-	14,390,000
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.	1,647,211	-	-	6,450,000
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.	15,262	1,000,000 (1,000,000)	-	-
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)	Yuanmao Construction Co., Ltd.	302,229	1,000,000 (1,000,000)	-	-
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.	2,174,089	48,180,000 (14,610,000)	-	2,100,000
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.	913,106	-	-	(1,000,000)

Position	Name	2018		By the end of February 2019	
		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	432	-	-	-
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	4	-	-	-
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	828	-	-	-
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	3,047	-	-	-
An individual who needs to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Aggregate Related Parties"	Chao-Hsuan Liu	2,927	-	-	-
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	3,426	-	-	-

Position	Name	2018		By the end of February 2019	
		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	574	-	-	-

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

8,191

-

(593,264)

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President	Ming-Hsien Kao	20,191	-	-	-
Senior Executive Vice President	Li-Chin Wei	15,992	-	-	-
Senior Executive Vice President	Simon Fang	262,856	11,500,000 (11,500,000)	-	-
Senior Executive Vice President	Hsin-Mao Huang	13,157	-	-	-
Senior Executive Vice President	Shih-Chi Wu	12,440	-	-	-
Senior Executive Vice President	Fang-Chi Lin	11,735	-	-	-
Chief Auditor	Chuan-Ji Chen	11,740	-	-	-
Senior Executive Vice President	Chung-Chi Chang	11,740	-	-	-
General Manager	Shu-Yu Wu	1,546	-	-	-
General Manager	Hong-Ming Lin	1,506	-	-	-
Executive Vice President	Chih-Hsun Chang	11,352	-	-	-
General Manager	Shu-Nu Yang	8,780	-	-	-
Executive Vice President	Yung-Lun Lee	1,733	-	-	-
General Manager	Chung-Lian Lin	2,828	-	-	-
General Manager	Ryan Chang	7,696	-	-	-
General Manager	Yi-Fang Wen	906	-	-	-
General Manager	Sharon Chen	3,167	-	-	-
General Manager	Chung-Wei Wang	8,651	-	-	-

Position	Name	2018		By the end of February 2019	
		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	Mao-Sen Kao	6,982	-	-	-
General Manager	Alex Huang	8,991	-	-	-
General Manager	Ta-Huang Chen	8,044	-	-	-
General Manager	A-Jen Lai	10,046	-	-	-
General Manager	Jone-Chih Huang	5,787	-	-	-
General Manager	Kevin Lee	10,135	-	-	-
General Manager	Jennie Lin	601	-	-	-
Executive Vice President	Shu-Chuan Wei	1,959	-	-	-
General Manager	Hsiao-Hsuan Lu	168	-	-	-
General Manager	Shu-Ming Liu	8,226	-	-	-
General Manager	Pei-Yu Wong	7,940	-	-	-
General Manager	Yi-Min Wan	1,121	-	-	-
General Manager	Ke-Han Liu	1,351	-	-	-
General Manager	Po-Kun Wang	3,171	-	-	-
General Manager	Chien-Wen Lee	9,819	-	-	-
General Manager	Shu-Ching Hsu	21	-	-	-
General Manager	Ying-An Hsieh	6,588	-	-	-
General Manager	Hui-Mei Liu	1,725	-	-	-
General Manager	Mei-Hao Wang	3,281	-	-	-
Executive Vice President	Kuo-Fa Tsai	8,733	-	-	-
General Manager	Chien-Tai Su	3,459	-	-	-
General Manager	Ching-Shun Wang	6,715	-	-	-
General Manager	Hsian-Chin Kuo	3,660	-	-	-
General Manager	Ming-Chou Tsai	360	-	-	-
Executive Vice President	Wei-Hsing Ku	8,579	-	-	-
General Manager	Cheng-Wei Wu	1,600	-	-	-
General Manager	Ping-Hung Tsao	927	-	-	-
General Manager	Yi-Pong Yu	7,418	-	-	-
General Manager	Zhao-Mao Kao	1,828	-	-	-
General Manager	Pei-Yun Lin	1,100	-	-	-

Position	Name	2018		By the end of February 2019	
		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	Chun-Hung Chen	5,270	-	-	-
General Manager	Rui-Dian Chen	4,147	-	-	-
General Manager	June-Fang Chien	6,419	-	-	-
General Manager	Co-In Ho	4,089	-	-	-
General Manager	Jui-Ching Li	3,000	-	-	-
General Manager	Su-Ching Chien	7,943	-	-	-
General Manager	Cheng-Lung Yeh	2,263	-	-	-
General Manager	Fu-Yuan Shih	581	-	-	-
General Manager	Chin-Chu Wu	7,636	-	-	-
General Manager	Chao-Chung Lin	840	-	-	-
General Manager	Heng-Yu Chang	2,266	-	-	-
General Manager	Tommy Chen	1,070	-	-	-
Executive Vice President	Daniel Lin	5,369	-	-	-
General Manager	Da-Hui Tsai	1,473	-	-	-
General Manager	Tian-Yi Pan	6,634	-	-	-
General Manager	Te-Wei Lee	837	-	-	-
General Manager	Chung-An Lee	5,140	-	-	-
General Manager	Tsung-Che Tsai	1,196	-	-	-
General Manager	Wei-Hsin Chung	2,107	-	-	-
General Manager	Mou-Chung Chou	3,070	-	-	-
General Manager	Joe Harn	1,679	-	-	-
General Manager	Yueh-Chin Ho	1,312	-	-	-
General Manager	Eric Liu	5,755	-	-	-
General Manager	Chung-Wei Liao	624	-	-	-
General Manager	Fang-Ming Huang	9,518	-	-	-
General Manager	Ming-Hsing Shih	8,259	-	-	-
General Manager	Ming-Jen Chen	352	-	-	-
General Manager	Jason Lee	5,103	-	-	-
General Manager	Ping-Hua Chen	7,040	-	-	-
General Manager	Shih-Yang Chien	28	-	-	-

Position	Name	2018		By the end of February 2019	
		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	Pi-Chuan Hsu	840	-	-	-
General Manager	Ying-Chi Chen	3,043	-	-	-
General Manager	Anthony Chang	3,072	-	-	-
General Manager	Fang-Li Cheng	6,762	-	-	-
General Manager	Song-Lin Chiang	158	-	-	-
General Manager	Yi-Chang Kao	3,000	-	-	-
General Manager	Kuang-Chung Huo	3,070	-	-	-
General Manager	Ling-Hui Kao	7,148	-	-	-
General Manager	Daniel Lai	5,143	-	-	-
General Manager	Yu-Tsi Yo	2,367	-	-	-
General Manager	Tai-Yuan Chuang	5,398	-	-	-

(II) Equity Transfer Information

Baseline date: February 28, 2019

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
Baiyuan Investment Co., Ltd.	Acquisition	2018.07.18	Tun-Huang Yu	-	25,863	10.00
Baiyuan Investment Co., Ltd.	Acquisition	2018.07.18	Lu-Tai Wei	-	1,105,333	10.00
Baiyuan Investment Co., Ltd.	Acquisition	2018.07.18	Hung-Ta Fan	-	323,647	10.00
Baiyuan Investment Co., Ltd.	Acquisition	2018.07.18	Cheng-Che Yu	-	1,078,825	10.00
Baiyuan Investment Co., Ltd.	Acquisition	2018.07.18	Maoli Investment Co., Ltd.	-	10,788,259	10.00
Baiyuan Investment Co., Ltd.	Acquisition	2018.07.18	Li-Ling Chang	-	369	10.00
Baiyuan Investment Co., Ltd.	Acquisition	2018.07.18	Chueh-Jen Wei	-	216,408	10.00

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
Baiyuan Investment Co., Ltd.	Acquisition	2018.07.18	Chun-Yen Tsai	-	7,045,220	10.00
Baiyuan Investment Co., Ltd.	Acquisition	2018.07.18	Pei-Chia Yu	-	1,183,928	10.00
Baiyuan Investment Co., Ltd.	Acquisition	2018.07.18	Chia-Ying Su	-	321,000	6.50
Baiyuan Investment Co., Ltd.	Acquisition	2018.07.19	Yu-Chu Hsu	-	632,628	6.50
Baiyuan Investment Co., Ltd.	Acquisition	2018.07.31	Wei-Min Yo	-	130,011	6.50
Shiaan-Jung Chiou	Acquisition	2018.11.09	Paii Investment Ltd.	-	300,000	9.00
Mei-Yun Liao	Acquisition (inheritance)	2018.12.28	Kin-Yu Liao (Maiden surname: He)	Second degree kinship	62,133	10.59
Mei-Yun Liao	Acquisition (inheritance profit)	2018.12.28	Kin-Yu Liao (Maiden surname: He)	Second degree kinship	869	-
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	2018.01.16	Chia-Ying Su	-	125,000	6.70
Jingqing Investment Co., Ltd.	Acquisition	2018.03.26	Wei-Min Yo	-	97,000	6.50
Jingqing Investment Co., Ltd.	Acquisition	2018.03.29	Yu-Chu Hsu	-	226,675	6.50
Jingqing Investment Co., Ltd.	Acquisition	2018.04.19	Wei-Min Yo	-	176,047	6.50
Jingqing Investment Co., Ltd.	Acquisition	2018.08.17	Wei-Min Yo	-	132,032	6.50
Jingqing Investment Co., Ltd.	Acquisition	2018.08.29	Yu-Chu Hsu	-	104,354	6.50
Jingqing Investment Co., Ltd.	Acquisition	2018.12.04	Chia-Ying Su	-	259,000	6.50

(III) Equity pledge information

Baseline date: February 28, 2019

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	-
Fuching Investment Co., Ltd.	Pledge	2018.01.10	King's Town Bank, Luchou Branch	-	10,940,000	-
Fuching Investment Co., Ltd.	Pledge	2018.01.10	Kaohsung Bank, Taipei Branch	-	22,230,000	-
Fuching Investment Co., Ltd.	Pledge	2018.06.26	O-Bank	-	2,000,000	-
Fuching Investment Co., Ltd.	Pledge	2018.07.27	IBT Leasing Co., Ltd.	-	6,000,000	-
Fuching Investment Co., Ltd.	Pledge	2018.11.29	Union Bank of Taiwan, Huilong Branch	-	5,400,000	-
Fuching Investment Co., Ltd.	Redemption	2018.06.26	Fina Finance & Trading Co., Ltd.	-	12,000,000	-
Fuching Investment Co., Ltd.	Redemption	2018.11.29	Mega Bank, Daan Branch	-	5,400,000	-
Fuching Investment Co., Ltd.	Pledge	2019.01.10	Union Bank of Taiwan, Huilong Branch	-	14,390,000	-
Mei-Yun Liao	Pledge	2018.01.10	King's Town Bank, Luchou Branch	-	600,000	-
Mei-Yun Liao	Pledge	2018.02.08	Mega Bills, Banqiao Branch	-	16,620,000	-
Mei-Yun Liao	Pledge	2018.06.26	O-Bank	-	8,000,000	-
Sun Hui Construction Co., Ltd.	Redemption	2019.02.22	Firstholding 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	2018.02.08	TCBL 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
Yuanmao Construction Co., Ltd.	Pledge	2018.03.29	Hua Nan International Leasing Co., Ltd.	-	10,000,000	-
Yuanchih Investment Co., Ltd.	Pledge	2018.01.10	King's Town Bank, Luchou Branch	-	10,340,000	-
Yuanchih Investment Co., Ltd.	Pledge	2018.01.10	Kaohsiung Bank, Taipei Branch	-	22,230,000	-
Yuanchih Investment Co., Ltd.	Pledge	2018.06.26	O-Bank	-	1,000,000	-
Yuanchih Investment Co., Ltd.	Pledge	2018.10.25	Grand Bills Finance Co., Ltd.	-	14,610,000	-
Yuanchih Investment Co., Ltd.	Redemption	2018.10.25	Ta Chong Bank, Taoyuan Branch	-	14,610,000	-
Yuanchih Investment Co., Ltd.	Pledge	2019.01.10	Grand Bills Finance Co., Ltd.	-	2,100,000	-
Baiyuan Investment Co., Ltd.	Pledge	2018.05.25	O-Bank	-	14,970,000	-
Baiyuan Investment Co., Ltd.	Pledge	2018.10.25	Grand Bills Finance Co., Ltd.	-	23,652,000	-
Baiyuan Investment Co., Ltd.	Redemption	2018.05.25	Ta Chong Bank, Taoyuan Branch	-	15,000,000	-
Baiyuan Investment Co., Ltd.	Pledge	2019.02.22	Taiwan Shin Kong Commercial Bank, Sinban Branch	-	26,209,361	-
Baiyuan Investment Co., Ltd.	Pledge	2019.02.22	Yuanta Bank, Taohsing Branch	-	17,000,000	-
Baiyuan Investment Co., Ltd.	Pledge	2019.02.23	Grand Bills Finance Co., Ltd.	-	20,844,000	-
Hsinhui Construction Co., Ltd.	Pledge	2018.07.27	IBT Leasing Co., Ltd.	-	1,000,000	-

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
Hsinhui Construction Co., Ltd.	Redemption	2018.06.26	Fina Finance & Trading Co., Ltd.	-	1,000,000	-
Jingqing Investment Co., Ltd.	Pledge	2019.01.10	KGI Bank, Head Office	-	6,450,000	-
Simon Fang	Pledge	2018.11.29	Union Bank of Taiwan, Huilong Branch	-	11,500,000	-
Simon Fang	Redemption	2018.11.29	Mega Bank, Daan Branch	-	11,500,000	-
Ling-Long Chien	Redemption	2018.03.27	Jihsun Bank	-	8,000,000	-

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, 2018

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	163,343,681	11.50	-	-	-	-	Baiyuan Investment Co., Ltd.	Chairman Same person
Representative of Yuanchih Investment Co., Ltd.: Mei-Yun Liao	157,466,194	11.08	-	-	-	-	Mei-Yun Liao	Chairman Spouse is the Chairman
							Ping-Hui Liu	Chairman
							Sanlight Construction Co., Ltd.	Chairman Same person
							Sun Hui Construction Co., Ltd. Representative: Chao-Tong Liu	Second degree kinship
Representative of Baiyuan Investment Co., Ltd.: Wei-Ren Liao	102,675,440	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	66,135,006	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	39,537,462	2.87	32,041,815	2.26	-	-	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	36,003,867	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
Representative of Jingqing Investment Co., Ltd.: Chung-Er Lin	34,026,231	2.40	-	-	-	-	Yuanmao Construction Co., Ltd.	Chairman Same person
Mei-Yun Liao	32,041,815	2.26	39,537,462	2.78	-	-	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

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	21,890,075	1.54	-	-	-	-	Jingqing Investment Co., Ltd.	Chairman Same person

Simon Fang	19,038,334	1.34	9,966,133	0.70	-	-	-	-
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VI、Numbers of shares in the subsidiaries held by the Bank, the Bank's directors, supervisors, president, vice president, assistant vice president, managers, and entities directly or indirectly controlled by the Bank and the total percentage of shares on a consolidated basis

Baseline date: December 31, 2018

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	307,306	0.09	-	-	307,306	0.09
Yangguang Asset Management Co., Ltd.	69,180	1.15	-	-	69,180	1.15
Taiwan Mobile Payment Co., Ltd.	300,000	0.50	-	-	300,000	0.50
Panhsin Asset Management Co., Ltd.	50,703,200	100.00	-	-	50,703,200	100.00
Panhsin International Rental Co., Ltd.	31,680,000	100.00	-	-	31,680,000	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
2006.07	10	1,500,000	15,000,000	819,800	8,198,000	Note 3	N/A	N/A
2006.09	10	1,500,000	15,000,000	855,790	8,557,900	Note 3	N/A	N/A
2006.12	10	1,500,000	15,000,000	955,790	9,557,900	Note 4	N/A	N/A
2011.05	10	1,500,000	15,000,000	1,055,790	10,557,900	Note 5	N/A	N/A
2011.06	10	1,500,000	15,000,000	955,790	9,557,900	Note 5	N/A	N/A
2014.05	10	1,500,000	15,000,000	1,105,790	11,057,900	Note 6	N/A	N/A
2015.08	10	1,500,000	15,000,000	1,141,175	11,411,753	Note 7	N/A	N/A
2015.12	10	1,500,000	15,000,000	1,221,175	12,211,753	Note 8	N/A	N/A
2016.11	10	1,800,000	18,000,000	1,262,695	12,626,952	Note 9	N/A	N/A
2017.08	10	1,800,000	1,800,000	1,276,584	12,765,848	Note 10	N/A	N/A
2017.11	10	1,800,000	1,800,000	1,356,584	13,565,848	Note 11	N/A	N/A
2018.09	10	1,800,000	1,800,000	1,375,577	13,755,770	Note 12	N/A	N/A
2018.12	10	1,800,000	1,800,000	1,420,577	14,205,770	Note 13	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.

Type \ Shares	Authorized capital (thousand shares)			Note
	Outstanding shares	Unissued shares	Total	
Common Stock	1,420,577,074	379,422,926	1,800,000	Became a public issuing company as of November 14, 2006

(II) Shareholder structure

Baseline date: December 31, 2018

Shareholder structure \ Quantity	Government agencies	Financial institutions	Other corporations	Individuals	Foreign institutions and foreigners	Total
Number of people	2	13	85	97,894	29	98,023
Number of shares held	4,515	476,126,396	148,571,484	795,488,627	386,052	1,420,577,074
Percentage of shares (%)	-	33.52	10.46	56.00	0.02	100.00

Note : Number of shares held was based on the 1,420,577,074 common stock issued by December 31, 2018.

