Executive Offices
Address: No. 36, Nanking East Rd., Sec. 3, Taipei 104, Taiwan (R.O.C.)
Telephone: 886-2-2517-3336
https://bank.sinopac.com
Swift Address: SINOTWTP
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<th>Dep. / Branch Name</th>
<th>Address</th>
<th>Telephone No.</th>
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<td>Headquarters</td>
<td>No. 36, Sec. 3, Nanking E. Rd., Chungshan District, Taipei City 104, Taiwan (R.O.C.)</td>
<td>(02)2517-3336</td>
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<tr>
<td>Banking Division</td>
<td>No. 36, Sec. 3, Nanking E. Rd., Chungshan District, Taipei City 104, Taiwan (R.O.C.)</td>
<td>(02)2517-3336</td>
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<td>Trust Division</td>
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<td>International Division</td>
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<td>(02)2517-3336</td>
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<td>Offshore Banking Unit</td>
<td>11F., No. 9-1, Sec.2, Chienkuo N.Rd.,Chungshan District, Taipei City 104, Taiwan (R.O.C.)</td>
<td>(02)2508-2288</td>
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<td>Sungchiao Branch</td>
<td>No. 192, Sungchiao Rd., Chungshan District, Taipei City 104, Taiwan (R.O.C.)</td>
<td>(02)2511-4198</td>
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<tr>
<td>Taipei Branch</td>
<td>No. 9-1, Sec. 2, Chienkuo N. Rd., Chungshan District, Taipei City 104, Taiwan (R.O.C.)</td>
<td>(02)2508-2288</td>
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<td>Chungli Branch</td>
<td>No. 206, Sec. 2, Bade Rd., Chungshan District, Taipei City 104, Taiwan (R.O.C.)</td>
<td>(02)8161-8000</td>
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<td>Chungshan Branch</td>
<td>No. 79, Sec. 2, Chungshan N. Rd., Chungshan District, Taipei City 104, Taiwan (R.O.C.)</td>
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<td>Lungchiao Branch</td>
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<td>(02)2509-9395</td>
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<td>Tehui Branch</td>
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<td>(02)2586-9918</td>
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<td>Tungmei Branch</td>
<td>No. 164-1 &amp; 165 &amp; 166, Sec. 2, Hsinyi Rd., Taan District, Taipei City 106, Taiwan (R.O.C.)</td>
<td>(02)2312-6800</td>
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<td>Nanmen Branch</td>
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<td>Chengchung Branch</td>
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<td>Chian Road Branch</td>
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<td>Chiencheng Branch</td>
<td>No. 43, Changan W. Rd., Tatung District, Taipei City 103, Taiwan (R.O.C.)</td>
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<td>Yeping Branch</td>
<td>No. 286, Minsheng W. Rd., Tatung District, Taipei City 103, Taiwan (R.O.C.)</td>
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<td>Chungchung North Road Branch</td>
<td>No. 139, Sec. 3, Chungchung N. Rd., Tatung District, Taipei City 103, Taiwan (R.O.C.)</td>
<td>(02)2597-7138</td>
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<td>Tunpei Branch</td>
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<td>Hsinli Branch</td>
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<td>Sungshan Branch</td>
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<td>Hsinmen Branch</td>
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<td>Wanhu Branch</td>
<td>No. 280, Kangtng Rd., Wanhua District, Taipei City 108, Taiwan (R.O.C.)</td>
<td>(02)2302-2935</td>
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<td>Shuangyuan Branch</td>
<td>No. 58, Tungyuan St., Wanhua District, Taipei City 108, Taiwan (R.O.C.)</td>
<td>(02)2303-8222</td>
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<td>Shihmao Branch</td>
<td>No. 46, Sec. 4, Xinyi Rd., Taan District, Taipei City 106, Taiwan (R.O.C.)</td>
<td>(02)2700-3975</td>
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<td>Yungchun Branch</td>
<td>No. 352, Yungchi Rd., Hsinyi District, Taipei City 110, Taiwan (R.O.C.)</td>
<td>(02)2762-2300</td>
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<td>Sanhsing Branch</td>
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<td>Sungte Branch</td>
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<td>Chungshiao Branch</td>
<td>No. 1, Lane 236, Sec. 1, Tainhu S. Rd., Taan District, Taipei City 106, Taiwan (R.O.C.)</td>
<td>(02)8773-9181</td>
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<td>Tunan Branch</td>
<td>No. 187, Sec. 2, Anho Rd., Taan District, Taipei City 108, Taiwan (R.O.C.)</td>
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<td>Xingda Branch</td>
<td>No. 250, Guoguang Rd., South Dist., Taichung City 402, Taiwan (R.O.C.)</td>
<td>(04)2285-6276</td>
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<td>Chungshiao E. Road Branch</td>
<td>No. 48, Sec. 4, Chungshiao E. Rd., Taan District, Taipei City 106, Taiwan (R.O.C.)</td>
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<td>Chang An Branch</td>
<td>No. 39, 41, 43, 43-1, 43-2, Songjiang Rd., Chungshan District, Taipei City 104, Taiwan (R.O.C.)</td>
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<td>Hsinyi Branch</td>
<td>No. 252, Sec. 4, Hsinyi Rd., Taan District, Taipei City 106, Taiwan (R.O.C.)</td>
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<td>Jenai Branch</td>
<td>No. 316-2, Sec. 4, Jenai Rd., Taan District, Taipei City 106, Taiwan (R.O.C.)</td>
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<td>Hoping Branch</td>
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<td>Tienmu Branch</td>
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<td>Zhubei Ziqiang Branch</td>
<td>No. 25,27, Ziqiang S. Rd., Zhubei City, Hsinchu County 302, Taiwan (R.O.C.)</td>
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<td>Shihlin Branch</td>
<td>No. 85, Sec. 4, Chengtie Rd., Shihlin District, Taipei City 111, Taiwan (R.O.C.)</td>
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<td>Shihung Branch</td>
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<td>Shezhu Branch</td>
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<td>Lanya Branch</td>
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<td>Peitou Branch</td>
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<td>Neihu Branch</td>
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<td>Tunghu Branch</td>
<td>No. 23, Tunghu Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)</td>
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<td>Nankang Branch</td>
<td>1F., No. 19-15, Sanchong Rd., Nankang District, Taipei City 115, Taiwan (R.O.C.)</td>
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<td>Hsinglung Branch</td>
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<td>Chingmei Branch</td>
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<td>Panhsin Branch</td>
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<td>East Panchiao Branch</td>
<td>No. 147, Sec. 2, Chungshan Rd., Panchiao District, New Taipei City 220, Taiwan (R.O.C.)</td>
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<td>Panchiao Branch</td>
<td>No. 23, Fuchung Rd., Panchiao District, New Taipei City 220, Taiwan (R.O.C.)</td>
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<td>Panchiao Chunghsiao Branch</td>
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<td>Huachiang Branch</td>
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<td>Chuwei Branch</td>
<td>No. 6-12, Sec. 2, Shuanghsih Rd., Panchiao District, New Taipei City 22043, Taiwan (R.O.C.)</td>
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<td>Minan Branch</td>
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<td>Hsinchu Branch</td>
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<td>Hsichen Branch</td>
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<td>Huachtung Branch</td>
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<td>Huango Branch</td>
<td>No. 47, Sec. 2, Yungho Rd., Yungho District, New Taipei City 234, Taiwan (R.O.C.)</td>
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<td>Chungsho Branch</td>
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<td>Kuangfu Branch</td>
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<td>Chuisi Branch</td>
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<td>Hsuehfu Branch</td>
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<td>Tucheng Branch</td>
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<td>Haishan Branch</td>
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<td>Shulun Branch</td>
<td>No. 288, Sec. 1, Chungshan Rd., Shulun District, New Taipei City 238, Taiwan (R.O.C.)</td>
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<td>Huihu Branch</td>
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<td>Yingke Branch</td>
<td>No. 212, Chienkuo Rd., Yingke District, New Taipei City 239, Taiwan (R.O.C.)</td>
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<td>Linkou Chunghsiao Branch</td>
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<td>Taishan Branch</td>
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<td>Luchou Branch</td>
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<td>South Luchou Branch</td>
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<td>Sanchung Branch</td>
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<td>Kinmen Branch</td>
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<td>Chengyi Branch</td>
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<td>South Sanchung Branch</td>
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<td>Chunghsing Branch</td>
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<td>Hsiniai Branch</td>
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<td>Hsinchuang Branch</td>
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<td>Chungkang Branch</td>
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<td>Huisheng Branch</td>
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<td>Minan Branch</td>
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<td>(02)2205-8170</td>
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<td>Wuku Branch</td>
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<td>Chuei Branch</td>
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<td>Keeling Branch</td>
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<td>Lotung Branch</td>
<td>No. 205, Chungcheng Rd., Lotung Town, Yilan County 265, Taiwan (R.O.C.)</td>
<td>(039)553-457</td>
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<td>Yilan Branch</td>
<td>No. 33, Sec. 3, Chungshan Rd., Yilan City, Yilan County 260, Taiwan (R.O.C.)</td>
<td>(039)328-828</td>
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<td>Hsinchu Branch</td>
<td>No. 295, Sec. 2, Kuangfu Rd., Hsinchu City 300, Taiwan (R.O.C.)</td>
<td>(03)572-8975</td>
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<td>Kuanghua Branch</td>
<td>No. 528, Sec. 1, Jingguo Rd., East District, Hsinchu City 300, Taiwan (R.O.C.)</td>
<td>(03)535-6824</td>
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<td>Dep./Branch Name</td>
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<td>Chuke Branch</td>
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<td>Dali Branch</td>
<td>No. 503, Dongrong Rd., Dali District, Taichung City 412, Taiwan (R.O.C.)</td>
<td>(04)2407-8975</td>
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<td>Chupei Kuangming Branch</td>
<td>No. 87-6, Kuangming 6th Rd., Chupei City, Hsinchu County 30268, Taiwan (R.O.C.)</td>
<td>(03)553-0000</td>
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<td>Taoyuan Branch</td>
<td>1F, No. 51, Fuxing Rd., Taoyuan District, Taoyuan County 330, Taiwan (R.O.C.)</td>
<td>(03)333-9000</td>
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<td>Chungli Branch</td>
<td>No. 160, Tzuhi 3rd St., Chungli District, Taoyuan County 320, Taiwan (R.O.C.)</td>
<td>(03)427-8988</td>
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<td>North Taoyuan Branch</td>
<td>No. 656, Chunjih Rd., Taoyuan District, Taoyuan County 330, Taiwan (R.O.C.)</td>
<td>(03)317-6976</td>
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<td>Nankan Branch</td>
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<td>South Taoyuan Branch</td>
<td>No. 839, Chungshan Rd., Taoyuan District, Taoyuan County 330, Taiwan (R.O.C.)</td>
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<td>Yangmei Branch</td>
<td>No. 373,375,377,Yongmei Rd.,Yangmei District, Taoyuan City 326,Taiwan(R.O.C.)</td>
<td>(03)431-5935</td>
</tr>
<tr>
<td>Neili Branch</td>
<td>No. 321,323, Huanchung E. Rd., Neili District, Taoyuan County 320, Taiwan (R.O.C.)</td>
<td>(03)462-3918</td>
</tr>
<tr>
<td>Tayuan Branch</td>
<td>No. 102, Chungshan N. Rd., Taoyuan District, Taoyuan City 337, Taiwan (R.O.C.)</td>
<td>(03)384-3395</td>
</tr>
<tr>
<td>Chupei Branch</td>
<td>No. 157, Kuangfu Rd., Chupei Town, Miaoli County 350, Taiwan (R.O.C.)</td>
<td>(037)47-3982</td>
</tr>
<tr>
<td>Daeha Business Tower</td>
<td>No. 218-1, Linsen Rd., Hualien County 970, Taiwan (R.O.C.)</td>
<td>(04)2220-5800</td>
</tr>
<tr>
<td>North Taichung Branch</td>
<td>1F, No.368, Sec. 2, Huamei St., North District, Taichung City 403, Taiwan (R.O.C.)</td>
<td>(04)2293-2970</td>
</tr>
<tr>
<td>South Taichung Branch</td>
<td>No. 66, Sec. 2, Kungyi Rd., Nantun District, Taichung City 408, Taiwan (R.O.C.)</td>
<td>(04)2323-1200</td>
</tr>
<tr>
<td>Chungke Branch</td>
<td>No. 1182, Sec. 4, Taiwan Blvd. Hsitan District, Taichung City 407, Taiwan (R.O.C.)</td>
<td>(04)2465-3008</td>
</tr>
<tr>
<td>Fengyuan Branch</td>
<td>No. 245., Chungcheng Rd., Fengyuan District, Taichung City 420, Taiwan (R.O.C.)</td>
<td>(04)2520-7940</td>
</tr>
<tr>
<td>Hsitan Branch</td>
<td>No. 41 Wenxin S.Rd.,Nantun District,Taichung City 408,Taiwan(R.O.C.)</td>
<td>(04)2473-3288</td>
</tr>
<tr>
<td>Changhua Branch</td>
<td>No. 317, Mintshu Rd., Changhua City, Changhua County 500, Taiwan (R.O.C.)</td>
<td>(04)726-1998</td>
</tr>
<tr>
<td>Yulin Branch</td>
<td>No. 51, Sec. 2, Chunchung Rd., Yulin Town, Changhua County 510, Taiwan (R.O.C.)</td>
<td>(04)437-8840</td>
</tr>
<tr>
<td>Chiai Branch</td>
<td>No. 338, Hsingye W. Rd., Chiai City 600, Taiwan (R.O.C.)</td>
<td>(06)235-0175</td>
</tr>
<tr>
<td>Tainan Branch</td>
<td>No. 114, Sec. 2, Chienkang Rd., South District, Tainan City 702, Taiwan (R.O.C.)</td>
<td>(06)223-6805</td>
</tr>
<tr>
<td>East Tainan Branch</td>
<td>No. 163, Sec. 2, Chiangung Rd., East District, Tainan City 701, Taiwan (R.O.C.)</td>
<td>(06)200-5566</td>
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<tr>
<td>Yungkang Branch</td>
<td>No. 725, Chunchung Rd., Yungkang District, Tainan City 710, Taiwan (R.O.C.)</td>
<td>(06)202-7280</td>
</tr>
<tr>
<td>North Tainan Branch</td>
<td>No. 480, Sec. 4, Hsimen Rd., North District, Tainan City 704, Taiwan (R.O.C.)</td>
<td>(06)282-2118</td>
</tr>
<tr>
<td>NCKU Branch</td>
<td>No. 1, Daxue Rd., East District, Tainan City 701, Taiwan (R.O.C.)</td>
<td>(06)209-6333</td>
</tr>
<tr>
<td>Sanmin Branch</td>
<td>No. 78, Mintshu 1st Rd., Sanmin District, Kaohsiung City 807, Taiwan (R.O.C.)</td>
<td>(07)392-8988</td>
</tr>
<tr>
<td>North Kaohsiung Branch</td>
<td>No. 441, Yucheng Rd., Tsoying District, Kaohsiung City 813, Taiwan (R.O.C.)</td>
<td>(07)557-9008</td>
</tr>
<tr>
<td>Kaohsiung Branch</td>
<td>No. 143, Chungcheng 2nd Rd., Lingya District, Kaohsiung City 802, Taiwan (R.O.C.)</td>
<td>(07)225-5080</td>
</tr>
<tr>
<td>South Kaohsiung Branch</td>
<td>No. 100, Chunghua 4th Rd., Lingya District, Kaohsiung City 802, Taiwan (R.O.C.)</td>
<td>(07)537-9918</td>
</tr>
<tr>
<td>Lingya Branch</td>
<td>No. 90, Chienkous 1st Rd., Lingya District, Kaohsiung City 802, Taiwan (R.O.C.)</td>
<td>(07)725-7187</td>
</tr>
<tr>
<td>Kangkang Branch</td>
<td>No. 1, Tate 1st Rd., Kangkang District, Kaohsiung City 820, Taiwan (R.O.C.)</td>
<td>(07)622-8224</td>
</tr>
<tr>
<td>Fengshan Branch</td>
<td>No. 366, Kuangyuan Rd., Fengshan District, Kaohsiung City 830, Taiwan (R.O.C.)</td>
<td>(07)740-9345</td>
</tr>
<tr>
<td>Pingtung Branch</td>
<td>No. 14, Fuhsiang N. Rd., Pingtung City, Pingtung County 900, Taiwan (R.O.C.)</td>
<td>(08)732-3322</td>
</tr>
<tr>
<td>Hualien Branch</td>
<td>No. 218-1, Linsen Rd., Hualien County 970, Taiwan (R.O.C.)</td>
<td>(03)833-7588</td>
</tr>
<tr>
<td>Los Angeles Branch</td>
<td>Wells Fargo Center-South Tower 355 South Grand Avenue, Suite 4168, Los Angeles, California,USA</td>
<td>1-213-437-4800</td>
</tr>
<tr>
<td>Hong Kong Branch</td>
<td>26F, Central Tower, 26 Queen’s Rd., Central, Hong Kong</td>
<td>852-2801-2801</td>
</tr>
<tr>
<td>Kowloon Branch</td>
<td>18F, One Peking, 1 Peking Rd., Tsim Sha Tsui, Kowloon, Hong Kong</td>
<td>852-3655-8888</td>
</tr>
<tr>
<td>Macau Branch</td>
<td>Avenida do Doutor Mario Soares, Finance and IT Center of Macau 9 andar A, Macau</td>
<td>853-2871-5175</td>
</tr>
<tr>
<td>Vietnam Representative Office</td>
<td>Daeha Business Tower, 12F No. 360 Kim Ma Street, Ba Dinh District, Hanoi Vietnam</td>
<td>84-24-3244-4264</td>
</tr>
<tr>
<td>Ho Chi Minh Branch</td>
<td>Saigon Riverside Office Center, 1F, 2A-4A Ton Duc Thang Street, District 1, Ho Chi Minh City, Vietnam</td>
<td>84-28-3822-0566</td>
</tr>
</tbody>
</table>
## Financial Highlights

### (In millions, except per share data)

<table>
<thead>
<tr>
<th></th>
<th>2019 NT$</th>
<th>2019 US$ (Note)</th>
<th>2018 NT$</th>
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</thead>
<tbody>
<tr>
<td><strong>For the year</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pretax income</td>
<td>12,029</td>
<td>399.47</td>
<td>11,295</td>
</tr>
<tr>
<td>Net income</td>
<td>10,291</td>
<td>341.76</td>
<td>9,674</td>
</tr>
<tr>
<td><strong>At year-end</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits and remittances</td>
<td>1,388,841</td>
<td>46,122.20</td>
<td>1,195,974</td>
</tr>
<tr>
<td>Discounts and loans, net</td>
<td>999,554</td>
<td>33,194.32</td>
<td>919,303</td>
</tr>
<tr>
<td>Total assets</td>
<td>1,695,816</td>
<td>56,316.58</td>
<td>1,485,321</td>
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<tr>
<td>Shareholders' equity</td>
<td>133,668</td>
<td>4,439.00</td>
<td>129,082</td>
</tr>
<tr>
<td><strong>Per share</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings per share</td>
<td>1.20</td>
<td>0.04</td>
<td>1.12</td>
</tr>
<tr>
<td>Shareholders' equity per share</td>
<td>15.53</td>
<td>0.52</td>
<td>15.00</td>
</tr>
<tr>
<td>Dividends declared per share</td>
<td>0.83447222</td>
<td>0.02771210</td>
<td>0.77046299</td>
</tr>
<tr>
<td>- Cash dividend</td>
<td>0.83447222</td>
<td>0.02771210</td>
<td>0.77046299</td>
</tr>
<tr>
<td>- Stock dividend</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Note 1: US dollar amounts are converted for convenience only at NT$ 30.1122 per dollar, the prevailing rate on Dec. 31, 2019.

Note 2: Using the number of the outstanding issued shares at year end as the basis to calculate the shareholder's equity per share.
Many uncertainties clouded the global economy in 2019, including escalations of the China-US trade war, Brexit, US-Iran conflicts, and Hong Kong protests, increasing the probability of an economic downturn. Fortunately, the central banks of countries around the world put in a joint effort to save the global economy; The US Federal Reserve Board cut the interest rate a total of 0.75% in July, September, and October, and started printing money in October; the European Central Bank cut the interest rate by 10 basis points and resumed quantitative easing in November; the People's Bank of China adopted both general and targeted cuts to the reserve requirement ratio, and cut the medium-term lending facility (MLF) interest rate to reduce the cost of business loans; Australia, New Zealand, Russia, Indonesia, and India also cut interest rates several times throughout 2019, not only stabilizing their economies, but supporting their strong stock market showings. In 2019, the three major US stock markets hit record highs, one after another. Taiwan stocks benefited from order transfers as a result of the trade war, with the Taiwan Capitalization Weighted Stock Index (TAIEX), led by Taiwan Semiconductor Manufacturing Company, hitting 2.73%, ranking first among the Four Asian Dragons.

Looking to 2020, there are various uncertainties all over the world; however, Taiwan has benefited from the transfer of supply chains and increased reinvestment in Taiwan by some manufacturers, increasing production capacity in Taiwan. In addition, domestic semiconductor manufacturers are continuing to expand their advanced processes. More and more investments in 5G and offshore renewable energy such as wind farms are also being made. We expect that investment will continue to support moderate growth for Taiwan's economy in 2020.

In terms of the real economy, the government of Taiwan encouraged businesses to repatriate funds from China; some businesses relocated their production centers to Taiwan due to the China-US trade war, which supported the steady growth of investment. In 2019, overall economic performance was better than expected, with an annual growth rate estimated by the Directorate General of Budget, Accounting and Statistics at 2.73%, ranking first among the Four Asian Dragons.

In terms of corporate banking, as of the end of 2019, the outstanding corporate lending balance was NT$510.2 billion, about 39% of which was foreign currency lending. The volume of factoring was NT$68.2 billion, and the volume of foreign exchange trading was US$228.4 billion. Loans to small and medium enterprises (SMEs) amounted to NT$181.5 billion, for a fifth-place rank among domestic private banks. Credit guarantees to small and medium enterprises (SMEs) totaled NT$28.7 billion, for a fourth-place rank among domestic private banks. As Bank SinoPac expands to more locations overseas, its intercontinental service network now covers all major regions where Taiwanese businesses cluster. Bank SinoPac provides integrated, cross-regional customer services through the Factors Chain International (FCI) platform and Factoring by Insurance (FBI) products, reducing overseas business risks and costs associated with factoring. Looking forward to 2020, Bank SinoPac will support the globalization of Taiwanese businesses’ supply chains, provide specialized and comprehensive trade financial services and supply chain financing, and simultaneously extend its business operations in overseas markets.

In terms of retail banking, as of the end of 2019, outstanding balances totaled NT$482.7 billion in mortgage loans, NT$7.2 billion for auto loans, and NT$3.8 billion for other secured loans. Considering the domestic economy and real estate markets, Bank SinoPac drew on the management principles of “Stable Operations, Risk Diversification, Asset Quality Assurance, and ROA Maintenance” in its mortgage service in 2010, targeting quality internal and external mortgage customers who took mortgages for their owner-occupied homes. In addition, Bank SinoPac continued to pursue robust mortgage asset growth and enhance product value through product innovation, digital banking, customer segment management, risk control mechanisms, etc. Extending the business strategies of 2019, Bank SinoPac will continue to strengthen its electronic banking service and customer segmentation in 2020, using differentiated smart financial services across product lines to meet the needs of target customers and elevate customer stickiness and its overall competitive edge.

With respect to wealth management service in 2019, the outstanding balance of non-discretionary money trust investing on domestic and foreign securities under management at the end of the year totaled NT$110.0 billion, and the total volume of sales amounted to NT$47.9 billion. The outstanding balance of general trust business (including real estate, employee benefit, and securities trusts) at the end of the year was NT$27.1 billion. As the custodian for domestic securities/futures trust funds and with respect to various custody services, the end-of-year outstanding asset balance totaled NT$27.1 billion, and the total premium received from bancassurance operations was NT$27.5 billion, including NT$3 billion through SinoPac Securities. Looking into 2020, risk-adjusted assets are expected to perform strongly in the first half under global economic recovery and sufficient liquidity; market fluctuations are inevitable in the second half due to the phase-two trade deal between China and the U.S. and the upcoming U.S. election. The easing monetary policy implemented by major economies in the world is expected to lead to a constantly low interest rate on insurance products in addition, new restrictions on savings insurance products that will become effective in July 2020 add to the banking and insurance market’s difficulties in the second half of 2020. The dynamic adjustment of investment portfolios will be a key factor in wealth management services.

With respect to financial markets, Bank SinoPac provides customers multi-currency investment, a diversified range of tools for financial hedging, and comprehensive financial operations planning. In addition, Bank SinoPac actively participated in a wide array of financial instruments in Taiwan and other Asia markets. Bank SinoPac’s well-established and comprehensive platforms for FX, interest rates, fixed income, and derivatives thereof make it one of the key market makers among domestic banks. Starting from January 2019, Bank SinoPac’s Offshore Banking Unit (OBU) launched bond underwriting business and bond trading to offer customers more comprehensive products and services. In 2019, Bank SinoPac's commitment to financial products and services was highly recognized by multiple parties. Bank SinoPac
received five trading-related awards from Refinitiv, including Top 5 High Trading Volume Bank, Top CNH (Spot) Entity, Top CNH (Spot) Trader, Top FX Swap Entity, and Top FX Swap Trader. In addition, Refinitiv named Bank SinoPac as the FX Regulation Adoption Entity. Moreover, Bank SinoPac received second runner up for the Performance Diamond Award from Taiwan Futures Exchange (TAIFEX) and won the NTD Interest Swap Trading Platform Competition and the Excellent Market Maker for Central Government Bonds in Second Half of 2019 from Taipei Exchange. On the international front, The Asset named Bank SinoPac as the Best Flow Derivatives House once again.

In regards to consumer banking services, Bank SinoPac offered both integrated insurance solutions and digital account solutions in 2019, providing consumers with additional discounts to expand credit card scale. As compared to the previous year, the number of credit cards in circulation increased by about 9%, while spending rose by 18%. As of the end of 2019, the outstanding balance of credit card receivables was NT$17.529 billion. With a pickup in the loan business momentum and a flat non-performing loan ratio, the outstanding balance of consumer loans was NT$20.269 billion as of the end of 2019, an increase of 5% over 2018.

Bank SinoPac has 125 domestic branches, including 83 in the Greater Taipei Area, as well as major service outlets in Central, Southern, and Eastern Taiwan, as well as Kinmen. Bank SinoPac has also established a powerful and comprehensive overseas service network consisting of 10 outlets, including branches in Hong Kong, Kowloon, Macau, Los Angeles, and Ho Chi Minh City, as well as the Vietnam Representative Office in Hanoi, along with Bank SinoPac (China), headquartered in Nanjing with three branches in Shanghai, Guangzhou, and Chengdu.

Bank SinoPac’s international debt/credit ratings for 2019 are as follows: (1) Standard & Poor’s: BBB+ for long-term and A-2 for short-term, indicating a stable outlook; (2) Taiwan Ratings: twAA- for long-term and twA+ for short-term, indicating a stable outlook; (3) Fitch: long-term international BBB+, short-term international F2, long-term domestic AA-(twn), and short-term domestic F1+(twn), indicating a stable outlook.

In response to digital trends and the need for innovation in FinTech development, Bank SinoPac continues to build more core intelligence networks as well as master business dynamics and facilitate instantaneous decision-making by precision marketing. Through diversified business operations, integrated platforms, and financial innovation in Taiwan, Hong Kong, Macau, China, the U.S., and Southeast Asia, Bank SinoPac employs seamless bridging of both offline and online channels to provide the fullest and most convenient access to cash flows, as well as investment and financing solutions to bring customers a brand-new financial experience.

To support the local and global operations of SMEs in Taiwan, Bank SinoPac has compiled with the government’s economic stimulus policies to provide financial products and services that fulfill SME requirements. Bank SinoPac is dedicated to reducing debt risks associated with import/export trade and to providing complete and comprehensive funding support, all to aid in SMEs’ overseas expansion and strengthen the country’s competitive edge in export trade.

Bank SinoPac is fully committed to attracting more praise and applause for the culture and beauty of Taiwan. For six consecutive years, Bank SinoPac has been the title sponsor of the Simple Life Festival, which enables participants to do what they love and make it worthy. Bank SinoPac created digital banking experiences at the festival to deliver the message that “banking is simple” and help young people achieve their dream of becoming entrepreneurs. For six years in a row, Bank SinoPac has also sponsored SinoPac Legacy Taipei, a music performance event held in Huashan 1914 Creative Park, providing a stage for young performers to realize their dreams. Bank SinoPac supported the nation’s participation in the Asia section of the 2022 FIFA World Cup qualification, to create more connection between Taiwan and the rest of the world, and to bring Taiwan greater visibility. The Bank sponsored both the first NCCU Griffins Cup Invitation and the Taipei Bboy City World Final 2019, to encourage young people to show themselves on the international stage; and finally, Bank SinoPac sponsored the 2020 Taiwan Lantern Festival in Taichung City to share the beauty of history and culture with public.

Bank SinoPac’s extensive economic, societal, and environmental efforts have been highly recognized. In 2019, Bank SinoPac won the Outstanding Award for Growth in New Southbound Country Financing from the Overseas Credit Guarantee Fund (Taiwan). The Bank also received the Golden Inquiry Award from the Joint Credit Information Center for the completeness and accuracy of its corporate information. Bank SinoPac’s cooperation with customers in promoting renewable energy and building a sustainable homeland won the Best Green Financing Award from Excellence magazine and the Best Financial Services Provider Award under the Top Solar System Award from the Ministry of Economic Affairs Bureau of Energy. With its relentless commitment to financial innovation through technology, Bank SinoPac was awarded for Best Retail Digital Payments Experience, Most Innovative ATM Project, and Most Innovative Corporate Payment Project in The Asset’s Triple A Digital Awards: Best Business Model Innovation and Best Product Innovation by Business Next; Taiwan Domestic Technology & Operations Bank of the Year by Asian Banking & Finance; and won the Taiwan Clearing House’s Outstanding ACH Specific Project Promotion Award. Bank SinoPac received the gold in the 3rd CSR Impact Awards from PricewaterhouseCoopers Sustainability Services Company Ltd. for its integration of corporate social responsibility (CSR) into financial services.

Looking forward, the business environment remains challenging for banks. Bank SinoPac will remain committed to cultivating local customer-oriented services, and continues to invest human, organizational, and intellectual capital in innovation. All this is focused on the expectation of ‘achieving a beautiful life through finance and providing flexible total financial solutions for customers’, and becoming the leading brand among Chinese-speaking financial institutions.
I. Introduction

Bank SinoPac is a wholly-owned subsidiary of SinoPac Holdings Co., Ltd. (SinoPac Holdings), and was created in the merger of equals between Bank SinoPac under SinoPac Holdings and International Bank of Taipei on November 13, 2006. Bank SinoPac provides the best financial services to its customers with an all-encompassing business network and highly innovative product lines, establishing the first Chinese financial brand with the vision of "achieving a beautiful life through finance and providing flexible, total financial solutions for customers."

Taipei Mutual Loans and Savings Co. was inaugurated on May 4, 1948. It was restructured into Taipei Business Bank in 1978, then upgraded to a commercial bank named International Bank of Taipei on May 14, 1998. Over decades of development, International Bank of Taipei focused on serving SMEs and secured a solid customer base. International Bank of Taipei was merged with SinoPac Holdings through a share swap, officially becoming a wholly-owned subsidiary of SinoPac Holdings on December 26, 2005.

Since its inception on January 28, 1992, Bank SinoPac has been committed to financial product innovation and service integration. On May 9, 2002, Bank SinoPac, through a share swap, merged with SinoPac Securities, and SinoPac Securities Co., Ltd., forming SinoPac Holdings. On June 20, 2002, Bank SinoPac was made a wholly-owned subsidiary of SinoPac Holdings.

SinoPac Holdings changed its Chinese name to "Yongfeng Holdings" on July 20, 2006. To integrate banking resources and optimize economies of scale, Bank SinoPac and International Bank of Taipei were merged on November 13, 2006, with the former being the surviving entity. Bank SinoPac subsequently made strategic adjustments and strengthened its organization, with the goal of promoting a flat organization and cost reduction plan, to enhance operational efficiency and improve cost-expense structures.

As part of the group's organizational restructuring and adjustment to investment portfolios, on March 13, 2009, Bank SinoPac completed the dissolution and liquidation of SinoPac Financial Consulting Co. On June 1, 2009, Bank SinoPac acquired SinoPac Card Services, another wholly-owned subsidiary of SinoPac Holdings, by paying consideration in cash. The merger and acquisition proved effective in raising the capital adequacy ratio, integrating the group's resources, and enhancing overall performance. Without undermining shareholders' interests, Bank SinoPac sold its stake in SinoPac Leasing to SinoPac Holdings on December 3, 2009 in an effort to help the SinoPac Group maximize asset functionality and enhance overall management efficiency.

Headquartered in Nanjing, Bank SinoPac(China) officially launched its business in 2014. It currently has three branches – Shanghai, Guangzhou and Chengdu branch, providing a range of financial services for both enterprises and individuals offshore.
To enhance the capital adequacy ratio, Bank SinoPac issued NT$13 billion in bank debentures in 2019, including NT$3 billion in unsecured senior bank debentures and NT$10 billion in unsecured subordinated bank debentures, as medium-term and long-term funding for business expansions. As of the end of 2019, Bank SinoPac and its subsidiaries have 6,009 employees; their paid-in capital topped NT$86.1 billion and assets amounted to NT$1,695.8 billion. Bank SinoPac has 22 divisions and 1 office. In addition to 125 domestic branches (including the Banking Division), Bank SinoPac has multiple overseas branches, including branches in Hong Kong, Kowloon, Macau, Los Angeles, and Ho Chi Minh City, as well as a Vietnam Representative Office, and an Offshore Banking Unit. Bank SinoPac has also invested in subsidiaries, including SinoPac Capital (Hong Kong) and Bank SinoPac (China), offering customers a full range of financial services through professional division of labor and diversified channels. On July 8, 2016, the Bank SinoPac Board of Directors approved the sale of its US-based subsidiary, Far East National Bank, to Nasdaq-listed Cathay General Bank (NASDAQ: CATY). On July 7, 2017, this transaction was approved by the regulatory authority. The handover was completed following an equity sale and purchase agreement.

### General Corporate Data

<table>
<thead>
<tr>
<th>Date of incorporation:</th>
<th>January 28, 1992</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of listing on Taiwan Stock Exchange:</td>
<td>June 29, 1998</td>
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<tr>
<td>Re-listing date of SinoPac Holdings:</td>
<td>May 9, 2002</td>
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<tr>
<td>Total shareholders’ equity:</td>
<td>NT$133,668 million</td>
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<td>Paid-in capital:</td>
<td>NT$86,061 million</td>
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<tr>
<td>Number of shares issued:</td>
<td>8,606.1 million</td>
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<td>Number of employees:</td>
<td>6,009</td>
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<td>Auditor:</td>
<td>Deloitte &amp; Touche</td>
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#### S&P Ratings (Aug. 16, 2019)
- Long-term issuer credit rating: BBB+
- Short-term issuer credit rating: A-2
- Rating outlook: Stable

#### Fitch Ratings (Sep. 5, 2019)
- Long-term issuer default rating: BBB+
- Short-term issuer default rating: F2
- Rating outlook: Stable

#### Taiwan Ratings (Aug. 16, 2019)
- Long-term issuer credit rating: twAA-
- Short-term issuer credit rating: twA-1+
- Rating outlook: Stable
II. Organization
(I) Organization Chart
## (II) Board of Directors

<table>
<thead>
<tr>
<th>Title</th>
<th>Name</th>
<th>Nationality or Place of Registration</th>
<th>Gender</th>
<th>Elected Date</th>
<th>Turn (Year)</th>
<th>First Elected</th>
<th>Shares Owned when Elected</th>
<th>Shares Owned Currently</th>
<th>Shares Owned by Spouse &amp; Minors</th>
<th>Shares Held Under Surrogate A/C</th>
<th>Education &amp; Key Past Positions</th>
<th>Positions Held Concurrently</th>
<th>Related to Directors and Supervisors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman</td>
<td>R.O.C. CHEN Chia-Hsien</td>
<td>Male</td>
<td>30/9/97.01</td>
<td>3</td>
<td>2016.11.25</td>
<td>Nqst1 Nqst1</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>Chairman of SinoPac Call Center Co., Ltd.</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Director</td>
<td>R.O.C. ONG Wen-Chyi</td>
<td>Male</td>
<td>30/9/97.01</td>
<td>3</td>
<td>2017.05.30</td>
<td>Nqst1 Nqst1</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>Chairman, Cheng Tai Po Co., Ltd.</td>
<td>None</td>
<td>None</td>
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<tr>
<td>Director</td>
<td>R.O.C. CHANG Wei-Chi</td>
<td>Male</td>
<td>30/9/97.01</td>
<td>3</td>
<td>2017.11.25</td>
<td>Nqst1 Nqst1</td>
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<td>—</td>
<td>—</td>
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<td>Chairman, Cheng Tai Po Co., Ltd.</td>
<td>None</td>
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<tr>
<td>Director</td>
<td>R.O.C. CHENG Wei-Hsien</td>
<td>Male</td>
<td>30/9/97.01</td>
<td>3</td>
<td>2018.04.01</td>
<td>Nqst1 Nqst1</td>
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<td>Chairman, Cheng Tai Po Co., Ltd.</td>
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<td>Director</td>
<td>R.O.C. Stanford Ong</td>
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<td>30/9/97.01</td>
<td>3</td>
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<td>30/9/97.01</td>
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<td>Nationality or Place of Registration</td>
<td>Gender</td>
<td>Elected Date</td>
<td>Term Year</td>
<td>First Elected</td>
<td>Shares Owned when Elected</td>
<td>Shares Owned Currently</td>
<td>Shares Owned by Spouse &amp; Minors</td>
<td>Shares Held under Surrogate A/C</td>
<td>Education &amp; Key Past Positions</td>
<td>Positions Held Concurrently</td>
<td>Related to Directors and Supervisors</td>
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<tr>
<td>LIN Yu-Fen</td>
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<td>Female</td>
<td>2019.07.01</td>
<td>3</td>
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<td>Corporate Lawyer, Lee and Li</td>
<td>Manager, Partner, Lee &amp; Honer</td>
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<td>SU Chih-Cheng</td>
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<td>Male</td>
<td>2019.07.01</td>
<td>3</td>
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<td>None</td>
<td>None</td>
<td>None</td>
<td>Independent Director, Chungwei</td>
<td>Independent Director, Sharehouse</td>
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<tr>
<td>CHU Chao-Hsiang</td>
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<td>Male</td>
<td>2019.07.01</td>
<td>3</td>
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<td>None</td>
<td>Graduate in Professors of Social</td>
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Note1: All directors are legal representatives of SinoPac Holdings.

Note2: Bank SinoPac’s Chairman and President or personnel with equivalent position (chief manager) are not the same person, spouses or relatives within one degree of kinship.
### Executive Officers

- **Eric CHUANG**  
  President

- **CHANG, Tse-Min**  
  Senior Executive Vice President

- **Jenny HUANG**  
  Senior Executive Vice President & Chief Secretary & Company Secretary

- **CHUANG, Chien-Fa**  
  Senior Executive Vice President

- **CHEN, Chia-Hsing**  
  Senior Executive Vice President

- **CHUANG, Chien-Fa**  
  Senior Executive Vice President

- **CHEN, Chia-Hsing**  
  Senior Executive Vice President

- **Benjamin TIEN**  
  Senior Executive Vice President

- **Brian LIN**  
  Senior Executive Vice President & Regional General Manager

- **Jocelyn KUO**  
  Senior Executive Vice President

- **KUAN, T-Chun**  
  Senior Executive Vice President & Head of Corporate Credit Risk Management Division

- **Benjamin LIN**  
  Senior Executive Vice President & Head of President Office & Acting Spokesperson

- **Stephen OUYANG**  
  Senior Executive Vice President

- **Robert TSAI**  
  Senior Executive Vice President & Head of Information Technology Division

- **Joe LIN**  
  Senior Executive Vice President & Head of Corporate Banking Division

- **Alton WANG**  
  Senior Executive Vice President & Head of Overseas Business Division

- **King HO**  
  Senior Executive Vice President & Head of Administration Division

- **Jeffrey C.C. HUANG**  
  Senior Executive Vice President & Head of Financial Markets Division

- **Lupe CHUANG**  
  Senior Executive Vice President

- **CHEN, Jih-Tien**  
  Chief Auditor

- **Josephine CHEN**  
  Executive Vice President & Chief Compliance Officer and Head of Compliance Division

- **LIAO, Chia-Hung**  
  Executive Vice President & Head of Human Resources Division

- **LIAO, Shun-Heing**  
  Executive Vice President & Head of Legal Division
### III. Human Resources

#### Employee Statistics

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<td>Number of staff</td>
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I. Global Overview

(I) Situation Concerning Regions of Main Products (Services) Sold (Provided) in the Financial Market

The main regions where Bank SinoPac provides services include Taiwan, the U.S., Mainland China, Hong Kong, Macao, and Vietnam. The economic situation in each region is separately stated below:

A. Taiwan

In 2019, the global economy slowed down due to trade uncertainties; due to relatively high off-seasons and base periods of traditional industries, exports of basic metals, plastic and rubber, chemicals, and machinery saw double-digit negative growth in the first three quarters of 2019 except for ICT and audiovisual products and electronic components, which benefited from increased capacities and shipments in boom seasons. In terms of domestic demand, the job market continued to improve, driving the stable growth of wages; Taiwan stock prices hit 29-year high, driving car sales and consumer spending in department store promotions. In 2019, the number of visitors to Taiwan exceeded 11.84 million, an increase of 7.0%. Domestic consumption was the main driver of growth in 2019. The national income statistics will adjust the base year (2016) every five years in line with the results of the industry and service census and related surveys. In 2019, GDP in 1Q and 2Q was revised to 1.84% and 2.60%, respectively; GDP in 3Q was 3.03%. The Directorate General of Budget, Accounting and Statistics estimates GDP in 4Q to be 3.31% and annual GDP at 2.71%.

Looking into 2020, despite ever-changing international trade, the semiconductor industry's inventory will continue to improve while related businesses expand high-end processes; in addition, businesses are gradually repatriating funds from China to investments in Taiwan's green energy, such as offshore wind power farms, and 5G, which offsets some negative growth of exports. The government also continues to optimize the domestic investment environment to drive stable growth of investments in Taiwan. The Directorate General of Budget, Accounting and Statistics estimates annual GDP in 2020 to be 2.37%, with 1Q to 4Q being 1.80%, 2.50%, 2.75%, and 2.40%, respectively.

In terms of consumer price index (CPI), prices of vegetables, fruits, oil, medical expenses, group tours, and personal supplies rose in 2019; in addition, the base period in the previous year was relatively low. In December 2019, CPI hit 14-month high to 1.13%; however, prices of eggs, gas, telecommunications and 3C products fell. If vegetables and fruits are excluded, the core CPI rises slightly from 0.55% to 0.56%. In 2019, CPI grew by 0.56%, showing a smallest increase since 2016. The core CPI grew by 0.50%, and there was no risk of deflation in the domestic market. Looking into 2020, although heated geopolitical tensions may push up international crude oil prices, no possibility of a sharp rise in oil prices is expected in the short run. As imported inflation remains slow, along with moderate domestic demand, the Directorate General of Budget, Accounting and Statistics estimates the annual growth rate of CPI in 2020 at 0.62%.
In terms of interest rate, domestic inflation has eased, and the output gap remains negative; the international economy has slowed down and is highly uncertain. Compared with top economies in the world, the domestic real interest rate remains in the middle. In the four meetings of its Board of Directors, the Central Bank of Taiwan retained the re-discount rate unchanged at 1.375% in 2019 after considering the economies and finances at home and abroad. Looking into 2020, the novel coronavirus pandemic is taking a toll on the global economy. On March 19, 2020, the Central Bank of Taiwan cut its interest rates by 0.25% to 1.125%, a record low. An additional 0.25% rate cut or more is expected by the end of 2020.

B. Mainland China, Hong Kong, and Macao

In 2019, due to the China-U.S. trade war, regulation of the real estate market, and African swine fever (ASF), both domestic demand and foreign demand were degenerate in China. GDP in 1Q to 4Q was 6.4%, 6.2%, 6.0%, and 6.0%, respectively. The annual GDP fell from 6.6% in 2018 to 6.1% in 2019, falling within the official range of 6.0% to 6.5%. Exports and imports hit the longest decline since the financial crisis, with the industrial added value and urban fixed investment growth slowing down to 5.6% and 5.2%, respectively, which were the lowest since 1998. Retail sales grew by 8.0%, a new low since 2003. Due to the economic slowdown and obstacles to corporate financing, corporate default further deteriorated. Large state-owned enterprises, such as Tewoo Group Company Limited and Founder Group, were involved in default, with an increase of debenture in default by RMB142.4 billion in 2019. In response, China offered large-scale tax/fee reductions (boosting GDP by 0.8% per official estimate), financed private enterprises, and stabilized the job market to avoid a hard landing.

In Hong Kong and Macao, the anti-extradition law amendment bill movement broke out in June 2019. Tourists from China shrunk by more than 10%. Due to the China-U.S. trade war and China’s enhanced review of Hong Kong’s exports, industries like boutique, tourism, food service, and accommodation were severely impacted, causing economic indicators, such as retail sales and imports and exports, to fall heavy and deep in the negative growth range since 2009. Annual GDP fell by 1.2% for the first time since the financial crisis. Tourists in Macao continued to grow; however, they tended to save their spending, causing the gaming revenue to show negative growth in 4Q of 2019 and due to China’s economic downturn, Macao’s annual GDP declined by 4.7%.

Looking into 2020, an economic downturn is expected due to the tariff imposed by the U.S., uncertainties from the phase-two trade deal between China and the U.S., debt and financial system under pressure, and COVID-19 outbreak. This year marks the transition from the "13th Five-Year Plan" to the "14th Five-Year Plan" and the acceptance of the "Comprehensive Well-off Society Construction." It is expected that the Chinese government will maintain loose policies to ensure that the policy objectives
are fulfilled; in addition to tax/fee reductions and issuance of special bonds, China will further cut the interest rate and reserve requirement ratio, finance private and small and mini enterprises, and make structural reforms for state-owned enterprises, market access and financial openness in order to mitigate the economic downturn and ensure the absence of systemic risk. In 2020, the average growth of GDP is estimated at 4.0%.

In Hong Kong and Macao, the anti-extradition law amendment bill movement will continue to rage. As China mitigates its economic downturn, the reduction in Chinese tourists and trade will reach its peak in the first half of 2020. Fortunately, the real estate market in Hong Kong starts to recover. The Hong Kong Government has also taken relief measures; in addition, street protests have limited impact on the operation of the banking industry. Hong Kong's economy is estimated to see a soft landing in 2020 with the annual growth rate of GDP at -2.5%. In Macao, Chinese tourists contribute to its tourism and gaming industries. On the 20th anniversary of Macao's return, President of China Xi Jinping announced that the banking industry would be introduced to Macao to boost its economic decline. Macao's annual growth rate of GDP is estimated at 0.5% in 2020.

C. USA

In 2019, the China-U.S. trade war was paused in 1Q while enterprises actively replenished their reserves. GDP growth hit 3.1% in 1Q. The China-U.S. trade war resumed in 2Q; Brexit uncertainty and a global downturn also affected corporate investment and foreign trade. In 2Q to 4Q, GDP growth fell to 2.0%, 2.1%, and 2.1%, respectively. The U.S.'s GDP growth fell from 2.9% in 2018 to 2.3% in 2019.

Looking into 2020, China and the U.S. officially signed the phase-one trade deal on January 15, 2020. The upcoming phase-two trade agreement will cover the Huawei ban, forced technology transfer (FTT), and improper subsidies for state-owned enterprises. It will be difficult for both parties to reach an agreement before the US presidential election on November 3, 2020. The ongoing China-U.S. trade war will be detrimental to the U.S. corporate investments; In early 2020, the outbreak was first identified in China, followed by the U.S. government's travel ban on China. As the novel coronavirus (COVID-19) continues to spread in March, it will badly hit domestic demand in the United States, causing the economy to decline in the short run. To support economy, the Federal Reserve cut interest rates and expanded the quantitative easing program in an unscheduled move, and the U.S. government provided relief measures and increased spending; in addition, China's pledge to purchase US$100 billion worth of U.S. products and services each year will help narrow the US-China trade deficit. An ongoing pandemic of COVID-19 will impact economic activity in the first half of 2020, and the U.S. GDP in 2020 is estimated to grow slightly by 0.5%.
To hedge the risk of the China-U.S. trade war, the Fed turned to the easing monetary policy in 2019 and cut the interest rate by 0.75% totally in July, September, and October. In 2020, COVID-19 spread worldwide, in case to maintain market’s confidence and make sure sufficient liquidity, the Fed made emergency rate cut by 50 basic points on March 3. On March 15, the Fed made another emergency rate cut by a full percentage point to zero, inject US$700 billion into the quantitative easing program, and offer US$6 trillion of liquidity through reverse repurchase agreements to fully prevent liquidity risks and avoid the next financial crisis.

D. Vietnam

Benefiting from the relocation of operations and transfer of orders caused by the China-U.S. trade war and the improved job market with the demographic dividend, Vietnam performed well in exports, investments, employment and consumption in 2019. According to the latest statistics of the General Statistics Office of Vietnam, GDP growth reached 7.02% in 2019, following an 11-year high of 7.08% in 2018. It was also higher than the government's original target of 6.6% to 6.8%. In 1Q to 4Q of 2019, GDP growth was 6.82%, 6.73%, 7.48%, and 6.97%, respectively, indicating that the economy of Vietnam showed good resilience against the general economic downturn.

