

Annual Report 2016

**Bank of Panhsin Head Office**

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Web Site : www.taiwanratings.com

Certified Public Accountants for Financial Statements

KPMG Certified Public Accountants
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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 particular, 48 branches are based in Taipei City and New Taipei City.

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

I 、Date of establishment

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

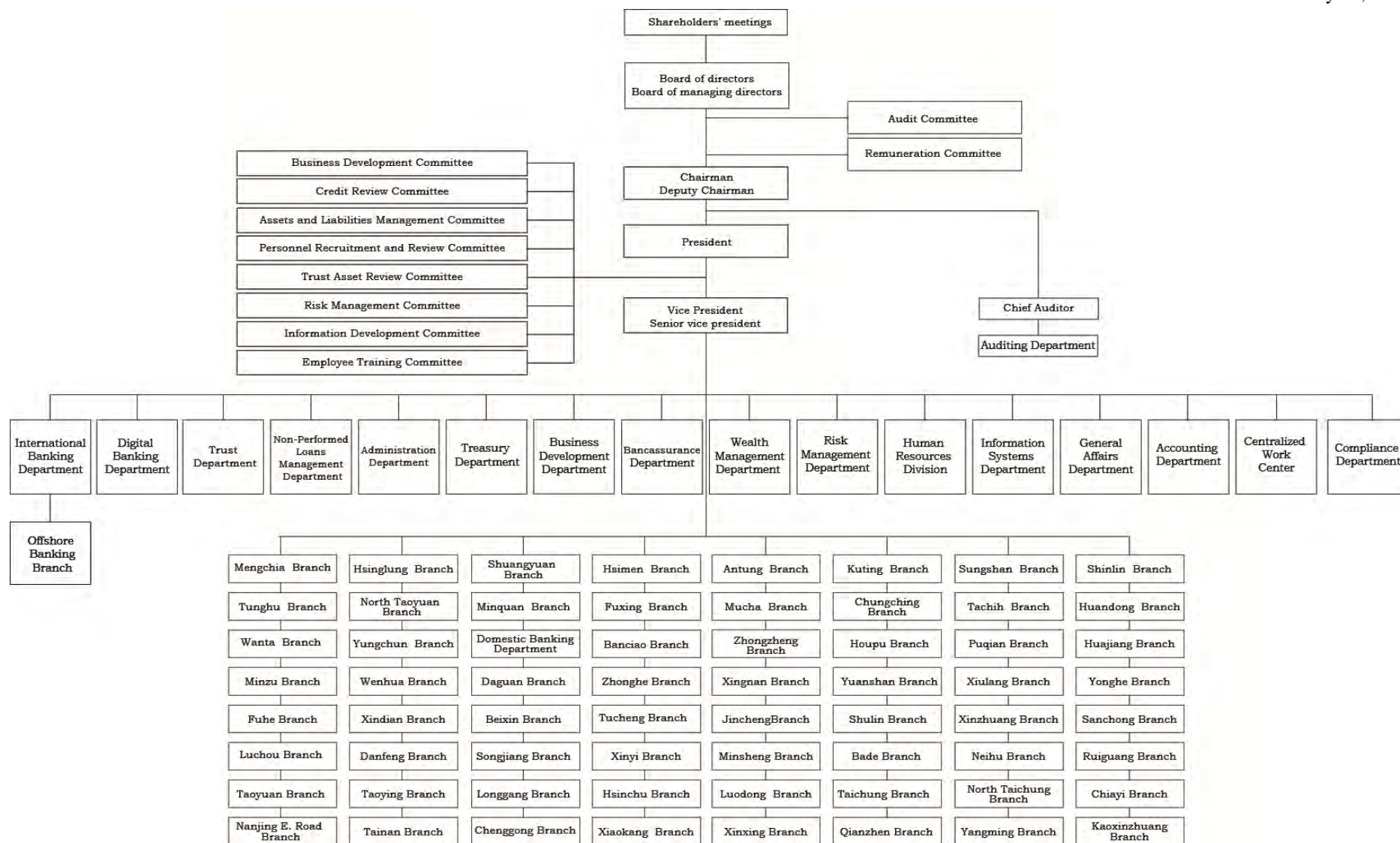
II 、Credit rating

Rating Agency	Date	Long-Term	Short-Term	Outlook
Taiwan Ratings Co.	Oct. 26, 2016	tw BBB-	twA-3	Stable

Corporate Governance

I、Organizational Chart

Baseline date: February 28, 2017



II 、Profiles of directors and Chairman

Baseline date: December 31, 2016

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	Percent age of shares	No. of shares	Percent age of shares	No. of shares	Percent age of shares		
Chairman	Ping-Hui Liu	Republic of China	2015.07.01	3	1996.12.27	36,142,606	3.27	38,567,340	3.05	31,194,156	2.47	Business Management at Chihlee University of Technology/ Chairman, Panchiao Credit Cooperative	Director, Yuanchih Investment Co., Ltd. Director, Sun Hui Construction Co., Ltd. Supervisor, Sanlight Construction Co., Ltd. Chairman, Panhsin Charitable Foundation
Deputy Chairman	Peng-Lang Lin	Republic of China	2015.07.01	3	2015.06.25	11,604	-	13,162	-	-	-	Faculty of Business Administration, Aomori University/ Chairman, Sunny Bank	Supervisor, Concord Medical Co., Ltd.
Managing Director	Ming-Hsin Chiu	Republic of China	2015.07.01	3	1996.12.27	4,504,116	0.41	4,826,967	0.38	2,266,338	0.18	Tatung Senior Vocational School/ Panchiao Credit Cooperative	Director, Panhsin Asset Management Co., Ltd. Director, Panhsin Charitable Foundation
Managing Director	Dao-Ming Kuo	Republic of China	2015.07.01	3	1996.12.27	7,513,572	0.68	8,017,642	0.63	2,348,315	0.19	Masters, Meijo University/ Panchiao Credit Cooperative	Chairman, SEH Biotechnology Co., Ltd. Chairman, Aizia Technology Co., Ltd. Managing director, Daou Hsinyeh Co., Ltd. Chairman, Chingyen International Co., Ltd. Director, Mashangfa International Enterprise Ltd. Director, Chieh Hsiung Enterprise Ltd. Chairman, Panhsin Asset Management Co., Ltd. Director, Panhsin Charitable Foundation
Independent Managing Director	Fu-Yuan Chang	Republic of China	2015.07.01	3	2009.06.23	-	-	-	-	-	-	National Taipei University of Business/ Accountant, Yong Sheng Joint Accounting Firm	Manager, Yong Sheng Enterprise Consulting Ltd.
Director	Representative of Sanjun Construction Co., Ltd.: Zong-Liang Chen	Republic of China	2015.07.01	3	2006.06.20	12,421	-	13,253	-	-	-	Kainan Commercial & Technical School/ Manager, Bank of Panhsin	Director, Panhsin Charitable 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	Percent age of shares	No. of shares	Percent age of shares	No. of shares	Percent age of shares		
Director	Representative of Tianlu Construction Co., Ltd.: Sheng-Hong Shao	Republic of China	2015.07.01	3	2015.06.25	241,465	0.02	257,663	0.02	-	-	Tamsui Commercial Industrial Vocational Senior High School/ Panchiao Credit Cooperative	Sheng-Hong Shao, Responsible Person
Director	Representative of Baiyuan Investment Co., Ltd.: Ching-Yi Yeh	Republic of China	2015.07.01	3	2009.06.23	33,178,251	3.00	35,404,113	2.80	-	-	National Taipei University of Business/ Resident supervisor of Bank of Panhsin	Director, Panhsin Charitable Foundation
Director	Tong-Jen Lin	Republic of China	2015.07.01	3	2006.06.20	8,383,837	0.76	8,946,291	0.71	656,601	0.05	Tamkang University/ Assistant Manager, Bank of Panhsin	Director, Tripod Development and Construction Co., Ltd. Chairman, Aking Enterprise Ltd. Chairman, Kinpoti Enterprise Ltd. Director, Hungchung Development and Construction Co., Ltd. Director, Panhsin Insurance Agency
Director	Representative of Sanlight Construction Co., Ltd.: Mei-Yun Liao	Republic of China	2015.07.01	3	2006.06.20	32,912,421	2.98	35,120,449	2.78	-	-	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 Co., Ltd.
Director	Ling-Long Chien	Republic of China	2015.07.01	3	1996.12.27	8,294,038	0.75	9,424,553	0.75	1,589,302	0.13	Chihlee University of Technology/ Supervisor, Panchiao Credit Cooperative	Director, Panhsin Asset Management Co., Ltd. Director, Panhsin Charitable Foundation Deputy Director, Hechung Recreation Co., Ltd. Chairman, Yongchen Construction Corp. Responsible person of Haotsaitou Construction Site Responsible person of Kintongli Enterprise Responsible person of Kinpinming Park

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	Percent age of shares	No. of shares	Percent age of shares	No. of shares	Percent age of shares		
Director	Representative of Hanchia Construction Co., Ltd.: Bing-Huang Liu	Republic of China	2015.07.01	3	2006.06.20	61,797	0.01	61,942	0.01	-	-	Chung Yuan Christian University/ 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, Panhsin Charitable Foundation
Director	Lai-Wei Liu	Republic of China	2015.07.01	3	1996.12.27	3,491,124	0.32	3,725,335	0.30	441,489	0.03	Ger Jyh Senior High School/ Panchiao Credit Cooperative	Chairman, Kin-An-Nian Construction Co., Ltd. Chairman, Kin-Fu Construction Co., Ltd. Director, Kao-Du Construction Co., Ltd. Director, Panhsin Charitable Foundation
Director	Yao-Chih Chu	Republic of China	2015.07.01	3	2012.06.19	2,016,481	0.18	2,964,637	0.23	134,853	0.01	Fu Jen Catholic University/ Rebar Group import/export and foreign exchange business manager	-
Director	Jui-Long Chen	Republic of China	2015.07.01	3	2009.06.23	-	-	-	-	-	-	National Chung Hsing University/ Minister of Ministry of Economic Affairs	Chairman, Liching Technology Co., Ltd. Director, HannStar Board Corporation Director, Liching Energy Technology Co., Ltd. Managing Director, Formosa Chemicals & Fiber Corporation Director, Asia Cement Co., Ltd. Director, Chihjen Technology Development Co., Ltd. Director, Power Gate Optical Inc. Independent Director, Inventec Corporation Independent Director, China Petrochemical Development Corporation Director, Natural Beauty (Registered in Cayman and Hong Kong) 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	Percent age of shares	No. of shares	Percent age of shares	No. of shares	Percent age of shares		
Independent Directors	Song-Hui Su	Republic of China	2015.07.01	3	2012.06.19	-	-	-	-	-	-	Feng Chia University/ President, Agricultural Bank of Taiwan	Director, IBF Financial Holding Co., Ltd. Director, Waterland Venture Capital Chairman, Guowang International Finance Rental Corporation
Independent Directors	Hsin-Yi Lo	Republic of China	2015.07.01	3	2009.06.23	-	-	-	-	-	-	National Chengchi University/ Lawyer, Lo Hsin Yi Attorney Firm	Director, Yang Shu Construction Co., Ltd.
Independent Directors	Yue-Hsiu Liao	Republic of China	2015.07.01	3	2009.06.23	-	-	-	-	-	-	St. John's University/ Associate Professor, Chihlee University of Technology	-

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

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

Note 3 : The No. of Shares currently held and Percentage of Shares columns were based on the 1,262,695,239 shares actually issued on December 31, 2016.

Note 4 : Panhsin Charitable Foundation is short for Provincial Private Panhsin Social Welfare Charitable Foundation.

Note 5 : Director reelection was held on June 25, 2015.

III 、Profiles of president, vice presidents, and management

Baseline date: December 31, 2016

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	Percent age of shares	No. of shares	Percenta ge of shares		
President	Republic of China	Wen-Long Lin	2015.02.17	22,324	-	-	-	Business Administration, Taichung Business Vocational School/ - Chairman, Taiwan Cooperative Securities Vice President, Taiwan Cooperative Bank	-
Senior Executive Vice President	Republic of China	Simon Fang	2006.09.21	18,571,195	1.47	9,721,597	0.77	Department of Economics, Soochow University/ Senior Executive Vice President , Bank of Panhsin Senior Assistant Vice President, CTBC Bank	Chairman, Trust Association of R.O.C/ Alternate Chairman, Taiwan Securities Association/ Independent Director, Charoen Pokphand Enterprise
Senior Executive Vice President	Republic of China	Shih-Chi Wu	2014.09.22	63,482	0.01	61,342	-	Executive Master of Business Administration, National Chengchi University/ Senior Executive Vice President, Bank of Panhsin	Director, Panhsin Asset Management Co., Ltd.
Chief Auditor	Republic of China	Fu-Chai Teng	2014.03.01	202,805	0.02	-	-	Business Administration, National Chung Hsing University/ - Vice President, Bank of Panhsin Assistant Vice President, Taishin International Bank	-
Senior Executive Vice President	Republic of China	Li-Chin Wei	2014.04.21	86,532	0.01	3,961	-	Business Administration, Chihlee University of Technology/ Supervisor, Bank of Panhsin	Supervisor, Panhsin Asset Management Co., Ltd.-
Senior Executive Vice President	Republic of China	Hong-Chih Chen	2015.08.24	18,425	-	-	-	PhD, Department of Applied Economics, National Chung Hsing University/ Vice President, Sunny Bank	Associate Professor, Chaoyang University of Technology
Executive Vice President , Wealth Management Department	Republic of China	Ya-Chen Sun	2015.03.12	16,378	-	-	-	Department of International Trade, Ming Chuan University/ Senior Vice President, Standard Chartered Bank	-
Executive Vice President , Business Development Department	Republic of China	Chih-Hsun Chang	2016.07.25	125,065	0.01	-	-	Masters, Graduate Institute of Economics, National Taiwan University/ General Manager, Bank of Panhsin	-
General Manager, Human Resources Department	Republic of China	Ta-Huang Chen	2014.10.27	28,952	-	-	-	MBA, Graduate Institute of Management, Fu Jen Catholic University/ General Manager, Bank of Panhsin	-

Position	Nationality	Name	Date elected	Shares held		Shares held by spouse and underage children		Major career (academic) achievements	Current job position in other companies
				No. of shares	Percent age of shares	No. of shares	Percent age of shares		
General Manager, Administration Department	Republic of China	Chao-Chung Lin	2014.04.21	48,404	-	-	-	Accounting Department, Feng Chia University/ Vice Manager, Bank of Panhsin	Director, Panhsin International Rental Co., Ltd.
General Manager, Non-Performed Loans Management Department	Republic of China	Ke-Han Liu	2013.01.21	83,607	0.01	793	-	Banking Insurance, Open College Affiliated With National Taipei University of Business/ General Manager, Bank of Panhsin	-
General Manager, International Banking Department & Offshore Banking Branch	Republic of China	Jennie Lin	2008.03.26	35,390	-	-	-	Masters in International Finance, University of Birmingham/ General Manager, Bank of Panhsin	-
General Manager, Trust Department	Republic of China	Ching-Hsing Lee	2015.08.24	12,283	-	-	-	Business Administration, Chung Hua University/ Vice President, Consumer Banking Operations of Standard Chartered Bank	-
General Manager, Treasury Department	Republic of China	Kevin Lee	2007.04.02	74,612	0.01	82,766	0.01	Department of Statistics, National Cheng Kung University/ Vice President, IBT Securities	-
General Manager, Risk Management Department	Republic of China	Shu-Nu Yang	2008.11.26	45,758	-	-	-	Masters in International Monetary Finance, University of Birmingham/ General Manager, Bank of Panhsin	-
General Manager, Accounting Department	Republic of China	Jone-Chih Huang	2011.08.01	42,418	-	-	-	Accounting Statistics, Chihlee University of Technology/ General Manager, Bank of Panhsin	Supervisor, Panhsin International Rental Co., Ltd.
General Manager, Information Systems Department & Digital Banking Department	Republic of China	Mao-Sen Kao	2009.01.01	142,081	0.01	11,413	-	Business Administration, Taipei Business Vocational School/ General Manager, Bank of Panhsin	-
General Manager, General Affairs Department	Republic of China	A-Jen Lai	2010.02.01	111,070	0.01	95,648	0.01	Business Administration, Open College Affiliated With National Taipei University of Business/ General Manager, Bank of Panhsin	-

Position	Nationality	Name	Date elected	Shares held		Shares held by spouse and underage children		Major career (academic) achievements	Current job position in other companies
				No. of shares	Percentage of shares	No. of shares	Percentage of shares		
General Manager , Centralized Work Center	Republic of China	Chung-Lian Lin	2010.07.26	117,876	0.01	21,714		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	51,115	-	-	-	Department of Law, Fu Jen Catholic University/ Deputy General Manager, Bank of Panhsin	-
General Manager, Bancassurance Department	Republic of China	Yung-Chieh Lin	2016.07.01	14,331	-	-		Advertisement science,National - Chengchi University/ General Manager,Bank Of Panshin	-
Executive Vice President , Domestic Banking Department	Republic of China	Hsin-Mao Huang	2013.01.21	101,161	0.01	377		Accounting Department, Fu Jen - Catholic University/ General Manager, Bank of Panhsin	-
General Manager, Banqiao Branch	Republic of China	Shu-Chuan Wei	2015.12.28	123,125	0.01	3,817		Department of Banking and Insurance, - Taipei Business Vocational School/ General Manager, Bank of Panhsin	-
General Manager, Houpu Branch	Republic of China	Hsiao-Hsuan Lu	2016.02.01	-	-	-	-	Applied Commerce, National Taipei - University of Business/ Business manager, Taipei Fubon Bank	-
General Manager, Yonghe Branch	Republic of China	Hong-Ming Lin	2015.07.20	30,834	-	345		MBA Program, University of St - Andrews/ General Manager, Bank of Panhsin	-
General Manager, Puqian Branch	Republic of China	Pei-Yu Wong	2015.12.28	21,176	-	-		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	602,914	0.05	15,643		Department of International Trade, - Chihlee University of Technology/ General Manager, Bank of Panhsin	-
General Manager, Minzu Branch	Republic of China	Te-Wei Lee	2013.01.26	54,226	-	-		Department of Theatre Arts, Chinese - Culture University/ General Manager, Jihsun Bank	-
General Manager, Zhonghe Branch	Republic of China	Te-Kuo Lin	2013.01.21	463,020	0.04	519		Department of Banking and Insurance, - Hsing Wu 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, Tucheng Branch	Republic of China	Bing-Hong Tsao	2014.01.27	52,446	-	6,394	-	Masters, Graduate Institute of Economics, Chinese Culture University/ Manager, Chengthai Commercial Bank	-
General Manager, Wenhua Branch	Republic of China	Mei-Ling He	2014.11.24	45,990	-	53,875	-	Business Administration, Chihlee University of Technology/ General Manager, Bank of Panhsin	-
General Manager, Daguan Branch	Republic of China	Ying-An Hsieh	2016.01.25	15,589	-	17,918	-	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	116,979	0.01	-	-	Banking Information, Open College Affiliated With National Taipei University of Business/ General Manager, Bank of Panhsin	-
General Manager, Fuhe Branch	Republic of China	Shu-Ming Liu	2014.01.27	41,095	-	-	-	Department of Applied Business, Open College Affiliated with National Taipei University of Business/ General Manager, Bank of Panhsin	-
General Manager, Xiulang Branch	Republic of China	Tian-Yi Pan	2015.12.28	30,619	-	-	-	Masters, Graduate Institute of Business Administration, National Taiwan University General Manager, Bank of Panhsin	-
General Manager, Sanchong Branch	Republic of China	Zhao-Mao Kao	2014.01.27	55,533	-	-	-	Department of Cooperative Economy, National Chung Hsing University/ General Manager, Bank of Panhsin	-
General Manager, Yuanshan Branch	Republic of China	Hua-Yi Kuo	2015.12.28	114,120	0.01	-	-	Business Management, Yu Da High School of Commerce and Home Economics/ General Manager, Bank of Panhsin	-
General Manager, Shulin Branch	Republic of China	Lai-Wang Lin	2015.01.26	345,128	0.03	172,678	0.01	Accounting Statistics, Taipei Business Vocational School/ General Manager, Bank of Panhsin	-
General Manager, Jincheng Branch	Republic of China	Da-Hu Yo	2015.01.26	32,471	-	-	-	College of Business and Management, Tamkang University/ Assistant Manager, Cosmos Bank	-
General Manager, Xindian Branch	Republic of China	Wen-Hui Chou	2013.01.21	31,847	-	-	-	Department of Economics, National Chung Hsing 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, Zhongzheng Branch	Republic of China	Yao-Tsong Liu	2013.01.21	62,040	-	-	-	National Hsinchu Commercial & Vocational High School/ General Manager, Bank of Panhsin	-
General Manager, Luchou Branch	Republic of China	Wan-Ki Chen	2015.01.26	143,265	0.01	31,468	-	Business Administration, Chihlee - Business Vocational School/ General Manager, Bank of Panhsin	-
General Manager, Sanchong Branch	Republic of China	Chih-Cheng Nieh	2014.07.21	14,331	-	-	-	Business Administration, Feng Chia University/ Manager, DBS Bank	-
Executive Vice President, Songjiang Branch	Republic of China	Hu- Shui Liu	2016.09.26	-	-	-	-	Department of International Trade, Tamkang University/General Manager, Taiwan Cooperative Commercial Bank	-
General Manager, Xinyi Branch	Republic of China	Mo Cheng	2015.01.26	57,231	-	-	-	Department of Economics, Fu Jen Catholic University/ General Manager, Bank of Panhsin	-
General Manager, Minsheng Branch	Republic of China	Eric Liu	2015.01.26	46,484	-	-	-	Department of Finance, Takming University of Science and Technology/ Deputy General Manager, Bank of Panhsin	-
General Manager, Bade Branch	Republic of China	Rui-Dian Chen	2015.01.26	76,130	0.01	-	-	Industrial Management, National Taipei University of Technology/ Deputy General Manager, Bank of Panhsin	-
General Manager, Neihu Branch	Republic of China	Heng-Yu Chang	2016.03.01	15,840	-	-	-	Executive Master of Business Administration, National Chengchi University/ Manager, Bank Of Panshin	-
General Manager, Ruiguang Branch	Republic of China	Chung-An Chen	2015.01.30	5,170	-	-	-	Department of Banking and Finance, Tamkang University/ Manager, DBS Bank	-
General Manager, Taoyuan Branch	Republic of China	Chung-Wei Wang	2013.01.21	50,666	-	-	-	Business Administration, Tamsui Institute of Business Administration/ Manager, Grand Commercial Bank	-
General Manager, Taoying Branch	Republic of China	Chih-Chung Yu	2016.12.26	28,551	-	-	-	Department of Enterprise Management, Chung Yuan Christian University/Deputy Deputy General Manager, Bank Of Panshin	-
General Manager, Longgang Branch	Republic of China	Po-Cheng Hsu	2013.01.21	93,060	0.01	-	-	Department of Economics, Chinese Culture University/ Manager, EnTie Commercial Bank	-

Position	Nationality	Name	Date elected	Shares held		Shares held by spouse and underage children		Major career (academic) achievements	Current job position in other companies
				No. of shares	Percentage of shares	No. of shares	Percentage of shares		
General Manager, North Taoyuan Branch	Republic of China	Cheng-I Chen	2016.10.24	-	-	-	-	Executive Master of Business Administration,National Central University/ Deputy General Manager,Bank Of Panshin	-
General Manager, Hsinchu Branch	Republic of China	Su-Ching Chien	2015.12.28	24,108	-	-	-	Department of Statistics, Feng Chia University/ Deputy General Manager, Bank of Panhsin	-
General Manager, Taichung Branch	Republic of China	Yung-Lun Lee	2015.01.26	107,335	0.01	-	-	Business Administration, Taichung Business Vocational School/ Manager, CTBC Bank	-
General Manager, North Taichung Branch	Republic of China	Fu-Yuan Shih	2016.07.25	31,618	-	-	-	Department of Agribusiness Management,National Pingtung Institute of Commerce/ Deputy General Manager,Bank Of Panshin	-
General Manager, Chiayi Branch	Republic of China	Shih-Te Chen	2012.01.19	19,604	-	-	-	Department of Cooperative Economy, Tamkang University/ Business Manager, Yuanta Bank	-
General Manager, Tainan Branch	Republic of China	Chin-Chu Wu	2015.01.26	10,505	-	-	-	Department of International Business, Feng Chia University/ Deputy General Manager, Bank of Panhsin	-
General Manager, Chenggong Branch	Republic of China	Tsung-Che Tsai	2016.07.25	12,408	-	-	-	Department of Enterprise Management,National Chung Hsing University/ Deputy General Manager,Bank Of Panshin	-
General Manager, Danfeng Branch	Republic of China	Jung-Fang Hsieh	2015.03.02	12,283	-	-	-	Accounting Department, Feng Chia University/ Senior sales manager, Hwatai Bank	-
General Manager, Xiaogang Branch	Republic of China	Chien-Tai Su	2016.07.25	21,176	-	-	-	Department of Financial,National Sun Yat-sen University/ Deputy General Manager,Bank Of Panshin	-
General Manager, Xingxing Branch	Republic of China	Daniel Lin	2016.07.25	21,176	-	-	-	MBA, Chiayi University/ Vice President, Citibank	-
General Manager, Qianzhen Branch	Republic of China	Hsian-Chin Kuo	2012.01.19	33,625	-	-	-	Finance and Banking Department, Shih Chien University/ Deputy General Manager, Bank of Panhsin	-
General Manager, Yangming Branch	Republic of China	Ching-Shun Wang	2016.04.25	19,009	-	-	-	Department of Enterprise Management,Fu Jen Catholic University/Deputy General Manager,Bank Of Panshin	-