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

Baseline date: December 31, 2018

Shareholding range	Number of shareholders	No. of shares held	Percentage of shares (%)
1 to 999	72,282	27,366,564	1.93
1,000 to 5,000	12,912	38,802,831	2.73
5,001 to 10,000	3,574	23,931,746	1.68
10,001 to 15,000	1,890	23,148,357	1.63
15,001 to 20,000	769	12,968,680	0.91
20,001 to 30,000	3,447	86,175,200	6.07
30,001 to 50,000	1,082	40,360,160	2.84
50,001 to 100,000	1,396	91,677,636	6.45
100,001 to 200,000	333	44,086,151	3.10
200,001 to 400,000	155	42,483,577	2.99

Shareholding range	Number of shareholders	No. of shares held	Percentage of shares (%)
400,001 to 600,000	46	22,907,968	1.61
600,001 to 800,000	36	25,301,686	1.78
800,001 to 1,000,000	11	9,947,534	0.70
1,000,001 to 10,000,000	77	227,372,849	16.01
10,000,001 to 30,000,000	5	72,816,439	5.13
30,000,001 to 50,000,000	4	141,609,375	9.97
50,000,001 to 100,000,000	1	66,135,006	4.66
100,000,000 to 999,999,999	3	423,485,315	29.81
Total	98,023	1,420,577,074	100.00

Note: : Number of shares held and percentage of shares were based on the 1,420,577,074 common stock issued by December 31, 2018.

(IV) Major shareholders

Baseline date: December 31, 2018

Name of majority shareholders	Shares	No. of shares held	Percentage of shares (%)
Fuching Investment Co., Ltd.		163,343,681	11.50
Yuanchih Investment Co., Ltd.		157,466,194	11.08
Baiyuan Investment Co., Ltd.		102,675,440	7.23
Sun Hui Construction Co., Ltd.		66,135,006	4.66
Ping-Hui Liu		39,537,462	2.78
Sanlight Construction Co., Ltd.		36,003,867	2.53
Jingqing Investment Co., Ltd.		34,026,231	2.40
Mei-Yun Liao		32,041,815	2.26
Yuanmao Construction Co., Ltd.		21,890,075	1.54
Simon Fang		19,038,334	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 1,420,577,074 common stock issued by December 31, 2018.

II · Issuance of financial instruments

Baseline date: December 31, 2018

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		-	
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 twBB	2015.10.30 twBBB-	

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

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

Overview of Business Operation

I 、Scope of business

(I) Primary business revenue breakdown

1. Deposit

Unit: NT\$ thousand

Category	End of December 2018		End of December 2017		Difference	
	Amount	Proportion(%)	Amount	Proportion(%)	Amount	Growth rate(%)
Current Deposit	85,240,302	39.46	82,412,492	38.70	2,827,810	3.43
Checking Deposit	2,092,277	0.97	2,134,406	1.00	-42,129	-1.97
Demand Deposit	31,677,522	14.66	30,714,151	14.42	963,371	3.14
Demand Savings Deposit	51,470,503	23.82	49,563,935	23.27	1,906,568	3.85
Time Deposit	129,585,893	59.98	129,241,136	60.68	344,757	0.27
Time Deposit	46,045,066	21.31	45,395,170	21.32	649,896	1.43
Negotiable Certificates of Deposit (NCD)	427,700	0.20	627,700	0.29	-200,000	-31.86
Time Savings Deposit	83,113,127	38.47	83,218,267	39.07	-105,139	-0.13
Interest-drawing Savings Deposit	69,508,006	32.17	70,070,495	32.90	-562,489	-0.80
Non-interest-drawing Time Savings Deposit	13,484,264	6.24	13,018,641	6.11	465,623	3.58
Installment Savings Deposit	120,857	0.06	129,131	0.06	-8,274	-6.41
Re-deposit from Banks & Post Office	1,210,030	0.56	1,319,059	0.62	-109,028	-8.27
Total Deposits	216,036,226	100.00	212,972,687	100.00	3,063,539	1.44

Note : Total Deposits include TWD and foreign currency deposit.

2. Credit business

(1) Personal Loans

Unit: NT\$ thousand

Category	End of December 2018		End of December 2017		Difference	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Growth rate (%)
Secured overdraft	14,750	0.02	15,301	0.02	-551	-3.60
Short-term loans	852,230	1.24	824,935	1.25	27,295	3.31
Short-term secured loans	24,495,163	35.71	24,372,947	36.85	122,216	0.50
Mid-term loans	1,131,241	1.65	1,013,522	1.53	117,719	11.61
Mid-term secured loans	6,275,125	9.15	7,767,588	11.74	-1,492,463	-19.21
Long-term loans	192,841	0.28	231,106	0.35	-38,265	-16.56
Long-term secured loans	35,633,362	51.95	31,917,919	48.26	3,715,443	11.64
Total outstanding loan balance in TWD	68,594,712	100.00	66,143,318	100.00	2,451,394	3.71

(2) Corporate TWD loans

Unit: NT\$ thousand

Category	End of December 2018		End of December 2017		Difference	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Growth rate (%)
Short-term loans	12,623,282	18.09	14,289,200	20.92	-1,665,918	-11.66
Short-term secured loans	15,263,860	21.88	15,953,448	23.36	-689,588	-4.32
Mid-term loans	9,707,315	13.92	8,783,724	12.86	923,591	10.51
Mid-term secured loans	28,029,500	40.18	25,129,883	36.79	2,899,617	11.54
Long-term loans	321,719	0.46	532,700	0.78	-210,981	-39.61
Long-term secured loans	3,815,393	5.47	3,619,421	5.29	195,972	5.41
Total outstanding loan balance in TWD	69,761,069	100.00	68,308,376	100.00	1,452,693	2.13

(3) Corporate foreign currency loans

Unit: US\$ thousand

Category	End of December 2018		End of December 2017		Difference	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Growth rate (%)
Export bill	4,068	0.84	2,682	0.77	1,386	51.68
Short-term loans	213,306	44.24	179,219	51.14	34,087	19.02
Short-term secured loans	15,978	3.31	15,812	4.51	166	1.05
Mid-term loans	212,505	44.07	144,806	41.32	67,699	46.75
Mid-term secured loans	21,054	4.37	6,160	1.76	14,894	241.79
Long-term loans	14,265	2.96	1,750	0.50	12,515	715.14
Long-term secured loans	1,000	0.21	-	-	1,000	-
Total outstanding loan balance in Foreign currency	482,176	100.00	350,429	100.00	131,747	37.60

3. Wealth management and trust services

Unit: NT\$ thousand

Primary Businesses	2018		2017		Difference	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Growth rate (%)
Special monetary trust in domestic and offshore securities	122,662	21.61	144,166	25.82	-21,505	-14.92
Real-estate trust (development and management)	33,946	5.98	39,127	7.01	-5,181	-13.24
Other trusts	8,658	1.53	10,655	1.91	-1,997	-18.74
Fee income subtotal	165,266	29.11	193,948	34.74	-28,682	-14.79
Insurance	402,456	70.89	364,353	65.26	38,103	10.46
Fee income grand total	567,722	100.00	558,301	100.00	9,421	1.69

4. Debt collection and management services

Overdue loan payment amounted to NT\$1,317,518,000 at the end of 2018, reflecting a increasing of compared with the NT\$1,169,189,000 in 2017. Regarding the undertaken collateral, the remaining balance for 2018 was NT\$191,649,0000 which is NT\$781,154,000 more less the NT\$972,803,000 for 2017.

5. Foreign currencies

Unit: US\$ thousand

Category	End of December 2018		End of December 2017		Difference	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Growth rate (%)
Imports	651,127	12.28	406,309	9.89	244,818	60.25
Exports	240,464	4.53	168,485	4.10	71,979	42.72
Outward remittance	2,006,810	37.84	1,614,051	39.28	392,759	24.33
Inward remittance	2,405,670	45.36	1,920,198	46.73	485,472	25.28
Total	5,304,071	100.00	4,109,043	100.00	1,195,028	29.08
Foreign currency deposit balance	604,176	-	619,332	-	-15,156	-2.45
Foreign currency loan balance	482,176	-	350,429	-	131,747	37.60

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

Unit: NT\$ thousand

Primary businesses	End of December 2018		End of December 2017 (Note 2)	
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)
Total assets	247,066,363	100.00	240,705,847	100.00
Loans and discounts	152,561,304	61.75	144,041,791	59.84
Deposits at the CBC as well as loans to other banks	10,874,533	4.40	20,767,098	8.63
Investments in bills, bonds, and securities	60,209,908	24.37	53,283,244	22.14
Others	23,420,618	9.48	22,613,714	9.39
Total liabilities	231,662,166	93.77	226,402,545	94.06
Deposits and remittances	214,826,237	86.95	211,661,967	87.93
Deposits from CBC and peer banks	1,650,240	0.67	1,319,059	0.55
Financial bonds payable	6,311,000	2.55	7,111,000	2.95
Others	8,874,689	3.59	6,310,519	2.62

Note1 : Compiled in accordance with the International Financial Reporting Standards (IFRSs) for consolidated statements.

Note2 : 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.

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

Unit: NT\$ thousand

Primary businesses	2018		2017 (Note 2)	
	Amount	As a percentage of net income (%)	Amount	As a percentage of net income (%)
Net interest income	2,351,870	64.82	2,213,802	68.52
Net fee income	781,731	21.55	763,043	23.62
Financial asset or financial liability measured at fair value through profit (loss)	-69,482	-1.92	127,339	3.94
Financial assets measured at fair value through other comprehensive profit or loss have realized interest	56,477	1.56	-	-
Realized gain (loss) on available-for-sale financial assets	-	-	59,027	1.83
Exchange gains	106,671	2.94	-47,481	-1.47
Reversal gains from asset impairments (losses)	-90	-	-2,175	-0.07
Other non-interest income	401,117	11.06	117,192	3.63
Net income	3,628,294	100.00	3,230,747	100.00

Note1 : Compiled in accordance with the International Financial Reporting Standards (IFRSs) for consolidated statements.

Note2 : 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.

II 、Employees

Year		2017	2018	Now until February 28, 2019
Number of employees	Staff	1,363	1,378	1,364
	Service personnel	51	28	28
	Total	1,414	1,406	1,392
Average age		39.88	40.53	40.69
Average years of services		10.19	11.08	11.18
Academic qualification	Higher education	9.69	9.67	9.77
	Bachelors Degree	80.76	80.01	80.82
	High school	9.41	9.89	9.99
	Below high school	0.14	0.43	0.43

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 February 28, 2019
	2018	2017 (Note 3)	2016 (Note 3)	2015 (Note 3)	2014 (Note 3)	
Cash and cash equivalents	5,071,404	4,975,231	5,433,632	4,558,525	4,949,322	Note 4
Deposits at CBC and interbank loans	10,874,533	20,767,098	49,712,132	33,738,715	32,260,996	
Financial assets measured at fair value through profit and loss	1,100,594	4,621,004	4,104,384	3,057,697	4,679,723	
Financial assets measured at fair value through other comprehensive income	14,058,368	-	-	-	-	
Debt instrument investments measured at amortised cost	41,835,000	-	-	-	-	
Investment in resale bills and bonds	3,215,946	5,817,368	7,021,795	6,233,031	3,926,169	
Accounts receivables - net	3,841,226	3,610,097	5,738,144	3,808,133	1,556,966	
Current income tax assets	51,661	27,458	20,298	34,148	76,510	
Loans and discounts - net	152,561,304	144,041,791	137,516,023	131,236,162	128,273,163	
Financial assets available for sale	-	42,045,954	9,239,105	12,728,369	14,711,668	
Held-to-maturity financial assets	-	798,918	100,000	750,450	753,678	
Other financial assets - net	184	55,537	55,537	55,537	65,537	
Property and equipment - net	7,192,805	6,378,384	6,563,692	6,709,010	6,914,737	
Investment property - net	2,776,023	2,379,171	2,333,805	2,315,100	2,231,343	
Intangible assets - net	2,369,131	2,351,750	2,375,266	2,418,500	2,464,359	
Deferred taxes assets - net	490,491	535,375	603,079	657,869	773,941	
Other assets	1,627,693	2,300,711	1,765,662	1,665,666	827,227	
Total assets	247,066,363	240,705,847	232,582,554	209,966,912	204,465,339	
Deposits at the CBC and peer banks	1,650,240	1,319,059	1,302,332	1,320,036	1,650,763	
Loans from CBC and peer banks	2,015,000	1,653,000	1,401,000	438,000	-	
Financial liabilities at fair value through profit and loss	28,226	5,757	185,181	431,388	962	
Bills and bonds sold under repurchase agreements	2,913,216	542,417	-	-	-	
Payables	3,210,902	3,450,320	3,593,163	3,234,613	3,145,610	
Current income tax liabilities	-	4,919	10,961	-	13,614	

Item \ Year		Financial data over the last five years (Note 2)					Up to February 28, 2019
		2018	2017	2016	2015	2014	
			(Note 3)	(Note 3)	(Note 3)	(Note 3)	
Deposits and remittances		214,826,237	211,661,967	206,495,592	186,111,200	181,967,628	Note 4
Financial bonds payable		6,311,000	7,111,000	5,826,000	4,700,000	5,420,000	
Other financial liabilities		210,000	170,000	-	-	-	
Liability provisions		206,183	180,591	183,924	180,049	186,989	
Deferred income tax liabilities		108,823	108,292	108,292	111,197	111,197	
Other liabilities		182,339	195,223	208,462	239,729	383,636	
Total liabilities	Before distribution	231,662,166	226,402,545	219,314,907	196,766,212	192,880,399	
	After distribution	(Note 1)	226,402,545	219,314,907	196,827,271	192,880,399	
Equity attributable to parent company shareholders		15,404,197	14,303,302	13,267,647	13,200,700	11,584,940	
Share capital	Before distribution	14,205,771	13,565,849	12,626,953	12,211,753	11,057,900	
	After distribution	(Note 1)	13,755,771	12,765,849	12,626,953	11,411,753	
Capital reserves		-	-	-	-	-	
Retained earnings	Before distribution	937,037	789,040	719,929	860,809	496,971	
	After distribution	(Note 1)	599,118	581,033	384,550	143,118	
Other equity		261,389	-51,587	-79,235	128,138	30,069	
Treasury stock		-	-	-	-	-	
Non-controlling shareholders		-	-	-	-	-	
Total equity	Before distribution	15,404,197	14,303,302	13,267,647	13,200,700	11,584,940	
	After distribution	(Note 1)	14,303,302	13,267,647	13,139,641	11,584,940	

Note 1: The aforementioned data obtained after distribution are based on the resolution of the annual shareholders' meeting. Earnings distribution for 2018 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 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 4: There no further update from CPA till the publication date of this annual report (2019.02.28).

(2) Individual

Unit: NT\$ thousand

Item \ Year	Financial data over the last five years (Note 2)					Up to February 28, 2019
	2018	2017 (Note 3)	2016 (Note 3)	2015 (Note 3.4)	2013 (Note 3)	
Cash and cash equivalents	4,943,462	4,915,172	5,370,693	4,541,415	4,926,728	Note 5
Deposits at CBC and interbank loans	10,874,533	20,767,098	49,712,132	33,738,715	32,260,996	
Financial assets measured at fair value through profit and loss	1,100,594	4,621,004	4,104,384	3,057,697	4,679,723	
Financial assets measured at fair value through other comprehensive income	14,058,368	-	-	-	-	
Debt instrument investments measured at amortised cost	41,835,000	-	-	-	-	
Investment in resale bills and bonds	3,215,946	5,817,368	7,021,795	6,233,031	3,926,169	
Accounts receivables - net	1,604,095	1,708,534	4,125,604	3,242,478	1,501,115	
Current income tax assets	50,913	27,425	19,966	34,028	69,614	
Loans and discounts - net	152,561,304	144,041,791	137,516,023	131,236,162	128,273,163	
Financial assets available for sale	-	42,045,954	9,239,105	12,728,369	14,711,668	
Held-to-maturity financial assets	-	798,918	100,000	750,450	753,678	
Equity-accounted investments - net	872,761	828,575	487,197	481,811	555,412	
Other financial assets - net	184	55,537	55,537	55,537	65,537	
Property and equipment - net	7,184,946	6,374,610	6,560,824	6,706,664	6,911,428	
Investment property - net	2,776,023	2,379,171	2,333,805	2,315,100	2,215,464	
Intangible assets - net	2,369,131	2,351,750	2,375,266	2,418,500	2,464,359	
Deferred taxes assets - net	490,491	535,375	603,079	657,869	773,941	
Other assets	929,075	1,646,407	1,686,123	1,445,185	792,111	
Total assets	244,866,826	238,914,689	231,311,533	209,643,011	204,881,106	
Deposits at the CBC and peer banks	1,650,240	1,319,059	1,302,332	1,320,036	1,650,763	
Financial liabilities at fair value through profit and loss	28,226	5,757	185,181	431,388	962	
Bills and bonds sold under repurchase agreements	2,913,216	542,417	-	-	-	
Payables	3,204,523	3,437,652	3,571,675	3,213,878	3,137,455	
Current income tax liabilities	-	-	10,019	-	-	
Deposits and remittances	214,870,883	211,717,497	206,650,562	186,251,343	182,411,479	
Financial bonds payable	6,311,000	7,111,000	5,826,000	4,700,000	5,420,000	
Liability provisions	206,183	180,591	183,924	180,049	186,989	
Deferred income tax liabilities	108,823	108,292	108,292	111,197	111,197	

Item \ Year		Financial data over the last five years (Note 2)					Up to February 28, 2019
		2018	2017 (Note 3)	2016 (Note 3)	2015 (Note 3.4)	2014 (Note 3)	
Other liabilities		169,535	189,122	205,901	234,420	377,321	Note 5
Total liabilities	Before distribution	229,462,629	224,611,387	218,043,886	196,442,311	193,296,166	
	After distribution	(Note 1)	224,611,387	218,043,886	196,503,307	193,296,166	
Equity attributable to parent company shareholders		15,404,197	14,303,302	13,267,647	13,200,700	11,584,940	
Share capital	Before distribution	14,205,771	13,565,849	12,626,953	12,211,753	11,057,900	
	After distribution	(Note 1)	13,755,771	12,765,849	12,626,953	11,411,753	
Capital reserves		-	-	-	-	-	
Retained-earnings	Before distribution	937,037	789,040	719,929	860,809	496,971	
	After distribution	(Note 1)	599,118	581,033	384,550	143,118	
Other equity		261,389	-51,587	-79,235	128,138	30,069	
Treasury stock		-	-	-	-	-	
Non-controlling shareholders		-	-	-	-	-	
Total equity	Before distribution	15,404,197	14,303,302	13,267,647	13,200,700	11,584,940	
	After distribution	(Note 1)	14,303,302	13,267,647	13,139,641	11,584,940	

Note 1 : The aforementioned data obtained after distribution are based on the resolution of the annual shareholders' meeting. Earnings distribution for 2018 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 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 4 : Panhsin brokerage agency was merged by Bank of Panhsin on 2016.07.01, the Financial Statements was re-edited in 2015.