In terms of consumer spending, In 2019, the Vietnam's unemployment rate was 2.16%, which was the best performance since 2015. The basic salary grew by 5.3% in 2019. The improved labor market and salary promoted the steady growth of domestic demand. Retail sales grew by 11.85% throughout the year, which was the fastest since 2013. In terms of CPI, due to the collapse of international oil prices at the end of 2018 and the global economic slowdown in 2019, Vietnam's CPI only grew by 2.79% in 2019, far lower than the government's target (4%). In the second half of 2019, however, inflation was pushed up due to ASF. In December, CPI grew by 5.23%, hitting a nine-year high. In terms of trade, Vietnam's foreign trade totaled US$517.3 billion in 2019, hitting a record high, of which exports were US$264.2 billion and imports were US$253.1 billion, with an annual growth rate of 8.4% and 6.8%, respectively. In terms of trading partners, Vietnam's exports to China were US$41.4 billion in 2019, with an annual growth rate of only 0.1%, the lowest since 2001; in contrast, Vietnam's exports to the U.S. amounted to US$61.3 billion, with an annual growth rate of 29.1%, the fastest growth since 2003. This outcome manifested the transfer of orders caused by the China-U.S. trade war. In terms of investment, Vietnam approved US$38.0 billion of foreign investments in 2019, an increase of 7.2% from US$35.5 billion in 2018. 65% of the foreign investments were in manufacturing. Among the countries that invested in Vietnam, South Korea ranked first, followed by Hong Kong, China and Singapore.

Looking into 2020, the phase-one trade deal signed between China and the U.S. early this year helps enhance confidence of global enterprises. Central banks of countries around the world implement the
easing monetary policy to contribute to the real economy and capital market. With the improved general economy, international trade is expected to upturn in 2020. The government of Vietnam has actively promoted trade agreements. In 2019, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) became effective; the EU-Vietnam Free Trade Agreement (EVFTA) will become effective in 2020. These trade agreements are beneficial to Vietnam's economy, where exports account for 101% of GDP. In 2020, the basic salary increases 5.5%, and unemployment continues to improve; the growth of consumer spending, which accounts for 62% of GDP, remains. Both domestic demand and foreign demand contributes to the booming economy of Vietnam. However, following the novel coronavirus outbreak, the Ministry of Planning and Investment, Vietnam proposed an assessment report on the impact of the pandemic on Vietnam's economy. According to the report, if the outbreak is contained in the first quarter, the GDP will grow 6.25% in 2020; if the outbreak continues in the second quarter, the annual economic growth rate will be 5.96% only, a heavy lump compared to that in 2018 and 2019.

(II) Future Supply and Demand Conditions in the Market

Economic conditions play a key role in banks' lending business, insurance companies' sales of insurance policies, and the number of orders placed by securities firms' customers. When the economy is in an expansionary phase, borrowers need to respond to increases in capital expenditures, and their eagerness to borrow is strong, and demand for loans is high. Policyholders are motivated to purchase insurance policies or to add to existing insurance policies when funds are plentiful and there are no concerns regarding employment; driven by various factors, investors are willing to invest in the stock market, and therefore banks, insurance companies and securities firms perform relatively well. In contrast, once the economy falls into the stage of contraction and recession, the profitability of financial institutions will be unsatisfactory, and sometimes they will even suffer large losses due to the appearance of bad debts and investment losses.

Whether the economic outlook is good or bad determines the extent of financial institutions' profit growth or decline. In the past 30 years, Taiwan's economic structure has undergone major structural changes. The total value of exports as a proportion of GDP increased from 30% in the initial period to 54% in 2019. The economic performance of the major destination countries of Taiwan's exports will affect the economic prospects of Taiwan; China (including Hong Kong), Europe and the U.S. are Taiwan's top three major destinations for exports. Since the correlation between domestic banks' lending scale and the GDP growth rate is over 65%, the Directorate General of Budget, Accounting and Statistics, Executive Yuan estimates that the annual GDP growth rate in 2020 will be above 2%, and further estimates that the growth rate of domestic banks' lending in 2020 will be 3%-4%.
After September 2011, the Central Bank of Taiwan stopped raising interest rates due to weak global economic growth and lower inflation expectations. However, from the 3Q Directors/Supervisors Meeting in September 2015 to the 2Q Directors/Supervisors Meeting in June 2016, the Central Bank of Taiwan announced in four consecutive quarters that it would lower the re-discount rate, the rate on accommodation with collateral, and the rate on accommodation without collateral, by half a quarter point (0.125%), totaling 2 quarter points in reductions. The main reasons were the still-sluggish domestic economic situation and its poor outlook; in addition, there were no inflation concerns, hence the Central Bank sought to stimulate the recovery of the economy through monetary easing. The net interest margin of domestic banks declined from 1.46% in 3Q of 2015 to 1.35% in 1Q of 2017; however, since 2017, the Central Bank of Taiwan has not cut interest rates. Subsequent changes in the net interest margin mainly reflected market supply and demand. Looking into 2020, the continued spread of COVID-19 is causing sharp fluctuations in global financial markets; on top of that, downside risks arising from trade wars and geopolitics are taking a toll on the economic outlook. The domestic central bank is expected to cut interest rates by 0.25%-0.5% to fuel economic growth.
(III) Favorable and Unfavorable Factors for Future Development

A. Favorable Factors

1. Domestic banks' China operations have improved gradually

   With respect to the progress of cross-strait financial cooperation, China officials have selectively opened up domestic banks' business expansion in Mainland China although the Cross-Strait Service Trade Agreement is still pending. In terms of branch locations, as of the end of 2019, the number of subsidiaries and branches of domestic banks in Mainland China reached 5 and 26, respectively. The Shengzhen Branch of CTBC Bank and the Chengdu Branch of Bank SinoPac opened in February and November 2019, respectively. With respect to the application for establishing subsidiaries, Taipei Fubon Bank and Fubon Financial Holding Co., Ltd. completed the acquisition of 80% of the controlling equity of Huayi Bank in January 2014 and renamed the bank as Fubon Huayi Bank. Subsequently, in October 2016, the bank became a 100% wholly-owned subsidiary of Fubon Financial Holding Co., Ltd., and in April 2017, the bank obtained a RMB business license to serving Mainland Chinese citizens. In July 2013, Bank SinoPac obtained approval of Mainland China's competent authority to set up a subsidiary in Nanjing, which was opened in March 2014. E.Sun Bank successfully converted the Shenzhen branch into a bank subsidiary in March 2016, which was the first case where a domestic bank converted its branch in Mainland China into a subsidiary. Cathay United Bank's subsidiary in Shanghai and Chang Hwa Bank's subsidiary in Nanjing were opened in September and December 2018, respectively.

2. The FSC has loosened a bank's trading ceiling for the same bond

   In July 2019, the FSC completed the amendment to the "Regulations Governing Underwriting and Proprietary Trading of Bonds, Beneficiary Securities, Asset-backed Securities by Banks", reducing the
percentage of the same bond held by banks during proprietary trading from 20% of working capital to 10% of the calculation basis of banks and increasing the amount of offshore bonds purchased or sold by a single bank from NT$160-400 million to NT$15-31 billion. The main benefits include the following: (1) the amount of offshore bonds trading by banks increases, which is conducive to profitability; (2) the bond investment position increases significantly, coupled with increased demand for talents; and (3) life insurance companies' offshore bond investment services are expected to be transferred from foreign banks to domestic banks to achieve the ‘import substitution’ policy.

3. Cutting Taiwan's stock transaction tax for day trading by half is extended to the end of 2021
To boost the trading volume of Taiwan stocks, the FSC submitted a proposal to the Executive Yuan in December 2016, seeking to adjust the stock transaction tax for day trading. After discussions between the Executive Yuan and related ministries, the stock transaction tax for day trading would be reduced from the original 0.3% to 0.15%, which is lower than 0.2% in the neighboring stock markets of Hong Kong and Singapore. In April 2017, the Legislative Yuan passed the third reading of the amendments to the ‘Securities Transactions Tax Act’, reducing the stock transaction tax for day trading from the current rate of 0.3% to 0.15%. The Legislative Yuan is to assess after one year whether the reduction should be extended. In April 2018, the Legislative Yuan passed the third reading of the amendments to the ‘Securities Transactions Tax Act’, extending the reduction in the stock transaction tax for day trading by half to the end of 2021 and including securities dealers in the scope of applicability of the amendments. Overall, the tax reduction will stimulate the trading volume in Taiwan stocks and help the securities brokerage business grow steadily. This is a positive note for strengthening the competitiveness of Taiwan's capital market.

B. Unfavorable Factors
1. The banking industry's excess reserve problem remains unresolved
Since 2002, Taiwan's banking industry has faced the problem of having funds that cannot be effectively deployed. Banks' loan to deposit ratio was between 79% and 83% during 2002-2008, and fell to 75% in 2009. Thereafter, the loan to deposit ratio remained at a historically low level. In 2019, the loan to deposit ratio remained at a low level of 73% despite the fund repatriation policy implemented by the competent authority that was offset by the acceleration of deposits. Although domestic banks have established subsidiaries and branches overseas, Taiwan's local excess reserve problem will remain unresolved in the short run.

2. The low interest rate continues
Considering the sluggish domestic economic situation, its poor outlook, and the absence of inflation concerns, from the 3Q Directors/Supervisors Meeting in September 2015 to the 2Q Directors/Supervisors Meeting in June 2016, the Central Bank of Taiwan announced in four consecutive quarters that it would lower the re-discount rate, the rate on accommodation with collateral, and the rate on accommodation without collateral, by half a quarter point (0.125%), totaling 2 quarter points in reductions. The Central Bank of Taiwan sought to stimulate the recovery of the economy through
monetary easing. Although the Fed started the rate hike cycle from the end of 2015, the Central Bank of Taiwan kept the interest rate policy unchanged, from the 3Q Directors/Supervisors Meeting in 2016 to the 4Q Directors/Supervisors Meeting in 2019, given the international economic slowdown and the mild inflation outlook. Looking into 2020, the continued spread of COVID-19 is causing sharp fluctuations in global financial markets; on top of that, downside risks arising from trade wars and geopolitics are taking a toll on the economic outlook. The domestic central bank is expected to cut interest rates by 0.25%-0.5% to fuel economic growth.

3. The insurance sales regulations are tightening

The insurance sales regulations are tightening in 2020. The FSC will focus on the following measures: (1) reducing the policy reserve rate; (2) increasing the threshold for life insurance death benefits; (3) applying the rate stabilization mechanism to the interest-sensitive policy; (4) remaining the contract service margin (CSM) above zero; (5) recording the purchase of policies with cancellation fees by policy holders over 70 years old; and (6) preventing bank clerks other than wealth management personnel from collecting commissions on investment policies or policies with cancellation fees. Price-cut competition in the life insurance industry is expected to improve, which helps bring order to the industry; however, the proportion of guaranteed products will increase while the proportion of savings products will decline, which is not conducive to the growth of insurance-related fee income of domestic banks.

4. The progress of securities companies opening in Mainland China is still on hold

In the financial & securities meeting in 2013, Mainland China officials promised to allow (1) Taiwan's securities brokerage companies to set up a 51% fully-licensed securities company each in Shanghai, Shenzhen, and Fujian, with the counterparties not limited to Mainland China's securities companies. (2) Taiwan's securities companies to set up fully-licensed securities companies, with shareholdings therein not exceeding 49%, in the six special zones of Haixi, Wenzhou, Shenzhen Qianhai, Shanghai Pudong, Tianjin Binhai, and Chongqing Liangjiang, with the joint venture partner not limited to a single shareholder, enabling Taiwan's securities companies to possess right of control; however, as the Cross-Strait Service Trade Agreement is pending, there is still no news on the progress of applications. In 2018, the China Securities Regulatory Commission promulgated the 'Regulations Governing Foreign Investment in Securities Firms', loosening the percentage of foreign investment in securities firms to 51% and further lifting the restrictions after 2021. In 2019, it further announced eleven measures for financial openness and advanced the time when the restrictions will be lifted from 2021 to 2020. At present, domestic securities firms planning to establish joint ventures in China include MasterLink Securities Corp., CTBC Securities Co., Ltd., Taishin Securities Co., Ltd., and President Securities Corporation. In January 2020, the board of directors of MasterLink Securities Corp. resolved to discontinue the establishment of joint ventures with Fujian Investment & Development Group Co., Ltd. and Pingtan Comprehensive Experiment District Financial Holding considering laws and changes in China's business environment. As of today, no domestic securities firm has established any joint venture in China.
I. Scope of Business

1. Business Activities

Bank SinoPac plans and draws up its business in accordance with the Banking Act and related regulations, what is stated in its business license, resources at its disposal, and the needs of the general public and corporate customers. Its scope of business contains general deposits and loans, trust, investment, foreign exchange, etc.

2. Revenue Breakdown

### Deposits (Consolidated)

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<td>Demand Deposits</td>
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<td></td>
</tr>
<tr>
<td>Checking Deposits</td>
<td>11,894</td>
<td>0.86%</td>
</tr>
<tr>
<td>Demand Deposits</td>
<td>274,100</td>
<td>19.76%</td>
</tr>
<tr>
<td>Savings Deposits</td>
<td>335,781</td>
<td>24.21%</td>
</tr>
<tr>
<td>Subtotal</td>
<td>621,775</td>
<td>44.83%</td>
</tr>
<tr>
<td>Time Deposits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Time Deposits</td>
<td>497,154</td>
<td>35.85%</td>
</tr>
<tr>
<td>Negotiable Certificates of Deposit</td>
<td>11,225</td>
<td>0.81%</td>
</tr>
<tr>
<td>Savings Deposits</td>
<td>256,717</td>
<td>18.51%</td>
</tr>
<tr>
<td>Subtotal</td>
<td>765,096</td>
<td>55.17%</td>
</tr>
<tr>
<td>Total</td>
<td>1,386,871</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

### Loans (Consolidated)

<table>
<thead>
<tr>
<th>Items</th>
<th>Dec. 31, 2019</th>
<th>Dec. 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>%</td>
</tr>
<tr>
<td>Import and Export Negotiations</td>
<td>622</td>
<td>0.06%</td>
</tr>
<tr>
<td>Overdrafts</td>
<td>62</td>
<td>0.01%</td>
</tr>
<tr>
<td>Accounts Receivable Financing</td>
<td>1,368</td>
<td>0.13%</td>
</tr>
<tr>
<td>Short-Term Loans</td>
<td>239,888</td>
<td>23.66%</td>
</tr>
<tr>
<td>Mid-Term Loans</td>
<td>279,908</td>
<td>27.61%</td>
</tr>
<tr>
<td>Long-Term Loans</td>
<td>490,289</td>
<td>48.37%</td>
</tr>
<tr>
<td>NPLs Transferred from Loans</td>
<td>1,631</td>
<td>0.16%</td>
</tr>
<tr>
<td>Total</td>
<td>1,013,748</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

*Note: Secured and unsecured loans/overdrafts are all included in each item above.*
3. Main Business Overview

   A. Corporate Banking

   (1) Acceptance of deposits from corporations of various kinds.
   (2) Provision of credit loan services for corporations, such as short-term working capital, mid-and-long-term loans, guarantee, and acceptance.
   (3) Domestic and international factoring.
   (4) Trade finance services, including foreign exchange payments and receipts for imports/exports, as well as guarantees for foreign currency payments.
   (5) International banking services offered to offshore corporations and individuals.

At the end of 2019, the outstanding balance of corporate loans was NT$510,230 million, of which some 39% was extended in foreign currencies, reflecting an increase in overseas lending by 7%. The volume of factoring was NT$68,216 million and the volume of foreign exchange was US$228,438 million, with both figures accounting for considerable market share in the banking industry in Taiwan.
The outstanding balance of small and medium enterprise (SME) loans was NT$181,528 million, ranking No. 5 among domestic private banks in terms of market share. In 2019, Bank SinoPac arranged 39 syndicated loans as the lead arranger and continued to provide enterprises mid-and-long-term funding sources and comprehensive financial products and services.

In 2019, Bank SinoPac continued to support the FSC's "Project for Strengthening Domestic Bank Lending to SMEs" policy and promote financial services for SMEs and cross-border business. In March 2019, Bank SinoPac was named the winner of "Outstanding Award for Growth in New Southbound Country Financing" by the Overseas Credit Guarantee Fund (Taiwan); meanwhile, Bank SinoPac made efforts to promote financing services for the green energy industry and was awarded the "Best Green Finance Award" by Excellence (a magazine) in July 2019 and the 'Best Financial Services Provider Award' under the 'Top Solar System Awards' by the Energy Bureau, Ministry of Economic Affairs in October 2019. Bank SinoPac was the only financial services provider in Taiwan that won the 'Top Solar Awards' for four consecutive years.

With the expansion of overseas presence, Bank SinoPac's corporate banking cross border service network has already covered major areas where Taiwanese enterprises are concentrated. It provides integrated and cross-border services for customers. Through the Factors Chain International (FCI) platform and Factoring by Insurance (FBI) products, Bank SinoPac has effectively lowered the risk and cost of overseas operations in the factoring business. As Taiwanese enterprises expand outward in servicing a global supply chain, Bank SinoPac continues to provide professional and complete trade finance services. Not only has it played an important role in the financing supply chain of domestic banks, but it also has expanded the footprints of services worldwide.

B. Retail Banking

(1) Bank SinoPac provides retail banking secured loans and related products, including mortgage loans, car loans, second lien mortgage loans, securities-based loans, machinery-based loans, and other secured loans.

(2) Bank SinoPac provides customers integrated services that meet individual demands for funds through the aforementioned products and based on market differences.

In 2019, the real estate market saw "a slightly increasing volume accompanied with slowly falling prices", as compared to 2018. To maintain the asset quality, the principal objective of the mortgage loan business was to focus on the solicitation and promotion to quality self-use customer segments internally and externally. In 2019, Bank SinoPac also combined FinTech development to enhance the offering of digital services, such as online instant appraisal, 3D street view, and online property price registrations of similar objects over the year, so as to strengthen the maintenance of business relationship with target customers and satisfy customers' demands for funds on a full scale.
As of the end of 2019, the outstanding balance of mortgage loans was NT$482,692 million; the outstanding balances of car loans and other retail banking loans were NT$7,217 million and NT$3,793 million, respectively.

C. Wealth Management

Bank SinoPac provides a wide array of products and services that meet the different needs of customers, including investment products, general trust and custody and affiliated businesses, as well as insurance, etc.

(1) Investment products: Domestic and offshore mutual funds, bonds, ETFs, and structured products.

(2) General trust and custody and affiliated businesses: Acting as a custodian bank for securities investment trust funds, futures trust funds, domestic securities invested in by foreign institutional investors and foreign individual investors, collective investment accounts for overseas foreign and/or Mainland Chinese employees, discretionary investment accounts, and securities custody; offering trust of corporate employee bonuses and remuneration, real estate trust, securities trust, transaction payment trust, advanced payment trust, charitable trust, insurance claims trust, retirement and eldercare trust; authentication for issuance of securities; acting as a trustee for issuance of bonds, etc.

(3) Bancassurance: Bank SinoPac acts for the insurance products of property/life insurance companies, including endowment insurance, mortgage life insurance, protection insurance, and investment-linked policies as well as accidental injury insurance, residential fire and earthquake basic insurance, commercial insurance, automotive insurance and health insurance.

In 2019, the ever-changing China-U.S. trade war brought considerable uncertainties to global financial markets; however, the easing monetary policy implemented by the central banks of major countries around the world contributed sufficiently to the liquidity of the markets. Driven by the funds, the prices of risk-adjusted assets were pushed up, and the stock and bond markets also performed well in 2019. In terms of the insurance market, interest rates on insurance products continued to fall due to the easing monetary policy implemented by most major international economies and constantly low interest rates. The competent authority modified the pre-defined interest rate on the statutory reserve for insurance products at the end of 2019, leading to panic buying. The overall insurance market continued to grow in 2019.

The sales volume of non-discretionary money trust investing on domestic and foreign securities by Bank SinoPac amounted to NT$47,875 million throughout 2019, and the total trust assets under management at the end of 2019 was NT$109,958 million. The total outstanding amount of general trust business (including real estate trust, employee benefits trust, and securities trust) hit NT$27,092 million at the end of 2019. In addition to acting as a custodian bank for securities investment trust enterprises and futures trust enterprises that issued onshore funds, Bank SinoPac also actively solicited custody
businesses for exchange-traded funds (ETFs) and discretionary investment-oriented insurance policies. It had NT$527,095 million of assets under management at the end of 2019 and collected NT$27,465 million as insurance premiums for the bancassurance business, including NT$2,976 million through SinoPac Securities, in the same year.

D. Consumer Banking

(1) Credit cards issuance; providing cardholders revolving credit and installment plan for their unpaid balance; and offering cash advances.
(2) Debit cards issuance.
(3) Signing up merchants and acting as an agent that collects and pays credit card spending for merchants.
(4) Providing consumer loans.

To expand the scale of credit cards, Bank SinoPac offered extra discounts with insurance projects and digital account projects in 2019. The number of credit cards in circulation increased by about 9% and the spending amount rose by 18% as compared with those in 2018. As of the end of 2019, the outstanding balance of credit card receivables was NT$17,529 million. With a pickup in the momentum of loan business and a flat non-performing loan ratio, the outstanding balance of consumer loans was NT$20,269 million as of the end of 2019, an increase of 5% compared with that in 2018.

E. Financial Markets

(1) Proprietary Trading: Foreign exchange, interest rates, derivatives trading, etc.
(2) Treasury Marketing Unit (TMU): Providing customers with optimal hedging strategies, trading ideas, comprehensive solutions, and market color.

Bank SinoPac actively trades a wide array of financial instruments in Taiwan and other Asia markets. Bank SinoPac’s well-established and comprehensive platforms for FX, interest rate products, and derivatives thereof make it one of the key market makers among domestic banks. In 2019, Bank SinoPac received five trading-related awards from Refinitiv, including Top 5 High Trading Volume Bank, Top CNH (Spot) Entity, Top CNH (Spot) Trader, Top FX Swap Entity, and Top FX Swap Trader. In addition, Refinitiv named Bank SinoPac as the FX Regulation Adoption Entity. Moreover, Bank SinoPac received second runner up for the Performance Diamond Award from Taiwan Futures Exchange (TAIFEX) and won the NTD Interest Rate Swap Trading Platform Competition and the Excellent Market Maker for Central Government Bonds in Second Half of 2019 from Taipei Exchange. On the international front, The Asset named Bank SinoPac as the Best Flow Derivatives House once again.
In terms of business development, starting from January 2019, Bank SinoPac's Offshore Banking Unit (OBU) launched bond underwriting business and bond trading to offer customers more comprehensive products and services. To increase its FX trading market share, Bank SinoPac constructed a FX electronic trading platform. In addition, as one of the few Taiwanese banks that are licensed to participate in FX trading using the China Foreign Exchange Trade System (CFETS), Bank SinoPac achieved growth in RMB trading volume for three consecutive years, which effectively boosted profitability. The efforts put in for strengthening the FX business have made Bank SinoPac a key market maker for FX futures and FX options in Taiwan Futures Exchange.

To adapt to external changes, the TMU constantly enhances internal risk control and optimizes pre-settlement risk limit for trading financial product and KYC processes. Additionally, in order to maintain sustainable relationships with customers, TMU effectively implements risk management and professionally trains sales personnel.

As the internationalization of RMB progresses, Bank SinoPac dedicates itself to research related to RMB hedging and RMB product development. The efforts are expected to broaden product lines and financial services to match customer needs. As a member of CFETS, Bank SinoPac is permitted to trade in the onshore RMB market and therefore has pricing advantages. In January 2019, Bank SinoPac obtained the interbank foreign exchange market maker license from the CFETS. In December 2019, Bank SinoPac began market making in the interbank market, further increasing Bank SinoPac's reputation overseas and profitability.

F. Electronic Banking

(1) Developing, planning, designing and executing strategies for digital banking platforms, including personal electronic banking, mobile banking, and digital accounts.

(2) Promoting integrated digital payment services to satisfy customers' demands for receipts and payments onshore, offshore, online and offline, and mobile receipts and payments.

(3) Providing corporate customers integrated cash management solutions, including corporate electronic banking, receipts and payments of funds, current asset management and automated teller machine (ATM).

(4) Developing, promoting, and managing Partner APIs, including E-commerce payment, bill payment, identity authentication, and financial information.

In response to the trends of digital finance and online-only banking, Bank SinoPac launched DAWHO, digital account services, in 2019. By completing seven steps, customers could enjoy deposits, funds, foreign exchange, and credit card services offered by DAWHO and other digital financial services.
In terms of digital payment services, Bank SinoPac has integrated receipts and payments onshore, offshore, online and offline, and optimized user experience so as to satisfy customers' demands for one-stop digital payment services.

In terms of corporate customer management, Bank SinoPac launched a paybill platform that connects with partners, such as community management committees, trade unions, or parking lot companies, to provide payment services through API; in addition, the corporate electronic banking platform, 'Global eBanking', continuously provided integrated cash management solutions in hopes of becoming the best partner for corporate customers at home and abroad.

In 2019, Bank SinoPac won many digital financial service awards, including the Outstanding ACH Specific Project Promotion Award in March from Taiwan Clearing House. In April, "Global eBanking in Financing Services", "Corporate Deposit Express Solution", and "Paybill API Platform" won the Most Innovative Corporate Payment Project, Most Innovative ATM Project, and Best Retail Digital Payment Experience respectively in The Asset's Triple A Digital Awards. Customer satisfaction was significantly improved by innovative financial services and user experience.

Bank SinoPac also participated in the "FinTech Taipei 2019" and demonstrated "healthy", "smart", and "open" services that provided convenience to corporate customers or individuals.

II. Current Year Business Plan

A. Corporate Banking

(1) With the service network of domestic branches, Bank SinoPac is well-positioned to provide all sorts of integrated corporate banking services for customers.

With the service network of domestic branches, Bank SinoPac introduces a great variety of corporate banking products based on customers' needs to deepen customer relationships. Moreover, it joins other subsidiaries of SinoPac Holdings in delivering more value-added and consolidated financial services to corporate customers, fulfilling their financial needs on a comprehensive scale.

(2) Catering to needs of niche markets in different industries while grasping the trend of global supply chains.

By obtaining an in-depth understanding of the trend of global supply chains and production base moves in key industries, Bank SinoPac seizes new business opportunities and cultivates niche markets deeply. Bank SinoPac also provides corporate customers customized services and keeps promoting the credit loan business centered on trade and self-liquidating loans to manage customers' transactions and cash flows, allowing it to obtain a profile of upstream and downstream trading counterparties of its customers. Such practices are beneficial to growing more business opportunities and provide overseas production bases financial services required for plant construction and production equipment.
(3) Acting as the mandated lead arranger of syndicated loans and satisfying customers' diversified funding needs.
Bank SinoPac aims at providing tailor-made syndicated loans with a focus on specific industries; taking advantage of business opportunities arising from M&A activities, and providing integrated financial services by utilizing the resources of SinoPac Holdings; grasping the New Southbound Policy and following the footsteps of industries to expand its presence in Southeast Asia; based on national characters of each ASEAN country, providing customized syndicated financing models consisting of the syndicated loan structure and cross-border cash management with the support of overseas branches and other cooperating banks; and developing green financing by providing syndicated loans for large power plants based on the past experience.

(4) Strengthening SME banking services to expand the scale and market share of SME loans.
Having strengthened its foothold in Taiwan for over seven decades, Bank SinoPac has witnessed the country's economic development at different phases. On the basis of its existing SME loan business, it is proactive to provide guarantees along with the "Small & Medium Enterprise Credit Guarantee Fund of Taiwan (SMEG)" and the "Overseas Credit Guarantee Fund (Taiwan)." It also extends support to the government's various economic stimulus policies and provides SMEs with all kinds of financial products and services they need.

(5) Establishing a resource-sharing mechanism to attain synergies of regional consolidation.
Through the integration of SinoPac Holdings' operational experiences of domestic branches, OBU, Bank SinoPac (China), and branches in Los Angeles, Hong Kong, Macau, and Ho Chi Minh City, a resource-sharing mechanism has been established. Bank SinoPac aims at expanding onshore and offshore financial service markets and resources based on the existing customer segments at various operating locations and cross-border channels. By making good use of its local strength, understanding of industrial characteristics, and local customer segments, Bank SinoPac strives to maintain regional competitiveness of its financial services in the Greater China Area, ASEAN, and the U.S., become the best financial product and service provider for Chinese businesses around the world, and build up new overseas earnings drivers, so as to attain synergies of regional consolidation.

(6) Coordinating with onshore and offshore channels to actively solicit international syndicated loans as a lead arranger. Through the integration of resources from onshore and offshore channels, Bank SinoPac endeavors to act as a lead arranger of syndicated loans for large enterprises and others. Bank SinoPac also takes advantage of its channels in Southeast Asia to bring syndicated loans of local quality enterprises into Taiwan. Bank SinoPac continues to pursue cross-border trade finance business and strive for participation in international syndicated loans. It aims to evolve into the lead arranger of syndicated loans with support from the middle- and back-office, thereby widening yield spread and boosting capital utilization.
B. Retail Banking

(1) Boosting the profit momentum and creating the product value.
● Using opportunities of cross-promotion to enhance the added value of products.
● Reinforcing risk pricing and price management to maintain product profits.

(2) Strengthening product innovation and management of customer segments.
● Highlighting the development of quality self-use mortgage loan customer segments internally and externally and maintaining existing customer relationships.
● Grasping needs of quality customers to provide differentiated services.
● Pursuing the optimization and digitization of products and services to bring convenience to customers and increase customer stickiness.
● Becoming customers' well-rounded financial consultant through the utilization of big data analysis.

(3) Maintaining asset quality and boosting operating efficiency.
● Holding fast to the principle for undertaking businesses from target customers and managing collateral classification to maintain sound credit loan quality.
● Strengthening risk management and statutory compliance constantly; implementing sales disciplines and raising risk awareness.
● Upgrading systems and optimizing operating procedures to increase operating efficiency and customer satisfaction.

C. Wealth Management

(1) Continuously developing a customer-oriented business model in greater depth and establishing Bank SinoPac as an ideal brand that customers trust in helping them steadily accumulate their wealth.
● Obtaining an in-depth understanding of customers' needs and risk tolerance; offering asset allocation services that pay equal attention to risks and returns.
● Seeking to grow customers' asset scale steadily and providing them long-term trustworthy consulting services.
● Assisting customers in completing personal goals, transferring risks, and safeguarding their family and property.

(2) Providing integrated electronic banking services and establishing digital wealth management platforms to adapt to the digital banking trend.
● Constantly installing and optimizing electronic trading platforms, such as electronic banking, mobile banking, and electronic application, to provide abundant, real-time, convenient, and active wealth management services.
● Establishing a rich, complete, and comprehensive wealth management services platform by integrating physical and virtual electronic channels of branches.
● Enhancing the "new customer relationship management (CRM) & wealth management system" by applying automation to improve customer service, to save the unnecessary consumption of hard
copies, and to safely keep customers’ personal data. Implementing ‘Mobile CRM (iPad)’ to integrate and optimize wealth management and insurance services.

(3) Developing innovative products and improving services to meet customers’ needs, cement relationships with customers and boost customer satisfaction.

- Establishing business models that integrate customers’ needs, investment research resources, product portfolios, and asset risk management, thereby providing customers complete and diversified investment management plans.
- A professional services team has been assigned to relentlessly conduct R&D to provide differentiated and sophisticated products, as well as wealth management information and services, thereby enhancing the overall service quality.
- By adhering to the idea of design thinking, Bank SinoPac continues planning for the development of the young generation and providing diversified and digital wealth management services with lower investment thresholds to expand markets and improve operating efficiency.
- Actively promoting and advocating the concept of eldercare trust in line with the FSC’s policies: Bank SinoPac provides more friendly and protective property trust services for the disabled to help their family plan ahead and safeguard their property.
- Developing the intelligent wealth management platform with FinTech; using algorithms to provide the most appropriate investment portfolio based on customers’ needs, age and investment objectives and assist customers in completing their investment plans.
- Improving the ‘VIP wealth management’ membership by enriching the features and benefits exclusively in line with the customers’ needs to increase customer satisfaction.
- Promoting insurance products featuring asset transfer and tax mitigation based on the need of high-net-worth customers to deepen the customer relationship.

(4) Strengthening sales discipline to protect the rights and interests of customers.

- Holding salesperson training sessions constantly to enhance their professional skill sets and risk management awareness.
- Ensuring the statutory compliance, risk management, and protection of personal information in all products and services to uphold the rights and interests of customers and win their trust.

(5) Expanding offshore wealth management services to explore high-net-worth customers.

With Hong Kong Branch as the base, Bank SinoPac took advantage of the Asian financial center and its flexible and vibrant markets for investment and wealth management to develop new high-net-worth customers and business opportunities in Hong Kong and the neighboring areas while providing high-net-worth customer tailor-made asset management plans to increase non-interest income.

(6) Integrating domestic and overseas products and services while developing 4 major wealth management offerings:

- deposits, insurance, wealth management, and structured products; drawing on competitive products and quality services to improve the penetration rate and to provide the most
suitable asset allocation suggestions based on customers' needs, as well as upgrading the relevant systems to construct an even sounder wealth management platform.

D. Consumer Banking

(1) Expanding the scale of credit card business to increase market share and competitiveness.
   ● Developing departmental store customers, expanding new channels and strengthening the features of existing credit cards to increase circulations.
   ● Actively promoting multiple types of mobile payments, introducing Internet of things (IoT) technology, optimizing user experience, and boosting customers' favorability to the SinoPac brand.
   ● Developing new payment tools and contracted stores and expanding EMV QR Code payment service to increase the amount of receipt.

(2) Classifying customer segments and improving credit card availability.
   ● Classifying customers according to their consumption patterns, strengthening customer segment management and focusing resources on key channels.
   ● Strengthening cooperation with daily consumption channels, promoting mobile payment and App-binding transactions to increase credit card availability and spending amount.

(3) Strengthening ecosystem management
   ● Expanding and optimizing receipt and payment services in traditional food markets to provide more convenient, secure, instant, and efficient financial services for buyers and sellers.
   ● Applying the successful business model of traditional food markets to automobile (transport), direct selling, and B2B platforms and introducing the "Smart Data Business Card Platform" that connects with corporate accounting systems to provide customers effective payment tools.

(4) Optimizing the cross-selling mechanism and enhancing customer loyalty
   Introducing the "real-time decision-making platform" as the engine for cross-selling, analyzing customer activity and building models, and providing the target audience products/services precisely and timely based on the concept of "event-based marketing" to effectively enhance customer loyalty.

(5) Driving the sales momentum to increase income from consumer loans.
   ● Increasing the salesforce and digital marketing of loans to drive the sales volume and momentum.
   ● Digitizing loan applications to accelerate the approval process.
   ● Developing and applying smart data for precision marketing.

E. Financial Markets

(1) Proprietary Trading: Bank SinoPac aims to strengthen internal risk management and to build an optimized mechanism for portfolio management on trading systems. The ultimate goals are to facilitate cross-instrument hedging by dealers and to increase market-making capability. In addition, Bank
SinoPac also aims to develop trading strategies through quantitative methodologies in order to achieve stable long-term profits. Last but not least, as a licensed market maker in CFETS, Bank SinoPac thrives to gain market share in FX market and boost profitability for proprietary trading.

(2) Treasury Marketing Unit (TMU): Identifying market trends and exploring customer segments to expand the source of stable income.

The TMU cooperates with distribution channels to supply services, including trading ideas and derivatives products, to differentiate customer segments. The TMU constantly enhances internal risk control and optimizes pre-settlement risk limits for trading financial product and KYC processes. Additionally, in order to maintain sustainable relationships with customers, TMU effectively implements risk management and professionally trains sales personnel. Going forward, the TMU will deepen its customer relationships and explore opportunities amongst different customer segments.

(3) Given equal consideration of risks and returns, Bank SinoPac proactively develops the "multi-currency" business. Besides adjusting assets and liabilities position in line with currency strength, Bank SinoPac also offers a wide variety of investment products that increase portfolio income, closely tracks market trends and explores new funding and business sources to decentralize industry and regional risks, stabilize cash positions and enhance forex trading income.

(4) Using Hong Kong platform as a hub to coordinate and assist other overseas branches to develop financial market businesses. Teaming up with corporate banking group to provide competitive financial products embedding hedge solutions, and enhance relationships, thereby achieving higher earnings and penetration.

F. Electronic Banking

(1) Making an all-out effort in the development of digital financial services

In line with the policies of competent authorities in creating a digital financial environment and amending the laws and regulations, Bank SinoPac keeps innovating digital financial applications and services.

(2) Increasing the penetration of digital platforms

Bank SinoPac continuously optimizes the digital financial service processes and user experience to increase customer engagement and penetration of digital platforms.

(3) Managing digital accounts

Interacting with digital accounts through vibration marketing and continuously attracting digital accounts with high loyalty.

(4) Providing diversified financial applications

Partnering with emerging digital technology and payment service providers through strategic alliances and providing diversified financial applications to improve the delicacy of services and customer satisfaction.
(5) Developing cross-border receipt and payment services

Bank SinoPac addresses customers’ needs for cross-border receipt and payment services by developing the receipt App that provides complete and immediate receipt and write-off services.

(6) Developing Open API to realize financial innovation

In response to the Open Banking strategy of Financial Supervisory Commission, Bank SinoPac actively builds related management platforms and mechanisms for open API of Financial Information Services Co., Ltd. to realize various applications with third-party service providers (TSP).

(7) Deepening corporate customer binding based on the model of Partner APIs

Bank SinoPac binds the cash flows of corporate customers to integrated cash management products, such as online receipts and payments, salary payment, supply chain financing and deposit equipment, and continuously expands the cooperation in Partner APIs.

(8) Optimizing overseas corporate electronic banking

Bank SinoPac strengthens overseas electronic banking and local financial portfolios in hopes of becoming the bank of choice for overseas customers.

(9) Strengthening ATM user experience

Bank SinoPac optimizes user flows and services to provide new digital experience and financial services for customers.

III. Research and Development

(I) Major financial products, size of new departments, and profit (loss) status

Information is detailed in Operating Report I. Scope of Business.

(II) Expenditures on Research and Development

<table>
<thead>
<tr>
<th>Year</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>154,234</td>
<td>180,109</td>
</tr>
</tbody>
</table>

Unit: NT$ thousand

(III) Results of Research and Development

(1) In October 2018, Bank SinoPac launched the credit card payment service QR Pay, which is compatible with the EMV QR Code of VISA and MasterCard. By posting a QR Pay sticker, the merchant stores will allow cardholders to make payments through the FUN Wallet App. With QR Pay, stores that were previously unable to apply for POS terminals are now able to receive credit card payments afterwards. In November 2018, Bank SinoPac also became the pilot bank of the National Credit Card Center of R.O.C. Any domestic bank's App could use QR Pay as long as it supported QR Pay. Among domestic banks, Bank SinoPac had the largest number of stores. In June 2019, a more convenient QR Pay was launched, allowing consumers to link to Apple Pay or Google Pay for mobile payment automatically by turning on Camera or QR Code App.
(2) To integrate consumption, IoT technology, bonus feedback, and big data analysis into an IoT-based financial network, in December 2018, Bank SinoPac worked with MasterCard to launch the SinoPac SPORT Card, Taiwan's first sport credit card. Using the wearable device to record calories burned by exercise, the SinoPac SPORT Card connects the "calorie accelerator" pioneered by Bank SinoPac with the IoT technology and turns calories burned into multiple bonuses, allowing consumers to accumulate health and wealth at the same time.

(3) To assist young people in pursuing their dreams, broadening their horizons, and engaging the world through learning, Bank SinoPac launched the "International Student Debit Card" in December 2018. Covering a full range of financial needs, this debit card allows students to pay when studying abroad, traveling, and living their lives.

(4) To improve online application experience and customer satisfaction, Bank SinoPac allowed customers to apply for credit cards and loans by completing personal identity authentication online.

(5) To satisfy various wealth management needs of customers and diversify customers' asset allocation, Bank SinoPac started to provide custody for foreign securities, helping customers build a sounder investment plan.

(6) In August 2019, Bank SinoPac launched ibrAin, a smart wealth management product, and adopted a new pricing model based on the size of customers' assets to help customers expand their assets as it grows. ibrAin helps achieve customers' life goals with overall planning. Different from other banks that select 1 out of 5 or 8 investment portfolios based on risk attributes, ibrAin selects from 6,000 investment portfolios based on customers' needs, age and investment goals.

(7) Optimizing the 'new customer relationship management (CRM) & wealth management system': Bank SinoPac had enhanced the quality and efficiency of customer services by adding customer and product information, developing business opportunities, and monitoring the risks; it further planned "Mobile CRM (iPad) ", a digital tool, to manage customer assets and transactions and monitor the risks and business opportunities.

(8) Bank SinoPac actively enhanced its information security protocols and became the first financial institution in Taiwan to have successfully obtained the latest ISO 27001:2013 ISMS certification.

(9) Bank SinoPac relocated its IT computer room to the external certified IDC in 2019 in hopes of providing more stable computer room operations and network services through the construction of multi-environment equipment, high-bandwidth connections, and backup services.

(10) Bank SinoPac launched a digital account, DAWHO, to offer competitive financial services and products, including deposits, wealth management services, and credit card offers.

(11) Bank SinoPac launched the industry's first "online bond trading" service (including purchase, redemption, and matching of bonds, trading inquiries, and history of dividends) through electronic banking and mobile banking, which could meet wealth management customers' diversified investment needs, improve accessibility, and enrich digital financial services.
(12) Customers were allowed to apply for foreign exchange services equivalent to NT$500,000 online using their Citizen Digital Certificate and card reader and declaration, which saved customers’ time from traveling to banks and applying at counters.

(13) Bank SinoPac set up an English electronic banking website for foreign customers to enhance the ease of use and customer loyalty.

(14) The "barrier-free web ATM 2.0" was available for visually impaired users to access financial services with larger fonts and bold colors.

(15) Bank SinoPac set up a digital branch at National Cheng Kung University (NCKU) to provide brand-new offsite financial services, including VR-based number-taking, a facial recognition system, TV wall mounted voting system, exercise mats and NCKU iPath, remote wealth management services, palm vein recognition, and eNote.

(16) Bank SinoPac has included UnionPay in "FUN CASHIER", an online payment collection tool that adapts to various business models and collection scenarios. The FUN CASHIER can be integrated through technical connection to provide the real-time collection status.

(17) To make collection services more thorough and more competitive, "FUN CASHIER" supported Alipay QR code and multiple refunds. The "FUN CASHIER" App also passed the accessibility test to provide a user-friendly financial environment for online and offline collection services.

(18) Bank SinoPac allowed customers to bind electronic payment tools, including Line Pay, to their deposit accounts and pay directly from the deposit accounts.

(19) In addition to providing full credit card inquiries and exclusive offers, the "FUN WALLET" App combines TaiwanPay to provide payment services.

(20) Bank SinoPac worked with Financial Information Services Co., Ltd. to introduce cross-border payment services, where customers could pay on Taobao through the "FUN WALLET" App.

(21) Bank SinoPac launched coin ATMs and provided change for bill payment services; it also optimized the ATM user interface to provide user-friendly financial services.

(22) "Bank SinoPac Paybill Website" continued to innovate its bill payment services by allowing depositors and credit card holders to pay for their utilities online.

(23) Bank SinoPac provided payment services through APIs for different corporate customers, such as community management committees or parking lot companies. Through APIs, community management fees are paid and collected; tenants are able to check and pay monthly fees and parking fees through Line@.

(24) "Global eBanking" added the payroll services on holidays, allowing customers to receive pay even on holidays.

(25) "Global eBanking" continued to optimize trading functions overseas. Taking Vietnam for example, PI, a cross-border remittance platform, was added along with online foreign exchange services to help overseas customers manage funds in a cheaper and faster way.
(IV) Future Research and Development Plans

1. For the purpose of further enhancing "Feng Yun Mortgage," Bank SinoPac will continue to optimize and upgrade its systems in 2020. Through AI, introduction of new technology, design of tailor-made intelligent technology services, enhancement of operating efficiency and service satisfaction, and combination of big data analysis, Bank SinoPac aims at becoming customers' well-rounded financial consultant.

2. To perfect the customer services and product lines, Bank SinoPac will establish the "Credit Card Direct System" and offer the "Multi-currency Debit Card", allowing customers to enjoy better user experience during business trips or personal trips while effectively reducing the processing costs of cross-border transactions. After the "Credit Card Direct System" is established, it will become the basic platform for Bank SinoPac to expand overseas card issue services.

3. Bank SinoPac will keep innovating products or services and providing customers integrated investment management plans, including the introduction of investment portfolio tools, integration of customers' needs, investment research and analysis, product portfolio, and risk management. Through the refinement of wealth management counseling services and AI functions, Bank SinoPac helps customers seize investment opportunities in the market.

4. Bank SinoPac has established the feasible structure and business model of family trust based on the proposal by the Trust Association of R.O.C. and the "Family Business Trust Evaluation System" and targeted privately held companies in the nascent stage. It will provide tailored services depending on individual cases in order to seek the potential inheritance business opportunities of domestic family businesses and help corporate customers achieve effective and stable family equity transfer and management.

5. Developing 'Mobile CRM (iPad) ': By connecting the App and the 'new customer relationship management (CRM) & wealth management system', Bank SinoPac can manage customer assets effectively, extend wealth management services field, and improve quality of wealth management services.

6. Bank SinoPac will proceed with digital transformation to strengthen system functions related to wealth management and trust business.

7. Bank SinoPac aims at applying the experience and performance in factoring of the international receivables organization, Factors Chain International (FCI), and engaging in mutual cooperation through the FCI platform to obtain an in-depth understanding of global customers, and develop and expand industry supply chains and cross-platform integration.

8. Bank SinoPac aims at constantly engaging in Factoring by Insurance (FBI) services, strengthening the cooperation with international insurance companies and establishing a factoring platform to assist customers in developing global opportunities.
(9) Bank SinoPac will continue to seek opportunities for cross-platform cooperation, build safe and convenient trade finance channels, and assist customers in developing business opportunities.

(10) Bank SinoPac aims at integrating external open data and producing credit analysis reports through AI technology to refine post-loan management and early warning mechanisms, accelerate credit investigation, and deliver quality customer services.

(11) Bank SinoPac aims at building a data market to expand the risk factors in corporate loans and improve the internal rating model; introducing Basel, an internal ratings-based approach to improve the completeness, precision, and timeliness of quantitative risk assessment, pricing strategies, and performance management of corporate loans and to maintain good asset quality.

(12) Bank SinoPac aims at replacing manual editing of financial statements with automated scanning and connecting with governmental open data to improve the efficiency of credit investigation and accuracy of data.

(13) In response to the trend of Open Banking and market demand, Bank SinoPac, under the premise that laws and regulations and information security are met, will study the opening-up of financial services and information, as well as the connection with business partner services and applications, in the hope of providing customer-oriented financial experience and diversified service channels.

(14) Through industry-university cooperation, Bank SinoPac will actively develop new generation talents for FinTech and apply academic research to service innovation, so as to build an intelligent life in the future, demonstrate the value of financial innovation of the younger generation, and realize corporate social responsibility.

(15) Bank SinoPac will continuously optimize digital platforms and provide streamlined, user-friendly, and well-established digital financial services through multiple identification methods.

(16) In response to the challenges brought on by the rapid growth in global technology development and its related financial demands, Bank SinoPac has continuously partnered with National Cheng Kung University to jointly explore and develop "the pattern of future life in financial fields" in an effort to apply the lessons learned from the branches' practical operations and integrate them into the optimization of business developments and strategies. These optimizations are intended to enhance the quality of Bank SinoPac's risk management and drive the transformation of development techniques and corporate digitization. Through AI, including Natural Language Processing (NLP), big data analytics, machine learning, and image recognition, Bank SinoPac aims to improve credit risk assessment and its prediction processes, effectively expand competitive investment portfolios, and reduce repetitive work. Ultimately, these enhancements strive to increase Bank SinoPac's market competitiveness by implementing customer-centric precision marketing and by creating a more customer-oriented service model.
IV. Short-term and Long-term Business Development Plans

A. Corporate Banking

1. Short-term Business Development Plans

(1) Maximizing the strengths of Bank SinoPac’s branches throughout Taiwan to deepen the relationship with existing customers and explore new corporate customers; managing asset quality effectively while striving for expansion of the lending business and ensuring stable profits.

(2) Enlarging Bank SinoPac’s deposits, loan scales and market shares domestically and abroad; accepting deposits from new customers constantly and increasing demand deposits of enterprises to lower the cost of funds; and adopting a target oriented approach toward asset and liability management to minimize the structural risk.

(3) Grasping the refinancing needs to enhance quality and expand quantity of syndicated loans arranged by Bank SinoPac; intensifying the collection of market information on Southeast Asia countries, and developing cross-border syndicated loans for Taiwanese businesses or participating in international syndicated loans for local enterprises with high credit rating via overseas branches’ platforms and cooperation with other banks; expanding syndicated loans relating to solar power plants or other green energy in line with the government's green energy policy; and selectively taking part in syndicated loans for M&A activities in Southeast Asia countries and infrastructure projects participated in or guaranteed by the governments or international financial institutions.

(4) Continuing to expand factoring platforms; collaborating with several world-renowned credit guarantee agencies and international receivables organizations like Factors Chain International (FCI) to assume the credit risk of domestic or overseas buyers on behalf of corporate customers, providing them financing services, and promoting trade-based factoring services; helping SMEs boost export competitiveness and spur sales growth.

(5) Strengthening integrated products and services for corporate customers with the e-commerce platform to reinforce electronic functions and consolidate information on a global basis, thereby providing customers more convenient and efficient financial management services.

(6) Bank SinoPac has established the "Guidelines for Responsible Lending", specifying the list of controversial and sensitive industries; when making decisions on lending, Bank SinoPac also takes ESG issues into account and checks whether customers evaluate risks and opportunities of climate change (TCFD). In November 2019, Bank SinoPac applied for signing the Equator Principles (EPs) to fulfill its corporate social responsibility for large lending projects. It expects to become a member of the Equator Principle financial institutions (EPFIs) in 1Q of 2020.