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, Kaoxizhuang Branch	Republic of China	Da-Hui Tsai	2012.01.19	28,480	-	-	-	College of Management, National Taiwan University/ Deputy General Manager, Bank of Panhsin	-
General Manager, Luodong Branch	Republic of China	Po-Kun Wang	2015.01.26	6,204	-	-	-	Masters, Department of Finance, Ming Chuan University/ Deputy General Manager, Bank of Panhsin	-
General Manager, Beixin Branch	Republic of China	Chin-Chuan Hsieh	2016.05.23	-	-	-	-	financial research institute,Fu Jen Catholic University/ General Manager,CTBC Bank	-
General Manager, Mengchia Branch	Republic of China	Chung-Wei Liao	2016.01.25	39,154	-	-	-	Department of International Trade, Chihlee University of Technology/ Deputy General Manager, Bank of Panhsin	-
General Manager, Hsinglung Branch	Republic of China	Yong-Yuan Chen	2016.01.25	26,611	-	3,817	-	MBA in Executive Management, Royal Roads University/ Manager, Bank SinoPac	-
General Manager, Shuangyuan Branch	Republic of China	Fang-Ming Huang	2016.06.27	39,730	-	427	-	Business Administration, Chihlee University of Technology/ Deputy General Manager, Bank of Panhsin	-
General Manager, Hsimen Branch	Republic of China	Ming-Hsing Shih	2015.10.28	35,686	-	-	-	Accounting Department, Chung Yuan Christian University/ Deputy General Manager, Bank of Panhsin	-
General Manager, Kuting Branch	Republic of China	Pei-Yun Lin	2016.01.25	6,141	-	-	-	Finance and Banking Department, Tamkang University/ Deputy General Manager, Bank of Panhsin	-
General Manager, Antung Branch	Republic of China	Shih-Yang Liu	2015.09.21	15,572	-	-	-	MBA Program, University of Southern California/ Deputy General Manager, Bank of Panhsin	-
General Manager, Sungshan Branch	Republic of China	Ping-Hua Chen	2016.07.25	33,088	-	-	-	Department of Economics,Feng Chia University/Deputy General Manager,Bank Of Panhsin	-
General Manager, Shinlin Branch	Republic of China	Shih-Yang Chien	2015.04.20	1,034	-	-	-	Finance and Banking Department, Tamkang University/ Manager, Taishin International Bank	-

Position	Nationality	Name	Date elected	Shares held		Shares held by spouse and underage children		Major career (academic) achievements	Current job position in other companies
				No. of shares	Percentage of shares	No. of shares	Percentage of shares		
General Manager, Tungshu Branch	Republic of China	Yi-Cheng Su	2014.07.21	1,034	-	-	-	Department of English Language and Literature, Fu Jen Catholic University/ Manager, Taishin International Bank	-
General Manager, Fuxing Branch	Republic of China	Chien-Wen Lee	2015.04.20	76,559	0.01	4,630	-	MBA, Stratford University/ Manager, Enterprise Bank of Hualien	-
General Manager, Minquan Branch	Republic of China	Ching-Hsian Liu	2015.12.21	-	-	-	-	Masters, Department of Finance, Shih Hsin University/ Manager, Hwatai Bank	-
General Manager, Chungching Branch	Republic of China	Fang-Li Cheng	2016.03.21	13,772	-	-	-	Accounting Section, China University of Technology/Deputy General Manager, Bank Of Panshin	-
General Manager, Mucha Branch	Republic of China	Song-Lin Chiang	2014.07.21	10,236	-	-	-	Kaiping Culinary School/ Representative assistant manager, Taipei Ninth Credit Cooperative	-
General Manager, Tachih Branch	Republic of China	Chao-I Chen	2016.07.25	-	-	-	-	Department of Computer Science, Oriental Institute of Technology/General Manager, Entie Commercial Bank	-
General Manager, Wanta Branch	Republic of China	Ling-Hui Kao	2015.10.27	41,173	-	-	-	Department of Business, National Open University/ Deputy General Manager, Bank of Panshin	-
General Manager, Yungchun Branch	Republic of China	Ming-Jen Chen	2015.09.21	11,374	-	-	-	Accounting Statistics, Tamsui Institute of Business Administration/ Manager, EnTie Bank	-
General Manager, Nanjing E. Road Branch	Republic of China	Yu-Tsi Yo	2016.10.17	25,002	-	-	-	Department of International Business, Soochow University/ Manager, CTBC Bank	-
General Manager, Huandong Branch	Republic of China	Yi-Chang Kao	2017.01.16	31,491	-	-	-	Department of Information Management, Chung Yuan Christian University/ General Manager, Bank of Panshin	-

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

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

IV 、Equity transfers and changes of equity interests in the most recent financial year up till the publication date of this annual report (2017.02.28), 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, 2017

Position	Name	2016		By the end of February 2017	
		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	1,268,171	13,000,000 (13,000,000)	-	-
Deputy Chairman and Managing Director	Peng-Lang Lin	432	-	-	-
Managing Director	Dao-Ming Kuo	263,636	-	-	-
Managing Director	Ming-Hsin Chiu	178,720	-	-	-
Director	Sanjun Construction Co., Ltd.	435	-	-	-
Director (Major shareholder)	Baiyuan Investment Company	1,164,158	14,000,000	-	-
Director (Major shareholder)	Sanlight Construction Co., Ltd.	1,154,831	30,000,000 (13,000,000)	-	-
Director	Tianlu Construction Co., Ltd.	8,472	-	-	-
Director	Yao-Chih Chu	697,483	-	-	-
Director	Hanchia Construction Co., Ltd.	2,168	-	-	-
Director	Lai-Wei Liu	122,496	-	-	-
Director	Ling-Long Chien	325,091	8,000,000	-	-
Director	Tong-Jen Lin	294,172	-	-	-
Representative of corporate director	Zong-Liang Chen	152,071	-	-	-
Representative of corporate director	Sheng-Hong Shao	248,912	-	-	-
Representative of corporate director (Major shareholder)	Mei-Yun Liao	1,025,726	16,000,000 (16,000,000)	-	-
Representative of corporate director	Ching-Yi Yeh	36,060	-	-	-

Position	Name	2016		By the end of February 2017	
		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 Company	36,553,654	83,780,000 (42,300,000)	-	-
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.	36,365,132	64,780,000 (27,300,000)	-	-
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.	2,638,017	20,877,000 (17,477,000)	-	-
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.	1,769,640	9,050,000 (7,843,000)	363,582-	-
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.	702,128	20,000,000 (20,000,000)	-	-

Position	Name	2016		By the end of February 2017	
		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	1,005	-	-	-
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	11	-	-	-
An individual who needs to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Aggregate Related Parties"	Hsiu-Hsia Liu	1,925	-	-	-
An individual who needs to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Aggregate Related Parties"	Liu-Miao Lin	11	-	-	-
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"	Bing-Che Liu	(727,582)	-	-	-

Position	Name	2016		By the end of February 2017	
		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"

Si-Hui Liu

7,079

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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

6,800

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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

7,960

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An individual who needs to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Aggregate Related Parties"

Kin-Yu Liao (Maiden surname: He)

2,020

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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

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Position	Name	2016		By the end of February 2017	
		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
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	19,029	-	-	-
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.	35,456	-	-	-
President	Wen-Long Lin	734	-	-	-
Senior Executive Vice President (Major shareholder)	Simon Fang	610,658	5,000,000 (5,000,000)	-	-
Senior Executive Vice President	Shih-Chi Wu	2,087	-	-	-
Senior Executive Vice President	Fu-Chai Teng	6,668	-	-	-
Senior Executive Vice President	Li-Chin Wei	2,845	-	-	-
Senior Executive Vice President	Hong-Chih Chen	605	-	-	-
General Manager	Chih-Hsun Chang	4,112	-	-	-
General Manager	Hsin-Mao Huang	3,326	-	-	-
General Manager	Ya-Chen Sun	538	-	-	-
Manager	Yu-Tsi Yo	822	-	-	-
Manager	Ta-Huang Chen	952	-	-	-
Manager	Chien-Tai Su	696	-	-	-
Manager	Chao-Chung Lin	1,591	-	-	-
Manager	Ke-Han Liu	2,749	-	-	-
Manager	Jennie Lin	1,163	-	-	-
Manager	Ching-Hsing Lee	403	-	-	-
Manager	Kevin Lee	2,453	-	-	-
Manager	Shu-Nu Yang	1,504	-	-	-
Manager	Jone-Chih Huang	1,394	-	-	-

Position	Name	2016		By the end of February 2017	
		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
Manager	Mao-Sen Kao	4,671	-	-	-
Manager	A-Jen Lai	3,652	-	-	-
Manager	Chung-Lian Lin	3,876	-	-	-
Manager	Shu-Chuan Wei	4,048	-	-	-
Manager	Fang-Li Cheng	452	-	-	-
Manager	Hong-Ming Lin	1,013	-	-	-
Manager	Pei-Yu Weng	696	-	-	-
Manager	Yi-Min Wan	19,825	-	-	-
Manager	Te-Wei Lee	1,783	-	-	-
Manager	Te-Kuo Lin	15,225	-	-	-
Manager	Bing-Hong Tsao	1,724	-	-	-
Manager	Mei-Ling He	1,512	-	-	-
Manager	Chung-Wei Liao	1,287	-	-	-
Manager	Hui-Mei Liu	3,846	-	-	-
Manager	Shu-Ming Liu	1,351	-	-	-
Manager	Tian-Yi Pan	1,006	-	-	-
Manager	Zhao-Mao Kao	1,826	-	-	-
Manager	Hua-Yi Kuo	3,752	-	-	-
Manager	Lai-Wang Lin	11,348	-	-	-
Manager	Da-Hu Yo	1,067	-	-	-
Manager	Wen-Hui Chou	1,047	-	-	-
Manager	Yao-Tsong Liu	2,040	-	-	-
Manager	Wan-Ki Chen	4,710	-	-	-
Manager	Chih-Cheng Nieh	471	-	-	-
Manager	Ching-Shun Wang	625	-	-	-
Manager	Mo Cheng	1,881	-	-	-
Manager	Eric Liu	1,528	-	-	-
Manager	Rui-Dian Chen	2,503	-	-	-
Manager	Chung-An Chen	170	-	-	-

		2016		By the end of February 2017	
Position	Name	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
Manager	Chung-Wei Wang	1,666	-	-	-
Manager	Yi-Chang Kao	1,035	-	-	-
Manager	Po-Cheng Hsu	3,060	-	-	-
Manager	Su-Ching Chien	792	-	-	-
Manager	Yung-Lun Lee	3,529	-	-	-
Manager	Pei-Yun Lin	201	-	-	-
Manager	Shih-Te Chen	644	-	-	-
Manager	Ying-An Hsieh	512	-	-	-
Manager	Chin-Chu Wu	345	-	-	-
Manager	Daniel Lin	696	-	-	-
Manager	Jung-Fang Hsieh	403	-	-	-
Manager	Chen, Yung-Yuan	875	-	-	-
Manager	Hsian-Chin Kuo	1,105	-	-	-
Manager	Ping-Hua Chen	1,088	-	-	-
Manager	Da-Hui Tsai	936	-	-	-
Manager	Po-Kun Wang	204	-	-	-
Manager	Heng-Yu Chang	520	-	-	-
Manager	Tsung-Che Tsai	408	-	-	-
Manager	Chih-Chung Yu	938	-	-	-
Manager	Ming-Hsing Shih	1,173	-	-	-
Manager	Shih-Yang Liu	512	-	-	-
Manager	Fu-Yuan Shih	1,039	-	-	-
Manager	Shih-Yang Chien	34	-	-	-
Manager	Yi-Cheng Su	34	-	-	-
Manager	Chien-Wen Lee	2,517	-	-	-
Manager	Song-Lin Chiang	336	-	-	-
Manager	Fang-Ming Huang	1,306	-	-	-
Manager	Ling-Hui Kao	1,353	-	-	-
Manager	Ming-Jen Chen	374	-	-	-

Position	Name	2016		By the end of February 2017	
		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
Manager	Ryan Chang	1,680	-	-	-
Manager	Yong-Chieh Lin	471	-	-	-

(II) Equity Transfer Information

Baseline date: February 28, 2017

Name	Reason for transfer	Transaction date	Counterparty	Relationship between counterparty and 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
Ming-Hsin Chiu	Acquisition	2016.09.06	Chieh-Lin Yang	-	20,000	10.00
Yao-Chih Chu	Acquisition	2016.08.31	Chien-Hsiung Chen	-	600,000	8.20
Ling-Long Chien	Acquisition	2016.11.08	Hsiao-Jung Chao	-	15,710	6.80
Sun Hui Construction Co., Ltd.	Acquisition	2016.01.08	Yu-Tsa Chu	-	100,000	8.30
Sun Hui Construction Co., Ltd.	Acquisition	2016.01.08	Yu-Tsa Chu	-	105,800	8.20
Sun Hui Construction Co., Ltd.	Acquisition	2016.01.11	Yu-Tsa Chu	-	35,000	8.20
Sun Hui Construction Co., Ltd.	Acquisition	2016.01.11	Yu-Chu Hsu	-	44,774	8.20
Sun Hui Construction Co., Ltd.	Acquisition	2016.01.11	Yu-Chu Hsu	-	58,552	8.20
Sun Hui Construction Co., Ltd.	Acquisition	2016.01.11	Fu-Ling Investment Co., Ltd.	-	11,528	8.20
Sun Hui Construction Co., Ltd.	Acquisition	2016.01.11	Tsi-Ling Yang	-	8,000	8.20
Sun Hui Construction Co., Ltd.	Acquisition	2016.01.18	Yu-Tsa Chu	-	100,000	8.00
Sun Hui Construction Co., Ltd.	Acquisition	2016.01.27	Yu-Tsa Chu	-	6,342	8.20
Sun Hui Construction Co., Ltd.	Acquisition	2016.06.24	Northern Region Branch, National Property Administration	-	46,728	7.50
Fuching Investment Company	Acquisition	2016.02.03	Designated trust account of O-Bank	-	32,330,417	10.00
Yuanchih Investment Co., Ltd.	Acquisition	2016.02.03	Designated trust account of O-Bank	-	32,330,417	10.00

Name	Reason for transfer	Transaction date	Counterparty	Relationship between counterparty and 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
Jingqing Investment Co., Ltd.	Acquisition	2016.08.22	Cheng-Tong Liao	-	43,000	7.70
Jingqing Investment Co., Ltd.	Acquisition	2016.08.22	Chian-Hui Liao	-	202,000	7.70
Jingqing Investment Co., Ltd.	Acquisition	2016.11.10	Chian-Hui Liao	-	149,000	7.30
Jingqing Investment Co., Ltd.	Acquisition	2016.11.23	Shan-Hsiang Yang	-	1,86,500	7.50
Jingqing Investment Co., Ltd.	Acquisition	2016.12.14	Yao-Chiu Wang	-	18,863	7.30
Jingqing Investment Co., Ltd.	Acquisition	2016.12.14	Yu-Chu Hsu	-	20,000	7.30
Jingqing Investment Co., Ltd.	Acquisition	2016.12.14	Yu-Chu Hsu	-	66,184	7.30
Jingqing Investment Co., Ltd.	Acquisition	2016.12.28	Yu-Chu Hsu	-	144,647	7.20
Jingqing Investment Co., Ltd.	Acquisition	2016.02.20	Chian-Hui Liao	-	222,000	7.30
Jingqing Investment Co., Ltd.	Acquisition	2016.02.20	Yu-Chu Hsu	-	141,582	7.20
Ping-Che Liu	Disposal	2016.09.26	Chao-Pei Liu	Father and son	600,000	11.11
Ping-Che Liu	Disposal	2016.09.26	Shu-Hua Liu	Father and daughter	127,582	11.11

Note 1 : Related parties requiring equity declaration refer to the names of 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"

Note 2 : Filling in either "acquisition" or "disposal."

(III) Equity pledge information

Baseline date: February 28, 2017

Name	Reason for change	Date of change	Counterparty	Relationship between counterparty and the bank, directors, supervisors, managers, and those needing to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Individual Parties and Aggregate Related Parties"	No. of shares (shares)	Secured small loan (redemption) amount
Ping-Hui Liu	Redemption	2016.02.23	Cosmos Bank, Head Office	-	13,000,000	-
Ping-Hui Liu	Pledge	2016.02.23	Bank SinoPac, Lanya Branch	-	13,000,000	-
Fuching Investment Company	Redemption	2016.01.29	O-Bank, Head Office	-	19,200,000	-
Fuching Investment Company	Pledge	2016.01.29	King's Town Bank, Luchou Branch	-	24,050,000	-
Fuching Investment Company	Redemption	2016.02.23	O-Bank, Head Office	-	23,100,000	-
Fuching Investment Company	Pledge	2016.02.03	O-Bank, Head Office	-	32,330,000	-
Fuching Investment Company	Pledge	2016.02.23	Yuanta Bank, Taohsing Branch	-	25,000,000	-
Fuching Investment Company	Pledge	2016.05.12	Mega Bank, Daan Branch	-	2,400,000	-
Simon Fang	Pledge	2016.08.03	Mega Bills, Banqiao Branch	-	5,000,000	-
Simon Fang	Redemption	2016.05.05	Ta Chong Bank, Taoyuan Branch	-	5,000,000	-
Yuanchih Investment Co., Ltd.	Redemption	2016.02.23	O-Bank, Head Office	-	24,300,000	-
Yuanchih Investment Co., Ltd.	Pledge	2016.02.03	O-Bank, Head Office	-	32,330,000	-
Yuanchih Investment Co., Ltd.	Pledge	2016.02.17	King's Town Bank, Luchou Branch	-	4,050,000	-
Yuanchih Investment Co., Ltd.	Pledge	2016.02.23	Yuanta Bank, Taohsing Branch	-	23,800,000	-

Name	Reason for change	Date of change	Counterparty	Relationship between counterparty and the bank, directors, supervisors, managers, and those needing to declare equity in accordance with Article 11 of the "Regulations Governing Significant Ownership of Voting Rights over Banks by Individual Parties and Aggregate Related Parties"	No. of shares (shares)	Secured small loan (redemption) amount
Yuanchih Investment Co., Ltd.	Pledge	2016.02.23	Bank SinoPac, Lanya Branch	-	1,600,000	-
Yuanchih Investment Co., Ltd.	Pledge	2016.06.24	CBF Bank, Banqiao Branch	-	3,000,000	-
Yuanchih Investment Co., Ltd.	Redemption	2016.06.24	Taiwan Shin Kong Commercial Bank, Fuhsin Branch	-	3,000,000	-
Baiyuan Investment Company	Pledge	2016.05.05	Ta Chong Bank, Taoyuan Branch	-	14,000,000	-
Sun Hui Construction Co., Ltd.	Redemption	2016.02.23	Entie Commercial Bank, Head Office	-	7,272,000	-
Sun Hui Construction Co., Ltd.	Pledge	2016.02.24	KGI Bank, Head Office,	-	7,272,000	-
Sun Hui Construction Co., Ltd.	Pledge	2016.06.24	CBF Bank, Banqiao Branch	-	12,305,000	-
Sun Hui Construction Co., Ltd.	Redemption	2016.06.24	Taiwan Shin Kong Commercial Bank, Fuhsin Branch	-	10,205,000	-
Sun Hui Construction Co., Ltd.	Pledge	2016.08.03	Mega Bills, Banqiao Branch	-	1,300,000	-
Jingqing Investment Co., Ltd.	Redemption	2016.02.23	Entie Commercial Bank, Head office	-	5,443,000	-
Jingqing Investment Co., Ltd.	Pledge	2016.02.24	KGI Bank, Head Office	-	5,443,000	-
Jingqing Investment Co., Ltd.	Pledge	2016.07.20	KGI Bank, Head Office	-	3,607,000	-
Jingqing Investment Co., Ltd.	Redemption	2016.05.12	Mega Bank, Daan Branch	-	2,400,000	-
Sanlight Construction Co., Ltd.	Redemption	2016.01.08	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
Sanlight Construction Co., Ltd.	Redemption	2016.02.23	Cosmos Bank, Head Office	-	3,000,000	-
Sanlight Construction Co., Ltd.	Pledge	2016.02.17	King's Town Bank, Luchou Branch	-	20,000,000	-
Sanlight Construction Co., Ltd.	Pledge	2016.02.23	Bank SinoPac, Lanya Branch	-	3,000,000	-
Sanlight Construction Co., Ltd.	Pledge	2016.02.24	KGI Bank, Head Office	-	2,000,000	-
Sanlight Construction Co., Ltd.	Pledge	2016.03.10	Co- Operative assets management CO.LTD	-	5,000,000	-
Yuanmao Construction Co., Ltd.	Pledge	2016.05.27	King's Town Bank, Luchou Branch	-	20,000,000	-
Yuanmao Construction Co., Ltd.	Redemption	2016.05.27	Mega Bills, Banqiao Branch	-	20,000,000	-
Mei-Yun Liao	Pledge	2016.12.28	Taiwan Shin Kong Commercial Bank, Hsinpu Branch	-	16,000,000	-
Mei-Yun Liao	Redemption	2016.12.28	Taishin International Bank, Chienpei Branch	-	14,000,000	-
Mei-Yun Liao	Redemption	2016.12.28	Mega Bank, Daan Branch	-	2,000,000	-
Ling-Long Chien	Pledge	2016.06.03	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, 2016

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 Company: Wei-Ren Liao	128,436,103 -	10.17 -	-	-	-	-	Baiyuan Investment Company	Chairman Same person
Representative of Yuanchih Investment Co., Ltd.: Mei-Yun Liao	122,702,830 31,194,156	9.72 2.47	38,567,340	3.05	-	-	Mei-Yun Liao	Chairman
							Ping-Hui Liu	Director
							Sanlight Construction Co., Ltd.	Chairman Same person
							Sun Hui Construction Co., Ltd. Representative: Chao-Tong Liu	Second degree kinship
Representative of Sun Hui Construction Co., Ltd.: Chao-Tong Liu	64,512,266 242,102	5.11 0.02	-	-	-	-	Mei-Yun Liao	Second degree kinship
							Ping-Hui Liu	
							Representative of Yuanchih Investment Co., Ltd.: Mei-Yun Liao	
							Representative of Sanlight Construction Co., Ltd.: Mei-Yun Liao	
Ping-Hui Liu	38,567,340	3.05	31,194,156	2.47	-	-	Yuanchih Investment Co., Ltd.	Director
							Representative of Sun Hui Construction Co., Ltd.: Chao-Tong Liu	Second degree kinship
							Mei-Yun Liao	Spouse
							Representative of Sanlight Construction Co., Ltd.: Mei-Yun Liao	Spouse
Representative of Baiyuan Investment Co., Ltd.: Wei-Ren Liao	35,404,113 -	2.80 -	-	-	-	-	Fuching Investment Company	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.: Mei-Yun Liao							Mei-Yun Liao	Chairman
							Ping-Hui Liu	Director
	35,120,449	2.78	38,567,340	3.05	-	-	Yuanchih Investment Co., Ltd.	Chairman
	31,194,156	2.47					Representative of Sun Hui Construction Co., Ltd.: Chao-Tong Liu	Same person
Mei-Yun Liao								Second degree kinship
							Yuanchih Investment Co., Ltd.	Chairman
	31,194,156	2.47	38,567,340	3.05	-	-	Sanlight Construction Co., Ltd.	Chairman
							Representative of Sun Hui Construction Co., Ltd.: Chao-Tong Liu	Second degree kinship
Representative of Jingqing Investment Co., Ltd.: Chung-Er Lin							Ping-Hui Liu	Spouse
	29,155,428	2.31	59,008	-	-	-	Yuanmao Construction Co., Ltd.	Chairman
	87,850	0.01						Same person
Representative of Yuanmao Construction Co., Ltd.: Chung-Er Lin	21,352,964	1.69	59,008	-	-	-	Jingqing Investment Co., Ltd.	Chairman
	87,850	0.01						Same person
Simon Fang	18,571,195	1.47	9,721,597	0.77-	-	-	-	-

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, 2016

Investment Transfer	Investment by Bank of Panhsin		Investment by directors, supervisors, president, vice president, assistant vice president, managers, and entities directly or indirectly controlled by the Bank		Consolidated Investment	
	No. of shares (shares)	Percentage of shares (%)	No. of shares (shares)	Percentage of shares (%)	No. of shares (shares)	Percentage of shares (%)
Hsinruidu Development Co., Ltd.	4,940,000	1.86	-	-	4,940,000	1.86
Financial Information Service Co., Ltd.	5,937,750	1.14	-	-	5,937,750	1.14
Taiwan Depository & Clearing Corporation	292,499	0.09	-	-	292,499	0.09
Yangguang Asset Management Co., Ltd.	69,180	1.15	-	-	69,180	1.15
Taiwan Mobile Payment Co., Ltd.	300,000	0.55	-	-	300,000	0.55
Panhsin Asset Management Co., Ltd.	66,000,000	100.00	-	-	66,000,000	100.00
Panhsin International Rental Co., Ltd.	30,000,000	100.00	-	-	30,000,000	100.00

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

Fund raising

I、Capital and Shares

(I) Sources of capital

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

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 in accordance with Jing-Guan-Yin (3) Letter No. 09500320330.