Note 5 : There no further update from CPA till the publication date of this annual report (2019.02.28).

(II) Comparative summary of income statement

1. Adoption of International Financial Reporting Standards

(1) Consolidated

Unit: NT\$ thousand

Item \ Year	Financial data over the last five years (Note 1)					Up to February 28, 2019
	2018	2017 (Note 3)	2016 (Note 3)	2015 (Note 3)	2014 (Note 3)	
Interest income	4,220,817	3,912,101	3,829,018	3,994,187	3,669,634	Note 4
Less: Interest expenses	1,868,947	1,698,299	1,594,232	1,633,541	1,474,956	
Net interest income	2,351,870	2,213,802	2,234,786	2,360,646	2,194,678	
Non-interest net income	1,276,424	1,016,945	1,356,271	1,367,442	1,394,949	
Net operating income	3,628,294	3,230,747	3,591,057	3,728,088	3,589,627	
Bad loan expenses and provisions for guarantee liabilities	542,763	353,363	496,179	231,758	565,891	
Operating expenses	2,646,340	2,611,780	2,651,953	2,640,444	2,362,826	
Pre-tax profit from continuing operations	439,191	265,604	442,925	855,886	660,910	
Income tax gains (expenses)	-47,725	-61,367	-104,363	-143,963	-182,346	
Current profit from continuing operations	391,466	204,237	338,562	711,923	478,564	
Profit and loss from discontinuing operations	-	-	-	-	-	
Net profit (loss) for the current period	391,466	204,237	338,562	711,923	478,564	
Other comprehensive income/losses for the current period (net, after-tax)	190,031	31,418	-210,556	103,837	23,051	
Total comprehensive income for the current period	581,497	235,655	128,006	815,760	501,615	
Net profit attributable to parent company shareholders	391,466	204,237	338,562	711,923	478,564	
Net profit attributable to non- controlling shareholders	-	-	-	-	-	
Total comprehensive income attributable to parent company shareholders	581,497	235,655	128,006	815,760	501,615	
Total comprehensive income attributable to non-controlling shareholders	-	-	-	-	-	
Earnings (loss) per share	0.28	0.16	0.27	0.60	0.44	

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 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 4 : There no further update from CPA till the publication date of this annual report (2019.02.28).

(2) Individual

Unit: NT\$ thousand

Item \ Year	Financial data over the last five years (Note 1)					Up to February 28, 2019
	2018	2017	2016	2015	2014	
		(Note 3)	(Note 3)	(Note 3.4)	(Note 3)	
Interest income	4,122,155	3,808,263	3,779,734	3,994,132	3,673,403	Note 5
Less: Interest expenses	1,837,995	1,663,748	1,580,885	1,630,882	1,475,190	
Net interest income	2,284,160	2,144,515	2,198,849	2,363,250	2,198,213	
Non-interest net income	1,274,176	1,036,622	1,336,083	1,335,856	840,894	
Net operating income	3,558,336	3,181,137	3,534,932	3,699,106	3,039,107	
Bad loan expenses and provisions for guarantee liabilities	535,631	357,784	476,888	224,126	69,460	
Operating expenses	2,585,660	2,563,490	2,615,934	2,619,435	2,326,197	
Pre-tax profit from continuing operations	437,045	259,863	442,110	855,545	643,450	
Income tax gains (expenses)	-45,579	-55,626	-103,548	-143,622	-164,886	
Current profit from continuing operations	391,466	204,237	338,562	711,923	478,564	
Profit and loss from discontinuing operations	-	-	-	-	-	
Net profit (loss) for the current period	391,466	204,237	338,562	711,923	478,564	
Other comprehensive income/losses for the current period (net, after-tax)	190,031	31,418	-210,556	103,837	23,051	
Total comprehensive income for the current period	581,497	235,655	128,006	815,760	501,615	
Net profit attributable to parent company shareholders	391,466	204,237	338,562	711,923	478,564	
Net profit attributable to non- controlling shareholders	-	-	-	-	-	
Total comprehensive income attributable to parent company shareholders	581,497	235,655	128,006	815,760	501,615	
Total comprehensive income attributable to non-controlling shareholders	-	-	-	-	-	
Earnings (loss) per share	0.28	0.16	0.27	0.60	0.44	

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

Note 5 : There no further update from CPA till the publication date of this annual report (2019.02.28).

II、Five-year financial analysis

(I) Adoption of International Financial Reporting Standards

1. Consolidated

Unit: NT\$ thousand

Item \ Year		Financial analysis for the last five years (Note 1)					Up to February 28, 2019
		2018	2017	2016	2015	2014	
			(Note 9)	(Note 9)	(Note 9)	(Note 9)	
Operational Efficiency	Loans to deposit ratio (%)	72	69	67	71	71	Note 10
	Overdue loan ratio (%)	0.85	0.80	0.84	0.72	0.88	
	Interest expense as a percentage of annual average deposit balance (%)	0.72	0.70	0.73	0.76	0.80	
	Interest income as a percentage of annual average loan balance (%)	2.36	2.31	2.40	2.46	2.66	
	Asset turnover rate (times)	0.01	0.01	0.02	0.02	0.02	
	Operating revenue per employee	2,499	2,253	2,585	2,613	2,530	
	Profit per employee	270	142	244	499	337	
Profitability	Tier 1 capital return ratio (%)	3	2	4	9	7	
	Return on assets (%)	0.16	0.09	0.15	0.34	0.26	
	Return on equity (%)	2.64	1.48	2.56	5.74	4.47	
	Net profit margin (%)	10.79	6.32	9.43	19.10	13.33	
	Earnings per share (NT\$)	0.28	0.16	0.16	0.60	0.44	
Financial structure	Liabilities to total assets (%)	94	94	94	94	94	
	Real estate and equipment as a percentage of total equity (%)	47	45	49	51	60	
Growth rate	Asset growth rate (%)	3	3	11	3	26	
	Profit growth rate (%)	65	-40	-48	30	-67	
Cash Flows	Operating cash flow ratio (%)	(Note 8)	(Note 8)	402	157	(Note 8)	
	Cash flow adequacy ratio (%)	(Note 8)	(Note 8)	(Note 8)	(Note 8)	(Note 8)	
	Cash flow satisfied ratio (%)	(Note 8)	(Note 8)	10,084	665	(Note 8)	
Liquid reserve ratio (%)		27	27	26	26	27	
Total secured credit balance of stakeholders		2,550,252	2,465,721	3,337,770	3,261,177	2,436,941	
Total secured credit balance of stakeholders as a percentage of total credit balance (%)		1.62	1.66	2.33	2.39	1.82	
Operating scale	Asset market share (%)	0.38	0.39	0.39	0.36	0.37	Note 10
	Equity market share (%)	0.36	0.36	0.34	0.36	0.34	
	Deposit market share (%)	0.50	0.51	0.52	0.48	0.50	
	Loan market share (%)	0.56	0.55	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. 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 Gain on Disposal of collateral in 2018 compared with 2017.

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 no further update from CPA till the publication date of this annual report (2019.02.28).

2. Individual

Unit: NT\$ thousand

Item \ Year		Financial analysis for the last five years (Note 1)					Up to February 28, 2019
		2018	2017 (Note 9)	2016 (Note 9)	2015 (Note 9.10)	2014 (Note 9)	
Operational Efficiency	Loans to deposit ratio (%)	72	69	67	71	71	Note 11
	Overdue loan ratio (%)	0.85	0.80	0.84	0.72	0.88	
	Interest expense as a percentage of annual average deposit balance (%)	0.72	0.70	0.73	0.82	0.80	
	Interest income as a percentage of annual average loan balance (%)	2.36	2.31	2.40	2.64	2.66	
	Asset turnover rate (times)	0.01	0.01	0.02	0.02	0.02	
	Operating revenue per employee	2,525	2,259	2,545	2,592	2,142	
	Profit per employee	278	145	244	499	337	
Profitability	Tier 1 capital return ratio (%)	3	2	4	9	7	
	Return on assets (%)	0.16	0.09	0.15	0.34	0.26	
	Return on equity (%)	2.64	1.48	2.56	5.74	4.47	
	Net profit margin (%)	11.00	6.42	9.58	19.25	15.75	
	Earnings per share (NT\$)	0.28	0.16	0.16	0.60	0.44	
Financial structure	Liabilities to total assets (%)	94	94	94	94	94	
	Real estate and equipment as a percentage of total equity (%)	47	45	49	51	60	
Growth rate	Asset growth rate (%)	2	3	10	2	26	
	Profit growth rate (%)	68	-41	-48	33	-67	
Cash Flows	Operating cash flow ratio (%)	(Note 8)	(Note 8)	433	166	(Note 8)	
	Cash flow adequacy ratio (%)	(Note 8)	(Note 8)	(Note 8)	(Note 8)	(Note 8)	
	Cash flow satisfied ratio (%)	(Note 8)	(Note 8)	5,613	866	(Note 8)	
Liquidity Reserve Ratio (%)		27	27	26	26	27	
Total secured credit balance of stakeholders		2,550,252	2,465,721	3,337,770	3,261,177	2,436,941	
Total secured credit balance of stakeholders as a percentage of total credit balance (%)		1.62	1.66	2.33	2.39	1.82	
Operating scale	Asset market share (%)	0.38	0.39	0.39	0.36	0.37	
	Equity market share (%)	0.36	0.36	0.34	0.36	0.34	
	Deposit market share (%)	0.50	0.51	0.52	0.48	0.50	
	Loan market share (%)	0.56	0.55	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. 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 Gain on Disposal of collateral in 2018 compared with 2017.

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 no further update from CPA till the publication date of this annual report (2019.02.28).

III 、Five-year capital adequacy analysis

1. Consolidated

Unit: NT\$ thousand

Item \ Year			Five-Year Capital Adequacy Ratio (Note 1)					Up to February 28, 2019
			2018	2017	2016	2015	2014	
Regulatory Capital	Common stock equity		12,214,831	11,359,075	10,294,401	10,025,073	8,592,198	Note 4
	Other non-ordinary share Tier 1 capital		1,895,310	1,895,116	1,587,116	-	-	
	Tier 2 capital		3,646,586	4,035,570	2,843,024	3,637,850	4,256,216	
	Regulatory capital		17,756,727	17,289,761	14,724,541	13,662,923	12,848,414	
Total weighted risk asset	Credit risk	Standardized approach	143,388,468	136,703,563	135,420,096	127,134,024	122,438,320	
		Internal rating approach	-	-	-	-	-	
		Asset securitisation	-	-	-	-	-	
	Operating risk	Basic indicator approach	6,137,313	6,218,525	6,290,025	5,845,263	5,428,538	
		Standardized approach/optional standardized approach	-	-	-	-	-	
		Advanced approach	-	-	-	-	-	
	Market Risk	Standardized approach	596,712	1,774,475	3,119,475	2,620,013	3,218,538	
		Internal modeling approach	-	-	-	-	-	
	Total weighted risk asset		150,122,493	144,696,563	144,829,596	135,599,300	131,085,396	
	Capital adequacy ratio (%)			11.83	11.95	10.17	10.08	
Tier 1 capital as a percentage of risk assets (%)			9.40	9.16	8.20	7.39	6.55	
Common stock equity as a percentage of risk assets (%)			8.14	7.85	7.11	7.39	6.55	
Leverage ratio (%)			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 no further update from CPA till the publication date of this annual report (2019.02.28).

2. Individual

Unit: NT\$ thousand

Item \ Year			Five-Year Capital Adequacy Ratio (Note 1)					Up to February 28, 2019
			2018	2017	2016	2015	2014	
Regulatory Capital	Common stock equity		11,996,641	11,151,932	10,172,601	9,762,200	8,314,491	Note 4
	Other non-ordinary share Tier 1 capital		1,677,120	1,687,972	1,465,317	-	-	
	Tier 2 capital		3,210,206	3,621,282	2,599,425	3,374,976	3,978,510	
	Regulatory Capital		16,883,967	16,461,186	14,237,343	13,137,176	12,293,001	
Total weighted risk asset	Credit risk	Standardized approach	140,419,282	134,131,916	133,712,568	126,324,158	122,323,791	
		Internal rating approach	-	-	-	-	-	
		Asset securitisation	-	-	-	-	-	
	Operational risk	Basic indicator approach	6,030,425	6,134,188	5,970,013	5,504,663	5,386,188	
		Standardized approach/optional standardized approach	-	-	-	-	-	
		Advanced approach	-	-	-	-	-	
	Market Risk	Standardized approach	596,713	1,774,475	3,119,475	2,620,013	3,218,538	
		Internal modeling approach	-	-	-	-	-	
	Total weighted risk asset		147,046,420	142,040,579	142,802,056	134,448,834	130,928,517	
	Capital adequacy ratio (%)			11.48	11.59	9.97	9.77	
Tier 1 capital as a percentage of risk assets (%)			9.30	9.04	8.15	7.26	6.35	
Common stock equity as a percentage of risk assets (%)			8.16	7.85	7.12	7.26	6.35	
Leverage ratio (%)			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.

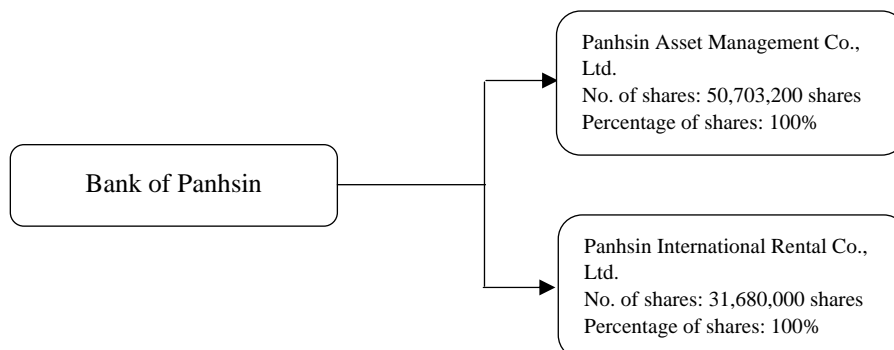
Note 4 : There no further update from CPA till the publication date of this annual report (2019.02.28).

Special disclosures

I、Affiliate information

(I) Affiliate organizational structure

Baseline date: December 31, 2018



(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	316,800	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, 2018

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	Hsin-Mao Huang (representative of Bank of Panhsin)		
	Supervisor	Li-Chin Wei (representative of Bank of Panhsin)		
	President	Chien-Chong Tsao	-	-
Panhsin International Rental Co., Ltd.	Chairman	Jui-Tsai Chou (representative of Bank of Panhsin)	31,680,000	100.00
	Director	Wan-De Xiao (representative of Bank of Panhsin)		
	Director	Chao-Chung Lin (representative of Bank of Panhsin)		
	Supervisor	Jone-Chih Huang (representative of Bank of Panhsin)		
	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
Songjiang Branch	No.122, Songjiang Rd., Jhongshan Dist., Taipei City, Taiwan (R.O.C.)	(02)25429999	(02)25311707
Xinyi Branch	No.127, Sec. 2, Keelung Rd., Xinyi Dist., Taipei City, Taiwan (R.O.C.)	(02)27329999	(02)27334900
Minsheng Branch	No.133-1, Sec. 3, Minsheng E.Rd., Songshan Dist., Taipei City, Taiwan (R.O.C.)	(02)87129966	(02)27120222
Bade Branch	No.360, Sec. 2, Bade Rd., Songshan Dist., Taipei City, Taiwan (R.O.C.)	(02)27528833	(02)27405959
Neihu Branch	No.163, Sec. 4, Chenggong Rd., Neihu Dist., Taipei City, Taiwan (R.O.C.)	(02)87919999	(02)87919899
Ruiguang Branch	No.633, Ruiguang Rd., Neihu Dist., Taipei City, Taiwan (R.O.C.)	(02)26560188	(02)26560166
Mengchia Branch	No.322, Kunming St., Wanhua Dist., Taipei City, Taiwan (R.O.C.)	(02)23086165	(02)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	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
Xizhi Branch	No.91-2, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City, Taiwan (R.O.C.)	(02)26972959	(02)26973500

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

BANK OF PANHSIN

Parent Company Only Financial Statements

With Independent Auditors' Report

For the Years Ended December 31, 2018 and 2017

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.

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Independent Auditors' Report

To the Board of Directors
Bank of Panhsin:

Opinion

We have audited the financial statements of Bank of Panhsin ("the Bank"), which comprise the statements of financial position as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, 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, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Public Banks".

Basis for Opinion

We conducted our audit in accordance with the "Regulations Governing Auditing and Certification of Financial Statements of Financial Institutions by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

1. Impairment of Loans and Receivables

Please refer to Note 4(f) "loans and receivables" for related accounting policy, Note 5 for the uncertainty of accounting estimation and assumptions, and Note 6(i), 6(j), 6(v) and 6(ao) 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(l) "Intangible assets" for related accounting policy, Note 5 for the uncertainty of accounting estimation and assumptions, and Note 6(o) for the details of the impairment of goodwill.

Description of key audit matters

As of December 31, 2018, the Bank has goodwill amounting to \$2,197,921 thousand from its merger and acquisition activities over the years. Since the recoverable amount of goodwill depends on the management's estimation of discounted future cash flows, it relies on the management's subjective judgment of future operations and is highly uncertain. Therefore, we considered impairment of goodwill a key audit matter.