(7) Bank SinoPac worked with a well-known credit rating company to develop the ESG risk dashboard and rating model in July 2019. The model is used to quantify and disclose the ESG risk management performance of customers. Both parties further plan to implement the concept of "green risk rating" to fulfill responsible lending and exert positive influence.
8) Integrating and using Bank SinoPac’s resources of onshore and offshore channels to reinforce cooperation among branches and subsidiaries in Taiwan and abroad and widen relationships with ethnic Chinese businesses; making Ho Chi Minh City, the economic hub of Vietnam, as its base to further penetrate the other ASEAN markets; establishing a team in charge of overseas needs and business opportunities for overseas customers; and maximize the platform value and synergy of cross-selling to boost earnings from overseas corporate banking.

2. Long-term Business Development Plans

1) With the goal of becoming the best cross-border financial service provider for corporate customers, Bank SinoPac will actively integrate resources to establish all-rounded overseas business platforms while expanding businesses domestically and internationally as well as continuously strengthening business performance.

2) Drawing on Bank SinoPac's overall resources to consolidate all business lines under a customer-oriented organizational structure; providing enterprises one-stop and tailor-made solutions catering to financial needs ranging from fundraising, plant construction to operations; and integrating corporate banking services vertically.

3) Combining corporate banking business management and credit risk management to develop advanced risk quantitative techniques and install a credit database, which are applicable to pricing, dynamic risk control, decision-making, and performance management; establishing and optimizing a credit loan early warning system that facilitates the control of changes in the credit risks and the countermeasures to be taken in due time.

4) Bank SinoPac plans to automatically populate risk parameters for SMEs to streamline the production of credit reports; it also plans to divert the process based on the type of customers and standard product portfolios to classify risks and speed up credit investigation for SMEs. Bank SinoPac also aims at replacing manual editing of financial statements with automated scanning to improve the efficiency of credit investigation and accuracy of data; developing the financial forecasting models to improve risk control in its entirety.

5) In recent years, Bank SinoPac has invested resources in checking the completeness and compliance of customers' credit information. In December 2019, it received the "Outstanding Credit Inquiry Award" from the Joint Credit Information Center. Bank SinoPac also aims at improving its control over credit information and quality of credit reports in line with the "principle for financial service industries to treat customers fairly" in order to protect customers' credit information.

6) Continuously developing new operations; consolidating resources and competitive advantages of domestic and overseas retail channels with the cross-selling platforms to make further inroads into corporate banking, wealth management, financial markets, and interbank business; and using optimized electronic banking systems to provide more localized and globalized financial services across 3 major financial centers in Asia (Hong Kong/Shanghai/Singapore) for ethnic Chinese businesses around the world.
(7) Providing continuous training, recruiting talents with international standing, making long-term career development plans to support upcoming overseas expansion and enhance overall competitiveness.

B. Retail Banking

1. Short-term Business Development Plans

(1) Developing diversified products to meet the needs of potential target customers.
(2) Deepening relationships with existing customers and increasing the number of products undertaken to expand fee income.
(3) Utilizing the distribution strategy to promote 'Feng Yun Mortgage,' thereby providing financial services on a comprehensive basis.
(4) Taking 'SinoPac First Purchase Mortgage' as the brand concept to snatch the first-time buyer market and therefore helping young customer segments to fulfill the dream of "home making".
(5) Increasing strategic partners to provide customers more preferential services, thereby enhancing customer satisfaction.

2. Long-term Business Development Plans

(1) Helping channels serve more quality and high net worth customers in accordance with the competent authority's policies and under the business guidelines of "Stable Operations, Risk Diversification, Asset Quality Assurance and ROA Maintenance."
(2) Providing customer-orientated, convenient, and comprehensive financial services and additional value, thereby maintaining customer loyalty and building a long-term relationship.
(3) Maintaining good asset quality with a low non-performing loan (NPL) ratio and keeping bad debt losses to the minimum, thereby increasing profits from products as a whole.

C. Wealth Management

1. Short-term Business Development Plans

(1) Developing a business model oriented to customers' demands to become customers' ideal brand for stable wealth accumulation; obtaining an in-depth understanding of customers' needs and risk tolerance; and offering asset allocation services that pay equal attention to risks and returns.
(2) Continuing to update system or platform of trust of corporate employee bonuses and satisfying enterprises' demands for applying different employee rewards, offering incentives to employees and retaining employees at different stages. Furthermore, servicing enterprises' owners in planning for gifting and passing on of property, stabilizing ownership, and become their business partners.
(3) A professional services team has been assigned to provide differentiated products, wealth management information, right and wealth management services, thereby enhancing the overall service quality.
(4) Continuing to improve electronic trading platforms, so as to provide abundant, timely, and convenient electronic banking services.

(5) Bank SinoPac will keep innovating products or services and providing customers integrated investment management plans, including the introduction of investment portfolio tools, integration of customers’ needs, investment research and analysis, product portfolio and risk management. Through the refinement of wealth management counseling services and AI functions, Bank SinoPac aims to help customers seize investment opportunities in the market.

(6) Upgrading, replacing and strengthening major system platforms and launching new functions.

(7) Developing “Mobile CRM (iPad)”: By connecting the App and the ‘new customer relationship management (CRM) & wealth management system’, Bank SinoPac can manage customer assets effectively, extend wealth management services field, and improve quality of wealth management services.

(8) Promoting insurance products featuring asset transfer and tax mitigation to increase protection for family members or elderly customers.

(9) Cooperating with onshore and offshore product teams and SinoPac Holdings’ resources as a whole to develop a variety of wealth management services, provide domestic and overseas customers tailor-made investment products, and render all-encompassing financial services through diversified channels.

2. Long-term Business Development Plans

(1) Providing quality products and integrated value-added services.

(2) Building up convenient retail channels and highly efficient wealth management and trading systems/platforms.

(3) Providing diversified wealth management services to meet customers’ needs for wealth management at different stages of their lives, such as assets preservation, children education, passing on of property, care or inheritance of estate, thereby becoming customers’ best choice for passing on of property and management.

(4) Developing highly efficient operations and services and setting up a sound mechanism for risk control and management.

(5) Providing various rights and interests for wealth management customers and strengthening the customer relationship management to improve branding of Bank SinoPac.

(6) Having Hong Kong as a wealth management hub with the focus on mutual funds, insurance, and structured products; through the integration of onshore and offshore products and services, Bank SinoPac will strive the business model of small and medium-sized enterprises with business owners’ financial management to develop new customers and business opportunities.

D. Consumer Banking

1. Short-term Business Development Plans

(1) Providing the best digital service experience for customers.
(2) Promoting various mobile payment methods aggressively to provide customers a more convenient way to pay bills.
(3) Being customer-oriented and managing customers by segmentation to boost the contribution of cardholders.
(4) Allocating resources accurately to improve the consumer loan business volume effectively and rapidly, thereby contributing to the overall consumer banking income.

2. Long-term Business Development Plans
   (1) Maintaining a stable growth in the business scope and using the strength of retail channels to enhance customers' lifelong value and sales contribution, thereby further growing profits and boosting operating performance constantly.
   (2) Promoting products and undertaking other publicity events through electronic media, radio and the internet, so as to boost Bank SinoPac's visibility in the consumer banking business and enhance the effectiveness of advertising and promotions.
   (3) Providing differentiated products and services to pave the way for becoming a flexible, convenient and trustworthy brand name for consumer banking.
   (4) Adopting a precise and complete grading model to undertake risk segmentation; and conducting cross-selling of other banks' products based on the stable asset quality.
   (5) Developing an ecosystem that combines consumption and finance and expanding partnerships to increase the breadth and depth of profits.
   (6) Along with the establishment of Bank SinoPac's new footholds in China and overseas, Bank SinoPac will harness its existing experience in card issuance and customer management, to build future development models and explore future opportunities for the consumer banking markets in China and overseas.

E. Financial Markets

1. Short-term Business Development Plans
   (1) Strengthening teamwork between the Treasury Marketing Unit and other departments in developing customer-oriented, differentiated portfolios, services and strategies helping branches create synergy by providing different customer segments with investment and hedging strategies most suitable to their asset and liability profile, so as to expand the source of stable profits by deepening and broadening business relationships with customers.
   (2) Providing real-time integrated information with regard to investment positions and putting in place an effective trading risk and internal risk management mechanism, thereby enabling traders to engage in cross-instrument hedging and boosting their ability of market making.
   (3) Diversifying investments by expanding investment targets to adjust the profit structure and hit profit targets of proprietary trading and further deepening collaboration between domestic and overseas financial and business collaboration to improve trading performance.
(4) Adjusting and implementing trading regulations and procedures according to amendments of regulations and strengthening risk control and management.

(5) Benefiting by Hong Kong's status as an international financial center to develop innovative financial instruments that take account of both risks and returns; taking advantage of the CFETS (China Foreign Exchange Trade System) certification and by participating in main international market platforms, to improve competitiveness in offshore RMB market and strive for more cross-border hedge business; and adopting active trading strategies and maximizing overall capital utilization to stabilize capital positions and improve the profitability of foreign exchange operations.

2. Long-term Business Development Plans
(1) Developing a wide array of products and platforms that come with meticulously differentiated packaging to fulfill customer needs for hedging and investment.

(2) Optimizing trading systems, and, through the development of systematic financial analysis models and the seeking of a sounder version of consistent operating procedures across front office, middle office, and back office in the long run, bringing in high value-added trades that contribute to earnings as well as enhancing the competitiveness of Bank SinoPac financial products.

(3) Endeavoring to advance expertise of financial teams and management of regional market trends in the hope of creating new business opportunities over the course of business expansion.

(4) Constantly developing financial hedging products to meet target customer demands and striving to enter into strategic alliances with high-quality banks in Hong Kong and Mainland China to fully seize RMB business opportunities derived.

(5) Enhancing professional training for the marketing personnel on financial products; continuing to take proactive stance in setting up the offshore trading platform for RMB; developing RMB futures market making business and multi-currency business to increase revenue from exchange gain and fee income; integrating the resources of Bank SinoPac in joint business development; and broadening the bases of existing customers and new customers in financial transaction services for more business opportunities.

F. Electronic Banking

1. Short-term Business Development Plans
(1) Bank SinoPac will continuously expand mobile payment sites and payment partners at home and abroad to strengthen online and offline receipt and payment products and build a cross-industry ecosystem.

(2) In response to the rapidly growing popularity of mobile devices (including smart phones and wearable devices), Bank SinoPac will keep promoting new services and functions of mobile banking and "FUN WALLET" App to provide customers the most convenient financial services.
(3) Bank SinoPac aims at optimizing digital platforms and implementing information security procedures and regulations to providing secure and user-friendly digital financial services, including identification mechanisms and online applications.

(4) Bank SinoPac aims at optimizing personalized electronic banking with big data and AI-assisted models to provide financial services tailored to customers’ needs and improve customer satisfaction.

(5) Consolidating the management of digital accounts by creating an exclusive APP and social media to optimize user experience.

(6) Continuously focusing API development and partnership on E-commerce, tourism, retail and medical services to meet various financial needs of customers.

(7) Improving online financial services and overseas functions for corporate customers and establishing the standard service model for each customer base for the quick reproduction of business models.

(8) Providing various financial services of automation equipment to improve user experience.

2. Long-term Business Development Plans

(1) Establishing the big data platform for data analysis and forecasting. With AI technology, Bank SinoPac aims at integrating online and offline resources to improve user experience through smart operations and referrals.

(2) Expanding the application of Partner APIs through Open Banking, including E-commerce payment, bill payment, identity authentication, and financial information and promoting APIs in cooperation with Financial Information Services Co., Ltd. to achieve financial innovation.

(3) Consolidating the fund management of corporate customers through online and offline services and action plans, including electronic banking, cash management, and automation equipment, to improve customer satisfaction.

(4) Introducing new automation equipment models featuring unique man-machine interfaces and services like coin ATMs and palm vein recognition to build the best financial brand with an immersive user experience.
I. Condensed Five-year Financial Statements

### Consolidated Balance Sheets

<table>
<thead>
<tr>
<th>Items</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents, due from the central bank and call loans to other banks</td>
<td>119,193</td>
<td>164,706</td>
<td>119,498</td>
<td>110,058</td>
<td>156,160</td>
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<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>61,364</td>
<td>59,381</td>
<td>70,615</td>
<td>49,834</td>
<td>52,044</td>
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<tr>
<td>Financial assets at fair value through other comprehensive income</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>205,643</td>
<td>238,696</td>
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<tr>
<td>Investments in debt instruments measured at amortized cost</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>93,541</td>
<td>137,941</td>
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<tr>
<td>Securities purchased under resale agreements</td>
<td>4,295</td>
<td>7,862</td>
<td>23,553</td>
<td>22,710</td>
<td>30,517</td>
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<tr>
<td>Receivables, net</td>
<td>76,057</td>
<td>35,623</td>
<td>43,555</td>
<td>48,087</td>
<td>45,796</td>
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<tr>
<td>Current tax assets</td>
<td>1,345</td>
<td>1,393</td>
<td>1,411</td>
<td>1,399</td>
<td>1,421</td>
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<td>Discounts and loans, net</td>
<td>874,744</td>
<td>889,038</td>
<td>865,990</td>
<td>919,303</td>
<td>999,554</td>
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<tr>
<td>Available-for-sale financial assets, net</td>
<td>195,688</td>
<td>238,315</td>
<td>227,095</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Held-to-maturity financial assets, net</td>
<td>69,119</td>
<td>78,132</td>
<td>56,608</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Investments accounted for using the equity method, net</td>
<td>39</td>
<td>54</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Other financial assets, net</td>
<td>13,423</td>
<td>13,848</td>
<td>7,253</td>
<td>17,455</td>
<td>10,725</td>
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<td>Property and equipment, net</td>
<td>9,470</td>
<td>9,135</td>
<td>8,977</td>
<td>9,211</td>
<td>9,504</td>
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<tr>
<td>Right-of-use asset, net</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Investment properties, net</td>
<td>1,175</td>
<td>1,247</td>
<td>1,207</td>
<td>1,242</td>
<td>1,084</td>
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<tr>
<td>Intangible assets, net</td>
<td>1,958</td>
<td>1,888</td>
<td>1,326</td>
<td>1,324</td>
<td>1,326</td>
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<tr>
<td>Deferred tax assets, net</td>
<td>2,649</td>
<td>2,551</td>
<td>1,741</td>
<td>1,482</td>
<td>1,379</td>
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<tr>
<td>Other assets, net</td>
<td>4,414</td>
<td>2,440</td>
<td>4,319</td>
<td>4,032</td>
<td>4,126</td>
</tr>
<tr>
<td>Total assets</td>
<td>1,440,933</td>
<td>1,505,653</td>
<td>1,433,208</td>
<td>1,485,321</td>
<td>1,695,816</td>
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<tr>
<td>Deposits from the central bank and banks</td>
<td>61,330</td>
<td>29,855</td>
<td>29,621</td>
<td>37,965</td>
<td>53,818</td>
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<tr>
<td>Financial liabilities at fair value through profit or loss</td>
<td>27,055</td>
<td>21,085</td>
<td>20,313</td>
<td>19,767</td>
<td>16,713</td>
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<tr>
<td>Derivative financial liabilities for hedging</td>
<td>43</td>
<td>20</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Securities sold under repurchase agreements</td>
<td>5,114</td>
<td>1,837</td>
<td>26,179</td>
<td>25,505</td>
<td>9,083</td>
</tr>
<tr>
<td>Payables</td>
<td>15,734</td>
<td>16,884</td>
<td>16,577</td>
<td>17,894</td>
<td>16,577</td>
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<tr>
<td>Current tax liabilities</td>
<td>187</td>
<td>565</td>
<td>552</td>
<td>491</td>
<td>924</td>
</tr>
<tr>
<td>Deposits and remittances</td>
<td>1,158,925</td>
<td>1,255,712</td>
<td>1,154,487</td>
<td>1,195,974</td>
<td>1,388,841</td>
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<tr>
<td>Bonds Payable</td>
<td>43,428</td>
<td>41,779</td>
<td>39,570</td>
<td>32,723</td>
<td>33,020</td>
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<tr>
<td>Other financial liabilities</td>
<td>13,955</td>
<td>12,370</td>
<td>12,256</td>
<td>19,212</td>
<td>34,249</td>
</tr>
<tr>
<td>Provisions</td>
<td>3,021</td>
<td>2,849</td>
<td>2,711</td>
<td>2,975</td>
<td>2,924</td>
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<tr>
<td>Lease liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>1,143</td>
<td>961</td>
<td>747</td>
<td>873</td>
<td>837</td>
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<tr>
<td>Other liabilities</td>
<td>1,820</td>
<td>2,014</td>
<td>5,193</td>
<td>3,060</td>
<td>2,943</td>
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<tr>
<td>Total liabilities</td>
<td>1,331,815</td>
<td>1,385,931</td>
<td>1,308,206</td>
<td>1,356,239</td>
<td>1,562,148</td>
</tr>
</tbody>
</table>

Note 1: The financial statements for each year were audited by CPA. There is no audited or reviewed Bank SinoPac and its subsidiaries financial statements in 2020 before the date of printing.

Note 2: The appropriation of the 2019 earnings is subject to the approval of the board of directors which execute the rights and functions of the stockholders' meeting in 2020.
# Consolidated Statements Of Comprehensive Income

<table>
<thead>
<tr>
<th>Items</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest revenue</td>
<td>27,364</td>
<td>24,849</td>
<td>25,310</td>
<td>27,223</td>
<td>31,615</td>
</tr>
<tr>
<td>Less : Interest expense</td>
<td>11,797</td>
<td>9,983</td>
<td>10,523</td>
<td>12,397</td>
<td>16,634</td>
</tr>
<tr>
<td>Net interest</td>
<td>15,567</td>
<td>14,866</td>
<td>14,787</td>
<td>14,826</td>
<td>14,981</td>
</tr>
<tr>
<td>Net revenues other than interest</td>
<td>9,225</td>
<td>8,481</td>
<td>8,568</td>
<td>10,354</td>
<td>12,345</td>
</tr>
<tr>
<td>Total net revenues</td>
<td>24,792</td>
<td>23,347</td>
<td>23,355</td>
<td>25,180</td>
<td>27,326</td>
</tr>
<tr>
<td>Bad debts expense, commitment and guarantee liability provision</td>
<td>(92)</td>
<td>1,405</td>
<td>1,024</td>
<td>760</td>
<td>1,048</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>14,186</td>
<td>13,922</td>
<td>13,268</td>
<td>13,125</td>
<td>14,249</td>
</tr>
<tr>
<td>Income (loss) from continuing operations before income tax</td>
<td>10,698</td>
<td>8,020</td>
<td>9,063</td>
<td>11,295</td>
<td>12,029</td>
</tr>
<tr>
<td>Income tax (expense) profit</td>
<td>(1,523)</td>
<td>(1,162)</td>
<td>(1,167)</td>
<td>(1,621)</td>
<td>(1,738)</td>
</tr>
<tr>
<td>Income from continuing operations after income tax</td>
<td>9,175</td>
<td>6,858</td>
<td>7,896</td>
<td>9,674</td>
<td>10,291</td>
</tr>
<tr>
<td>Net Income</td>
<td>9,175</td>
<td>6,858</td>
<td>7,896</td>
<td>9,674</td>
<td>10,291</td>
</tr>
<tr>
<td>Other comprehensive income, net of income tax</td>
<td>415</td>
<td>(1,254)</td>
<td>(116)</td>
<td>(758)</td>
<td>926</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>9,590</td>
<td>5,604</td>
<td>7,780</td>
<td>8,918</td>
<td>11,217</td>
</tr>
<tr>
<td>Profit (loss), attributable to owners of parent</td>
<td>9,175</td>
<td>6,858</td>
<td>7,896</td>
<td>9,674</td>
<td>10,291</td>
</tr>
<tr>
<td>Comprehensive income, attributable to owners of parent</td>
<td>9,590</td>
<td>5,604</td>
<td>7,780</td>
<td>8,918</td>
<td>11,217</td>
</tr>
<tr>
<td>Earnings Per Share (in NT$ dollar)(Note2)</td>
<td>1.11</td>
<td>0.81</td>
<td>0.92</td>
<td>1.12</td>
<td>1.20</td>
</tr>
</tbody>
</table>

Note1: The financial statements for each year were audited by CPA. There is no audited or reviewed Bank SinoPac and its subsidiaries financial statements in 2020 before the date of printing.

Note2: Earnings per share are retroactively adjusted with earnings recapitalization.
### Balance Sheets

<table>
<thead>
<tr>
<th>Items</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018 (Note 3)</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and due from banks, net</td>
<td>101,563</td>
<td>138,673</td>
<td>105,027</td>
<td>97,247</td>
<td>151,747</td>
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<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>66,708</td>
<td>59,036</td>
<td>70,344</td>
<td>48,068</td>
<td>51,358</td>
</tr>
<tr>
<td>Financial assets at fair value through other comprehensive income</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>202,687</td>
<td>230,054</td>
</tr>
<tr>
<td>Investments in debt instruments measured at amortized cost</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>93,540</td>
<td>137,941</td>
</tr>
<tr>
<td>Securities purchased under resell agreements</td>
<td>4,295</td>
<td>7,862</td>
<td>23,553</td>
<td>22,710</td>
<td>30,517</td>
</tr>
<tr>
<td>Receivables, net</td>
<td>75,886</td>
<td>35,435</td>
<td>43,429</td>
<td>48,000</td>
<td>43,834</td>
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<td>Current tax assets</td>
<td>1,319</td>
<td>1,375</td>
<td>1,378</td>
<td>1,395</td>
<td>1,417</td>
</tr>
<tr>
<td>Discounts and loans, net</td>
<td>844,413</td>
<td>855,858</td>
<td>852,723</td>
<td>904,615</td>
<td>977,951</td>
</tr>
<tr>
<td>Available-for-sale financial assets, net</td>
<td>193,124</td>
<td>236,784</td>
<td>225,004</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Held-to-maturity financial assets, net</td>
<td>66,838</td>
<td>76,738</td>
<td>56,607</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Investment accounted for using the equity method, net</td>
<td>23,326</td>
<td>23,070</td>
<td>11,868</td>
<td>10,931</td>
<td>9,943</td>
</tr>
<tr>
<td>Other financial assets, net</td>
<td>9,585</td>
<td>12,371</td>
<td>7,010</td>
<td>16,994</td>
<td>10,725</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>9,203</td>
<td>8,955</td>
<td>8,818</td>
<td>8,756</td>
<td>9,092</td>
</tr>
<tr>
<td>Right-of-use assets, net</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,173</td>
</tr>
<tr>
<td>Investment properties, net</td>
<td>1,223</td>
<td>1,294</td>
<td>1,254</td>
<td>1,250</td>
<td>1,084</td>
</tr>
<tr>
<td>Intangible assets, net</td>
<td>1,337</td>
<td>1,281</td>
<td>1,243</td>
<td>1,231</td>
<td>1,345</td>
</tr>
<tr>
<td>Deferred tax assets, net</td>
<td>1,857</td>
<td>1,676</td>
<td>1,666</td>
<td>1,449</td>
<td>1,323</td>
</tr>
<tr>
<td>Other assets, net</td>
<td>4,360</td>
<td>2,418</td>
<td>4,046</td>
<td>3,993</td>
<td>4,097</td>
</tr>
<tr>
<td>Total assets</td>
<td>1,405,035</td>
<td>1,462,553</td>
<td>1,413,968</td>
<td>1,463,866</td>
<td>1,664,501</td>
</tr>
<tr>
<td>Deposits from the central bank and banks</td>
<td>60,219</td>
<td>29,217</td>
<td>26,810</td>
<td>34,517</td>
<td>46,749</td>
</tr>
<tr>
<td>Financial liabilities at fair value through profit or loss</td>
<td>27,053</td>
<td>21,085</td>
<td>20,288</td>
<td>19,737</td>
<td>16,010</td>
</tr>
<tr>
<td>Securities sold under repurchase agreements</td>
<td>5,174</td>
<td>1,837</td>
<td>26,179</td>
<td>25,504</td>
<td>8,227</td>
</tr>
<tr>
<td>Payables</td>
<td>14,988</td>
<td>15,878</td>
<td>16,224</td>
<td>17,318</td>
<td>14,537</td>
</tr>
<tr>
<td>Current tax liabilities</td>
<td>50</td>
<td>352</td>
<td>500</td>
<td>485</td>
<td>882</td>
</tr>
<tr>
<td>Deposits and remittances</td>
<td>1,126,510</td>
<td>1,215,786</td>
<td>1,138,560</td>
<td>1,180,837</td>
<td>1,269,484</td>
</tr>
<tr>
<td>Bonds Payable</td>
<td>43,428</td>
<td>41,779</td>
<td>39,570</td>
<td>32,722</td>
<td>33,020</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>12,814</td>
<td>11,401</td>
<td>12,256</td>
<td>17,013</td>
<td>31,225</td>
</tr>
<tr>
<td>Provisions</td>
<td>2,883</td>
<td>2,721</td>
<td>2,699</td>
<td>2,941</td>
<td>2,901</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,160</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>1,030</td>
<td>872</td>
<td>707</td>
<td>863</td>
<td>813</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>1,788</td>
<td>1,903</td>
<td>5,173</td>
<td>3,047</td>
<td>2,925</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>Ex-dividends 1,295,917</td>
<td>1,342,831</td>
<td>1,288,966</td>
<td>1,334,784</td>
<td>1,530,933</td>
</tr>
<tr>
<td>Post-dividends</td>
<td>1,295,917</td>
<td>1,345,331</td>
<td>1,294,370</td>
<td>1,341,415</td>
<td>(Note 2)</td>
</tr>
<tr>
<td>Share capital</td>
<td>Ex-dividends 74,484</td>
<td>83,954</td>
<td>86,051</td>
<td>86,051</td>
<td>86,051</td>
</tr>
<tr>
<td>Post-dividends</td>
<td>80,621</td>
<td>86,051</td>
<td>86,051</td>
<td>86,051</td>
<td>86,051</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>10,481</td>
<td>12,148</td>
<td>12,148</td>
<td>12,148</td>
<td>12,148</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>Ex-dividends 23,080</td>
<td>23,777</td>
<td>26,959</td>
<td>30,904</td>
<td>34,407</td>
</tr>
<tr>
<td>Post-dividends</td>
<td>16,923</td>
<td>19,170</td>
<td>21,555</td>
<td>24,273</td>
<td>(Note 2)</td>
</tr>
<tr>
<td>Other equity</td>
<td>1,093</td>
<td>(157)</td>
<td>(168)</td>
<td>(31)</td>
<td>992</td>
</tr>
<tr>
<td>Total equity</td>
<td>Ex-dividends 109,118</td>
<td>119,722</td>
<td>125,002</td>
<td>129,082</td>
<td>133,666</td>
</tr>
<tr>
<td>Post-dividends</td>
<td>109,118</td>
<td>117,222</td>
<td>119,598</td>
<td>122,451</td>
<td>(Note 2)</td>
</tr>
</tbody>
</table>

**Note 1:** The financial statements for each year were audited by CPA. There is no audited or reviewed Bank SinoPac financial statements in 2020 before the date of printing.

**Note 2:** The appropriation of the 2019 earnings is subject to the approval of the board of directors which execute the rights and functions of the stockholders meeting in 2020.

**Note 3:** With the consolidation of Bank SinoPac and SinoPac Life Insurance Agent Co., Ltd. on Aug. 1, 2019, Bank SinoPac has restated the 2018 financial statements retrospectively. Above balance sheets in 2018 was shown with restated numbers.
## Statements Of Comprehensive Income

<table>
<thead>
<tr>
<th>Items</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018 (Note 3)</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest revenue</td>
<td>25,741</td>
<td>22,956</td>
<td>23,848</td>
<td>26,165</td>
<td>30,224</td>
</tr>
<tr>
<td>Less: Interest expense</td>
<td>11,515</td>
<td>9,656</td>
<td>10,166</td>
<td>11,826</td>
<td>15,966</td>
</tr>
<tr>
<td>Net interest</td>
<td>14,226</td>
<td>13,300</td>
<td>13,682</td>
<td>14,339</td>
<td>14,258</td>
</tr>
<tr>
<td>Net revenues other than interest</td>
<td>9,016</td>
<td>8,400</td>
<td>8,406</td>
<td>10,160</td>
<td>12,293</td>
</tr>
<tr>
<td>Total net revenues</td>
<td>23,242</td>
<td>21,700</td>
<td>22,086</td>
<td>24,399</td>
<td>26,551</td>
</tr>
<tr>
<td>Bad debts expense, commitment and guarantee liability provision</td>
<td>52</td>
<td>1,390</td>
<td>1,003</td>
<td>695</td>
<td>1,004</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>12,874</td>
<td>12,535</td>
<td>12,285</td>
<td>12,501</td>
<td>13,562</td>
</tr>
<tr>
<td>Income (loss) from continuing operations before income tax</td>
<td>10,316</td>
<td>7,775</td>
<td>8,600</td>
<td>11,203</td>
<td>11,985</td>
</tr>
<tr>
<td>Tax income expense</td>
<td>1,141</td>
<td>1,117</td>
<td>1,044</td>
<td>1,529</td>
<td>(1,694)</td>
</tr>
<tr>
<td>Income from continuing operations after income tax</td>
<td>9,175</td>
<td>6,858</td>
<td>7,556</td>
<td>9,674</td>
<td>10,291</td>
</tr>
<tr>
<td>Profit (loss)</td>
<td>9,175</td>
<td>6,858</td>
<td>7,556</td>
<td>9,674</td>
<td>10,291</td>
</tr>
<tr>
<td>Other comprehensive income, net of tax</td>
<td>415</td>
<td>1,254</td>
<td>1,161</td>
<td>758</td>
<td>926</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>9,590</td>
<td>5,604</td>
<td>7,780</td>
<td>8,916</td>
<td>11,217</td>
</tr>
<tr>
<td>Profit (loss), attributable to owners of parent</td>
<td>9,175</td>
<td>6,858</td>
<td>7,556</td>
<td>9,674</td>
<td>10,291</td>
</tr>
<tr>
<td>Comprehensive income, attributable to owners of parent</td>
<td>9,175</td>
<td>6,858</td>
<td>7,556</td>
<td>9,674</td>
<td>11,217</td>
</tr>
<tr>
<td>EPS (in NT$ dollar)(Note2)</td>
<td>1.11</td>
<td>0.81</td>
<td>0.92</td>
<td>1.12</td>
<td>1.20</td>
</tr>
</tbody>
</table>

Note 1: The financial statements for each year were audited by CPA. There is no audited or reviewed Bank SinoPac financial statements in 2020 before the date of printing.

Note 2: Earnings per share are retroactively adjusted with earnings recapitalization.

Note 3: With the consolidation of Bank SinoPac and SinoPac Life Insurance Agent Co., Ltd. on Aug. 1, 2019, Bank SinoPac has restated the 2018 financial statements retrospectively. Above statements of comprehensive income in 2018 was shown with restated numbers.
## Domestic Major Economic Indicators

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>National income (US$ millions)</td>
<td>611,255</td>
<td>608,186</td>
<td>590,780</td>
<td>543,002</td>
<td>534,474</td>
</tr>
<tr>
<td>GDP</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP per capital (in US$)</td>
<td>25,909</td>
<td>25,792</td>
<td>25,080</td>
<td>23,091</td>
<td>22,780</td>
</tr>
<tr>
<td>Economic growth rate (GDP)</td>
<td>2.71%</td>
<td>2.75%</td>
<td>3.31%</td>
<td>2.17%</td>
<td>1.47%</td>
</tr>
<tr>
<td>Foreign trade (US$ millions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export</td>
<td>329,194</td>
<td>334,007</td>
<td>315,487</td>
<td>279,175</td>
<td>284,434</td>
</tr>
<tr>
<td>Import</td>
<td>285,694</td>
<td>284,792</td>
<td>257,200</td>
<td>229,199</td>
<td>236,380</td>
</tr>
<tr>
<td>Trade surplus</td>
<td>43,500</td>
<td>49,216</td>
<td>58,287</td>
<td>49,975</td>
<td>48,053</td>
</tr>
<tr>
<td>Price indexes (YoY%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumer price Index</td>
<td>0.56%</td>
<td>1.35%</td>
<td>0.62%</td>
<td>1.39%</td>
<td>-0.31%</td>
</tr>
<tr>
<td>Wholesale price Index</td>
<td>-2.26%</td>
<td>3.63%</td>
<td>0.89%</td>
<td>-2.98%</td>
<td>-8.85%</td>
</tr>
<tr>
<td>Money supply (YoY%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual growth in M2</td>
<td>3.46%</td>
<td>3.52%</td>
<td>3.75%</td>
<td>4.51%</td>
<td>6.34%</td>
</tr>
<tr>
<td>Annual growth in M1b</td>
<td>7.15%</td>
<td>5.32%</td>
<td>4.65%</td>
<td>6.33%</td>
<td>6.10%</td>
</tr>
<tr>
<td>Annual growth in M1a</td>
<td>6.60%</td>
<td>6.78%</td>
<td>3.29%</td>
<td>7.11%</td>
<td>6.53%</td>
</tr>
<tr>
<td>Key interest rates (end of period)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rates of central bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discounted rate</td>
<td>1.38%</td>
<td>1.38%</td>
<td>1.38%</td>
<td>1.38%</td>
<td>1.63%</td>
</tr>
<tr>
<td>Rate on accommodations with collateral</td>
<td>1.75%</td>
<td>1.75%</td>
<td>1.75%</td>
<td>1.75%</td>
<td>2.00%</td>
</tr>
<tr>
<td>Interbank call loan market</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Weighted average of overnight</td>
<td>0.18%</td>
<td>0.18%</td>
<td>0.18%</td>
<td>0.19%</td>
<td>0.36%</td>
</tr>
<tr>
<td>Stock market (NT$)</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted Stock Index (TAIEX)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>10,757.87</td>
<td>10,619.74</td>
<td>10,183.97</td>
<td>8,746.69</td>
<td>8,979.99</td>
</tr>
<tr>
<td>Year-end</td>
<td>11,997.14</td>
<td>9,727.41</td>
<td>10,642.86</td>
<td>9,253.50</td>
<td>8,338.06</td>
</tr>
<tr>
<td>Daily average trading value (NT$ billions)</td>
<td>140.8</td>
<td>152.9</td>
<td>104.9</td>
<td>77.5</td>
<td>83.7</td>
</tr>
<tr>
<td>Foreign exchange (US$ millions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange reserve</td>
<td>478,126</td>
<td>461,784</td>
<td>451,500</td>
<td>434,204</td>
<td>426,031</td>
</tr>
<tr>
<td>Exchange rate (NT$/US$)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>30,922</td>
<td>30,165</td>
<td>30,438</td>
<td>32,313</td>
<td>31,927</td>
</tr>
<tr>
<td>Year-end</td>
<td>30,106</td>
<td>30,733</td>
<td>29,848</td>
<td>32,379</td>
<td>33,066</td>
</tr>
<tr>
<td>Balance of payment</td>
<td>13,386</td>
<td>13,763</td>
<td>16,689</td>
<td>14,044</td>
<td>15,289</td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial production index (YoY%)</td>
<td>-0.33%</td>
<td>3.66%</td>
<td>2.91%</td>
<td>1.53%</td>
<td>-1.75%</td>
</tr>
<tr>
<td>Unemployment rate (%)</td>
<td>3.73%</td>
<td>3.71%</td>
<td>3.76%</td>
<td>3.92%</td>
<td>3.78%</td>
</tr>
<tr>
<td>Population</td>
<td>23,603,121</td>
<td>23,588,932</td>
<td>23,571,227</td>
<td>23,539,816</td>
<td>23,492,074</td>
</tr>
</tbody>
</table>
Appendix I

Bank SinoPac and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2019 and 2018 and Independent Auditors’ Report
DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The Bank and its subsidiaries required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2019 are all the same as the Companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

BANK SINOPAC

March 13, 2020
INDEPENDENT AUDITORS’ REPORT

The Board of Directors and Shareholder
Bank SinoPac

Opinion

We have audited the accompanying financial statements of Bank SinoPac and its subsidiaries (collectively referred to as the Group), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2019 and 2018 in conformity with Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China and the guidelines issued by the authorities.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.
The key audit matters of the Group’s consolidated financial statements for the year ended December 31, 2019 are stated as follows:

**Estimated Impairment of Discounts and Loans**

To assess the estimated impairment of discounts and loans collectively, management makes judgments on assumptions of probability of default and loss given default based on historical experience, current market situation and forward-looking information. Assessment of evidence of default and credit impairment, whether the credit risk has increased significantly since the original recognition (including the adoption of forward-looking factors), and the assessment of the methodology and assumptions used for estimating impairment and the estimation of the amount and timing of future cash flows are critical judgments and estimates; therefore, the estimation of the provision for impairment of discounts and loans is identified as a key audit matter for the year ended December 31, 2019.

Refer to Notes 4, 5 and 44 to the accompanying consolidated financial statements for the relevant accounting policies, judgments for estimations, estimation uncertainty and other related disclosures of the estimated impairment of discounts and loans.

Our key audit procedures performed in respect of the above area included the following:

We understood and assessed management’s impairment practices, accounting policies and related internal control procedures for discounts and loans to evaluate whether the methodology, assumptions and inputs used conform to the IFRS 9 impairment model and appropriately reflected the actual outcome. We assessed the rationality and consistency of the probability of default, the estimation of forward-looking factors, loss given default and exposure at default, etc. We performed sampling on discounts and loans to verify their completeness and rationality. Finally, we considered related guidelines issued by the authorities and tested whether the classification and the provision for impairment of discounts and loans complied with the related regulation issued by the authorities.

**Other Matter**

We have also audited the parent company only financial statements of Bank SinoPac as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
Those charged with governance, including the audit committee, are responsible for overseeing the Group’s financial reporting process.

**Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’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 Group’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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 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 Yi-Chun Wu and Cheng-Hung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 13, 2020

Notice to Readers

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

For the convenience of readers, the independent auditors’ report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors’ report and consolidated financial statements shall prevail.
## BANK SINOPAC AND SUBSIDIARIES
### CONSOLIDATED BALANCE SHEETS
#### DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2019</th>
<th>%</th>
<th>2018</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH AND CASH EQUIVALENTS, NET (Notes 4 and 6)</td>
<td>$16,621,544</td>
<td>1</td>
<td>$18,168,837</td>
<td>1</td>
</tr>
<tr>
<td>DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS, NET (Notes 7 and 40)</td>
<td>142,538,839</td>
<td>8</td>
<td>91,889,402</td>
<td>6</td>
</tr>
<tr>
<td>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 40)</td>
<td>52,044,390</td>
<td>3</td>
<td>49,834,007</td>
<td>4</td>
</tr>
<tr>
<td>FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9 and 40)</td>
<td>238,895,566</td>
<td>14</td>
<td>205,643,312</td>
<td>14</td>
</tr>
<tr>
<td>INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 4, 10 and 41)</td>
<td>137,940,760</td>
<td>8</td>
<td>93,540,669</td>
<td>6</td>
</tr>
<tr>
<td>SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4, 11 and 40)</td>
<td>30,516,733</td>
<td>2</td>
<td>22,710,233</td>
<td>2</td>
</tr>
<tr>
<td>RECEIVABLES, NET (Notes 12 and 40)</td>
<td>45,796,518</td>
<td>3</td>
<td>48,086,686</td>
<td>3</td>
</tr>
<tr>
<td>CURRENT TAX ASSETS (Notes 4, 29 and 40)</td>
<td>1,420,830</td>
<td>-</td>
<td>1,398,667</td>
<td>-</td>
</tr>
<tr>
<td>DISCOUNTS AND LOANS, NET (Notes 5, 13, 40 and 41)</td>
<td>999,554,298</td>
<td>59</td>
<td>919,303,206</td>
<td>62</td>
</tr>
<tr>
<td>OTHER FINANCIAL ASSETS, NET (Notes 14, 40 and 41)</td>
<td>10,725,059</td>
<td>1</td>
<td>17,455,051</td>
<td>1</td>
</tr>
<tr>
<td>PROPERTY AND EQUIPMENT, NET (Notes 3, 4, 15, 17 and 40)</td>
<td>9,503,802</td>
<td>1</td>
<td>9,211,115</td>
<td>1</td>
</tr>
<tr>
<td>RIGHT-OF-USE ASSETS, NET (Notes 3, 4, 16 and 40)</td>
<td>2,229,809</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>INVESTMENT PROPERTY, NET (Notes 4 and 17)</td>
<td>1,083,638</td>
<td>-</td>
<td>1,242,195</td>
<td>-</td>
</tr>
<tr>
<td>INTANGIBLE ASSETS, NET (Notes 4, 18 and 40)</td>
<td>1,439,487</td>
<td>-</td>
<td>1,323,641</td>
<td>-</td>
</tr>
<tr>
<td>DEFERRED TAX ASSETS (Notes 4 and 29)</td>
<td>1,379,192</td>
<td>-</td>
<td>1,482,450</td>
<td>-</td>
</tr>
<tr>
<td>OTHER ASSETS, NET (Notes 3, 19 and 40)</td>
<td>4,125,658</td>
<td>-</td>
<td>4,031,550</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$1,695,816,123</strong></td>
<td><strong>100</strong></td>
<td><strong>$1,485,321,021</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND EQUITY</th>
<th>2019</th>
<th>%</th>
<th>2018</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>DEPOSITS FROM THE CENTRAL BANK AND BANKS (Notes 20 and 40)</td>
<td>$53,818,502</td>
<td>3</td>
<td>$37,964,931</td>
<td>3</td>
</tr>
<tr>
<td>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 40)</td>
<td>16,713,074</td>
<td>1</td>
<td>19,766,915</td>
<td>1</td>
</tr>
<tr>
<td>SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 9, 10, 11 and 21)</td>
<td>9,082,627</td>
<td>1</td>
<td>25,504,487</td>
<td>2</td>
</tr>
<tr>
<td>PAYABLES (Notes 22, 27, 36 and 40)</td>
<td>16,576,832</td>
<td>1</td>
<td>17,694,396</td>
<td>1</td>
</tr>
<tr>
<td>CURRENT TAX LIABILITIES (Notes 4, 29 and 40)</td>
<td>924,439</td>
<td>-</td>
<td>491,436</td>
<td>-</td>
</tr>
<tr>
<td>DEPOSITS AND REMITTANCES (Notes 23 and 40)</td>
<td>1,388,840,551</td>
<td>82</td>
<td>1,195,974,154</td>
<td>81</td>
</tr>
<tr>
<td>BANK DEBENTURES (Notes 24 and 40)</td>
<td>33,019,751</td>
<td>2</td>
<td>32,722,483</td>
<td>2</td>
</tr>
<tr>
<td>OTHER FINANCIAL LIABILITIES (Notes 25 and 40)</td>
<td>34,249,370</td>
<td>2</td>
<td>19,211,583</td>
<td>1</td>
</tr>
<tr>
<td>PROVISIONS (Notes 4, 26 and 27)</td>
<td>2,219,223</td>
<td>-</td>
<td>873,352</td>
<td>-</td>
</tr>
<tr>
<td>LEASE LIABILITIES (Notes 3, 4, 16 and 40)</td>
<td>836,793</td>
<td>-</td>
<td>3,060,319</td>
<td>-</td>
</tr>
<tr>
<td>DEFERRED TAX LIABILITIES (Notes 4 and 29)</td>
<td>2,219,223</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>OTHER LIABILITIES (Notes 28 and 40)</td>
<td>2,943,119</td>
<td>-</td>
<td>3,060,319</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td><strong>$1,562,148,106</strong></td>
<td><strong>92</strong></td>
<td><strong>$1,356,239,322</strong></td>
<td><strong>91</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EQUITY</th>
<th>2019</th>
<th>%</th>
<th>2018</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common shares</td>
<td>86,061,159</td>
<td>5</td>
<td>86,061,159</td>
<td>5</td>
</tr>
<tr>
<td>Additional paid-in capital in excess of par</td>
<td>4,001,872</td>
<td>-</td>
<td>4,001,872</td>
<td>-</td>
</tr>
<tr>
<td>Capital surplus from business combination</td>
<td>8,076,524</td>
<td>1</td>
<td>8,076,524</td>
<td>1</td>
</tr>
<tr>
<td>Others</td>
<td>69,244</td>
<td>-</td>
<td>69,244</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total capital surplus</strong></td>
<td><strong>12,147,640</strong></td>
<td><strong>1</strong></td>
<td><strong>12,147,640</strong></td>
<td><strong>1</strong></td>
</tr>
<tr>
<td>Retained earnings</td>
<td>23,853,943</td>
<td>1</td>
<td>21,049,419</td>
<td>1</td>
</tr>
<tr>
<td>Special reserve</td>
<td>418,897</td>
<td>-</td>
<td>505,700</td>
<td>-</td>
</tr>
<tr>
<td>Unappropriated earnings</td>
<td>10,934,458</td>
<td>1</td>
<td>9,348,413</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total retained earnings</strong></td>
<td><strong>34,697,298</strong></td>
<td><strong>2</strong></td>
<td><strong>30,903,534</strong></td>
<td><strong>2</strong></td>
</tr>
<tr>
<td>Other equity</td>
<td>991,920</td>
<td>-</td>
<td>136,634</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td><strong>133,668,017</strong></td>
<td><strong>8</strong></td>
<td><strong>129,081,699</strong></td>
<td><strong>9</strong></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$1,695,816,123</strong></td>
<td><strong>100</strong></td>
<td><strong>$1,485,321,021</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the consolidated financial statements.
### BANK SINOPAC AND SUBSIDIARIES

#### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>%</th>
<th>2018</th>
<th>%</th>
<th>Percentage Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td></td>
<td>Amount</td>
<td></td>
<td></td>
</tr>
<tr>
<td>INTEREST REVENUE</td>
<td>$ 31,615,456</td>
<td>116</td>
<td>$ 27,223,114</td>
<td>108</td>
<td>16</td>
</tr>
<tr>
<td>INTEREST EXPENSE</td>
<td>(16,634,302)</td>
<td>(61)</td>
<td>(12,396,557)</td>
<td>(49)</td>
<td>34</td>
</tr>
<tr>
<td>NET INTEREST (Notes 4, 31 and 40)</td>
<td>14,981,154</td>
<td>55</td>
<td>14,826,557</td>
<td>59</td>
<td>1</td>
</tr>
<tr>
<td>NET REVENUES OTHER THAN INTEREST (Note 4)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commission and fee revenues, net (Notes 32 and 40)</td>
<td>5,992,661</td>
<td>22</td>
<td>5,182,668</td>
<td>21</td>
<td>16</td>
</tr>
<tr>
<td>Gains on financial assets and liabilities at fair value through profit or loss (Notes 33 and 40)</td>
<td>4,225,325</td>
<td>15</td>
<td>2,628,154</td>
<td>10</td>
<td>61</td>
</tr>
<tr>
<td>Realized gains on financial assets at fair value through other comprehensive income (Notes 34 and 40)</td>
<td>680,218</td>
<td>3</td>
<td>65,830</td>
<td>-</td>
<td>933</td>
</tr>
<tr>
<td>Loss arising from derecognition of financial assets measured at amortized cost</td>
<td>(2,322)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Foreign exchange gains, net (Impairment loss on assets) reversal of impairment loss on assets</td>
<td>782,457</td>
<td>3</td>
<td>1,661,958</td>
<td>7</td>
<td>(53)</td>
</tr>
<tr>
<td>Gain on disposal of subsidiary (Note 12)</td>
<td>100,399</td>
<td>-</td>
<td>40,817</td>
<td>-</td>
<td>146</td>
</tr>
<tr>
<td>Other non-interest net revenues (Notes 35 and 40)</td>
<td>327,628</td>
<td>1</td>
<td>537,205</td>
<td>2</td>
<td>(39)</td>
</tr>
<tr>
<td></td>
<td>238,538</td>
<td>1</td>
<td>237,265</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Net revenues other than interest</td>
<td>12,344,904</td>
<td>45</td>
<td>10,353,897</td>
<td>41</td>
<td>19</td>
</tr>
<tr>
<td>TOTAL NET REVENUES</td>
<td>27,326,058</td>
<td>100</td>
<td>25,180,454</td>
<td>100</td>
<td>9</td>
</tr>
<tr>
<td>BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 5, 6, 7, 12, 13, 14 and 26)</td>
<td>(1,047,965)</td>
<td>(4)</td>
<td>(759,595)</td>
<td>(3)</td>
<td>38</td>
</tr>
</tbody>
</table>