Type \ Shares	Authorized capital (thousand shares)			Note
	Outstanding shares	Unissued shares	Total	
Common Stock	1,262,695	537,305	1,800,000	Became a public issuing company as of November 14, 2006

(II) Shareholder structure

Baseline date: December 31, 2016

Shareholder structure \ Quantity	Government agencies	Financial institutions	Other corporations	Individuals	Foreign institutions and foreigners	Total
Number of people	2	12	82	98,282	23	98,401
Number of shares held	2,678	340,096,137	142,102,053	780,226,513	267,858	1,262,695,239
Percentage of shares (%)	-	26.93	11.25	61.80	0.02	100.00

Note : Number of shares held was based on the 1,262,695,239 common stock issued by December 31, 2016.

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

Baseline date: December 31, 2016

Shareholding range	Number of shareholders	No. of shares held	Percentage of shares (%)
1 to 999	72,739	26,889,791	2.13
1,000 to 5,000	13,263	39,934,237	3.16
5,001 to 10,000	3,188	21,312,236	1.69
10,001 to 15,000	1,875	22,679,662	1.80
15,001 to 20,000	720	12,033,659	0.95
20,001 to 30,000	3,644	89,704,821	7.10
30,001 to 50,000	960	35,844,853	2.84
50,001 to 100,000	1,383	89,619,244	7.10
100,001 to 200,000	306	40,840,689	3.23
200,001 to 400,000	138	38,051,222	3.01
400,001 to 600,000	48	23,829,966	1.89
600,001 to 800,000	38	26,770,312	2.12
800,001 to 1,000,000	15	13,757,143	1.09
1,000,001 to 999,999,999	84	781,427,404	61.89
Total	98,401	1,262,695,239	100.00

Note : Number of shares held and percentage of shares were based on the 1,262,695,239 common stock issued by December 31, 2016.

(IV) Major shareholders

Baseline date: December 31, 2016

Shares		
No. of shares held		Percentage of shares (%)
Name of majority shareholders		
Fuching Investment Co., Ltd.	128,436,103	10.17
Yuanchih Investment Co., Ltd.	122,702,830	9.72
Sun Hui Construction Co., Ltd.	64,512,266	5.11
Ping-Hui Liu	38,567,340	3.05
Baiyuan Investment Co., Ltd.	35,404,113	2.80
Sanlight Construction Co., Ltd.	35,120,449	2.78
Mei-Yun Liao	31,194,156	2.47
Jingqing Investment Co., Ltd.	29,155,428	2.31
Yuanmao Construction Co., Ltd.	21,352,964	1.69
Simon Fang	18,571,195	1.47

Note: : Number of shares held and percentage of shares were based on the 1,262,695,239 common stock issued by December 31, 2016.

II 、 Issuance of financial instruments

Baseline date: December 31, 2016

Order of Share Issuance	11th	12th	13th
Term	2011 Term 1	2012 Term 1	2013 Term 2
Central competent authority	2011.10.06, Jing-Guan-Yin-He-Zi	2011.10.06, Jing-Guan-Yin-He-Zi	2012.10.08, Jing-Guan-Yin-He-Zi
Approval date, Letter No.	No. 10000337280	No. 10000337280	No. 10100319820
Date of issue	2011.12.02	2012.03.21	2012.11.12
Denomination (NT\$)	10 million		
Place of issue and trading	-		
Currency	TWD		
Issue price	Fully issued at denomination		
Total	NT\$400 million	NT\$100 million	NT\$700 million
Interest rate	Fixed:3%	Fixed:3%	Fixed:3%
Term	6 years	6 years	6 years
	Maturity date: 2017.12.02	Maturity date: 2018.03.21	Maturity date: 2018.11.12
Claim Priority	Second		
Terms of repayment	Lump-sum at maturity		
Unpaid Balance	NT\$400 million	NT\$100 million	NT\$700 million
Previous-year paid-in capital	NT\$9,558 million	NT\$9,558 million	NT\$9,558 million
	(including preferred shares)	-	-
Previous-year net value after settlement	NT\$8,602 million	NT\$7,868 million	NT\$7,868 million
Contract Implementation	-		
Provisions for redemption or advanced settlement	-		
Criteria for conversion and exchange	-		
Restrictive terms	Sales and transfer objects of the Bank's debentures are limited to banks, bill finance companies, trust enterprises, insurance companies, securities firms, specific persons who participate in the Bank's Capital Strengthening Program.		
Capital Allocation Plan	Adequate capital structure		
The ratio of the reported issue amount plus the balance of already issued and outstanding bonds to the net worth after final report of the preceding year (%)	50.44	35.07	43.96
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	Taiwan Ratings Corporation	Taiwan Ratings Corporation
	2011.12.02	2012.03.21	2012.11.05
	twBB+	twBB+	twBB+

Order of Share Issuance	14th	15th	16th
Term	2014 Term 1	2015 Term 1	2016 Term 2
Central competent authority	2014.03.28, Jing-Guan-Yin-He-Zi	2016.07.25, Jing-Guan-Yin-He-Zi	2016.07.25, Jing-Guan-Yin-He-Zi
Approval date, Letter No.	No. 10300083390	No. 10500180450	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%	Fixed:4.75%	
	Floating: : +1.50% floating rate for 1-year time deposit according to Chunghwa Post Co., Ltd.	-	
	6 years Maturity date: 2017.12.02	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	Taiwan Ratings Corporation		
	2014.06.04	2015.10.30	2015.10.30
	twBB+	twBBB-	twBBB-

Overview of Business Operation

I、Scope of business

(I) Primary business revenue breakdown

1. Deposit

Unit: NT\$ thousand

Category	End of December 2016		End of December 2015		Difference	
	Amount	Proportion(%)	Amount	Proportion(%)	Amount	Growth rate(%)
Current Deposit	78,530,321	37.77	76,497,104	40.78	2,033,217	2.66
Checking Deposit	2,074,767	1.00	1,626,723	0.87	448,044	27.54
Demand Deposit	28,245,832	13.58	27,992,971	14.92	252,861	0.90
Demand Savings Deposit	48,209,722	23.19	46,877,410	24.99	1,332,312	2.84
Time Deposit	128,099,671	61.61	109,747,036	58.51	18,352,635	16.72
Time Deposit	48,390,794	23.27	32,339,537	17.24	16,051,257	49.63
Negotiable certificates of deposit (NCD)	799,400	0.38	580,200	0.31	219,200	37.78
Time Savings Deposit	78,909,478	37.95	76,827,300	40.96	2,082,178	2.71
Interest-drawing Savings Deposit	67,958,855	32.68	67,421,226	35.95	537,629	0.80
Non-interest-drawing Time Savings Deposit	10,818,394	5.20	9,279,306	4.95	1,539,088	16.59
Installment Savings Deposit	132,229	0.06	126,767	0.07	5,462	4.31
Re-deposit from Banks & Post Office	1,302,332	0.63	1,320,036	0.70	- 17,704	-1.34
Total Deposits	207,932,325	100.00	187,564,176	100.00	20,368,149	10.86

Note : Total Deposits include NTD and foreign currency deposit.

2. Credit business

(1) Personal Loans

Unit: NT\$ thousand

Category	End of December 2016		End of December 2015		Difference	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Growth rate (%)
Secured overdraft	26,164	0.04	3,431	0.01	22,733	662.49
Short-term loans	596,100	0.93	447,145	0.73	148,955	33.31
Short-term secured loans	17,669,933	27.70	11,312,270	18.50	6,357,663	56.20
Mid-term loans	960,195	1.51	1,309,808	2.14	-349,613	-26.69
Mid-term secured loans	13,402,637	21.01	15,122,540	24.73	-1,719,903	-11.37
Long-term loans	239,883	0.38	314,200	0.51	-74,317	-23.65
Long-term secured loans	30,891,049	48.43	32,642,356	53.38	-1,751,307	-5.37
Total outstanding loan balance in TWD	63,785,961	100.00	61,151,750	100.00	2,634,211	4.31

(2) Corporate NTD loans

Unit: NT\$ thousand

Category	End of December 2016		End of December 2015		Difference	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Growth rate (%)
Short-term loans	15,050,230	22.88	13,870,168	22.88	1,180,062	8.51
Short-term secured loans	12,060,302	18.34	9,191,474	15.16	2,868,828	31.21
Mid-term loans	8,732,889	13.28	9,703,541	16.00	-970,652	-10.00
Mid-term secured loans	24,999,388	38.01	23,866,633	39.36	1,132,755	4.75
Long-term loans	496,658	0.75	446,228	0.74	50,430	11.30
Long-term secured loans	4,430,956	6.74	3,550,957	5.86	879,999	24.78
Total outstanding loan balance in TWD	65,770,423	100.00	60,629,001	100.00	5,141,422	8.48

(3) Corporate foreign currency loans

Unit: US\$ thousand

Category	End of December 2016		End of December 2015		Difference	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Growth rate (%)
Export bill	895	0.34	660	0.21	235	35.58
Short-term loans	132,888	50.07	153,140	49.67	-20,252	-13.22
Short-term secured loans	21,201	7.99	14,500	4.7	6,701	46.22
Mid-term loans	92,293	34.77	119,188	38.66	-26,895	-22.56
Mid-term secured loans	16,381	6.17	20,843	6.76	-4,462	-21.41
Long-term loans	1,750	0.66	-	-	1,750	-
Total outstanding loan balance in Foreign currency	265,408	100	308,331	100	-42,923	-13.92

3. Wealth management and trust services

Unit: NT\$ thousand

Primary Businesses	2016		2015		Difference	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Growth rate (%)
Special monetary trust in domestic and offshore securities	98,191	15.38	132,675	21.71	-34,484	-25.99
Real-estate trust (development and management)	51,004	7.99	51,499	8.43	-495	-0.96
Other trusts	13,375	2.1	16,550	2.71	-3,175	-19.18
Fee income subtotal	162,570	25.47	200,724	32.84	-38,154	-19.01
Insurance	475,694	74.53	410,519	67.16	65,175	15.88
Fee income grand total	638,264	100	611,243	100	27,021	4.42

4. Debt collection and management services

Overdue loan payment amounted to NT\$1,164,127,000 at the end of 2016, reflecting a increasing of NT\$207,144 compared with the NT\$956,983 in 2015. Regarding the undertaken collateral, the remaining balance for 2016 was NT\$1,010,382,000, which is NT\$349,752,000 more than the NT\$660,630,000 for 2015.

5. Foreign currencies

Unit: US\$ thousand

Category	2016		2015		Difference	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Growth rate (%)
Imports	369,896	10.2	333,497	8.89	36,399	10.91
Exports	137,132	3.8	170,061	4.53	-32,929	-19.36
Outward remittance	1,401,846	38.7	1,417,456	37.79	-15,610	-1.10
Inward remittance	1,717,602	47.4	1,829,888	48.79	-112,286	-6.14
Total	3,626,476	100.0	3,750,902	100.00	-124,426	-3.32
Foreign currency deposit balance	463,793	-	466,384	-	-2,591	-0.56
Foreign currency loan balance	265,408	-	308,331	-	-42,923	-13.92

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

Unit: NT\$ thousand

Primary businesses	End of December 2016		End of December 2015	
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)
Total assets	232,582,554	100.00	209,966,912	100.00
Loans and discounts	137,516,023	59.13	131,236,162	62.50
Deposits at the CBC as well as loans to other banks	49,712,132	21.37	33,738,715	16.07
Investments in bills, bonds, and securities	20,465,284	8.80	22,769,547	10.84
Others	24,889,115	10.70	22,222,488	10.58
Total liabilities	219,282,109	94.28	196,745,340	93.70
Deposits and remittances	206,495,592	88.78	186,111,200	88.64
Deposits from CBC and peer banks	1,302,332	0.56	1,320,036	0.06
Financial bonds payable	5,826,000	2.50	4,700,000	2.24
Others	5,658,185	2.43	4,614,104	2.20

Note 1 : Compiled in accordance with the International Financial Reporting Standards (IFRSs) for consolidated statements.

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

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

Unit: NT\$ thousand

Primary businesses	2016		2015	
	Amount	As a percentage of net income (%)	Amount	As a percentage of net income (%)
Net interest income	2,234,786	62.03	2,360,646	63.12
Net fee income	917,469	25.46	451,891	12.08
Financial asset or financial liability at fair value through profit (loss)	154,234	4.28	279,557	7.47
Realized gain (loss) on available-for-sale financial assets	220,114	6.11	80,750	2.16
Share of gain (loss) from subsidiaries recognized by equity method	0	0.00	0	0.00
Exchange gains	-106,479	-2.96	-100,013	-2.67
Reversal gains from asset impairments (losses)	-578	-0.02	-76	0.00
Other non-interest income	183,437	5.09	667,260	17.84
Net income	3,602,983	100.00	3,740,015	100.00

Note 1 : Compiled in accordance with the International Financial Reporting Standards (IFRSs) for consolidated statements.

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

II 、 Employees

Year		2015	2016	Now until February 28, 2017
Number of employees	Staff	1,395	1,349	1,331
	Service personnel	31	47	45
	Total	1,426	1,396	1,376
Average age		39.70	39.66	39.99
Average years of services		10.09	9.98	10.15
Academic qualification	Higher education	8.49	8.67	8.87
	Bachelors Degree	82.12	80.80	80.81
	High school	9.19	10.32	10.10
	Below high school	0.21	0.21	0.22

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	Financial data over the last five years					Up to February 28, 2017
	2016	2015 (Note 3)	2014	2013	2012	
Cash and cash equivalents, deposits at CBC and interbank loans	55,145,764	38,297,240	37,210,318	36,880,549	40,772,472	Note4
Financial assets at fair value through profit and loss	4,104,384	3,057,697	4,679,723	557,936	714,318	
Financial assets available for sale	9,239,105	12,728,369	14,711,668	8,900,515	6,671,543	
Financial asset derivatives for hedging purposes	-	-	-	-	-	
Investment in resale bills and bonds	7,021,795	6,233,031	3,926,169	199,781	1,299,002	
Accounts receivables - net	5,738,144	3,808,133	1,556,966	1,527,932	904,964	
Current income tax assets	20,298	34,148	76,510	101,259	68,604	
Assets for sale - net	-	-	-	-	-	
Loans and discounts - net	137,516,023	131,236,162	128,273,163	103,162,173	97,333,371	
Held-to-maturity financial assets	100,000	750,450	753,678	707,940	713,084	
Equity-accounted investments - net	-	-	-	-	-	
Restricted assets	-	-	-	-	-	
Other financial assets - net	55,537	55,537	65,537	62,537	62,547	
Property and equipment - net	6,563,692	6,709,010	6,914,737	5,700,952	5,882,897	
Investment property - net	2,333,805	2,315,100	2,231,343	1,837,972	2,130,803	
Intangible assets - net	2,375,266	2,418,500	2,464,359	1,463,675	1,511,896	
Deferred taxes assets - net	603,079	657,869	773,941	879,997	1,048,936	
Other assets	1,765,662	1,665,666	827,227	846,039	1,075,737	
Total assets	232,582,554	209,966,912	204,465,339	162,829,257	160,190,174	
Deposits at the CBC and peer banks	1,302,332	1,320,036	1,650,763	1,118,851	1,112,671	
Loans from CBC and peer banks	1,401,000	438,000	-	-	-	
Financial liabilities at fair value through profit and loss	185,181	431,388	962	11,997	6,863	
Financial liability derivatives for hedging purposes	-	-	-	-	-	
Bills and bonds sold under repurchase agreements	-	-	-	-	-	

Year		Financial data over the last five years					Up to February 28, 2017
		2016	2015 (Note 3)	2014	2013	2012	
Payables		3,593,163	3,234,613	3,145,610	2,000,824	2,380,862	Note4
Current income tax liabilities		10,961	-	13,614	-	20,955	
Liabilities directly related to for-sale assets		-	-	-	-	-	
Deposits and remittances		206,495,592	186,111,200	181,967,628	146,574,270	145,304,922	
Bonds payable		5,826,000	4,700,000	5,420,000	2,939,000	2,939,000	
Special share liabilities		-	-	-	-	-	
Other financial liabilities		-	-	-	13,928	18,810	
Liability provisions		183,924	180,049	186,989	178,245	169,295	
Deferred income tax liabilities		108,292	111,197	111,197	35,037	119,948	
Other liabilities		175,664	218,857	374,691	140,416	123,979	
Total liabilities	Before distribution	219,282,109	196,745,340	192,871,454	153,012,568	152,197,305	
	After distribution	(Note 1)	196,806,399	192,871,454	153,169,021	152,197,305	
Equity attributable to parent company shareholders		13,300,445	13,241,861	11,602,580	9,816,689	7,992,869	
Share capital	Before distribution	12,626,953	12,211,753	11,057,900	9,557,900	9,557,900	
	After distribution	(Note 1)	12,626,952	11,411,753	9,557,900	9,557,900	
Capital reserves		-	-	-	-	-	
Retained earnings	Before distribution	752,727	881,681	505,916	264,267	-1,621,620	
	After distribution	(Note 1)	405,423	152,063	107,814	-1,621,620	
Other equity		-79,235	128,138	30,069	-5,478	56,589	
Treasury stock		-	-	-	-	-	
Non-controlling shareholders		-	-	-	-	-	
Total equity	Before distribution	13,300,445	13,221,572	11,593,885	9,816,689	7,992,869	
	After distribution	(Note 1)	13,160,513	11,593,885	9,660,236	7,992,869	

Note 1: The aforementioned data obtained after distribution are based on the resolution of the annual shareholders' meeting. Earnings distribution for 2016 has not yet been approved by the shareholders' meeting.

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

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

Note 4: Panhsin brokerage agency was merged by Bank of Panhsin on 2016.07.01, the Financial Statements was re-edited in 2016.

(2) Individual

Unit: NT\$ thousand

Year		Financial data over the last five years					Up to February 28, 2017
Item	2016	2015 (Note 3)	2014	2013	2012		
Cash and cash equivalents, deposits at CBC and interbank loans	55,082,825	38,280,130	37,187,724	36,877,989	40,769,917	Note5	
Financial assets at fair value through profit and loss	4,104,384	3,057,697	4,679,723	557,936	714,318		
Financial assets available for sale	9,239,105	12,728,369	14,711,668	8,900,515	6,671,543		
Financial asset derivatives for hedging purposes	-	-	-	-	-		
Investment in resale bills and bonds	7,021,795	6,233,031	3,926,169	199,781	1,299,002		
Accounts receivables - net	4,125,604	3,242,478	1,501,115	1,419,362	1,017,320		
Current income tax assets	19,966	34,028	69,614	94,365	68,579		
Assets for sale - net	-	-	-	-	-		
Loans and discounts - net	137,516,023	131,236,162	128,273,163	103,162,173	97,333,371		
Held-to-maturity financial assets	100,000	750,450	753,678	707,940	713,084		
Equity-accounted investments - net	487,197	481,811	555,412	259,808	178,446		
Restricted assets	-	-	-	-	-		
Other financial assets - net	55,537	55,537	65,537	62,537	62,547		
Property and equipment - net	6,560,824	6,706,664	6,911,428	5,700,779	5,882,670		
Investment property - net	2,333,805	2,315,100	2,215,464	1,821,843	2,048,406		
Intangible assets - net	2,375,266	2,418,500	2,464,359	1,463,675	1,511,801		
Deferred taxes assets - net	603,079	657,869	773,941	879,997	1,048,936		
Other assets	1,686,123	1,445,185	792,111	813,192	988,899		
Total assets	231,311,533	209,643,011	204,881,106	162,921,892	160,308,839		
Deposits at the CBC and peer banks	1,302,332	1,320,036	1,650,763	1,118,851	1,112,671		
Loans from CBC and peer banks	-	-	-	-	-		
Financial liabilities at fair value through profit and loss	185,181	431,388	962	11,997	6,863		
Financial liability derivatives for hedging purposes	-	-	-	-	-		
Bills and bonds sold under repurchase agreements	-	-	-	-	-		
Payables	3,571,675	3,213,878	3,137,455	1,988,282	2,372,007		
Current income tax liabilities	10,019	-	-	-	-		
Liabilities directly related to for-sale assets	-	-	-	-	-		
Deposits and remittances	206,650,562	186,251,343	182,411,479	146,684,018	145,493,410		
Bonds payable	5,826,000	4,700,000	5,420,000	2,939,000	2,939,000		
Special share liabilities	-	-	-	-	-		
Other financial liabilities	-	-	-	13,928	18,810		

Year		Financial data over the last five years					Up to February 28, 2017
Item		2016	2015 (Note 3)	2014	2013	2012	
Liability provisions		183,924	180,049	186,989	178,245	169,295	Note5
Deferred income tax liabilities		108,292	111,197	111,197	35,037	119,948	
Other liabilities		173,103	213,548	368,376	135,845	83,966	
Total liabilities	Before distribution	218,011,088	196,421,439	193,287,221	153,105,203	152,315,970	
	After distribution	(Note 1)	196,482,498	193,287,221	153,261,656	152,315,970	
Equity attributable to parent company shareholders		13,300,445	13,221,572	11,593,885	9,816,689	7,992,869	
Share capital	Before distribution	12,626,953	12,211,753	11,057,900	9,557,900	9,557,900	
	After distribution	(Note 1)	12,626,952	11,411,753	9,557,900	9,557,900	
Capital reserves		-	-	-	-	-	
Retained-earnings	Before distribution	752,727	881,681	505,916	264,267	-1,621,620	
	After distribution	(Note 1)	405,423	152,063	107,814	-1,621,620	
Other equity		-79,235	128,138	30,069	-5,478	56,589	
Treasury stock		-	-	-	-	-	
Non-controlling shareholders		-	-	-	-	-	
Total equity	Before distribution	13,300,445	13,221,572	11,593,885	9,816,689	7,992,869	
	After distribution	(Note 1)	13,160,513	11,593,885	9,660,236	7,992,869	

Note 1 : The aforementioned data obtained after distribution are based on the resolution of the annual shareholders' meeting. Earnings distribution for 2015 has not yet been approved by the shareholders' meeting.

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

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

Note 4 : Panhsin broderage agency was merged by Bank of Panhsin on 2016.07.01, the Financial Statements was re-edited in 2016.

Note 5 : There no further update from CPA till the publication date of this annual report (2017.02.28).

(II) Comparative summary of income statement

1. Adoption of International Financial Reporting Standards

(1) Consolidated

Unit: NT\$ thousand

Item \ Year	Financial data over the last five years					Up to February 28, 2017
	2016	2015 (Note 3)	2014 (Note 3)	2013	2012	
Interest income	3,829,018	3,994,187	3,669,634	3,139,337	3,132,713	Note 4
Less: Interest expenses	1,594,232	1,633,541	1,474,956	1,268,884	1,259,783	
Net interest income	2,234,786	2,360,646	2,194,678	1,870,453	1,872,930	
Non-interest net income	1,368,197	1,379,369	1,403,894	2,161,240	767,803	
Net operating income	3,602,983	3,740,015	3,598,572	4,031,693	2,640,733	
Bad loan expenses and provisions for guarantee liabilities	496,179	231,758	565,891	84,606	307,766	
Operating expenses	2,651,953	2,640,444	2,364,736	1,967,157	2,048,578	
Pre-tax profit from continuing operations	454,851	867,813	667,945	1,979,930	284,389	
Income tax gains (expenses)	-104,363	-143,963	-184,147	-94,043	-137,798	
Current profit from continuing operations	350,488	723,850	483,798	1,885,887	146,591	
Profit and loss from discontinuing operations	-	-	-	-	-	
Net profit (loss) for the current period	350,488	723,850	483,798	1,885,887	146,591	
Other comprehensive income/losses for the current period (net, after-tax)	-210,556	103,837	35,547	-62,067	47,788	
Total comprehensive income for the current period	139,932	827,687	519,345	1,823,820	194,379	
Net profit attributable to parent company shareholders	350,488	723,850	483,798	1,885,887	146,591	
Net profit attributable to non-controlling shareholders	-	-	-	-	-	
Total comprehensive income attributable to parent company shareholders	139,932	827,687	519,345	1,823,820	194,379	
Total comprehensive income attributable to non-controlling shareholders	-	-	-	-	-	
Earnings (loss) per share	0.28	0.61	0.46	1.97	0.15	

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 1 and 2 of No. 330, Zhongzheng Road, Banqiao District, New Taipei City, as profit due to changes in the leaseback period. This recognition was considered an accounting error and was rectified; therefore, the profit and loss for 2014 were adjusted. And, the Bank recognized the sale of Floors 5-8 and 10 of No. 330, Zhongzheng Road, Banqiao District, New Taipei City, as profit due to changes in the leaseback period. This recognition was considered an accounting error and was rectified; therefore, the profit and loss for 2015 were adjusted.

Note 4 : There no further update from CPA till the publication date of this annual report (2017.02.28).