How the matter was addressed in our audit

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

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

The management is responsible for the preparation and fair presentation of the financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Public Banks" and for such internal control as management determines necessary to enable the preparation of the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the Bank's financial reporting process.

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 20, 2019

Notes to Readers

The accompanying parent company only financial statements are intended only to present the statement of 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' 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.

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

Statements of Financial Position

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2018		December 31, 2017		December 31, 2018		December 31, 2017	
	Amount	%	Amount	%	Amount	%	Amount	%
Assets								
11000 Cash and cash equivalents (note 6(a))	\$ 4,943,462	2	4,915,172	2	21000 Liabilities and Equity			
11500 Due from Central Bank and call loans to banks (notes 6(b) and 8)	10,874,533	5	20,767,098	9	22000 Deposits from Central Bank and other banks (note 6(q))	\$ 1,650,240	1	1,319,059
12000 Financial assets measured at fair value through profit or loss (note 6(c))	1,100,594	1	4,621,004	2	Financial liabilities measured at fair value through profit or loss (note 6(c))	28,226	-	5,757
12100 Financial assets measured at fair value through other comprehensive income (notes 6(d) and 8)	14,058,368	6	-	-	Securities sold under repurchase agreements (note 6(r))	2,913,216	1	542,417
12200 Investment in debt instruments at amortized cost (note 6(f))	41,835,000	17	-	-	Payables (notes 6(s) and 7)	3,204,523	1	3,437,652
12500 Securities purchased under resell agreements (note 6(h))	3,215,946	1	5,817,368	2	Deposits and remittances (notes 6(t) and 7)	214,870,883	88	211,717,497
13000 Receivable, net (note 6(i))	1,604,095	1	1,708,534	1	Financial bonds payable (notes 6(u) and 7)	6,311,000	3	7,111,000
13200 Current income tax assets	50,913	-	27,425	-	Provision (notes 6(j), (v) and (x))	206,183	-	180,591
13500 Loans and discounts, net (notes 6(j) and 7)	152,561,304	62	144,041,791	60	Deferred tax liabilities (note 6(y))	108,823	-	108,292
14000 Available-for-sale financial assets, net (notes 6(e) and 8)	-	-	42,045,954	18	Other liabilities (notes 6(m) and (w))	169,535	-	189,122
14500 Held-to-maturity financial assets, net (notes 6(g) and 8)	-	-	798,918	-	Total liabilities	229,462,629	94	224,611,387
15000 Long-term investments under equity method, net (note 6(l))	872,761	-	828,575	-	Equity:			
15500 Other financial assets, net (note 6(k))	184	-	55,537	-	Share capital (note 6(z)):			
18500 Property and equipment, net (note 6(m))	7,184,946	3	6,374,610	3	Common stock	14,205,771	6	13,565,849
18700 Investment property, net (note 6(n))	2,776,023	1	2,379,171	1	Retained earnings (note 6(aa)):			
19000 Intangible assets, net (note 6(o))	2,369,131	1	2,351,750	1	Legal reserve	587,873	-	523,024
19300 Deferred income tax assets, net (note 6(y))	490,491	-	535,375	-	Special reserve	54,313	-	80,880
19500 Other assets (notes 6(p) and 8)	929,075	-	1,646,407	1	Unappropriated earnings	294,851	-	185,136
					Other equity (note 6(z))	937,037	-	789,040
					Total equity	261,389	-	(51,587)
Total assets	\$ 244,866,826	100	238,914,689	100	Total liabilities and equity	15,404,197	6	14,303,302
						\$ 244,866,826	100	238,914,689

(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, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018		2017		Variance
	Amount	%	Amount	%	%
41000 Interest income (notes 6(ac) and 7)	\$ 4,122,155	116	3,808,263	119	8
51000 Less: Interest expense (notes 6(ac) and 7)	<u>1,837,995</u>	<u>52</u>	<u>1,663,748</u>	<u>52</u>	10
Net income (loss) of interest	2,284,160	64	2,144,515	67	7
Net non-interest income (loss)					
49100 Service fees, net (note 6(ad))	775,085	22	752,431	24	3
49200 Gain on financial asset or liabilities measured at fair value through profit or loss (note 6(ae))	(69,482)	(2)	127,339	4	(155)
49300 Realized gain on available-for-sale financial assets (note 6(ah))	-	-	59,027	2	(100)
49310 Realized gain on financial assets measured at fair value through other comprehensive income (note 6(af))	56,477	2	-	-	-
49600 Foreign exchange loss, net	106,629	3	(47,480)	(1)	325
49700 Reversal of impairment loss on assets (notes 6(d) and (ag))	2,898	-	-	-	-
49750 Investment income under the equity method	44,186	1	42,900	1	3
49800 Other non-interest income, net (note 6(ai))	8,779	-	(12,771)	(1)	169
49823 Gain on disposal of foreclosed assets (notes 6(p) and 7)	223,275	6	2,048	-	10,802
49851 Rental income (note 7)	106,451	3	91,002	3	17
49863 Gain on property exchange—net (notes 6(m) and 7)	<u>19,878</u>	<u>1</u>	<u>22,126</u>	<u>1</u>	(10)
Total revenue	<u>3,558,336</u>	<u>100</u>	<u>3,181,137</u>	<u>100</u>	12
58200 Bad debt expense and reserve for guarantees (notes 6(i), (j), (v) and (aj))	<u>535,631</u>	<u>15</u>	<u>357,784</u>	<u>11</u>	50
Operation and expenses:					
58500 Employee benefit expenses (notes 6(x), (ak) and (al))	1,469,297	41	1,441,205	45	2
59000 Depreciation and amortization expenses (notes 6(m), (o) and (am))	178,098	5	208,856	7	(15)
59500 Other general and administrative expenses (notes 6(an) and 7)	<u>938,265</u>	<u>27</u>	<u>913,429</u>	<u>29</u>	3
Total Expenses	<u>2,585,660</u>	<u>73</u>	<u>2,563,490</u>	<u>81</u>	1
Income from continuing operations before tax	437,045	12	259,863	8	68
61003 Less : Income tax expense (note 6(y))	<u>(45,579)</u>	<u>(1)</u>	<u>(55,626)</u>	<u>(2)</u>	18
Net Income	<u>391,466</u>	<u>11</u>	<u>204,237</u>	<u>6</u>	92
65000 Other comprehensive income:					
65200 Items that may not be reclassified subsequently to profit or loss					
65201 Remeasurements from defined benefit plans (note 6(x))	84	-	3,770	-	(98)
65204 Gains (losses) on valuation in equity instruments measured at fair value through other comprehensive income	219,488	6	-	-	-
65220 Income tax related to items that may not be reclassified subsequently to profit or loss	-	-	-	-	-
Items that may not be reclassified subsequently to profit or loss	<u>219,572</u>	<u>6</u>	<u>3,770</u>	<u>-</u>	5,724
65300 Items that may be reclassified subsequently into profit or loss					
65301 Foreign currency translation differences for foreign operations	2,910	-	(1,135)	-	356
65302 Unrealized gains on available-for-sale	-	-	28,783	1	(100)
65309 (Losses) gains on valuation in debt instrument measured at fair value through other comprehensive income	(29,553)	(1)	-	-	-
65310 Losses (gains) on impairment in debt instrument measured at fair value through other comprehensive income	(2,898)	-	-	-	-
65320 Income tax relating to items that may be subsequently reclassified to profit or loss	-	-	-	-	-
Items that may be reclassified subsequently into profit or loss	<u>(29,541)</u>	<u>(1)</u>	<u>27,648</u>	<u>1</u>	(207)
65000 Other comprehensive income	<u>190,031</u>	<u>5</u>	<u>31,418</u>	<u>1</u>	505
Total comprehensive income	<u>\$ 581,497</u>	<u>16</u>	<u>235,655</u>	<u>7</u>	147
Earnings per share(expressed in New Taiwan dollars) (note 6(ab)):					
67500 Basic earnings per share	\$ <u>0.28</u>		\$ <u>0.16</u>		
67700 Diluted earnings per share	\$ <u>0.28</u>		\$ <u>0.16</u>		

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, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

	Total other equity interest										
	Common stock	Retained earnings				Total retained earnings	Gains (losses) on financial assets				Total equity
		Legal reserve	Special reserve	Retained earnings			Foreign currency translation differences for foreign operations	value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total other equity interest	
Balance at January 1, 2017	\$ 12,626,953	424,582	5	295,342	719,929	5,791	-	(85,026)	(79,235)	13,267,647	
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	98,442	-	(98,442)	-	-	-	-	-	-	
Special reserve appropriated	-	-	80,875	(80,875)	-	-	-	-	-	-	
Stock dividends of ordinary share	138,896	-	-	(138,896)	(138,896)	-	-	-	-	-	
Net Income	-	-	-	204,237	204,237	-	-	-	-	204,237	
Other comprehensive income	-	-	-	3,770	3,770	(1,135)	-	28,783	27,648	31,418	
Total comprehensive income	-	-	-	208,007	208,007	(1,135)	-	28,783	27,648	235,655	
Issue of shares	800,000	-	-	-	-	-	-	-	-	800,000	
Balance at December 31, 2017	13,565,849	523,024	80,880	185,136	789,040	4,656	-	(56,243)	(51,587)	14,303,302	
Effects of retrospective application of the new standards	-	-	-	(74,371)	(74,371)	-	-	56,243	143,769	69,398	
Equity at beginning of period after adjustments	13,565,849	523,024	80,880	110,765	714,669	4,656	-	-	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 measured 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	

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, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from (used in) operating activities:		
Income before income tax expense	\$ 437,045	259,863
Adjustments:		
Adjustments for the effects of non-cash transactions:		
Depreciation expense	169,718	179,404
Amortization expense	36,291	54,463
Provisions for bad debt expense	535,631	357,784
Interest expense	1,837,995	1,663,748
Interest income	(4,122,155)	(3,808,263)
Dividend income	(66,360)	(70,612)
Net change in other provisions	(4,048)	5,530
Gain on disposal for foreclosed collaterals	(223,275)	(2,048)
Investment income under the equity method	(44,186)	(42,900)
Gain on disposal of property and equipment	(16,760)	(15,483)
Loss on disposal intangible assets	19	-
Reversal of impairment loss on financial assets	(2,898)	-
Total adjustments to reconcile net income	(1,900,028)	(1,678,377)
Changes in operating assets and liabilities:		
Due from Central Bank and call loans to banks	812,783	(279,151)
Financial assets measured at fair value through profit or loss	3,653,151	(516,620)
Financial assets at fair value through other comprehensive income	(3,447,949)	-
Investments in debt instruments measured at amortised cost	(9,405,000)	-
Receivables	162,192	2,407,603
Loans and discounts, net	(9,034,679)	(6,858,825)
Available-for-sale financial assets	-	(32,778,066)
Held-to-maturity financial assets	-	(698,918)
Other financial assets	(184)	-
Deposits from Central Bank and other banks	331,181	16,727
Financial liabilities at fair value through profit or loss	22,469	(179,424)
Payables	(258,905)	(179,390)
Deposits and remittances	3,153,386	5,066,935
Employee benefit liabilities	(373)	(93)
Other liabilities	291	5,347
Total net changes in operating assets and liabilities	(14,011,637)	(33,993,875)
Total adjustments	(15,911,665)	(35,672,252)
Cash inflow (outflow) generated used in operations	(15,474,620)	(35,412,389)
Interest received	4,060,616	3,790,249
Dividends received	66,360	70,612
Interest paid	(1,812,219)	(1,618,381)
Income taxes paid	(23,652)	(5,400)
Net Cash flows used inoperating activities	(13,183,515)	(33,175,309)
Cash flows from (used in) investing activities:		
Acquisition of property and equipment	(1,346,309)	(19,806)
Disposal of foreclosed collateral	1,004,429	39,627
Other financial assets	(151,228)	(54,203)
Net cash flows used in investing activities	(493,108)	(34,382)
Cash flows from (used in) financing activities:		
Proceeds from issuing bank notes payable	-	1,685,000
Repayments of bank notes payable	(800,000)	(400,000)
Increase of securities sold under repurchase agreement	2,370,799	542,417
Proceeds from issuing shares	450,000	800,000
Acquisition of ownership interests in subsidiaries	-	(300,724)
Net cash flows from financing activities	2,020,799	2,326,693
Effect of exchange rate changes on cash and cash equivalents	2,910	(1,135)
Net decrease in cash and cash equivalents	(11,652,914)	(30,884,133)
Cash and cash equivalents at beginning of period	24,645,585	55,529,718
Cash and cash equivalents at end of period	\$ 12,992,671	24,645,585
Composition of cash and cash equivalents:		
Cash and cash equivalents reported in the statement of financial position	\$ 4,943,462	4,915,172
Due from the central bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	4,833,263	13,913,045
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	3,215,946	5,817,368
Cash and cash equivalents at end of period	\$ 12,992,671	24,645,585

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, 2018 and 2017

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

(1) Organization and Business Scope

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

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

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

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

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

(2) Financial statements authorization date and authorization process:

These financial statements were authorized for issuance by the Bank's Board of Directors on March 20, 2019.

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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, or after, January 1, 2018.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 “Clarifications of Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Statement of Cash Flows -Disclosure Initiative”	January 1, 2017
Amendment to IAS 12 “Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

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

IFRS 9 “Financial Instruments”

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

As a result of the adoption of IFRS 9, the Bank adopted the consequential amendments to IFRS 7 Financial Instruments: “Disclosures” that are applied to disclosures about 2018 but generally have not been applied to comparative information.

(Continued)

Bank of Panhsin
Notes to the Financial Statements

The detail of new significant accounting policies, and the nature and effect of the changes to previous accounting policies, are set out below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument, as a whole, is assessed for classification. For an explanation of how the Bank classifies and measures its financial assets and accounts for related gains and losses under IFRS 9, please see note 4(f).

The adoption of IFRS 9 did not have any a significant impact on the accounting policies on financial liabilities of the Bank.

2) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with the ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortized cost, debt investments measured at FVOCI, loan commitments and financial guarantee contracts, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note 4(f).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as of January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, and therefore, is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
 - The determination of the business model within which a financial asset is held.

(Continued)

Bank of Panhsin
Notes to the Financial Statements

— The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

— The designation of certain investments in equity instruments not held for trading as at FVOCI.

- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Bank assumed that the credit risk on its asset will not increase significantly since its initial recognition.

4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Bank's financial assets as of January 1, 2018.

	IAS 39		IFRS 9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Financial assets				
Cash and cash equivalents	Amortized cost	4,915,172	Amortized cost	4,915,172
Due from Central Bank and call loans to banks	Amortized cost	20,767,098	Amortized cost	20,767,098
Financial assets measured at fair value through profit or loss	FVTPL	4,621,004	FVTPL	4,621,004
Securities sold under resell agreements	Amortized cost	5,817,368	Amortized cost	5,817,368
Receivables, net	Amortized cost (Loans and Receivables) (note 5)	1,708,534	Amortized cost (Loans and Receivables)	1,708,499
Loans and discounts-net	Amortized cost (Loans and Receivables)	144,041,791	Amortized cost (Loans and Receivables)	144,041,791

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Bank of Panhsin
Notes to the Financial Statements

	IAS 39		IFRS 9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Financial assets				
Available-for-sale financial assets, net	FVOCI (Equity instruments) (note 6)	132,741	FVTPL	132,741
	FVOCI (Equity instruments)	402,800	Equity instruments measured at FVOCI	402,800
	FVOCI (Debt instruments) (note 1)	9,083,230	Debt instruments measured at FVOCI	9,083,230
	FVOCI (Debt instruments) (note 2)	32,427,183	Amortized cost	32,430,000
Held-to-maturity financial assets, net	Amortized cost (Debt instruments) (note 3)	798,918	Debt instruments measured at FVOCI	798,918
Other financial assets, net	Financial assets carried at cost (note 4)	55,537	Equity instrument measured at FVOCI	135,536
Other assets, net (refundable deposits)	Amortized cost	499,812	Amortized cost	499,812

(Continued)

Bank of Panhsin
Notes to the Financial Statements

Financial assets under IAS 39 have been transferred to IFRS 9. The following table reconciles the carrying amounts of financial assets on January 1, 2018.

	IAS39 December 31, 2017	Reclassification	Remeasurement	IFRS January 1, 2018 Carrying amount	January 1, 2018 Retained earnings	January 1, 2018 Other equity	Note
Fair value through profit or loss (FVTPL)							
From FVTPL (IAS 39)	\$ 4,621,004	-	-	-	-	-	
Additions:							
From FVOCI (Available-for-sale under IAS39)	-	132,741	-	-	(60,543)	60,543	Note 6
Total changes of FVTPL	<u>4,621,004</u>	<u>132,741</u>	<u>-</u>	<u>4,753,745</u>	<u>(60,543)</u>	<u>60,543</u>	
Fair value through other comprehensive income (FVOCI)							
Additions-debt instruments							
From FVOCI (Available- for-sale under IAS 39)	9,083,230	-	-	-	(5,350)	5,350	Note 1
From AC (Held-to-maturity under IAS 39)	-	798,918	-	-	-	-	Note 3
Additions-equity instruments:							
From FVOCI (Available- for-sale under IAS 39)	535,541	-	-	-	-	-	Note 4
From AC (carried at cost under IAS39)	-	55,537	79,999	-	4,940	75,059	
Subtractions-debt investments and equity instruments:							
To FVTPL (IFRS 9)- Reclassification	-	(132,741)	-	-	-	-	Note 6
To amortized cost (IFRS 9)	<u>32,427,183</u>	<u>(32,427,183)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>Note 2</u>
Total changes of FVOCI	<u>42,045,954</u>	<u>(31,705,469)</u>	<u>79,999</u>	<u>-</u>	<u>(410)</u>	<u>80,409</u>	
Amortized cost							
Additions :							
From AC (held-to-maturity and carried at cost are included)	854,455	-	-	-	-	-	
From available-for-sale (IAS 39)	-	32,427,183	2,817	-	-	2,817	Note 2
Subtractions:							
To FVOCI (IFRS 9)	-	(854,455)	-	-	-	-	Note 3 & 4
Total changes of AC (IFRS 9)	<u>854,455</u>	<u>31,572,728</u>	<u>2,817</u>	<u>32,430,000</u>	<u>-</u>	<u>2,817</u>	
Total balance of financial assets and the total balance of reclassification and remeasurement on January 1, 2018	<u>\$ 47,521,413</u>	<u>-</u>	<u>82,816</u>	<u>47,604,229</u>	<u>(60,953)</u>	<u>143,769</u>	

(Continued)

Bank of Panhsin

Notes to the Financial Statements

The allowance of impairment losses identified by using the incurred model under IAS 39 were adjusted to the expected losses model under IFRS 9 as of December 31, 2017. The following table reconciles the balance of allowance of impairment losses upon the transition to IFRS 9 as of January 1, 2018.