(Continued)
BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

<table>
<thead>
<tr>
<th>Percentage Increase (Decrease)</th>
<th>2019</th>
<th></th>
<th>2018</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>%</td>
<td>Amount</td>
<td>%</td>
</tr>
<tr>
<td>OPERATING EXPENSES</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee benefits expenses</td>
<td>(8,472,914)</td>
<td>(31)</td>
<td>(7,844,895)</td>
<td>(31)</td>
</tr>
<tr>
<td>(Notes 27, 36 and 40)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>(1,318,103)</td>
<td>(5)</td>
<td>(605,831)</td>
<td>(2)</td>
</tr>
<tr>
<td>expenses (Notes 16, 37 and 40)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others (Notes 38 and 40)</td>
<td>(4,458,555)</td>
<td>(16)</td>
<td>(4,674,652)</td>
<td>(19)</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>(14,249,572)</td>
<td>(52)</td>
<td>(13,125,378)</td>
<td>(52)</td>
</tr>
<tr>
<td>PROFIT (LOSS) FROM CONTINUING</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OPERATIONS BEFORE TAX</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>12,028,521</td>
<td>44</td>
<td>11,295,481</td>
<td>45</td>
</tr>
<tr>
<td>INCOME TAX EXPENSE (Notes 4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>and 29)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(1,737,534)</td>
<td>(6)</td>
<td>(1,621,276)</td>
<td>(7)</td>
</tr>
<tr>
<td>PROFIT (LOSS)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>10,290,987</td>
<td>38</td>
<td>9,674,205</td>
<td>38</td>
</tr>
<tr>
<td>OTHER COMPREHENSIVE INCOME</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that will not be</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>reclassified subsequently to</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>profit or loss:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remeasurement of defined</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>benefit plans</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(120,661)</td>
<td>(1)</td>
<td>(173,445)</td>
<td>-</td>
</tr>
<tr>
<td>Revaluation gains (losses) on</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>investments in equity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>instruments measured at fair</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>value through other</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>comprehensive income (Note 30)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>279,244</td>
<td>1</td>
<td>(231,060)</td>
<td>(1)</td>
</tr>
<tr>
<td>Change in fair value of</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>financial liability</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>attributable to changes in</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>the credit risk of liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Note 30)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(60,206)</td>
<td>-</td>
<td>12,334</td>
<td>-</td>
</tr>
<tr>
<td>Income tax relating to items</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>that will not be reclassified</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>subsequently to profit or loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Notes 4, 29 and 30)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>24,132</td>
<td>-</td>
<td>49,946</td>
<td>-</td>
</tr>
<tr>
<td>Items that will not be</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>reclassified subsequently to</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>profit or loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>122,509</td>
<td>-</td>
<td>(342,225)</td>
<td>(1)</td>
</tr>
</tbody>
</table>

(Continued)
BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

<table>
<thead>
<tr>
<th>Items that will be reclassified to profit or loss:</th>
<th>2019</th>
<th>2018</th>
<th>Percentage Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exchange differences on translating foreign operations (Note 30)</td>
<td>$(342,001)</td>
<td>(1)</td>
<td>$ (484,622)</td>
</tr>
<tr>
<td>Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income (Note 30)</td>
<td>1,103,881</td>
<td>4</td>
<td>(13,756)</td>
</tr>
<tr>
<td>Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4, 29 and 30)</td>
<td>41,636</td>
<td>-</td>
<td>82,317</td>
</tr>
<tr>
<td>Items that will be reclassified to profit or loss</td>
<td>803,516</td>
<td>3</td>
<td>(416,061)</td>
</tr>
<tr>
<td>Other comprehensive income (loss) for the period, net of income tax</td>
<td>926,025</td>
<td>3</td>
<td>(758,286)</td>
</tr>
<tr>
<td>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</td>
<td>$11,217,012</td>
<td>41</td>
<td>$8,915,919</td>
</tr>
</tbody>
</table>

EARNINGS PER SHARE (Note 39)
Basic | $1.20 | $1.12 |

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)
### BANK SINOPAC AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

For the Years Ended December 31, 2019 and 2018

(In Thousands of New Taiwan Dollars)

<table>
<thead>
<tr>
<th>Capital Surplus</th>
<th>Legal Reserve</th>
<th>Special Reserve</th>
<th>Other Reserve (Note 30)</th>
<th>Retained Earnings (Note 30)</th>
<th>Foreign Operations</th>
<th>Exchange Differences on Translating Financial Assets</th>
<th>Unrealized Gains (Losses) on Available-for-Sale Financial Assets</th>
<th>Unrealized Gains (Losses) on Financial Liabilities</th>
<th>Unrealized Gains (Losses) on Extinguishable Financial Liabilities</th>
<th>Total Other Equity (Note 30)</th>
<th>Total Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$36,001,159</td>
<td>$12,147,640</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**BALANCE AT JANUARY 1, 2018**

Effect of retrospective application and retrospective restatement

-                     -                     -                     -                         -                     -                     -                     -                         -                     -                     -                     -                     $326,627

**BALANCE AT JANUARY 1, 2018 AS RESTATED**

-                     -                     -                     -                         -                     -                     -                     -                         -                     -                     -                     -                     $326,627

**Net profit for the year ended December 31, 2018**

-                     -                     -                     -                         -                     -                     -                     -                         -                     -                     -                     -                     $9,674,205

**Other comprehensive (loss) income for the year ended December 31, 2018, net of income tax**

-                     -                     -                     -                         -                     -                     -                     -                         -                     -                     -                     -                     $128,613

**Total comprehensive (loss) income for the year ended December 31, 2018**

-                     -                     -                     -                         -                     -                     -                     -                         -                     -                     -                     -                     $9,545,592

**Disposal of investments in equity instruments designated at fair value through other comprehensive income**

-                     -                     -                     -                         -                     -                     -                     -                         -                     -                     -                     -                     $129,450

**BALANCE AT DECEMBER 31, 2018**

-                     -                     -                     -                         -                     -                     -                     -                         -                     -                     -                     -                     $129,081,699

**Net profit for the year ended December 31, 2019**

-                     -                     -                     -                         -                     -                     -                     -                         -                     -                     -                     -                     $10,290,987

**Other comprehensive (loss) income for the year ended December 31, 2019, net of income tax**

-                     -                     -                     -                         -                     -                     -                     -                         -                     -                     -                     -                     $30,634

**Total comprehensive (loss) income for the year ended December 31, 2019**

-                     -                     -                     -                         -                     -                     -                     -                         -                     -                     -                     -                     $11,217,012

**BALANCE AT DECEMBER 31, 2019**

-                     -                     -                     -                         -                     -                     -                     -                         -                     -                     -                     -                     $133,668,017

The accompanying notes are an integral part of the consolidated financial statements.
# BANK SINOPAC AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income before income tax</td>
<td>$12,028,521</td>
<td>$11,295,481</td>
</tr>
<tr>
<td>Adjustments to reconcile profit:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation expenses</td>
<td>1,148,564</td>
<td>461,928</td>
</tr>
<tr>
<td>Amortization expenses</td>
<td>169,539</td>
<td>143,903</td>
</tr>
<tr>
<td>Provision for bad debt expense</td>
<td>1,709,076</td>
<td>1,405,233</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>16,634,302</td>
<td>12,396,557</td>
</tr>
<tr>
<td>Interest revenues</td>
<td>(31,615,456)</td>
<td>(27,223,114)</td>
</tr>
<tr>
<td>Dividend revenues</td>
<td>(89,302)</td>
<td>(87,723)</td>
</tr>
<tr>
<td>Net change in provisions for guarantee liabilities</td>
<td>8,203</td>
<td>6,404</td>
</tr>
<tr>
<td>Net change in other provisions</td>
<td>(55,543)</td>
<td>(96,479)</td>
</tr>
<tr>
<td>Losses on disposal or retirement of property and equipment</td>
<td>3,900</td>
<td>7,659</td>
</tr>
<tr>
<td>Gains on disposal of investments properties</td>
<td>(64,973)</td>
<td>(19,853)</td>
</tr>
<tr>
<td>Gains on disposal of subsidiary</td>
<td>(327,628)</td>
<td>(537,205)</td>
</tr>
<tr>
<td>Reversal of impairment loss on financial assets</td>
<td>(100,399)</td>
<td>(40,817)</td>
</tr>
<tr>
<td>Net losses on changing in leasing contract</td>
<td>(45)</td>
<td>-</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in due from the Central Bank and call loans to banks</td>
<td>6,828,889</td>
<td>(5,005,176)</td>
</tr>
<tr>
<td>(Increase) decrease in financial assets at fair value through profit or loss</td>
<td>(2,210,383)</td>
<td>20,784,890</td>
</tr>
<tr>
<td>Increase in financial assets at fair value through other comprehensive income</td>
<td>(31,881,940)</td>
<td>(738,712)</td>
</tr>
<tr>
<td>Increase in investments in debt instruments at amortized cost</td>
<td>(44,402,005)</td>
<td>(12,648,524)</td>
</tr>
<tr>
<td>Decrease (increase) in securities purchased under resell agreements</td>
<td>211,504</td>
<td>(533,018)</td>
</tr>
<tr>
<td>Decrease (increase) in receivables</td>
<td>3,068,268</td>
<td>(4,211,582)</td>
</tr>
<tr>
<td>Increase in discounts and loans</td>
<td>(81,868,604)</td>
<td>(54,570,087)</td>
</tr>
<tr>
<td>Decrease (increase) in other financial assets</td>
<td>6,909,535</td>
<td>(11,601,770)</td>
</tr>
<tr>
<td>(Increase) decrease in other assets</td>
<td>(232,038)</td>
<td>155,454</td>
</tr>
<tr>
<td>Increase in deposits from the Central Bank and banks</td>
<td>15,853,571</td>
<td>8,344,005</td>
</tr>
<tr>
<td>Decrease in financial liabilities at fair value through profit or loss</td>
<td>(3,114,047)</td>
<td>(534,207)</td>
</tr>
<tr>
<td>Decrease in securities sold under repurchase agreements</td>
<td>(16,421,860)</td>
<td>(674,321)</td>
</tr>
<tr>
<td>(Decrease) increase in payables</td>
<td>(2,835,728)</td>
<td>690,720</td>
</tr>
<tr>
<td>Increase in deposits and remittances</td>
<td>192,866,397</td>
<td>41,486,971</td>
</tr>
<tr>
<td>Increase in other financial liabilities</td>
<td>15,037,787</td>
<td>6,955,166</td>
</tr>
<tr>
<td>(Decrease) increase in provisions for employee benefits</td>
<td>(3,370)</td>
<td>46,661</td>
</tr>
<tr>
<td>Decrease in other liabilities</td>
<td>(117,200)</td>
<td>(2,132,927)</td>
</tr>
<tr>
<td>Net cash generated from (used in) operations</td>
<td>43,479,757</td>
<td>(16,474,483)</td>
</tr>
<tr>
<td>Interest received</td>
<td>31,762,850</td>
<td>26,579,037</td>
</tr>
<tr>
<td>Dividend received</td>
<td>89,302</td>
<td>87,723</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(15,896,846)</td>
<td>(11,833,289)</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>(1,189,689)</td>
<td>(1,173,731)</td>
</tr>
<tr>
<td><strong>Net cash generated from (used in) operating activities</strong></td>
<td>58,245,374</td>
<td>(2,814,743)</td>
</tr>
</tbody>
</table>

(Continued)
BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disposal of subsidiary</td>
<td>$327,628</td>
<td>$537,205</td>
</tr>
<tr>
<td>Acquisition of property and equipment</td>
<td>(790,217)</td>
<td>(785,091)</td>
</tr>
<tr>
<td>Proceeds from disposal of property and equipment</td>
<td>13,551</td>
<td>1,293</td>
</tr>
<tr>
<td>Acquisition of intangible assets</td>
<td>(176,616)</td>
<td>(75,081)</td>
</tr>
<tr>
<td>Acquisition of right-of-use assets</td>
<td>(251)</td>
<td>-</td>
</tr>
<tr>
<td>Acquisition of investment properties</td>
<td>(3,389)</td>
<td>(33,265)</td>
</tr>
<tr>
<td>Proceeds from disposal of investment properties</td>
<td>97,099</td>
<td>25,081</td>
</tr>
</tbody>
</table>

Net cash used in investing activities | (532,195)  | (329,858)  |

| **CASH FLOWS FROM FINANCING ACTIVITIES** |            |            |
| Bank debentures issued            | 13,000,000 | 1,150,000  |
| Repayment of bank debentures payable | (12,700,000) | (8,000,000) |
| Repayments of lease liabilities   | (685,598)  | -          |
| Cash dividends paid               | (6,630,694)| (5,404,219)|

Net cash used in financing activities | (7,016,292) | (12,254,219) |

| **EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES** |            |            |
|                                                                 | (397,664)  | (419,185)  |

| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** |            |            |
|                                                           | 50,299,223 | (15,818,005)|

| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR** |            |            |
|                                                          | 95,546,383 | 111,364,388 |

| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** | $145,845,606 | $95,546,383 |

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of December 31, 2019 and 2018:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents in consolidated balance sheets</td>
<td>$16,621,544</td>
<td>$18,168,837</td>
</tr>
<tr>
<td>Due from the Central Bank and call loans to banks reclassified as cash and cash equivalents under IAS 7 “Statements of Cash Flow”</td>
<td>99,029,836</td>
<td>55,201,324</td>
</tr>
<tr>
<td>Securities purchased under resell agreements reclassified as cash and cash equivalents under IAS 7 “Statements of Cash Flow”</td>
<td>30,194,226</td>
<td>22,176,222</td>
</tr>
<tr>
<td>Cash and cash equivalents in consolidated statements of cash flows</td>
<td>$145,845,606</td>
<td>$95,546,383</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)
1. ORGANIZATION

August 8, 1991  Bank SinoPac (the Bank) obtained government approval to incorporate.

January 28, 1992  The Bank started operations.

May 9, 2002  The Bank swap shares with SinoPac Securities Corporation and SinoPac Securities Co., Ltd. (SPS) to establish SinoPac Financial Holdings Company Limited (SPH), a financial holding company, resulting in the Bank becoming an unlisted wholly owned subsidiary of SPH, the ultimate parent company of SPH.

December 26, 2005  SPH finished the merger with International Bank of Taipei Co., Ltd. (IBT), through a 100% share swap.

May 8, 2006  The board of directors of IBT resolved to transfer credit card business and related assets and liabilities to SinoPac Card Services Co., Ltd. (SinoPac Card). The transaction has been approved by the authorities on June 22, 2006 and the assets have been transferred at the book value of $5,171,080 on August 4, 2006.

November 13, 2006  The preliminary effective date of the share swap and merger. The Bank acquired the assets and liabilities of IBT through a share swap at ratio of 1.175 shares of the Bank to swap for 1 share of IBT.

June 1, 2009  The Bank’s cash merger with SinoPac Card took effect, with this merger amounting to $3,873,675. Under this merger, the Bank was the surviving entity.

November 1, 2015  The Bank assumed all of the assets and liabilities of the Ho Chi Minh City Branch of Far East National Bank and renamed this branch Bank SinoPac, Ho Chi Minh City Branch. The transaction price was US$28,540 thousand.

May 1, 2019  SinoPac Call Center Co., Ltd. (SinoPac Call Center) which is a wholly-owned subsidiary of SPH was cash merged by the Bank. Under this merger, SinoPac Call Center was the dissolved company and the Bank was the surviving entity, assuming all business, assets, liabilities and all rights and obligations.

August 1, 2019  Due to permission, the Bank may also operate within the insurance industry. Then the board of directors of the Bank applied for the qualification to operate as an insurance agency and for the rights to merge SinoPac Life Insurance Agent Co., Ltd. and SinoPac Property Insurance Agent Co., Ltd., which are both 100% shareholding subsidiaries of the Bank. The Bank is the surviving company, and the two subsidiaries were liquidated.

The Bank’s ultimate parent and controller is SinoPac Holdings, which holds 100% common shares of the Bank.

The functional currency of the Bank is the New Taiwan dollar. The financial statements are presented in New Taiwan dollars.

For the information on consolidated entities, please refer to Note 4.
2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on March 13, 2020.

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

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively referred to as IFRSs) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Bank and its subsidiaries (the Group)’s accounting policies:

• IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

The Group elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from interest expense accrued on the lease liability; interest is computed by using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Prior to the application IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables were recognized for contracts classified as finance leases.

The Group is expected to recognize lease liability for leases classified as operating leases on the date of the initial application of IAS 17 and on the basis of individual leases, recognizing the right-of-use assets of lease liability. Comparative information will not be restated.
Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the aforementioned incremental borrowing rate. The Group accessed the impairment to all right-of-use assets under IAS 36.

The Group also has applied the following practical expedients:

1) The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Group has accounted for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

3) The Group has excluded initial direct costs from the measurement of right-of-use assets on January 1, 2019.

4) The Group has used hindsight, such as in determining lease terms, to measure lease liabilities.

The interest rate range using the aforementioned incremental borrowing rate is 0.5609%-4.9329% on January 1, 2019. In compliance with the various types of underlying leases and certain equipment leases that qualifies as low-value assets, for which the recognition exemption is applied. The amount of the lease liability recognized on the initial application date is $1,713,112.

The Group as lessor

The Group does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets and liabilities as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

<table>
<thead>
<tr>
<th></th>
<th>Carrying Amount as of December 31, 2018</th>
<th>Adjustments Arising from Initial Application</th>
<th>Adjusted Carrying Amount as of January 1, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property and equipment, net</td>
<td>$ 9,211,115</td>
<td>$(13,293)</td>
<td>$ 9,197,822</td>
</tr>
<tr>
<td>Right-of-use assets, net</td>
<td>-</td>
<td>1,739,671</td>
<td>1,739,671</td>
</tr>
<tr>
<td>Other assets, net</td>
<td>4,031,550</td>
<td>(13,266)</td>
<td>4,018,284</td>
</tr>
<tr>
<td>Total effect on assets</td>
<td>$ 13,242,665</td>
<td>$ 1,713,112</td>
<td>$ 14,955,777</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>$</td>
<td>$ 1,713,112</td>
<td>$ 1,713,112</td>
</tr>
<tr>
<td>Total effect on liabilities</td>
<td>$</td>
<td>$ 1,713,112</td>
<td>$ 1,713,112</td>
</tr>
</tbody>
</table>
b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

<table>
<thead>
<tr>
<th>New IFRSs</th>
<th>Effective Date Announced by IASB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amendments to IFRS 3 “Definition of a Business”</td>
<td>January 1, 2020 (Note 1)</td>
</tr>
<tr>
<td>Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”</td>
<td>January 1, 2020 (Note 2)</td>
</tr>
<tr>
<td>Amendments to IAS 1 and IAS 8 “Definition of Material”</td>
<td>January 1, 2020 (Note 3)</td>
</tr>
</tbody>
</table>

Note 1: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group assessed that the application of other standards and interpretations will have no material impact on the Group’s financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<table>
<thead>
<tr>
<th>New IFRSs</th>
<th>Effective Date Announced by IASB (Note)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”</td>
<td>To be determined by IASB</td>
</tr>
<tr>
<td>IFRS 17 “Insurance Contracts”</td>
<td>January 1, 2021</td>
</tr>
<tr>
<td>Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”</td>
<td>January 1, 2022</td>
</tr>
</tbody>
</table>

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

The Group assessed that the abovementioned amendments had no material impact. Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value and net defined benefit liability which present value of defined benefit obligation deduct fair value of plan assets. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

c. Level 3 inputs are unobservable inputs for the asset or liability.

**Classification of Current and Non-current Assets and Liabilities**

Since the operating cycle in the Banking industry cannot be reasonably identified, the accounts included in the Group’s consolidated financial statements were not classified as current or noncurrent. Nevertheless, accounts were properly categorized in accordance with the nature of each account and sequenced by their liquidity. Please refer to Note 44 for the maturity analysis of assets and liabilities.

**Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of the Bank and the entities controlled by the Bank (i.e., its subsidiaries). Control is achieved when the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by the Bank.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation; for related information please refer to Table 2.

The consolidated entities were as follows:

<table>
<thead>
<tr>
<th>Investor</th>
<th>Investee</th>
<th>Main Business</th>
<th>% of Ownership</th>
<th>December 31</th>
<th>Remark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank SinoPac</td>
<td>SinoPac Capital Limited</td>
<td>In liquidation</td>
<td>100</td>
<td>100</td>
<td>Note 1</td>
</tr>
<tr>
<td>SinoPac Life Insurance Agent Co., Ltd.</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>SinoPac Property Insurance Agent Co., Ltd.</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Bank SinoPac (China) Ltd.</td>
<td>Commercial bank</td>
<td>100</td>
<td>100</td>
<td>Note 2</td>
<td></td>
</tr>
<tr>
<td>SinoPac Insurance Brokers Ltd.</td>
<td>Insurance brokerage business</td>
<td>100</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SinoPac Capital Limited</td>
<td>SinoPac Capital (B.V.I.) Ltd.</td>
<td>In liquidation</td>
<td>100</td>
<td>100</td>
<td>Note 1</td>
</tr>
<tr>
<td>SinoPac Capital (B.V.I.) Ltd.</td>
<td>RSP Information Service Company Limited</td>
<td>In liquidation</td>
<td>100</td>
<td>100</td>
<td>Note 1</td>
</tr>
</tbody>
</table>

Note 1: To adjust the investment structure of parent-group, RSP Information Service Company Limited has entered into the liquidation process since February 2019. SinoPac Capital (B.V.I.) Ltd. has entered into the liquidation process since March 2019. SinoPac Capital Limited has entered into the liquidation process since April 2019.
Note 2: After the competent authorities approved that the Bank may operate within the insurance industry in July 2019, SinoPac Life Insurance Agent Co., Ltd. and SinoPac Property Insurance Agent Co, Ltd. were merged by the Bank on August 1, 2019. The abovementioned merger was approved by the competent authority and got the registration of the merger and dissolution in October 2019.

Foreign Currencies

a. Foreign currencies

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

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

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

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

b. Exchange differences on translating foreign operations

For the purposes of presenting financial statements, the assets and liabilities of the Group’s foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

On the disposal of a foreign operation (a disposal of the Group’s entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Cash and Cash Equivalents

Cash and cash equivalent in financial statements includes cash on hand, demand deposits and investments with original maturities within three months from the date of acquisition, highly liquid, readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. For the purposes of presenting cash flows, the cash and cash equivalent includes cash and cash equivalents in balance sheets, due from the Central Bank and call loans to banks and securities purchased under resell agreements under IAS 7.
Business Combination

Based on the “IFRS Questions and Answers on IFRS 3: Business combination involving entities or business under common control” issued by the Accounting Research and Development Foundation, the book value is used as the transfer price, and the combined company was regarded to be combination from the beginning to restate the prior period comparative financial statements based on the materiality.

Financial Instruments

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

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

Financial assets

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

a. Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, and investments in debt instruments and equity instruments at FVTOCI.

1) Financial asset at FVTPL

Financial asset is classified as at FVTPL when the financial asset is mandatorily classified or it is designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria. A financial asset may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

Financial assets at FVTPL are subsequently measured at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 43.

2) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, receivables and discount and loans, are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.
Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

a) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and

b) Financial asset that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

3) Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

a) The financial asset is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of the financial assets; and

b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

4) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group’s right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b. Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost and investments in debt instruments that are measured at FVTOCI.

The Group always recognizes lifetime Expected Credit Loss (i.e. ECL) for receivables. For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.
Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

Under the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” (the Regulations), the Bank evaluates credit losses on the basis of the estimated collectability of loans. In accordance with the Regulations, credit assets are classified as normal assets, assets that require special mention, assets with substandard credit quality, assets with doubtful collectability, and assets on which there is loss. The Bank evaluates the value of collaterals of specified loans and assesses recoverability of non-performing loans. These will be written off after approved by the board of directors when evaluated as unrecoverable.

Based on the above Regulations, the minimum allowance for credit losses and provision for losses on guarantees for assets that are normal excluding claims against the ROC government agencies that require special mention, assets that are substandard, assets with doubtful collectability, and assets on which there is loss were 1%, 2%, 10%, 50% and 100%, respectively of outstanding. In addition, under the Financial Supervisory Commission (FSC) Official Letter No. 10010006830, there should be a provision at more than 1% of sum of the minimum allowance for credit losses and the provision for losses on guarantees.

For enhanced risk management of banks, the FSC issued Official Letter No. 10300329440, which requires domestic banks to allocate an allowance of at least 1.5% of repair loans and construction loans. In addition, under the FSC Official Letter No. 10410001840, Category 1 credits granted to enterprises in the China region should be covered by an allowance of at least 1.5% of the balance of these credits.

SinoPac (China) conforms to the “Guidelines for the Provision of Bank Loan Loss” for the special provisions, issued by the People's Bank of China. For the special-mentioned loan, substandard loans, doubtful loans and loss loans, recognizing special provisions based on 2%, 20% to 30%, 40% to 60% and 100% of the loan balance, respectively.

c. Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of a debt instrument at FVTOCI in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss. On derecognition of an equity instrument at FVTOCI in its entirety, cumulative gain or loss is transferred directly to retained earnings instead of reclassifying as profit or loss.
Financial liabilities and equity instruments

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

a. Subsequent measurement

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

1) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or is designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 43.

A financial liability may be designated as at FVTPL upon initial recognition when doing so results in more relevant information and if:

a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

b) The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis, in accordance with the Group’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

b) The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at FVTPL.

For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability which incorporates any interest or dividend paid on the financial liability is presented in profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liabilities are derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss.

2) Financial guarantee contracts

Financial guarantee contracts issued by the Group, if not designated as at FVTPL, are subsequently measured at the higher of the amount of the loss allowance reflecting expected credit loss or the amount initially recognized less accumulated amortization.

b. Derecognition of financial liabilities

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

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability. Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in hybrid contracts that contain hosts which are not assets (e.g. financial liabilities) within the scope of IFRS 9 shall be separated from the host and accounted for as a derivative under IFRS 9 if, and only if, the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host.

When they are closely related, the entire hybrid instrument is accounted for by its nature in accordance with the applicable standard. When they are not closely related, the derivative is accounted for differently from the host contract as derivative while the host contract is accounted for by its nature in accordance with the applicable standard. Alternatively, the entire hybrid instrument is designated as a derivative instrument included in financial liabilities at fair value through profit or loss upon initial recognition, and no separate accounting is required.

Repurchase and Reverse Repurchase Transactions

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

Property and Equipment

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

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

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

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

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

2019

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

a. The Group as lessor

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

Under finance leases, the lease payments comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The net investment in a lease is measured at the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus initial direct costs and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Group’s net investment outstanding in respect of leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

b. The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.
Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee’s incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

2018

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

a. The Group as lessor

   Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease unless another system could be more representative of the effectiveness of time consumption of lease assets.

b. The Group as lessee

   The financial leases are accounted at the smaller amount of the fair value of the leased assets at the beginning of the lease and the total amount of minimum lease payment. At the same time, the leasing liabilities are recognized.

   The implied interest on the lease payments for each period is the current financial expense and is capitalized if it is directly attributable to the assets that meet the requirements.

   Operating lease payments are recognized as an expense on a straight-line basis over the lease term unless another system could be more representative of the effectiveness of time consumption of lease assets.

Intangible Assets

a. Intangible assets acquired separately

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

b. Derecognition of intangible assets

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

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

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

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

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal, and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of Tangible and Intangible Assets Other Than Goodwill

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

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

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

Provisions

Provisions, including those arising from the contractual obligation specified in the service concession arrangement to maintain or restore the infrastructure before it is handed over to the grantor, are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).
When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**Employee Benefits**

a. Short-term employee benefits

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

b. Retirement benefits

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

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

c. Preferential interest on employees’ deposits

The Group offers preferential interest rate to its current employees for their deposits within a prescribed amount.

Under Article 28 of the Regulation Governing the Preparation of Financial Reports by Public Bank, if the Group’s preferential deposit interest rate for as stated in the employment contract exceeds the market interest rate, the excess will be subject to IAS 19 “Employee Benefits” upon the employee’s retirement. The actuarial valuation assumptions and parameters are based on those announced by authority, if any.

d. Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognizes any related restructuring costs.

**Share-based Payment Arrangements**

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

The shares of the capital increased by cash of SPH were reserved for the Group’s employees. The grant date was the date that the employee subscription and the fair value determined at the grant date of the equity-settled share-based payments is recognized as an expense and paid-in capital.
Revenue Recognition

a. Interest income and expense

Except for financial assets and liabilities at fair value through profit or loss, interest income and interest expense of all financial instruments are accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, and recognized in the consolidated statements of comprehensive income.

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

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

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

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

b. Commission revenue

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

Annual fee income is the membership fee received from card members and is recognized when card members fail to meet the criteria for annual fee exemption; an allowance is estimated using past experience and is recognized as a deduction from annual fee income within the year the annual fee income is recognized.

Revenue from rendering services is recognized at the amount corresponding to the percentage of services completed as of the balance sheet date.

c. Dividend income

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

Income Tax

Income tax expense represents the sum of the current tax and deferred tax.

a. Current tax

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

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

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are generally recognized for deductible temporary differences, unused loss carryforward and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

c. Current and deferred tax for the period

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

d. Linked-tax system

SPH and its qualified subsidiaries adopted the linked-tax system. The different amounts between tax expense and deferred tax liabilities and assets based on consolidation and SPH with its qualified subsidiaries are adjusted on SPH; related amounts are recognized as current tax assets or current tax liabilities.

The accounting principle of the effect of tax rate amendment are the same as transactions with tax consequences. They are recognized as profit or loss, other comprehensive income or equity when they occurred.
5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, which are described in Note 4, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

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

Estimated Impairment of Discounts and Loans

The estimate of impairment of discounts and loans is based on assumptions about probability of default and loss given default. In making these assumptions and in selecting the inputs to the impairment calculation, the Group uses judgement based on the Group’s past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 44. Where the actual future cash inflows are less than expected, a material impairment loss may arise. Also, the Group should consider the specifications of the relevant authorities’ letter to make sure that the classification and allowance for impairment are in compliance with the requirements of the regulations.

Impairment losses on discounts and loans are shown in Notes 13 and 44.

6. CASH AND CASH EQUIVALENTS, NET

<table>
<thead>
<tr>
<th>December 31</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on hand</td>
<td>$7,101,120</td>
<td>$6,917,577</td>
</tr>
<tr>
<td>Due from other banks</td>
<td>8,322,629</td>
<td>6,511,092</td>
</tr>
<tr>
<td>Notes and checks for clearing</td>
<td>1,198,015</td>
<td>4,741,346</td>
</tr>
<tr>
<td>Less: Allowance for credit losses</td>
<td>(220)</td>
<td>(1,178)</td>
</tr>
<tr>
<td>Net amount</td>
<td>$16,621,544</td>
<td>$18,168,837</td>
</tr>
</tbody>
</table>

Under the Guidelines on the Management of Country Risk by Banking Financial Institutions issued by the China Banking Regulatory Commission for countries or regions with low risks, Bank SinoPac (China) recognized the country risk provision at 0.5% of the due from other banks and call loans to banks (Note 7), both due from banks and call loans to banks are assessed the allowance based on 0.05%.
7. DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS, NET

<table>
<thead>
<tr>
<th>December 31</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Call loans to banks</td>
<td>$ 84,335,569</td>
<td>$ 44,243,397</td>
</tr>
<tr>
<td>Trade finance advance - interbank</td>
<td>2,161,559</td>
<td>568,902</td>
</tr>
<tr>
<td>Deposit reserve - checking accounts</td>
<td>20,432,055</td>
<td>17,364,948</td>
</tr>
<tr>
<td>Due from the Central Bank - interbank settlement funds</td>
<td>2,511,849</td>
<td>1,533,060</td>
</tr>
<tr>
<td>Deposit reserve - demand accounts</td>
<td>29,888,447</td>
<td>25,619,713</td>
</tr>
<tr>
<td>Deposit reserve - foreign currencies</td>
<td>376,402</td>
<td>292,139</td>
</tr>
<tr>
<td>Deposit - other</td>
<td>2,856,511</td>
<td>2,282,832</td>
</tr>
<tr>
<td><strong>Less: Allowance for credit losses</strong></td>
<td>$(23,553)</td>
<td>$(15,589)</td>
</tr>
<tr>
<td><strong>Net amount</strong></td>
<td><strong>$ 142,538,839</strong></td>
<td><strong>$ 91,889,402</strong></td>
</tr>
</tbody>
</table>

Under a directive issued by the Central Bank of the ROC, New Taiwan dollar (NTD) - denominated deposit reserves are determined monthly at prescribed rates based on average balances of customers’ NTD-denominated deposits. Deposit reserve - demand account should not be used, except for adjusting the deposit reserve account monthly. In addition, the foreign-currency deposit reserves are determined at prescribed rates based on the balances of foreign-currency deposits. These reserves can be withdrawn momentarily anytime at no interest.

Under the relevant provisions issued by the People’s Bank of China, Bank SinoPac (China) showed deposit reserves in proportion on the basis of deposit account balances at the end of the months.

8. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

<table>
<thead>
<tr>
<th>December 31</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets mandatorily classified as at fair value through profit or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government bonds</td>
<td>$ 35,641,996</td>
<td>$ 21,040,447</td>
</tr>
<tr>
<td>Certificates of deposits</td>
<td>2,391,984</td>
<td>2,531,143</td>
</tr>
<tr>
<td>Bank debentures</td>
<td>622,689</td>
<td>8,518,499</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>332,424</td>
<td>1,614,640</td>
</tr>
<tr>
<td>Currency swap contracts</td>
<td>7,283,256</td>
<td>11,095,439</td>
</tr>
<tr>
<td>Interest rate swap contracts</td>
<td>2,972,724</td>
<td>2,272,520</td>
</tr>
<tr>
<td>Option contracts</td>
<td>1,057,170</td>
<td>407,438</td>
</tr>
<tr>
<td>Forward contracts</td>
<td>784,096</td>
<td>985,247</td>
</tr>
<tr>
<td>Hybrid FX swap structured instruments</td>
<td>591,299</td>
<td>1,040,193</td>
</tr>
<tr>
<td>Others</td>
<td>366,752</td>
<td>328,441</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 52,044,390</strong></td>
<td><strong>$ 49,834,007</strong></td>
</tr>
</tbody>
</table>

(Continued)
Held-for-trading financial liabilities

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Currency swap contracts</td>
<td>$7,998,889</td>
<td>$11,226,721</td>
</tr>
<tr>
<td>Interest rate swap contracts</td>
<td>$3,362,093</td>
<td>$2,070,503</td>
</tr>
<tr>
<td>Option contracts</td>
<td>$2,128,744</td>
<td>$2,724,883</td>
</tr>
<tr>
<td>Forward contracts</td>
<td>$787,916</td>
<td>$898,164</td>
</tr>
<tr>
<td>Hybrid FX swap structured instruments</td>
<td>$590,945</td>
<td>$1,039,128</td>
</tr>
<tr>
<td>Others</td>
<td>$307,868</td>
<td>$306,710</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$15,176,455</strong></td>
<td><strong>$18,266,109</strong></td>
</tr>
</tbody>
</table>

Financial liabilities designated at fair value through profit or loss

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank debentures</td>
<td>$1,536,619</td>
<td>$1,500,806</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$16,713,074</strong></td>
<td><strong>$19,766,915</strong></td>
</tr>
</tbody>
</table>

(Concluded)

a. The Group designated to eliminate accounting inconsistencies as financial assets and liabilities at FVTPL.

b. Information on financial liabilities designated at fair value through profit or loss were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Difference between carrying amount and the amount due on maturity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair value</td>
<td>$1,536,619</td>
<td>$1,500,806</td>
</tr>
<tr>
<td>Amount due on maturity</td>
<td>(1,688,638)</td>
<td>(1,724,486)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ (152,019)</strong></td>
<td><strong>$ (223,680)</strong></td>
</tr>
</tbody>
</table>

Changes in Fair Value Attributable to Changes in Credit Risk

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in amount during the year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>For the year ended December 31, 2019</td>
<td>$ (60,206)</td>
<td></td>
</tr>
<tr>
<td>For the year ended December 31, 2018</td>
<td>$ 12,334</td>
<td></td>
</tr>
<tr>
<td>Accumulated amount of change</td>
<td></td>
<td></td>
</tr>
<tr>
<td>As of December 31, 2019</td>
<td>$ (68,042)</td>
<td></td>
</tr>
<tr>
<td>As of December 31, 2018</td>
<td>$ (7,836)</td>
<td></td>
</tr>
</tbody>
</table>

The change in fair value attributable to changes in credit risk recognized as other comprehensive income was calculated as the difference between the total change in fair value of bank debentures and the change in fair value due to the change in market risk factors. The change in fair value due to market risk factors was calculated using benchmark interest yield curves as at the end of the reporting period holding the credit risk margin constant and interest rates swap volatility surface. The fair value of bank debentures was estimated by discounting future cash flows using quoted benchmark interest yield curves as at the end of the reporting period and credit risk margin is estimated by obtaining credit default swap spread of the company with similar credit rating.
On May 19, 2017, the Bank issued unsecured senior bank debentures amounting to US$45,000 thousand with a 30-year maturity and 0% coupon issued and an implicit internal of return of 4.5%. In accordance with the terms of the bank debentures, the Bank may either redeem the bonds at an agreed-upon price after five years from the issue date or make bond repayments on the maturity date.

c. The Group engages in derivative transactions mainly to accommodate customers’ needs and manage its own exposure positions. Outstanding derivative contracts (nominal) on December 31, 2019 and 2018 were as follows:

<table>
<thead>
<tr>
<th>Contract Type</th>
<th>December 31 2019</th>
<th>December 31 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Currency swap contracts</td>
<td>$1,307,494,014</td>
<td>$1,613,594,413</td>
</tr>
<tr>
<td>Interest rate swap contracts</td>
<td>854,035,608</td>
<td>758,855,769</td>
</tr>
<tr>
<td>Forward contracts</td>
<td>110,183,724</td>
<td>125,009,992</td>
</tr>
<tr>
<td>Option contracts</td>
<td>55,443,481</td>
<td>67,350,868</td>
</tr>
<tr>
<td>Cross-currency swap contracts</td>
<td>15,221,046</td>
<td>12,081,178</td>
</tr>
<tr>
<td>Futures contracts</td>
<td>11,076,387</td>
<td>15,564,548</td>
</tr>
<tr>
<td>Hybrid FX swap structured instruments</td>
<td>9,751,822</td>
<td>11,258,638</td>
</tr>
<tr>
<td>Commodity-linked swap contracts</td>
<td>684,733</td>
<td>6,017</td>
</tr>
<tr>
<td>Assets swap contracts</td>
<td>231,900</td>
<td>50,000</td>
</tr>
<tr>
<td>Equity-linked swap contracts</td>
<td>48,180</td>
<td>369,300</td>
</tr>
</tbody>
</table>

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

<table>
<thead>
<tr>
<th>December 31</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity instruments at fair value through other comprehensive income</td>
<td>$2,218,151</td>
<td>$1,938,907</td>
</tr>
<tr>
<td>Debt instruments at fair value through other comprehensive income</td>
<td>236,677,415</td>
<td>203,704,405</td>
</tr>
<tr>
<td></td>
<td>$238,895,566</td>
<td>$205,643,312</td>
</tr>
</tbody>
</table>

a. Equity instruments at fair value through other comprehensive income

<table>
<thead>
<tr>
<th>December 31</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unlisted common shares</td>
<td>$1,193,151</td>
<td>$933,907</td>
</tr>
<tr>
<td>Real estate investment trust beneficiary securities</td>
<td>1,025,000</td>
<td>1,005,000</td>
</tr>
<tr>
<td></td>
<td>$2,218,151</td>
<td>$1,938,907</td>
</tr>
</tbody>
</table>

Since the Group holds equity instruments for the purpose of long-term strategic investment or acquiring stable income distribution to achieve the goal of increasing the rate of return of investment portfolio instead of for trading, the equity instruments are designated as at fair value through other comprehensive income.

The Group recognized dividend revenues of $89,302 and $66,411 from the abovementioned equity instruments at fair value through other comprehensive income for the years ended December 31, 2019 and 2018. The dividend revenues are from the equity instruments at fair value through other comprehensive income which are still held by the Group on December 31, 2019 and 2018.
To adjust the investment structure of parent-group, the board of directors approved the liquidation plan of the Group’s subsidiary, SinoPac Capital Limited. SinoPac Capital Limited sold equity instruments at fair value through other comprehensive income to the related party, SinoPac Venture Capital Co., Ltd. in November 2018. The fair value of this investment was $181,278 on the date of derecognition and the disposal gain of $129,450 was transferred from other equity to retained earnings.

b. Debt instrument at fair value through other comprehensive income

<table>
<thead>
<tr>
<th>December 31</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificates of deposits</td>
<td>$ 94,954,558</td>
<td>$ 107,365,202</td>
</tr>
<tr>
<td>Bank debentures</td>
<td>56,321,839</td>
<td>37,901,034</td>
</tr>
<tr>
<td>Commercial paper</td>
<td>53,409,332</td>
<td>42,941,882</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>23,813,541</td>
<td>13,187,733</td>
</tr>
<tr>
<td>Others</td>
<td>8,178,145</td>
<td>2,308,554</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 236,677,415</strong></td>
<td><strong>$ 203,704,405</strong></td>
</tr>
</tbody>
</table>

1) Loss allowance of debt instruments at fair value through other comprehensive income were $37,879 and $25,714 on December 31, 2019 and 2018, respectively. Credit risk management and information of impairment valuation of debt instruments at FVTOCI are shown in Note 44.

2) As of December 31, 2019 and 2018, the par value of debt instruments at FVTOCI under repurchase agreements were $4,803,695 and $8,276,597, respectively.

10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

<table>
<thead>
<tr>
<th>December 31</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government bonds</td>
<td>$ 60,819,177</td>
<td>$ 37,655,313</td>
</tr>
<tr>
<td>Certificates of deposits</td>
<td>45,115,561</td>
<td>32,204,098</td>
</tr>
<tr>
<td>Bank debentures</td>
<td>22,590,903</td>
<td>17,760,343</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>9,423,153</td>
<td>5,255,718</td>
</tr>
<tr>
<td>Others</td>
<td>-</td>
<td>671,430</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>137,948,794</strong></td>
<td><strong>93,546,902</strong></td>
</tr>
<tr>
<td>Less: Loss allowance</td>
<td>(8,034)</td>
<td>(6,233)</td>
</tr>
<tr>
<td><strong>Net amount</strong></td>
<td><strong>$ 137,940,760</strong></td>
<td><strong>$ 93,540,669</strong></td>
</tr>
</tbody>
</table>

a. Credit risk management and information of impairment valuation of investment in debt instruments at amortized cost are shown in Note 44.

b. Please refer to Note 41 for information relating to investment in debt instruments at amortized cost pledged as security.

c. As of December 31, 2019 and 2018, the par value of financial assets under repurchase agreements measured at amortized cost were $1,340,761 and $12,467,673, respectively.
11. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
<td></td>
</tr>
<tr>
<td>Bills</td>
<td>$20,524,698</td>
<td>$9,967,157</td>
<td></td>
</tr>
<tr>
<td>Bonds</td>
<td>9,992,035</td>
<td>12,743,076</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$30,516,733</td>
<td>$22,710,233</td>
<td></td>
</tr>
<tr>
<td>Agreed-upon resell amount</td>
<td>$30,557,291</td>
<td>$22,762,145</td>
<td></td>
</tr>
<tr>
<td>Par value</td>
<td>31,376,893</td>
<td>24,386,008</td>
<td></td>
</tr>
<tr>
<td>Expiry</td>
<td>March 2020</td>
<td>March 2019</td>
<td></td>
</tr>
</tbody>
</table>

As of December 31, 2019 and 2018, the par value of securities purchased under resell agreements under repurchase agreements were $3,011,220 and $5,698,057, respectively.

12. RECEIVABLES, NET

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
<td></td>
</tr>
<tr>
<td>Credit card receivable</td>
<td>$18,238,445</td>
<td>$15,430,592</td>
<td></td>
</tr>
<tr>
<td>Accounts receivable - factoring</td>
<td>12,020,244</td>
<td>15,146,375</td>
<td></td>
</tr>
<tr>
<td>Accounts receivable - forfaiting</td>
<td>5,194,838</td>
<td>7,507,355</td>
<td></td>
</tr>
<tr>
<td>Interest and revenue receivables</td>
<td>4,354,556</td>
<td>4,193,743</td>
<td></td>
</tr>
<tr>
<td>Accounts and notes receivables</td>
<td>2,348,497</td>
<td>3,263,549</td>
<td></td>
</tr>
<tr>
<td>Acceptances</td>
<td>2,515,418</td>
<td>1,508,623</td>
<td></td>
</tr>
<tr>
<td>Trust administration fee revenue receivable</td>
<td>704,502</td>
<td>676,184</td>
<td></td>
</tr>
<tr>
<td>Accounts receivable - disposal of subsidiary</td>
<td>211,720</td>
<td>540,536</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>954,845</td>
<td>620,790</td>
<td></td>
</tr>
<tr>
<td></td>
<td>46,543,065</td>
<td>48,887,747</td>
<td></td>
</tr>
<tr>
<td>Less: Allowance for credit losses</td>
<td>(746,524)</td>
<td>(800,948)</td>
<td></td>
</tr>
<tr>
<td>Less: Premium or discount on receivables</td>
<td>(23)</td>
<td>(113)</td>
<td></td>
</tr>
<tr>
<td>Net amount</td>
<td>$45,796,518</td>
<td>$48,086,686</td>
<td></td>
</tr>
</tbody>
</table>

The Group assessed the collectability of receivables to determine the allowance. Movements in the allowance of receivables were as follows:

<table>
<thead>
<tr>
<th>For the Year Ended December 31</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$800,948</td>
<td>$803,721</td>
</tr>
<tr>
<td>Adjustments of IFRS 9 application</td>
<td>-</td>
<td>1,254</td>
</tr>
<tr>
<td>Provision</td>
<td>90,722</td>
<td>186,878</td>
</tr>
<tr>
<td>Write-off</td>
<td>(135,725)</td>
<td>(193,249)</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>-</td>
<td>41</td>
</tr>
<tr>
<td>Effect of exchange rate changes</td>
<td>(9,421)</td>
<td>2,303</td>
</tr>
<tr>
<td>Balance, December 31</td>
<td>$746,524</td>
<td>$800,948</td>
</tr>
</tbody>
</table>
Please refer to Note 44 for the analysis of receivable impairment loss. The Group received payments for loans previously written-off $174,531 and $186,597 for the years ended December 31, 2019 and 2018, respectively, which were recognized as deduction of provision expenses.

The board of directors of the Bank has resolved to sell 100% equity of SinoPac Bancorp to Cathay General Bancorp on July 8, 2016. The case was approved by the FSC on July 6, 2017, and the settlement was completed on July 14, 2017 (US time). According to the agreement, the total transaction price is US$351,551 thousand, and the buyer will pay 10% of the total transaction price by issuing 926,192 shares of stock. The Bank has already disposed all the stock. As for the payment schedule of US$100,000 thousand out of total transaction price in the contract (the payment date should not later than one year after the settlement date), the above US$100,000 thousand was total received in November 2017. Besides, according to the stock purchase agreement, the buyer reserved 10% of the transaction price (US$35,155 thousand, listed by the Bank in accounts receivable - disposal of subsidiary) as compensation in the event the Bank breaches the contract. The buyer will repay the amount plus interest within three years after the settlement date. The 50% and 30% (US$17,578 thousand and US$10,546 thousand) of above compensation price had been received in July 2018 and 2019, respectively, and the Bank recognized the gain on disposal of the subsidiary amounting to $537,205 and $327,628.

13. DISCOUNTS AND LOANS, NET

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Export negotiation</td>
<td>$ 621,243</td>
</tr>
<tr>
<td>Secured overdrafts</td>
<td>62,122</td>
</tr>
<tr>
<td>Accounts receivable - financing</td>
<td>1,368,215</td>
</tr>
<tr>
<td>Short-term loans</td>
<td>133,385,693</td>
</tr>
<tr>
<td>Secured short-term loans</td>
<td>106,482,110</td>
</tr>
<tr>
<td>Medium-term loans</td>
<td>188,998,583</td>
</tr>
<tr>
<td>Secured medium-term loans</td>
<td>90,909,652</td>
</tr>
<tr>
<td>Long-term loans</td>
<td>7,950,508</td>
</tr>
<tr>
<td>Secured long-term loans</td>
<td>482,338,483</td>
</tr>
<tr>
<td>Non-performing loans transferred from loans</td>
<td>1,631,164</td>
</tr>
</tbody>
</table>

|                                | December 31 |
|                                | 2019       | 2018       |
| Less: Allowance for credit losses| (13,772,755) | (13,013,129) |
| Less: Premium or discount on discounts and loans | (420,720) | (312,649) |
| Net amount                     | $ 999,554,298 | $ 919,303,206 |

Please refer to Note 44 for the analysis of impairment loss on discounts and loans and Note 41 for information relating to discounts and loans pledged as security. Except the accounting policy on impairment of financial assets in Note 4, SinoPac (China) also follows the local authority, maintaining an allowance of at least 1.5% of loans and 120% of non-performing loans.
The Group assessed the collectability of discounts and loans to determine the required allowance. Movements in the allowance of discounts and loans were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, January 1</td>
<td>$ 13,013,129</td>
<td>$ 12,511,538</td>
</tr>
<tr>
<td>Adjustments of IFRS 9 application</td>
<td>-</td>
<td>11,168</td>
</tr>
<tr>
<td>Provision</td>
<td>1,674,739</td>
<td>1,192,270</td>
</tr>
<tr>
<td>Write-off</td>
<td>(857,886)</td>
<td>(755,314)</td>
</tr>
<tr>
<td>Effect of exchange rate changes</td>
<td>(57,227)</td>
<td>53,467</td>
</tr>
<tr>
<td>Balance, December 31</td>
<td>$ 13,772,755</td>
<td>$ 13,013,129</td>
</tr>
</tbody>
</table>

The Group received payments for loans previously written-off $425,832 and $352,490 for the years ended December 31, 2019 and 2018, respectively, which were recognized as deduction of provision expenses.

14. OTHER FINANCIAL ASSETS, NET

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Time deposits not belonging to cash and cash equivalent</td>
<td>$ 8,212,560</td>
</tr>
<tr>
<td>Purchase of the PEM Group’s instruments</td>
<td>4,387,361</td>
</tr>
<tr>
<td>Non-performing receivables transferred from other than loans</td>
<td>3,886</td>
</tr>
<tr>
<td>Others</td>
<td>38,595</td>
</tr>
<tr>
<td></td>
<td>12,642,402</td>
</tr>
<tr>
<td>Less: Allowance for credit loss</td>
<td>(5,828)</td>
</tr>
<tr>
<td>Less: Accumulated impairment</td>
<td>(1,911,515)</td>
</tr>
<tr>
<td>Net amount</td>
<td>$ 10,725,059</td>
</tr>
</tbody>
</table>

Above time deposits not belonging to cash and cash equivalent included time deposits over three months; no advance termination nor pledged time deposits.

Please refer to Note 41 for information relating to other financial assets pledged as security.