(2) Individual

Unit: NT\$ thousand

Item \ Year	Financial data over the last five years					Up to February 28, 2017
	2016	2015 (Note 3)	2014 (Note 3)	2013	2012	
Interest income	3,779,734	3,994,132	3,673,403	3,156,900	3,155,884	Note 5
Less: Interest expenses	1,580,885	1,630,957	1,475,190	1,269,061	1,260,015	
Net interest income	2,198,849	2,363,175	2,198,213	1,887,839	1,895,869	
Non-interest net income	1,348,009	1,347,858	849,839	2,055,011	662,981	
Net operating income	3,546,858	3,711,033	3,048,052	3,942,850	2,558,850	
Bad loan expenses and provisions for guarantee liabilities	476,888	224,126	69,460	47,606	307,766	
Operating expenses	2,615,934	2,619,435	2,326,197	1,922,990	1,995,774	
Pre-tax profit from continuing operations	454,036	867,472	652,395	1,972,254	255,310	
Income tax gains (expenses)	-103,548	-143,622	-164,886	-86,367	-108,719	
Current profit from continuing operations	350,488	723,850	487,509	1,885,887	146,591	
Profit and loss from discontinuing operations	-	-	-	-	-	
Net profit (loss) for the current period	350,488	723,850	487,509	1,885,887	146,591	
Other comprehensive income/losses for the current period (net, after-tax)	-210,556	103,837	23,051	-62,067	47,788	
Total comprehensive income for the current period	139,932	827,687	510,560	1,823,820	194,379	
Net profit attributable to parent company shareholders	350,488	723,850	487,509	1,885,887	146,591	
Net profit attributable to non-controlling shareholders	-	-	-	-	-	
Total comprehensive income attributable to parent company shareholders	139,932	827,687	510,560	1,823,820	194,379	
Total comprehensive income attributable to non-controlling shareholders	-	-	-	-	-	
Earnings (loss) per share	0.28	0.61	0.46	1.97	0.15	

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 1 and 2 of No. 330, Zhongzheng Road, Banqiao District, New Taipei City, as profit due to changes in the leaseback period. This recognition was considered an accounting error and was rectified; therefore, the profit and loss for 2014 & 2015 were adjusted.

Note 4 : Panhsin brokerage agency was merged by Bank of Panhsin on 2016.07.01, the Financial Statements was re-edited in 2016.

Note 5 : There no further update from CPA till the publication date of this annual report (2017.02.28).

II、Five-year financial analysis

(I) Adoption of International Financial Reporting Standards

1. Consolidated

Unit: NT\$ thousand

Year		Financial analysis for the last five years					Up to February 28, 2017
Item		2016	2015 (Note 10)	2014 (Note 10)	2013	2012	
Operational Efficiency	Loans to deposit ratio (%)	67	71	71	71	68	Note 11
	Overdue loan ratio (%)	0.84	0.72	0.88	1.2	1.21	
	Interest expense as a percentage of annual average deposit balance (%)	0.73	0.76	0.80	0.80	0.81	
	Interest income as a percentage of annual average loan balance (%)	2.4	2.64	2.66	2.69	2.65	
	Asset turnover rate (times)	0.02	0.02	0.02	0.02	0.02	
	Operating revenue per employee	2,594	2,629	2,526	3,565	2,242	
	Profit per employee	252	515	331	1667	124	
Profitability	Tier 1 capital return ratio (%)	4	9	8	26	4	
	Return on assets (%)	0.16	0.35	0.26	1.17	0.09	
	Return on equity (%)	2.64	5.55	4.37	21.18	1.86	
	Net profit margin (%)	9.73	19.60	13.09	46.78	5.55	
	Earnings per share (NT\$)	0.28	0.64	0.45	1.97	0.15	
Financial structure	Liabilities to total assets (%)	94	94	94	94	95	
	Real estate and equipment as a percentage of total equity (%)	49	51	60	58	74	
Growth rate	Asset growth rate (%)	11	3	26	2	1	
	Profit growth rate (%)	-48	30	-66	596	129	
Cash Flows	Operating cash flow ratio (%)	402	157	(Note 8)	(Note 8)	232	
	Cash flow adequacy ratio (%)	(Note 8)	(Note 8)	(Note 8)	60	244	
	Cash flow satisfied ratio (%)	10,084	665	(Note 8)	(Note 8)	(Note 9)	
Liquid reserve ratio (%)		26	26	27	25	25	
Total secured credit balance of stakeholders		3,337,770	3,261,177	2,436,941	1,701,311	1,519,923	

Total secured credit balance of stakeholders as a percentage of total credit balance (%)		2.33	2.39	1.82	1.59	1.5
Operating scale	Asset market share (%)	0.39	0.36	0.37	0.32	0.34
	Equity market share (%)	0.35	0.36	0.34	0.32	0.28
	Deposit market share (%)	0.52	0.48	0.50	0.43	0.44
	Loan market share (%)	0.55	0.55	0.55	0.47	0.46
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 profit per employee, Tier 1 capital return ratio, return on asset, return on equity, net margin, earning per share, and profit growth: Mainly due to recognizing less bad debt expenses in 2016 compared with 2015.						
2.Decrease in property and equipment as a percentage of total equity, asset growth, and profit growth: Mainly due to a reduction in gain on disposal of property and equipment in 2016.						
3.Increase in operating cash flow ratio and cash flow adequacy ratio: Mainly due to increase cash inflow from operating activities in 2016 compared with 2015.						

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 : Cash flow from investment activities is a net inflow and is therefore not expressed.

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

Note 11 : There no further update from CPA till the publication date of this annual report (2017.02.28)

2. Individual

Unit: NT\$ thousand

Year		Financial analysis for the last five years					Up to February 28, 2017
Item		2016	2015 (Note 10)	2014 (Note 10)	2013	2012	
Operational Efficiency	Loans to deposit ratio (%)	67	71	71	71	68	Note 12
	Overdue loan ratio (%)	0.84	0.72	0.88	1.20	1.21	
	Interest expense as a percentage of annual average deposit balance (%)	0.73	0.82	0.80	0.80	0.81	
	Interest income as a percentage of annual average loan balance (%)	2.40	2.64	2.66	2.69	2.65	
	Asset turnover rate (times)	0.02	0.02	0.02	0.02	0.02	
	Operating revenue per employee	2,554	2,582	2,154	3,486	2,172	
	Profit per employee	252	515	350	1,667	124	
Profitability	Tier 1 capital return ratio (%)	4	10	8	26	4	
	Return on assets (%)	0.16	0.35	0.27	1.17	0.09	
	Return on equity (%)	2.64	5.92	4.63	21.18	1.86	
	Net profit margin (%)	9.88	19.96	16.23	47.83	5.73	
	Earnings per share (NT\$)	0.28	0.64	0.45	1.97	0.15	
Financial structure	Liabilities to total assets (%)	94	94	94	94	95	
	Real estate and equipment as a percentage of total equity (%)	49	51	60	58	74	
Growth rate	Asset growth rate (%)	10	2	26	2	1	
	Profit growth rate (%)	-48	33	-66	672	126	
Cash Flows	Operating cash flow ratio (%)	433	166	(Note 8)	(Note 8)	236	
	Cash flow adequacy ratio (%)	(Note 8)	(Note 8)	(Note 8)	116	259	
	Cash flow satisfied ratio (%)	5,613	866	(Note 8)	(Note 8)	(Note 9)	
Liquidity Reserve Ratio (%)		26	26	27	25	25	
Total secured credit balance of stakeholders		3,337,770	3,261,177	2,436,941	1,701,311	1,519,923	
Total secured credit balance of stakeholders as a percentage of total credit balance (%)		2.33	2.39	1.82	1.59	1.50	
Operating scale	Asset market share (%)	0.39	0.36	0.37	0.32	0.34	
	Equity market share (%)	0.35	0.36	0.34	0.32	0.28	
	Deposit market share (%)	0.52	0.48	0.50	0.43	0.45	
	Loan market share (%)	0.55	0.55	0.55	0.47	0.46	
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 profit per employee, Tier 1 capital return ratio, return on asset, return on equity, net margin, earning per share, and profit growth: Mainly due to an increase in the profits of equity-accounted affiliated companies in 2016 and an increase in the recognized bad debt expenses compared with those in 2015.

2. Decrease in property and equipment as a percentage of total equity, asset growth, and profit growth: Mainly due to a reduction in gain on disposal of property and equipment in 2016.

3. Increase in operating cash flow ratio and cash flow adequacy ratio: Mainly due to increase cash inflow from operating activities in 2016 compared with 2015.

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

- (5) Asset market share = Total assets / Total assets of financial institutes which can operate deposits and loans business (Note 5)
- (6) Equity market share = Total equities / Total net equities of financial institutes which can operate deposits and loans business
- (7) Deposit market share = Total deposits / Total deposits of financial institutes which can operate deposits and loans business
- (8) 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 : Cash flow from investment activities is a net inflow and is therefore not expressed.

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

Note 11 : Panhsin brokerage agency was merged by Bank of Panhsin on 2016.07.01, the Financial Statements was re-edited in 2016.

Note 12 : There no further update from CPA till the publication date of this annual report (2017.02.28)

III 、Five-year capital adequacy analysis

(I) Adoption of International Financial Reporting Standards

1. Individual

Unit: NT\$ thousand

Year			Five-Year Capital Adequacy Ratio					Up to February 28, 2017
Item			2016	2015	2014	2013	2012	
Regulatory Capital	Common stock equity		10,172,601	9,762,200	8,314,491	7,905,757	N/A	Note 4
	Other non-ordinary share Tier 1 capital		1,465,317	-	-	-		
	Tier 2 capital		2,599,425	3,374,976	3,978,510	1,191,685		
	Regulatory Capital		14,237,343	13,137,176	12,293,001	9,097,442		
Total weighted risk asset	Credit risk	Standardized approach	133,712,568	126,324,158	122,323,791	95,173,479		
		Internal rating approach	-	-	-	-		
		Asset securitisation	-	-	-	-		
	Operational risk	Basic indicator approach	5,970,013	5,504,663	5,386,188	4,381,675		
		Standardized approach/optional standardized approach	-	-	-	-		
		Advanced approach	-	-	-	-		
	Market Risk	Standardized approach	3,119,475	2,620,013	3,218,538	2,082,288		
		Internal modeling approach	-	-	-	-		
	Total weighted risk asset		142,802,256	134,448,834	130,928,517	101,637,442		
	Capital adequacy ratio (%)			9.77	9.77	9.39		
Tier 1 capital as a percentage of risk assets (%)			7.12	7.26	6.35	7.78		
Common stock equity as a percentage of risk assets (%)			8.15	7.26	6.35	7.78		
Leverage ratio (%)			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 1 : 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 weighted 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 (2017.02.28)

2. Consolidated

Unit: NT\$ thousand

Year			Five-Year Capital Adequacy Ratio					Up to February 28, 2017
Item			2016	2015	2014	2013	2012	
Regulatory Capital	Common stock equity		10,294,401	10,025,073	8,592,198	8,035,661	N/A	Note 4
	Other non-ordinary share Tier 1 capital		1,587,116	-	-	-		
	Tier 2 capital		2,843,024	3,637,850	4,256,216	1,321,589		
	Regulatory capital		14,724,541	13,662,923	12,848,414	9,357,250		
Total weighted risk asset	Credit risk	Standardized approach	135,420,096	127,133,421	122,438,320	95,331,678		
		Internal rating approach	-	-	-	-		
		Asset securitisation	-	-	-	-		
	Operating risk	Basic indicator approach	6,290,025	5,845,263	5,428,538	4,381,675		
		Standardized approach/optional standardized approach	-	-	-	-		
		Advanced approach	-	-	-	-		
	Market Risk	Standardized approach	3,119,475	2,620,013	3,218,538	2,082,288		
		Internal modeling approach	-	-	-	-		
	Total weighted risk asset		144,829,596	135,598,697	131,085,396	101,795,641		
	Capital adequacy ratio (%)		10.17	10.08	9.8	9.19		
Tier 1 capital as a percentage of risk assets (%)		8.20	7.39	6.55	7.89			
Common stock equity as a percentage of risk assets (%)		7.11	7.39	6.55	7.89			
Leverage ratio (%)		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 weighted 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 (2017.02.28)

(II) Adoption of Taiwan's Financial Accounting Standards

1. Individual

Unit: NT\$ thousand

Year Item			Five-Year Capital Adequacy Ratio					Up to February 28, 2017
			2016	2015	2014	2013	2012	
Regulatory Capital	Tier 1 capital	Common Stock	N/A	N/A	N/A	N/A	9,557,900	Note 4
		Non-cumulative perpetual preferred shares					-	
		Non-cumulative subordinate debt without maturity date					-	
		Capital collected in advance					-	
		Capital reserves (except the value appreciation of fixed assets)					-	
		Legal reserve					5	
		Special reserve					-	
		Accumulated earnings					-	
		Minority interests					-	
		Other shareholders' equity					-54,797	
		Less: Goodwill					1,316,159	
		Less: Unamortized loss on sale of bad credit					-	
		Less: Capital deduct item					961,910	
		Total Tier 1 capital					7,225,039	
	Tier 2 capital	Perpetual cumulative preferred shares					-	
		Cumulative subordinate debt without maturity date					-	
		Fixed asset appreciation surplus					113,417	
		45% of unrealized gain on available-for-sale financial assets					26,444	
		Convertible bonds					-	
		Business reserve and provision for credit loss					-	
		Long-term subordinate bonds					1,811,800	
		Non-perpetual preferred stock					-	
		Total of perpetual non-cumulative preferred stock and non-cumulative subordinate debt amounting to more than 15% of the Tier 1 capital					-	

	Tier 3 capital	Less: Capital deduct item					961,910	
		Total Tier 2 capital					989,751	
		Short-term subordinate bonds					-	
		Non-perpetual preferred stock					-	
		Total Tier 3 capital					-	
	Regulatory Capital						8,214,790	
Total weighted risk asset	Credit risk	Standardized approach	N/A	N/A	N/A	N/A	83,879,425	Note 4
		Internal rating approach					-	
		Asset securitisation					34,484	
	Operational risk	Basic indicator approach					3,925,400	
		Standardized approach/optional standardized approach					-	
		Advanced approach					-	
	Market Risk	Standardized approach					4,174,838	
		Internal modeling approach					-	
Capital adequacy ratio (%)							8.93	
Tier 1 capital as a percentage of risk assets (%)							7.85	
Tier 2 capital as a percentage of risk assets (%)							1.08	
Tier 3 capital as a percentage of risk assets (%)							-	
Common stock as a percentage of total asset (%)							5.97	

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

Note 2 : The regulatory capital and weighted risk asset 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. Equity capital = Tier 1 capital + Tier 2 capital + Tier 3 capital
2. Total weighted risk assets = Credit risk weighted risk assets + capital for (Operational risks + Market risks) × 12.5
3. Capital adequacy ratio = Regulatory capital / Total weighted risk assets
4. Tier 1 capital ratio as a percentage of weighted risk assets = Tier 1 capital / Total weighted risk assets
5. Tier 2 capital ratio as a percentage of weighted risk assets = Tier 2 capital / Total weighted risk assets
6. Tier 3 capital ratio as a percentage of weighted risk assets = Tier 3 capital / Total weighted risk assets
7. Common stock as a percentage of total asset = Common stock equity / total assets

Note 4 : There no further update from CPA till the publication date of this annual report (2017.02.28)

2. Consolidated

Unit: NT\$ thousand

Year			Five-Year Capital Adequacy Ratio					Up to
Item			2016	2015	2014	2013	2012	February 28, 2017
Regulatory Capital	Tier 1 capital	Common Stock	N/A	N/A	N/A	N/A	9,557,900	Note 4
		Non-cumulative perpetual preferred shares					-	
		Non-cumulative subordinate debt without maturity date					-	
		Capital collected in advance					-	
		Capital reserves (except the value appreciation of fixed assets)					-	
		Legal reserve					-	
		Special reserve					5	
		Accumulated earnings					-	
		Minority interests					-	
		Other shareholders' equity					-54,797	
		Less: Goodwill					1,316,159	
		Less: Unamortized loss on sale of bad credit					-	
		Less: Capital deduct item					872,687	
		Total Tier 1 capital					7,314,262	
	Tier 2 capital	Perpetual cumulative preferred shares					-	
		Cumulative subordinate debt without maturity date					-	
		Fixed asset appreciation surplus					113,417	
		45% of unrealized gain on available-for-sale financial assets					26,444	
		Convertible bonds					-	
		Business reserve and provision for credit loss					-	
		Long-term subordinate bonds					1,811,800	
		Non-perpetual preferred stock					-	

		Total of perpetual non-cumulative preferred stock and non-cumulative subordinate debt amounting to more than 15% of the Tier 1 capital						-	
		Less: Capital deduct item						872,688	
		Total Tier 2 capital						1,078,973	
	Tier 3 capital	Short-term subordinate bonds						-	
		Non-perpetual preferred stock						-	
		Total Tier 3 capital						-	
	Regulatory Capital							8,393,235	
	Total weighted risk asset	Credit risk						Standardized approach	
Internal rating approach			-						
Asset securitisation			34,484						
Operational risk		Basic indicator approach	3,925,400						
		Standardized approach/optional standardized approach	-						
		Advanced approach	-						
Market Risk		Standardized approach	4,174,838						
		Internal modeling approach	-						
Capital adequacy ratio (%)		9.12							
Tier 1 capital as a percentage of risk assets (%)		7.94							
Tier 2 capital as a percentage of risk assets (%)		1.17							
Tier 3 capital as a percentage of risk assets (%)		-							
Common stock as a percentage of total asset (%)		5.97							

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

Note 2 : The regulatory capital and weighted risk asset 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 = Tier 1 capital + Tier 2 capital + Tier 3 capital
- 2.Total weighted risk assets = Credit risk weighted risk assets + capital for (Operational risks + Market risks)×12.5
- 3.Capital adequacy ratio = Regulatory capital/Total weighted risk assets
- 4.Tier 1 capital ratio as a percentage of weighted risk assets = Tier 1 capital/Total weighted risk assets
- 5.Tier 2 capital ratio as a percentage of weighted risk assets = Tier 2 capital/Total weighted risk assets
- 6.Tier 3 capital ratio as a percentage of weighted risk assets = Tier 3 capital/Total weighted risk assets
- 7.Common stock as a percentage of total asset = Common stock equity / total assets

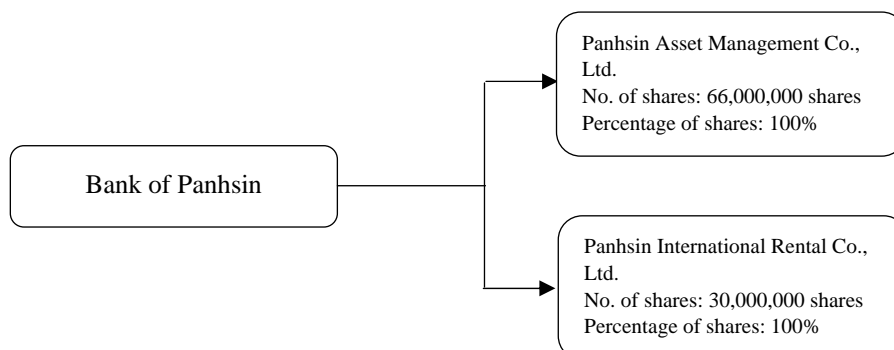
Note 4 : There no further update from CPA till the publication date of this annual report (2017.02.28)

Special disclosures

I、Affiliate information

(I) Affiliate organizational structure

Baseline date: December 31, 2016



(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	660,000	Purchase of non-performing assets
Panhsin International Rental Co., Ltd.	2014.11.03	6F, No. 66, Chongqing Rd., Banqiao District, New Taipei City 220	300,000	Property/Lease

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

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

Baseline date: December 31, 2016

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)	66,000,000	100.00
	Director	Ming-Hsin Chiu (representative of Bank of Panhsin)		
	Director	Ling-Long Chien (representative of Bank of Panhsin)		
	Director	Shih-Chi Wu (representative of Bank of Panhsin)		
	Director	Ping-Hui Liu (representative of Bank of Panhsin)		
	Supervisor	Li-Chin Wei (representative of Bank of Panhsin)		
	President	Chien-Chong Tsao	-	-
Panhsin International Rental Co., Ltd.	Chairman	Jui-Tsai Chou (representative of Bank of Panhsin)	30,000,000	100.00
	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)		

Directory of Head Office & Branches

Units	Address	Telephone	Fax
Head Office	No.68, Sec.2, Xianmin Blvd., Banqiao Dist., New Taipei City	(02)29629170	(02)29572011
International Banking Department	27F., No.68, Sec.2, Xianmin Blvd., Banqiao Dist., New Taipei City	(02)29629170	(02)89646006
Offshore Banking Branch	27F., No.68, Sec.2, Xianmin Blvd., Banqiao Dist., New Taipei City	(02)29629170	(02)89646006
Trust Department	24F., No.68, Sec.2, Xianmin Blvd., Banqiao Dist., New Taipei City	(02)29629170	(02)29623668
Domestic Banking Department	No.68, Sec.2, Xianmin Blvd., Banqiao Dist., New Taipei City	(02)89514488	(02)29574588
Banqiao Branch	No.11, Sec.1, Wenhua Rd., Banqiao Dist., New Taipei City	(02)29689101	(02)29665807
Houpu Branch	No.18, Chengdu St., Banqiao Dist., New Taipei City	(02)29629121	(02)89538113
Yonghe Branch	No.12, Renai Rd., Yonghe Dist., New Taipei City	(02)29299481	(02)29210495
Puqian Branch	No.100, Sec. 2, Jhongshan Rd., Banqiao Dist., New Taipei City	(02)29629106	(02)29541499
Huajiang Branch	No.382, Sec.2, Wenhua Rd., Banqiao Dist., New Taipei City	(02)22529101	(02)82537007
Minzu Branch	No.339, Hansheng E.Rd., Banqiao Dist., New Taipei City	(02)29629111	(02)29581242
Zhonghe Branch	No.232, Zhonghe Rd., Zhonghe Dist., New Taipei City	(02)22498756	(02)22497418
Tucheng Branch	No.289, Sec.1, Zhongyang Rd., Tucheng Dist., New Taipei City	(02)22629119	(02)22654536
Wenhua Branch	No.261, Sec.1, Wenhua Rd., Banqiao Dist., New Taipei City	(02)22587777	(02)22593584
Daguan Branch	No.155, Sec.2, Daguan Rd., Banqiao Dist., New Taipei City	(02)22756566	(02)22752574
Xingnan Branch	No.338, Jingxin St., Zhonghe Dist., New Taipei City	(02)29459366	(02)29458495
Xinzhuang Branch	No.719, Xingfu Rd., Xinzhuang Dist., New Taipei City	(02)29906699	(02)29900433
Xiulang Branch	No.118, Dehe Rd., Yonghe Dist., New Taipei City	(02)29417966	(02)29498035
Sanchong Branch	No.35, Sec.4, Chongyang Rd., Sanchong Dist., New Taipei City	(02)89839966	(02)29871976
Yuanshan Branch	No.753, Zhongzheng Rd., Zhonghe Dist., New Taipei City	(02)22259199	(02)22260657
Shulin Branch	No.58, Zhenqian St., Shulin Dist., New Taipei City	(02)86755666	(02)86755656
Jincheng Branch	No.91, Sec.3, Jincheng Rd., Tucheng Dist., New Taipei City	(02)82615666	(02)22709241
Xindian Branch	No.60, Minquan Rd., Xindian Dist., New Taipei City	(02)89113377	(02)89113661
Beixin Branch	No.17~21, Sec. 3, Beixin Rd., Xindian Dist., New Taipei City, Taiwan	(02)29115428	(02)29124753
Zhongzheng Branch	No.252, Minquan Rd., Banqiao Dist., New Taipei City 220, Taiwan (R.O.C.)	(02)89658998	(02)89682156
Luchou Branch	No.258, Minzu Rd., Luchou Dist., New Taipei City	(02)82850666	(02)82835789

Units	Address	Telephone	Fax
Fuhe Branch	No.45, Yongzhen Rd., Yonghe Dist., New Taipei City	(02)89211919	(02)89213377
Danfeng Branch	No.706, Zhongzheng Rd., Xinzhuang Dist., New Taipei City	(02)29033199	(02)29033488
Songjiang Branch	No.122, Songjiang Rd., Zhongshan Dist., Taipei City	(02)25429999	(02)25311707
Xinyi Branch	No.127, Sec. 2, Keelung Rd., Xinyi Dist., Taipei City	(02)27329999	(02)27334900
Minsheng Branch	No.133-1, Sec. 3, Minsheng E.Rd., Songshan Dist., Taipei City	(02)87129966	(02)27120222
Bade Branch	No.360, Sec. 2, Bade Rd., Songshan Dist., Taipei City	(02)27528833	(02)27405959
Neihu Branch	No.163, Sec. 4, Chenggong Rd., Neihu Dist., Taipei City	(02)87919999	(02)87919899
Ruiguang Branch	No.633, Ruiguang Rd., Neihu Dist., Taipei City	(02)26560188	(02)26560166
Mengchia Branch	No.322, Kunming St., Wanhua Dist., Taipei City , Taiwan (R.O.C.)	(02)2308-6165	(02)2308-6452
Hsinglung Branch	No.185, Sec. 2, Xinglong Rd., Wenshan Dist., Taipei City , Taiwan (R.O.C.)	(02)2932-0555	(02)2931-3382
Shuangyuan Branch	No.145, Dongyuan St., Wanhua Dist., Taipei City , Taiwan (R.O.C.)	(02)2301-1180	(02)2301-6894
Hsimen Branch	No.193, Hanzhong St., Wanhua Dist., Taipei City , Taiwan (R.O.C.)	(02)2312-2155	(02)2311-6316
Kuting Branch	No.271, Sec. 3, Roosevelt Rd., Da'an Dist., Taipei City , Taiwan (R.O.C.)	(02)2362-9211	(02)2362-0161
Antung Branch	No.188, Sec. 2, Bade Rd., Songshan Dist., Taipei City , Taiwan (R.O.C.)	(02)2711-0633	(02)2741-7381
Sungshan Branch	No.196, Zhuangjing Rd., Xinyi Dist., Taipei City , Taiwan (R.O.C.)	(02)2720-8541	(02)2720-3851
Shinlin Branch	No.79, Ln. 109, Dexing E. Rd., Shilin Dist., Taipei City 111, Taiwan (R.O.C.)	(02)2834-9361	(02)2833-3280
Tunghu Branch	No.55, Donghu Rd., Neihu Dist., Taipei City , Taiwan (R.O.C.)	(02)2631-2411	(02)2633-3251
Nanjing E. Road Branch	No.130, Sec. 3, Nanjing E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)		
Fuxing Branch	No.426, Fuxing N. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	(02)2515-1488	(02)2518-4088
Minquan Branch	No.136, Minquan W. Rd., Datong Dist., Taipei City 103, Taiwan (R.O.C.)		
Chungching Branch	No.27, Zhengzhou Rd., Datong Dist., Taipei City , Taiwan (R.O.C.)	(02)2555-8151	(02)2559-1831
Mucha Branch	No.59, Baoyi Rd., Wenshan Dist., Taipei City , Taiwan (R.O.C.)	(02)2936-2121	(02)2936-2883
Huandong Branch	No.108, Xinming Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)		
Tachih Branch	No.632, Bei'an Rd., Zhongshan Dist., Taipei City , Taiwan (R.O.C.)	(02)2532-9933	(02)2532-1086
Wanta Branch	No.244, Wanda Rd., Wanhua Dist., Taipei City , Taiwan (R.O.C.)	(02)2337-7719	(02)2337-0694