	The balance of allowance of impairment losses under IAS39 and the amounts of provision under IAS37	Reclassifications	Remeasurements	The balance of allowance of impairment loss under IFRS9	Note
Loans and receivables (IAS39) / Financial assets measured at amortized cost (IFRS9)					
Receivables	\$ 6,209	-	35	6,244	Note 5
Loans and discounts	770,159	-	390,371	1,160,530	
Additional provision of impairment in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- performing loans / Non-accrual Loans"	1,041,757	-	(390,371)	651,386	
Subtotal	<u>1,818,125</u>	<u>-</u>	<u>35</u>	<u>1,818,160</u>	
Available-for-sales financial assets (IAS39) / FVOCI (IFRS9)					
Available-for-sale financial assets	-	-	5,350	5,350	Note 1
Financing commitments and guarantee liabilities					
Loans (Financing commitment)	-	-	13,383	13,383	Note 7
Guarantee receivables	28,974	-	-	28,974	
Letter of credit receivables	5,882	-	-	5,882	
Subtotal	<u>34,856</u>	<u>-</u>	<u>13,383</u>	<u>48,239</u>	
Total	<u>\$ 1,852,981</u>	<u>-</u>	<u>18,733</u>	<u>1,871,714</u>	

Note 1: The debt instruments categorized as available-for-sale under IAS 39 are held by the Bank's treasury unit in a separate portfolio to provide interest income; however, they may be sold to meet liquidity requirements arising in the normal course of business. The Bank considers that these securities are held within a business model whose objective is achieved both by collecting contractual cash flows and by selling securities. The debt instruments mature in one to two years and the contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets have therefore been classified as financial assets at FVOCI under IFRS 9. An allowance for impairment of \$5,350 was recognized in other equity upon transition to IFRS 9 on January 1, 2018.

Note 2: The debt instruments are categorized as available-for-sale under IAS 39. The Bank assesses that these securities are held within a business model whose objective is achieved by both collecting the contractual cash flows and by selling securities. The Bank has identified certain securities which are managed separately, and for which the past practice has been held to collect the contractual cash flows. Consequently, the Bank has designated these investments at the date of initial application as measured at amortized cost. The amount of \$2,817 was recognized in other equity upon transition to IFRS 9 on January 1, 2018.

Note 3: The debt instruments are categorized as held-to maturity under IAS 39. The Bank hold these debt instruments in the same combination for interest income, but may sell them to meet liquidity requirements in normal operation. The Bank assesses that these securities are held within a business model whose objective is achieved by both collecting the contractual cash flows and by selling securities, and for which the contractual cash flows are fully be paid for the principal and interests incurred. As permitted by IFRS 9, the Bank has designated these investments at the date of initial application as measured at FVOCI.

Note 4: The equity instruments (including financial assets measured at cost) represent investments that the Bank intends to hold for long term strategic purposes. As permitted by IFRS 9, the Bank has designated these investments at the date of initial application as measured at FVOCI, resulting in an increase of \$79,999 in those assets recognized, and the increase of \$75,059 and \$4,940 in other equity and retained earnings, respectively, which were recognized on January 1, 2018.

Note 5: Notes receivable, accounts receivable and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost. An increase of \$35 in the allowance for impairment and the decrease of \$35 in retained earnings were recognized on January 1, 2018.

Note 6: The financial instruments are categorized as available-for-sale under IAS 39. The Bank categorized these assets as FVTPL. The increase of \$60,543 and the decrease of \$60,543 were recognized in other equity and retained earnings, respectively, on January 1, 2018 upon transition to IFRS 9.

(Continued)

Bank of Panhsin
Notes to the Financial Statements

Note 7: The Bank assessed expected credit loss and increase \$13,383 in provisions for loan commitment, as well as decrease \$13,383 in retained earnings on January 1, 2018 upon transition to IFRS 9.

(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, or after, January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

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.

(i) IFRS 16 "Leases"

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."

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Bank can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

(Continued)

Bank of Panhsin
Notes to the Financial Statements

The Bank plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2) Transition

As a lessee, the Bank can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

On January 1, 2019, the Bank plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance at January 1, 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Bank chooses to elect the following practical expedients:

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

- 3) So far, the most significant impact identified is that the Bank will have to recognize the new assets and liabilities for the operating leases of its offices. The Bank estimated that the right-of-use assets and the lease liabilities to increase by \$407,800 and \$413,103, respectively, as well as the other assets and payables to decrease by \$3,349 and \$8,652, respectively, on January 1, 2019.

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

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

As of the date, the following 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 3 "Definition of a Business"	January 1, 2020
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 and IAS 8 "Definition of Material"	January 1, 2020

(Continued)

Bank of Panhsin
Notes to the Financial Statements

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).

(ii) Functional currency and presentation currency

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

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

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

(d) Cash and cash equivalents

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

(e) Transactions under repurchase/resell agreements

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

(Continued)

Bank of Panhsin
Notes to the Financial Statements

(f) Financial instruments

(i) Financial assets (policy applicable commencing January 1, 2018)

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)

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.

(Continued)

Bank of Panhsin
Notes to the Financial Statements

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.

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.

(Continued)

Bank of Panhsin
Notes to the Financial Statements

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.

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.

(Continued)

Bank of Panhsin
Notes to the Financial Statements

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;
- 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) Financial instruments (policy applicable before January 1, 2018)

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

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

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

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

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

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

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

(ii) Available-for-sale financial assets

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

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

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(iii) Held-to-maturity financial assets

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

(iv) Financial assets carried at cost

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

(v) Loans and receivables

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

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

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

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

The aforesaid objective evidence includes:

- 1) Significant financial difficulty of the issuer or obligor;
- 2) A breach of contract, such as a default or delinquency in interest or principal payments;
- 3) The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

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Bank of Panhsin
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- 4) It becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- 5) The disappearance of an active market for that financial asset because of the issuer's financial difficulties;
- 6) Adverse changes in the payment status of the borrowers; and
- 7) Changes in national or local economic conditions that correlate with defaults on the assets.

(vi) Derecognition

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

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

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

(vii) Offsetting

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

(h) Long-term investments under equity method – net

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

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

(i) 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.

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

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

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

(j) Leases

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

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

(k) 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.

(l) Intangible assets

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

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

- (iii) Computer software

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

- (m) Other assets — foreclosed assets

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

- (n) Non-financial asset impairment

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

- (o) 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.

- (p) 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.

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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.

(q) 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 remeasurement, which comprise of the defined benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liability (asset) are recognized as employee benefit expenses in the period they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets, excluding the amount included in net interest on the net defined liability (asset), are recognized in other comprehensive income in the period occurred. Remeasurement recognized in other comprehensive income is classified under retained earnings and will not be reclassified subsequently to profit or loss.

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

(iv) Preferential interest deposits

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

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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.

(r) 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.

(s) 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.

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(t) 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.

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

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

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

(v) Operating segments

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

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

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(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.

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 financial commitments. 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(ao).

(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, 2018	December 31, 2017
Cash	\$ 1,838,070	1,753,964
Negotiable instruments for clearing	1,078,004	1,326,174
Deposits with other banks	<u>2,027,388</u>	<u>1,835,034</u>
Total	<u><u>\$ 4,943,462</u></u>	<u><u>4,915,172</u></u>

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Components of cash and cash equivalents are as follows:

	December 31, 2018	December 31, 2017
Cash and cash equivalents reported in the statements of financial position	\$ 4,943,462	4,915,172
Due from Central Bank and call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7 (note 6(b))	4,833,263	13,913,045
Securities purchased under resell agreements qualifying as cash and cash equivalents under the definition of IAS 7 (note 6(h))	3,215,946	5,817,368
Cash and cash equivalents at end of period	<u><u>\$ 12,992,671</u></u>	<u><u>24,645,585</u></u>

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

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

	December 31, 2018	December 31, 2017
Deposit reserves—checking accounts (including foreign currency)	\$ 2,652,773	4,990,455
Deposit reserves—demand account	5,740,703	5,553,496
Deposits in Central Bank	-	2,665,000
Call loans to banks	2,180,490	7,257,590
Checking and settlement account	<u>300,567</u>	<u>300,557</u>
Total	<u><u>\$ 10,874,533</u></u>	<u><u>20,767,098</u></u>

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

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

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

	December 31, 2018	December 31, 2017
Deposit reserves— checking accounts	\$ 2,652,773	4,990,455
Deposits in Central Bank	-	1,665,000
Call loans to banks	2,180,490	7,257,590
	<u><u>\$ 4,833,263</u></u>	<u><u>13,913,045</u></u>

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

As of December 31, 2018 and 2017, the financial assets measured at fair value through profit or loss were as follows:

	December 31, 2018	December 31, 2017
Financial assets mandatorily measured at fair value through profit or loss		
Interest rate related instruments	\$ 1,041,694	-
Equity securities	34,817	-
Beneficiary certificates	15,443	-
Derivatives	8,640	-
Subtotal	<u>1,100,594</u>	<u>-</u>
Financial assets held for trading:		
Interest rate related instruments	-	3,840,516
Equity securities	-	328,113
Beneficiary certificates	-	346,689
Derivatives	-	105,686
Subtotal	<u>-</u>	<u>4,621,004</u>
Total	<u><u>\$ 1,100,594</u></u>	<u><u>4,621,004</u></u>

As of December 31, 2018 and 2017 the financial liabilities measured at fair value through profit or loss were as follows:

	December 31, 2018	December 31, 2017
Derivatives	<u><u>\$ 28,226</u></u>	<u><u>5,757</u></u>

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

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

	December 31, 2018
Investments in debt instruments measured at fair value through other comprehensive income :	
Government bonds	\$ 11,609,487
Corporate bonds	1,000,000
Financial debenture	748,608
Adjustments for change in value	<u>(26,193)</u>
Subtotal	<u>13,331,902</u>
Investments in equity instruments measured at fair value through other comprehensive income:	
Listed companies	388,425
Private companies	60,477
Adjustments for change in value	<u>277,564</u>
Subtotal	<u>726,466</u>
Total	<u>\$ 14,058,368</u>

(i) Investments in debt instruments measured 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. Consequently, these investments at the date of initial application are classified as financial assets measured at fair value through other comprehensive income beginning January 1, 2018. For securities sold under repurchase agreements, please refer to note 6(r).

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

The Bank held the investment of equity instruments in order to make long-term strategic investments, instead of trading purposes; therefore, the listed equity securities have been designated as measured at fair value through other comprehensive income and they were reported as available-for-sale financial assets on December 31, 2017; the private equity securities have been reported as financial assets measured at fair value through other comprehensive income beginning January 1, 2018, and were recognized as other financial assets-financial assets carried at cost on December 31, 2017.

The Bank designated the investments shown above as equity instruments as at fair value through other comprehensive income. Therefore, the Bank recognized the amounts of \$44,350 and \$5,006 as dividend revenue and disposal equity instrument, respectively, for the year ended December 31, 2018.

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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 \$738,547 and \$20,740, respectively, for the year ended December 31, 2018. Thus, the accumulated gains on disposal were transferred from other equity to retained earnings.

- (iii) Please refer to note 6(ao) 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 measured at fair value through other comprehensive income recognized was as follow:

	<u>12-month ECL</u>	<u>Lifetime ECL- not impairment</u>	<u>Lifetime ECL- impairment</u>	<u>Total</u>
Balance at January 1, 2018	\$ 5,350	-	-	5,350
— The financial assets that have been derecognized	(3,164)	-	-	(3,164)
New financial assets purchased or originated	264	-	-	264
Foreign exchange and other movement	<u>2</u>	<u>-</u>	<u>-</u>	<u>2</u>
Balance at December 31, 2018	<u>\$ 2,452</u>	<u>-</u>	<u>-</u>	<u>2,452</u>

(e) Available-for-sale financial assets

	December 31, 2017
Government bonds	\$ 6,956,579
Corporate bonds	1,533,990
Financial debenture	592,661
Equity securities	535,541
Negotiable certificates of deposit	<u>32,427,183</u>
Total	<u>\$ 42,045,954</u>

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

(f) Financial assets at amortized cost

	December 31, 2018
Negotiable certificates of deposit	<u>\$ 41,835,000</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. Therefore, these investments were classified as financial assets measured at amortized cost on January 1, 2018.

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

(g) Held-to-maturity financial assets

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

(h) Securities purchased under resell agreements

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>3,219,523</u>

December 31, 2017				
	Contractual repurchase or resell period	Contractual interest rate range (%)	Amount of resell agreements	
Amount				
Securities purchased under resell agreements	\$ 5,817,368	2018.1.2~2018.1.22	0.34~0.42	5,818,256

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(i) Receivables — net

As of December 31, 2018 and 2017, accounts receivable — net were as follows:

	December 31, 2018	December 31, 2017
Interest receivable	\$ 330,252	268,713
Accounts receivable	87,683	61,920
Spot exchange receivable	895,951	1,022,175
Acceptance receivable	155,292	228,849
Accrued revenue	83,940	35,414
	7,648	27,351
Other receivables	<u>54,310</u>	<u>70,321</u>
Total	1,615,076	1,714,743
Less: allowance for bad and doubtful accounts — note receivable	(2,975)	-
allowance for bad and doubtful accounts — acceptance receivable	(6,136)	(3,483)
allowance for bad and doubtful accounts — other receivable	(1,870)	(2,726)
	<u><u>\$ 1,604,095</u></u>	<u><u>1,708,534</u></u>

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

	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)
Recovery of bad debts	-	-	5,011	-	5,011		5,011
Foreign exchange and other movement	277	(45)	(1,767)	-	(1,535)		(1,535)
Ending balance	<u><u>\$ 3,496</u></u>	<u><u>204</u></u>	<u><u>1,244</u></u>	<u><u>-</u></u>	<u><u>4,944</u></u>	<u><u>6,037</u></u>	<u><u>10,981</u></u>

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Bank of Panhsin
Notes to the Financial Statements

For the year ended December 31, 2017, changes in allowance for receivables were as follows:

	2017
Beginning balance	\$ 50,864
Provision	29,727
Write-off	(74,382)
Ending balance	<u>\$ 6,209</u>

Receivables assessed for impairment to determine the allowance for doubtful accounts were as follows:

		Receivables	Allowance for bad debts
		December 31, 2017	December 31, 2017
Items			
With objective evidence of impairment	Individual assessment	10,997	-
	Collective assessment	3,587	952
Without objective evidence of impairment	Collective assessment	1,700,159	5,257
Total		1,714,743	6,209

(j) Loans and discounts, net

As of December 31, 2018 and 2017, details of loans and discounts were as follows:

	December 31, 2018	December 31, 2017
Export bills negotiated and Bills and notes discounted	\$ 125,006	80,045
Short-term loans and overdrafts	60,295,878	61,277,107
Medium-term loans	52,321,172	47,200,753
Long-term loans	40,432,453	36,353,380
Non-performing loans	<u>1,302,045</u>	<u>942,422</u>
Subtotal	154,476,554	145,853,707
Less: allowance for bad and doubtful accounts	<u>(1,915,250)</u>	<u>(1,811,916)</u>
	<u>\$ 152,561,304</u>	<u>144,041,791</u>

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

For the years ended December 31, 2018 and 2017, suspended accrual of interest for all of non-performing loans amounted to \$39,052 and \$31,748, respectively.

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Bank of Panhsin

Notes to the Financial Statements

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

	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)
New financial assets originated purchased	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)
Recovery of bad debts	-	-	148,737	-	148,737	-	148,737
Foreign exchange and other movement	15,899	(57,420)	256,341	-	214,820	-	214,820
Ending balance	\$ 604,232	126,925	214,284	-	945,441	969,809	1,915,250

For the year ended December 31, 2017, changes in allowance for loans and discounts and provision for guarantee liabilities were as follows:

	2017		
	Loans and discounts	Guarantee liability	Total
Beginning balance	\$ 1,734,471	39,856	1,774,327
Provision	333,057	-	333,057
Reversal	-	(5,000)	(5,000)
Write-off	(481,087)	-	(481,087)
Recovery of bad debts	225,475	-	225,475
Ending balance	\$ 1,811,916	34,856	1,846,772

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

Items		Loans and discounts	Allowance for bad debts
		December 31, 2017	December 31, 2017
With objective evidence of impairment	Individual assessment	2,197,937	203,038
	Collective assessment	358,687	109,913
Without objective evidence of impairment	Collective assessment	143,297,083	1,498,965
Total		145,853,707	1,811,916

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Bank of Panhsin
Notes to the Financial Statements

(k) Other financial assets—net

	December 31, 2018	December 31, 2017
Exchange bills negotiated	\$ 184	-
Financial assets carried at cost	-	55,537
	<u>\$ 184</u>	<u>55,537</u>

Details of financial asset at cost were as follows:

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

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

The abovementioned investments were reported as "Financial assets at fair value through other comprehensive income" on January 1, 2018. Please refer to note 6(d).