The Bank was delegated by professional investors to sell the PEM Group’s investment products amounting to US$146,000 thousand through private placement. A U.S. Federal Court appointed a receiver for all assets that belonged to, were being managed by, or were in the possession of or control of the PEM Group. To protect the client’s interests, the Bank bought back the products at the price of the initial payment net of the distribution and redemption costs. On December 24, 2010, the Bank’s board of directors resolved to abide by a court’s appointment of a PEM Group receiver to take the PEM Group’s insurance policies at the price of approximately US$40.4 million, and the Bank thus recognized impairment losses of US$11,152 thousand. On March 7, 2011, the receiver transferred a portion of the insurance policies to a trustee established jointly by certain banks to hold insurance policies. And the Bank had submitted to the authorities the results of this policy transfer. As of December 31, 2019, according to trust report, a reserve of US$63,480 thousand (NTS$1,911,515) had been set aside to cover the accumulated impairment losses.
The Group assessed the collectability of other financial assets to determine the required allowance. Movements in the allowance of other financial assets were as follows:

### For the Year Ended December 31

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, January 1</td>
<td>$ 96,574</td>
<td>$ 90,541</td>
</tr>
<tr>
<td>Adjustments of IFRS 9 application</td>
<td>-</td>
<td>105</td>
</tr>
<tr>
<td>(Reversal of) provision</td>
<td>(64,400)</td>
<td>19,970</td>
</tr>
<tr>
<td>Write-off</td>
<td>(26,327)</td>
<td>(14,045)</td>
</tr>
<tr>
<td>Effect of exchange rate changes</td>
<td>(19)</td>
<td>3</td>
</tr>
<tr>
<td>Balance, December 31</td>
<td>$ 5,828</td>
<td>$ 96,574</td>
</tr>
</tbody>
</table>

The Group received payments for loans previously written-off $13,079 and $12,052 for the years ended December 31, 2019 and 2018, respectively, which were recognized as deduction of provision expenses.

### 15. PROPERTY AND EQUIPMENT, NET

The movements of property and equipment for the years ended December 31, 2019 and 2018 are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, January 1</td>
<td>$ 5,526,334</td>
<td>$ 5,562,496</td>
</tr>
<tr>
<td>Adjustment on initial application of IFRS 16</td>
<td>-</td>
<td>(82,963)</td>
</tr>
<tr>
<td>Balance, January 1 as restated</td>
<td>$ 5,526,334</td>
<td>$ 5,479,533</td>
</tr>
<tr>
<td>Addition</td>
<td>290</td>
<td>23,808</td>
</tr>
<tr>
<td>Deduction</td>
<td>- (13,384)</td>
<td>- (56,962)</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>52,337</td>
<td>156,755</td>
</tr>
<tr>
<td>Effect of exchange rate changes</td>
<td>-</td>
<td>2,001</td>
</tr>
<tr>
<td>Other (Note)</td>
<td>- 524</td>
<td>13,350</td>
</tr>
<tr>
<td>Balance, December 31</td>
<td>$ 5,578,947</td>
<td>$ 5,717,263</td>
</tr>
</tbody>
</table>

Accumulated depreciation

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, January 1</td>
<td>- 2,976,725</td>
<td>2,077,082</td>
</tr>
<tr>
<td>Adjustment on initial application of IFRS 16</td>
<td>-</td>
<td>(69,670)</td>
</tr>
<tr>
<td>Balance, January 1 as restated</td>
<td>- 2,976,725</td>
<td>2,007,412</td>
</tr>
<tr>
<td>Depreciation</td>
<td>125,917</td>
<td>170,140</td>
</tr>
<tr>
<td>Deduction</td>
<td>- (87,555)</td>
<td>- (56,120)</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>89,362</td>
<td>199</td>
</tr>
<tr>
<td>Effect of exchange rate changes</td>
<td>-</td>
<td>(2,864)</td>
</tr>
<tr>
<td>Other (Note)</td>
<td>9,379</td>
<td>- 282</td>
</tr>
<tr>
<td>Balance, December 31</td>
<td>$ 5,578,947</td>
<td>$ 5,517,263</td>
</tr>
</tbody>
</table>

Net amount

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, December 31</td>
<td>$ 5,578,947</td>
<td>$ 5,517,263</td>
</tr>
</tbody>
</table>
For the Year Ended December 31, 2018

Land  Buildings  Machinery and Computer Equipment  Transportation Equipment  Other Equipment  Leasehold Improvements  Prepayments for Equipment and Construction in Progress  Total
Cost
Balance, January 1 5,534,462 5,153,144 1,776,659 1,150 1,384,761 1,601,336 128,282 15,579,774
Addition - 376,019 109,061 - 62,570 28,626 148,815 785,091
Deduction - - (92,606) - (43,473) (53,597) (173) (189,849)
Reclassifications (8,128) 33,333 6,380 - 7,169 23,826 (161,037) (98,457)
Effect of exchange rate changes - - - - - - - -
Balance, December 31 5,526,334 5,562,496 1,861,133 22 245 (1,915) (220) 16,076,355
Accumulated depreciation
Balance, January 1 - 2,857,881 1,360,160 1,150 1,078,320 1,305,261 - 6,602,772
Depreciation - 123,474 147,343 - 79,458 95,834 - 446,109
Deduction - - (87,510) - (41,470) (51,917) - (180,897)
Reclassifications - (4,388) - - - - - (4,388)
Effect of exchange rate changes - - - - - - - -
Balance, December 31 - (242) 2,444 25 30 678 - 1,644
Net amount
Balance, December 31 5,526,334 5,562,496 1,861,133 22 245 (1,915) (220) 16,076,355

Note: These are assets, liabilities and operations acquired from SinoPac Call Center through merger.

The above property and equipment are depreciated at the following estimated useful lives:

<table>
<thead>
<tr>
<th>Items</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land improvements</td>
<td>8-30 years</td>
</tr>
<tr>
<td>Buildings</td>
<td>2-60 years</td>
</tr>
<tr>
<td>Machinery and computer equipment</td>
<td>0.58-15 years</td>
</tr>
<tr>
<td>Transportation equipment</td>
<td>5 years</td>
</tr>
<tr>
<td>Other equipment</td>
<td>2-15 years</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>1.58-15 years</td>
</tr>
</tbody>
</table>

There was no property and equipment pledged as security. The Bank rent other equipment to others. On December 31, 2019, the amounts of the equipment was $2,617.

16. LEASE ARRANGEMENTS

a. Right-of-use assets, net

December 31, 2019

<table>
<thead>
<tr>
<th>Carrying amounts</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$ 2,717</td>
</tr>
<tr>
<td>Buildings</td>
<td>2,179,272</td>
</tr>
<tr>
<td>Machinery and computer equipment</td>
<td>28,074</td>
</tr>
<tr>
<td>Transportation equipment</td>
<td>9,487</td>
</tr>
<tr>
<td>Other equipment</td>
<td>238</td>
</tr>
<tr>
<td>Decommissioning restoration costs</td>
<td>10,021</td>
</tr>
</tbody>
</table>

$ 2,229,809
For the Year Ended December 31, 2019

Additions to right-of-use assets $ 1,173,129

Depreciation charge for right-of-use assets
  Land $ 1,578
  Buildings 634,421
  Machinery and computer equipment 26,257
  Transportation equipment 10,130
  Other equipment 589
  Decommissioning restoration costs 4,641

$ 677,616

b. Lease liabilities

Carrying amounts $ 2,219,223

Range of discount rate for lease liabilities was as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>Rate Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>0.7357%-4.8096%</td>
</tr>
<tr>
<td>Buildings</td>
<td>0.5609%-4.8096%</td>
</tr>
<tr>
<td>Machinery and computer eq</td>
<td>0.7357%-1.7936%</td>
</tr>
<tr>
<td>Transportation eq</td>
<td>0.5609%-5.5000%</td>
</tr>
<tr>
<td>Other eq</td>
<td>0.5609%-0.7357%</td>
</tr>
</tbody>
</table>

c. Material lease-in activities and terms

The Group leases certain buildings for use as business locations and offices with lease terms of 1 year to 20 years. The lease contract for major buildings located in Taiwan for use as offices specifies that lease payments will be adjusted 1% every three years. The lease contract for major buildings located in Hong Kong for the use of management units and branches stipulated fixed lease payments. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

1) Lease arrangements under operating leases for the leasing out of investment properties and equipment are set out in Notes 15, 17 and 44.
2) Other

2019

For the Year Ended December 31, 2019

Expenses relating to short-term leases $ 24,876
Expenses relating to low-value asset leases $ 30,228
Expenses relating to variable lease payments not included in the measurement of lease liabilities $ 7,088
Total cash outflow for leases $ (766,392)

Recognition exemption is applied which qualifies as short-term leases such as various types of assets and low-value asset leases such as other equipment. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

17. INVESTMENT PROPERTY, NET

The movements of investment property are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>For the Year Ended December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Land</td>
</tr>
<tr>
<td>Cost</td>
<td></td>
</tr>
<tr>
<td>Balance, January 1</td>
<td>$ 852,088</td>
</tr>
<tr>
<td>Addition</td>
<td>-</td>
</tr>
<tr>
<td>Deduction</td>
<td>(4,136)</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>(52,337)</td>
</tr>
<tr>
<td>Balance, December 31</td>
<td>795,615</td>
</tr>
</tbody>
</table>

Accumulated depreciation

|                      |            |            |             |
|----------------------|            |            |             |
| Depreciation         | -          | 15,207     | 15,207      |
| Deduction            | - (8,942)  | (8,942)    |             |
| Reclassifications    | - (86,498) | (86,498)   |             |
| Balance, December 31 | -          | 327,058    | 327,058     |

Net amount

|                      |            |            |             |
|----------------------|            |            |             |
| Balance, December 31 | $ 795,615  | $ 288,023  | $ 1,083,638 |
For the Year Ended December 31, 2018

<table>
<thead>
<tr>
<th></th>
<th>Land</th>
<th>Buildings</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, January 1</td>
<td>$ 849,188</td>
<td>$ 745,368</td>
<td>$ 1,594,556</td>
</tr>
<tr>
<td>Addition</td>
<td>-</td>
<td>33,265</td>
<td>33,265</td>
</tr>
<tr>
<td>Deduction</td>
<td>(5,228)</td>
<td>-</td>
<td>(5,228)</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>8,128</td>
<td>18,765</td>
<td>26,893</td>
</tr>
<tr>
<td><strong>Balance, December 31</strong></td>
<td><strong>852,088</strong></td>
<td><strong>797,398</strong></td>
<td><strong>1,649,486</strong></td>
</tr>
</tbody>
</table>

Accumulated depreciation

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, January 1</td>
<td>-</td>
<td>387,084</td>
<td>387,084</td>
</tr>
<tr>
<td>Depreciation</td>
<td>-</td>
<td>15,819</td>
<td>15,819</td>
</tr>
<tr>
<td>Deduction</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>-</td>
<td>4,388</td>
<td>4,388</td>
</tr>
<tr>
<td><strong>Balance, December 31</strong></td>
<td><strong>-</strong></td>
<td><strong>407,291</strong></td>
<td><strong>407,291</strong></td>
</tr>
</tbody>
</table>

Net amount

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, December 31</td>
<td><strong>$ 852,088</strong></td>
<td><strong>$ 390,107</strong></td>
<td><strong>$ 1,242,195</strong></td>
</tr>
</tbody>
</table>

The above investment properties are depreciated at the following estimated useful lives:

<table>
<thead>
<tr>
<th>Category</th>
<th>Useful Lives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>8-60 years</td>
</tr>
</tbody>
</table>

The above investment property of the Group is for the purpose of earning rental income or capital appreciation or both. The fair values of investment properties used mainly or partially for leasing as of December 31, 2019 and 2018 were $16,536,599 and $16,554,437, respectively. The fair values, which were based on an internal valuation report instead of an assessment by an independent professional appraiser, were determined assuming unobservable inputs (Level 3).

There was no investment property pledged as security.

18. INTANGIBLE ASSETS, NET

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Goodwill</td>
<td>$ 876,717</td>
</tr>
<tr>
<td>Computer software</td>
<td>555,412</td>
</tr>
<tr>
<td>Others</td>
<td>7,358</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 1,439,487</strong></td>
</tr>
</tbody>
</table>
Movements in the Group’s intangible assets were as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Goodwill</td>
<td>Computer Software</td>
</tr>
<tr>
<td>Balance, January 1</td>
<td>$ 876,717</td>
<td>$ 439,042</td>
</tr>
<tr>
<td>Addition</td>
<td>-</td>
<td>166,532</td>
</tr>
<tr>
<td>Amortization</td>
<td>-</td>
<td>(169,276)</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>-</td>
<td>111,453</td>
</tr>
<tr>
<td>Effects of exchange rate changes</td>
<td>-</td>
<td>(2,423)</td>
</tr>
<tr>
<td>Other (Note)</td>
<td>-</td>
<td>10,084</td>
</tr>
<tr>
<td>Balance, December 31</td>
<td>$ 876,717</td>
<td>$ 555,412</td>
</tr>
</tbody>
</table>

Note: These are assets, liabilities and operations acquired from SinoPac Call Center through merger.

The above intangible assets are amortized on a straight-line basis over the following estimated useful lives:

<table>
<thead>
<tr>
<th>Item</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goodwill</td>
<td>3-10 years</td>
</tr>
<tr>
<td>Computer software</td>
<td></td>
</tr>
</tbody>
</table>

Goodwill includes $876,717, which resulted from the Bank’s cash merger with SinoPac Card Services, and this merger was treated as a reorganization of SPH.

In assessing whether goodwill is impaired, the Bank considers the credit card department as a cash generating unit and estimates the recoverable amount by its value in use. The Bank uses the department’s actual profitability in making key assumption to predict future cash flows and thus calculates its value in use. Under a going-concern assumption, the Bank predicted the net cash flows generated from the investee’s operating activities in the next 5 years and estimated salvage value and used the Bank’s weighted average cost of capital to calculate the value in use.

The goodwill of the Bank’s credit card department was $876,717 as of December 31, 2019 and 2018. The impairment tests on goodwill were conducted on October 31, 2019 and 2018. The actual net income for the years ended December 31, 2019 and 2018 amounted to $119,372 and $190,146, respectively. The expected net income for the years 2019 and 2018 as assessed by the impairment test on goodwill would be $81,907 and $62,319, respectively. The recoverable amount was expected to be higher than the book value. Therefore, the Group found no objective evidence that goodwill had been impaired as of December 31, 2019 and 2018.
## 19. OTHER ASSETS, NET

<table>
<thead>
<tr>
<th>Description</th>
<th>December 31 2019</th>
<th>December 31 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guarantee deposits</td>
<td>$3,546,748</td>
<td>$3,537,197</td>
</tr>
<tr>
<td>Prepayment</td>
<td>336,573</td>
<td>289,299</td>
</tr>
<tr>
<td>Temporary payment and suspense accounts</td>
<td>198,301</td>
<td>151,630</td>
</tr>
<tr>
<td>Others</td>
<td>51,036</td>
<td>64,420</td>
</tr>
<tr>
<td>Less: Accumulated impairment</td>
<td>(7,000)</td>
<td>(10,996)</td>
</tr>
<tr>
<td><strong>Net amount</strong></td>
<td><strong>$4,125,658</strong></td>
<td><strong>$4,031,550</strong></td>
</tr>
</tbody>
</table>

## 20. DEPOSITS FROM THE CENTRAL BANK AND BANKS

<table>
<thead>
<tr>
<th>Description</th>
<th>December 31 2019</th>
<th>December 31 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Call loans from banks</td>
<td>$43,508,505</td>
<td>$37,317,591</td>
</tr>
<tr>
<td>Redeposits from Chunghwa Post</td>
<td>10,137,905</td>
<td>543,485</td>
</tr>
<tr>
<td>Due to banks</td>
<td>172,092</td>
<td>103,855</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$53,818,502</strong></td>
<td><strong>$37,964,931</strong></td>
</tr>
</tbody>
</table>

## 21. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

<table>
<thead>
<tr>
<th>Description</th>
<th>December 31 2019</th>
<th>December 31 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank debentures</td>
<td>$4,894,585</td>
<td>$5,144,956</td>
</tr>
<tr>
<td>Bonds purchased under resell agreements</td>
<td>3,047,485</td>
<td>5,346,642</td>
</tr>
<tr>
<td>Government bonds</td>
<td>1,140,557</td>
<td>11,880,350</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>-</td>
<td>3,132,539</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$9,082,627</strong></td>
<td><strong>$25,504,487</strong></td>
</tr>
</tbody>
</table>

**Agreed-upon repurchase price**

<table>
<thead>
<tr>
<th>Description</th>
<th>December 31 2019</th>
<th>December 31 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Agreed-upon repurchase price</strong></td>
<td><strong>$9,137,106</strong></td>
<td><strong>$25,629,241</strong></td>
</tr>
</tbody>
</table>

**Par value**

<table>
<thead>
<tr>
<th>Description</th>
<th>December 31 2019</th>
<th>December 31 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Par value</strong></td>
<td><strong>9,155,676</strong></td>
<td><strong>26,442,327</strong></td>
</tr>
</tbody>
</table>

**Maturity date**

<table>
<thead>
<tr>
<th>Description</th>
<th>December 31 2019</th>
<th>December 31 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Maturity date</strong></td>
<td><strong>May 2020</strong></td>
<td><strong>June 2019</strong></td>
</tr>
</tbody>
</table>
### 22. PAYABLES

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interests payable</td>
<td>$3,103,873</td>
<td>$2,392,504</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>3,024,936</td>
<td>2,779,194</td>
</tr>
<tr>
<td>Acceptances payable</td>
<td>2,515,418</td>
<td>1,508,623</td>
</tr>
<tr>
<td>Accounts payable - factoring</td>
<td>2,256,677</td>
<td>2,360,478</td>
</tr>
<tr>
<td>Dividends payable to SPH</td>
<td>1,435,025</td>
<td>1,435,025</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>1,419,605</td>
<td>1,005,917</td>
</tr>
<tr>
<td>Notes and checks in clearing</td>
<td>1,198,015</td>
<td>4,741,346</td>
</tr>
<tr>
<td>Others</td>
<td>1,623,283</td>
<td>1,471,309</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$16,576,832</strong></td>
<td><strong>$17,694,396</strong></td>
</tr>
</tbody>
</table>

The Bank had signed a business-university collaboration contract with National Chung Hsing University in July 2012, to donate for the construction of Food Safety & Agricultural Chemicals and Machinery Research Building. With a budget not more than $300,000, the Bank had obtained the construction permit and signed the contract with building contractor in November 2016. The contract price is $250,998 and will be paid with previously estimated accrued expenses of $295,000. The balance of the accrued expenses was $6,413 as of December 31, 2019.

### 23. DEPOSITS AND REMITTANCES

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Checking</td>
<td>$11,894,294</td>
<td>$14,254,042</td>
</tr>
<tr>
<td>Demand</td>
<td>274,100,414</td>
<td>239,376,113</td>
</tr>
<tr>
<td>Savings - demand</td>
<td>335,780,685</td>
<td>286,800,971</td>
</tr>
<tr>
<td>Time deposits</td>
<td>497,153,678</td>
<td>387,494,023</td>
</tr>
<tr>
<td>Negotiable certificates of deposit</td>
<td>11,225,300</td>
<td>25,324,300</td>
</tr>
<tr>
<td>Savings - time</td>
<td>256,716,567</td>
<td>241,827,107</td>
</tr>
<tr>
<td>Inward remittances</td>
<td>1,853,297</td>
<td>809,448</td>
</tr>
<tr>
<td>Outward remittances</td>
<td>116,316</td>
<td>88,150</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,388,840,551</strong></td>
<td><strong>$1,195,974,154</strong></td>
</tr>
</tbody>
</table>
To raise capital for its financial operation and increase its capital adequacy ratio, the Bank obtained approval from FSC to issue bank debentures, as follows:

<table>
<thead>
<tr>
<th>Maturity Date</th>
<th>Rates</th>
<th>December 31</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011.08.18-2021.08.18</td>
<td>Fixed interest rate of 2.18%, interest is paid annually.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012.09.18-2019.09.18</td>
<td>Fixed interest rate of 1.53%, interest is paid annually.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012.09.18-2022.09.18</td>
<td>Fixed interest rate of 1.65%, interest is paid annually.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013.09.27-2019.03.27</td>
<td>Fixed interest rate of 1.80%, interest is paid annually.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013.12.23-2019.06.23</td>
<td>Fixed interest rate of 1.75%, interest is paid annually.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014.03.20-2019.09.20</td>
<td>Fixed interest rate of 1.70%, interest is paid annually.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014.06.23-2019.12.23</td>
<td>Fixed interest rate of 1.65%, interest is paid annually.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014.09.30-2020.03.30</td>
<td>Fixed interest rate of 1.75%, interest is paid annually.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015.07.22, no maturity date (Note 1)</td>
<td>Fixed interest rate of 2.05%, interest is paid annually.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015.09.08, no maturity date (Note 2)</td>
<td>Fixed interest rate of 3.90% (Note 5).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015.11.05, no maturity date (Note 2)</td>
<td>Fixed interest rate of 3.90% (Note 5).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015.12.15, no maturity date (Note 2)</td>
<td>Fixed interest rate of 3.90% (Note 5).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016.02.23, no maturity date (Note 2)</td>
<td>Fixed interest rate of 3.90% (Note 5).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016.12.23-2023.12.23</td>
<td>Fixed interest rate of 1.50%, interest is paid annually.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017.02.24-2024.02.24</td>
<td>Fixed interest rate of 1.60%, interest is paid annually.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017.02.24-2027.02.24</td>
<td>Fixed interest rate of 1.90%, interest is paid annually.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017.06.28-2024.06.28</td>
<td>Fixed interest rate of 1.70%, interest is paid annually.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017.06.28-2027.06.28</td>
<td>Fixed interest rate of 1.95%, interest is paid annually.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017.02.24-2024.02.24</td>
<td>Fixed interest rate of 1.75%, interest is paid annually.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017.06.28, no maturity date (Note 3)</td>
<td>Fixed interest rate of 2.05%, interest is paid annually.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018.04.30-2025.04.30</td>
<td>Fixed interest rate of 1.40%, interest is paid annually.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018.04.30-2028.04.30</td>
<td>Fixed interest rate of 1.65%, interest is paid annually.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019.01.25, no maturity date (Note 3)</td>
<td>Fixed interest rate of 2.40% (Note 5).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019.01.25-2026.01.25</td>
<td>Fixed interest rate of 1.40%, interest is paid annually.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019.01.25-2029.01.25</td>
<td>Fixed interest rate of 1.55%, interest is paid annually.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019.06.26-2024.06.26</td>
<td>Fixed interest rate of 0.76%, interest is paid annually.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019.08.23, no maturity date (Note 4)</td>
<td>Fixed interest rate of 2.00% (Note 5).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019.08.23-2026.08.23</td>
<td>Fixed interest rate of 1.03%, interest is paid annually.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019.08.23-2029.08.23</td>
<td>Fixed interest rate of 1.13%, interest is paid annually.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Debentures issued in 2011 (B)</th>
<th>$ 2,999,720</th>
<th>$ 2,999,553</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debentures issued in 2012 (A)</td>
<td>- 4,699,735</td>
<td></td>
</tr>
<tr>
<td>Debentures issued in 2012 (B)</td>
<td>1,299,802</td>
<td>1,299,731</td>
</tr>
<tr>
<td>Debentures issued in 2013</td>
<td>- 1,499,952</td>
<td></td>
</tr>
<tr>
<td>Debentures issued in 2014</td>
<td>- 1,999,873</td>
<td></td>
</tr>
<tr>
<td>Debentures issued in 2014 (A)</td>
<td>1,879,933</td>
<td>1,879,677</td>
</tr>
<tr>
<td>Debentures issued in 2014 (B)</td>
<td>699,747</td>
<td>699,697</td>
</tr>
<tr>
<td>Debentures issued in 2015</td>
<td>749,940</td>
<td>749,836</td>
</tr>
<tr>
<td>Debentures issued in 2015 (A)</td>
<td>459,955</td>
<td>459,891</td>
</tr>
<tr>
<td>Debentures issued in 2015 (B)</td>
<td>709,915</td>
<td>709,818</td>
</tr>
<tr>
<td>Debentures issued in 2015 (C)</td>
<td>139,980</td>
<td>139,960</td>
</tr>
<tr>
<td>Debentures issued in 2016</td>
<td>1,499,775</td>
<td>1,499,588</td>
</tr>
<tr>
<td>Debentures issued in 2016 (A)</td>
<td>1,029,820</td>
<td>1,029,683</td>
</tr>
<tr>
<td>Debentures issued in 2016 (B)</td>
<td>1,419,498</td>
<td>1,419,376</td>
</tr>
<tr>
<td>Debentures issued in 2017</td>
<td>149,906</td>
<td>149,884</td>
</tr>
<tr>
<td>Debentures issued in 2017 (A)</td>
<td>2,099,169</td>
<td>2,099,062</td>
</tr>
<tr>
<td>Debentures issued in 2017 (B)</td>
<td>199,911</td>
<td>199,893</td>
</tr>
<tr>
<td>Debentures issued in 2017 (C)</td>
<td>539,727</td>
<td>539,693</td>
</tr>
<tr>
<td>Debentures issued in 2017 (D)</td>
<td>2,999,047</td>
<td>2,998,759</td>
</tr>
<tr>
<td>Debentures issued in 2018</td>
<td>649,680</td>
<td>649,623</td>
</tr>
<tr>
<td>Debentures issued in 2018 (A)</td>
<td>499,729</td>
<td>499,699</td>
</tr>
<tr>
<td>Debentures issued in 2018 (B)</td>
<td>1,999,028</td>
<td></td>
</tr>
<tr>
<td>Debentures issued in 2019</td>
<td>1,199,419</td>
<td>- 2,019.025</td>
</tr>
<tr>
<td>Debentures issued in 2019 (A)</td>
<td>1,799,091</td>
<td></td>
</tr>
<tr>
<td>Debentures issued in 2019 (B)</td>
<td>2,999,635</td>
<td></td>
</tr>
<tr>
<td>Debentures issued in 2019 (C)</td>
<td>1,499,155</td>
<td></td>
</tr>
<tr>
<td>Debentures issued in 2019 (D)</td>
<td>1,749,092</td>
<td></td>
</tr>
<tr>
<td>Debentures issued in 2019 (E)</td>
<td>1,749,077</td>
<td></td>
</tr>
<tr>
<td>Debentures issued in 2019 (F)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total: $ 33,019,751 | $ 32,722,483
Note 1: The bond has neither a maturity date nor fixed callable date. The Bank has the right to call or buy back the bond from the market after five years of its issuance if one of the conditions listed below is met, and bank debenture issuance has been approved by regulatory authorities.

a. The Bank’s ratio of regulatory capital to risk-weighted assets will still meet the minimum requirement prescribed in Article 5 of Section 1 of the Regulations Governing the Capital Adequacy and Capital Category of Banks after bond repayment.

b. The Bank replaces the bond with another capital market instrument that offers interest equal to or higher than that on the bond that has been called.

Note 2: The bond has neither a maturity date nor fixed callable date. The Bank has the right to call or buy back the bond from the market after five years of its issuance if both of the conditions listed below are met, and bank debenture issuance has been approved by regulatory authorities.

a. The Bank’s ratio of regulatory capital to risk-weighted assets still meets the minimum requirement prescribed in Article 5 of Section 1 of the Regulations Governing the Capital Adequacy and Capital Category of Banks after bond repayment.

b. The Bank replaces the bond with another capital instrument that offers interest equal to or higher than that on the bond that has been called.

Note 3: The bond has neither a maturity date nor fixed callable date. The Bank has the right to call or buy back the bond from the market after five and half years of its issuance if one of the conditions listed below is met, and bank debenture issuance has been approved by regulatory authorities.

a. The Bank’s ratio of regulatory capital to risk-weighted assets still meets the minimum requirement prescribed in Article 5 of Section 1 of the Regulations Governing the Capital Adequacy and Capital Category of Banks after bond repayment.

b. The Bank replaces the bond with another capital instrument that offers interest equal to or higher than that on the bond that has been called.

Note 4: The bond has neither a maturity date nor fixed callable date. The Bank has the right to call or buy back the bond from the market after five years and one month of its issuance if one of the conditions listed below is met, and bank debenture issuance has been approved by regulatory authorities.

a. The Bank’s ratio of regulatory capital to risk-weighted assets still meets the minimum requirement prescribed in Article 5 of Section 1 of the Regulations Governing the Capital Adequacy and Capital Category of Banks after bond repayment.

b. The Bank replaces the bond with another capital instrument that offers interest equal to or higher than that on the bond that has been called.

Note 5: Interest payment amount on the bond will be based on the Bank’s calculation. Calculation of the interest starts on the issuance date, accrues on the basis of actual days, and is payable annually. The Bank is not obligated to pay interest when the Bank has no profit from the prior year and does not distribute any dividends (both cash and stock dividends). However, this does not apply when accumulated undistributed earnings less the proceeds on unamortized non-performing loans losses is larger than the interest payment amount and payment condition has not been modified. Interest payments that were not paid due to the reason described previously shall not be accumulated nor deferred. If the Bank’s regulatory capital to risk-weighted assets ratio does not meet the minimum requirement prescribed in Article 5, Section 1 of the Regulations Governing the Capital Adequacy and Capital Category of Banks on an interest payment date, the bond shall defer interest payments. Accrued interest on the bond shall be deferred till the next interest payment date that
conforms to the condition of an interest payment date described above. Deferred interest does not incur additional interest.

25. OTHER FINANCIAL LIABILITIES

<table>
<thead>
<tr>
<th>December 31</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal of structured products</td>
<td>$ 34,206,431</td>
<td>$ 18,791,470</td>
</tr>
<tr>
<td>Cumulative earnings on appropriated loan fund</td>
<td>42,939</td>
<td>112,385</td>
</tr>
<tr>
<td>Overseas certificate of deposit</td>
<td>-</td>
<td>307,488</td>
</tr>
<tr>
<td>Leases payable</td>
<td>-</td>
<td>240</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 34,249,370</strong></td>
<td><strong>$ 19,211,583</strong></td>
</tr>
</tbody>
</table>

26. PROVISIONS

<table>
<thead>
<tr>
<th>December 31</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision for employee benefits</td>
<td>$ 2,470,019</td>
<td>$ 2,473,389</td>
</tr>
<tr>
<td>Provision for guarantee liabilities</td>
<td>206,051</td>
<td>198,466</td>
</tr>
<tr>
<td>Provision for financing commitment</td>
<td>141,773</td>
<td>210,276</td>
</tr>
<tr>
<td>Provision for decommissioning liabilities</td>
<td>88,106</td>
<td>87,373</td>
</tr>
<tr>
<td>Other</td>
<td>17,876</td>
<td>5,762</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 2,923,825</strong></td>
<td><strong>$ 2,975,266</strong></td>
</tr>
</tbody>
</table>

The movements of provision for financing commitment, provision for guarantee liabilities and other provisions were as follows:

**For the Year Ended December 31, 2019**

<table>
<thead>
<tr>
<th>Provision for Financing Commitment</th>
<th>Provision for Guarantee Liabilities</th>
<th>Other Provision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, January 1</td>
<td>$ 210,276</td>
<td>$ 198,466</td>
</tr>
<tr>
<td>(Reversal of) provision</td>
<td>(67,626)</td>
<td>8,203</td>
</tr>
<tr>
<td>Effect of exchange rate changes</td>
<td>(877)</td>
<td>(618)</td>
</tr>
<tr>
<td>Balance, December 31</td>
<td><strong>$ 141,773</strong></td>
<td><strong>$ 206,051</strong></td>
</tr>
</tbody>
</table>

**For the Year Ended December 31, 2018**

<table>
<thead>
<tr>
<th>Provision for Financing Commitment</th>
<th>Provision for Guarantee Liabilities</th>
<th>Other Provision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, January 1</td>
<td>$ -</td>
<td>$ 199,563</td>
</tr>
<tr>
<td>Adjustments of IFRS 9 application</td>
<td>304,856</td>
<td>-</td>
</tr>
<tr>
<td>(Reversal of) provision</td>
<td>(96,042)</td>
<td>6,404</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>(7,612)</td>
<td>111</td>
</tr>
<tr>
<td>Effect of exchange rate changes</td>
<td>1,462</td>
<td></td>
</tr>
<tr>
<td>Balance, December 31</td>
<td><strong>$ 210,276</strong></td>
<td><strong>$ 198,466</strong></td>
</tr>
</tbody>
</table>
27. PROVISIONS FOR EMPLOYEE BENEFITS

<table>
<thead>
<tr>
<th>Recognized in consolidated balance sheets (account payables and provisions)</th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Defined contribution plans</td>
<td>$38,467</td>
</tr>
<tr>
<td>Defined benefit plans</td>
<td>2,169,135</td>
</tr>
<tr>
<td>Preferential interest on employees’ deposits</td>
<td>279,377</td>
</tr>
<tr>
<td>Deferred annual leave and retirement benefits</td>
<td>21,507</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,508,486</strong></td>
</tr>
</tbody>
</table>

a. Defined contribution plans

The Bank adopted a pension plan under the Labor Pension Act (the LPA), which is a state-managed defined contribution plan. Based on the LPA, the Bank makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

Overseas branches and overseas subsidiaries’ defined contribution plans are in accordance with local regulations.

The total expenses recognized in profit or loss for the years ended December 31, 2019 and 2018 of $229,191 and $212,138, respectively, represent contributions payable to these plans by the Group at rates specified in the rules of the plans.

b. Defined benefit plans

For the Bank employees who adopt for defined benefit plans regulated by the Labor Standards Act, the retirement benefits are paid to employees as follow: (i) a lump sum payment equal to two base units for each year of service; (ii) that each year of service exceeding 15 years is entitled to only one base unit of wage; and (iii) that the maximum payment is for up to 45 base units. Any fraction of a year that is equal to six months or more is counted as one year of service, and any fraction of a year that is less than six months is counted as half a year of service.

Pension contributions are deposited in the Trust department of Bank of Taiwan and Bank SinoPac in the Organization of Supervisory Committee of Business Entities’ Labor Retirement Reserve’s name. Before the end of each year, the Bank assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Bank is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund deposited in the Trust department of Bank of Taiwan is managed by the Bureau of Labor Funds, Ministry of Labor (the Bureau); the Group has no right to influence the investment policy and strategy.
The amounts included in the balance sheets in respect of the Bank’s defined benefit plans were as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Present value of defined benefit obligation</td>
<td>$ 5,150,594</td>
</tr>
<tr>
<td>Fair value of plan assets</td>
<td>(2,981,459)</td>
</tr>
<tr>
<td>Deficit</td>
<td>2,169,135</td>
</tr>
<tr>
<td>Asset ceiling</td>
<td></td>
</tr>
<tr>
<td>Net defined benefit liability</td>
<td>$ 2,169,135</td>
</tr>
</tbody>
</table>

Movements in net defined benefit liability (asset) were as follows:

<table>
<thead>
<tr>
<th>Present Value of the Defined Benefit Obligation</th>
<th>Fair Value of the Plan Assets</th>
<th>Net Defined Benefit Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at January 1, 2018</td>
<td>$ 5,007,347</td>
<td>$ (2,834,110)</td>
</tr>
<tr>
<td>Service cost</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current service cost</td>
<td>75,474</td>
<td>-</td>
</tr>
<tr>
<td>Prior service cost</td>
<td>5,875</td>
<td>-</td>
</tr>
<tr>
<td>Net interest expense (income)</td>
<td>61,695</td>
<td>(35,926)</td>
</tr>
<tr>
<td>Recognized in (profit) or loss</td>
<td>143,044</td>
<td>(35,926)</td>
</tr>
<tr>
<td>Remeasurement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on plan assets (excluding amounts included in net interest)</td>
<td>-</td>
<td>(32,016)</td>
</tr>
<tr>
<td>Actuarial (gain) loss - changes in financial assumptions</td>
<td>143,430</td>
<td>-</td>
</tr>
<tr>
<td>Actuarial (gain) loss - changes in demographic assumptions</td>
<td>764</td>
<td>-</td>
</tr>
<tr>
<td>Actuarial (gain) loss - experience adjustments</td>
<td>46,335</td>
<td>-</td>
</tr>
<tr>
<td>Recognized in other comprehensive income</td>
<td>190,529</td>
<td>(32,016)</td>
</tr>
<tr>
<td>Contributions from the employer</td>
<td>-</td>
<td>(244,354)</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(226,149)</td>
<td>226,149</td>
</tr>
<tr>
<td>Pay off or reduce the payment</td>
<td>(16,840)</td>
<td>16,840</td>
</tr>
<tr>
<td>Balance at December 31, 2018</td>
<td>$ 5,097,931</td>
<td>$ (2,903,417)</td>
</tr>
<tr>
<td>Balance at January 1, 2019</td>
<td>$ 5,097,931</td>
<td>$ (2,903,417)</td>
</tr>
<tr>
<td>Service cost</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current service cost</td>
<td>71,688</td>
<td>-</td>
</tr>
<tr>
<td>Prior service cost</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net interest expense (income)</td>
<td>50,339</td>
<td>(29,483)</td>
</tr>
<tr>
<td>Recognized in (profit) or loss</td>
<td>122,027</td>
<td>(29,483)</td>
</tr>
<tr>
<td>Remeasurement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on plan assets (excluding amounts included in net interest)</td>
<td>-</td>
<td>(55,425)</td>
</tr>
<tr>
<td>Actuarial (gain) loss - changes in financial assumptions</td>
<td>138,560</td>
<td>-</td>
</tr>
</tbody>
</table>

(Continued)
## Present Value of the Defined Benefit Obligation

<table>
<thead>
<tr>
<th></th>
<th>Present Value of the Defined Benefit Obligation</th>
<th>Fair Value of the Plan Assets</th>
<th>Net Defined Benefit Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial (gain) loss - changes in demographic assumptions</td>
<td>$ 600</td>
<td>$ -</td>
<td>$ 600</td>
</tr>
<tr>
<td>Actuarial (gain) loss - experience adjustments</td>
<td>$ 35,359</td>
<td>$ -</td>
<td>$ 35,359</td>
</tr>
<tr>
<td>Recognized in other comprehensive income</td>
<td>$ 174,519</td>
<td>$(55,425)</td>
<td>$ 119,094</td>
</tr>
<tr>
<td>Contributions from the employer</td>
<td>-</td>
<td>$(239,770)</td>
<td>$(239,770)</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>$(269,203)</td>
<td>$269,203</td>
<td>-</td>
</tr>
<tr>
<td>Pay off or reduce the payment</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Effect of people merged changes</td>
<td>$ 25,320</td>
<td>$(22,567)</td>
<td>$ 2,753</td>
</tr>
<tr>
<td><strong>Balance at December 31, 2019</strong></td>
<td><strong>$ 5,150,594</strong></td>
<td><strong>$(2,981,459)</strong></td>
<td><strong>$ 2,169,135</strong></td>
</tr>
</tbody>
</table>

(Concluded)

The plan assets’ actual returns were $84,908 and $67,942 for the years ended December 31, 2019 and 2018.

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

1) **Investment risk**: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) **Interest risk**: A decrease in the government or corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan’s debt investments.

3) **Salary risk**: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

<table>
<thead>
<tr>
<th>December 31</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>0.75%</td>
<td>1.00%</td>
</tr>
<tr>
<td>Expected rate of salary increase</td>
<td>1.75%</td>
<td>1.75%</td>
</tr>
<tr>
<td>Turnover rate</td>
<td>0.46%</td>
<td>0.52%</td>
</tr>
</tbody>
</table>
If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

<table>
<thead>
<tr>
<th>Assumption</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate (2019: 0.75%; 2018: 1.00%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.25% increase</td>
<td>$(139,338)</td>
<td>$(143,170)</td>
</tr>
<tr>
<td>0.25% decrease</td>
<td>$144,700</td>
<td>$148,888</td>
</tr>
<tr>
<td>Expected rate of salary increase (1.75%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.25% increase</td>
<td>$142,891</td>
<td>$147,395</td>
</tr>
<tr>
<td>0.25% decrease</td>
<td>$(138,326)</td>
<td>$(142,475)</td>
</tr>
<tr>
<td>Turnover rate (2019: 0.46%; 2018: 0.52%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>110% of expected turnover rate</td>
<td>$(300)</td>
<td>$(507)</td>
</tr>
<tr>
<td>90% of expected turnover rate</td>
<td>$301</td>
<td>$509</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Assumption</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>The expected contributions to the plan for the next year</td>
<td>$219,393</td>
<td>$221,043</td>
</tr>
<tr>
<td>The average duration of the defined benefit obligation</td>
<td>11 years</td>
<td>11 years</td>
</tr>
</tbody>
</table>

c. Preferential interest on employees’ deposits

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

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

<table>
<thead>
<tr>
<th>Assumption</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>4.00%</td>
<td>4.00%</td>
</tr>
<tr>
<td>Expected interest rate on preferential interest on employees’ deposits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manager</td>
<td>7.09%</td>
<td>7.09%</td>
</tr>
<tr>
<td>Staff</td>
<td>13.00%</td>
<td>13.00%</td>
</tr>
<tr>
<td>Normal deposit interest rate</td>
<td>1.09%</td>
<td>1.09%</td>
</tr>
<tr>
<td>Return on deposits</td>
<td>2.00%</td>
<td>2.00%</td>
</tr>
<tr>
<td>Excess preferential interest</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manager</td>
<td>4.00%</td>
<td>4.00%</td>
</tr>
<tr>
<td>Staff</td>
<td>9.91%</td>
<td>9.91%</td>
</tr>
<tr>
<td>The probability of preferential interest on employees’ deposits is canceled within ten years</td>
<td>50.00%</td>
<td>50.00%</td>
</tr>
</tbody>
</table>
The amounts included in the balance sheets arising from the Bank’s obligation in respect of its preferential interest on employee’s deposits were as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 31 2019</th>
<th>December 31 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Present value of defined benefit obligation</td>
<td>$ 279,377</td>
<td>$ 264,531</td>
</tr>
<tr>
<td>Fair value of plan assets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Deficit</td>
<td>279,377</td>
<td>264,531</td>
</tr>
<tr>
<td>Asset ceiling</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net defined benefit liability</td>
<td>$ 279,377</td>
<td>$ 264,531</td>
</tr>
</tbody>
</table>

Movements in net defined benefit liability (asset) were as follows:

<table>
<thead>
<tr>
<th>Present Value of the Defined Benefit Obligation</th>
<th>Fair Value of the Plan Assets</th>
<th>Net Defined Benefit Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at January 1, 2018</td>
<td>$ 245,096</td>
<td>$ 245,096</td>
</tr>
<tr>
<td>Service cost</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prior service cost</td>
<td>20,278</td>
<td>20,278</td>
</tr>
<tr>
<td>Net interest expense</td>
<td>4,788</td>
<td>4,788</td>
</tr>
<tr>
<td>Recognized in (profit) or loss</td>
<td>25,066</td>
<td>25,066</td>
</tr>
<tr>
<td>Remeasurement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actuarial (gain) loss - experience adjustments</td>
<td>14,932</td>
<td>14,932</td>
</tr>
<tr>
<td>Actuarial (gain) loss - changes in assumptions</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Recognized in other comprehensive income</td>
<td>14,932</td>
<td>14,932</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(20,563)</td>
<td>(20,563)</td>
</tr>
<tr>
<td>Balance at December 31, 2018</td>
<td>$ 264,531</td>
<td>$ 264,531</td>
</tr>
<tr>
<td>Balance at January 1, 2019</td>
<td>$ 264,531</td>
<td>$ 264,531</td>
</tr>
<tr>
<td>Service cost</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prior service cost</td>
<td>29,233</td>
<td>29,233</td>
</tr>
<tr>
<td>Net interest expense</td>
<td>6,007</td>
<td>6,007</td>
</tr>
<tr>
<td>Recognized in (profit) or loss</td>
<td>35,240</td>
<td>35,240</td>
</tr>
<tr>
<td>Remeasurement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actuarial (gain) loss - experience adjustments</td>
<td>1,567</td>
<td>1,567</td>
</tr>
<tr>
<td>Actuarial (gain) loss - changes in assumptions</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Recognized in other comprehensive income</td>
<td>1,567</td>
<td>1,567</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(21,961)</td>
<td>(21,961)</td>
</tr>
<tr>
<td>Balance at December 31, 2019</td>
<td>$ 279,377</td>
<td>$ 279,377</td>
</tr>
</tbody>
</table>
28. **OTHER LIABILITIES**

<table>
<thead>
<tr>
<th>December 31</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guarantee deposits received</td>
<td>$1,786,473</td>
<td>$1,588,995</td>
</tr>
<tr>
<td>Temporary receipt and suspense accounts</td>
<td>652,449</td>
<td>684,698</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>304,542</td>
<td>623,985</td>
</tr>
<tr>
<td>Advance receipts</td>
<td>167,065</td>
<td>134,587</td>
</tr>
<tr>
<td>Others</td>
<td>32,590</td>
<td>28,054</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$2,943,119</td>
<td>$3,060,319</td>
</tr>
</tbody>
</table>

29. **INCOME TAX**

Under Article 49 of the Financial Holding Company Act and related directives issued by the Ministry of Finance, a financial holding company and its domestic subsidiaries that held over 90% of shares issued by the financial holding company for 12 months within the same tax year may choose to adopt the linked-tax system for income tax filings. Thus, SPH adopted the linked-tax system for income tax and unappropriated earnings tax filings with its qualified subsidiaries since 2003.

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

<table>
<thead>
<tr>
<th>For the Year Ended December 31</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current tax</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current period</td>
<td>$1,614,451</td>
<td>$1,130,977</td>
</tr>
<tr>
<td>Adjustments for prior period</td>
<td>(13,732)</td>
<td>5,154</td>
</tr>
<tr>
<td>Other</td>
<td>5,258</td>
<td>-</td>
</tr>
<tr>
<td><strong>Deferred tax</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Temporary adjustment</td>
<td>131,557</td>
<td>644,978</td>
</tr>
<tr>
<td>Adjustments of tax rate</td>
<td>-</td>
<td>(159,833)</td>
</tr>
<tr>
<td><strong>Income tax expenses recognized in profit or loss</strong></td>
<td>$1,737,534</td>
<td>$1,621,276</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>For the Year Ended December 31</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before tax</td>
<td>$12,028,521</td>
<td>$11,295,481</td>
</tr>
<tr>
<td>Income tax expense calculated at the statutory rate (20%)</td>
<td>$2,405,704</td>
<td>$2,259,096</td>
</tr>
<tr>
<td>Tax effect of adjusting items:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Permanent difference</td>
<td>(612,023)</td>
<td>(540,994)</td>
</tr>
<tr>
<td>Tax-exempt income</td>
<td>(72,957)</td>
<td>(13,579)</td>
</tr>
<tr>
<td>Additional income tax under the Alternative minimum Tax Act</td>
<td>-</td>
<td>20,853</td>
</tr>
<tr>
<td>Unrecognized temporary difference</td>
<td>17,075</td>
<td>35,873</td>
</tr>
</tbody>
</table>

(Continued)
For the Year Ended December 31

2019 2018

Effect number of difference tax rates in several other operating subsidiaries $ 5,576 $ 13,590
Effect of exchange rate changes - (159,833)
Others 7,891 1,116
Adjustments for prior years’ tax (13,732) 5,154

Income tax expense recognized in profit or loss $ 1,737,534 $ 1,621,276

(Concluded)

In February 2018, the ROC Income Tax Act was amended; based on the amendment, the corporate income tax rate was adjusted from 17% to 20% effective in 2018. In addition, the rate of unappropriated earnings has been reduced from 10% to 5% in 2018. The income tax rate that is applicable to the subsidiaries in China is 25%; other jurisdictions are calculated based on the respective income tax rate.

b. Income tax recognized in other comprehensive income

For the Year Ended December 31

2019 2018

Deferred tax

Adjustments of tax rate $ - $ 4,245
Adjustments of current period
Exchange difference on translating foreign operations 68,400 96,924
Defined benefit plans remeasurement 24,132 34,689
Unrealized gains on financial assets at fair value through other comprehensive income (26,764) (3,595)

Income tax recognized in other comprehensive income $ 65,768 $ 132,263

For the year ended December 31, 2018, included in the effect of tax rate adjustments was $10,143 effect on deferred tax of defined benefit plans remeasurement which was recognized on retained earnings transferred from other comprehensive income.

e. Current tax assets and liabilities

December 31

2019 2018

Current tax assets

Receivables from adopting the linked-tax system $ 1,276,102 $ 1,276,102
Subsidiary tax receivable 3,748 3,805
Others 140,980 118,760

$ 1,420,830 $ 1,398,667

(Continued)
Current tax liabilities

Payables for adopting the linked-tax system  
$ 811,552  $ 272,975  
Subsidiary tax payable  
42,344  6,522  
Others  
70,543  211,939  
$ 924,439  $ 491,436  

(Concluded)

d. Deferred tax assets and liabilities

Deferred tax assets  
Provision  
$ 728,766  $ 722,431  
Provision for defined benefit  
437,614  438,281  
Exchange differences on translating foreign operations  
169,563  101,163  
Loss carryforwards  
-  166,504  
Loss carryforwards from subsidiaries  
-  
Others  
43,249  54,071  
$ 1,379,192  $ 1,482,450  

Deferred tax liabilities  
Land value increment tax  
$ 587,038  $ 587,038  
Investments accounted for using the equity method  
162,695  140,450  
Exchange and derivative products unrealized gains  
16,669  90,623  
Others  
70,391  55,241  
$ 836,793  $ 873,352  

Deferred tax expenses recognized in profit or loss were as follows:

For the Year Ended December 31  
2019  2018  
Loss carryforwards  
$ 166,504  $ 410,086  
Provision for defined benefit  
25,349  (28,835 )  
Investments accounted for using the equity method  
22,245  58,470  
Provision  
(8,363 )  (104,225 )  
Unrealized gains or losses on exchanges and derivative instruments  
(78,250 )  157,489  
Others  
4,072  (7,840 )  
$ 131,557  $ 485,145  

The Bank did not have unused loss carryforwards as of December 31, 2019.
e. The Bank’s tax returns through 2014 had been assessed by the tax authorities. It was beneficial to the Bank under Ministry of Finance Order No. 10701031420. Therefore, the Bank planned to submit application for correction to the tax authorities.

f. SinoPac Call Center, SinoPac Life Insurance Agent Co., Ltd. and SinoPac Property Insurance Agent Co., Ltd. were merged into Bank SinoPac in 2019. The assessed years of profit-seeking enterprise income tax were as follows:

<table>
<thead>
<tr>
<th>Assessment Year</th>
<th>SinoPac Call Center</th>
<th>SinoPac Life Insurance Agent Co., Ltd.</th>
<th>SinoPac Property Insurance Agent Co., Ltd.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

30. **EQUITY**

a. Common shares

The Bank’s authorized capital is $100,000,000. And the Bank issued 10,000,000 thousand common shares with par value of NT$10. The Bank’s shares issued and fully paid capital is $86,061,159 which is 8,606,116 thousand common shares.

b. Capital surplus

The premium from shares issued in excess of par (share premium from issuance of common stock, conversion of bonds and treasury stock transactions) and donations may be used to offset a deficit; in addition, when the Group has no deficit, the capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Bank’s paid-in capital and once a year).