Units	Address	Telephone	Fax
Yungchun Branch	No.30, Sec. 6, Xinyi Rd., Xinyi Dist., Taipei City , Taiwan (R.O.C.)	(02)8978-5667	(02)2728-2808
Taoyuan Branch	No.360, Yongan Rd., Taoyuan City, Taoyuan County	(03)3398777	(03)3396362
Taoying Branch	No.102, Taoying Rd., Taoyuan City, Taoyuan County	(03)3758999	(03)3660551
Longgang Branch	No.78, Longdong Rd., Jhongli City, Taoyuan County	(03)4657799	(03)4655511
Hsinchu Branch	No.56, Zihciang S.Rd., Jhubei City, Hsinchu County	(03)6581588	(03)6580189
Taichung Branch	No.556, Sec. 1, Wunsin Rd., Nantun Dist., Taichung City	(04)23267799	(04)23266029
North Taichung Branch	No.186, Sec. 4, Wunsin Rd., North Dist., Taichung City	(04)22961798	(04)22961885
Chiayi Branch	No.298, Jhongshan Rd., West Dist., Chiayi City	(05)2279045	(05)2291649
North Taoyuan Branch	No.449, Jingguo Rd., Taoyuan Dist., Taoyuan City 330, Taiwan (R.O.C.)		
Tainan Branch	No.189, Chongming Rd., East Dist., Tainan City	(06)3368799	(06)3361287
Chenggong Branch	No.457, Chenggong Rd., West Central Dist., Tainan City	(06)2113999	(06)2112388
Xiaogang Branch	No.213, Erling Rd., Siaogang Dist., Kaohsiung City	(07)8011161	(07)8023727
Xinxing Branch	No.65, Zhongzheng 4th Rd., Xinxing Dist., Kaohsiung City	(07)2413168	(07)2514088
Qianzhen Branch	No.421, Rueilong Rd., Qianzhen Dist., Kaohsiung City	(07)7513176	(07)7513380
Yangming Branch	No.178, Jyuemin Rd., Sanmin Dist., Kaohsiung City	(07)3865111	(07)3828199
Kaoxinzhuang Branch	No.485, Xinzhuangzai Rd., Zuoying Dist., Kaohsiung City	(07)3412621	(07)3416142
Luodong Branch	No.119, Gongzheng Rd., Luodong Township, Yilan County	(03)9568866	(03)9557199

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

BANK OF PANHSIN

FINANCIAL STATEMENTS

December 31, 2016 and 2015

(With Independent Auditors' Report Thereon)

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

Tel: (02)2962-9170

The auditors' report and the accompanying 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 auditors' report and financial statements, the Chinese version shall prevail.

Independent Auditors' Report

The Board of Directors
Bank of Panhsin

Opinion

We have audited the financial statements of Bank of Panhsin ("the Bank") and its subsidiaries, which comprise the balance sheets as of December 31, 2016 and 2015, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2016 and 2015, 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, 2016 and 2015, 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" and the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

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(6) "loans and receivables" for related accounting policy, Note 5 for the uncertainty of accounting estimation and assumptions, and Note 12, 13 and 42 for the details of the impairment of loans and receivables.

Description of Key audit matters

The major business of the Bank is loan business. The Bank's ratio of loans and receivable to total asset is approximately 62% as of December 31, 2016. This is a significant amount in the overall financial statement. Assessing the impairment of loans and receivables relies on the management's estimates of their recoverability. These estimates are influenced by economic trends and price fluctuation of collaterals, and therefore has a high uncertainty risk. Consequently, impairment of loans and receivables is a key audit matter in our report.

How the matter was addressed in our audit

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

(2) Impairment of Goodwill

Please refer to Note 4(11) "intangible asset" for related accounting policy, Note 5 for the uncertainty of accounting estimation and assumptions, and Note 18 for the details of the impairment of goodwill.

Description of key audit matters

As of December 31, 2016, 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, impairment of goodwill is a key audit matter in our report.

How the matter was addressed in our audit

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

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

The management is responsible for the preparation and fair presentation of the financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Public Banks" and with the IFRSs, IASs, interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, 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 members of 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 Wu Lin.

KPMG

Taipei, Taiwan (Republic of China)
March 15, 2017

Notes to Readers

The accompanying financial statements are intended only to present the statement of financial position, financial performance and its cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying 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 auditors' report and financial statements, the Chinese version shall prevail.

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

Bank of Pansin

Statements of Financial Position

December 31, 2016 and 2015

(expressed in thousands of New Taiwan dollars)

Assets	December 31, 2016 Amount	%	December 31, 2015 (restated) Amount	%	Liabilities and Equity	December 31, 2016 Amount	%	December 31, 2015 (restated) Amount	%
Cash and cash equivalents (note 6)	\$ 5,370,693	2	4,541,415	2	Deposits from Central Bank and other banks (note 20)	\$ 1,302,332	1	1,320,036	1
Due from Central Bank and call loans to banks (notes 7 and 44)	49,712,132	21	33,738,715	16	Financial liabilities at fair value through profit or loss (note 8)	185,181	-	431,388	-
Financial assets at fair value through profit or loss (note 8)	4,104,384	2	3,057,697	2	Payables (note 21)	3,571,675	2	3,213,878	2
Securities purchased under resell agreements (note 11)	7,021,795	3	6,233,031	3	Current income tax liabilities	10,019	-	-	-
Receivable—net (notes 12 and 43)	4,125,604	2	3,242,478	2	Deposits and remittances (notes 23 and 43)	206,650,562	89	186,251,343	89
Current income tax assets	19,966	-	34,028	-	Financial bonds payable (notes 25 and 27)	5,826,000	2	4,700,000	2
Loans and discounts, net (notes 13 and 43)	137,516,023	60	131,236,162	63	Provision (note 28)	183,924	-	180,049	-
Available-for-sale financial assets—net (notes 9 and 44)	9,239,105	4	12,728,369	6	Provision for deferred tax liabilities (notes 16 and 26)	108,292	-	111,197	-
Held-to-maturity financial assets—net (notes 10 and 44)	100,000	-	750,450	-	Other liabilities (notes 16 and 26)	173,103	-	213,548	-
Long-term investments under equity method—net (note 15)	487,197	-	481,811	-	Total liabilities	218,011,088	94	196,421,439	94
Other financial assets—net (note 14)	55,537	-	55,537	-	Equity:				
Property and equipment, net (note 16)	6,560,824	3	6,706,664	3	Capital stock (note 30)	12,626,953	6	12,211,753	6
Investment property—net (note 17)	2,333,805	1	2,315,100	1	Retained earnings:(notes 29 and 31)				
Intangible assets—net (note 18)	2,375,266	1	2,418,500	1	Legal reserve	424,582	-	219,990	-
Deferred income tax assets—net (note 28)	603,079	-	657,869	-	Special reserve	5	-	5	-
Other assets (notes 19 and 44)	1,686,123	1	1,445,185	1	Unappropriated earnings				
					Other equity (note 30)				
					Total equity	13,300,445	6	13,221,572	6
Total assets	\$ 231,311,533	100	209,643,011	100	Total liabilities and equity	\$ 231,311,533	100	209,643,011	100

See accompanying notes to financial statements.

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

BANK OF PANHSIN

Statements of Comprehensive Income

For the years ended December 31, 2016 and 2015

(expressed in thousands of New Taiwan dollars)

	2016		2015		Variance
	Amount	%	(restated) Amount	%	
Interest income (notes 34)	\$ 3,779,734	107	3,994,132	108	(5)
Less: Interest expense (notes 33 and 43)	<u>1,580,885</u>	<u>45</u>	<u>1,630,882</u>	<u>44</u>	(3)
Net interest income	2,198,849	62	2,363,250	64	(7)
Non-interest income:					
Service fees—net (notes 34 and 43)	896,942	25	863,592	23	4
Gain on financial asset or liabilities measured at fair value through profit or loss (note 35)	154,234	5	279,557	8	(45)
Realized gain on available-for-sale financial assets (note 36)	220,114	6	80,750	2	173
Foreign exchange gain—net	(106,841)	(3)	(100,792)	(3)	(6)
Investment income under the equity method	5,386	-	4,217	-	28
Other non-interest income—net (notes 36 and 43)	98,125	3	78,737	2	25
Gain on property exchange—net (note 6 and 43)	<u>80,049</u>	<u>2</u>	<u>141,722</u>	<u>4</u>	(44)
	<u>3,546,858</u>	<u>100</u>	<u>3,711,033</u>	<u>100</u>	(4)
Bad debt expense and reserve for guarantees (note)	<u>476,888</u>	<u>13</u>	<u>224,126</u>	<u>6</u>	113
Operation and expenses:					
Employee benefit expenses (notes 26, 38 and 39)	1,476,507	42	1,486,706	40	(1)
Depreciation and amortization expenses (notes 16, 18 and 40)	211,827	6	198,143	6	7
Other general and administrative expenses (note 41)	<u>927,600</u>	<u>26</u>	<u>934,586</u>	<u>25</u>	(1)
	<u>2,615,934</u>	<u>74</u>	<u>2,619,435</u>	<u>71</u>	-
Income from continuing operations before tax	454,036	13	867,472	23	(48)
Less: Income tax expense (note 27)	<u>(103,548)</u>	<u>(3)</u>	<u>(143,622)</u>	<u>(4)</u>	28
Net income	<u>350,488</u>	<u>10</u>	<u>723,850</u>	<u>19</u>	(52)
Other comprehensive income (loss):					
Items that will not be reclassified subsequently to profit or loss					
Remeasurements from defined benefit plans (note 26)	(3,183)	-	5,768	-	(155)
Income tax related to items that will not be reclassified subsequently to profit or loss	-	-	-	-	-
	<u>(3,183)</u>	<u>-</u>	<u>5,768</u>	<u>-</u>	(155)
Items that may be subsequently reclassified into profit or loss					
Foreign currency translation differences for foreign operations	(378)	-	6,169	-	(106)
Unrealized gains on available-for-sale	(206,995)	(6)	91,900	3	(325)
Income tax relating to items that may be subsequently reclassified to profit or loss	-	-	-	-	-
	<u>(207,373)</u>	<u>(6)</u>	<u>98,069</u>	<u>3</u>	(311)
Other comprehensive income (loss), net of tax	<u>(210,556)</u>	<u>(6)</u>	<u>103,837</u>	<u>3</u>	(303)
Total comprehensive income	<u>\$ 139,932</u>	<u>4</u>	<u>827,687</u>	<u>22</u>	(83)
Earnings per share(expressed in New Taiwan dollars) (note 31):					
Basic earnings per share	\$ <u>0.28</u>		\$ <u>0.61</u>		
Diluted earnings per share	\$ <u>0.28</u>		\$ <u>0.61</u>		

See accompanying notes to financial statements.

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

BANK OF PANHSIN

Statements of Changes in Equity

For the years ended December 31, 2016 and 2015

(expressed in thousands of New Taiwan dollars)

	Common stock	Legal reserve	Special reserve	Retained earnings	Foreign currency translation differences for foreign operations	Unrealized gains (loss) on available- for-sale	Total	Total equity
Balance at January 1, 2015 (restated)	\$ 11,057,900	79,279	5,483	421,154	-	30,069	30,069	11,593,885
Appropriations and distributions								
Legal reserve	-	140,711	-	(140,711)	-	-	-	-
Stock dividends	353,853	-	-	(353,853)	-	-	-	-
Reversal of special reserve	-	-	(5,478)	5,478	-	-	-	-
Net income for the year	-	-	-	723,850	-	-	-	723,850
Other comprehensive income for the year	-	-	-	5,768	6,169	91,900	98,069	103,837
Total comprehensive income for the year	-	-	-	729,618	6,169	91,900	98,069	827,687
Capital injection by cash	800,000	-	-	-	-	-	-	800,000
Balance at December 31, 2015 (restated)	12,211,753	219,990	5	661,686	6,169	121,969	128,138	13,221,572
Appropriations and distributions								
Legal reserve	-	204,592	-	(204,592)	-	-	-	-
Cash dividends	-	-	-	(61,059)	-	-	-	(61,059)
Stock dividends	415,200	-	-	(415,200)	-	-	-	-
Net income for the year	-	-	-	350,488	-	-	-	350,488
Other comprehensive income for the year	-	-	-	(3,183)	(378)	(206,995)	(207,373)	(210,556)
Total comprehensive income for the year	-	-	-	347,305	(378)	(206,995)	(207,373)	139,932
Balance at December 31, 2016	\$ 12,626,953	424,582	5	328,140	5,791	(85,026)	(79,235)	13,300,445

See accompanying notes to financial statements.

BANK OF PANHSIN

Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(expressed in thousands of New Taiwan dollars)

	2016	2015 (restated)
Cash flows from (used in) operating activities:		
Income before tax	\$ 454,036	867,472
Adjustments:		
Adjustments for the effects of non-cash transactions:		
Depreciation expense	166,822	155,122
Amortization expense	70,242	67,088
Bad debt expenses	476,888	224,126
Interest expense	1,580,885	1,630,882
Interest income	(3,779,734)	(3,994,132)
Dividend income	(52,899)	(53,857)
Investment income under the equity method	(5,386)	(4,217)
Gain on disposal of property and equipment	(49,104)	(124,438)
Gain on disposal of investment property	(16,761)	(3,725)
Loss on disposal of intangible assets	292	-
Loss on disposal of other assets	-	110
Total adjustments for the effects of non-cash transactions	(1,608,755)	(2,103,041)
Changes in operating assets and liabilities:		
Net changes in operating assets		
Due from Central Bank and call loans to banks	(559,802)	2,024,733
Financial assets at fair value through profit or loss	(1,046,687)	1,622,026
Receivables	(952,874)	(1,726,699)
Loans and discounts — net	(6,708,772)	(3,208,332)
Available-for-sale financial assets	3,282,269	2,081,368
Held-to-maturity financial assets	650,450	3,228
Other financial assets	-	10,000
Net changes in operating liabilities:		
Deposits from Central Bank and other banks	(17,704)	(330,727)
Financial liabilities at fair value through profit or loss	(246,207)	430,426
Payables	338,711	83,601
Deposits and remittances	20,399,219	3,909,675
Employee benefit liabilities	229	435
Other liabilities	7,101	(50,492)
Total net changes in operating assets and liabilities	15,145,933	4,849,242
Total adjustments	13,537,178	2,746,201
Cash inflow generated from operations	13,991,214	3,613,673
Interests received	3,801,968	4,017,095
Dividends received	52,899	53,857
Interest paid	(1,561,799)	(1,644,101)
Income taxes (paid) received	(27,582)	1,294
Net cash flows from (used in) operating activities	16,256,700	6,041,818
Cash flows from (used in) investing activities:		
Acquisition of property and equipment	(64,256)	(61,877)
Proceeds from disposal of property and equipment	44,700	89,354
Proceeds from disposal of investment property	71,129	-
Other financial assets	(341,179)	(725,294)
Net cash flows from (used in) investing activities	(289,606)	(697,817)
Cash flows from (used in) financing activities:		
Issuance of financial bonds	1,626,000	-
Repayment of financial bonds	(500,000)	(720,000)
Dividends payment	(61,059)	-
Capital increase by cash	-	800,000
Net cash flows from financing activities	1,064,941	80,000
Effect of exchange rate changes on cash and cash equivalents	(378)	-
Net increase in cash and cash equivalents	17,031,657	5,424,001
Cash and cash equivalents at beginning of period	38,498,061	33,074,060
Cash and cash equivalents at end of period	\$ 55,529,718	38,498,061
Components of cash and cash equivalents:		
Cash and cash equivalents reported in the statement of financial position	\$ 5,370,693	4,541,415
Due from Central Bank and call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7	43,137,230	27,723,615
Securities purchased under resell agreements qualifying as cash and cash equivalents under the definition of IAS 7	7,021,795	6,233,031
Cash and cash equivalents at end of period	\$ 55,529,718	38,498,061

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

BANK OF PANHSIN

Notes to the Financial Statements

December 31, 2016 and 2015

(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:

- 1) all commercial banking operations allowed by the Banking Law;
- 2) savings operations;
- 3) trust operations;
- 4) credit card operations;
- 5) trading in government bonds and other debt securities; and
- 6) 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. The merger is restructuring of entities under common control. The Bank's financial statements for the year ended December 31, 2015 have been retroactively restated.

(2) Financial statements authorization date and authorization process

These financial statements were authorized for issuance by the Bank's Board of Directors on March 15, 2017.

(Continued)

BANK OF PANHSIN

Notes to the Financial Statements

(3) New standards and interpretations not yet adopted

- 1) Impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. but not yet in effect

According to Ruling No. 1050026834 issued on July 18, 2016 by the FSC, public entities are required to conform to the IFRSs, which were issued by the International Accounting Standards Board (IASB) before January 1, 2016, and were endorsed by the FSC on January 1, 2017, in preparing their financial statements. The related new standards, interpretations and amendments are as follows:

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

The Bank assessed that the initial application of the above IFRSs would not have any material impact on the financial statements.

- 2) Newly released or amended standards and interpretations not yet endorsed by the FSC

A summary of the new standards and amendments issued by the IASB but yet to be endorsed by FSC is listed below. As of the release date of the financial statements, except for IFRS 9 and IFRS 15, which were already endorsed by the FSC to be effective starting on January 1, 2018, the effective dates on the new standards and amendments have yet to be announced by the FSC.

(Continued)

BANK OF PANHSIN

Notes to the Financial Statements

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 9 "Financial Instruments"	January 1, 2018
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 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share based Payment Transactions"	January 1, 2018
Amendment to IFRS 15 "Clarifications of IFRS 15"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IFRS 4 "Insurance Contracts"(Applicable for IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts")	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2017
IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 28 "Investments in Associates and Joint Ventures"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018
Amendments to IAS 40 "The Transition of Investment Property"	January 1, 2018

Those that have relevant impact to the Bank were as follows:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
May 28, 2014 April 12, 2016	IFRS 15 "Revenue from Contracts with Customers"	IFRS 15 establishes a five step model for recognizing revenue that applies to all contracts with customers, and will supersede IAS 18 "Revenue," IAS 11 "Construction Contracts," and a number of revenue related interpretations. Final amendments issued on April 12, 2016, clarify how to (i) identify performance obligations in a contract; (ii) determine whether a company is a principal or an agent; (iii) account for a license for intellectual property (IP); and (iv) apply transition requirements.

(Continued)

BANK OF PANHSIN

Notes to the Financial Statements

Issuance / Release Dates	Standards or Interpretations	Content of amendment
November 19, 2013 July 24, 2014	IFRS 9 "Financial Instruments"	<p>The standard will replace IAS 39 "Financial Instruments: Recognition and Measurement", and the main amendments are as follows:</p> <ul style="list-style-type: none"> • Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial assets' contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore, there is a requirement that "own credit risk" adjustments be measured at fair value through other comprehensive income. • Impairment: The new expected credit loss model is used replace the current incurred loss model. • Hedge accounting: Hedge accounting is more closely aligned with risk management activities, and hedge effectiveness is measured based on the hedge ratio.
January 13, 2016	IFRS 16 "Leases"	<p>The new standard of accounting for lease is amended as follows:</p> <ul style="list-style-type: none"> • For a contract that is, or contains, a lease, the lessee shall recognize a right of use asset and a lease liability in the statement of financial position. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right of-use asset during the lease term. • A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

(Continued)

BANK OF PANHSIN**Notes to the Financial Statements**

Issuance / Release Dates	Standards or Interpretations	Content of amendment
December 8, 2016	Amendments to IAS 40 "The Transition of Investment Property"	The amendments specify that a transfer into, or out of, investment property would be made only when there has been a change in use of a property, supported by evidence that a change in use has occurred. The amendments also clarify that the list of circumstances that provide evidence of a change in use set out in paragraph 57 (a)-(d) of IAS 40 contains examples and is not an exhaustive list.

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

(4) Summary of significant accounting policies

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

1) Statement of compliance

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

2) Basis of preparation**1. Basis of measurement**

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

2. 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.

3) 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.

(Continued)

BANK OF PANHSIN**Notes to the Financial Statements**

4) 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.

5) 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.

6) Financial instruments

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

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

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

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

- (A) Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- (B) Performance of the financial asset is evaluated on a fair value basis;
- (C) 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".

BANK OF PANHSIN**Notes to the Financial Statements****2. 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.

3. 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.

4. 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.

5. 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.

(Continued)

BANK OF PANHSIN**Notes to the Financial Statements**

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:

- (A) Significant financial difficulty of the issuer or obligor;
- (B) A breach of contract, such as a default or delinquency in interest or principal payments;
- (C) 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;
- (D) It becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- (E) The disappearance of an active market for that financial asset because of the issuer's financial difficulties;
- (F) Adverse changes in the payment status of the borrowers; and
- (G) Changes in national or local economic conditions that correlate with defaults on the assets.

6. **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.

7. **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.

(Continued)

BANK OF PANHSIN**Notes to the Financial Statements****7) 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.

8) Property and equipment

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

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

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

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

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

9) 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.

10) 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.

(Continued)

BANK OF PANHSIN**Notes to the Financial Statements**

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.

11) Intangible assets

1. 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.
2. 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
3. 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.

12) 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.

13) 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.

14) 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.

BANK OF PANHSIN**Notes to the Financial Statements****15) Revenue and expense**

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

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

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

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

16) Employee benefits**1. 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.

2. 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.

3. 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.

BANK OF PANHSIN**Notes to the Financial Statements**

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.

4. Preferential interest deposits

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

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

17) 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.

18) 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.

When measuring the deferred tax asset and deferred tax liability, the Bank shall use the enacted tax rate for the periods in which deferred tax asset or deferred tax liability is expected to be settled or realized.

(Continued)

BANK OF PANHSIN**Notes to the Financial Statements**

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

1. The entity has the legal right to settle tax assets and liabilities on a net basis; and
2. The taxing of deferred tax assets and liabilities fulfills one of the scenarios below:
 - (A) levied by the same taxing authority; or
 - (B) 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.

19) 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.

20) 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.

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BANK OF PANHSIN**Notes to the Financial Statements****21) Operating segments**

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

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

(5) Major sources of accounting assumptions, judgements, 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:

1) Impairment of loans and receivables

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

2) Assessment of goodwill impairment

Assessment of goodwill impairment depends on the subjective judgment of the management, including identifying the cash-generating units, allocating goodwill to related cash generating units, and deciding 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 proper discount rate for calculating the present value. If actual cash flow is less than expected, significant impairment losses may incur.

(6) Cash and cash equivalents

	December 31, 2016	December 31, 2015
Cash	\$ 2,778,085	1,589,775
Negotiable instruments for clearing	1,326,806	546,078
Deposits with other banks	<u>1,265,802</u>	<u>2,405,562</u>
Total	<u><u>\$ 5,370,693</u></u>	<u><u>4,541,415</u></u>

(Continued)

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BANK OF PANHSIN
Notes to the Financial Statements

Components of cash and cash equivalents are as follows:

	December 31, 2016	December 31, 2015
Cash and cash equivalents reported in the statements of financial position	\$ 5,370,693	4,541,415
Due from Central Bank and call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7 (note 7)	43,137,230	27,723,615
Securities purchased under resell agreements qualifying as cash and cash equivalents under the definition of IAS 7 (note 11)	7,021,795	6,233,031
Cash and cash equivalents at end of period	<u>\$ 55,529,718</u>	<u>38,498,061</u>

Analysis of interest rate risk and sensitivity for financial assets and liabilities is disclosed in note 42.

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

	December 31, 2016	December 31, 2015
Deposit reserves—checking accounts (including foreign currency)	\$ 4,388,210	1,505,394
Deposit reserves—demand account	5,474,808	4,914,480
Deposits in Central Bank	29,430,000	23,700,000
Call loans to banks	10,119,020	3,318,221
Checking and settlement account	<u>300,094</u>	<u>300,620</u>
Total	<u>\$ 49,712,132</u>	<u>33,738,715</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 44.