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

As of December 31, 2018 and 2017, details of long-term investments under the equity method were as follows:

		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	<u>300,000</u>	<u>324,794</u>
		<u>\$ 788,000</u>	<u>872,761</u>

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Notes to the Financial Statements

	December 31, 2017		
	Percentage of ownership	Investment Cost	Amount
Subsidiaries			
Panhsin Asset Management Co., Ltd.	100.00	\$ 488,000	509,651
Panhsin International Leasing Co., Ltd.	100.00	300,000	318,924
		\$ 788,000	828,575

(m) Property and equipment, net

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 improvement	249,831	(207,324)	42,507
Construction in progress	10,457	-	10,457
Total	\$ 8,530,553	(1,345,607)	7,184,946

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

(Continued)

Bank of Panhsin
Notes to the Financial Statements

Movements of cost were as below:

	January 1, 2018	Current increase	Current decrease	Other (note 1)	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 improvement	242,282	11,089	(3,554)	14	249,831
Construction in progress	115	10,355	-	(13)	10,457
Total	<u>\$ 7,627,413</u>	<u>1,346,309</u>	<u>(27,001)</u>	<u>(416,168)</u>	<u>8,530,553</u>

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

Note: 1) Reclassification from other assets— prepayment amounting to \$33,715 and to land and buildings under property and equipment amounting to \$157,384 and \$292,499, respectively.

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

Movements of accumulated depreciation were as below:

	January 1, 2018	Current increase	Current decrease	Other (note 3)	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 improvement	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>

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Bank of Panhsin
Notes to the Financial Statements

	January 1, 2017	Current increase	Current decrease	Other (note 4)	December 31, 2017
Buildings	\$ 273,403	38,722	-	(3,752)	308,373
Machinery and equipment	219,005	26,885	(29,605)	-	216,285
Transportation equipment	69,610	7,790	(2,412)	-	74,988
Other equipment	403,202	60,237	(2,894)	-	460,545
Leasehold improvement	171,853	20,759	-	-	192,612
Total	<u>\$ 1,137,073</u>	<u>154,393</u>	<u>(34,911)</u>	<u>(3,752)</u>	<u>1,252,803</u>

Note: 3) Reclassification to investment property of \$25,120.

Note: 4) Reclassification to investment property of \$3,752.

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, 2018 and 2017, was \$64,603 and \$84,481, respectively, which was recognized as other liabilities-deferred revenue. The realized gain on property exchange for December 31, 2018 and 2017, was \$19,878 and \$22,126, respectively, which was recognized as gain on property exchange and other non-interest income-investment property.

(n) Investment property — net

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

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

Movements of cost were as below:

	January 1, 2018	Current increase	Current decrease	Reclassification (note 1)	December 31, 2018
Land	\$ 736,670	-	-	157,384	894,054
Building	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>

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Bank of Panhsin
Notes to the Financial Statements

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

Note: 1) Reclassification to land and buildings under property and equipment amounting to \$157,384 and \$292,499, respectively.

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

Movements of accumulated depreciation were as follows:

	January 1, 2018	Current increase	Current decrease	Reclassification (note 3)	December 31, 2018
Building	<u>\$ 143,724</u>	<u>27,911</u>	<u>-</u>	<u>25,120</u>	<u>196,755</u>

	January 1, 2017	Current increase	Current decrease	Reclassification (note 4)	December 31, 2017
Building	<u>\$ 114,961</u>	<u>25,011</u>	<u>-</u>	<u>3,752</u>	<u>143,724</u>

Note: 3) Reclassification to buildings under property and equipment of \$25,120.

4) Reclassification to buildings under property and equipment of \$3,752.

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, 2018 and 2017, was \$6,271,392 and \$5,139,621, respectively.

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

As of December 31, 2018, the investment properties owned by the Bank were not under pledge.

(o) Intangible assets – net

	December 31, 2018	December 31, 2017
Goodwill	\$ 2,197,921	2,197,921
Computer software	65,305	40,703
Core deposits	105,905	113,126
Total	<u>\$ 2,369,131</u>	<u>2,351,750</u>

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

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

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Bank of Panhsin
Notes to the Financial Statements

After performing the assessment above, the Bank did not recognize goodwill impairment loss for the years ended December 31, 2018 and 2017.

Movements of intangible assets were as follows:

	January 1, 2018	Current increase	Current decrease	Amortization	Other (note 1)	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>
	January 1, 2017	Current increase	Current decrease	Amortization	Other (note 2)	December 31, 2017
Goodwill	\$ 2,197,921	-	-	-	-	2,197,921
Computer software	56,997	-	-	(47,241)	30,947	40,703
Core deposits	120,348	-	-	(7,222)	-	113,126
Total	<u>\$ 2,375,266</u>	<u>-</u>	<u>-</u>	<u>(54,463)</u>	<u>30,947</u>	<u>2,351,750</u>

Note: 1) Reclassification from other assets — prepayment amounting to \$53,691.

2) Reclassification from other assets — prepayment amounting to \$30,947.

(p) Other assets

	December 31, 2018	December 31, 2017
Prepayments	\$ 229,770	183,453
Refundable deposits	517,317	499,812
Foreclosed collateral	181,988	963,142
Total	<u>\$ 929,075</u>	<u>1,646,407</u>

Movements of the foreclosed collateral were as follows:

	January 1, 2018	Current increase	Current decrease	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>
	January 1, 2017	Current increase	Current decrease	Reclassification	December 31, 2017
Cost	\$ 1,010,382	-	(37,579)	-	972,803
Less: Accumulated impairment	9,661	-	-	-	9,661
Total	<u>\$ 1,000,721</u>	<u>-</u>	<u>(37,579)</u>	<u>-</u>	<u>963,142</u>

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Notes to the Financial Statements

As of December 31, 2018 and 2017, the foreclosed assets related to Xin Rui Du were \$0 and \$632,994, respectively. 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 assets, (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.

(q) Deposits from Central Bank and other banks

	December 31, 2018	December 31, 2017
Deposits by other banks	\$ 510,390	619,419
Call loans from bank — credit	699,640	699,640
Deposits transferred from the Post Office	440,210	-
Total	<u>\$ 1,650,240</u>	<u>1,319,059</u>

(r) Securities sold under repurchase agreements

December 31, 2018				
Item	Par Value	Selling price (note)	Designated repurchase amount	Designated repurchase date
Financial assets measured at fair value through other comprehensive income	<u>\$ 3,257,698</u>	<u>2,913,216</u>	<u>2,932,848</u>	Before March 26, 2019

December 31, 2017				
Item	Par Value	Selling price (note)	Designated repurchase amount	Designated repurchase date
Available-for-sale financial assets — net	<u>\$ 596,960</u>	<u>542,417</u>	<u>544,314</u>	Before February 27, 2018

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Bank of Panhsin
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(s) Payable

	December 31, 2018	December 31, 2017
Accounts payable	\$ 40,500	33,359
Accrued expense	291,434	290,484
Accrued Tax	36,950	36,344
Interest payable	311,396	285,620
Acceptance payable	169,403	230,739
Collection payable	55,909	53,690
Spot exchange payable	896,104	1,022,357
Other payable	<u>1,402,827</u>	<u>1,485,059</u>
Total	<u><u>\$ 3,204,523</u></u>	<u><u>3,437,652</u></u>

(t) Deposits and remittances

	December 31, 2018	December 31, 2017
Checking account	\$ <u>2,092,277</u>	<u>2,134,406</u>
Demand deposits		
Demand deposits	31,677,522	30,714,151
Demand savings deposits	50,306,139	48,422,650
Staff deposits	<u>1,164,364</u>	<u>1,141,284</u>
Subtotal	<u>83,148,025</u>	<u>80,278,085</u>
Time deposits		
Time deposits	33,199,065	33,820,892
Negotiable certificates of deposit	<u>427,700</u>	<u>627,700</u>
Subtotal	<u>33,626,765</u>	<u>34,448,592</u>
Time savings deposits		
Installment savings deposits	120,857	129,131
Non-interest-drawing time savings deposits	13,484,264	13,018,641
Interest-drawing savings deposits	<u>69,508,006</u>	<u>70,070,495</u>
Subtotal	<u>83,113,127</u>	<u>83,218,267</u>
Foreign currency time deposits	<u>12,846,001</u>	<u>11,574,278</u>
Remittances	<u>44,688</u>	<u>63,869</u>
Deposits and remittances total	<u><u>\$ 214,870,883</u></u>	<u><u>211,717,497</u></u>

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Bank of Panhsin
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(u) Financial bonds payable

Name of bond	During	Interest rate	December 31, 2018	December 31, 2017
The first series of the subordinate financial debenture in 2012	2012.03.21~ 2018.03.21	Fixed 3.00%	\$ -	100,000
The second series of the subordinate financial debenture in 2012	2012.11.12~ 2018.11.12	Fixed 3.00%	-	700,000
The first series of the subordinate financial debenture in 2014	2014.06.06~ 2020.06.06	Fixed 3.00% or floating rate (note 1)	3,000,000	3,000,000
The first series of the non-cumulative perpetual subordinate financial debenture in 2016	2016.08.31 (note 2)	Fixed 4.75%	1,216,000	1,216,000
The second series of the non-cumulative perpetual subordinate financial debenture in 2016	2016.09.30 (note 2)	Fixed 4.75%	410,000	410,000
The first series of the subordinate financial debenture in 2017	2017.03.22~ 2024.03.22	Fixed 2.50%	397,000	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
			<u>\$ 6,311,000</u>	<u>7,111,000</u>

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

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

(v) Provision

	December 31, 2018	December 31, 2017
Employee benefit obligation — pension	\$ 104,074	105,113
Employee benefit obligation — retired employee preferential interest rate deposits	31,736	31,154
Provision for guarantee liabilities	30,030	34,856
Provision for loan commitments	28,354	-
Others provision	6,569	-
Provision for contingencies	-	3,938
Provision for decommissioning	5,420	5,530
Total	<u>\$ 206,183</u>	<u>180,591</u>

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Bank of Panhsin
Notes to the Financial Statements

For the year ended December 31, 2018, changes in provision was as follows:

	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	\$ 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)
Purchased or original financial assets	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

(w) Other liabilities

	December 31, 2018	December 31, 2017
Unearned revenue	\$ 15,235	16,445
Advance interest receipts	336	244
Other advance receipts	10,932	8,153
Guarantee deposits received	57,480	65,948
Deferred revenue	64,603	84,481
Temporary receipts and suspense accounts	20,949	13,851
Total	\$ 169,535	189,122

(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, 2018	December 31, 2017
Present value of the defined benefit	\$ 630,459	625,826
Fair value of plan assets obligations	(526,385)	(520,713)
	104,074	105,113
Effect of Asset Ceiling	-	-
Net defined benefit liability (provision-employee benefit obligation)	\$ 104,074	105,113

(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:

	2018	2017
Defined benefit obligation at January 1	\$ 625,826	647,549
Current service costs and interest	16,815	18,396
Remeasurements of a net defined benefit (liability) assets		
— Actuarial (losses) gains arising from experience adjustments	10,799	(16,610)
— Actuarial (losses) gains arising from changes in demographic assumptions	101	1,639
— Actuarial (losses) gains arising from changes in financial assumptions	501	8,198
Benefits paid by the plan	(23,583)	(33,346)
Defined benefit obligation at December 31	<u>\$ 630,459</u>	<u>625,826</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:

	<u>2018</u>	<u>2017</u>
Fair value of plan assets at January 1	\$ 520,713	537,974
Current interest	6,581	7,482
Remeasurements of the net defined benefit (liabilities) assets	11,485	(3,003)
Return on plan assets (excluding current interest)	11,189	11,606
Benefits paid by the plan	<u>(23,583)</u>	<u>(33,346)</u>
Fair value of plan assets at December 31	<u><u>\$ 526,385</u></u>	<u><u>520,713</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 2018 and 2017.

5) Expenses recognized in profit or loss

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

	<u>2018</u>	<u>2017</u>
Current service costs	\$ 8,992	9,492
Net interests on net defined benefit liabilities	<u>1,242</u>	<u>1,422</u>
	<u><u>\$ 10,234</u></u>	<u><u>10,914</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 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Cumulative amounts at January 1	\$ 6,141	9,911
Recognized during the period	<u>(84)</u>	<u>(3,770)</u>
Cumulative amounts at December 31	<u><u>\$ 6,057</u></u>	<u><u>6,141</u></u>

(Continued)

Bank of Panhsin
Notes to the Financial Statements

7) Actuarial assumptions

The following are the Bank's principal actuarial assumptions:

	December 31, 2018		December 31, 2017	
	Managers	Regular employees	Managers	Regular employees
Discount rate	1.13 %	1.13 %	1.25 %	1.25 %
Future salary increase	2.00 %	2.00 %	2.13 %	2.13 %

The Bank expected the contributions of \$25,964 to be paid to its benefit plans within a year after the reporting date in 2018.

The weighted average durations for managers and regular employees based on the defined benefit plan were 10 and 14 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, 2018 and 2017, the effect of changes in actuarial assumption on the present value of the defined benefit obligation was as follows:

	The effect of defined benefit obligation	
	Increase%	Decrease%
At December 31, 2018		
Discount rate (changes 0.25%)	(2.47)%	2.56 %
Future salary increase (changes 0.25%)	2.47 %	(2.40)%
At December 31, 2017		
Discount rate (changes 0.25%)	(2.65)%	2.76 %
Future salary increase (changes 0.25%)	2.66 %	(2.57)%

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, 2018	December 31, 2017
Present value of the defined benefit	\$ 31,736	31,154
Fair value of plan asset obligations	-	-
	31,736	31,154
Effect of Asset Ceiling	-	-
Net defined benefit liabilities (provisions-employee benefit obligations)	<u><u>\$ 31,736</u></u>	<u><u>31,154</u></u>

1) Expenses recognized in profit or loss

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

	2018	2017
Current service costs (as Costs recognized for the preferential interest rate deposit plan)	<u><u>\$ 582</u></u>	<u><u>599</u></u>

2) Actuarial assumptions

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

	2018	2017
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 %	4.00 %

(iii) Defined contribution plans

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

The Bank's pension costs under the defined contribution method were \$48,679 and \$45,885 for the years ended December 31, 2018 and 2017, respectively. Payment was made to the Bureau of Labor Insurance.

(Continued)

Bank of Panhsin
Notes to the Financial Statements

(y) Income tax

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing year 2018.

(i) The income tax expenses for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Income tax expense	\$ 164	(12,078)
Deferred income tax expense	45,415	67,704
Income tax expense	<u>\$ 45,579</u>	<u>55,626</u>

Reconciliation of income tax and profit before tax for the years ended December 31, 2018 and 2017 was follows:

	2018	2017
Profit before tax	<u>\$ 437,045</u>	<u>259,863</u>
Income tax at statutory rate	\$ 87,409	44,177
	(93,947)	-
Income of OBU exempt from tax	(33,339)	(11,803)
Investment income under the equity method	(8,837)	(7,293)
Dealing gain from securities trading, net	23,409	(15,358)
Dividend income	(10,241)	(8,311)
Gain on sale of land, net	(52,059)	(5,238)
Capital reduction to offset accumulated deficits of long term investment under equity method	-	(80,363)
Adjustment and expiration of prior year's loss carryforwards	986	32,326
Adjustment of prior year's tax	(10,420)	(22,633)
Basic income tax	5,898	10,234
Unrecognized deferred tax assets for tax loss carryforward	146,850	119,412
Other	(10,130)	476
Income tax expense	<u>\$ 45,579</u>	<u>55,626</u>

(Continued)

Bank of Panhsin
Notes to the Financial Statements

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

Unrecognized deferred tax assets were as follows:

	December 31, 2018	December 31, 2017
Tax loss	\$ 413,542	226,688

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, 2018, 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
2009	\$ 237,000	683,700	920,700	2019
2010	236,368	1,384,010	1,620,378	2020
2011	252,418	-	252,418	2021
2012	71,463	-	71,463	2022
2017	509,657	-	509,657	2027
2018	43,275	-	43,275	2028
	\$ 1,350,181	2,067,710	3,417,891	

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 \$2,067,710 was not recognized as deferred tax asset. However, once operating income continues to grow in the upcoming year, it is expected that the unrecognized tax loss mentioned above can be recognized and additional taxable profit of \$0 will occur.

(Continued)

Bank of Panhsin
Notes to the Financial Statements

2) Recognized deferred tax assets and liabilities

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

Deferred Tax Liabilities:

	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	\$ 3,538	105,285	108,823
December 31, 2017 (As of January 1, 2017)	\$ 3,007	105,285	108,292

Deferred Tax Assets:

	Defined benefit plan	Allowance for bad debts in excess of limit	Tax loss	Others	Total
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	\$ 41,337	166,021	270,036	13,097	490,491
January 1, 2017	\$ 35,417	141,118	415,591	10,953	603,079
Recognized in profit or loss	(118)	-	(67,756)	170	(67,704)
December 31, 2017	\$ 35,299	141,118	347,835	11,123	535,375

(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, 2018 and 2017 the Bank's authorized capital and issued capital were \$15,000,000, and paid-in capital for common stock was \$14,205,771 and \$13,565,849, respectively.

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.

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Bank of Panhsin
Notes to the Financial Statements

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

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

(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	Unrealized gains (losses) on available-for-sale financial assets	Total
January 1, 2018	\$ 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	4,656	87,526	-	92,182
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, 2018	<u>\$ 7,566</u>	<u>253,823</u>	<u>-</u>	<u>261,389</u>

(Continued)

Bank of Panhsin
Notes to the Financial Statements

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

(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.

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 20, 2018 and June 13, 2017, the shareholders' meeting resolved to make the appropriation of special reserve amounting to \$1,080 and \$1,641, respectively.