On July 25, 2014, the board of directors of the parent company of the Bank, SPH, approved a capital increase and retained 10% of shares for subscription by the Bank’s employees. The Bank’s capital surplus - employee share options, which was determined on the basis of the grant-date fair value of the employee share options, was $67,511 in 2014.
### c. Other equity items

<table>
<thead>
<tr>
<th>Exchange Differences Arising on Translating Foreign Operations</th>
<th>Unrealized Gain or Loss on Financial Assets Measured at Fair Value Through Other Comprehensive Income</th>
<th>Change in Fair Value of Financial Liability Attributable to Changes in the Credit Risk of Liabilities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance January 1, 2019</td>
<td>$ (396,410)</td>
<td>$ 552,135</td>
<td>$ (30,634)</td>
</tr>
<tr>
<td>Exchange differences</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange differences arising on translating foreign operations</td>
<td>(342,001)</td>
<td>-</td>
<td>(342,001)</td>
</tr>
<tr>
<td>Related income tax</td>
<td>68,400</td>
<td>-</td>
<td>68,400</td>
</tr>
<tr>
<td>Financial assets at fair value through other comprehensive income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current adjustment for change in value</td>
<td>-</td>
<td>279,244</td>
<td>1,961,876</td>
</tr>
<tr>
<td>Adjustment for loss allowance of debt instruments</td>
<td>-</td>
<td>12,165</td>
<td>12,165</td>
</tr>
<tr>
<td>Current disposal</td>
<td>-</td>
<td>(590,916)</td>
<td>(590,916)</td>
</tr>
<tr>
<td>Related income tax</td>
<td>-</td>
<td>(26,764)</td>
<td>(26,764)</td>
</tr>
<tr>
<td>Change in fair value of financial liability attributable to changes in the credit risk of liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in amount</td>
<td>-</td>
<td>-</td>
<td>(60,206)</td>
</tr>
<tr>
<td>Balance December 31, 2019</td>
<td>$ (670,011)</td>
<td>$ 831,379</td>
<td>$ 991,920</td>
</tr>
</tbody>
</table>

### c. Other equity items (Continued)

<table>
<thead>
<tr>
<th>Exchange Differences Arising on Translating Foreign Operations</th>
<th>Unrealized Gain or Loss on Available-for-sale Financial Assets</th>
<th>Unrealized Gain or Loss on Financial Assets Measured at Fair Value Through Other Comprehensive Income</th>
<th>Change in Fair Value of Financial Liability Attributable to Changes in the Credit Risk of Liabilities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance January 1, 2018 (IAS 39)</td>
<td>$ (9,348)</td>
<td>$ (136,290)</td>
<td>$ -</td>
<td>$ (20,170)</td>
</tr>
<tr>
<td>Effect of retrospective application and restatement</td>
<td></td>
<td>136,290</td>
<td>907,531</td>
<td>(149,524)</td>
</tr>
<tr>
<td>Restated balance January 1, 2018 (IFRS 9)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange differences</td>
<td>$ (9,348)</td>
<td>-</td>
<td>907,531</td>
<td>(149,524)</td>
</tr>
<tr>
<td>Exchange differences arising on translating foreign operations</td>
<td>(484,622)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Related income tax</td>
<td>97,560</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Financial assets at fair value through other comprehensive income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current adjustment for change in value</td>
<td>-</td>
<td>(231,060)</td>
<td>(11,470)</td>
<td>-</td>
</tr>
<tr>
<td>Adjustment for loss allowance of debt instruments</td>
<td>-</td>
<td>-</td>
<td>(7,420)</td>
<td>-</td>
</tr>
<tr>
<td>Current disposal</td>
<td>-</td>
<td>-</td>
<td>5,134</td>
<td>-</td>
</tr>
<tr>
<td>Related income tax</td>
<td>-</td>
<td>-</td>
<td>(129,450)</td>
<td>-</td>
</tr>
<tr>
<td>Change in fair value of financial liability attributable to changes in the credit risk of liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in amount</td>
<td>-</td>
<td>-</td>
<td>5,114</td>
<td>(15,243)</td>
</tr>
<tr>
<td>Balance December 31, 2018</td>
<td>$ (396,410)</td>
<td>$ -</td>
<td>$ 552,135</td>
<td>$ (7,826)</td>
</tr>
</tbody>
</table>
d. Earnings distribution and dividend policy

The Bank’s Articles of Incorporation provide that annual net income should be appropriated after it has:

1) Deducted any deficit of prior years;
2) Paid all outstanding taxes;
3) Set aside 30% of remaining earnings as legal reserve;
4) Set aside any special reserve or retained earnings allocated at its option;
5) Allocated shareholders’ dividends.

The Banking Act provides that, before the balance of the reserve reaches the aggregate par value of the outstanding capital stock, above allocation should not exceed 15% of the aggregate par value of the outstanding capital stock of the Bank.

The Bank meets the required financial position; thus, the limitation on the setting aside of earnings to legal reserve under the Company Act is not applicable.

To comply with the Bank’s globalization strategy, strengthen its market position, integrate its diversified business operation and be a major local bank, the Bank has adopted the “Balanced Dividend Policy”.

Under this policy, dividends available for distribution are determined by referring to its capital adequacy ratio (CAR). Cash dividends may be declared if the Bank’s CAR is above 10% and stock dividends may be declared if the CAR is equal to or less than 10%. However, the Bank may make discretionary cash distribution even if the CAR is below 10%, if approved at the shareholders’ meeting, for the purpose of maintaining the cash dividends at a certain level in any given year.

Cash dividends and cash bonus are paid after the approval of the shareholders, while the distribution of stock dividends requires the additional approval of the authorities.

Under the Company Act, legal reserve shall be appropriated until it has reached the Bank’s paid-in capital. This reserve may be used to offset a deficit. When the legal reserve has exceeded 25% of the Bank’s paid-in capital, the excess may be transferred to capital or distributed in cash. In addition, the Banking Act provides that, before the balance of the reserve reaches the aggregate par value of the outstanding capital stock, allocation should not exceed 15% of the aggregate par value of the outstanding capital stock of the Bank.

Under Article 50-2 of the Banking Act revised on December 30, 2008, when legal reserve has meet the total capital reserve or required financial position, the setting aside of earnings to legal reserve under the Company Act is not limited to the restriction that 30% of remaining earnings shall be set aside as legal reserve or the limitation on the appropriation of the remainder and retained earnings from previous year to 15% of total capital reserve when legal reserve has not meet the total capital reserve. The requirements for financial position of banks to be established in accordance with this Act revised on April 30, 2012 shall be as prescribed by the FSC, Executive Yuan, ROC.

According to FSC Order No. 1010012865 and the rule of “Questions and Answers on Special Reserves Appropriated Following the Adoption of IFRSs”, of amount of equal to the net debit balance of shareholders’ other equity items shall be transferred from unappropriated earnings to a special reserve before any appropriation of earnings generated.
Under Order No. 10510001510 (repealed on May 15, 2019, replaced by No. 10802714560 issued by the FSC), issued by the FSC on May 25, 2016, before dispatching the net income of 2016 through 2018, the Public Bank shall reserve 0.5% to 1% of net income as special reserve. Under Order No. 10802714560 issued by the FSC, it is no longer necessary to use special reserve as a way in response to the development of financial technology and the protection of the rights of employees in domestic banks from the fiscal year of 2019. The Bank can reserve the expenditure for employee transfer or placement and for employee training in financial technology development or banking business development.

Under the Financial Holding Company Act, the board of directors is empowered to execute the authority of the shareholders’ meeting, which is under no jurisdiction in the related regulations in the Company Act.

On June 22, 2018, the board of directors (on behalf of the shareholder’s meeting) exercised the power and authority of the shareholders’ meeting and approved the appropriation of the 2017 earnings. The appropriations were as follows:

<table>
<thead>
<tr>
<th>Appropriation of Earnings</th>
<th>Dividends Per Share (NT$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal reserve</td>
<td>2,336,724</td>
</tr>
<tr>
<td>Special reserve</td>
<td>48,135</td>
</tr>
<tr>
<td>Cash dividends</td>
<td>5,404,219</td>
</tr>
</tbody>
</table>

The appropriations of earnings for 2018 have been proposed by the Bank’s board of directors (on behalf of the shareholder’s meeting) on June 21, 2019. The appropriations were as follows:

<table>
<thead>
<tr>
<th>Appropriation of Earnings</th>
<th>Dividends Per Share (NT$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal reserve</td>
<td>2,804,524</td>
</tr>
<tr>
<td>Reversal of special reserve</td>
<td>(86,803)</td>
</tr>
<tr>
<td>Cash dividends</td>
<td>6,630,694</td>
</tr>
</tbody>
</table>

The appropriations of earnings for 2019 have been proposed by the Bank’s board of directors on March 13, 2020. The appropriations were as follows:

<table>
<thead>
<tr>
<th>Appropriation of Earnings</th>
<th>Dividends Per Share (NT$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal reserve</td>
<td>3,058,337</td>
</tr>
<tr>
<td>Reversal of special reserve</td>
<td>(45,444)</td>
</tr>
<tr>
<td>Cash dividends</td>
<td>7,181,565</td>
</tr>
</tbody>
</table>

The board of directors approved the 2019 appropriations of earnings on March 13, 2020, that will be resolved by shareholder’s resolution (on behalf of the shareholder’s meeting) in 2019.

In accordance with FSC Guideline No. 09900146911, cash dividends and bonus to shareholders for 2009 amounting to $1,435,025 shall not be remitted to the parent company until the land transferred to SPL from the Bank is disposed and the gain is realized.
### 31. NET INTEREST

**For the Year Ended December 31**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interest revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans</td>
<td>$23,036,182</td>
<td>$19,820,201</td>
</tr>
<tr>
<td>Security investments</td>
<td>4,874,513</td>
<td>4,000,490</td>
</tr>
<tr>
<td>Due from the Central Bank and call loans to banks</td>
<td>2,134,657</td>
<td>1,765,242</td>
</tr>
<tr>
<td>Credit card revolving interest rate income</td>
<td>600,399</td>
<td>593,732</td>
</tr>
<tr>
<td>Securities purchased under resell agreements</td>
<td>310,057</td>
<td>369,379</td>
</tr>
<tr>
<td>Accounts receivable - forfaiting</td>
<td>224,007</td>
<td>224,010</td>
</tr>
<tr>
<td>Others</td>
<td>435,641</td>
<td>450,060</td>
</tr>
<tr>
<td><strong>Total Interest Revenue</strong></td>
<td>$31,615,456</td>
<td>$27,223,114</td>
</tr>
<tr>
<td><strong>Interest expense</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits</td>
<td>(13,951,166)</td>
<td>(9,944,175)</td>
</tr>
<tr>
<td>Call loans from banks</td>
<td>(963,191)</td>
<td>(774,145)</td>
</tr>
<tr>
<td>Bank debentures</td>
<td>(791,973)</td>
<td>(834,956)</td>
</tr>
<tr>
<td>Interest expense of structured products</td>
<td>(574,339)</td>
<td>(487,977)</td>
</tr>
<tr>
<td>Securities sold under repurchase agreements</td>
<td>(231,224)</td>
<td>(300,277)</td>
</tr>
<tr>
<td>Others</td>
<td>(122,409)</td>
<td>(55,027)</td>
</tr>
<tr>
<td><strong>Total Interest Expense</strong></td>
<td>(16,634,302)</td>
<td>(12,396,557)</td>
</tr>
<tr>
<td><strong>Net amount</strong></td>
<td>$14,981,154</td>
<td>$14,826,557</td>
</tr>
</tbody>
</table>

### 32. COMMISSION AND FEE REVENUE, NET

**For the Year Ended December 31**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Commissions and fees revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance services</td>
<td>$2,427,463</td>
<td>$2,102,438</td>
</tr>
<tr>
<td>Trust and related services</td>
<td>1,866,676</td>
<td>1,509,197</td>
</tr>
<tr>
<td>Credit card services</td>
<td>1,024,301</td>
<td>1,082,552</td>
</tr>
<tr>
<td>Loan services</td>
<td>963,145</td>
<td>654,917</td>
</tr>
<tr>
<td>Others</td>
<td>910,042</td>
<td>850,392</td>
</tr>
<tr>
<td><strong>Total Commissions and Fees Revenue</strong></td>
<td>$7,191,627</td>
<td>$6,199,496</td>
</tr>
<tr>
<td><strong>Commissions and fees expense</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit card services</td>
<td>(512,761)</td>
<td>(454,270)</td>
</tr>
<tr>
<td>Interbank services</td>
<td>(170,002)</td>
<td>(157,281)</td>
</tr>
<tr>
<td>Trust services</td>
<td>(128,542)</td>
<td>(71,794)</td>
</tr>
<tr>
<td>Insurance services</td>
<td>(64,885)</td>
<td>(47,390)</td>
</tr>
<tr>
<td>Foreign exchange transaction</td>
<td>(53,906)</td>
<td>(53,749)</td>
</tr>
<tr>
<td>Others</td>
<td>(268,870)</td>
<td>(232,344)</td>
</tr>
<tr>
<td><strong>Total Commissions and Fees Expense</strong></td>
<td>$(1,198,966)</td>
<td>$(1,016,828)</td>
</tr>
<tr>
<td><strong>Net amount</strong></td>
<td>$5,992,661</td>
<td>$5,182,668</td>
</tr>
</tbody>
</table>
33. GAINS OR LOSSES ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

For the Year Ended December 31

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disposal gain (loss) on financial assets and liabilities at fair value through profit or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government bonds</td>
<td>$388,605</td>
<td>$(698,981)</td>
</tr>
<tr>
<td>Bank debentures</td>
<td>353,563</td>
<td>(108,721)</td>
</tr>
<tr>
<td>Currency swap contracts and hybrid FX swap structured instruments</td>
<td>2,998,287</td>
<td>1,855,629</td>
</tr>
<tr>
<td>Interest rate swap contracts</td>
<td>757,484</td>
<td>1,165,806</td>
</tr>
<tr>
<td>Forward contracts</td>
<td>295,646</td>
<td>(337,123)</td>
</tr>
<tr>
<td>Future contracts</td>
<td>(83,788)</td>
<td>134,458</td>
</tr>
<tr>
<td>Option contracts</td>
<td>(171,047)</td>
<td>64,346</td>
</tr>
<tr>
<td>Cross-currency swap contracts</td>
<td>(213,370)</td>
<td>(98,806)</td>
</tr>
<tr>
<td>Others</td>
<td>69,614</td>
<td>49,499</td>
</tr>
<tr>
<td></td>
<td>4,394,994</td>
<td>1,757,191</td>
</tr>
</tbody>
</table>

Unrealized gain (loss) on financial assets and liabilities at fair value through profit or loss

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stocks</td>
<td>-</td>
<td>(123,918)</td>
</tr>
<tr>
<td>Government bonds</td>
<td>(22,202)</td>
<td>(267,880)</td>
</tr>
<tr>
<td>Bank debentures</td>
<td>(217,224)</td>
<td>(12,703)</td>
</tr>
<tr>
<td>Currency swap contracts and hybrid FX swap structured instruments</td>
<td>351,092</td>
<td>304,842</td>
</tr>
<tr>
<td>Forward contracts</td>
<td>126,816</td>
<td>(109,522)</td>
</tr>
<tr>
<td>Interest rate swap contracts</td>
<td>(77,182)</td>
<td>135,453</td>
</tr>
<tr>
<td>Option contracts</td>
<td>(579,688)</td>
<td>150,091</td>
</tr>
<tr>
<td>Others</td>
<td>(57,810)</td>
<td>(4,037)</td>
</tr>
<tr>
<td></td>
<td>(476,198)</td>
<td>72,326</td>
</tr>
</tbody>
</table>

Dividend revenues

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend revenues</td>
<td>-</td>
<td>16,759</td>
</tr>
<tr>
<td>Interest revenues</td>
<td>306,529</td>
<td>781,878</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ 4,225,325</td>
<td>$ 2,628,154</td>
</tr>
</tbody>
</table>

34. REALIZED GAINS (LOSSES) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

For the Year Ended December 31

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends revenue - holding at the end of the reporting period</td>
<td>$ 89,302</td>
<td>$ 66,411</td>
</tr>
<tr>
<td>Dividends revenue - disposal at the end of the reporting period</td>
<td>-</td>
<td>4,553</td>
</tr>
<tr>
<td>Gain or loss from disposal of bank debentures</td>
<td>590,916</td>
<td>(5,134)</td>
</tr>
<tr>
<td></td>
<td>$ 680,218</td>
<td>$ 65,830</td>
</tr>
</tbody>
</table>
35. OTHER NONINTEREST NET REVENUES

<table>
<thead>
<tr>
<th></th>
<th>For the Year Ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Rental income</td>
<td>$92,544</td>
</tr>
<tr>
<td>Net gains on disposal of property and equipment</td>
<td>64,973</td>
</tr>
<tr>
<td>Operating assets rental income</td>
<td>27,629</td>
</tr>
<tr>
<td>Transaction bonus</td>
<td>15,240</td>
</tr>
<tr>
<td>Others</td>
<td>38,152</td>
</tr>
<tr>
<td></td>
<td>$238,538</td>
</tr>
</tbody>
</table>

36. EMPLOYEE BENEFITS EXPENSES

<table>
<thead>
<tr>
<th></th>
<th>For the Year Ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>$6,981,699</td>
</tr>
<tr>
<td>Labor insurance and national health insurance</td>
<td>461,463</td>
</tr>
<tr>
<td>Pension costs</td>
<td>321,745</td>
</tr>
<tr>
<td>Others</td>
<td>708,007</td>
</tr>
<tr>
<td></td>
<td>$8,472,914</td>
</tr>
</tbody>
</table>

The Bank’s Articles of Incorporation provide that the Bank shall allocate from annual profit more than 0.5% as employees’ compensation and not more than 1% as remuneration of directors. But if there are accumulated losses, the Bank should make up for the losses first.

The employees’ compensation and the remuneration of directors recognized were estimated on the basis of the provisions of the Bank’s Articles of Incorporation and past experience. The Bank accrued $60,000 and $61,000 as employees’ compensation and $20,000 and $19,523 as remuneration of directors for the years ended December 31, 2019 and 2018.

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

The board of directors approved $60,000 as employees’ compensation and $20,000 as remuneration of directors on January 17, 2020 and March 13, 2020, respectively. These amounts were the same as those recognized in the financial statements and will be delivered entirely in cash.

The board of directors approved $61,000 as employees’ compensation and $19,523 as remuneration of directors on January 25 and March 15, 2019, respectively. These amounts were the same as those recognized in the financial statements and will be delivered entirely in cash. The Bank’s board of directors resolved the remuneration of employees, directors and supervisors on behalf of the shareholder on June 21, 2019.

The information on employees’ compensation and the remuneration of directors is available at the Market Observation Post System (M.O.P.S.) website of the Taiwan Stock Exchange.
37. DEPRECIATION AND AMORTIZATION EXPENSES

For the Year Ended December 31

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation expense</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>$145,124</td>
<td>$139,293</td>
</tr>
<tr>
<td>Machinery and computer equipment</td>
<td>$170,140</td>
<td>$147,343</td>
</tr>
<tr>
<td>Other equipment</td>
<td>74,598</td>
<td>79,458</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>81,072</td>
<td>95,834</td>
</tr>
<tr>
<td>Land improvements</td>
<td>14</td>
<td>-</td>
</tr>
<tr>
<td>Right-of-use assets</td>
<td>677,616</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>$1,148,564</td>
<td>461,928</td>
</tr>
<tr>
<td>Amortization expense</td>
<td>169,539</td>
<td>143,903</td>
</tr>
<tr>
<td></td>
<td>$1,318,103</td>
<td>$605,831</td>
</tr>
</tbody>
</table>

38. OTHER OPERATING EXPENSES

For the Year Ended December 31

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxation and fees</td>
<td>$1,271,262</td>
<td>$1,171,125</td>
</tr>
<tr>
<td>Marketing</td>
<td>668,890</td>
<td>558,360</td>
</tr>
<tr>
<td>Professional advisory</td>
<td>504,949</td>
<td>524,733</td>
</tr>
<tr>
<td>Automated equipment</td>
<td>420,951</td>
<td>333,816</td>
</tr>
<tr>
<td>Location fee</td>
<td>405,166</td>
<td>392,966</td>
</tr>
<tr>
<td>Insurance</td>
<td>292,515</td>
<td>280,206</td>
</tr>
<tr>
<td>Communications expense</td>
<td>260,753</td>
<td>227,559</td>
</tr>
<tr>
<td>Rent</td>
<td>82,357</td>
<td>684,206</td>
</tr>
<tr>
<td>Others</td>
<td>551,712</td>
<td>501,681</td>
</tr>
<tr>
<td></td>
<td>$4,458,555</td>
<td>$4,674,652</td>
</tr>
</tbody>
</table>

39. EARNINGS PER SHARE

Basic earnings per share is calculated by the gain or loss attributed to the Bank’s shareholder divided by the weighted-average number of common shares outstanding.

The numerators and denominators used in computing earnings per shares (EPS) are summarized as follows:

Dollar per share

For the Year Ended December 31

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic EPS</td>
<td>$1.20</td>
<td>$1.12</td>
</tr>
</tbody>
</table>
The weighted-average number of common shares outstanding in the computation of basic EPS are as follows:

### Net income

<table>
<thead>
<tr>
<th>For the Year Ended December 31</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income for calculating basic EPS</td>
<td>$10,290,987</td>
<td>$9,674,205</td>
</tr>
</tbody>
</table>

### Shares

(Shares in Thousands)

<table>
<thead>
<tr>
<th>For the Year Ended December 31</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>The weighted-average number of common shares outstanding in the computation of basic EPS</td>
<td>8,606,116</td>
<td>8,606,116</td>
</tr>
</tbody>
</table>

### 40. RELATED-PARTY TRANSACTIONS

In addition to those disclosed in other notes to the consolidated financial statements, transactions, between the Group and other related parties are summarized as follows:

a. Related parties and their relationships with the Group

<table>
<thead>
<tr>
<th>Name</th>
<th>Relationship with the Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>SinoPac Financial Holdings Company Limited (SPH)</td>
<td>Parent company of the Bank</td>
</tr>
<tr>
<td>SinoPac Securities Corporation (SinoPac Securities)</td>
<td>Subsidiary of SPH</td>
</tr>
<tr>
<td>SinoPac Securities Investment Trust Corporation (SinoPac Securities Investment Trust)</td>
<td>Subsidiary of SPH</td>
</tr>
<tr>
<td>SinoPac Call Center Co., Ltd. (SinoPac Call Center)</td>
<td>Subsidiary of SPH (merged with the Bank since May 2019)</td>
</tr>
<tr>
<td>SinoPac Leasing Corporation (SPL)</td>
<td>Subsidiary of SPH</td>
</tr>
<tr>
<td>SinoPac Futures Corporation (SinoPac Futures)</td>
<td>Subsidiary of SinoPac Securities</td>
</tr>
<tr>
<td>SinoPac Securities (Asia) Ltd.</td>
<td>Affiliate of SinoPac Securities</td>
</tr>
<tr>
<td>Taipei Forex Inc. (TAIFX)</td>
<td>Affiliate of the Bank’s general manager</td>
</tr>
<tr>
<td>YFY International BVI Corp. (YFY International)</td>
<td>Affiliate of SPH’s corporate director</td>
</tr>
<tr>
<td>YFY Cayman Co., Ltd. (YFY Cayman)</td>
<td>Affiliate of SPH’s director</td>
</tr>
<tr>
<td>Pegatron Corporation (Pegatron)</td>
<td>Affiliate of SPH’s director</td>
</tr>
<tr>
<td>Yuen Foong Shop Co., Ltd. (Yuen Foong Shop)</td>
<td>Affiliate of SPH’s director</td>
</tr>
<tr>
<td>Chunchwa Telecom Co., Ltd. (Chunchwa Telecom)</td>
<td>Affiliate of Bank’s director</td>
</tr>
<tr>
<td>Taipei Fubon Commercial Bank Co., Ltd (Taipei Fubon Bank)</td>
<td>Affiliate of SPL’s director</td>
</tr>
<tr>
<td>Hua Nan Commercial Bank, Ltd. (Hua Nan Bank)</td>
<td>Affiliate of SPL’s director’s spouse</td>
</tr>
<tr>
<td>Boardtek Electronics Corporation (Boardtek Electronics)</td>
<td>Affiliate of SPH’s manager</td>
</tr>
</tbody>
</table>

(Continued)
b. Significant transactions with related parties

1) Due from the Central Bank and call loans to banks

<table>
<thead>
<tr>
<th>Name</th>
<th>Relationship with the Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Information Services Co., Ltd. (FISC)</td>
<td>Affiliate of SPH’s manager (before August 2019)</td>
</tr>
<tr>
<td>Tsann Kuen Enterprise Co., Ltd. (Tsann Kuen Enterprise)</td>
<td>Affiliate of the Bank’s manager’s spouse</td>
</tr>
<tr>
<td>Chailease Auto Rental Co., Ltd. (Chailease Auto Rental)</td>
<td>Affiliate of the Bank’s manager’s spouse</td>
</tr>
<tr>
<td>Evercast Precision Industry Corporation (Evercast Precision)</td>
<td>Affiliate of first-degree kin of the Bank’s manager</td>
</tr>
<tr>
<td>Taiwan Printed Circuit Board Techvest Co., Ltd. (Taiwan PCB Techvest)</td>
<td>Affiliate of first-degree kin of the Bank’s manager</td>
</tr>
<tr>
<td>Kim Great Co., Ltd. (Kim Great)</td>
<td>Affiliate of second-degree kin of the Bank’s manager</td>
</tr>
<tr>
<td>Hao-Xin-Di Co., Ltd. (Hao-Xin-Di)</td>
<td>Affiliate of second-degree kin of the Bank’s manager</td>
</tr>
<tr>
<td>Shyang Yih Logistics Co., Ltd. (Shyang Yih Logistics)</td>
<td>Affiliate of third-degree kin of the Bank’s manager</td>
</tr>
<tr>
<td>Bolin Company Ltd. (Bolin Company)</td>
<td>Affiliate of third-degree kin of the Bank’s manager</td>
</tr>
<tr>
<td>Greatwell Enterprise Co., Ltd.</td>
<td>Affiliate of second-degree-in-laws of the Bank’s manager</td>
</tr>
<tr>
<td>Kung Sing Engineering Corporation (Kung Sing Engineering)</td>
<td>Affiliate of second-degree in-laws of the Bank’s manager (before October 2019)</td>
</tr>
<tr>
<td>Hoss Venture Inc. (Hoss Venture)</td>
<td>Related party</td>
</tr>
<tr>
<td>Taiwan Futures Exchange (TAIFEX)</td>
<td>Related party (before July 2019)</td>
</tr>
<tr>
<td>Chunghwa Post Co., Ltd. (Chunghwa Post)</td>
<td>Related party (before July 2018)</td>
</tr>
<tr>
<td>Cathay Securities Corporation (Cathay Securities)</td>
<td>Related party (before December 2018)</td>
</tr>
<tr>
<td>Hydis Technologies Co., Ltd.</td>
<td>Related party</td>
</tr>
<tr>
<td>YuanHan Material Inc. (YuanHan Material)</td>
<td>Related party</td>
</tr>
<tr>
<td>Yuen Foong Yu Biotech Co., Ltd. (Yuen Foong Yu Biotech)</td>
<td>Related party</td>
</tr>
<tr>
<td>Others</td>
<td>The Group’s directors, supervisors, managers and their relatives, department chiefs, investments accounted for using the equity method and their subsidiaries, and investees of SPH’s other subsidiaries, etc.</td>
</tr>
</tbody>
</table>

(Concluded)

<table>
<thead>
<tr>
<th>For the Year Ended December 31, 2019</th>
<th>Ending Balance</th>
<th>Interest (%)</th>
<th>Interest Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Call loans to banks</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taipei Fubon Bank</td>
<td>$ -</td>
<td>2.30-2.91</td>
<td>$ 5,540</td>
</tr>
<tr>
<td>Hua Nan Bank</td>
<td>451,683</td>
<td>0.99-4.9</td>
<td>4,740</td>
</tr>
</tbody>
</table>
## 2) Derivative financial instruments

### Call loans to banks
- **Taipei Fubon Bank**
  - Ending Balance: $922,544
  - Interest (%): 0.05-4.10
  - Interest Revenue: $18,635

### December 31, 2019

<table>
<thead>
<tr>
<th>Contract (Notional)</th>
<th>Contract Period</th>
<th>Valuation Gains or Losses</th>
<th>Account Description</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interest rate swap contracts</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SinoPac Securities</td>
<td>$600,000</td>
<td>2015.1.19-2020.8.26</td>
<td>$(2,679)</td>
<td>Financial assets at fair value through profit or loss</td>
</tr>
<tr>
<td>SinoPac Securities</td>
<td>300,000</td>
<td>2015.9.1-2020.9.1</td>
<td>1,019</td>
<td>Financial liabilities at fair value through profit or loss</td>
</tr>
<tr>
<td><strong>Forward contracts</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>YFY International</td>
<td>1,957,293</td>
<td>2019.10.8-2020.2.26</td>
<td>24,486</td>
<td>Financial assets at fair value through profit or loss</td>
</tr>
<tr>
<td>YFY Cayman</td>
<td>1,204,488</td>
<td>2019.11.14-2020.2.12</td>
<td>13,155</td>
<td>Financial assets at fair value through profit or loss</td>
</tr>
<tr>
<td>Boardtek Electronics</td>
<td>30,112</td>
<td>2019.10.23-2020.1.8</td>
<td>(372)</td>
<td>Financial liabilities at fair value through profit or loss</td>
</tr>
</tbody>
</table>

### December 31, 2018

<table>
<thead>
<tr>
<th>Contract (Notional)</th>
<th>Contract Period</th>
<th>Valuation Gains or Losses</th>
<th>Account Description</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Currency swap contracts</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taipei Fubon Bank</td>
<td>$7,380,350</td>
<td>2018.5.21-2019.8.27</td>
<td>$35,831</td>
<td>Financial assets at fair value through profit or loss</td>
</tr>
<tr>
<td><strong>Interest rate swap contracts</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SinoPac Securities</td>
<td>900,000</td>
<td>2014.10.2-2020.8.26</td>
<td>$(3,258)</td>
<td>Financial assets at fair value through profit or loss</td>
</tr>
<tr>
<td>SinoPac Securities</td>
<td>300,000</td>
<td>2015.9.1-2020.9.1</td>
<td>247</td>
<td>Financial liabilities at fair value through profit or loss</td>
</tr>
<tr>
<td>Taipei Fubon Bank</td>
<td>3,230,000</td>
<td>2014.6.19-2023.11.16</td>
<td>$(3,027)</td>
<td>Financial assets at fair value through profit or loss</td>
</tr>
<tr>
<td>Taipei Fubon Bank</td>
<td>6,523,810</td>
<td>2014.2.24-2023.10.18</td>
<td>6,941</td>
<td>Financial liabilities at fair value through profit or loss</td>
</tr>
<tr>
<td><strong>Forward contracts</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>YFY International</td>
<td>1,691,330</td>
<td>2018.10.18-2019.5.6</td>
<td>19,957</td>
<td>Financial assets at fair value through profit or loss</td>
</tr>
<tr>
<td>YFY Cayman</td>
<td>2,306,360</td>
<td>2018.10.4-2019.5.20</td>
<td>29,084</td>
<td>Financial assets at fair value through profit or loss</td>
</tr>
</tbody>
</table>
3) Securities purchased under resell agreements

2019

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
<th>For the Year Ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Face Amount</td>
<td>Carrying Amount</td>
</tr>
<tr>
<td>SinoPac Securities</td>
<td>$2,550,202</td>
<td>$2,268,704</td>
</tr>
</tbody>
</table>

2018

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
<th>For the Year Ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Face Amount</td>
<td>Carrying Amount</td>
</tr>
<tr>
<td>SinoPac Securities</td>
<td>$4,446,661</td>
<td>$3,963,434</td>
</tr>
</tbody>
</table>

4) Receivables and payables

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Receivables</td>
<td>$206,139</td>
</tr>
<tr>
<td>Payables</td>
<td>$231,773</td>
</tr>
<tr>
<td>Cash dividends payable to SPH</td>
<td>$1,435,025</td>
</tr>
</tbody>
</table>

The amount of receivables and payables included acceptances $198,051 as of December 31, 2019.

5) Current tax assets and liabilities

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Receivables from adopting the linked-tax system</td>
<td>$1,276,102</td>
</tr>
<tr>
<td>Payables from adopting the linked-tax system</td>
<td>$811,552</td>
</tr>
</tbody>
</table>

6) Loans

<table>
<thead>
<tr>
<th></th>
<th>For the Year Ended December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Ending Balance</td>
</tr>
<tr>
<td>Loans</td>
<td>$9,567,674</td>
</tr>
<tr>
<td>Category</td>
<td>Account Volume or Name of Related Party</td>
</tr>
<tr>
<td>---------------------------------------</td>
<td>-----------------------------------------</td>
</tr>
<tr>
<td></td>
<td>Highest Balance</td>
</tr>
<tr>
<td>Employees' consumer loans</td>
<td>310</td>
</tr>
<tr>
<td>Household mortgage loans</td>
<td>1,016</td>
</tr>
<tr>
<td>Others:</td>
<td></td>
</tr>
<tr>
<td>SPL</td>
<td>975,000</td>
</tr>
<tr>
<td>Boardtek Electronics</td>
<td>850,000</td>
</tr>
<tr>
<td>Evercast Precision</td>
<td>75,955</td>
</tr>
<tr>
<td>Hoss Venture</td>
<td>30,000</td>
</tr>
<tr>
<td>Taiwan PCB Techvest</td>
<td>19,938</td>
</tr>
<tr>
<td>Kim Great</td>
<td>18,721</td>
</tr>
<tr>
<td>Hao-Xin-Di</td>
<td>9,790</td>
</tr>
<tr>
<td>Greatwell Enterprise Co., Ltd</td>
<td>8,200</td>
</tr>
<tr>
<td>Shyang Yih Logistics</td>
<td>493</td>
</tr>
<tr>
<td>Others</td>
<td>2,675,119</td>
</tr>
<tr>
<td>Others subtotal</td>
<td>4,663,216</td>
</tr>
<tr>
<td>Total</td>
<td>$ 10,574,133</td>
</tr>
</tbody>
</table>

For the Year Ended December 31, 2018

<table>
<thead>
<tr>
<th>Loans</th>
<th>Ending Balance</th>
<th>Highest Balance</th>
<th>Interest/ Fee Rates (%)</th>
<th>Interest Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 8,692,573</td>
<td>$ 9,696,429</td>
<td>0-8.66</td>
<td>$ 128,721</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category</th>
<th>Account Volume or Name of Related Party</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Highest Balance</td>
<td>Ending Balance</td>
</tr>
<tr>
<td>Employees' consumer loans</td>
<td>450</td>
<td>$ 187,307</td>
</tr>
<tr>
<td>Household mortgage loans</td>
<td>1,369</td>
<td>7,736,223</td>
</tr>
<tr>
<td>Others:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SPL</td>
<td>900,000</td>
<td>900,000</td>
</tr>
<tr>
<td>Boardtek Electronics</td>
<td>450,000</td>
<td>450,000</td>
</tr>
<tr>
<td>Taiwan PCB Techvest</td>
<td>216,857</td>
<td>19,938</td>
</tr>
<tr>
<td>Evercast Precision</td>
<td>39,034</td>
<td>36,955</td>
</tr>
<tr>
<td>Hoss Venture</td>
<td>30,000</td>
<td>30,000</td>
</tr>
<tr>
<td>Bolin Company</td>
<td>26,400</td>
<td>-</td>
</tr>
<tr>
<td>Kim Great</td>
<td>20,129</td>
<td>18,721</td>
</tr>
<tr>
<td>Greatwell Enterprise Co., Ltd.</td>
<td>8,200</td>
<td>8,200</td>
</tr>
<tr>
<td>Kung Sing Engineering</td>
<td>6,323</td>
<td>-</td>
</tr>
<tr>
<td>Shyang Yih Logistics</td>
<td>936</td>
<td>493</td>
</tr>
<tr>
<td>Others</td>
<td>75,020</td>
<td>17,851</td>
</tr>
<tr>
<td>Others subtotal</td>
<td>1,772,899</td>
<td>1,482,158</td>
</tr>
<tr>
<td>Total</td>
<td>$ 9,696,429</td>
<td>$ 8,692,573</td>
</tr>
</tbody>
</table>
Note 1: It is non-related party of the Bank at the loan’s sign date.

Note 2: Debtors of related party loans are all within normal credit ranking. The Bank estimated the provision for doubtful debt periodically in accordance with the guidelines issued by the authority and IFRSs.

7) Guarantees

December 31, 2019

<table>
<thead>
<tr>
<th>Related Party</th>
<th>Highest Balance in Current Period</th>
<th>Ending Balance</th>
<th>Provision</th>
<th>Rates</th>
<th>Type of Collaterals</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tsann Kuen Enterprise</td>
<td>$ 28,000</td>
<td>$ 8,000</td>
<td>$ -</td>
<td>0.50%</td>
<td>None, Note</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>146</td>
<td>2</td>
<td>-</td>
<td>1.75%-2.25%</td>
<td>None, Note</td>
<td></td>
</tr>
</tbody>
</table>

December 31, 2018

<table>
<thead>
<tr>
<th>Related Party</th>
<th>Highest Balance in Current Year</th>
<th>Ending Balance</th>
<th>Provision</th>
<th>Rates</th>
<th>Type of Collaterals</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kung Sing Engineering</td>
<td>$ 39,027</td>
<td>$ -</td>
<td>$ -</td>
<td>1.00%</td>
<td>None, Note</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>194</td>
<td>146</td>
<td>-</td>
<td>1.75%-2.25%</td>
<td>None, Note</td>
<td></td>
</tr>
</tbody>
</table>

Note: It is non-related party at the Bank at the loan’s sign date.

8) Financial assets at fair value through other comprehensive income

<table>
<thead>
<tr>
<th>December 31</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>FISC</td>
<td>-</td>
<td>$ 394,196</td>
</tr>
<tr>
<td>TAIFEX</td>
<td>-</td>
<td>192,521</td>
</tr>
<tr>
<td>TAIFX</td>
<td>19,836</td>
<td>13,199</td>
</tr>
</tbody>
</table>

9) Other financial assets

The Bank had interest revenue from call loans to security corporations for the years ended December 31, 2019 and 2018 were $133 and $290, respectively.

10) Property and equipment

In the year ended December 31, 2019, the Bank purchased machinery and computer equipment from its related parties for a total price of $17,207, recognized as property and equipment. (For the year ended December 31, 2018: None)

The Bank leased other equipment from SPL, due to the date, December 31, 2019 and 2018, the carrying amount were $188 and $258.

11) Intangible assets

In the years ended December 31, 2019 and 2018, the Bank purchased computer software from its related parties for a total price of $22,563 and $248, respectively, recognized under intangible assets.
12) Other assets

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Prepayments</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>$5,480</td>
</tr>
<tr>
<td>Guarantee deposits</td>
<td></td>
</tr>
<tr>
<td>SinoPac Futures</td>
<td>348,052</td>
</tr>
<tr>
<td>SinoPac Securities (Asia) Ltd.</td>
<td>-</td>
</tr>
<tr>
<td>Others</td>
<td>9,370</td>
</tr>
</tbody>
</table>

The Bank signed an agreement with others for the purchase. The Bank paid $44,482 and $24,602 for the years ended December 31, 2019 and 2018, which were recorded as prepayments (other assets) or other operating expenses.

The amount of undiscounted guarantee deposits from lease contract is $14,162 as of December 31, 2019.

The amount of interest revenue through above guarantee for the years ended December 31, 2019 and 2018 were $366 and $193, respectively.

13) Notes and bonds transaction

<table>
<thead>
<tr>
<th></th>
<th>For the Year Ended December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Purchase of Notes and Bonds</td>
</tr>
<tr>
<td>Hua Nan Bank</td>
<td>$2,702,672</td>
</tr>
<tr>
<td>Taipei Fubon Bank</td>
<td>2,400,150</td>
</tr>
<tr>
<td>Chailease Auto Rental</td>
<td>199,928</td>
</tr>
<tr>
<td>SPL</td>
<td>99,962</td>
</tr>
<tr>
<td>SinoPac Securities</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>For the Year Ended December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Purchase of Notes and Bonds</td>
</tr>
<tr>
<td>Taipei Fubon Bank</td>
<td>$15,815,770</td>
</tr>
<tr>
<td>Chunghwa Post</td>
<td>-</td>
</tr>
<tr>
<td>Cathay Securities</td>
<td>-</td>
</tr>
</tbody>
</table>
14) Deposits from the Central Bank and banks

### 2019

<table>
<thead>
<tr>
<th>Bank</th>
<th>Ending Balance</th>
<th>Interest Rates</th>
<th>Interest Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hua Nan Bank</td>
<td>$256,100</td>
<td>0.70-5.00</td>
<td>$5,611</td>
</tr>
<tr>
<td>Taipei Fubon Bank</td>
<td>-</td>
<td>0.05-4.40</td>
<td>898</td>
</tr>
</tbody>
</table>

### 2018

<table>
<thead>
<tr>
<th>Bank</th>
<th>Ending Balance</th>
<th>Interest Rates</th>
<th>Interest Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taipei Fubon Bank</td>
<td>$800,043</td>
<td>0.05-4.8</td>
<td>$25,009</td>
</tr>
<tr>
<td>Chunghwa Post</td>
<td>-</td>
<td>0.001-1.11</td>
<td>5,460</td>
</tr>
</tbody>
</table>

15) Deposits

### 2019

<table>
<thead>
<tr>
<th>Bank</th>
<th>Ending Balance</th>
<th>Interest Rates</th>
<th>Interest Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pegatron Corporation</td>
<td>$15,439,232</td>
<td>0.12-2.5</td>
<td></td>
</tr>
<tr>
<td>SinoPac Securities</td>
<td>4,059,046</td>
<td>0-1.01</td>
<td></td>
</tr>
<tr>
<td>SinoPac Securities (Asia) Ltd.</td>
<td>1,720,251</td>
<td>0-2.88</td>
<td></td>
</tr>
<tr>
<td>Hydis Technologies Co., Ltd.</td>
<td>1,609,009</td>
<td>0.22-2.3</td>
<td></td>
</tr>
<tr>
<td>Yuanhan Material</td>
<td>848,183</td>
<td>0.001-2.25</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>14,182,163</td>
<td>0-13</td>
<td></td>
</tr>
</tbody>
</table>

**Total** $37,857,884
2018

For the Year Ended December 31

<table>
<thead>
<tr>
<th>Ending Balance</th>
<th>Interest Rates (%)</th>
<th>Interest Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 23,416,993</td>
<td>0-13</td>
<td>$ 266,203</td>
</tr>
</tbody>
</table>

Interest Rate

<table>
<thead>
<tr>
<th>Ending Balance</th>
<th>Interest Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 3,914,265</td>
<td>0-1.01</td>
</tr>
<tr>
<td>2,200,000</td>
<td>0.58-0.6</td>
</tr>
<tr>
<td>1,597,241</td>
<td>0.35-2.7</td>
</tr>
<tr>
<td>1,029,134</td>
<td>0-3.4</td>
</tr>
<tr>
<td>1,004,635</td>
<td>0-2.88</td>
</tr>
<tr>
<td>13,671,718</td>
<td>0-13</td>
</tr>
</tbody>
</table>

$ 23,416,993

16) Bank debentures

The Bank’s bank debentures issued for the year ended December 31, 2019 were underwritten by SinoPac Securities who were paid $4,650 commission fee (recognized as discount of bank debentures).

The Bank paid the interest of bank debentures for the years ended December 31, 2019 and 2018 in the amount of $33,405 and $44,215, respectively.

Third subordinated bank debentures issued in 2015 by the Bank were subscribed by related parties for a total amount of $620,000 and $630,000, respectively, as of the last interest payment date, for the years ended December 31, 2019 and 2018.

17) Other financial liabilities

As of December 31, 2018, the lease payable of SPL was $240.

18) Other liabilities

<table>
<thead>
<tr>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
</tr>
<tr>
<td>Guarantee deposits received</td>
</tr>
<tr>
<td>Advance receipts</td>
</tr>
</tbody>
</table>
19) Revenues and expenses

For the Year Ended December 31

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease contracts - guarantee deposits interest revenue</td>
<td>$ 331</td>
<td>$ -</td>
</tr>
<tr>
<td>Lease contracts - interest expenses</td>
<td>7,860</td>
<td>-</td>
</tr>
<tr>
<td>Commissions and fee revenues</td>
<td>65,457</td>
<td>65,019</td>
</tr>
<tr>
<td>Commissions and fee expenses</td>
<td>168,366</td>
<td>222,982</td>
</tr>
<tr>
<td>Realized gains on financial assets at fair value through other comprehensive income</td>
<td>50,226</td>
<td>46,891</td>
</tr>
<tr>
<td>Other revenues</td>
<td>15,226</td>
<td>14,671</td>
</tr>
<tr>
<td>Lease contracts - depreciation expenses</td>
<td>143,579</td>
<td>-</td>
</tr>
<tr>
<td>Other operating expenses (Note)</td>
<td>197,166</td>
<td>295,533</td>
</tr>
</tbody>
</table>

Note: Other operating expenses are mainly for professional advisory charges and marketing expenses. The Bank entered into professional advisory contracts with SinoPac Call Center (merged with the Bank since May 2019), and the professional advisory charges and other operating expenses paid for the years ended December 31, 2019 and 2018 were $50,043 and $151,864, respectively.

20) Operating lease

The Group as a lessee

a) Right-of-use assets, net

The Group are in contract with SPL and others. The amount of right-of-use assets, net is $728,114 on December 31, 2019.

b) Lease liabilities

The Group are in contract with SPL and others. The amount of lease liabilities is $726,817 on December 31, 2019.

c) Guarantee deposits - 2019

Please refer to Note 40,b.12).

d) The guarantee deposits interest revenue, lease interest expense, lease depreciation expense and other lease expense (recognized as other operating expense), please refer to Note 40,b.19).

e) Operating lease - 2018

<table>
<thead>
<tr>
<th>Lessor</th>
<th>Other Operating Expense</th>
<th>For the Year Ended December 31, 2018</th>
<th>Lease Term</th>
<th>Payment Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>SPL</td>
<td>$ 123,788</td>
<td>August 2024</td>
<td>Rentals paid monthly</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>2,035</td>
<td>January 2021</td>
<td>Rentals paid quarterly or monthly</td>
<td></td>
</tr>
</tbody>
</table>
The Group as a lessor

<table>
<thead>
<tr>
<th>Lessee</th>
<th>2019</th>
<th>2018</th>
<th>Lease Term</th>
<th>Receiving Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>SinoPac Securities</td>
<td>$26,106</td>
<td>$26,355</td>
<td>December 2024</td>
<td>Rentals received monthly</td>
</tr>
<tr>
<td>SinoPac Securities Investment Trust</td>
<td>13,439</td>
<td>14,336</td>
<td>July 2024</td>
<td>Rentals received monthly</td>
</tr>
<tr>
<td>SPL</td>
<td>6,354</td>
<td>6,312</td>
<td>July 2021</td>
<td>Rentals received monthly</td>
</tr>
<tr>
<td>Yuen Foong Shop</td>
<td>4,339</td>
<td>4,320</td>
<td>January 2021</td>
<td>Rentals received monthly</td>
</tr>
<tr>
<td>Yuen Foong Yu Biotech</td>
<td>3,459</td>
<td>3,367</td>
<td>December 2023</td>
<td>Rentals received monthly</td>
</tr>
<tr>
<td>SinoPac Call Center</td>
<td>1,190</td>
<td>3,588</td>
<td>April 2019 (Note)</td>
<td>Rentals received monthly</td>
</tr>
<tr>
<td>Others</td>
<td>7,376</td>
<td>6,462</td>
<td>November 2024</td>
<td>Rentals received monthly</td>
</tr>
</tbody>
</table>

Note: The Bank has acquired SinoPac Call Center on May 1, 2019.

Transactions between the Bank and the related parties are at arm’s length commercial terms except for the preferential interest rates offered to employees for savings and loans up to prescribed limits.

Under the Banking Act, except for government and consumer loans, credit extended by the Bank to any related party should be fully secured, and the credit terms for related parties should be similar to those for unrelated parties.