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Notes to the Financial Statements

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, 2016	December 31, 2015
Deposit reserves— checking accounts	\$ 4,388,210	1,505,394
Deposits in Central Bank	28,630,000	22,900,000
Call loans to banks	<u>10,119,020</u>	<u>3,318,221</u>
	<u>\$ 43,137,230</u>	<u>27,723,615</u>

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

As of December 31, 2016 and 2015, the financial assets held for trading were as follows:

	December 31, 2016	December 31, 2015
Financial assets held for trading:		
Interest rate-related instruments	\$ 3,611,288	2,283,434
Equity securities	20,620	71,265
Beneficiary certificates	150,432	124,834
Derivatives	<u>186,436</u>	<u>443,925</u>
Total	<u>3,968,776</u>	<u>2,923,458</u>
Financial assets designated as at fair value through profit or loss:		
Credit-linked notes	<u>135,608</u>	<u>134,239</u>
	<u>\$ 4,104,384</u>	<u>3,057,697</u>

As of December 31, 2016 and 2015, the financial liabilities measured at fair value through profit or loss were as follows:

	December 31, 2016	December 31, 2015
Financial liabilities held for trading		
Derivatives	<u>\$ 185,181</u>	<u>431,388</u>

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

(Continued)

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Notes to the Financial Statements

(9) Available-for-sale financial assets

	December 31, 2016	December 31, 2015
Government bonds	\$ 7,151,650	9,991,747
Corporate bonds	1,637,840	1,707,477
Equity securities	293,364	721,677
Beneficiary certificates	<u>156,251</u>	<u>307,468</u>
Total	<u>\$ 9,239,105</u>	<u>12,728,369</u>

Please refer to note 44 for the available-for-sale financial assets under pledge.

(10) Held-to-maturity financial assets

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

December 31, 2015			
	Percentage of ownership	Investment cost	Amount
Government bonds	-	\$ 100,000	100,618
Corporate bonds	-	500,000	499,832
Financial bonds	-	<u>150,000</u>	<u>150,000</u>
		<u>\$ 750,000</u>	<u>750,450</u>

Please refer to note 44 for the held-to-maturity financial assets under pledge.

(11) Securities purchased under resell agreements

December 31, 2016				
	Amount	Contractual repurchase or resell period	Contractual interest rate range (%)	Amount of resell agreements
Securities purchased under resell agreements	<u>\$ 7,021,795</u>	106.1.3~106.1.18	0.29~0.55	<u>7,023,120</u>

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Notes to the Financial Statements

		December 31, 2015		
	Amount	Contractual repurchase or resell period	Contractual interest rate range (%)	Amount of resell agreements
Securities purchased under resell agreements	\$ <u>6,233,031</u>	105.1.4~105.1.15	0.35~0.45	<u>6,233,833</u>

(12) Receivables — net

As of December 31, 2016 and 2015, accounts receivable—net were as follows:

	December 31, 2016	December 31, 2015
Interest receivable	\$ 250,699	272,933
Accounts receivable	76,087	64,923
Spot exchange receivable	1,108,532	1,578,701
Acceptance receivable	295,763	217,428
Accrued revenue	1,118	658
Derivatives default receivable	69,241	-
Other receivable	<u>2,375,028</u>	<u>1,113,586</u>
Total	4,176,468	3,248,229
Less: allowance for bad and doubtful accounts		
— acceptance receivable	(3,483)	(3,483)
— other receivable	(1,867)	(2,268)
— derivatives default receivable	<u>(45,514)</u>	<u>-</u>
	<u>\$ 4,125,604</u>	<u>3,242,478</u>

Changes in allowance for doubtful accounts were as follows:

	2016	2015
Beginning balance	\$ 5,751	26,503
Provision for doubtful accounts	47,514	-
Reversal for doubtful	-	(19,600)
Current charge-off	<u>(2,401)</u>	<u>(1,152)</u>
Ending balance	<u>\$ 50,864</u>	<u>5,751</u>

(Continued)

BANK OF PANHSIN
Notes to the Financial Statements

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

Items		Receivables		Allowance for bad debts	
		December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
With objective evidence of impairment	Individual assessment	-	2,268	-	2,268
	Collective assessment	69,241	-	45,514	-
Without objective evidence of impairment	Collective assessment	4,107,227	3,245,961	5,350	3,483
Total		4,176,468	3,248,229	50,864	5,751

(13) Loans and discounts, net

As of December 31, 2016 and 2015, details of loans and discounts were as follows:

	December 31, 2016	December 31, 2015
Remittance and discounts for exports	\$ 28,874	21,815
Short-term loans and overdrafts	19,935,831	19,381,053
Short-term secured loans and overdrafts	30,440,749	20,986,627
Medium-term loans	12,672,229	14,954,431
Medium-term secured loans	38,930,785	39,678,345
Long-term loans	793,029	760,428
Long-term secured loans	35,322,005	36,193,313
Non-performing loans	1,126,992	909,548
Subtotal	139,250,494	132,885,560
Less: allowance for bad and doubtful accounts	(1,734,471)	(1,649,398)
	<u>\$ 137,516,023</u>	<u>131,236,162</u>

Please refer to note 42 for the industry information.

For the years ended December 31, 2016 and 2015, suspended accrual of interest for all of non-performing loans amounted to \$27,290 and \$60,407, respectively.

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

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

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Notes to the Financial Statements

	Loans and discounts	2015 Guarantee liability	Total
Beginning balance	\$ 1,627,494	41,000	1,668,494
Current provision	245,333	-	245,333
Current reversal	-	(1,607)	(1,607)
Current charge-off	(344,704)	-	(344,704)
Recovery of bad debts	121,275	-	121,275
Ending balance	<u>\$ 1,649,398</u>	<u>39,393</u>	<u>1,688,791</u>

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

Item		Loans and discounts		Allowance for bad debts	
		December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
With objective evidence of impairment	Individual assessment	2,614,000	3,256,226	175,470	274,070
	Collective assessment	361,497	297,787	142,255	126,103
Without objective evidence of impairment	Collective assessment	136,274,997	129,331,547	1,416,746	1,249,225
Total		139,250,494	132,885,560	1,734,471	1,649,398

(14) Other financial assets — net

	December 31, 2016	December 31, 2015
Financial assets carried at cost — net	\$ <u>55,537</u>	<u>55,537</u>

Details of financial asset carried at cost were as follows:

	December 31, 2016	December 31, 2015
Xin-Rui-Du Development Co., Ltd.	\$ 4,940	4,940
Tsai-Jin Information Co., Ltd.	45,500	45,500
Taiwan Depository & Clearing Corporation	6,345	6,345
Yang Guang Asset Management Company	692	692
Taiwan Mobile Payment Corporation	<u>3,000</u>	<u>3,000</u>
	60,477	60,477
Less: accumulated impairment loss	<u>(4,940)</u>	<u>(4,940)</u>
	<u>\$ 55,537</u>	<u>55,537</u>

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

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Notes to the Financial Statements

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

As of December 31, 2016 and 2015, details of long-term investments under the equity method were as follows:

		December 31, 2016	
	Percentage of ownership	Investment Cost	Amount
Subsidiaries			
Panhsin Asset Management Co., Ltd.	100.00	\$ 660,000	184,701
Panhsin International Leasing Co., Ltd.	100.00	<u>300,000</u>	<u>302,496</u>
		<u>\$ 960,000</u>	<u>487,197</u>

		December 31, 2015	
	Percentage of ownership	Investment Cost	Amount
Panhsin Asset Management Co., Ltd.	100.00	\$ 660,000	187,770
Panhsin International Leasing Co., Ltd.	100.00	<u>300,000</u>	<u>294,041</u>
		<u>\$ 960,000</u>	<u>481,811</u>

(16) Property and equipment — net

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

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Notes to the Financial Statements

December 31, 2015	Cost	Accumulated depreciation	Net
Land	\$ 3,946,128	-	3,946,128
Buildings	2,489,865	(237,207)	2,252,658
Machinery and equipment	324,726	(227,243)	97,483
Transportation equipment	115,398	(83,905)	31,493
Other equipment	672,592	(357,594)	314,998
Leasehold improvement	196,045	(157,947)	38,098
Construction in progress	25,806	-	25,806
Total	<u>\$ 7,770,560</u>	<u>(1,063,896)</u>	<u>6,706,664</u>

Movements of cost were as below:

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

	January 1, 2015	Current increase	Current decrease	Other (note 2)	December 31, 2015
Land	\$ 4,029,740	-	(41,339)	(42,273)	3,946,128
Buildings	2,587,649	-	(12,814)	(84,970)	2,489,865
Machinery and equipment	351,965	67	(59,426)	32,120	324,726
Transportation equipment	118,259	220	(15,543)	12,462	115,398
Other equipment	657,362	13,529	(10,526)	12,227	672,592
Leasehold improvement	171,741	22,825	-	1,479	196,045
Construction in progress	5,907	25,236	-	(5,337)	25,806
Total	<u>\$ 7,922,623</u>	<u>61,877</u>	<u>(139,648)</u>	<u>(74,292)</u>	<u>7,770,560</u>

Note: 1) Reclassification from other assets—prepayment amounting to \$72,941 and to land and buildings under property and equipment amounting to \$75,595 and \$24,012, respectively.

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Notes to the Financial Statements

- 2) Reclassification from other assets—prepayment amounting to \$52,951 and to land and buildings under property and equipment amounting to \$42,273 and \$84,970, respectively.

Movements of accumulated depreciation were as below:

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

	January 1, 2015	Current increase (note 2)	Current decrease	Other (note 2)	December 31, 2015
Buildings	\$ 204,503	39,987	(3,743)	(3,540)	237,207
Machinery and equipment	257,488	18,853	(49,098)	-	227,243
Transportation equipment	88,736	7,240	(12,071)	-	83,905
Other equipment	314,267	52,436	(9,109)	-	357,594
Leasehold improvement	145,408	12,539	-	-	157,947
Total	<u>\$ 1,010,402</u>	<u>131,055</u>	<u>(74,021)</u>	<u>(3,540)</u>	<u>1,063,896</u>

Note: 1) Reclassification to investment property of \$807.

2) Reclassification to investment property of \$3,540.

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 thousands 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, 2016 and 2015, was \$73,809 and \$121,355, respectively, which was recognized as other liabilities-deferred revenue. The realized gain on property exchange for the years ended December 31, 2016 and 2015, was \$47,546 and \$100,481, respectively, which was recognized as gain on property exchange and other non-interest income-investment property.

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Notes to the Financial Statements

(17) Investment property – net

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

December 31, 2015	Cost	Accumulated depreciation	Net
Land	\$ 691,306	-	691,306
Building	<u>1,712,711</u>	<u>(88,917)</u>	<u>1,623,794</u>
Total	<u>\$ 2,404,017</u>	<u>(88,917)</u>	<u>2,315,100</u>

Movements of cost were as below:

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

	January 1, 2015	Current increase	Current decrease	Reclassification (note 2)	December 31, 2015
Land	\$ 649,033	-	-	42,273	691,306
Building	<u>1,627,741</u>	<u>-</u>	<u>-</u>	<u>84,970</u>	<u>1,712,711</u>
Total	<u>\$ 2,276,774</u>	<u>-</u>	<u>-</u>	<u>127,243</u>	<u>2,404,017</u>

Note: 1) Reclassification from land and buildings under property and equipment amounting to \$75,595 and \$24,012, respectively.

2) Reclassification to land and buildings under property and equipment amounting to \$42,273 and \$84,970, respectively.

Movements of accumulated depreciation were as follows:

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

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BANK OF PANHSIN

Notes to the Financial Statements

	January 1, 2015	Current increase	Current decrease	Reclassificat ion (note 2)	December 31, 2015
Building	\$ <u>61,310</u>	<u>24,067</u>	<u>-</u>	<u>3,540</u>	<u>88,917</u>

Note: 1) Reclassification from buildings under property and equipment of \$807.

2) Reclassification to buildings under property and equipment of \$3,540.

For the disclosure of significant disposals of investment property, please refer to notes 16.

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, 2016 and 2015, was \$5,232,247 and \$4,882,913, 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 42.

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

(18) Intangible assets — net

	December 31, 2016	December 31, 2015
Goodwill	\$ 2,197,921	2,197,921
Computer software	56,997	93,010
Core deposits	<u>120,348</u>	<u>127,569</u>
Total	<u>\$ 2,375,266</u>	<u>2,418,500</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 by both.

When performing the test of impairment, the Bank estimated its future operating cash flow on the basis of its operating results or objective information from its business cycle.

After performing the assessment above, the Bank did not recognize goodwill impairment loss for the years ended December 31, 2015 and 2014.

Movements of intangible assets were as follows:

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

(Continued)

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Notes to the Financial Statements

	January 1, 2015	Current increase	Current decrease	Amortization	Other (note 2)	December 31, 2015
Goodwill	\$ 2,197,921	-	-	-	-	2,197,921
Computer software	131,647	-	-	(59,866)	21,229	93,010
Core deposits	<u>134,791</u>	<u>-</u>	<u>-</u>	<u>(7,222)</u>	<u>-</u>	<u>127,569</u>
Total	<u>\$ 2,464,359</u>	<u>-</u>	<u>-</u>	<u>(67,088)</u>	<u>21,229</u>	<u>2,418,500</u>

Note: 1) Reclassification from other assets—prepayment amounting to \$27,300.

2) Reclassification from other assets—prepayment amounting to \$21,229.

(19) Other assets

	December 31, 2016	December 31, 2015
Prepayments	\$ 68,087	317,818
Refundable deposits	617,315	476,397
Foreclosed collateral	<u>1,000,721</u>	<u>650,970</u>
Total	<u>\$ 1,686,123</u>	<u>1,445,185</u>

Movements of the foreclosed collateral were as follows:

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

	January 1, 2015	Current increase	Current decrease	Reclassification	December 31, 2015
Cost	\$ 667,710	-	(7,079)	-	660,631
Less: Accumulated impairment	<u>9,661</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,661</u>
Total	<u>\$ 658,049</u>	<u>-</u>	<u>(7,079)</u>	<u>-</u>	<u>650,970</u>

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BANK OF PANHSIN**Notes to the Financial Statements**

As of December 31, 2016 and 2015, the foreclosed assets related to Xin Rui Du amounted to \$632,994. Actions taken by the Bank were as follows:

- 1) The Bank took over the loans which were guaranteed by Xin Rui Du Development Co., Ltd. (Xin Rui Du) from Kaohsiung 5th Credit Cooperative. Xin Rui Du provided 75 pieces of land, located at Plot No. 73, Tie Fu Section, Hu Nei District, Kaohsiung City, as collateral. These pieces of land had been rezoned as industrial and commercial land. Because the majority owner of Xin Rui Du, Su Huei Jen, was involved in a political scandal, Xin Rui Du was not able to repay the loan. However, due to illegal sand mining done by other debtors of Xin Rui Du, the court auctions failed several times. To prevent huge losses, the Bank took these pieces of land as repayment of the loan. The Bank now owns these pieces of land and employs 24-hour security and has set up fences to protect the land.
- 2) The foreclosed land was classified as industrial and commercial land. The Bank owns the property, but the rights of the property were separated from the ownership and were granted to Xin Rui Du. Through legal action, the Bank was appointed as the liquidator of Xin Rui Du, and the Bank publicly auctioned the development rights. Panhsin Asset Management Co., Ltd. acquired the development rights from the auction, expecting to combine the Bank's ownership and Panhsin Asset Management Co., Ltd.'s development rights to continue land development, so as to simplify the legal relationship in order to search for potential investors. The Bank has appointed a consultant to apply to the Ministry of Economic Affairs for continuing the development plan with Panhsin Asset Management Co., Ltd. as the developer for the plan. The Ministry has announced Panhsin Asset Management Co., Ltd. to take over the plan on April 8, 2014.
- 3) The land would have changed to "agricultural area" from "industrial and commercial land" due to the urban development of Kaohsiung City Government. To protect its rights, the Bank visited the Urban Development Bureau, Kaohsiung City Government on May 26, 2014 and submitted its petition. The Bank also attended to the first meeting held by the ad hoc group of the Urban Development Bureau, Kaohsiung City Government. In the meeting, the Bank emphasized the efforts made to the land after taking over the development, and reinforced the statement of keeping the land as industrial and commercial land.
- 4) Currently this case is still under litigation. After the Bank petitioned to the authority, the authority advised the Bank to resubmit its new development plans if it has any. There are two individual buyers contacting the Bank for details in regards of this case. Moreover, there is a real estate development firm, with an interest of developing a shopping center in 3 locations across Taiwan, this matter is still under discussion with the Bank.
- 5) The land is being appraised regularly by an external appraisal organization to determine whether any impairment existed. For the year ended December 31, 2016, no impairment loss was recognized.

(20) Deposits from Central Bank and other banks

	December 31, 2016	December 31, 2015
Deposits by other banks	\$ 602,692	620,396
Call loans from bank — credit	<u>699,640</u>	<u>699,640</u>
Total	<u>\$ 1,302,332</u>	<u>1,320,036</u>

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Notes to the Financial Statements

(21) Payable

	December 31, 2016	December 31, 2015
Accounts payable	\$ 43,495	31,603
Accrued expense	334,827	352,441
Interest payable	240,253	221,167
Acceptance payable	295,763	217,428
Collection payable	57,767	56,503
Spot exchange payable	1,111,270	1,578,613
Other payable	<u>1,488,300</u>	<u>756,123</u>
Total	<u>\$ 3,571,675</u>	<u>3,213,878</u>

(22) Deposits and remittances

	December 31, 2016	December 31, 2015
Checking account	\$ <u>2,074,767</u>	<u>1,626,723</u>
Demand deposits		
Demand deposits	28,245,832	27,966,933
Demand savings deposits	<u>47,058,321</u>	<u>45,755,045</u>
Subtotal of demand deposits	<u>75,304,153</u>	<u>73,721,978</u>
Time deposits		
Time deposits	38,492,593	21,672,930
Negotiable certificates of deposit	<u>799,400</u>	<u>580,200</u>
Subtotal of demand deposits	<u>39,291,993</u>	<u>22,253,130</u>
Time savings deposits		
Staff deposits	1,151,402	1,122,365
Installment savings deposits	132,229	126,767
Non-interest-drawing time savings deposits	10,818,394	9,279,306
Interest-drawing savings deposits	<u>67,958,855</u>	<u>67,421,226</u>
Subtotal of time savings deposits	<u>80,060,880</u>	<u>77,949,664</u>
Foreign currency time deposits	<u>9,898,200</u>	<u>10,666,607</u>
Remittances	<u>20,569</u>	<u>33,241</u>
Deposits and remittances total	<u>\$ 206,650,562</u>	<u>186,251,343</u>

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BANK OF PANHSIN

Notes to the Financial Statements

(23) Financial bonds payable

Name of bond	During	Interest rate	December 31, 2016	December 31, 2015
The first series of the subordinate financial debenture in 2010	2010.11.05~ 2016.11.05	Fixed 3.25%	\$ -	500,000
The first series of the subordinate financial debenture in 2011	2011.12.02~ 2017.12.02	Fixed 3.00%	400,000	400,000
The first series of the subordinate financial debenture in 2012	2012.03.21~ 2018.03.21	Fixed 3.00%	100,000	100,000
The second series of the subordinate financial debenture in 2012	2012.11.12~ 2018.11.12	Fixed 3.00%	700,000	700,000
The first series of the subordinate financial debenture in 2014	2014.06.06~ 2020.06.06	Fixed 3.00% or floating rate	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	-
The second series of the non-cumulative perpetual subordinate financial debenture in 2016	2016.09.30 (note 2)	Fixed 4.75%	410,000	-
			<u>\$ 5,826,000</u>	<u>4,700,000</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.

(24) Provision

	December 31, 2016	December 31, 2015
Employee benefit obligation—pension	\$ 109,575	107,036
Employee benefit obligation—retired employee preferential interest rate deposits	30,555	29,682
Guarantee reserve	39,856	39,393
Unexpected losses reserve	3,938	3,938
Total	<u>\$ 183,924</u>	<u>180,049</u>

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BANK OF PANHSIN

Notes to the Financial Statements

(25) Other liabilities

	December 31, 2016	December 31, 2015
Unearned revenue	\$ 17,441	14,416
Advance interest receipts	50	13
Temporary receipts and suspense accounts	8,471	10,300
Guarantee deposits received	57,551	44,149
Deferred revenue	73,809	121,355
Other advance receipts	<u>15,781</u>	<u>23,315</u>
Total	<u>\$ 173,103</u>	<u>213,548</u>

(26) Employee benefits

1) 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, 2016	December 31, 2015
Present value of the defined benefit	\$ 647,549	681,657
Fair value of plan assets obligations	<u>(537,974)</u>	<u>(574,621)</u>
	109,575	107,036
Effect of Asset Ceiling	<u>-</u>	<u>-</u>
Net defined benefit liability (provision-employee benefit obligation)	<u>\$ 109,575</u>	<u>107,036</u>

1. Composition of plan assets

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

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

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Notes to the Financial Statements

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:

	2016	2015
Defined benefit obligation at January 1	\$ 681,657	684,943
Current service costs and interest	21,858	22,963
Remeasurements of a net defined benefit (liability) assets		
— Actuarial (losses) gains arising from changes in demographic assumptions	(35,220)	(34,953)
— Actuarial (losses) gains arising from changes in financial assumptions	5,260	5,065
— Actuarial (losses) gains arising from experience adjustments	26,300	25,326
Benefits paid by the plan	(52,306)	(21,687)
Defined benefit obligation at December 31	<u>\$ 647,549</u>	<u>681,657</u>

3. Movements of the defined benefit plan assets

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

	2016	2015
Fair value of plan assets at January 1	\$ 574,621	571,159
Current interest	10,169	10,969
Remeasurements of the net defined benefit (liabilities) assets	(6,843)	1,206
Return on plan assets (excluding current interest)	12,333	12,974
Benefits paid by the plan	(52,306)	(21,687)
Fair value of plan assets at December 31	<u>\$ 537,974</u>	<u>574,621</u>

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BANK OF PANHSIN

Notes to the Financial Statements

4. Movements of the effect of the asset ceiling

There were no movements in the effect of the asset ceiling for the Bank in 2016 and 2015.

5. Expenses recognized in profit or loss

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

	2016	2015
Current service costs	\$ 9,929	9,898
Net interests on net defined benefit liabilities	<u>1,760</u>	<u>2,096</u>
	<u>\$ 11,689</u>	<u>11,994</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 2016 and 2015 were as follows:

	2016	2015
Cumulative amounts at January 1	\$ 6,728	12,496
Recognized during the period	<u>3,183</u>	<u>(5,768)</u>
Cumulative amounts at December 31	<u>\$ 9,911</u>	<u>6,728</u>

7. Actuarial assumptions

The following are the Bank's principal actuarial assumptions:

	December 31, 2016		December 31, 2015	
	Managers	Regular employees	Managers	Regular employees
Discount rate	1.38 %	1.38 %	1.75 %	1.75 %
Future salary increase	2.13 %	2.13 %	2.13 %	2.13 %

The Bank expected the contributions of \$24,934 to be paid to its benefit plans within a year after the reporting date in 2016.

The weighted average durations for managers and regular employees based on the defined benefit plan were 9 and 16 years, respectively.

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BANK OF PANHSIN

Notes to the Financial Statements

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, 2016 and 2015, 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, 2016		
Discount rate (changes 0.25%)	(2.74)%	2.85 %
Future salary increase (changes 0.25%)	2.76 %	(2.66)%
At December 31, 2015		
Discount rate (changes 0.25%)	(2.80)%	2.92 %
Future salary increase (changes 0.25%)	2.83 %	(2.73)%

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.

2) 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, 2016	December 31, 2015
Present value of the defined benefit	\$ 30,555	29,682
Fair value of plan asset obligations	-	-
	30,555	29,682
Effect of Asset Ceiling	-	-
Net defined benefit liabilities (provisions-employee benefit obligations)	<u>\$ 30,555</u>	<u>29,682</u>

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Notes to the Financial Statements

1. Expenses recognized in profit or loss

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

	2016	2015
Current service costs (as Costs recognized for the preferential interest rate deposit plan)	\$ <u>873</u>	<u>1,416</u>

2. Actuarial assumptions

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

	2016	2015
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	3.00 %	3.00 %

3) Defined contribution plans

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

The Bank's pension costs under the defined contribution method were \$45,941 and \$47,194 for the years ended December 31, 2016 and 2015, respectively. Payment was made to the Bureau of Labor Insurance.

(27) Income tax

1) The income tax expenses for the years ended December 31, 2016 and 2015 were as follows:

	2016	2015
Income tax expense	\$ 51,663	27,550
Deferred income tax expense	<u>51,885</u>	<u>116,072</u>
Income tax expense	<u>\$ 103,548</u>	<u>143,622</u>

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BANK OF PANHSIN

Notes to the Financial Statements

Reconciliation of income tax and profit before tax for the years ended December 31, 2016 and 2015 was follows:

	2016	2015
Profit before tax	\$ <u>454,036</u>	<u>867,472</u>
Income tax at statutory rate	\$ 77,186	147,470
Income of OBU exempt from tax	5,703	(29,030)
Investment income under the equity method	(916)	(717)
Dealing gain from securities trading, net	(36,464)	(12,415)
Dividend income	(5,658)	(8,633)
Gain on sale of land, net	(11,750)	(20,863)
Changes in other temporary difference	20	20
Adjustment and expiration of prior year's loss carryforwards	51,034	42,228
Adjustment of prior year's tax	(374)	(4,148)
Unappropriated earnings of tax	-	341
Basic income tax	20,521	29,195
Other	4,246	174
Income tax expense	\$ <u>103,548</u>	<u>143,622</u>

2) Deferred tax assets and liabilities

1. Unrecognized deferred tax assets

Unrecognized deferred tax assets were as follows:

	December 31, 2016	December 31, 2015
Tax loss	\$ <u>107,276</u>	<u>59,000</u>

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

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Notes to the Financial Statements

As of December 31, 2016, 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	\$ 1,113,171	-	1,113,171	2019
2010	989,344	631,034	1,620,378	2020
2011	252,418	-	252,418	2021
2012	71,463	-	71,463	2022
2016	18,257	-	18,257	2026
	<u>\$ 2,444,653</u>	<u>631,034</u>	<u>3,075,687</u>	

Tax losses were not recognized as deferred tax assets because the management determined that profitability has yet to stabilize and may not generate sufficient taxable gains in the future. Consequently, based on current estimates, tax loss of \$631,034 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 \$107,276 will occur.