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Bank of Panhsin
Notes to the Financial Statements

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

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

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

(ab) Earnings per share

The basic earnings per share of the Bank for the years ended December 31, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Basic earnings per share		
Net income attributable to common stockholders of the Bank	\$ <u>391,466</u>	<u>204,237</u>
Weighted-average number of thousand common shares outstanding	<u>1,376,194</u>	<u>1,304,680</u>
Basic earnings per share (in New Taiwan dollars)	\$ <u>0.28</u>	<u>0.16</u>
Diluted EPS		
Net income for calculating diluted EPS	\$ <u>391,466</u>	<u>204,237</u>
Weighted-average number of thousand common shares outstanding	1,376,194	1,304,680
Influence of potentially dilutives shares—employees' bonus		
Conversion of convertible compensation	<u>862</u>	<u>711</u>
Weighted-average number of thousand common shares outstanding	<u>1,377,056</u>	<u>1,305,391</u>
Diluted EPS (in New Taiwan dollars)	\$ <u>0.28</u>	<u>0.16</u>

(ac) Net interest income

	<u>2018</u>	<u>2017</u>
Interest income		
Loans and advances to customers	\$ 3,589,513	3,361,241
Loans and advances to Central Bank	27,616	27,105
Due from Central Bank	7,583	31,072
Due from banks and call loans to banks	74,364	54,360
Investment in securities	378,314	279,156
Other	<u>44,765</u>	<u>55,329</u>
Subtotal	<u>4,122,155</u>	<u>3,808,263</u>

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Bank of Panhsin
Notes to the Financial Statements

	<u>2018</u>	<u>2017</u>
Interest expense		
Deposits from customers	\$ 1,524,434	1,425,677
Deposits and placements of banks	28,769	15,326
Financial bonds	53,740	227
Debt securities issued	230,808	222,303
Other	<u>244</u>	<u>215</u>
Subtotal	<u>1,837,995</u>	<u>1,663,748</u>
	<u><u>\$ 2,284,160</u></u>	<u><u>2,144,515</u></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>2018</u>	<u>2017</u>
Service fee income		
Agency insurance charge revenue	\$ 402,456	364,353
Agency service charge revenue	7,027	6,980
Loan service fee income	150,104	135,584
Trust service fee income	164,470	193,153
Foreign exchange service income	26,344	23,717
Interbank service	21,899	23,015
Guarantee service income	33,765	38,542
Other service income	<u>5,083</u>	<u>4,447</u>
Service fee income total	<u>811,148</u>	<u>789,791</u>
Service fee expense		
Remittance fee	3,110	2,790
Custodian fee	2,619	2,831
Agency fee	2,318	1,984
Other service fee	10,527	11,914
Trust service fee	2,252	2,754
Interbank service fee	<u>15,237</u>	<u>15,087</u>
Service fee expense total	<u>36,063</u>	<u>37,360</u>
	<u><u>\$ 775,085</u></u>	<u><u>752,431</u></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>2018</u>	<u>2017</u>
Gain (loss) on disposal of financial assets or liabilities measured at fair value through profit or loss		
Government bonds	\$ 988	(980)
Convertible Bond Asset Swap	1,230	5,504
Beneficiary securities	(4,526)	10,103
Equity securities	(104,892)	13,896
Derivatives	<u>7,051</u>	<u>48,936</u>
Subtotal	<u>(100,149)</u>	<u>77,459</u>
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss—evaluation		
Government bonds	(80)	995
Convertible Bond Asset Swap	(460)	1,745
Commercial paper	174	(160)
Beneficiary securities	58,443	10,928
Equity securities	(8,038)	2,239
Derivatives	<u>(36,376)</u>	<u>9,629</u>
Subtotal	<u>13,663</u>	<u>25,376</u>
Dividend income and interest income	<u>17,004</u>	<u>24,504</u>
Total	<u>\$ (69,482)</u>	<u>127,339</u>

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

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

(ag) (Impairment loss on assets) reversal of impairment loss on assets

	<u>2018</u>
Reversal of impairment loss on investments in debt instruments measured at fair value through other comprehensive income	<u>\$ 2,898</u>

(Continued)

Bank of Panhsin
Notes to the Financial Statements

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

	2017
Government bonds	\$ 28,241
Equity securities	10,153
Beneficiary securities	(9,518)
Dividend income and interest income	30,151
Total	<u><u>\$ 59,027</u></u>

(ai) Other non-interest income (expense)

	2018	2017
Gain on equity investment carried at cost	\$ -	15,957
Loss on disposal of assets	(3,137)	(6,643)
Investment property depreciation	(27,911)	(25,011)
Other revenue (loss)	39,827	2,926
Total	<u><u>\$ 8,779</u></u>	<u><u>(12,771)</u></u>

(aj) Bad debt expense, commitment and guarantee liability provision

	2018	2017
Allowance for Loans and discounts	\$ 515,166	333,057
Reversal of guarantee liabilities	(4,826)	(5,000)
Provision for loan commitments	14,971	-
Others provision	6,569	-
Provision for derivatives default settlement receivables	-	23,727
Provision for other receivables	3,751	6,000
Total	<u><u>\$ 535,631</u></u>	<u><u>357,784</u></u>

(ak) Employee benefits expense

	2018	2017
Salary	\$ 1,254,484	1,232,040
Labor and health insurance	99,893	98,032
Pension	59,495	57,398
Others	55,425	53,735
Total	<u><u>\$ 1,469,297</u></u>	<u><u>1,441,205</u></u>

(Continued)

Bank of Panhsin
Notes to the Financial Statements

(al) 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 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. For the year ended December 31, 2016, the Bank accrued and recognized the remuneration to its employees and directors amounting to \$5,604 and \$2,802, 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. A resolution on the remuneration to the Bank's employees and directors in 2017 was approved during the Board meeting held on March 21, 2018, 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.

(am) Depreciation and amortization expenses

	2018	2017
Building	\$ 35,823	38,722
Machinery and equipment	25,500	26,885
Transportation equipment	7,396	7,790
Other equipment	55,162	60,237
Leasehold improvement	17,926	20,759
Depreciation subtotal	<u>141,807</u>	<u>154,393</u>
Computer software	29,070	47,241
Core deposit	7,221	7,222
Amortization subtotal	<u>36,291</u>	<u>54,463</u>
Total	<u><u>\$ 178,098</u></u>	<u><u>208,856</u></u>

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Bank of Panhsin
Notes to the Financial Statements

(an) Other general and administrative expenses

	2018	2017
Rental and facility expense	\$ 177,866	171,030
Administrative expense	328,170	320,117
Marketing expense	21,868	21,476
Value-added tax expense	285,766	276,134
Other expense	<u>124,595</u>	<u>124,672</u>
Total	<u><u>\$ 938,265</u></u>	<u><u>913,429</u></u>

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

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- 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 (applicable commencing January 1, 2018) and IAS 39 (applicable before January 1, 2018) 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.

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- 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, 2018				
	Book value	Level 1	Level 2	Level 3	Total
<u>Instruments measured at fair value</u>					
<u>Instruments measured at fair value on a recurring basis</u>					
<u>Non-Derivative Financial Instruments</u>					
Assets					
Financial assets measured at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss					
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 measured at fair value through other comprehensive income					
Investment in stocks	726,466	400,407	-	326,059	726,466
Investment in debentures	13,331,902	9,470,974	3,860,928	-	13,331,902

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Fair value measurement for a financial instrument	December 31, 2018				
	Book value	Level 1	Level 2	Level 3	Total
<u>Instruments measured at fair value</u>					
<u>Instruments measured at fair value on a recurring basis</u>					
<u>Derivative Financial Instruments</u>					
Assets					
Financial assets measured at fair value through profit or loss	\$ 8,640	-	8,640	-	8,640
Liabilities					
Financial liabilities measured at fair value through profit or loss	28,226	-	28,226	-	28,226
<u>Instruments not measured at fair value</u>					
Financial assets at amortized cost	41,835,000	41,814,945	-	-	41,814,945
December 31, 2017					
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	\$ 328,113	328,113	-	-	328,113
Investment in bonds	151,682	-	151,682	-	151,682
Investment in bills	3,688,834	-	3,688,834	-	3,688,834
Investment in beneficiary certificates	346,689	346,689	-	-	346,689
Available-for-sale financial assets					
Investment in stocks	535,541	535,541	-	-	535,541
Investment in debentures	9,083,230	6,350,501	2,732,729	-	9,083,230
Beneficiary certificates	32,427,183	32,427,183	-	-	32,427,183
<u>Derivative Financial Instruments</u>					
Assets					
Financial assets measured at fair value through profit or loss	\$ 105,686	-	105,686	-	105,686
Liabilities					
Financial liabilities measured at fair value through profit or loss	5,757	-	5,757	-	5,757
<u>Instruments not measured at fair value</u>					
Held-to-maturity financial assets — net	798,918	798,918	-	-	798,918

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

2018										
Items	Beginning balance	The amount recognized in current net income	The amount recognized in other comprehensive income	Current increase		Transfer of financial liabilities in Level 3 to financial assets in Level 3	Current decrease		Transfer of financial assets in Level 3 to financial liabilities in Level 3	Ending balance
				Purchase or issue	Transfer into Level 3		Sale, disposal, or settlement	Transfer out of Level 3		
Financial assets measured at fair value through other comprehensive income	\$ 135,536	-	190,523	-	-	-	-	-	-	326,059
2017										
Items	Beginning balance	The amount recognized in current net income	The amount recognized in other comprehensive income	Current increase		Transfer of financial liabilities in Level 3 to financial assets in Level 3	Current decrease		Transfer of financial assets in Level 3 to financial liabilities in Level 3	Ending balance
				Purchase or issue	Transfer into Level 3		Sale, disposal, or settlement	Transfer out of Level 3		
Financial assets at fair value through profit or loss										
Financial assets at fair value through profit or loss since initial recognition	\$ 135,608	-	-	-	-	-	(135,608)	-	-	-

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

Quantitative information about the significant unobservable inputs are as follows:

Items	Valuation techniques	Significant unobservable inputs	Relation ship between the significant unobservable inputs and fair value
Financial assets measured at fair value through other comprehensive income-equity instruments of non-listed company	Market approach-relevant information generated by publicly companies	·Liquidity discount rate (20.13%~30.00% as at December 31, 2018) ·Multiple (1.05~1.60 as at December 31, 2018)	·The higher the liquidity discount rate, the lower the fair value. ·The higher the multiple, the higher the fair value.
//	Income approach	·Discount rate (7.16% as at December 31, 2018)	·The higher the discount rate, the lower the fair value.
//	Income approach	·Perpetual growth rate (1.07% as at December 31, 2018)	·The higher perpetual growth rate, the higher the fair value.

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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

	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				
Equity instruments of non-listed company	Liquidity discount rate	1%	262	(262)
	Multiple	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, 2018 and 2017, gains (losses) recognized by the Bank from the fair value evaluation of financial instruments by using valuation techniques amounted to \$(29,325) and \$58,565, 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 an exercisable master netting arrangement 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.

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

1) Credit risk

a) Description of credit risk

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

b) Credit risk management policy

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

c) Credit risk management scope

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

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d) Credit risk management procedures

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

e) 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.

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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.

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.

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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.

ii) Managing credit concentration risk limits and risk management

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

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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, 2018	December 31, 2017
Unused amounts of irrevocable loan commitments	\$ 3,781,294	2,160,538
Unused amount of irrevocable letter of credit	1,345,602	984,852
Various guarantee proceeds	<u>2,855,153</u>	<u>2,897,412</u>
Total	<u><u>\$ 7,982,049</u></u>	<u><u>6,042,802</u></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:

<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	-	123,317	155,292
<u>Items off statement of financial positions</u>				
Various guarantee proceeds	<u>292,354</u>	<u>-</u>	<u>2,562,799</u>	<u>2,855,153</u>
Total	<u><u>\$ 117,735,354</u></u>	<u><u>-</u></u>	<u><u>39,751,645</u></u>	<u><u>157,486,999</u></u>

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

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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:

Industry

Industry type	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
Manufacturing	\$ 16,852,238	10.91	15,582,004	10.68
General businesses	48,178,226	31.19	47,230,559	32.39
Constructions	7,219,080	4.67	5,694,821	3.90
Individuals	70,547,859	45.67	69,074,879	47.36
Others	11,679,151	7.56	8,271,444	5.67
	<u>\$ 154,476,554</u>	<u>100.00</u>	<u>145,853,707</u>	<u>100.00</u>

Collaterals

Types of collateral	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
Non-secured	\$ 37,065,529	23.99	34,832,836	23.88
Secured	117,411,025	76.01	111,020,871	76.12
Financial collateral	3,115,100	2.02	2,869,599	1.97
Accounts receivable	106,004,044	68.62	100,954,577	69.22
Real estate	7,387,311	4.78	6,067,058	4.16
Guarantee	904,570	0.59	1,129,637	0.77
	<u>\$ 154,476,554</u>	<u>100.00</u>	<u>145,853,707</u>	<u>100.00</u>

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 other banks, financial assets at fair value through profit or loss, securities purchased under resell agreements, loans, refundable deposits, operating deposits and settlement funds, to be low.

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

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Additional credit quality analysis of financial assets was as follows:

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

Name	December 31, 2018							Allowance for impairment loss	Total	
	12 months			Lifetime (not impaired)			Lifetime (impaired)			
	Low risk	Medium risk	High risk	Subtotal	Low risk	Medium risk				High risk
Items on statement of financial position										
Receivables										
Acceptance receivables	\$ 155,292	-	-	155,292	-	-	-	-	6,136	149,156
Loan interest	222,534	385	166	223,085	2,610	736	310	3,656	1,936	225,702
Other receivables	1,218,691	6	9	1,218,706	32	8	3	43	12,358	1,229,237
Loans and discounts	150,343,656	171,550	61,247	150,576,453	1,641,923	167,208	40,079	1,849,210	2,050,891	152,561,304
	<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>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

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		December 31, 2017									
		Non-overdue and non-impaired amount					Allowance for impairment loss (D)				
		Low risk	Medium risk	High risk	Subtotal (A)	Overdue but not impaired amount (B)	Impairment (C)	Total (A)+(B)+(C)	With objective evidence of impairment	No objective evidence of impairment	Net (A)+(B)+(C)-(D)
Items on statement of financial position											
Receivables											
Acceptance receivables	\$	228,849	-	-	228,849	-	-	228,849	-	3,483	225,366
Other receivables		88,821	909	16	89,746	7,892	34	97,672	952	1,774	94,946
Others		1,388,222	-	-	1,388,222	-	-	1,388,222	-	-	1,388,222
Loans and discounts		141,885,552	1,276,768	188,542	143,350,862	1,560,423	942,422	145,853,707	312,951	1,498,965	144,041,791
	\$	<u>143,591,444</u>	<u>1,277,677</u>	<u>188,558</u>	<u>145,057,679</u>	<u>1,568,315</u>	<u>942,456</u>	<u>147,568,450</u>	<u>313,903</u>	<u>1,504,222</u>	<u>145,750,325</u>
Items off statement of financial position											
Commitments and guarantees	\$	2,897,412	-	-	2,897,412	-	-	2,897,412	-	-	2,897,412
Letter of Credit		974,139	568	10,145	984,852	-	-	984,852	-	-	984,852

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

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

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

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

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

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

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

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 the statement of financial position.

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Notes to the Financial Statements

b) Risk management process

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

i) Risk identification

1. Market risk

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

2. Liquidity risk

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

3. Interest rate risk

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

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.

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Bank of Panhsin
Notes to the Financial Statements

2. Liquidity risk

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

3. Interest rate risk

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

iii) Risk monitoring and control

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

iv) Risk reporting

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

Bank of Panhsin
Notes to the Financial Statements

c) Maturity analysis of financial assets and financial liabilities

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

December 31, 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 other 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
December 31, 2017							
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	\$ 9,057,538	311,551	1,274,120	1,235,757	3,674,373	1,602,184	17,155,523
Due from Central Bank and call loans to banks	1,700,000	400,000	-	-	-	-	2,100,000
Securities Investments	15,745,422	11,279,021	1,349,789	999,203	3,401,705	12,718,844	45,493,984
Securities purchased under resell agreements	3,275,113	2,542,255	-	-	-	-	5,817,368
Loans (include NPL)	9,780,918	5,985,242	15,006,248	21,348,360	26,843,808	56,429,540	135,394,116
Interest Receivables	65,059	116,480	16,237	14,549	21,206	7,660	241,191
Liabilities							
Time deposits	48,339	280	602,480	475,020	192,940	-	1,319,059
Borrowing	699,845	1,399,691	4,199,073	6,298,609	12,597,219	50,306,523	75,500,960
Interest payables	3,497,797	9,428,370	26,200,401	26,939,022	46,173,653	5,427,615	117,666,858
Negotiable certificates of deposit	-	-	100,000	-	700,000	6,311,000	7,111,000
Net value	74,789	31,868	59,311	71,869	21,882	4,597	264,316

(Continued)

Bank of Panhsin
Notes to the Financial Statements

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, 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

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

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:

December 31, 2018	Less than 1 year	1-5 years	Over 5 years	Total
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

(Continued)

Bank of Panhsin
Notes to the Financial Statements

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

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

Main risk	Name	December 31, 2017		
		Cost/ par value	Amount	
			Equity	Gain or loss
Interest rate risk	Government and corporate bonds	10,028,569	(337,412)	(3,310)

(Continued)

Bank of Panhsin
Notes to the Financial Statements

g) Exchange rate risk

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

(Continued)

Bank of Panhsin
Notes to the Financial Statements

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

h) Capital management

i) Capital management objectives

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

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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 I Capital and Tier II Capital following the "Regulations Governing the Capital Adequacy and Capital Category of Banks".