For transactions between related parties with SinoPac Capital Limited and its subsidiaries, SinoPac Insurance Brokers, SPPIA and Bank SinoPac (China) the terms are similar to those transacted with unrelated parties.

c. Compensation of directors, supervisors and management personnel

<table>
<thead>
<tr>
<th></th>
<th>For the Year Ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Short-term employee benefits</td>
<td>$243,320</td>
</tr>
<tr>
<td>Post-employment benefits</td>
<td>3,860</td>
</tr>
<tr>
<td></td>
<td>$247,180</td>
</tr>
</tbody>
</table>

The management personnel are composed of general manager, vice general manager and other employee whose job grade is higher than the former.
41. PLEDGED OR MORTGAGED ASSETS

In addition to those disclosed in other notes, pledged or restricted assets of the Group are summarized as follows:

<table>
<thead>
<tr>
<th>Restricted Assets</th>
<th>Object</th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Investment in debt instruments</td>
<td>Certificates of deposit</td>
<td>$ 8,150,561</td>
</tr>
<tr>
<td>Investment in debt instruments</td>
<td>Government bonds</td>
<td>1,360,328</td>
</tr>
<tr>
<td>Discounts and loans</td>
<td>Loans</td>
<td>1,656,802</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>Certificates of deposit</td>
<td>2,593,440</td>
</tr>
</tbody>
</table>

Note 1: Pledged in accordance with the Central Bank for foreign-exchange, with the Mega Bank for USD foreign-exchange settlement and with requirements of the California Department of Financial Institutions.

Note 2: Guarantees of dealing and underwriting business, a trust reserve fund, guarantees of bills financial service, reserve for payment of VISA international card, pledged to court as collaterals for filing provisional seizure and disposition, Hong Kong branch’s clearing system of real-time gross settlement and mortgage of derivative instrument outstanding.

Note 3: Pledged with the Federal Reserve Bank under the discount window program.

Note 4: Pledged with intraday overdraft of settlement banks.

42. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. In addition to those disclosed in other notes, significant unrecognized commitments of the Group as of December 31, 2019 and 2018 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Trust assets</td>
<td>$ 511,536,740</td>
</tr>
<tr>
<td>Securities under custody</td>
<td>152,803,693</td>
</tr>
<tr>
<td>Agent for government bonds</td>
<td>94,873,500</td>
</tr>
<tr>
<td>Receipts under custody</td>
<td>28,417,670</td>
</tr>
<tr>
<td>Guarantee notes payable</td>
<td>11,336,301</td>
</tr>
<tr>
<td>Agent for marketable securities under custody</td>
<td>10,932,600</td>
</tr>
<tr>
<td>Appointment of investment</td>
<td>3,057,796</td>
</tr>
<tr>
<td>Goods under custody</td>
<td>1,124,067</td>
</tr>
<tr>
<td>Travelers’ checks consigned-in</td>
<td>151,268</td>
</tr>
<tr>
<td>Others</td>
<td>-</td>
</tr>
<tr>
<td>Entrusted loan</td>
<td>86,563</td>
</tr>
</tbody>
</table>

As of December 31, 2019, in addition to abovementioned unrecognized commitments, the Bank and SinoPac Securities had applied for tax concessions to Ministry of Finance regarding their technical support service expenditure relating to the financial transaction system, and had jointly signed to the system manufacturer the letter of indemnity of which the total compensation is not more than US$1,300 thousand to obtain the proxy of the manufacturer thereof to apply for foresaid tax concession. The compensation distributable to the Bank is US$867 thousand and to SinoPac Securities is US$433 thousand. The deadline for compensation guarantee period is December 31, 2027.
In response to the development of technology, the Bank signed with National Cheng Kung University an enterprise and industry cooperation and donation agreement with budget amount of $120,000. The donation will be used to build a research center for developing AI depth learning and big data application about FinTech. The cooperation agreement was signed on August 7, 2017, and is valid retrospectively from July 1, 2017. Except when the two parties agreed to extend the maturity date, the agreement is valid from July 1, 2017 to September 30, 2020. As of December 31, 2019, the Bank recognized operating expense in the amount of $115,500 and related payable in the amount of $8,257.

b. The Group entered into contracts to buy computers and office equipment for $760,687 of which $384,743 had not been paid as of December 31, 2019.

c. Contingencies

1) The Securities and Futures Investors Protection Center (SFIPC) filed a lawsuit against the Bank and SinoPac Leasing Corporation’s (SPL) subsidiary, Grand Capital (renamed as SinoPac Capital International Limited on October 4, 2018) on the ground that Procomp Informatics Ltd. (Procomp) deposited US$10,000 thousand in the Bank’s Shisung Branch (formerly Sungshan Branch) and placed a restriction on the use of this deposit as a condition for a short-term loan to Addie International Limited granted by SPL and for allegedly helping Yeh, Sue-Fei and Procomp do irregular trading but, at the same time, Procomp used the restricted deposit for fictitious sale transactions. Later, when problems on Procomp’s account arose, the Bank and Grand Cathay demanded compensation, which was taken from Procomp’s account, resulting in damage to Procomp. The Bank was suspected of misleading investors by concealing the restricted status of Procomp’s deposit and window dressing Procomp’s financial statements. On behalf of investors, the SFIPC filed a lawsuit against the Bank, SPL and all other parties related to Procomp for $4,207,212. Both the courts of the first instance and the second instance ruled in favor of the Bank and SinoPac Leasing. The court believes that the Bank and SinoPac Leasing are not liable for the damage of Procomp as they do not hold rights and obligations to the edition, approval, recognition and announcement of Procomp’s financial statements and the Bank and SinoPac Leasing did not conspire with Procomp to concealing the restricted status of Procomp. The Supreme Court reversed the declared judgment on July 26, 2017 and remanded the case to Taiwan High Court. The case is still under process. The SFIPC reduced their declaration to $4,161,366, and once again reduced their declaration to $4,161,219.

The High Court ruled in favor of the Bank and SinoPac Leasing. However, the SFIPC decided to file an appeal to the Supreme Court on June 6, 2019.

2) The SFIPC filed a lawsuit against the Bank on the ground that the Bank’s Tunpei Branch provided National Aerospace Fasteners Corporation (NAFC) with its accounts receivable factoring services. NAFC recorded this significant-amount loan transaction as an accounts receivable financing to window-dress its financial position in order to attract investments. The SFIPC filed a lawsuit against the Bank and other parties and demanded a compensation of approximately $543,233; the court of the first instance ruled in favor of the Bank. However, the SFIPC decided to file an appeal for the second instance and stated to reduce the amount of compensation to $293,940 on November 13, 2015; Taiwan High Court ruled in favor of the Bank on December 13, 2016. Nevertheless, the SFIPC filed another appeal to the Supreme Court on January 6, 2017. The Supreme Court ruled in favor of the Bank on June 13, 2019. The case is closed.
3) The Bank dealt with Skwentex International Corporation (Skwentex) regarding Skwentex’s receivables from Siltron tech Electronics Corporation. The relevant accounts receivable transaction involved suspected false cycle trading and was investigated by the Taiwan New Taipei District Prosecutors in 2015. This case was still under process by the Taiwan New Taipei District Prosecutors in 2016. Due to the abnormal and suspected unlawful accounts receivable transaction, the Bank cannot pay the consideration of accounts receivable to Skwentex in accordance with the credit contract. Skwentex sued the Bank in July 2017 and demanded a compensation of $214,471. Taipei District Court ruled in favor of the Bank on February 27, 2020.

43. HIERARCHY AND FAIR VALUE INFORMATION OF FINANCIAL INSTRUMENTS

a. The definition of the hierarchy:

1) Level one

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

a) All financial instruments in the market are homogeneous;

b) Willing buyers and sellers exist in the market all the time;

c) The public can access the price information easily.

2) Level two

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

a) Quoted prices from the similar products in the active market. This means the fair value can be derived from the current trading prices of similar products. It is also noted that whether they are similar products should be judged by the characteristics and trading rules. The fair value valuation in this circumstance may make some adjustment due to time lags, trading rule’s differences, related parties’ prices, and the correlation of price between itself and the similar instruments.

b) Quoted prices for identical or similar financial instruments in inactive markets.

c) When marking-to-model, the input of model in this level should be observable (such as interest rates, yield curves and volatilities). The observable inputs mean that they can be attained from market and can reflect the expectation of market participants.

d) Inputs which can be derived from other observable prices or whose correlation can be verified through other observable market data.

3) Level three

The fair prices of the products in this level are based on the inputs other than the direct market data.
b. Financial instrument measured at fair value

1) Hierarchy information of fair value of financial instruments

<table>
<thead>
<tr>
<th>Financial Instruments Measured at Fair Value</th>
<th>December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
</tr>
<tr>
<td>Measured on a recurring basis</td>
<td></td>
</tr>
<tr>
<td>Non-derivative financial instruments</td>
<td></td>
</tr>
<tr>
<td>Assets</td>
<td></td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td></td>
</tr>
<tr>
<td>Financial assets mandatorily classified as at FVTPL</td>
<td></td>
</tr>
<tr>
<td>Bonds</td>
<td>$36,597,109</td>
</tr>
<tr>
<td>Others</td>
<td>2,391,984</td>
</tr>
<tr>
<td>Financial assets at fair value through other comprehensive income</td>
<td></td>
</tr>
<tr>
<td>Equity instruments at FVTOCI</td>
<td></td>
</tr>
<tr>
<td>Stocks and others</td>
<td>2,218,151</td>
</tr>
<tr>
<td>Debt instruments at FVTOCI</td>
<td></td>
</tr>
<tr>
<td>Bonds</td>
<td>88,263,736</td>
</tr>
<tr>
<td>Certificates of deposits and others</td>
<td>148,413,679</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
</tr>
<tr>
<td>Financial liabilities at fair value through profit or loss</td>
<td></td>
</tr>
<tr>
<td>Financial liabilities designed at fair value through profit or loss</td>
<td></td>
</tr>
<tr>
<td>1,536,619</td>
<td>-</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td></td>
</tr>
<tr>
<td>Assets</td>
<td></td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td></td>
</tr>
<tr>
<td>Financial assets mandatorily classified as at FVTPL</td>
<td>13,055,297</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
</tr>
<tr>
<td>Financial liabilities at fair value through profit or loss</td>
<td></td>
</tr>
<tr>
<td>Held-for-trading financial liabilities</td>
<td>15,176,455</td>
</tr>
</tbody>
</table>
### Financial Instruments Measured at Fair Value

<table>
<thead>
<tr>
<th>Financial Instruments Measured at Fair Value</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measured on a recurring basis</td>
<td>Total</td>
</tr>
<tr>
<td>Non-derivative financial instruments</td>
<td></td>
</tr>
<tr>
<td>Assets</td>
<td></td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>$31,173,586</td>
</tr>
<tr>
<td>Bonds</td>
<td>2,531,143</td>
</tr>
<tr>
<td>Financial assets at fair value through other comprehensive income</td>
<td></td>
</tr>
<tr>
<td>Equity instruments at FVTOCI</td>
<td></td>
</tr>
<tr>
<td>Stocks and others</td>
<td>1,938,907</td>
</tr>
<tr>
<td>Debt instruments at FVTOCI</td>
<td>53,339,088</td>
</tr>
<tr>
<td>Bonds</td>
<td>150,365,317</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
</tr>
<tr>
<td>Financial liabilities at fair value through profit or loss</td>
<td>$1,500,806</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td></td>
</tr>
<tr>
<td>Assets</td>
<td></td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>$16,129,278</td>
</tr>
<tr>
<td>Financial liabilities at fair value through profit or loss</td>
<td></td>
</tr>
<tr>
<td>Financial liabilities</td>
<td></td>
</tr>
<tr>
<td>Hold-for-trading financial liabilities</td>
<td>$18,266,109</td>
</tr>
</tbody>
</table>

2) Fair value measurement technique

Financial instruments at fair value through profit or loss, financial assets at fair value through other comprehensive income with quoted price in an active market are using market price as fair value; financial instruments above with no quoted price in an active market are estimated by valuation methods. The estimation and assumption of valuation method the Group used is the same as market participants'. The Group can obtain this information.

The basis of fair value estimation used by the Group is as follows:

The fair value of forward contract, interest rate swap contracts and cross-currency swap contracts is measured by the discounted cash flow method; the fair value of option is measured by Black & Scholes Model.

Fair values of forward contracts are estimated on the basis of the foreign exchange rates provided by Reuters. Structured product is measured by opponents’ price based on match basis. This method diminished market risk to zero. Fair value of interest rate swap contracts and cross-currency swap contracts are estimated on the basis of market quotation provided by Reuters.

Fair value is determined as follows: (a) domestic listed stocks, Taipei Exchange Stocks and Stocks of Real Estate Investment Trust - closing prices as of the balance sheet date; (b) beneficial certificates (open-end funds), net asset values as of the balance sheet date; (c) bonds - period-end reference prices published by the Taipei Exchange or internal model price (d) bank debentures issued overseas and the overseas bonds-period-end reference prices published by Bloomberg, calculated through an internal model or provided by a counter-party.
The Bank assessed the active level of market and the adequacy of fair value of emerging stocks and measured the investments at fair value.

The Group assessed the fair value of unlisted counters using the following method. The market method uses the price and other relevant information generated by the market transactions involving comparable or comparable assets, liabilities or assets and liabilities.

3) Credit risk valuation adjustment is set out below:

Credit risk valuation consists of credit valuation adjustment and debit valuation adjustment.

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

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

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

The Group calculated EAD based on mark-to-market fair value of OTC derivative instruments.

The Group takes 60% as the standard LGD of counter parties, and subject to change under the risk nature and data feasibility.

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

4) Transfer between Level 1 and Level 2

For the year ended December 31, 2019, the Group transferred part of the foreign bank debentures from Level 1 to Level 2 because the Group determined these investments were not in an active market.

For the year ended December 31, 2018, the Group transferred part of the NTD corporate bonds and foreign bank debentures from Level 1 to Level 2 because the Group determined these investments were not in an active market.

5) Reconciliation of Level 3 items of financial instruments

a) Reconciliation of Level 3 items of financial assets

<table>
<thead>
<tr>
<th>Items</th>
<th>Beginning Balance</th>
<th>Gains (Losses) on Valuation</th>
<th>Other Comprehensive Income</th>
<th>Purchase/ Issued</th>
<th>Transfer to Level 3 (Note 1)</th>
<th>Decrease</th>
<th>Transfer Out of Level 3</th>
<th>Effects of Changes in Exchange Rate</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Gain (Loss)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-derivative financial instruments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>3,219,887</td>
<td>(169,275)</td>
<td></td>
<td></td>
<td>524,749</td>
<td></td>
<td></td>
<td></td>
<td>51,193</td>
</tr>
<tr>
<td>Financial assets mandatorily classified as at FVTPL</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets at fair value through other comprehensive income</td>
<td>933,907</td>
<td></td>
<td>259,244</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt instruments at FVTOCI</td>
<td>922,544</td>
<td></td>
<td></td>
<td></td>
<td>(19,178)</td>
<td></td>
<td></td>
<td></td>
<td>903,366</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>1,430,738</td>
<td>(790,905)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets mandatorily classified as at FVTPL</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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For the Year Ended December 31, 2018

<table>
<thead>
<tr>
<th>Items</th>
<th>Beginning Balance (Note 2)</th>
<th>Gains (Losses) on Valuation</th>
<th>Increase</th>
<th>Decrease</th>
<th>Effects of Changes in Exchange Rate</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-derivative financial instruments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets mandatorily classified as at FVTPL</td>
<td>$ -</td>
<td>$ 169,275</td>
<td>$ -</td>
<td>$ 3,050,612</td>
<td></td>
<td>$ 3,219,887</td>
</tr>
<tr>
<td>Financial assets at fair value through other comprehensive income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity instruments at FVTOCI</td>
<td>1,342,786</td>
<td>(238,060)</td>
<td>9,197</td>
<td>(183,690)</td>
<td></td>
<td>933,907</td>
</tr>
<tr>
<td>Debt instruments at FVTOCI</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>634,687</td>
<td>776,143</td>
<td></td>
<td></td>
<td></td>
<td>1,410,830</td>
</tr>
</tbody>
</table>

Note 1: Due to the reduced market activity of the securities, the lack of observable market data has led to transfer to Level 3.

Note 2: The beginning balance of equity instruments at FVTOCI contains emerging stocks classified as available-for-sale and unlisted shares measured at cost under IAS 39.

Note 3: Including the reduced by the investee.

For the years ended December 31, 2019 and 2018, the gains and losses on valuation included in net income with assets still held were losses $336,394 and gains $975,124, respectively.

For the years ended December 31, 2019 and 2018, the gains and losses on valuation included in other comprehensive income with assets still held were gains $259,244 and losses $177,429, respectively.

b) Reconciliation of Level 3 items of financial liabilities

For the Year Ended December 31, 2019

<table>
<thead>
<tr>
<th>Items</th>
<th>Beginning Balance</th>
<th>Valuation Gain/Loss Reflected on Profit or Loss</th>
<th>Increase</th>
<th>Decrease</th>
<th>Effects of Changes in Exchange Rate</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-derivatives financial instruments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial liabilities at fair value through profit or loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Held-for-trading financial liabilities</td>
<td>$ 1,210,463</td>
<td>(103,275)</td>
<td></td>
<td></td>
<td></td>
<td>$ 1,107,188</td>
</tr>
</tbody>
</table>

For the Year Ended December 31, 2018

<table>
<thead>
<tr>
<th>Items</th>
<th>Beginning Balance</th>
<th>Valuation Gain/Loss Reflected on Profit or Loss</th>
<th>Increase</th>
<th>Decrease</th>
<th>Effects of Changes in Exchange Rate</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-derivatives financial instruments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial liabilities at fair value through profit or loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Held-for-trading financial liabilities</td>
<td>$ 686,411</td>
<td>524,692</td>
<td></td>
<td></td>
<td></td>
<td>$ 1,210,463</td>
</tr>
</tbody>
</table>

For the years ended December 31, 2019 and 2018, the gain or loss on valuation results included in net income from liabilities still held were loss $77,347 and $586,147, respectively.
6) Quantitative information about the significant unobservable inputs (Level 3) used in the fair value measurement

Quantitative information about the significant unobservable inputs is set out below:

### December 31, 2019

<table>
<thead>
<tr>
<th>Financial Instruments Measured at Fair Value</th>
<th>Financial Assets</th>
<th>Financial Liabilities</th>
<th>Valuation Techniques</th>
<th>Significant Unobservable Inputs</th>
<th>Interval (Weighted-average)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Derivative financial instruments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hybrid FX swap structured instruments</td>
<td>$ 591,299</td>
<td>$ 590,945</td>
<td>Sellers’ quote</td>
<td>(Note 1)</td>
<td>-</td>
</tr>
<tr>
<td>Others</td>
<td>88,536</td>
<td>516,243</td>
<td>Sellers’ quote</td>
<td>(Notes 1 and 2)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 679,835</td>
<td>$ 1,107,188</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Non-derivative financial instruments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets at fair value through other comprehensive income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity instruments at FVTOCI</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unlisted shares</td>
<td>$ 1,193,151</td>
<td></td>
<td>Market method or market value with liquidity valuation discount</td>
<td>Discount factor of liquidity</td>
<td>0%-30%</td>
</tr>
<tr>
<td>Debt instruments at FVTOCI</td>
<td>$ 903,366</td>
<td></td>
<td>Taipei Exchange’s quote or Bloomberg’s model price</td>
<td>(Note 3)</td>
<td>-</td>
</tr>
</tbody>
</table>

### December 31, 2018

<table>
<thead>
<tr>
<th>Financial Instruments Measured at Fair Value</th>
<th>Financial Assets</th>
<th>Financial Liabilities</th>
<th>Valuation Techniques</th>
<th>Significant Unobservable Inputs</th>
<th>Interval (Weighted-average)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Derivative financial instruments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hybrid FX swap structured instruments</td>
<td>$ 1,040,193</td>
<td>$ 1,039,128</td>
<td>Sellers’ quote</td>
<td>(Note 1)</td>
<td>-</td>
</tr>
<tr>
<td>Others</td>
<td>390,557</td>
<td>171,335</td>
<td>Sellers’ quote</td>
<td>(Notes 1 and 2)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 1,430,750</td>
<td>$ 1,210,463</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Non-derivative financial instruments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss Financial assets mandatorily classified as at FVTPL Bonds</td>
<td>$ 3,219,887</td>
<td></td>
<td>Taipei Exchange’s quote or Bloomberg’s model price</td>
<td>(Note 3)</td>
<td>-</td>
</tr>
<tr>
<td>Equity instruments at FVTOCI</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unlisted shares</td>
<td>$ 933,907</td>
<td></td>
<td>Market method or market value with liquidity valuation discount</td>
<td>Discount factor of liquidity</td>
<td>0%-30%</td>
</tr>
<tr>
<td>Debt instruments at FVTOCI</td>
<td>$ 922,544</td>
<td></td>
<td>Taipei Exchange’s quote or Bloomberg’s model price</td>
<td>(Note 3)</td>
<td>-</td>
</tr>
</tbody>
</table>
Note 1: On pairs of back-to-back transactions, consequences of significant unobservable inputs and fair values are not fully captured in practice. Therefore, both inputs are not disclosed.

Note 2: Considering the risk model, the seller’s quotation is provided for reference; consequences of significant unobservable inputs and fair values are not fully captured in practice. Therefore, both inputs are not disclosed.

Note 3: Due to zero coupon callable bonds and international bonds listed in the OTC market lack liquidity, no observable liquidity reduction factor could be obtained. Therefore, no disclosure has been made.

7) Valuation processes for fair value measurements categorized within Level 3

The Group assesses the derivative financial instruments’ fair values according to the quote by counterparties; related assessments are compiled as risk-control reports and inform the manager and the board of directors by month.

The risk management department is responsible for independent testify of fair value of non-derivative financial instruments. The team also use the independent source date to bring the assessment results closer to market conditions, confirm that data sources are independent, reliable, consistent with other resources and represent executable price, calibrate the evaluation model periodically and update input values and data required for the evaluation model to ensure the evaluation results are reasonable.

8) The sensitivity analysis of reasonable, possible and alternative hypothesis for the third level of fair value measurements.

The Bank evaluates financial instruments reasonably, although using different valuation model and parameter, may cause different valuation results. For financial instruments classified as Level 3 and the fair value source used lacks observable, liquidity reduction factor. If the change of estimated liquidity cost, estimating 99% confidence interval and based on historical data of market turnover in the past two years, are included in the estimation, the impact on profit and loss is as follows:

<table>
<thead>
<tr>
<th>December 31, 2019</th>
<th>Changes in the Fair Value Reflected in Current Profit or Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item</td>
<td>Unfavorable Change</td>
</tr>
<tr>
<td>Asset</td>
<td></td>
</tr>
<tr>
<td>Financial assets at fair value through other comprehensive income</td>
<td></td>
</tr>
<tr>
<td>Debt instruments at fair value through other comprehensive income</td>
<td>$(20,154)</td>
</tr>
</tbody>
</table>
December 31, 2018

<table>
<thead>
<tr>
<th>Item</th>
<th>Changes in the Fair Value Reflected in Current Profit or Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unfavorable Change</td>
</tr>
<tr>
<td><strong>Asset</strong></td>
<td></td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td></td>
</tr>
<tr>
<td>Financial assets mandatorily classified as at fair value through profit or loss</td>
<td>$(76,197)</td>
</tr>
<tr>
<td>Financial assets at fair value through other comprehensive income</td>
<td></td>
</tr>
<tr>
<td>Debt instruments at fair value through other comprehensive income</td>
<td>$(17,802)</td>
</tr>
<tr>
<td><strong>c. Financial instruments not carried at fair value</strong></td>
<td></td>
</tr>
</tbody>
</table>

1) Fair value information of financial instruments

Financial instruments not carried at fair value excluding the table below are reasonably close to their fair value, therefore no additional disclosure, for example: Cash and cash equivalents, due from the Central Bank and other banks, securities purchased under resell agreements, receivables, discounts and loans, some other financial assets, deposits from the Central Bank and other banks, securities sold under repurchase agreements, payables, deposits and remittances and other financial liabilities.

<table>
<thead>
<tr>
<th>Items</th>
<th>Carrying Amount</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt instrument investments at amortized cost</td>
<td>$ 137,940,760</td>
<td>$ 139,415,810</td>
</tr>
<tr>
<td>Bank debentures</td>
<td>33,019,751</td>
<td>33,466,786</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Items</th>
<th>Carrying Amount</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt instrument investments at amortized cost</td>
<td>$ 93,540,669</td>
<td>$ 93,681,130</td>
</tr>
<tr>
<td>Bank debentures</td>
<td>32,722,483</td>
<td>33,208,131</td>
</tr>
</tbody>
</table>

2) Hierarchy information of fair value of financial instruments

<table>
<thead>
<tr>
<th>Assets and Liabilities Item</th>
<th>December 31, 2019</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Level 1</td>
<td>Level 2</td>
</tr>
<tr>
<td>Debt instrument investments at amortized cost</td>
<td>$ 139,415,810</td>
<td>$ 51,741,668</td>
<td>$ 87,674,142</td>
</tr>
<tr>
<td>Bank debentures</td>
<td>33,466,786</td>
<td>2,198,402</td>
<td>20,067,484</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assets and Liabilities Item</th>
<th>December 31, 2018</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Level 1</td>
<td>Level 2</td>
</tr>
<tr>
<td>Debt instrument investments at amortized cost</td>
<td>$ 93,681,130</td>
<td>$ 35,071,196</td>
<td>$ 58,609,934</td>
</tr>
<tr>
<td>Bank debentures</td>
<td>33,208,131</td>
<td>2,163,981</td>
<td>23,378,250</td>
</tr>
</tbody>
</table>
3) Methods and assumptions applied in estimating the fair values of financial instruments not carried at fair value are as follows:

a) The carrying amounts of financial instruments such as cash and cash equivalents, due from the Central Bank and other banks, securities purchased under resell agreements, receivables, some of other financial assets, deposits from the Central Bank and other banks, securities sold under repurchase agreements, payables and other financial liabilities approximate their fair value because of the short maturity or the similarity of the carrying amount and future price.

b) Discounts and loans (including non-performing loans): The Group usually uses base rate (floating rate) as loan rate because it can reflect market rate. Thus, using its carrying amount to consider the probability of repossession and estimate its fair value is reasonable. Long-term loans with fixed rate should estimate its fair value by its discounted value of expected cash flow. Because this kind of loans is not significant in this item, using its carrying amount to consider the probability of repossession and estimate its fair value should be reasonable.

c) The debt instruments investments at amortized cost: Debt instruments investments at amortized cost with quoted price in an active market are using market price as fair value; debt instruments investments at amortized cost with no quoted price in an active market are estimated by valuation methods or opponent’s price.

d) Deposits and remittances: Considering banking industry’s characteristic, since deposits have one-year maturity and measured by market rate (market value), using carrying value to assess fair value is reasonable. For deposits with three-year maturity are measured by discounted cash flow, using carrying value to assess fair value is reasonable.

e) Bank debentures: Bank debentures with quoted price in an active market are using market price as fair value; bank debentures with no quoted price in an active market are estimated by valuation methods or quotes from counterparties.

44. FINANCIAL RISK MANAGEMENT

a. Overview

The Group documents the risk management policies, including overall operating strategies and risks control philosophy. The Group’s overall risk management policies are to minimize the possibility of potential unfavorable factors. The board of directors approves the documentation of overall risk management policies and specific risk management policies; including credit risk, liquidity risk, market risk, operational risk, derivative instruments transactions and managements. The board of directors reviews the policies regularly, and reviews the operation to make sure the Group’s policies are executed properly.

b. Risk management framework

The board of directors is the top risk supervisor of the Group. The board not only reviewed risk management policies and rules but also authorized management to be in charge of daily risk management work. The Bank has set up a risk management committee under the chairman of the Board to be responsible for the services above; the Bank has also set up a credit committee to review the policies and supervise the abnormal cases. The credit committee also helps the board of directors approve cases over general manager’s authority under the board’s authorization.

The board of directors authorized the Group’s management to supervise risk management activities, evaluate the performance and confirm every risk management agent having essential code of ethic and professional skills. Internal audit is responsible for the periodic review of risk management and the control environment, then reports the results directly to the board of directors.
The Bank has set up a risk management department to control risk management policies, establish rules, plan and set up risk management system. The risk management department executes these policies based on the board’s approval, then reports the results and performance reviews to the authority or the board.

c. Credit risk

1) Sources and definitions of credit risk

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

2) Policies and strategies

The Group established policies based on operating goals and strategies, business plans and risk management goals authorized by the board of directors. These policies were established to lower potential financial losses, minimize risks and rewards to raise the performance and protect shareholders’ equity through appropriate managing policies and procedures based on risk-diversification principle.

The Group’s risk strategy is to strengthen the credit risk management framework, establish complete credit verification system and procedure, develop and use efficient and scientific credit risk managing instruments to identify, measure, manage and supervise credit risks. These strategies transparentize, systematize, specialize and formalize credit risk management to manage loans, non-performing assets and every kind of assets’ credit risk.

The Group has set up policies of main risks as prime direction based on legislations and operational goals. These policies include risk appetite, management goals, organization structure of responsibility and accountability, measurement, evaluation, supervision and report procedure of risks. These policies are established to reach the purposes of consistency and centralized management and are put into practice in corporate government.

Credit risk management procedures and measurements are as follows:

a) Loan business (includes loan commitment and guarantee)

Loan business classification and qualities are as follows:

i. Classification

Under the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” (the Regulations) issued by the Banking Bureau, the Bank evaluates credit losses on the basis of the estimated collectability. In accordance with the Regulations, credit assets are classified as normal assets, assets that require special mentioned, assets with substandard, assets with doubtful collectability, and assets on which there is loss. In order to manage credit problem, the Bank issued “Evaluate Assets and Deal with Non-performing/Non-accrual Loans” for managing credit problem and debt collection.
Bank SinoPac (China) Ltd. strictly follows the “Guidance for the Risk-Based Loan Categorization” established by the China Banking Regulatory Commission. It divides its loans into five categories based on a debtor’s ability to repay the full principal and interest on time. The five categories are normal, special mention, substandard, doubtful, and loss. The last three categories are considered non-performing loans.

ii. Credit quality level

The Group sets up credit quality level (ex. internal credit risk assessment model, credit assessment rules) based on business characteristic and scale to manage risks.

In order to measure clients’ credit risks, the Group established credit risk assessment model for corporate banking, personal banking and consumer banking through statistic methods, professional judgment and clients’ information. Every model should be reviewed regularly to examine whether the calculations match to the actual conditions or not, then the Bank will adjust parameters to optimize the results.

For personal banking and consumer banking customers, every case will be reviewed individually to assess default risks except that micro-credit and credit card business should be assessed by internal credit assessment model.

b) Investment business

The Group manages and identifies credit risks of debt investment through credit ratings by outsiders, credit qualities of the debt, regional conditions and counterparties’ risks.

The Group carry out derivative instrument transactions with counterparties in financial industry which are almost above the investment level. The Bank would control credit risks based on counterparties’ credit lines; counterparties with no credit ratings or at non-investment level should be reviewed individually. Normal customers’ credit exposure positions should be controlled by approved derivative instrument credit line and condition based on normal credit procedure.

3) Credit risk hedge or mitigation policies

a) Collateral

The Group has set up several standards dealing with credit exposures and collateral requirements in order to mitigate credit risks and maintain creditor’s rights. The standards cover areas such as disposal of collateral, acceptance of real estate as collateral, real estate appraisal; credit policies for every commodity to regulate collateral categories, appraisals, procedures, deduction percentages, loan rate, loan-to-value ratio, maturity analysis, control, and management.

To maintain collateral’s effectiveness, the Group supervises and manages the collateral by examining the usage, custody and maintenance of collateral regularly and irregularly to avoid selling, leasing, pledging, moving and disposing collaterals without authorization. Once the loan is due but will be extended, the contract should be seen as a new case and the collateral should be revalued.
b) Credit risk limits and credit risk concentration control

The Group manages credit line and concentration of credit assets through appropriate information managing system that gathers information on credit exposure to centralized conditions, exposure of credit asset combinations, including national risk, large credit exposure, credit line of single corporation, group and industry. For cases approaching credit limit, the concerned unit should report to management and make control strategies; for cases exceeding credit limit, the management should take appropriate action and the Group should review the credit approval process and authorization level.

c) Agreement of net settlement

The Group often makes gross settlement on transactions, sign net settlement contract with other counterparties or cancel every transactions and make net settlement when default occurs to mitigate credit risk.

4) The determination since the initial recognition of the credit risk has increased significantly

a) Loan business

The group assess the change in the risk of default of various credit assets during the lifetime on each reporting date to determine if the credit risk has increased significantly since the initial recognition.

In order to make this assessment, the main consideration is reasonable and supportable information that the credit risk has increased significantly since the initial recognition (including forward-looking information).

Key indicators include:

i. Quantitative indicators

Information on overdue conditions: When the contractual payments were overdue for more than 30 days to overdue 89 days, it has been determined that credit risk of the financial assets after the initial recognition was significantly increased.

ii. Qualitative indicators

i) Although the loan has not been repaid or due on the maturity date, there are other bad debts and the asset classification is not normal.

ii) The loan review report belonging to an abnormal credit.

iii) The credit card transaction with the Bank is abnormal.

On the basis of various credit asset evaluation benchmark days of the Group, if the credit risk does not increase significantly and not belong to an impaired financial asset, it can be determined that the credit risk does not increase significantly after the initial recognition.

b) Investment business

The Group adopts external credit rating scales to measure whether the credit risk after the initial recognition is significantly increased for debt instrument measured at amortized cost and debt instrument measured at fair value through other comprehensive income. The external credit rating is determined by international credit rating agency. When the external credit rating changes and the following situations occur, the credit risk is regarded to have significantly increased after the initial recognition.
i. From investment grade (Aaa-Baa3) to non-investment grade (Ba1 (inclusive) or less, without Ca-D)

ii. From grade Ba1-Ba3 to grade B1-Caa3

iii. The bonds in grade B1-Caa3 at initial recognition.

<table>
<thead>
<tr>
<th>Credit</th>
<th>Moody’s</th>
<th>S&amp;P</th>
<th>Fitch Ratings</th>
<th>Fitch (Taiwan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First grade</td>
<td>Aaa</td>
<td>AAA</td>
<td>AAA</td>
<td>AAA (twn)</td>
</tr>
<tr>
<td></td>
<td>Aa1</td>
<td>AA+</td>
<td>AA+</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Aa2</td>
<td>AA</td>
<td>AA</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Aa3</td>
<td>AA-</td>
<td>AA-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>A1</td>
<td>A+</td>
<td>A+</td>
<td>twAAA</td>
</tr>
<tr>
<td></td>
<td>A2</td>
<td>A</td>
<td>A</td>
<td>twAAA+</td>
</tr>
<tr>
<td></td>
<td>A3</td>
<td>A-</td>
<td>A-</td>
<td>twAAA</td>
</tr>
<tr>
<td></td>
<td>Baa1</td>
<td>BBB+</td>
<td>BBB+</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Baa2</td>
<td>BBB</td>
<td>BBB</td>
<td>twAAA-</td>
</tr>
<tr>
<td></td>
<td>Baa3</td>
<td>BBB-</td>
<td>BBB-</td>
<td></td>
</tr>
<tr>
<td>Second grade</td>
<td>Ba1</td>
<td>BB+</td>
<td>BB+</td>
<td>twAAA-</td>
</tr>
<tr>
<td></td>
<td>Ba2</td>
<td>BB</td>
<td>BB</td>
<td>twAAA-</td>
</tr>
<tr>
<td></td>
<td>Ba3</td>
<td>BB-</td>
<td>BB-</td>
<td>twAAA-</td>
</tr>
<tr>
<td>Third grade</td>
<td>B1</td>
<td>B+</td>
<td>B+</td>
<td></td>
</tr>
<tr>
<td></td>
<td>B2</td>
<td>B</td>
<td>B</td>
<td></td>
</tr>
<tr>
<td></td>
<td>B3</td>
<td>B-</td>
<td>B-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Caa1</td>
<td>CCC+</td>
<td>CCC+</td>
<td>twAAA</td>
</tr>
<tr>
<td></td>
<td>Caa2</td>
<td>CCC</td>
<td>CCC</td>
<td>twAAA</td>
</tr>
<tr>
<td></td>
<td>Caa3</td>
<td>CCC-</td>
<td>CCC-</td>
<td>twAAA</td>
</tr>
<tr>
<td>Fourth grade</td>
<td>Ca</td>
<td>CC</td>
<td>CC</td>
<td>twAAA</td>
</tr>
<tr>
<td></td>
<td>C</td>
<td>C</td>
<td>C</td>
<td>twAAA</td>
</tr>
<tr>
<td></td>
<td>SD</td>
<td>DDD</td>
<td>DDD</td>
<td></td>
</tr>
<tr>
<td></td>
<td>D</td>
<td>DD</td>
<td>DD</td>
<td></td>
</tr>
<tr>
<td></td>
<td>R</td>
<td>D</td>
<td>D</td>
<td></td>
</tr>
<tr>
<td></td>
<td>P-1</td>
<td>A-1</td>
<td>F-1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>P-2</td>
<td>A-2</td>
<td>F-2</td>
<td>twAAA</td>
</tr>
<tr>
<td></td>
<td>P-3</td>
<td>A-3</td>
<td>F-3</td>
<td>twAAA</td>
</tr>
</tbody>
</table>

The external rating of each credit rating agency refers to the conversion chart of Basel III.

If a bond has multiple credit ratings, the lowest rating of such bond will be taken as its credit rating; if the bond itself has no credit rating, the guarantor’s credit rating will be taken; if there is no guarantor, the issuer’s credit rating will be taken. If the bond’s, guarantor’s, or issuer’s external credit rating is not available, the external rating of the bond is based on the internal rating of the bond in SinoPac Holdings.
5) Definition of financial asset default and credit impairment

The Bank’s definition of financial asset default is the same as financial asset credit impairment. If one or more of the following conditions are satisfied, the Bank determines that the financial asset has defaulted and has credit impairment.

a) Quantitative indicators

Principal or interest is overdue for more than three months.

b) Qualitative indicators

If there is evidence that the debtor will not be able to pay the contract money, or the debtor is facing significant financial difficulties, for examples:

i. The main debtor has been chased, or the collateral has been disposed of.

ii. The main debtor has not paid short-term advance to the Bank.

iii. The debtor applies for debt negotiation, debt extension and debt restructuring, etc. due to financial difficulties.

iv. Other situation with objective evidence of impairment.

Bond investment belongs to credit ratings Ca-D bonds when the following situations occur:

i. The issuer probably cannot repay the principal or interest on the bond maturity date.

ii. It could be objectively judged that the issuer will not be able to repay the principal and interest of the bond on time before maturity.

iii. Probability that the debtor will enter into bankruptcy or undergo financial reorganization.

iv. The issuer encounters bankruptcy or being reorganized or taken over due to financial difficulties before bond maturity.

The above definition of default and credit impairment applies to all financial assets held by the Bank. It is consistent with the definition of relevant financial assets for internal credit risk management, and applicable to relevant impairment assessment model as well.

6) Write-off policy

If one of the following situations occurred, overdue and non-performing loans of the Bank, after deducting any estimated recoverable part, will be written off as bad debts.

a) All or part of the creditor’s right could not be enforced due to dissolution, escape, settlement, bankruptcy or other reasons of the debtors.

b) The values of collateral and properties of the main and subordinate debtors are very low, compensation are not available after deducting the first mortgage, or it is unbeneﬁcial that execution fee is close to or may exceed the bank’s reimbursable amount.

c) The collateral and the properties of the main and subordinate debtors are unsold after multiple discount auctions and not beneﬁcial to the Bank.
d) Overdue and non-performing loans have not been recovered after more than 2 years from the maturity date.

The Bank has procedures for recording accounts written-off and for keeping such records for inspection. Relevant business department continues to watch for movements of the main and subordinate debtors all the time. If there is any property available for execution, the Bank will take appropriate legal action.

7) Amendment to financial asset contract cash flows

The Group will amend financial asset contract cash flows when borrowers are in financial difficulties, as a result of improvement of problematic debtors’ recovery rate or for maintenance of customer relationships. Financial asset contract cash flows amendment include extension of contract period, interest payment date modification, contract interest modification, or exemption from certain requirements of part of debts. The amendment could result in the Group’ disposal of existing financial asset and recording of new financial asset at fair value.

If the modification of the contractual cash flows of financial asset does not result in derecognition of asset, the Group will assess whether the credit risk of financial asset has increased significantly by comparing the following:

a) Risk of breaching the contract on the reporting date (based on revised contract terms)

b) The risk of default in the original recognition (based on the original unmodified contract terms)

The Group will consider the borrower’s subsequent payment in accordance with the revised terms and several relevant behavior indicators to assess the probability of default on the revised financial asset, and confirm whether the contract modification improves or restore the Group’s ability to recover related contract payments.

8) Measurement of expected credit losses

For the purpose of measuring expected credit losses, the Group will look into the business attributes of the credit assets (such as corporate finance, personal finance, consumer finance, e-finance, etc.) as well as the size of the company, types of collateral, and remaining period of maturities, etc. and group the credit risk characteristics into three stages: No significant increase in credit risk (stage 1), significant increase in credit risk (stage 2), and credit impairment (stage 3) according to the credit risk level at the valuation date.

The Group provides allowance for 12-month expected credit losses when financial instruments did not have a significant increase in credit risk since the initial recognition. Financial instruments are provided with allowance for full-lifetime expected credit losses when there is significant increase in credit risk or credit impairment since the initial recognition.

To measure expected credit losses, the Group takes into account the borrower’s probability of default (“PD”) for the next 12 months and for the period of existence, and includes loss given default (“LGD”), and exposure at default (“EAD”) taking into account the impact of the time value of money. The expected credit losses for 12 months and for full-lifetime are calculated.

The Bank assesses the amount of Exposure at default of lending based on outstanding loan principal of customers, interest receivable and short-term advances at the end of each period. In addition, when estimating the expected credit losses of lending financing commitments, Exposure at default used to calculate expected credit losses is determined based on the conditions and days of the financing commitment and by reference to the credit risk conversion factor of Basel Capital Accord.
Probability of default is the default probability of the borrower, and the default loss rate is the rate of loss caused by default of the borrower. The default probability and default loss rate used in the impairment assessment and calculation of expected credit losses of the Bank loan business are based on internal historical information (such as credit loss experience, etc.) of each borrower group, with adjustments to the historical data based on the current observable data and forward-looking economic information. The expected loss of debt instrument investment is calculated according to the default rate information and external recovery rate information published by the external credit rating agencies.

9) Forward-looking information considerations

a) Credit assets

The Bank takes forward-looking information into account when determining whether the credit risk of the credit assets has increased significantly since the initial recognition and measures the expected credit losses. The Bank uses historical data and expert judgments to analyze and identify the economic factors that affect the credit risk and expected credit losses of various asset groups, such as GDP and unemployment rate. The Bank obtains quarterly historical data and forecast information of the relevant economic factors from international financial organizations (such as the International Monetary Fund (IMF)). This forecast information contains the best estimate of the economic situation in the next five years.

The relevant economic factors and their impact on PD differ among different credit business. The Bank classifies credit product types as:

i. Enterprise, sovereignty, and bank credit exposure.
ii. Home Mortgage Insurance credit exposure.
iii. Qualified cycling retail credit exposure.
iv. Other retail credit exposure.

With reference to the Basel Capital Accord IRB method, the correlation coefficient of various types of credit products and risk category is calculated and forward-looking information is used to adjust the default probability.

b) Investment business

For the debt instrument investment measured at amortized cost and measured at fair value through other comprehensive income, one of the indicators of significant increase in credit risk is the quantified change in the external rating class announced by the international credit rating agencies, and the measurement of expected credit losses is based on the information of the default ratings and default loss rates regularly announced by external rating agencies and international credit rating agencies.

As international credit rating agencies have considered forward-looking information in assessing credit ratings, the Bank’s assessment of forward-looking information is appropriate, and is included in the bank’s assessment of expected credit losses.
10) The allowance for loss of the Group

Change in allowance for discounts and loans

<table>
<thead>
<tr>
<th>For the Year Ended December 31, 2019</th>
<th>12-month ECL</th>
<th>Lifetime ECL (Collectively Assessed)</th>
<th>Lifetime ECL (Non-purchased or Originated Credit-Impaired Financial Assets)</th>
<th>Impairment in Accordance With IFRS 9</th>
<th>The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans (Note)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, January 1</td>
<td>$1,542,056</td>
<td>$318,552</td>
<td>$1,036,959</td>
<td>$2,897,567</td>
<td>$10,115,562</td>
<td>$13,013,129</td>
</tr>
<tr>
<td>Changes due to financial instruments that have been recognized at the beginning of the period:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To lifetime ECL</td>
<td>(6,145)</td>
<td>884,156</td>
<td>(72,130)</td>
<td>805,881</td>
<td>-</td>
<td>805,881</td>
</tr>
<tr>
<td>From conversion to credit-impaired financial assets</td>
<td>(3,795)</td>
<td>(305,468)</td>
<td>653,569</td>
<td>344,306</td>
<td>-</td>
<td>344,306</td>
</tr>
<tr>
<td>To 12-month ECL</td>
<td>1,531</td>
<td>(198,497)</td>
<td>(394)</td>
<td>(197,360)</td>
<td>-</td>
<td>(197,360)</td>
</tr>
<tr>
<td>Derecognizing financial assets during the current period</td>
<td>(2,383,208)</td>
<td>(285,646)</td>
<td>(402,866)</td>
<td>(3,071,720)</td>
<td>-</td>
<td>(3,071,720)</td>
</tr>
<tr>
<td>Adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans (Note)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,333,718</td>
<td>1,333,718</td>
</tr>
<tr>
<td>Write-off</td>
<td>-</td>
<td>-</td>
<td>(397,493)</td>
<td>(397,493)</td>
<td>(460,393)</td>
<td>(857,886)</td>
</tr>
<tr>
<td>Changes in model/risk parameters</td>
<td>(12,323)</td>
<td>12,945</td>
<td>(80,843)</td>
<td>(80,221)</td>
<td>-</td>
<td>(80,221)</td>
</tr>
<tr>
<td>Effect of exchange rate changes and others</td>
<td>(17,626)</td>
<td>(4,944)</td>
<td>(3,592)</td>
<td>(26,163)</td>
<td>(31,064)</td>
<td>(57,227)</td>
</tr>
<tr>
<td>Balance, December 31</td>
<td>$1,219,209</td>
<td>$718,902</td>
<td>$876,821</td>
<td>$2,814,932</td>
<td>$10,957,823</td>
<td>$13,772,755</td>
</tr>
</tbody>
</table>

Note: The amounts of the listings of Bank SinoPac (China) in accordance with local supervision regulation are included.
### Changes in allowance for receivable

<table>
<thead>
<tr>
<th>For the Year Ended December 31, 2019</th>
<th>12-month ECL</th>
<th>Lifetime ECL (Collectively Assessed)</th>
<th>Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Asset)</th>
<th>Impairment in Accordance with IFRS 9</th>
<th>The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance, January 1</strong></td>
<td>$19,757</td>
<td>$5,705</td>
<td>$369,656</td>
<td>$395,118</td>
<td>$499,687</td>
<td>$894,805</td>
</tr>
<tr>
<td>Changes due to financial instruments that have been recognized at the beginning of the period:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To lifetime ECL</td>
<td>(103)</td>
<td>16,510</td>
<td>(5,742)</td>
<td>10,665</td>
<td>-</td>
<td>10,665</td>
</tr>
<tr>
<td>From conversion to credit-impaired financial assets</td>
<td>(18)</td>
<td>(11,161)</td>
<td>92,048</td>
<td>80,869</td>
<td>-</td>
<td>80,869</td>
</tr>
<tr>
<td>To 12-month ECL</td>
<td>28</td>
<td>(3,084)</td>
<td>(189)</td>
<td>(3,245)</td>
<td>-</td>
<td>(3,245)</td>
</tr>
<tr>
<td>Derecognizing financial assets during the current period</td>
<td>(30,241)</td>
<td>-</td>
<td>(71,626)</td>
<td>(101,867)</td>
<td>-</td>
<td>(101,867)</td>
</tr>
<tr>
<td>Purchased or originated new financial assets</td>
<td>39,045</td>
<td>296</td>
<td>33,823</td>
<td>73,164</td>
<td>-</td>
<td>73,164</td>
</tr>
<tr>
<td>Adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(48,041)</td>
<td>(48,041)</td>
</tr>
<tr>
<td>Write-off</td>
<td>(2)</td>
<td>(147)</td>
<td>(70,452)</td>
<td>(70,601)</td>
<td>(73,803)</td>
<td>(144,404)</td>
</tr>
<tr>
<td>Changes in model/risk parameters</td>
<td>(162)</td>
<td>(192)</td>
<td>(1,745)</td>
<td>(2,099)</td>
<td>-</td>
<td>(2,099)</td>
</tr>
<tr>
<td>Effect of exchange rate changes and others</td>
<td>(551)</td>
<td>(21)</td>
<td>(5,610)</td>
<td>(6,182)</td>
<td>(3,255)</td>
<td>(9,437)</td>
</tr>
<tr>
<td><strong>Balance, December 31</strong></td>
<td>$27,753</td>
<td>$7,906</td>
<td>$340,163</td>
<td>$375,822</td>
<td>$374,588</td>
<td>$750,410</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>For the Year Ended December 31, 2018</th>
<th>12-month ECL</th>
<th>Lifetime ECL (Collectively Assessed)</th>
<th>Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Asset)</th>
<th>Impairment in Accordance with IFRS 9</th>
<th>The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance, January 1</strong></td>
<td>$17,118</td>
<td>$13,247</td>
<td>$408,272</td>
<td>$438,637</td>
<td>$453,111</td>
<td>$891,748</td>
</tr>
<tr>
<td>Changes due to financial instruments that have been recognized at the beginning of the period:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To lifetime ECL</td>
<td>(99)</td>
<td>22,446</td>
<td>(7,016)</td>
<td>15,331</td>
<td>-</td>
<td>15,331</td>
</tr>
<tr>
<td>From conversion to credit-impaired financial assets</td>
<td>(20)</td>
<td>(21,434)</td>
<td>85,612</td>
<td>64,158</td>
<td>-</td>
<td>64,158</td>
</tr>
<tr>
<td>To 12-month ECL</td>
<td>9</td>
<td>(2,176)</td>
<td>(588)</td>
<td>(2,755)</td>
<td>-</td>
<td>(2,755)</td>
</tr>
<tr>
<td>Derecognizing financial assets during the current period</td>
<td>(49,230)</td>
<td>(5,256)</td>
<td>(22,933)</td>
<td>(77,419)</td>
<td>-</td>
<td>(77,419)</td>
</tr>
<tr>
<td>Purchased or originated new financial assets</td>
<td>52,481</td>
<td>11</td>
<td>5,665</td>
<td>58,157</td>
<td>-</td>
<td>58,157</td>
</tr>
<tr>
<td>Adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>137,739</td>
<td>137,739</td>
</tr>
<tr>
<td>Write-off</td>
<td>(1,085)</td>
<td>(97,674)</td>
<td>(98,759)</td>
<td>(95,739)</td>
<td>(194,498)</td>
<td>(194,498)</td>
</tr>
<tr>
<td>Effect of exchange rate changes and others</td>
<td>(502)</td>
<td>(48)</td>
<td>(1,682)</td>
<td>(2,232)</td>
<td>4,576</td>
<td>2,344</td>
</tr>
<tr>
<td><strong>Balance, December 31</strong></td>
<td>$19,757</td>
<td>$5,705</td>
<td>$369,656</td>
<td>$395,118</td>
<td>$499,687</td>
<td>$934,005</td>
</tr>
</tbody>
</table>

**Note:** The amounts of receivables include other financial assets’ non-performing loans transferred from loans.
11) The maximum credit exposure of the financial instruments held by the Bank and Bank SinoPac (China) Ltd.