2. Recognized deferred tax assets and liabilities

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

Deferred Tax Liabilities:

	Capital leases	Land incremental tax	Total
January 1, 2016	\$ 3,007	108,190	111,197
Recognized in profit or loss	-	(2,905)	(2,905)
December 31, 2016	<u>\$ 3,007</u>	<u>105,285</u>	<u>108,292</u>
December 31, 2015 (As of January 1, 2015)	<u>\$ 3,007</u>	<u>108,190</u>	<u>111,197</u>

Deferred Tax Assets:

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

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Notes to the Financial Statements

	Defined benefit plan	Allowance for bad debts in excess of limit	Income loss	Others	Total
January 1, 2015	\$ 35,157	141,118	591,819	5,847	773,941
Recognized in profit or loss	(167)	-	(117,812)	1,907	(116,072)
December 31, 2015	<u>\$ 34,990</u>	<u>141,118</u>	<u>474,007</u>	<u>7,754</u>	<u>657,869</u>

3) Examined status

The Banks' tax returns were examined by the tax authorities for all years through 2014.

(28) Imputation tax information

Imputation tax information was as follows:

	December 31, 2016	December 31, 2015
Unappropriated earnings of 1998 and after	\$ <u>328,140</u>	<u>661,686</u>
Balance of imputation credit account	\$ <u>35,745</u>	<u>80,892</u>
	2016 (actual)	2015 (actual)
Imputation tax credit ratio of earnings to be distributed to R.O.C. residents-cash dividends	<u>13.15</u> %	<u>11.86</u> %
Imputation tax credit ratio of earnings to be distributed to R.O.C. residents-stock dividends	<u>12.54</u> %	<u>-</u> %

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

(29) Equity

1) Capital stock and capital surplus

As of December 31, 2016 and 2015, the Bank's authorized capital and issued capital were \$15,000,000, and paid-in capital for common stock was \$12,626,952 and \$12,211,753, respectively.

Following the resolution of shareholders' meeting held on June 25, 2015, the bank decided a capital increase of 35,385 thousand common stocks to be issued at \$10 per share from the retain earnings amounting to \$353,853, with August 28, 2015 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

A resolution was passed during the board meeting held on September 16, 2015 for issuance of 80,000 thousands common stocks amounting to \$800,000, with par value of \$10 per share. The issuance date was December 3, 2015, and the Bank had completed its registration on December 28, 2015.

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

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

- 2) Changes in the Bank's other equity interest were as below:

	Exchange differences of overseas subsidiaries' financial reports translation	Unrealized (losses) gains on available- for-sale financial assets	Total
January 1, 2016	\$ 6,169	121,969	128,138
Available-for-sale financial assets			
— Valuation adjustment	-	(3,031)	(3,031)
— Realized amount	-	(203,964)	(203,964)
Foreign currency translation difference	(378)	-	(378)
December 31, 2016	<u>\$ 5,791</u>	<u>(85,026)</u>	<u>(79,235)</u>
January 1, 2015	\$ -	30,069	30,069
Available-for-sale financial assets			
— Valuation adjustment	-	143,856	143,856
— Realized amount	-	(51,956)	(51,956)
Foreign currency translation difference	6,169	-	6,169
December 31, 2015	<u>\$ 6,169</u>	<u>121,969</u>	<u>128,138</u>

(30) 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.

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Notes to the Financial Statements

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.

On June 21, 2016, the shareholders' meeting resolved to distribute previous year's retain earning as a cash dividend of \$0.05 per share, amounting to \$61,059 and a stock dividend of \$0.34 per share, amounting to \$415,200.

On June 25, 2015, the shareholders' meeting resolved to distribute previous year's retain earnings as a stock dividend of \$0.32 per share, amounting to \$353,853.

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

(31) Earnings per share

The basic earnings per share of the Bank for the years ended December 31, 2016 and 2015, were as follows:

	2016	2015
Basic earnings per share		
Net income attributable to common stockholders of the Bank	\$ <u>350,488</u>	<u>723,850</u>
Weighted-average number of common shares	<u>1,262,695</u>	<u>1,186,547</u>
Basic earnings per share (in New Taiwan dollars)	\$ <u>0.28</u>	<u>0.61</u>
Diluted EPS		
Net income for calculating diluted EPS	\$ <u>350,488</u>	<u>723,850</u>
Weighted-average number of common shares outstanding	1,262,695	1,186,547
Influence of potentially dilutives shares—employees' bonus		
Conversion of convertible bonds	-	818
Conversion of convertible compensation	1,169	1,566
Weighted-average number of, common shares outstanding	<u>1,263,864.00</u>	<u>1,188,931.00</u>
Diluted EPS (in New Taiwan dollars)	\$ <u>0.28</u>	<u>0.61</u>

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Notes to the Financial Statements

(32) Net interest income

	2016	2015
Interest income		
Loans and advances to customers	\$ 3,388,042	3,476,379
Due from Central Bank	26,624	31,551
Loans and advances to Central Bank	155,178	200,457
Due from banks and call loans to banks	41,183	21,744
Investment in securities	122,705	189,144
Other	<u>46,002</u>	<u>74,857</u>
Subtotal	<u>3,779,734</u>	<u>3,994,132</u>
Interest expense		
Deposits from customers	1,403,905	1,455,718
Deposits and placements of banks	14,746	20,089
Financial bonds	161,969	154,701
Other	<u>265</u>	<u>374</u>
Subtotal	<u>1,580,885</u>	<u>1,630,882</u>
	<u><u>\$ 2,198,849</u></u>	<u><u>2,363,250</u></u>

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

(33) Service fees — net

	2016	2015
Service fee income		
Agency insurance charge revenue	\$ 480,837	417,303
Agency service charge revenue	7,079	6,952
Loan service fee income	182,042	171,689
Trust service fee income	157,846	199,389
Foreign exchange service income	24,288	25,615
Interbank service	19,428	25,204
Guarantee service income	50,039	52,369
Other service income	<u>15,053</u>	<u>5,180</u>
Service fee income total	<u>936,612</u>	<u>903,701</u>

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BANK OF PANHSIN
Notes to the Financial Statements

	2016	2015
Service fee expense		
Remittance fee	\$ 2,366	2,260
Custodian fee	2,463	2,284
Agency fee	2,061	2,239
Other service fee	15,588	12,533
Trust service fee	1,957	5,594
Interbank service fee	<u>15,235</u>	<u>15,199</u>
Service fee expense total	<u>39,670</u>	<u>40,109</u>
	<u><u>\$ 896,942</u></u>	<u><u>863,592</u></u>

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

	2016	2015
Gain (loss) on disposal of financial assets or liabilities measured at fair value through profit or loss		
Government bonds	\$ (42,216)	9,025
Negotiable certificates of deposit	11,212	15,426
Beneficiary securities	7,931	5,959
Equity securities	12,291	7,797
Derivatives	158,572	200,963
Credit-linked notes	-	874
Corporate Bond	1,639	-
Commercial paper	<u>(64)</u>	<u>-</u>
	<u>149,365</u>	<u>240,044</u>
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss — evaluation		
Government bonds	(1,981)	3,177
Negotiable certificates of deposit	(3,285)	(2,953)
Commercial paper	54	41
Beneficiary securities	1,833	(3,195)
Equity securities	(1,768)	1,947
Derivatives	(19,443)	20,539
Credit-linked notes	<u>9,846</u>	<u>5,178</u>
	<u>(14,744)</u>	<u>24,734</u>
Dividend income and interest income	<u>19,613</u>	<u>14,779</u>
	<u><u>\$ 154,234</u></u>	<u><u>279,557</u></u>

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Notes to the Financial Statements

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

	2016	2015
Government bonds	\$ 100,516	34,145
Corporate bonds	6,154	-
Equity securities	87,321	15,466
Beneficiary securities	9,973	1,345
Dividend income and interest income	16,150	29,794
Total	<u>\$ 220,114</u>	<u>80,750</u>

(36) Other non-interest income (expense)

	2016	2015
Rental income	\$ 88,041	82,495
Gain on equity investment carried at cost	17,136	13,802
Loss on disposal of assets	(14,476)	(13,559)
Gain on disposal of foreclosed assets	-	167
Loss on disposal of other assets	-	(110)
Other revenue (loss)	32,661	20,009
Investment property depreciation	(25,237)	(24,067)
Total	<u>\$ 98,125</u>	<u>78,737</u>

(37) Bad debt expense and reserve for guarantees

	2016	2015
Loans and discounts	\$ 428,911	245,333
Derivatives default receivable	463	(1,607)
Reserve for (reversal of guarantee liabilities)	47,514	-
Accounts receivable	-	(19,600)
Total	<u>\$ 476,888</u>	<u>224,126</u>

(38) Employee benefits expense

	2016	2015
Salary	\$ 1,268,307	1,287,175
Labor and health insurance	94,811	98,182
Pension	57,630	59,188
Others	55,759	42,161
Total	<u>\$ 1,476,507</u>	<u>1,486,706</u>

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Notes to the Financial Statements

(39) Remuneration to employees and directors

In compliance with the Bank's Articles of Incorporation approved by the shareholders in their meeting on June 21, 2016, 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, 2016, the Bank accrued and recognized the remuneration to its employees and directors amounting to \$8,901 and \$4,450, respectively. For the year ended December 31, 2015, the Bank accrued and recognized the remuneration to its employees and directors amounting to \$16,978 and \$8,489, respectively. The remuneration to employee and directors is based on a percentage of net income before income tax. 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. The related information about earnings distribution approved at the shareholders' meeting and board meeting is available on the Market Observation Post System Website.

(40) Depreciation and amortization expenses

	2016	2015
Building	\$ 38,591	39,987
Machinery and equipment	23,667	18,853
Transportation equipment	7,825	7,240
Other equipment	56,559	52,436
Leasehold improvement	<u>14,943</u>	<u>12,539</u>
Depreciation subtotal	<u>141,585</u>	<u>131,055</u>
Computer software amortization	63,021	59,866
Core deposit	<u>7,221</u>	<u>7,222</u>
Amortization subtotal	<u>70,242</u>	<u>67,088</u>
Total	<u><u>\$ 211,827</u></u>	<u><u>198,143</u></u>

(41) Other general and administrative expenses

	2016	2015
Rental and facility expense	\$ 166,478	162,991
Administrative expense	313,894	328,217
Marketing expense	21,090	18,805
Value-added tax expense	295,865	303,275
Other expense	<u>130,273</u>	<u>121,298</u>
Total	<u><u>\$ 927,600</u></u>	<u><u>934,586</u></u>

(Continued)

BANK OF PANHSIN

Notes to the Financial Statements

(42) Financial instruments

1) Information on fair value of financial instruments

Financial Assets	December 31, 2016		December 31, 2015	
	Book value	Book value	Book value	Book value
Non-derivative				
Cash and cash equivalents	\$ 5,370,693	5,370,693	4,541,415	4,541,415
Due from Central Bank and call loans to banks	49,712,132	49,712,132	33,738,715	33,738,715
Financial assets at fair value through profit or loss	3,917,948	3,917,948	2,613,772	2,613,772
Available for sale financial assets	9,239,105	9,239,105	12,728,369	12,728,369
Securities purchased under resell agreements	7,021,795	7,021,795	6,233,031	6,233,031
Receivables—net	4,125,604	4,125,604	3,242,478	3,242,478
Discounts and loans	137,516,023	137,516,023	131,236,162	131,236,162
Held-to-maturity financial assets—net	100,000	100,000	750,450	750,450
Other financial assets—net	55,537	55,537	55,537	55,537
Derivative financial instruments				
Trading purpose				
Futures	\$ -	-	33,421	33,421
Forwards	15,459	15,459	20,985	20,985
Credit default swaps	170,977	170,977	389,519	389,519
Financial Liabilities	December 31, 2016		December 31, 2015	
	Book value	Book value	Book value	Book value
Non-derivative financial instruments				
Deposits from Central Bank and other banks	\$ 1,302,332	1,302,332	1,320,036	1,320,036
Payables	3,571,675	3,571,675	3,213,878	3,213,878
Deposits and remittances	206,650,562	206,650,562	186,251,343	186,254,343
Financial debentures	5,826,000	5,826,000	4,700,000	4,700,000
Derivative financial instruments				
Trading purpose				
Forwards	\$ 128	128	22,739	22,739
Futures	13,075	13,075	16,494	16,494
Credit default swaps	171,978	171,978	392,155	392,155

(Continued)

BANK OF PANHSIN**Notes to the Financial Statements**

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

- 2) Methods and assumptions applied to estimate the fair value of financial instruments are summarized as follows:
 1. Fair value of short-term financial instruments is estimated by their book value on the statement of financial position date. Since these instruments have short maturities, the book value is adopted as a reasonable basis for estimating the fair value. This method is applied to cash, due from Central Bank and call loans to banks, securities purchased under resell agreements, receivables, other financial assets, guarantee deposits paid, deposits from Central Bank and other banks, payables, current tax liabilities, securities sold under repurchase agreements, and other financial liabilities.
 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 17 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.
 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 IFRSs No. 39 or considers the obtainable information to evaluate the possibility of bad debt occurrence and loss rate, which are the basis of its estimation for the PD and LGD. The Bank also uses the Mark To Market (MTM) of the derivation traded in Over-the-Counter as a basis of its estimation for EAD.

(Continued)

BANK OF PANHSIN**Notes to the Financial Statements**

- 3) 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:

- A) 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.
- B) The quoted market price of the same or identical financial instruments in an inactive market.
- C) 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).
- D) A majority of inputs are derived from observable market data, or the input correlation can be tested based on observable market data.

BANK OF PANHSIN
Notes to the Financial Statements

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

(Continued)

BANK OF PANHSIN

Notes to the Financial Statements

Fair value measurement for a financial instrument	December 31, 2015				
	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 measured at fair value through profit or loss					
Financial assets held for trading					
Investment in stocks	\$ 71,265	71,265	-	-	71,265
Investment in debentures	874,767	152,668	722,099	-	874,767
Investment in bonds	1,408,667	1,408,667	-	-	1,408,667
Investment in beneficiary certificates	124,834	124,834	-	-	124,834
Financial assets designated as at fair value through profit or loss	134,239	-	-	134,239	134,239
Available-for-sale financial assets					
Investment in stocks	721,677	721,677	-	-	721,677
Investment in debentures	11,699,224	8,464,463	3,234,761	-	11,699,224
Beneficiary certificates	307,468	307,468	-	-	307,468
<u>Derivative Financial Instruments</u>					
Assets					
Financial assets measured at fair value through profit or loss	\$ 443,925	-	443,925	-	443,925
Liabilities					
Financial liabilities measured at fair value through profit or loss	431,388	-	431,388	-	431,388
<u>Instruments not measured at fair value</u>					
Held-to-maturity financial assets—net	750,450	750,450	-	-	750,450

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

Items	Beginning balance	The amount recognized in current net income	The amount recognized in other comprehensive income	Purchase or issue	2016 Current increase		Sale, disposal, or settlement	Current decrease		Transfer of financial assets in Level 3 to financial liabilities in Level 3	Ending balance
					Transfer into Level 3	Transfer of financial liabilities in Level 3 to financial assets in Level 3		Transfer out of Level 3	Transfer of financial assets in Level 3 to financial liabilities in Level 3		
Financial assets at FVTPL											
Financial assets held for trading	\$ 134,239	1,369	-	-	-	-	-	-	-	-	135,608
Items	Beginning balance	The amount recognized in current net income	The amount recognized in other comprehensive income	Purchase or issue	2015 Current increase		Sale, disposal, or settlement	Current decrease		Transfer of financial assets in Level 3 to financial liabilities in Level 3	Ending balance
					Transfer into Level 3	Transfer of financial liabilities in Level 3 to financial assets in Level 3		Transfer out of Level 3	Transfer of financial assets in Level 3 to financial liabilities in Level 3		
Financial assets at FVTPL											
Financial assets held for trading	\$ 138,958	(4,719)	-	-	-	-	-	-	-	-	134,239

4. There is no transfer between level 1 and level 2 financial instrument measured at fair value.

(Continued)

BANK OF PANHSIN**Notes to the Financial Statements**

5. Quantitative information on significant unobservable inputs (Level 3) used in fair value measurement

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

6. Valuation processes for Level 3 fair value measurements

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

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

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

- 4) For the years ended December 31, 2016 and 2015, gains (losses) recognized by the Bank from the fair value evaluation of financial instruments by using valuation techniques amounted to \$148,975 and \$227,554, respectively.

- 5) 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)

- 6) 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.

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.

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BANK OF PANHSIN**Notes to the Financial Statements****1. Credit risk****(A) Description of credit risk**

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

(B) Credit risk management policy

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

(C) Credit risk management scope

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

(D) Credit risk management procedures

The credit risk management procedures include risk identification, measurement, communication, monitoring, and reporting. To maintain the standard of credit business at a safe and moderate level, to monitor the credit risk, to evaluate new business opportunities, and to identify and manage problems in credit cases, the business department must follow all the procedures of the Bank when conducting business. To ensure credit risk at a tolerable level, each credit case must be authorized by decentralized procedures which include a serious review process to improve the quality of assets, reassessment and an early alarm system after 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.

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BANK OF PANHSIN**Notes to the Financial Statements****(E) Credit risk hedging policy****A) 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.

B) 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.

(F) Policy of Mitigation of Credit Risk**A) Collateral**

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

B) Credit extension limit and credit risk concentration control

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

C) General conventions of net settlement

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

(Continued)

BANK OF PANHSIN

Notes to the Financial Statements

(G) Maximum exposure to credit risk

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

	December 31, 2016	December 31, 2015
Unused amounts of irrevocable loan commitments	\$ 1,873,036	2,443,489
Unused amount of irrevocable letter of credit	1,045,979	1,098,055
Various guarantee proceeds	3,772,444	3,761,168
Total	<u>\$ 6,691,459</u>	<u>7,302,712</u>

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

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

	December 31, 2015	Collateral	Master netting arrangement	Other credit enhancement	Total
<u>Items on statement of financial positions</u>					
Loans and discounts	\$ 99,212,318	-	-	33,673,242	132,885,560
Acceptance receivables	9,054	-	-	208,374	217,428
<u>Items off statement of financial positions</u>					
Various guarantee proceeds	2,093,498	-	-	1,667,670	3,761,168
Total	<u>\$ 101,314,870</u>	<u>-</u>	<u>-</u>	<u>35,549,286</u>	<u>136,864,156</u>

(Continued)

BANK OF PANHSIN

Notes to the Financial Statements

(H) The Bank's credit risk concentration

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

Industry

Industry type	December 31, 2016		December 31, 2015	
	Amount	%	Amount	%
Manufacturing	\$ 12,453,844	8.94	13,336,811	10.04
General businesses	48,789,390	35.04	43,265,941	32.55
Constructions	4,472,858	3.21	3,780,855	2.85
Individuals	66,591,532	47.82	64,204,357	48.32
Others	6,942,870	4.99	8,297,596	6.24
	<u>\$ 139,250,494</u>	<u>100.00</u>	<u>132,885,560</u>	<u>100.00</u>

Collaterals

Types of collateral	December 31, 2016		December 31, 2015	
	Amount	%	Amount	%
Non-secured	\$ 32,448,389	23.30	33,673,242	25.34
Secured	106,802,105	76.70	99,212,318	74.66
Financial collateral	2,575,918	1.85	2,251,418	1.69
Real estate	96,362,075	69.20	88,202,707	66.38
Guarantee	6,630,946	4.76	7,258,484	5.46
Others	1,233,166	0.89	1,499,709	1.13
	<u>\$ 139,250,494</u>	<u>100.00</u>	<u>132,885,560</u>	<u>100.00</u>

(I) Credit quality and impairment analysis of overdue credit

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

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

(Continued)

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Notes to the Financial Statements

Additional credit quality analysis of financial assets was as follows:

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

	December 31, 2016						Allowance for impairment loss (D)		Net (A)-(B)+(C)- (D)
Name	Non-overdue and non-impaired amount			Overdue but not impaired amount (B)	Impairment (C)	Total (A)+(B)+(C)	With objective evidence of impairment	No objective evidence of impairment	
	Low risk	Medium risk	High risk						Subtotal (A)
Items on statement of financial position									
Receivables									
Acceptance receivables	\$ 295,763	-	-	295,763	-	295,763	-	3,483	292,280
Other receivables	2,368,017	82	1,279	2,369,378	5,650	2,375,028	-	1,867	2,373,161
Derivatives default receivables	-	-	-	-	-	69,241	45,514	-	23,727
Others	1,436,436	-	-	1,436,436	-	1,436,436	-	-	1,436,436
Loans and discounts	134,830,372	948,305	86,971	135,865,648	2,257,854	139,250,494	317,725	1,416,746	137,516,023
	<u>\$ 138,930,588</u>	<u>948,387</u>	<u>88,250</u>	<u>139,967,225</u>	<u>2,263,504</u>	<u>143,426,962</u>	<u>363,239</u>	<u>1,422,096</u>	<u>141,641,627</u>
Items off statement of financial position									
Commitments and guarantees	\$ 3,772,444	-	-	3,772,444	-	3,772,444	-	-	3,772,444
Credit	1,029,185	16,794	-	1,045,979	-	1,045,979	-	-	1,045,979

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Notes to the Financial Statements

December 31, 2015										
Name	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	\$ 217,428	-	-	217,428	-	-	217,428	-	3,483	213,945
Other receivables	1,108,873	89	122	1,109,084	4,147	355	1,113,586	2,268	-	1,111,318
Others	1,917,215	-	-	1,917,215	-	-	1,917,215	-	-	1,917,215
Loans and discounts	128,064,913	1,810,602	229,445	130,104,960	1,871,052	909,548	132,885,560	400,173	1,249,225	131,236,162
	<u>\$ 131,308,429</u>	<u>1,810,691</u>	<u>229,567</u>	<u>133,348,687</u>	<u>1,875,199</u>	<u>909,903</u>	<u>136,133,789</u>	<u>402,441</u>	<u>1,252,708</u>	<u>134,478,640</u>
Items off statement of financial position										
Commitments and guarantees	\$ 3,761,168	-	-	3,761,168	-	-	3,761,168	-	-	3,761,168
Credit	1,086,885	9,923	1,247	1,098,055	-	-	1,098,055	-	-	1,098,055

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Notes to the Financial Statements

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

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

Non-overdue and non-impaired amount				
		Medium		
December 31, 2015	Low risk	risk	High risk	Total
Corporate	\$ 68,218,491	1,235,374	14,253	69,468,118
Consumer	<u>59,846,422</u>	<u>575,228</u>	<u>215,192</u>	<u>60,636,842</u>
Total	<u>\$ 128,064,913</u>	<u>1,810,602</u>	<u>229,445</u>	<u>130,104,960</u>

(Continued)

BANK OF PANHSIN

Notes to the Financial Statements

C) Credit analysis for marketable securities

Name	Non-overdue and non-impaired amount					December 31, 2016			
	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	\$ 8,789,490	-	-	8,789,490	-	-	8,789,490	-	8,789,490
Stock investment	293,364	-	-	293,364	-	-	293,364	-	293,364
Others	156,251	-	-	156,251	-	-	156,251	-	156,251
Held-to-maturity financial assets									
Bond investment	100,000	-	-	100,000	-	-	100,000	-	100,000
Other financial assets									
Stock investment	55,537	-	-	55,537	-	4,940	60,477	4,940	55,537

(Continued)

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Notes to the Financial Statements

Name	Non-overdue and non-impaired amount					December 31, 2015			
	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	\$ 11,699,224	-	-	11,699,224	-	-	11,699,224	-	11,699,224
Stock investment	721,677	-	-	721,677	-	-	721,677	-	721,677
Others	307,468	-	-	307,468	-	-	307,468	-	307,468
Held-to-maturity financial assets									
Bond investment	750,450	-	-	750,450	-	-	750,450	-	750,450
Other financial assets									
Stock investment	55,537	-	-	55,537	-	4,940	60,477	4,940	55,537

(Continued)

BANK OF PANHSIN

Notes to the Financial Statements

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

December 31, 2015			
	Overdue within 1 month	Overdue between 1 and 3 months	Total
Receivables	\$ -	4,147	4,147
Discount and loans	290,631	1,580,421	1,871,052
Corporate banking	2,235	1,342,468	1,344,703
Retail banking	288,396	237,953	526,349
Total	<u>\$ 290,631</u>	<u>1,584,568</u>	<u>1,875,199</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.

A) 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.

(Continued)

BANK OF PANHSIN**Notes to the Financial Statements****B) 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.

C) Interest risk

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

(B) Risk management process

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

A) Risk identification**A. 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.

B. 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.

C. 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.

B) Risk assessment and measurement**A. 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) other assets with similar prices, or (3) other adequate evaluation methods, which have to be used consistently.