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

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

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

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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, 2018	December 31, 2017
Eligible capital	Common capital			11,996,641	11,151,932
	Other Tier I capital			1,677,120	1,687,972
	Tier II capital			3,210,206	3,621,282
	Eligible capital			16,883,967	16,461,186
Risk-weighted assets	Credit risk	Standardized approach		140,419,282	134,131,916
		Internal rating-based approach		-	-
		Securitization		-	-
	Operational risk	Basic indicator standardized approach		6,030,425	6,134,188
		Standardized approach / alternative approach		-	-
		Advanced measurement approach		-	-
	Market risk	Standardized approach		596,713	1,774,475
		Internal model approach		-	-
	Total risk-weighted assets			147,046,420	142,040,579
Capital adequacy ratio				11.48 %	11.59 %
Tier 1 capital / risk-weighted assets ratio				9.30 %	9.04 %
Common stock / risk-weighted assets ratio				8.16 %	7.85 %
Leverage ratio				5.42 %	5.24 %

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

2. The table uses the calculation formulas as follows:

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

(Continued)

Bank of Panhsin
Notes to the Financial Statements

(7) Related-party transactions:

(a) Name and relationship of related parties

<u>Related parties</u>	<u>Relationship</u>
Panhsin Asset Management Co., Ltd.	Subsidiary
Panhsin International Leasing Co., Ltd.	Subsidiary
TransAsia Airways Co., Ltd.	Related Party in substance
Sheng Ping Zuo Construction Co.	Related Party in substance
Xin Hui Construction Co., Ltd.	Related Party in substance
Cheng Hui Construction Co., Ltd.	Related Party in substance
Da Wang Construction Co., Ltd.	Related Party in substance
Shan Hui Construction Co., Ltd.	Related Party in substance
Boards, General Manager, Vice General Managers	Primary Management
Other related parties	According to IAS 24- Related Party Disclosures, related parties should include: <ol style="list-style-type: none"> 1. Management's spouse, immediate family and second-degree relatives. 2. Management and above relatives are chairmen, supervisor and general manager of company.

(b) Significant transactions with related parties

(i) Deposits

2018			
<u>Name</u>	<u>Ending balance</u>	<u>Percentage of deposits</u>	<u>Interest rate (%)</u>
Deposits by each related party not over 1% of total deposits	\$ <u><u>1,555,125</u></u>	<u><u>0.72</u></u>	0.01~8.16

(Continued)

Bank of Panhsin
Notes to the Financial Statements

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

For the years ended December 31, 2018 and 2017, apart from an interest rate limit on staff demand savings deposits of 6.500% to 6.750% and 6.480% to 6.740%, respectively, the interest rates and other terms provided to the above related parties were the same as the terms offered to the general public.

For the years ended December 31, 2018 and 2017 interest expense paid on the above deposits was \$4,972 and \$4,308, respectively.

(ii) Loans

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	3	9,703	5,231	5,231	-	Real estate	None
Others	Sheng Ping Zuo Construction Co.	291,332	-	-	-	Real estate	None
	15	790,633	366,926	366,926	-	Real estate	None
2017							
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	4	20,269	12,715	12,715	-	Real estate	None
Others	TransAsia Airways Co., Ltd.	59,877	59,877	-	59,877	None (note)	None
	Sheng Ping Zuo Construction Co.	842,664	291,332	291,332	-	Real estate	None
	18	808,319	386,996	386,996	-	Real estate	None

Note: TransAsia Airways Co., Ltd.(TransAsia) was not yet a related party of the Bank when the bank approved the loans on September 22, 2016. Since the Bank's independent director was elected as the liquidator of TransAsia on January 11, 2017, TransAsia became a related party of the Bank. However, after the Bank re-elected its new board members on June 20, 2018, the liquidator of TransAsia was no longer included as one of its board members; hence, it became a non-related party of the Bank.

For the years ended December 31, 2018 and 2017, interest income recognized for the above loans was \$11,437 and \$19,786, respectively.

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

Name	2018	2017
Rental income		
Panhsin Asset Management Co., Ltd.	\$ <u>4,650</u>	<u>7,178</u>

(Continued)

Bank of Panhsin
Notes to the Financial Statements

Name	2018	2017
Rental expense		
Xin Hui Construction Co., Ltd.	\$ 2,283	2,283
Cheng Hui Construction Co., Ltd.	2,283	2,283
Da Wang Construction Co., Ltd.	3,022	3,040
Shan Hui Construction Co., Ltd.	6,300	6,188
	<u>\$ 13,888</u>	<u>13,794</u>

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

Name	2018	2017
Other income		
Panhsin Asset Management Co., Ltd.	<u>\$ 19</u>	<u>886</u>

(iv) Other

For the years ended December 31, 2018 and 2017, the details of the Bank's selling a series of subordinated financial debentures to related parties were as follows:

2018				
Related party	Highest balance	Ending balance	Interest rate (%)	Interest expense
Directors, supervisors, and main stockholders	\$ 66,100	<u>66,100</u>	3.00~4.75	<u>2,963</u>
2017				
Related party	Highest balance	Ending balance	Interest rate (%)	Interest expense
Directors, supervisors, and main stockholders	\$ 56,100	<u>56,100</u>	3.00~4.75	<u>2,663</u>

(v) 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.

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Bank of Panhsin
Notes to the Financial Statements

(c) Primary management

	2018	2017
Short-term employee benefits	\$ 58,897	58,685
Post-employment benefits	\$ 925	836

(8) Pledged assets:

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

Pledged Assets	Pledged for	December 31, 2018	December 31, 2017
Time deposit (recognized in AC)	Foreign currency — denominated overdraft guarantee	\$ 1,044,743	1,045,790
Government bonds (recognized in FVOCI)	Trust fund indenture reserve deposits	50,835	-
	Provisional seizure	129,326	-
	Operating deposits for trading bills	10,183	-
	Settlement operating deposits for trading bonds	50,913	-
	Deposits for Taxation Administration, Ministry of Finance	133,880	-
Government bonds (recognized in available-for-sale financial assets)	Reserve for trust business	-	51,006
	Provisional seizure	-	163,526
	Operating deposits for trading bills	-	10,220
	Settlement deposits for trading bonds	-	51,102
	Deposits for Taxation Administration, Ministry of Finance	-	108,336
	Derivative financial products credit guarantee	-	19,805
Bank savings (recognized in other assets, net)	Settlement deposits for bonds	8,100	8,100
	Deposits for lawsuits	11,998	11,378
		\$ 1,439,978	1,469,263

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Notes to the Financial Statements

(9) Significant contingent liabilities and unrecognized contract commitments:

(a) Significant contingent liabilities and unrecognized contract commitments

(i) Significant purchase agreements

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

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

(b) Other

	December 31, 2018	December 31, 2017
Consignment collection for others	\$ 8,046,264	7,966,254
Consignment released and loans for others	257,063	238,066
Collateral held as performance bond	17,105	17,105
Traveler's checks held for consignment sale	8,256	8,373
Custodial securities	130,000	130,000
Trust assets	<u>40,846,973</u>	<u>42,556,010</u>
Total	\$ <u>49,305,661</u>	<u>50,915,808</u>
Unused amounts of irrevocable loan commitments	\$ <u>3,781,294</u>	<u>2,160,538</u>
Various guarantee proceeds	\$ <u>2,855,153</u>	<u>2,897,412</u>
Unused amount of irrevocable letter of credit	\$ <u>1,345,602</u>	<u>984,852</u>

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Notes to the Financial Statements

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

Trust balance sheet			
December 31, 2018			
Trust assets		Trust liabilities	
Bank deposits	\$ 3,733,405	Trust capital — monetary trust	18,713,998
Investment in funds	14,047,374	Trust capital — real estate	19,866,231
Investment in bonds	867,958	Trust capital — monetary loans and guaranteed assets	735,482
Investment in stocks	1,994,768	Trust capital — securities trust	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 balance sheet			
December 31, 2017			
Trust assets		Trust liabilities	
Bank deposits	\$ 3,352,310	Trust capital — monetary trust	18,506,864
Investment in funds	14,692,045	Trust capital — real estate	21,792,559
Investment in bonds	734,969	Trust capital — monetary loans and guaranteed assets	735,482
Investment in stocks	1,905,478	Trust capital — securities trust	1,419,506
Investment in loans	735,479	Net income	535,513
Land	16,480,625	Unappropriated earnings	(392,967)
Building	435,247	Deferred suspense accounts	(40,947)
Construction in progress	4,219,857		
Total trust assets	<u>\$ 42,556,010</u>	Total trust liabilities	<u>42,556,010</u>

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Bank of Panhsin
Notes to the Financial Statements

Trust income statement

	<u>2018</u>	<u>2017</u>
Trust revenue:		
Interest revenue	\$ 39,996	33,789
Realized investment gain — funds	123,559	170,328
Realized investment gain — bonds	587	1,860
Realized investment gain — stock	9,789	8,078
Cash dividends revenue	<u>766,445</u>	<u>711,305</u>
Subtotal	<u>940,376</u>	<u>925,360</u>
Trust expenses:		
Management expenses	16,098	18,268
Trust fees	5,790	6,800
Realized investment loss — funds	383,951	356,670
Realized investment loss — bonds	4,923	5,338
Realized investment loss — stock	12,203	2,705
Other expenses	<u>13</u>	<u>12</u>
Subtotal	<u>422,978</u>	<u>389,793</u>
Net income before income tax	517,398	535,567
Income tax expense	<u>69</u>	<u>54</u>
Net income after income tax	<u><u>\$ 517,329</u></u>	<u><u>535,513</u></u>

Trust asset register

December 31, 2018

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

(Continued)

Bank of Panhsin
Notes to the Financial Statements

Trust asset register	
December 31, 2017	
Item	Amount
Bank deposits	\$ 3,352,310
Investment in funds	14,692,045
Investment in bonds	734,969
Investment in stocks	1,905,478
Investment in loans	735,479
Land	16,480,625
Building	435,247
Construction in progress	4,219,857
Total	<u><u>\$ 42,556,010</u></u>

(10) Signification disaster loss:None

(11) Subsequent events:

For strengthening the Bank's capital structure, a resolution was approved during the Board meeting held on February 20, 2018 for the issuance of subordinated financial bonds amounting to \$900,000, wherein the Bank would apply for the said issuance to the FSC for approval depending on its capital structure, and make a decision thereafter.

(12) Other:

- (a) A summary of employee benefit costs, depreciation, depletion and amortization for the years ended December 31, 2018 and 2017 was as follows:

Function	2018			2017		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Account						
Employee benefit costs						
Salaries	-	1,234,002	1,234,002	-	1,212,288	1,212,288
Labor and health insurance	-	99,893	99,893	-	98,032	98,032
Pension	-	59,495	59,495	-	57,398	57,398
Remuneration of directors	-	21,615	21,615	-	20,857	20,857
Other personnel expense	-	55,425	55,425	-	53,735	53,735
Depreciation	-	141,807	141,807	-	154,393	154,393
Depletion	-	-	-	-	-	-
Amortization	-	36,291	36,291	-	54,463	54,463

(Continued)

Bank of Panhsin
Notes to the Financial Statements

The depreciation expense for leased-out assets was \$27,911 and \$25,011 in 2018 and 2017, respectively, and was recorded under other non-interest income—net.

As of December 31, 2018 and 2017, the Bank had 1,424 and 1,426 employees, excluding 15 and 18 directors, respectively, who were non-employees.

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

	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 receivables	148,965,899	2.41
Securities purchased under resell agreements	5,467,365	0.46
Interest-bearing liabilities:		
Due to banks	2,274,206	1.27
Notes and bonds issued under repurchase agreement	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
Financial debentures	6,936,753	3.33

(Continued)

Bank of Panhsin
Notes to the Financial Statements

	2017	
	Average Amount	Average Interest Rate (%)
Interest-earning assets:		
Cash due from banks	\$ 706,560	0.52
Due from Central Bank and call loans to banks	17,294,982	0.63
Financial assets at fair value through profit or loss	3,501,399	0.43
Loans and discounts	141,161,811	2.37
Available-for-sale financial assets	34,309,377	0.73
Held-to-maturity financial assets	833,988	0.64
Securities purchased under resell agreements	6,451,052	0.37
Interest-bearing liabilities:		
Due to banks	1,441,094	1.06
Securities sell under repurchase agreements	12,712	1.79
Demand deposits	26,613,933	0.07
Time deposits	45,056,914	0.92
Negotiable certificates of deposit	742,132	0.67
Demand savings deposits	48,438,003	0.29
Time savings deposits	81,634,237	1.10
Financial debentures	6,587,745	3.37

(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, 2018				
Product		Overdue loan amount	Loan balance	Overdue ratio	Allowance for bad debts	Cover rate	
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	Account receivables	Overdue ratio	Allowance for bad debts	Cover rate
Credit cards			-	-	- %	-	- %
Without-recourse factoring			-	-	- %	-	- %

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

(Continued)

Bank of Panhsin
Notes to the Financial Statements

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

	December 31, 2018		December 31, 2017	
	Excluded NPL	Excluded overdue receivables	Excluded NPL	Excluded overdue receivables
As a result of debt consultation and loan agreement	25,929	-	35,950	-
As a result of debt solvency and restart plan	14,567	-	18,656	-
Total	40,496	-	54,606	-

(ii) Information on concentration of credit risk

Unit: NTD thousand

December 31, 2018			
Rank	Group company	Outstanding loan	Percentage of net worth (%)
1	A United Group (Real Estate Leasing)	2,613,900	16.97 %
2	B United Group (Other Holdings)	1,631,876	10.59 %
3	C United Group (Financial Services)	1,452,140	9.43 %
4	D United Group (Building Completion and Finishing)	1,368,000	8.88 %
5	E United Group (Real Estate Agent)	1,082,650	7.03 %
6	F United Group (Other Specialized Construction Activities)	940,108	6.10 %
7	G United Group (Rayon Manufacturing)	881,864	5.72 %
8	H United Group (Investment Consulting)	810,487	5.26 %
9	I United Group (Manufacture of Other Electronic Parts and Components Not Elsewhere Classified)	746,034	4.84 %
10	J United Group (Manufacture of Tires)	695,883	4.52 %
	Total	12,222,942	

(Continued)

Bank of Panhsin
Notes to the Financial Statements

December 31, 2017			
Rank	Group company	Outstanding loan	Percentage of net worth (%)
1	A United Group (Real Estate Leasing)	2,733,138	19.11 %
2	B United Group (Financial Services)	1,460,797	10.21 %
3	C United Group (Real Estate)	1,217,980	8.52 %
4	D United Group (Real Estate)	1,114,090	7.79 %
5	E United Group (Real Estate Agent)	1,082,650	7.57 %
6	F United Group (Steel Rolling and Extrusion)	1,005,100	7.03 %
7	G United Group (Real Estate)	891,968	6.24 %
8	H United Group (LED Panel Assembly)	828,909	5.80 %
9	I United Group (Investment Consulting)	817,034	5.71 %
10	J United Group (Rayon Manufacturing)	780,000	5.45 %
	Total	11,931,666	

(iii) Interest rate sensitivity information

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

December 31, 2018

Unit: NTD thousand, %

Item	1~90 days (inclusive)	91~180 days (inclusive)	181 days~1 year (inclusive)	Over 1 year	Total
Interest-rate-sensitive assets	\$174,545,116	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

December 31, 2017

Item	1~90 days (inclusive)	91~180 days (inclusive)	181 days~1 year (inclusive)	Over 1 year	Total
Interest-rate-sensitive assets	\$174,619,902	1,455,651	5,551,760	12,458,273	194,085,586
Interest-rate-sensitive liabilities	81,816,732	85,878,659	22,115,594	9,608,069	199,419,054
Interest-rate sensitivity gap	92,803,170	(84,423,008)	(16,563,834)	2,850,204	(5,333,468)
Net worth					14,303,302
Ratio of interest-rate-sensitive assets to liabilities					97.33
Ratio of interest-rate sensitivity gap to net worth					(37.29)

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

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

December 31, 2017

Unit: USD thousand, %

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

(Continued)

Bank of Panhsin
Notes to the Financial Statements

(iv) Profitability

Unit: %

Item		December 31, 2018	December 31, 2017
Return on total assets	Before income tax	0.18	0.11
	After income tax	0.16	0.09
Return on net worth	Before income tax	2.94	1.89
	After income tax	2.64	1.48
Profit margin		11.00	6.42

Note 1: Return on total assets = Income before (after) income tax / Average total assets

Note 2: Return on net worth = Income before (after) income tax / Average net worth

Note 3: Profit margin = Income after income tax / Total operating revenues

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

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

1) Duration analysis in New Taiwan dollars

December 31, 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~ 1 year	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)

December 31, 2017

Unit: NTD thousand

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

(Continued)

Bank of Panhsin
Notes to the Financial Statements

2) Duration analysis in US dollars

December 31, 2018

Unit: USD thousand

	Total	Aging for remaining period until expiration				
		0~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year
Capital provided	\$ 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

December 31, 2017

Unit: USD thousand

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

(13) Notes to disclosure items:

(a) Information on significant transactions:

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

- (i) Financing provided to others: Not applicable.
- (ii) Endorsements/guarantees provided to others: Not applicable.
- (iii) Marketable securities held as of December 31, 2018 (not including investments in subsidiaries, associates and jointly controlled entities): None.
- (iv) Accumulated acquisition or disposal of individual marketable securities at costs or prices of at least NT\$300 million or 10% of the paid-in capital: None.
- (v) Information regarding securities for which the accumulated purchase or sale amounts for the period exceeded NT\$300 million or 10% of the Bank's paid-in capital: None.

(Continued)

Bank of Panhsin
Notes to the Financial Statements

- (vi) Information on the acquisition of real estate for which the purchase amount exceeded NT\$300 million or 10% of the Bank's paid-in capital:

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
Bank of Panhsin Co., Ltd.	Real estate	Mar. 15, 2018	1,319,871	1,319,871	Taiwan Nicca Chemical Co., Ltd.	None	None	None	None	-	Hong Bang Real Estate Appraisers Firm; Honda Real Estate Appraisers Firm	IT service dept.; Employee training site; File storage space	None

- (vii) Information on the disposal of real estate for which the sale amount exceeded NT\$300 million or 10% of the Bank's paid-in capital:

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	Aug. 7, 2018	Apr. 6, 2006	632,994	872,500	872,500	214,630	Long Yuan Investment Co., Ltd.	Non-related parties	Disposal	Pan Asia Real Estate Appraisers Firm	None

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

(Continued)

Bank of Panhsin
Notes to the Financial Statements

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2018 (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 %	547,967	38,316	50,703	-	50,703	100.00 %	subsidiary
Panhsin International Leasing Co., Ltd.	Banqiao City, New Taipei City	Leasing	100.00 %	324,794	5,870	31,680	-	31,680	100.00 %	subsidiary

(c) Information regarding investment in China: None.

(14) Operating segment information:

Please refer to Chinese consolidated financial statements for 2018.