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BANK OF PANHSIN

Notes to the Financial Statements

B. 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.

C. 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.

C) 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).

D) Risk reporting

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

(C) Maturity analysis of financial assets and financial liabilities

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

Items	December 31, 2016						Total
	0~10 Days	11~30 Days	31~90 Days	91~180 Days	181 Days~ 1 Year	Over 1 Year	
Assets							
Cash	\$ 21,184,684	8,998,566	2,540,359	1,086,371	6,390,335	3,926,396	44,126,711
Financial assets at FVTPL	2,526,159	1,189,603	450,744	150,691	705,707	7,529,127	12,552,031
Securities sold under resell agreements	4,044,069	2,977,726	-	-	-	-	7,021,795
Loans and discounts	7,750,479	3,556,202	14,149,956	15,164,081	28,675,170	61,312,432	130,608,320
Interest receivables	53,901	102,073	22,623	10,187	21,823	4,333	214,940
Call loans to banks	4,515,000	-	-	-	-	-	4,515,000

(Continued)

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Notes to the Financial Statements

December 31, 2016							
Items	0~10 Days	11~30 Days	31~90 Days	91~180 Days	181 Days~ 1 Year	Over 1 Year	Total
Liabilities							
Deposits from Central Bank and other banks	\$ 31,612	280	703,950	373,550	192,940	-	1,302,332
Checking account	967,688	1,935,375	5,806,125	8,709,188	17,418,376	38,621,010	73,457,762
Demand deposits	2,973,358	12,025,296	30,257,087	22,328,293	45,079,563	5,537,874	118,201,471
Borrowing	-	-	-	-	400,000	5,426,000	5,826,000
Interest payables	68,935	27,468	44,906	57,456	18,768	5,753	223,286
December 31, 2015							
Items	0~10 Days	11~30 Days	31~90 Days	91~180 Days	181 Days~ 1 Year	Over 1 Year	Total
Assets							
Cash	\$ 15,000,986	13,191,429	1,353,219	805,975	1,703,850	1,549,752	33,605,211
Financial assets at FVTPL	1,704,468	704,784	350,599	-	1,963,254	11,018,608	15,741,713
Securities sold under resell agreements	4,022,979	2,210,052	-	-	-	-	6,233,031
Loans and discounts	6,058,308	3,916,520	11,171,218	12,675,303	22,505,703	66,349,765	122,676,817
Interest receivables	50,481	114,944	37,074	3,290	35,243	246	241,278
Liabilities							
Deposits from Central Bank and other banks	49,316	280	703,950	373,550	192,940	-	1,320,036
Checking account	945,088	1,890,177	5,670,531	8,505,796	17,011,593	37,719,065	71,742,250
Demand deposits	2,538,874	8,233,028	20,854,163	19,502,858	42,222,989	5,728,517	99,080,429
Borrowing	-	-	-	-	500,000	4,200,000	4,700,000
Interest payables	65,169	26,181	41,304	48,725	18,456	3,244	203,079

(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.

Unit: NTD thousand

December 31, 2016			
	Less than 1 year	Over 1 year	Total
Irrevocable loan commitment	\$ 562,367	1,310,669	1,873,036
Letter of credit receivables	894,625	151,354	1,045,979
Various guarantee proceeds	1,835,277	1,937,167	3,772,444

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Notes to the Financial Statements

	December 31, 2015		
	Less than 1 year	Over 1 year	Total
Irrevocable loan commitment	\$ 167,344	2,276,145	2,443,489
Letter of credit receivables	1,093,317	4,738	1,098,055
Various guarantee proceeds	1,061,345	2,699,823	3,761,168

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

December 31, 2015	Less than 1 year	1-5 years	Over 5 years	Total
Lease commitments				
Operating lease payment (lessee)	\$ 137,493	263,590	650	401,733
Operating lease income (lessor)	85,709	180,733	155,975	422,417

(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 one basis point (1.0%) on the statement of financial position date.

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BANK OF PANHSIN

Notes to the Financial Statements

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, 2016		
		Cost/ par value	Amount	
			Equity	Gain or loss
Interest rate risk	Government and corporate bonds	8,491,183	(331,620)	(4,688)

Main risk	Name	December 31, 2015		
		Cost/ par value	Amount	
			Equity	Gain or loss
Interest rate risk	Government and corporate bonds	12,445,934	(330,623)	(6,172)

(G) Exchange rate risk

Unit: Thousand

	December 31, 2016		
	Foreign currency	Exchange rate	New Taiwan dollars
Financial assets			
Monetary item			
USD	254,719	32.2790	8,222,075
EUR	5,885	33.9155	199,578
JPY	196,087	0.2757	54,061
HKD	18,565	4.1622	77,274
SGD	30	22.3106	659
CNY	68,127	4.6226	314,923
AUD	37	23.2990	853
CHF	1,487	31.5533	46,931

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Notes to the Financial Statements

December 31, 2016			
	Foreign currency	Exchange rate	New Taiwan dollars
Financial liabilities			
Monetary item			
USD	403,422	32.2790	13,022,050
EUR	5,476	33.9155	185,705
JPY	696,697	0.2757	192,079
HKD	13,030	4.1622	54,233
AUD	33,241	23.2990	774,489
GBP	2,472	39.6063	97,898
CAD	3,084	23.9281	73,785
CHF	3	31.5533	95
NZD	1,621	22.4081	36,319
SGD	123	22.3106	2,748
ZAR	116,342	2.3694	275,656
CNY	59,765	4.6226	276,268
December 31, 2015			
	Foreign currency	Exchange rate	New Taiwan dollars
Financial assets			
Monetary item			
USD	301,519	33.0660	9,970,015
EUR	6,609	36.1246	238,737
JPY	232,551	0.2747	63,888
HKD	18,936	4.2665	80,789
SGD	131	23.4228	3,057
CNY	70,000	5.0334	352,359
AUD	11	24.1613	269

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Notes to the Financial Statements

	December 31, 2015		
	Foreign currency	Exchange rate	New Taiwan dollars
Financial liabilities			
Monetary item			
USD	403,854	33.0660	13,353,832
EUR	3,937	36.1246	142,218
JPY	598,531	0.2747	164,432
HKD	15,187	4.2665	64,794
AUD	32,104	24.1613	775,670
GBP	2,199	49.0402	107,816
CAD	1,349	23.8424	32,156
CHF	4	33.4304	121
NZD	1,487	22.6767	33,719
SGD	33	23.4228	773
ZAR	124,304	2.1254	264,197
CNY	102,310	5.0334	514,970

7) Capital management

1. 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.

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.

2. 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.

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BANK OF PANHSIN

Notes to the Financial Statements

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.

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

Analysis item			Period-end December 31, 2016	December 31, 2015
Eligible capital	Common capital		10,172,601	9,762,200
	Other Tier I capital		1,465,317	-
	Tier II capital		2,599,425	3,374,976
	Eligible capital		14,237,343	13,137,176
Risk-weighted assets	Credit risk	Standardized approach	133,712,568	126,324,158
		Internal rating-based approach	-	-
		Securitization	-	-
	Operational risk	Basic indicator standardized approach	5,970,013	5,504,663
		Standardized approach / alternative approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	3,119,475	2,620,013
		Internal model approach	-	-
	Total risk-weighted assets		142,802,056	134,448,834
Capital adequacy ratio			9.97 %	9.77 %
Tier 1 capital / risk-weighted assets ratio			8.15 %	7.26 %
Common stock / risk-weighted assets ratio			7.12 %	7.26 %
Leverage ratio			4.89 %	4.50 %

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".

(Continued)

BANK OF PANHSIN**Notes to the Financial Statements**

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

(43) Related-party transactions

- 1) Name of subsidiaries of the Bank

	Location	Equity (% of ownership)	
		December 31, 2016	December 31, 2015
Panhsin Assets Management Co., Ltd.	Taiwan	100.00	100.00
Panhsin International Leasing Co., Ltd.	Taiwan	100.00	100.00

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

- 2) Name and relationship of related parties

Name	Relationship
Panhsin Asset Management Co., Ltd.	Subsidiary
Hanhsin International Leasing Co., Ltd.	Subsidiary
Xin Hui Construction Co., Ltd.	Related Party in substance
Cheng Hui Construction Co., Ltd.	Related Party in substance
Da Wang Construction Co., Ltd.	Related Party in substance
Shan Hui Construction Co., Ltd.	Related Party in substance
Yi Chang Construction Co., Ltd.	Related Party in substance
Sheng Ping Zuo Construction Co.	Related Party in substance
Boards, General Manager, Vice General Managers	Primary Management

(Continued)

BANK OF PANHSIN
Notes to the Financial Statements

Name	Relationship
Other related parties	According to IAS 24- Related Party Disclosures, related parties should include: 1.Management's spouse, immediate family and second-degree relatives. 2.Management and above relatives are chairmen, supervisor and general manager of company.

3) Significant transactions with related parties

1. Deposits

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

	2015		
Name	Ending balance	Percentage of deposits	Interest rate
Deposits by each related party not over 1% of total deposits	\$ <u>450,914</u>	<u>0.25</u>	0.01~8.26

For the years ended December 31, 2016 and 2015, apart from an interest rate limit on staff demand savings deposits of 6.520% to 6.950% and 6.860% to 7.080%, 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, 2016 and 2015 interest expense paid on the above deposits was \$3,968 and \$2,308, respectively.

2. Loans

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

(Continued)

BANK OF PANHSIN
Notes to the Financial Statements

Type of loan	Number of accounts or name of related party	Maximum during the period	2015		Repayment		Difference between terms and conditions offered to the accounts and to the general public
			Ending balance	On time	Overdue	Collateral	
Employee credit loan	1	3,643	-	-	-	Real estate and deposits	None
Others	12	669,397	509,737	509,737	-	Real estate	None

For the years ended December 31, 2016 and 2015, interest income recognized for the above loans was \$17,241 and \$1,052, respectively.

3. The detail of office rentals by the Bank to a related party for operating purpose were as follows:

Name	2016	2015
Rent revenue		
Panhsin Asset Management Co., Ltd.	\$ <u>1,394</u>	<u>223</u>
Rent expense		
Xin Hui Construction Co., Ltd.	\$ 2,283	2,283
Cheng Hui Construction Co., Ltd.	2,283	2,283
Da Wang Construction Co., Ltd.	3,014	3,036
Shan Hui Construction Co., Ltd.	<u>6,103</u>	<u>2,312</u>
	\$ <u>13,683</u>	<u>9,914</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	2016	2015
Other revenue		
Panhsin Asset Management Co., Ltd.	\$ <u>575</u>	<u>-</u>

4. Other

For the years ended December 31, 2016 and 2015, the details of the Bank's selling a series of subordinated financial debentures to related parties were as follows:

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

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BANK OF PANHSIN

Notes to the Financial Statements

Related party		2015		Interest rate	Interest expense
		Highest balance	Ending balance		
Directors, supervisors, and main stockholders	\$	920	<u>920</u>	2.84~3.00	<u>227</u>

4) Key management personnel compensation

	2016	2015
Short-term employee benefits	\$ <u>60,044</u>	<u>44,660</u>
Post-employment benefits	\$ <u>769</u>	<u>452</u>

(44) Pledged assets

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

Pledged Assets	Pledged for	December 31, 2016	December 31, 2015
Time deposit (recorded as due from central bank and placement to other banks)	Foreign currency — denominated overdraft guarantee	\$ 846,226	850,334
Government bonds (recorded as available-for-sale financial assets)	Reserve for trust business	50,099	50,250
	Provisional seizure	107,905	52,395
	Operating deposits for trading bills	50,140	50,902
	Operating deposits for trading bonds	10,028	10,180
	Deposits for Taxation Administration, Ministry of Finance	106,103	107,981
	Derivative financial products credit guarantee	361,350	260,319
	Settlement deposits for bonds	7,400	7,400
	Deposits for lawsuits	9,170	9,170
		<u>\$ 1,548,421</u>	<u>1,398,931</u>

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Notes to the Financial Statements

(45) Significant contingent liabilities and unrecognized contract commitments

1) Significant contingent liabilities and unrecognized contract commitments

1. Significant purchase agreements

December 31, 2016

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

December 31, 2015

Contract name	Contract price	Unpaid portion of contract price
Significant purchase agreements:		
Software system	<u>\$ 100,279</u>	<u>65,194</u>

2. For significant leases and capital expenditure, please refer to note 42.

2) Other

	December 31, 2016	December 31, 2015
Consignment collection for others	\$ 10,429,708	12,422,302
Consignment released and loans for others	954,711	769,648
Collateral held as performance bond	300	21,134
Traveler's checks held for consignment sale	10,775	13,447
Custodial securities	130,000	135,000
Trust assets	<u>43,915,421</u>	<u>44,255,872</u>
Total	<u><u>\$ 55,440,915</u></u>	<u><u>57,617,403</u></u>
Lines of credit provided but not used	<u><u>\$ 53,756,418</u></u>	<u><u>2,443,489</u></u>
Guarantees	<u><u>\$ 3,772,444</u></u>	<u><u>3,761,168</u></u>
Letters of credit issued but not yet presented	<u><u>\$ 1,045,979</u></u>	<u><u>1,098,055</u></u>

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Notes to the Financial Statements

- 3) 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, 2016**

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

Trust balance sheet**December 31, 2015**

Trust assets		Trust liabilities	
Bank deposits	\$ 3,272,607	Trust capital—monetary trust	19,442,586
Investment in funds	16,558,919	Trust capital—real estate	21,315,126
Investment in bonds	33,769	Trust capital—monetary loans and guaranteed assets	1,972,635
Investment in stocks	1,611,454	Trust capital—securities trust	1,554,198
Investment in loans	1,972,532	Trust capital—land rights trust	302,333
Land	15,096,756	Net income	(330,968)
Building	459,992	Unappropriated earnings	(38)
Construction in progress	<u>5,249,843</u>		
Total trust assets	<u>\$ 44,255,872</u>	Total trust liabilities	<u>44,255,872</u>

(Continued)

BANK OF PANHSIN
Notes to the Financial Statements

Trust income statement

	2016	2015
Trust revenue:		
Interest revenue	\$ 18,604	6,016
Realized investment gain — funds	58,994	151,555
Realized investment gain — bonds	1,313	-
Realized investment gain — stock	117	-
Cash dividends revenue	<u>703,367</u>	<u>793,666</u>
	<u>782,395</u>	<u>951,237</u>
Trust expenses:		
Management expenses	18,658	40,580
Realized investment loss — funds	484,695	607,511
Realized investment loss — bonds	1,949	-
Realized investment loss — stock	79	-
Other expenses	<u>4,689</u>	<u>229</u>
	<u>510,070</u>	<u>648,320</u>
Net income before income tax	272,325	302,917
Income tax expense	<u>83</u>	<u>584</u>
Net income after income tax	<u>\$ 272,242</u>	<u>302,333</u>

Trust asset register

December 31, 2016

Item	Amount
Bank deposits	\$ 3,434,470
Investment in funds	15,573,142
Bonds	545,056
Investment in stocks	1,693,322
Investment in common stocks	1,359,729
Land	15,214,913
Building	387,430
Construction in progress	<u>5,707,359</u>
	<u>\$ 43,915,421</u>

(Continued)

BANK OF PANHSIN
Notes to the Financial Statements

Trust asset register
December 31, 2015

Item	Amount
Bank deposits	\$ 3,272,607
Investment in funds	16,558,919
Bonds	33,769
Investment in stocks	1,611,454
Investment in common stocks	1,972,532
Land	15,096,756
Building	459,992
Construction in progress	<u>5,249,843</u>
	<u><u>\$ 44,255,872</u></u>

(46) Losses due to major disasters: None.

(47) Subsequent events: None.

(48) Other

- 1) The employee benefits, depreciation, depletion, and amortization, categorized by function, were as follows:

By function By account	2016			2015		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefits						
Salary	-	1,268,307	1,268,307	-	1,287,175	1,287,175
Labor and health insurance	-	94,811	94,811	-	98,192	98,192
Pension	-	57,630	57,630	-	59,188	59,188
Other personnel expense	-	55,759	55,759	-	42,161	42,161
Depreciation	-	141,585	141,585	-	131,055	131,055
Depletion	-	-	-	-	-	-
Amortization	-	70,242	70,242	-	67,088	67,088

The depreciation expense for leased-out assets was \$25,237 and \$24,067 in 2016 and 2015, respectively, and was recorded under other non-interest income—net.

As of December 31, 2016 and 2015, the Bank had 1,389 and 1,427 employees, respectively.

(Continued)

BANK OF PANHSIN
Notes to the Financial Statements

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

	2016	
	Average Amount	Average Interest Rate
Interest-earning assets:		
Cash due from banks	\$ 887,823	0.66
Due from Central Bank and call loans to banks	37,107,933	0.59
Financial assets at fair value through profit or loss	2,707,344	0.46
Loans and advances to customers	137,243,250	2.47
Available-for-sale financial assets	8,725,618	1.16
Held-to-maturity financial assets	279,266	1.53
Securities purchased under resell agreements	4,827,818	0.35
Interest-bearing liabilities:		
Due to banks	1,456,843	1.01
Demand deposits	25,674,229	0.07
Time deposits	41,379,913	0.91
Negotiable time deposits	657,105	0.62
Demand savings deposits	46,682,726	0.31
Time savings deposits	77,398,034	1.17
Financial debentures	5,137,699	3.15
	2015	
	Average Amount	Average Interest Rate
Interest-earning assets:		
Cash due from banks	\$ 1,459,182	1.14
Due from Central Bank and call loans to banks	30,035,434	0.79
Financial assets at fair value through profit or loss	2,256,988	0.63
Loans and advances to customers	127,242,149	2.73
Available-for-sale financial assets	12,748,572	1.23
Held-to-maturity financial assets	752,188	1.58
Securities purchased under resell agreements	3,962,399	0.53

(Continued)

BANK OF PANHSIN
Notes to the Financial Statements

	2015	
	Average Amount	Average Interest Rate
Interest-bearing liabilities:		
Due to banks	\$ 1,796,109	1.12
Demand deposits	25,782,048	0.10
Time deposits	29,094,862	1.09
Negotiable time deposits	651,307	0.69
Demand savings deposits	46,014,924	0.35
Time savings deposits	76,222,454	1.31
Financial debentures	5,160,329	3.00

- 3) 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:

1. Asset quality

Unit: NTD thousands

Unit: NTD thousands

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

(Continued)

BANK OF PANHSIN

Notes to the Financial Statements

Period			December 31, 2015				
			Overdue loan amount	Loan balance	Overdue ratio	Allowance for bad debts	Cover rate
Product							
Corporate banking	Secured		574,422	38,345,244	1.50 %	493,205	85.86 %
	Unsecured		93,980	33,135,979	0.28 %	422,869	449.96 %
Consumer banking	Mortgage		199,333	23,281,464	0.86 %	322,995	162.04 %
	Cash card		-	-	- %	-	- %
	Credit loan		5,218	758,777	0.69 %	19,428	372.33 %
	Others	Secured	83,942	35,776,821	0.23 %	373,970	445.51 %
		Unsecured	88	1,587,275	0.01 %	16,931	19,239.77 %
Total			956,983	132,885,560	0.72 %	1,649,398	172.35 %
			Overdue	Account receivables	Overdue ratio	Allowance for bad debts	Cover rate
Credit cards			-	-	- %	-	- %
Without-recourse factoring			-	-	- %	-	- %

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

	December 31, 2016		December 31, 2015	
	Excluded NPL	Excluded overdue receivables	Excluded NPL	Excluded overdue receivables
As a result of debt consultation and loan agreement	48,890	-	75,112	-
As a result of debt solvency and restart plan	24,032	-	30,957	-
Total	72,922	-	106,069	-

2. Information on concentration of credit risk

Unit: NTD thousand

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

(Continued)

BANK OF PANHSIN
Notes to the Financial Statements

December 31, 2015			
Rank	Group company	Outstanding loan	Percentage of net worth (%)
1	A United Group (Real Estate Leasing)	2,089,576	15.80 %
2	B United Group (Real Estate)	1,946,320	14.72 %
3	C United Group (LED Panel Assembly)	850,000	6.43 %
4	D United Group (Real Estate)	741,300	5.61 %
5	E United Group (Rayon Manufacturing)	666,257	5.04 %
6	F United Group (Real Estate)	658,022	4.98 %
7	G United Group (Smelting and Refining of Iron and Steel)	635,214	4.80 %
8	H United Group (Real Estate Managing)	565,205	4.27 %
9	I United Group (Finishing Work)	532,410	4.03 %
10	J United Group (Real Estate)	530,000	4.01 %
	Total	9,214,304	

3. Interest rate sensitivity information

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

December 31, 2016

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

December 31, 2015

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	\$ 156,397,045	536,871	2,609,362	12,068,650	171,611,928
Interest-rate-sensitive liabilities	70,541,995	78,371,074	18,275,705	7,981,182	175,169,956
Interest-rate sensitivity gap	85,855,050	(77,834,203)	(15,666,343)	4,087,468	(3,558,028)
Net worth					13,221,572
Ratio of interest-rate-sensitive assets to liabilities					97.97
Ratio of interest-rate sensitivity gap to net worth					(26.91)

(Continued)

BANK OF PANHSIN

Notes to the Financial Statements

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

December 31, 2016

Unit: USD thousand

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

December 31, 2015

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	\$ 377,235	29,895	594	-	407,724
Interest-rate-sensitive liabilities	289,929	56,744	56,722	162	403,557
Interest-rate sensitivity gap	87,306	(26,849)	(56,128)	(162)	4,167
Net worth					5,351
Ratio of interest-rate-sensitive assets to liabilities					101.03
Ratio of interest-rate sensitivity gap to net worth					77.87

4. Profitability

%

Item		December 31, 2016	December 31, 2015
Return on total assets	Before income tax	0.21	0.42
	After income tax	0.16	0.35
Return on net worth	Before income tax	3.42	6.99
	After income tax	2.64	5.83
Profit margin		9.88	19.51

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 equity

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

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

(Continued)

BANK OF PANHSIN

Notes to the Financial Statements

5. Structure analysis of assets' and liabilities' time to maturity

(A) Duration analysis in New Taiwan dollars

December 31, 2016

Unit: NTD thousand

	Total	Aging for remaining period until expiration				
		0~30 days	31~90 days	91~180 days	181 days~ 1year	Over 1 year
Capital provided	\$ 212,704,383	59,805,134	17,242,338	16,492,475	36,426,029	82,738,407
Capital used	251,300,891	21,888,610	40,667,013	37,204,321	74,676,289	76,864,658
Spread	(38,596,508)	37,916,524	(23,424,675)	(20,711,846)	(38,250,260)	5,873,749

December 31, 2015

Unit: NTD thousand

	Total	Aging for remaining period until expiration				
		0~30 days	31~90 days	91~180 days	181 days~ 1year	Over 1 year
Capital provided	\$ 190,511,165	48,533,712	12,996,744	13,563,901	26,841,044	88,575,764
Capital used	240,651,156	18,982,814	32,529,800	36,266,084	75,724,900	77,147,558
Spread	(50,139,991)	29,550,898	(19,533,056)	(22,702,183)	(48,883,856)	11,428,206

(B) Duration analysis in US dollars

December 31, 2016

Unit: USD thousand

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

December 31, 2015

Unit: USD thousand

	Total	Aging for remaining period until expiration				
		0~30 days	31~90 days	91~180 days	181 days~ 1year	Over 1 year
Capital provided	\$ 447,184	185,672	97,332	48,594	24,462	91,124
Capital used	600,527	141,339	106,963	71,466	79,613	201,146
Spread	(153,343)	44,333	(9,631)	(22,872)	(55,151)	(110,022)

(Continued)

BANK OF PANHSIN**Notes to the Financial Statements****(49) Notes to disclosure items**

1) 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":

1. Financing provided to others: Not applicable.
2. Endorsements/guarantees provided to others: Not applicable.
3. Marketable securities held as of December 31, 2014 (not including investments in subsidiaries, associates and jointly controlled entities): None.
4. 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.
5. 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.
6. Information on the acquisition of real estate for which the purchase amount exceeded NT\$300 millions or 10% of the Bank's paid-in capital: None.
7. Information on the disposal of real estate for which the sale amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: None.
8. Information regarding discounted processing fees on transactions for which the amount exceeded \$5 million: None.
9. Information regarding receivable from related parties for which the amount exceeded \$300 million or 10% of the Bank's paid-in capital: None.
10. Financial derivative transactions: None.
11. Information regarding selling non-performing loans :
 - (A) Summary table of selling non-performing loans: None.
 - (B) Selling non-performing loans by single over NT\$1,000 million: None.
12. Approved securitization instrument types and related information according to "asset-backed securitization" or "mortgage-backed securitization": None.
13. 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

2) Information on investees

The following is the information on investees:

Unit: NTD Thousand

Unit: NTD Thousand										
Name of investee	Investee location	Investee's operation	Percentage of ownership	Book value of investments	Gain (loss) recognized during the period (note)	Holdings				Remark
						Number of shares	Pro forma number of shares	Total		
								Shares	Percentage	
Panhsin Asset Management Co., Ltd.	Panchiao City, Taipei County	Purchasing non-performing loans	100.00 %	184,701	(3,069)	66,000	-	66,000	100.00 %	subsidiary
Panhsin International Leasing Co., Ltd.	Panchiao City, Taipei County	Real estate	100.00 %	302,496	8,455	30,000	-	30,000	100.00 %	subsidiary

(50) Operating segment information

Please refer to consolidated financial statements for 2016.