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

<table>
<thead>
<tr>
<th>Off-Balance Sheet Items</th>
<th>The Maximum Credit Exposure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>December 31, 2019</td>
</tr>
<tr>
<td>Undrawn credit card commitments</td>
<td>$ 178,670,179</td>
</tr>
<tr>
<td>Undrawn loan commitments</td>
<td>33,691,220</td>
</tr>
<tr>
<td>Guarantees</td>
<td>20,046,255</td>
</tr>
<tr>
<td>Standby letter of credit</td>
<td>4,117,324</td>
</tr>
</tbody>
</table>

The Bank and Bank SinoPac (China) Ltd. adopt a strict and continuous evaluation procedure and review the result regularly to control and minimize off-balance sheet credit risk exposures.

The contract amount in the credit business and financial instruments may not be fully paid before the maturity; therefore, the contract amount is not deemed as the amount of future cash outflow. In other words, the future cash demand is lower than contract amount. If the credit limit is exceeded and collaterals lose their value, the amount of credit risk is equal to the contract amount which is the possible maximum loss.

12) Credit risk exposures concentration of the Group

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

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

a) By industry

<table>
<thead>
<tr>
<th>Industries</th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>%</td>
</tr>
<tr>
<td>Private enterprise</td>
<td>$ 466,858,426</td>
<td>46.05</td>
</tr>
<tr>
<td>Public enterprise</td>
<td>7,950,444</td>
<td>0.78</td>
</tr>
<tr>
<td>Government sponsored enterprise and business</td>
<td>5,920,883</td>
<td>0.58</td>
</tr>
<tr>
<td>Nonprofit organization</td>
<td>268,580</td>
<td>0.03</td>
</tr>
<tr>
<td>Private</td>
<td>516,960,053</td>
<td>51.00</td>
</tr>
<tr>
<td>Financial institutions</td>
<td>15,789,387</td>
<td>1.56</td>
</tr>
<tr>
<td>Total</td>
<td>$1,013,747,773</td>
<td>100.00</td>
</tr>
</tbody>
</table>
b) By region

<table>
<thead>
<tr>
<th>Regions</th>
<th>December 31, 2019</th>
<th></th>
<th>December 31, 2018</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>%</td>
<td>Amount</td>
<td>%</td>
</tr>
<tr>
<td>Domestic</td>
<td>$ 833,900,001</td>
<td>82.26</td>
<td>$ 785,273,030</td>
<td>84.20</td>
</tr>
<tr>
<td>Asia</td>
<td>98,892,302</td>
<td>9.76</td>
<td>83,307,763</td>
<td>8.93</td>
</tr>
<tr>
<td>North America</td>
<td>51,714,212</td>
<td>5.10</td>
<td>41,589,575</td>
<td>4.46</td>
</tr>
<tr>
<td>Others</td>
<td>29,241,258</td>
<td>2.88</td>
<td>22,458,616</td>
<td>2.41</td>
</tr>
<tr>
<td>Total</td>
<td>$1,013,747,773</td>
<td>100.00</td>
<td>$932,628,984</td>
<td>100.00</td>
</tr>
</tbody>
</table>

c) By collateral

<table>
<thead>
<tr>
<th>Collaterals</th>
<th>December 31, 2019</th>
<th></th>
<th>December 31, 2018</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>%</td>
<td>Amount</td>
<td>%</td>
</tr>
<tr>
<td>Credit</td>
<td>$ 321,236,124</td>
<td>31.69</td>
<td>$ 340,758,579</td>
<td>36.54</td>
</tr>
<tr>
<td>Secured Stocks</td>
<td>4,756,937</td>
<td>0.47</td>
<td>3,492,609</td>
<td>0.37</td>
</tr>
<tr>
<td>Bonds</td>
<td>16,419,727</td>
<td>1.62</td>
<td>16,043,250</td>
<td>1.72</td>
</tr>
<tr>
<td>Real estate</td>
<td>613,767,817</td>
<td>60.54</td>
<td>524,644,868</td>
<td>56.25</td>
</tr>
<tr>
<td>Movable collaterals</td>
<td>36,495,270</td>
<td>3.60</td>
<td>27,214,932</td>
<td>2.92</td>
</tr>
<tr>
<td>Guarantees</td>
<td>9,561,933</td>
<td>0.94</td>
<td>8,100,113</td>
<td>0.87</td>
</tr>
<tr>
<td>Others</td>
<td>11,509,965</td>
<td>1.14</td>
<td>12,374,633</td>
<td>1.33</td>
</tr>
<tr>
<td>Total</td>
<td>$1,013,747,773</td>
<td>100.00</td>
<td>$932,628,984</td>
<td>100.00</td>
</tr>
</tbody>
</table>
d) Credit risk exposure rating

<table>
<thead>
<tr>
<th>December 31, 2019</th>
<th>Principal</th>
<th>Allowance</th>
<th>The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Non-accrual Loans (Note 1)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Stage 1 12 Months ECL</td>
<td>Stage 2 Lifetime ECL</td>
<td>Stage 3 Lifetime ECL</td>
<td>Total</td>
</tr>
<tr>
<td><strong>Discounts and loans</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate banking</td>
<td>$ 494,924,002</td>
<td>$ 1,998,551</td>
<td>$ 2,853,613</td>
<td>$ 499,776,166</td>
</tr>
<tr>
<td>Consumer banking</td>
<td>508,058,024</td>
<td>4,316,838</td>
<td>1,596,745</td>
<td>513,971,607</td>
</tr>
<tr>
<td><strong>Receivables</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit card</td>
<td>17,140,371</td>
<td>229,254</td>
<td>868,820</td>
<td>18,238,445</td>
</tr>
<tr>
<td>Accounts receivable - factoring (Note 2)</td>
<td>9,763,567</td>
<td>-</td>
<td>-</td>
<td>9,763,567</td>
</tr>
<tr>
<td>Other receivable (Note 3)</td>
<td>15,924,646</td>
<td>15,858</td>
<td>347,761</td>
<td>16,288,262</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>December 31, 2018</th>
<th>Principal</th>
<th>Allowance</th>
<th>The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Non-accrual Loans (Note 1)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Stage 1 12 Months ECL</td>
<td>Stage 2 Lifetime ECL</td>
<td>Stage 3 Lifetime ECL</td>
<td>Total</td>
</tr>
<tr>
<td><strong>Discounts and loans</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate banking</td>
<td>$ 482,797,976</td>
<td>$ 365,015</td>
<td>$ 2,875,406</td>
<td>$ 486,038,397</td>
</tr>
<tr>
<td>Consumer banking</td>
<td>440,539,124</td>
<td>4,617,955</td>
<td>1,433,868</td>
<td>446,590,587</td>
</tr>
<tr>
<td><strong>Receivables</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit card</td>
<td>14,289,719</td>
<td>234,006</td>
<td>906,867</td>
<td>15,430,592</td>
</tr>
<tr>
<td>Accounts receivable - factoring (Note 2)</td>
<td>12,785,897</td>
<td>-</td>
<td>-</td>
<td>12,785,897</td>
</tr>
<tr>
<td>Other receivable (Note 3)</td>
<td>18,041,742</td>
<td>9,631</td>
<td>353,264</td>
<td>18,404,637</td>
</tr>
</tbody>
</table>
Note 1: The amounts of listings of Bank SinoPac (China) in accordance with local supervision regulation is included.

Note 2: Accounts receivable - factoring and accounts payable - factoring are offset and presented net.

Note 3: Other receivable contains non-performing receivables transferred other than loan included in other financial assets.
13) The financial impact of credit risk mitigation policies

a) Collateral and other credit enhancements

The Group implements a series of policies and measures to reduce credit risk for loan business; one of the commonly used methods is to require borrowers to provide collateral. The Group has designed and follows procedures for enforcing rights to collateral and the valuation, management, and disposal of collateral. The main types of collateral for financial assets of the Group are as follows:

i. Real estate mortgage loan.

ii. Derivatives margin agreement.

The credit contract has provisions for the preservation of debts and guarantees, which clearly define that when credit incidents occur, the Group is be able to reduce the credit limit, shorten the loan repayment deadline or treat all of them as due, so as to reduce the credit risk.

Other collateral for non-loan business depends on the nature of the financial instrument. Only asset-based securities and other similar financial instruments are secured by a group of asset-pooled financial instruments.

There was no material change in the collateral policy of the Bank, and there was no significant change in the overall collateral quality on the balance sheet date.

b) Amount of collateral for impaired financial assets

The Group closely observes the value of the collateral of the financial instruments and considers adequacy of the allowance for the credit-impaired financial assets. On December 31, 2019 and 2018, the amount of discounts and loans were $4,450,358 and $4,309,274, with a provision for loss allowance of $876,821 and $1,036,959 under IFRS 9 Stage 3, and credit guarantees, real estate, movable assets or certificates of deposit, etc., which reduced the potential loss, amounted to $2,789,473 and $2,817,681.

c) The contracted amount of financial assets that have been written off and still have recourse activities

The contracted amount of financial assets that have been written off by the Bank and still have recourse activities is $47,022,061 and $47,276,926 on December 31, 2019 and 2018.

14) Management policies of collaterals assumed

Collaterals assumed are classified as other assets. According to regulations, the Bank should dispose of collaterals within four years. There are no assumed collaterals of the Group as of December 31, 2019 and 2018, respectively.
15) Disclosures prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Overdue loans and receivables

<table>
<thead>
<tr>
<th>Date</th>
<th>Items</th>
<th>Non-performing Loan (NPL) (Note 1)</th>
<th>NPL Ratio (Note 2)</th>
<th>Loan Loss Reserves (LLR)</th>
<th>Coverage Ratio (Note 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Total Loans</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Corporate loan</td>
<td>Secured $ 839,963</td>
<td>0.34%</td>
<td>$ 2,588,769</td>
<td>404.51%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Unsecured 356,816</td>
<td>0.12%</td>
<td>4,071,874</td>
<td>1,141.17%</td>
</tr>
<tr>
<td></td>
<td>Mortgage (Note 4)</td>
<td>469,156</td>
<td>0.16%</td>
<td>4,442,885</td>
<td>947.00%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cash card 13</td>
<td>0.26%</td>
<td>13,664</td>
<td>105,167.69%</td>
</tr>
<tr>
<td></td>
<td>Micro credit (Note 5)</td>
<td>62,651</td>
<td>0.31%</td>
<td>213,462</td>
<td>340.72%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Others (Note 6)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Secured 283,291</td>
<td>0.29%</td>
<td>2,153,894</td>
<td>369.27%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Unsecured 4,249</td>
<td>0.17%</td>
<td>28,158</td>
<td>662.70%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>2,116,139</td>
<td>0.21%</td>
<td>13,512,646</td>
<td>638.55%</td>
</tr>
<tr>
<td></td>
<td>Credit card</td>
<td>47,999</td>
<td>0.26%</td>
<td>211,163</td>
<td>439.93%</td>
</tr>
<tr>
<td></td>
<td>Accounts receivable - factoring with no recourse (Notes 7 and 8)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date</th>
<th>Items</th>
<th>Non-performing Loan (NPL) (Note 1)</th>
<th>NPL Ratio (Note 2)</th>
<th>Loan Loss Reserves (LLR)</th>
<th>Coverage Ratio (Note 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Total Loans</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Corporate loan</td>
<td>Secured $ 923,217</td>
<td>0.58%</td>
<td>$ 2,258,093</td>
<td>244.59%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Unsecured 346,673</td>
<td>0.11%</td>
<td>4,532,824</td>
<td>1307.52%</td>
</tr>
<tr>
<td></td>
<td>Mortgage (Note 4)</td>
<td>545,892</td>
<td>0.22%</td>
<td>3,780,926</td>
<td>692.61%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cash card 6,586</td>
<td>-</td>
<td>13,828</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Micro credit (Note 5)</td>
<td>61,234</td>
<td>0.12%</td>
<td>202,267</td>
<td>334.67%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Others (Note 6)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Secured 390,055</td>
<td>0.22%</td>
<td>1,942,714</td>
<td>498.06%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Unsecured 7,695</td>
<td>0.31%</td>
<td>32,251</td>
<td>419.12%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>2,274,866</td>
<td>0.25%</td>
<td>12,763,901</td>
<td>561.17%</td>
</tr>
<tr>
<td></td>
<td>Credit card</td>
<td>24,118</td>
<td>0.16%</td>
<td>220,450</td>
<td>914.85%</td>
</tr>
<tr>
<td></td>
<td>Accounts receivable - factoring with no recourse (Notes 7 and 8)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

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

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

Note 2: For loan business: NPL ratio = NPL ÷ Total loans.

For credit card business: Delinquency ratio = Overdue receivables ÷ Accounts receivables.

Note 3: For loan business: Coverage ratio = LLR ÷ NPL.

For credit card business: Coverage ratio = Allowance for credit losses ÷ Overdue receivables.

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

Note 5: Micro credit loan is regulated by the Banking Bureau letter dated December 19, 2005 (Ref. No. 09440010950) and is not credit and debit cards’ micro credit loan.

Note 6: Others in consumer loans refers to secured or unsecured loans excluding mortgage, cash card, micro credit, and credit cards.
Note 7: For accounts receivable - factoring with no recourse, as required by the Banking Bureau letter dated July 19, 2005 (Ref. No. 0945000494), which is equal to dated August 24, 2009 (Ref. 09850003180), and allowance for bad debts is recognized once no compensation is made from factoring or insurance within three months.

Note 8: Part of non-performing receivables transferred from other than loans was included.

b) Excluded NPLs and excluded overdue receivables

<table>
<thead>
<tr>
<th>Date</th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Items</td>
<td>Excluded NPL</td>
<td>Excluded Overdue Receivables</td>
</tr>
<tr>
<td>As a result of debt negotiation and loan agreement (Note 1)</td>
<td>$ 1,132</td>
<td>$ 49,098</td>
</tr>
<tr>
<td>As a result of consumer debt clearance (Note 2)</td>
<td>13,072</td>
<td>663,475</td>
</tr>
<tr>
<td>Total</td>
<td>$ 14,204</td>
<td>$ 712,573</td>
</tr>
</tbody>
</table>

Note 1: The disclosure of excluded NPLs and excluded overdue receivables resulting from debt negotiations and loan agreement is based on the Banking Bureau letter dated April 25, 2006 (Ref. No. 09510001270).

Note 2: The disclosure of excluded NPLs, pre-mediation and excluded overdue receivables resulting from consumer debt clearance is based on the Banking Bureau’s letter dated September 15, 2008 (Ref. No. 09700318940) and September 20, 2016 (Ref. No. 10500134790).

c) Concentration of credit extensions

<table>
<thead>
<tr>
<th>Year</th>
<th>December 31, 2019</th>
<th>Total Credit Consists of Loans (Note 3)</th>
<th>Percentage of Net Worth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rank (Note 1)</td>
<td>Industry Category (Note 2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>A Group (other holding companies)</td>
<td>$ 9,172,083</td>
<td>6.86</td>
</tr>
<tr>
<td>2</td>
<td>B Group (manufacture of computers)</td>
<td>7,032,824</td>
<td>5.26</td>
</tr>
<tr>
<td>3</td>
<td>C Group (manufacture of computers)</td>
<td>6,799,043</td>
<td>5.09</td>
</tr>
<tr>
<td>4</td>
<td>D Group (manufacture of liquid crystal panel and components)</td>
<td>5,801,644</td>
<td>4.34</td>
</tr>
<tr>
<td>5</td>
<td>E Group (rolling of extruding of iron and steel)</td>
<td>5,332,607</td>
<td>3.99</td>
</tr>
<tr>
<td>6</td>
<td>F Group (metal casting)</td>
<td>4,243,672</td>
<td>3.17</td>
</tr>
<tr>
<td>7</td>
<td>G Company (other metalworking activities)</td>
<td>3,500,000</td>
<td>2.62</td>
</tr>
<tr>
<td>8</td>
<td>H Group (real estate development activities)</td>
<td>3,278,000</td>
<td>2.45</td>
</tr>
<tr>
<td>9</td>
<td>I Group (amusement and recreation activities)</td>
<td>3,211,200</td>
<td>2.40</td>
</tr>
<tr>
<td>10</td>
<td>J Company (water transportation)</td>
<td>2,559,456</td>
<td>1.91</td>
</tr>
<tr>
<td>Rank (Note 1)</td>
<td>Industry Category (Note 2)</td>
<td>Total Credit Consists of Loans (Note 3)</td>
<td>Percentage of Net Worth (%)</td>
</tr>
<tr>
<td>--------------</td>
<td>------------------------------------------------------------------------------------------</td>
<td>----------------------------------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>1</td>
<td>A Group (manufacture of other computer peripheral equipment)</td>
<td>$11,562,079</td>
<td>8.96</td>
</tr>
<tr>
<td>2</td>
<td>B Group (spinning of yarn, cotton and wool)</td>
<td>9,029,973</td>
<td>7.00</td>
</tr>
<tr>
<td>3</td>
<td>C Group (manufacture of computers)</td>
<td>8,989,728</td>
<td>6.96</td>
</tr>
<tr>
<td>4</td>
<td>D Group (mechanics, telecommunications and electricity facilities installation)</td>
<td>5,317,254</td>
<td>4.12</td>
</tr>
<tr>
<td>5</td>
<td>E Group (manufacture of monitors and terminals)</td>
<td>5,283,656</td>
<td>4.09</td>
</tr>
<tr>
<td>6</td>
<td>F Company (other metalworking activities)</td>
<td>5,000,000</td>
<td>3.87</td>
</tr>
<tr>
<td>7</td>
<td>G Group (manufacture of computer, other computer peripheral equipment and software in specialized stores)</td>
<td>4,577,166</td>
<td>3.55</td>
</tr>
<tr>
<td>8</td>
<td>H Group (amusement and recreation activities)</td>
<td>3,462,075</td>
<td>2.68</td>
</tr>
<tr>
<td>9</td>
<td>I Group (real estate development activities)</td>
<td>3,028,000</td>
<td>2.35</td>
</tr>
<tr>
<td>10</td>
<td>J Company (government)</td>
<td>2,767,631</td>
<td>2.14</td>
</tr>
</tbody>
</table>

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

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

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

d. Liquidity risk management

1) Definition of liquidity risk

Liquidity is the Bank’s ability to provide sufficient funding for asset growth and matured liabilities. Liquidity risk means the risk banks cannot obtain sufficient fund with reasonable cost and correct timing, and then suffer losses on earnings or capital.

The measures of enhancing cash liquidity are holding sufficient cash and highly liquidable securities, adjusting maturities differences, savings absorption or arranging borrowings, etc.

a) Strategies

The Bank established a sound liquidity risk managing system based on business’ scale and characteristic, assets and liabilities’ structure, funding strategies and diversity of funding sources to ensure it would have sufficient funding for obligations in normal or worst scenario.

b) Risk measurement

The Bank uses quantitative analysis to manage liquidity risk. Cash flow deficit and liquidity management goals are used as measure instruments to report monthly the analysis results to the assets and liabilities managing committee.
Stress testing is done to ensure the Bank would have sufficient funding for asset growth and matured liabilities despite any internal operating problems or adverse changes in the financial environment.

c) Risk monitoring

The Bank established a liquidity deficit limit and an early warning system to detect liquidity risk and take appropriate action at the right time.

The Bank has formed a crisis management team to handle any liquidity crisis. The general manager is the team convener, and the managers of the financial obligation department and the risk management department are the team members. The general manager can also assign the managers of related departments to join the team, depending on the situation. Members’ rights and responsibilities are listed in “Bank SinoPac’s Liquidity Risk Emergency Response Rule”.

2) Maturity analysis of non-derivative financial liabilities held to manage liquidity risk

Cash outflow analyses of non-derivative financial liabilities of the Bank and Bank SinoPac (China) are summarized in the following tables. The amounts are provided on a contract cash flow basis so some of the amounts will not match the amounts in the consolidated balance sheets.

### The Bank

#### December 31, 2019

<table>
<thead>
<tr>
<th>Description</th>
<th>0-30 Days</th>
<th>31-90 Days</th>
<th>91-180 Days</th>
<th>181 Days to 1 Year</th>
<th>Over 1 Year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits from the Central Bank and banks</td>
<td>$22,893,091</td>
<td>$11,697,518</td>
<td>$14,227,742</td>
<td>$113,661</td>
<td>$</td>
<td>$48,932,012</td>
</tr>
<tr>
<td>Financial liabilities at fair value through profit or loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Securities sold under repurchase agreements</td>
<td>4,050,626</td>
<td>3,698,019</td>
<td>530,263</td>
<td></td>
<td>1,688,638</td>
<td>8,278,908</td>
</tr>
<tr>
<td>Payables</td>
<td>5,660,732</td>
<td>590,552</td>
<td>43,802</td>
<td></td>
<td>192,545</td>
<td>2,814,383</td>
</tr>
<tr>
<td>Deposits and remittances</td>
<td>788,990,001</td>
<td>189,899,385</td>
<td>152,604,531</td>
<td>21,634,272</td>
<td>26,699,617</td>
<td>1,276,008,806</td>
</tr>
<tr>
<td>Bank debentures</td>
<td>6,095</td>
<td>1,993,152</td>
<td></td>
<td></td>
<td>2,373,112</td>
<td>31,056,476</td>
</tr>
<tr>
<td>Total</td>
<td>$31,700,086</td>
<td>1,689,885</td>
<td>1,81,995</td>
<td>2,373,112</td>
<td>31,056,476</td>
<td>35,610,476</td>
</tr>
</tbody>
</table>

#### December 31, 2018

<table>
<thead>
<tr>
<th>Description</th>
<th>0-30 Days</th>
<th>31-90 Days</th>
<th>91-180 Days</th>
<th>181 Days to 1 Year</th>
<th>Over 1 Year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits from the Central Bank and banks</td>
<td>$20,918,546</td>
<td>$10,159,918</td>
<td>$2,630,152</td>
<td>$948,255</td>
<td>$</td>
<td>$34,656,871</td>
</tr>
<tr>
<td>Financial liabilities at fair value through profit or loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Securities sold under repurchase agreements</td>
<td>18,359,589</td>
<td>2,959,860</td>
<td>4,309,792</td>
<td></td>
<td>1,724,486</td>
<td>25,629,241</td>
</tr>
<tr>
<td>Payables</td>
<td>9,315,463</td>
<td>794,156</td>
<td>455,975</td>
<td></td>
<td>94,401</td>
<td>12,746,289</td>
</tr>
<tr>
<td>Deposits and remittances</td>
<td>681,629,361</td>
<td>161,666,678</td>
<td>116,558,942</td>
<td>201,872,039</td>
<td>113,596,898</td>
<td>1,187,598,789</td>
</tr>
<tr>
<td>Bank debentures</td>
<td>60,504</td>
<td>1,664,195</td>
<td></td>
<td></td>
<td>507,838</td>
<td>25,570,549</td>
</tr>
<tr>
<td>Total</td>
<td>$30,915,594</td>
<td>5,639,918</td>
<td></td>
<td></td>
<td>21,524,156</td>
<td>40,049,749</td>
</tr>
</tbody>
</table>

### Bank SinoPac (China)

#### December 31, 2019

<table>
<thead>
<tr>
<th>Description</th>
<th>0-30 Days</th>
<th>31-90 Days</th>
<th>91-180 Days</th>
<th>181 Days to 1 Year</th>
<th>Over 1 Year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits from the Central Bank and banks</td>
<td>$789,234</td>
<td>$241,204</td>
<td>$141,300</td>
<td>$518,147</td>
<td>$</td>
<td>$1,689,885</td>
</tr>
<tr>
<td>Securities sold under repurchase agreements</td>
<td>198,547</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>198,547</td>
</tr>
<tr>
<td>Payables</td>
<td>223,014</td>
<td>30,603</td>
<td>75,876</td>
<td>132,232</td>
<td></td>
<td>63,725</td>
</tr>
<tr>
<td>Deposits and remittances</td>
<td>1,568,260</td>
<td>1,214,266</td>
<td>877,630</td>
<td>982,669</td>
<td>26,628</td>
<td>4,669,453</td>
</tr>
<tr>
<td>Total</td>
<td>$2,648,944</td>
<td>2,109,204</td>
<td>2,657,630</td>
<td>1,504,033</td>
<td>26,628</td>
<td>$11,091,953</td>
</tr>
</tbody>
</table>

#### December 31, 2018

<table>
<thead>
<tr>
<th>Description</th>
<th>0-30 Days</th>
<th>31-90 Days</th>
<th>91-180 Days</th>
<th>181 Days to 1 Year</th>
<th>Over 1 Year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits from the Central Bank and banks</td>
<td>$718,400</td>
<td>$376,105</td>
<td>$6,448</td>
<td>$</td>
<td>-</td>
<td>$1,091,953</td>
</tr>
<tr>
<td>Payables</td>
<td>27,607</td>
<td>1,235</td>
<td>5,932</td>
<td>28,707</td>
<td>447</td>
<td>63,928</td>
</tr>
<tr>
<td>Deposits and remittances</td>
<td>787,332</td>
<td>1,281,707</td>
<td>550,300</td>
<td>776,533</td>
<td>404,072</td>
<td>3,799,944</td>
</tr>
<tr>
<td>Total</td>
<td>$1,525,739</td>
<td>2,830,280</td>
<td>612,174</td>
<td>815,312</td>
<td>404,072</td>
<td>$6,155,455</td>
</tr>
</tbody>
</table>
3) Maturity analysis of financial derivatives held for liquidity risk management

a) Derivative liabilities settled on a net basis

Derivative liabilities of the Bank settled on a net basis include, but are not limited to:

Foreign exchange derivatives: Non-deliverable foreign exchange forwards, net cash flow settled foreign exchange options, etc.;

Interest rate derivatives: Forward rate agreements, interest rate swaps and interest rate futures contracts;

Other derivatives: Stock options and commodity futures.

A hedging derivative financial instrument is managed within the contract period and it is disclosed as undiscounted cash flow based on its maturity. The Bank and Bank SinoPac (China) use derivative financial liabilities at fair value through profit or loss mainly to accommodate customers’ needs and manage their own exposure positions, and disclosed the derivative financial liabilities at fair value based on the shortest period that payment would be required.

The Bank

<table>
<thead>
<tr>
<th>Financial liabilities at fair value through profit or loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2019</td>
</tr>
<tr>
<td>0-30 Days</td>
</tr>
<tr>
<td>-----------</td>
</tr>
<tr>
<td>$ 6,659,894</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-30 Days</td>
</tr>
<tr>
<td>-----------</td>
</tr>
<tr>
<td>$ 6,488,531</td>
</tr>
</tbody>
</table>

Bank SinoPac (China)

<table>
<thead>
<tr>
<th>Financial liabilities at fair value through profit or loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2019</td>
</tr>
<tr>
<td>0-30 Days</td>
</tr>
<tr>
<td>-----------</td>
</tr>
<tr>
<td>$ 4,859</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-30 Days</td>
</tr>
<tr>
<td>-----------</td>
</tr>
<tr>
<td>$ 3,120</td>
</tr>
</tbody>
</table>

b) Derivatives settled on a gross basis

Gross settled derivatives of the Bank include:

Foreign exchange derivatives: Foreign exchange forward agreements, foreign exchange swaps, cross currency swaps and gross settled foreign exchange options.
Among which, foreign exchange forwards, foreign exchange swaps, and cross currency swaps are organized into the corresponding time periods based on the cash flow indicated on the contracts, and therefore the amount disclosed will not correspond to the relevant items in the consolidated balance sheet; the gross settled foreign exchange options, as a position reserved for the purpose of transaction, the Bank is able to adjust the position at any time, and therefore the cash inflow and outflow of such are expressed at their fair values, and they are placed in the most recent time period alongside the derivative liabilities settled on a net basis.

### The Bank

<table>
<thead>
<tr>
<th>December 31, 2019</th>
<th>0-30 Days</th>
<th>31-90 Days</th>
<th>91-180 Days</th>
<th>181 Days to 1 Year</th>
<th>Over 1 Year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial instruments at fair value through profit or loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange derivatives</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash inflow</td>
<td>$432,982,328</td>
<td>$468,193,185</td>
<td>$279,111,702</td>
<td>$168,330,763</td>
<td>$3,501,050</td>
<td>$1,352,119,028</td>
</tr>
<tr>
<td>Cash outflow</td>
<td>433,313,252</td>
<td>468,363,588</td>
<td>278,904,407</td>
<td>168,404,102</td>
<td>3,504,300</td>
<td>1,352,489,649</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>December 31, 2018</th>
<th>0-30 Days</th>
<th>31-90 Days</th>
<th>91-180 Days</th>
<th>181 Days to 1 Year</th>
<th>Over 1 Year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial instruments at fair value through profit or loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange derivatives</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash inflow</td>
<td>$628,403,064</td>
<td>$445,831,116</td>
<td>$325,390,118</td>
<td>$338,107,685</td>
<td>$12,063,891</td>
<td>$1,749,795,874</td>
</tr>
<tr>
<td>Cash outflow</td>
<td>628,202,043</td>
<td>446,234,534</td>
<td>325,030,759</td>
<td>337,368,630</td>
<td>12,038,624</td>
<td>1,748,874,590</td>
</tr>
</tbody>
</table>

### Bank SinoPac (China)

The gross settled financial derivatives held by Bank SinoPac (China) at the end of the year include currency derivatives such as foreign exchange swaps, foreign exchange forward agreements, and cross currency swaps. The table below shows the year-end distribution of maturity dates for the gross settled financial derivative contracts.

#### (In Thousands of CNY)

<table>
<thead>
<tr>
<th>December 31, 2019</th>
<th>Less than 1 month</th>
<th>1-3 months</th>
<th>3 months to 1 year</th>
<th>1-5 Years</th>
<th>Over 5 Years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial instruments at fair value through profit or loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange derivatives</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash inflow</td>
<td>$782,962</td>
<td>$2,503,892</td>
<td>$13,691,549</td>
<td>$725,475</td>
<td>$ -</td>
<td>$17,703,878</td>
</tr>
<tr>
<td>Cash outflow</td>
<td>783,350</td>
<td>2,503,441</td>
<td>13,708,374</td>
<td>725,475</td>
<td>-</td>
<td>17,720,640</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>December 31, 2018</th>
<th>Less than 1 month</th>
<th>1-3 months</th>
<th>3 months to 1 year</th>
<th>1-5 Years</th>
<th>Over 5 Years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial instruments at fair value through profit or loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange derivatives</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash inflow</td>
<td>$199,346</td>
<td>$114,734</td>
<td>$467,230</td>
<td>$138,282</td>
<td>$ -</td>
<td>$919,592</td>
</tr>
<tr>
<td>Cash outflow</td>
<td>199,391</td>
<td>114,237</td>
<td>466,763</td>
<td>138,282</td>
<td>-</td>
<td>918,673</td>
</tr>
</tbody>
</table>

### 4) Maturity analysis of off-balance sheet items

Maturity analysis of off-balance sheet items are summarized in the following tables. Financial guarantee contracts of the Bank and Bank SinoPac (China) that assume full amount are available or require to execute at the earliest time. The amounts are provided on a contract cash flow basis so some of the amounts will not match the amounts in the consolidated balance sheets.

#### The Bank

<table>
<thead>
<tr>
<th>December 31, 2019</th>
<th>0-30 Days</th>
<th>31-90 Days</th>
<th>91-180 Days</th>
<th>181 Days to 1 Year</th>
<th>Over 1 Year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undrawn loan commitments</td>
<td>$421,742</td>
<td>$3,611,057</td>
<td>$1,652,946</td>
<td>$3,221,698</td>
<td>$24,347,215</td>
<td>$33,254,658</td>
</tr>
<tr>
<td>Guarantees</td>
<td>4,643,177</td>
<td>3,818,457</td>
<td>2,606,552</td>
<td>2,731,465</td>
<td>5,772,087</td>
<td>19,571,738</td>
</tr>
<tr>
<td>Standby letter of credit</td>
<td>647,393</td>
<td>2,188,201</td>
<td>412,565</td>
<td>85,955</td>
<td>-</td>
<td>3,334,114</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>December 31, 2018</th>
<th>0-30 Days</th>
<th>31-90 Days</th>
<th>91-180 Days</th>
<th>181 Days to 1 Year</th>
<th>Over 1 Year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undrawn loan commitments</td>
<td>$127,470</td>
<td>$976,779</td>
<td>$847,249</td>
<td>$3,762,510</td>
<td>$15,715,668</td>
<td>$21,429,676</td>
</tr>
<tr>
<td>Guarantees</td>
<td>3,272,580</td>
<td>2,138,261</td>
<td>2,059,442</td>
<td>2,588,994</td>
<td>5,970,995</td>
<td>15,990,272</td>
</tr>
<tr>
<td>Standby letter of credit</td>
<td>902,827</td>
<td>2,045,620</td>
<td>749,387</td>
<td>43,640</td>
<td>-</td>
<td>3,741,474</td>
</tr>
</tbody>
</table>
Bank SinoPac (China)

(In Thousands of CNY)

### Undrawn loans commitments

<table>
<thead>
<tr>
<th>Date</th>
<th>0-30 Days</th>
<th>31-90 Days</th>
<th>91-180 Days</th>
<th>181 Days to 1 Year</th>
<th>Over 1 Year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2019</td>
<td>$164,765</td>
<td>$149,147</td>
<td>$237,387</td>
<td>$327,797</td>
<td>$101,000</td>
<td>$101,000</td>
</tr>
<tr>
<td></td>
<td>$503</td>
<td>$127,300</td>
<td>$53,395</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Guarantee

<table>
<thead>
<tr>
<th>Date</th>
<th>0-30 Days</th>
<th>31-90 Days</th>
<th>91-180 Days</th>
<th>181 Days to 1 Year</th>
<th>Over 1 Year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2019</td>
<td>$21,526</td>
<td>$136,612</td>
<td>$55,500</td>
<td>$664,781</td>
<td>$96,085</td>
<td>$974,504</td>
</tr>
<tr>
<td></td>
<td>$7,445</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Standby letter of credit

<table>
<thead>
<tr>
<th>Date</th>
<th>0-30 Days</th>
<th>31-90 Days</th>
<th>91-180 Days</th>
<th>181 Days to 1 Year</th>
<th>Over 1 Year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2018</td>
<td>$650,304</td>
<td>$1,197,853</td>
<td>$697,847</td>
<td></td>
<td></td>
<td>$2,546,004</td>
</tr>
<tr>
<td></td>
<td>87,495</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5) Maturity analysis of lease commitments

Lease agreement commitment is the minimum lease payment when the Group is lessee or lessor with non-cancelling condition.

Maturity analysis of lease commitments is summarized as follows:

### December 31, 2019

<table>
<thead>
<tr>
<th>Date</th>
<th>Less than 1 Year</th>
<th>1-5 Years</th>
<th>Over 5 Years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease agreement commitments</td>
<td>$669,045</td>
<td>$1,061,532</td>
<td>$60,078</td>
<td>$1,790,655</td>
</tr>
<tr>
<td>Lease liabilities (lessee)</td>
<td>$89,997</td>
<td>178,337</td>
<td>3,080</td>
<td>271,414</td>
</tr>
<tr>
<td>Operating lease income (lessee)</td>
<td>$97</td>
<td>162</td>
<td>-</td>
<td>259</td>
</tr>
<tr>
<td>Financial lease expense total amount (lessee)</td>
<td>86</td>
<td>154</td>
<td>-</td>
<td>240</td>
</tr>
</tbody>
</table>

### December 31, 2018

<table>
<thead>
<tr>
<th>Date</th>
<th>Less than 1 Year</th>
<th>1-5 Years</th>
<th>Over 5 Years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease agreement commitments</td>
<td>$650,304</td>
<td>$1,197,853</td>
<td>$697,847</td>
<td>$2,546,004</td>
</tr>
<tr>
<td>Lease liabilities (lessee)</td>
<td>87,495</td>
<td>165,219</td>
<td>-</td>
<td>252,714</td>
</tr>
</tbody>
</table>

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

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

### December 31, 2019

<table>
<thead>
<tr>
<th>Date</th>
<th>Total</th>
<th>0-10 Days</th>
<th>11-30 Days</th>
<th>31-90 Days</th>
<th>91-180 Days</th>
<th>181 Days to 1 Year</th>
<th>Over 1 Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main capital inflow on maturity</td>
<td>$1,584,282,248</td>
<td>$216,049,139</td>
<td>$215,336,729</td>
<td>$229,156,993</td>
<td>$140,206,154</td>
<td>$116,428,452</td>
<td>$667,104,781</td>
</tr>
<tr>
<td>Main capital outflow on maturity</td>
<td>1,938,793,240</td>
<td>148,311,046</td>
<td>136,713,893</td>
<td>303,348,780</td>
<td>256,783,722</td>
<td>362,690,210</td>
<td>730,945,586</td>
</tr>
</tbody>
</table>

### December 31, 2018

<table>
<thead>
<tr>
<th>Date</th>
<th>Total</th>
<th>0-10 Days</th>
<th>11-30 Days</th>
<th>31-90 Days</th>
<th>91-180 Days</th>
<th>181 Days to 1 Year</th>
<th>Over 1 Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main capital inflow on maturity</td>
<td>$1,317,814,824</td>
<td>$153,434,880</td>
<td>$189,736,290</td>
<td>$262,104,934</td>
<td>$81,663,952</td>
<td>$81,328,434</td>
<td>$459,552,334</td>
</tr>
<tr>
<td>Main capital outflow on maturity</td>
<td>1,636,414,951</td>
<td>86,037,022</td>
<td>130,314,404</td>
<td>254,527,428</td>
<td>221,732,561</td>
<td>324,968,070</td>
<td>618,835,466</td>
</tr>
<tr>
<td>Gap</td>
<td>$(318,600,127)</td>
<td>67,397,858</td>
<td>59,415,886</td>
<td>7,377,566</td>
<td>(140,068,009)</td>
<td>(245,693,936)</td>
<td>(69,283,132)</td>
</tr>
</tbody>
</table>

Note: The amounts shown in this table are the Bank’s position denominated in NTD.
b) Maturity analysis of assets and liabilities of the Bank (U.S. dollars)

(In Thousands of U.S. Dollars)

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2019</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>0-30 Days</td>
<td>31-90 Days</td>
<td>91-180 Days</td>
</tr>
<tr>
<td>Main capital inflow</td>
<td>$ 35,619,661</td>
<td>$ 12,054,746</td>
<td>$ 10,017,115</td>
<td>$ 5,161,570</td>
</tr>
<tr>
<td>outflow on maturity</td>
<td></td>
<td></td>
<td></td>
<td>$ 3,359,922</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$ 5,026,308</td>
</tr>
<tr>
<td>Over 1 Year</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Main capital</td>
<td>36,926,414</td>
<td>11,091,598</td>
<td>11,198,187</td>
<td>7,273,734</td>
</tr>
<tr>
<td>outflow on maturity</td>
<td></td>
<td></td>
<td></td>
<td>4,301,525</td>
</tr>
<tr>
<td>Gap</td>
<td>(1,306,753)</td>
<td>963,148</td>
<td>(1,181,072)</td>
<td>(2,112,164)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(941,603)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,964,938</td>
</tr>
</tbody>
</table>

(In Thousands of U.S. Dollars)

<table>
<thead>
<tr>
<th>December 31, 2018</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Main capital</td>
<td>$ 39,682,973</td>
<td>$ 13,879,506</td>
<td>$ 9,107,959</td>
<td>$ 6,743,952</td>
</tr>
<tr>
<td>inflow on maturity</td>
<td></td>
<td></td>
<td></td>
<td>$ 6,308,028</td>
</tr>
<tr>
<td>outflow on maturity</td>
<td>40,344,509</td>
<td>13,637,277</td>
<td>10,527,766</td>
<td>6,311,254</td>
</tr>
<tr>
<td>Gap</td>
<td>(661,536)</td>
<td>242,229</td>
<td>(1,419,807)</td>
<td>432,698</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(944,965)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,028,309</td>
</tr>
</tbody>
</table>

Note: The amounts shown in this table are the Bank’s position denominated in USD.

e. Market risk

1) Definition of market risk

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

The main market risks the Bank should overcome pertain to interest rate, exchange rate and equity securities. Interest rate risks primarily refer to bonds and interest rate related derivative instruments such as fixed rate and floating rate interest rate swaps and bond options; the exchange rate risk refers to foreign currency investments the Bank holds such as exchange rate related derivative instruments and foreign currency bonds; equity securities risk includes listed stocks and equity related derivative financial instruments.

2) Management strategies and procedures

To follow the “Market Risk Management Rule” and other regulations, the Bank established standards for risk identification, measurement, supervision and reporting to set up appropriate risk management framework for every kind of market risk.

In accordance with the risk management limit approved by the board of directors, the Bank supervises every loss limit and position at risk such as interest rate, exchange rate, equity security, spot trading and forward contract, option, future, swap, and related sensitivity information derived from spot trading to confirm that market risk exposure is accepted to the Bank.
The Bank separates its transactions into hedge and non-hedge on the basis of trading purposes. For hedge transactions, the Bank should measure hedge relations, risk management goals and hedge strategies. The Bank should also perform hedge testing for hedging effectiveness.

3) Organization and framework

The board of directors is the top supervision and decision making level of the Bank; it determines every risk management procedure and limit on the basis of its operating strategy and the business environment.

The Bank also set up a risk management department headed by a general manager to establish risk managing principles, regulate risk managing policies, and plan and set up a risk management system.

Following the internal control and segregation of duties principles, the Bank had certain related functions with market risk exposures transformed into three independent departments: Trading, risk control and settlement departments, usually called front office, middle office and back office. Nevertheless, the risk management department remains in charge of market risk control, i.e., it is responsible for identifying measuring, controlling and reporting market risk.

4) Market risk control procedure

a) Identification and measurement

Risk measurement includes exposures changes in the market of interest rates, exchange rates, and equity securities, which affect spot trading and forward exchange, option, futures, and swap transactions or related combined transactions derived from spot trading. The Bank set up appropriate market risk limits based on commodity category, characteristic and complexity. The limits are the nominal exposure limit, the risk factor sensitivity limit of options as measured by Delta/Vega/DV01 and the loss control limit. These limits are calculated by the risk control department through measurements (such as those of the Black & Scholes Model) provided by financial data and company information providers (e.g. Murex and Bloomberg) based on market prices.

b) Supervision and reporting

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

5) Trading book risk management policies

a) Definitions

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

The Bank earns revenues from trading spreads or fixed arbitrage debt and equity instruments are held for short periods of time, purchased with the intention of profiting from short-term price changes through properly control short-term fluctuation of market risk factors (interest rate, exchange rate and stock price). It executes hedge transactions as needed.

c) Policies and procedures

The Bank carries out “Market Risk Management Policy” to control market risk.

Under the above policy, traders may autonomously operate and manage positions within the range of authorized limits and the approved trading strategy. The market risk management department supervises trading positions (including limit, liquidity, the ability to establish hedge positions and investment portfolio risk) based on market information and evaluates market information quality, acquirability, liquidity and scale which are calculated into the pricing model.

d) Assessment policies

The Bank assesses financial instruments once a day on the basis of information obtained from independent sources if market prices are acquirable. If the Bank assesses financial instruments using a pricing model, it should be careful in making mathematical calculations and should review the pricing model’s assumptions and parameters regularly.

e) Measurements

i. The risk valuation and calculation methods are described in Note 44 e, 10).

ii. The calculation of the nominal exposure amount and the risk factor sensitivity value Delta/Vega/DV01 is done through the trading systems.

iii. The Bank makes stress tests using a light scenario (change in interest rate ± 100 bp, change in securities ± 15% and change in exchange rate ± 3%) and serious scenario (change in interest rate ± 200 bp, change in securities ± 30% and change in exchange rate ± 6%) and reports the stress test results to the board of directors.

6) Trading book interest rate risk management

a) Definitions

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

b) Procedures

The Bank has a trading limit and a stop-loss limit (which should be applied to trading instrument by the dealing room and dealers) based on management strategy and market conditions; limits have been approved by the board of directors.
c) Measurements

i. The risk valuation assumptions and calculation methods are described in Note 44 e, 10).

ii. DV01 is used daily to measure the impact of interest rate changes on investment portfolios.

7) Trading book exchange rate risk management

a) Definitions

Exchange rate risk refers to the incurrence of loss from the exchange of currencies in different timing. The Bank’s major financial instruments exposed to exchange rate risk are spot contracts, forward contracts, and FX option.

b) Policies and procedures

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

c) Measurements

i. The risk valuation assumptions and calculation methods are described in Note 44 e, 10).

ii. Exposure positions are measured daily for the impact of exchange rate changes on investment portfolio value.

8) Trading book equity risk management

a) Definitions

Market risk of equity securities includes individual risk which arises from volatility of market price on individual equity securities and general market risk which arises from volatility of overall market price.

b) Procedures

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

c) Measurements

i. The risk valuation assumptions and calculation methods are described in Note 44 e, 10).

ii. Exposure positions are measured daily to measure the impact of equity risk on investment portfolio value due from equity risk.

9) Banking book interest rate risk management

Banking book interest rate risk refers to the decrease in the value of the banking book portfolio due to unfavorable interest rate changes. The banking book interest rate risk is not related to the interest rate position shown in the trading book.
Through managing the banking book interest rate risk, the Bank can measure and manage the risk to earnings and financial position caused by interest rate fluctuations.

a) Strategies

To reduce the negative effect of interest rate changes on net interest revenue and economic value, the Bank adjusts positions within certain limits for better performance. It reviews the interest rate sensitivity regularly to create maximum profit and manage interest rate risk.

b) Risk measurement

Risk measurement refers to the interest rate risk of assets, liabilities, and off-balance-sheet positions. The Bank periodically reports interest rate sensitivity positions and measures the impact of interest rate fluctuations on interest rate-sensitive assets and net interest revenue.

c) Risk monitoring

The asset and liability management committee examines and monitors exposure to interest rate risk on the basis of the measurement provided by the risk management sector.

If the risk exposure condition exceeds the limit or target value, the risk management sector should investigate how this condition arose and notify the executive division accordingly. The executive division coordinates with relevant divisions to find solutions to problems. The asset and liability management committee will evaluate solutions for effectiveness. If evaluation results are positive, the relevant division will apply the solutions.

10) Market risk measurement technique

**Value at Risk (VaR)**

The Bank uses the Risk Manager system and stress testing to measure its investment portfolio risk and uses several hypotheses about market conditions to measure market risk and expected maximum loss of holding positions. The Bank’s board of directors has set a VaR limit. The VaR is controlled daily by the market risk management sector and is a widely used risk measure of the risk of loss on a specific portfolio of financial assets.

VaR is the statistical estimate of the potential loss of holding positions due to unfavorable market conditions. For the Bank, VaR refers to a fall in value of its holding position in a day, with a 99% confidence level. The Bank uses VaR and the Monte Carlo simulation method to derive quantitative measures for the market risks of the holding positions under normal conditions. The calculated result is used to test and monitor the validity of parameters and hypotheses periodically. However, the use of the VaR cannot prevent loss caused by huge unfavorable changes in market conditions.

The Bank considers the expected maximum loss, target profit, and operating strategy in setting the VaR, which is proposed by the market risk management sector and approved by the board of directors.
The Bank’s trading book VaR overview.

<table>
<thead>
<tr>
<th></th>
<th>For the Year Ended December 31, 2019</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average</td>
<td>Maximum</td>
<td>Minimum</td>
</tr>
<tr>
<td>Exchange rate risk</td>
<td>12,058</td>
<td>33,253</td>
<td>5,140</td>
</tr>
<tr>
<td>Interest rate risk</td>
<td>61,482</td>
<td>108,926</td>
<td>37,019</td>
</tr>
<tr>
<td>Equity risk</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total VaR</td>
<td>63,449</td>
<td>111,600</td>
<td>37,947</td>
</tr>
</tbody>
</table>

Note 1: Estimated VaR: Time frame = 1 day, confidence level = 99%, decay factor = 0.94.

Note 2: Historical data period: 2019.01.02 - 2019.12.31

<table>
<thead>
<tr>
<th></th>
<th>For the Year Ended December 31, 2018</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average</td>
<td>Maximum</td>
<td>Minimum</td>
</tr>
<tr>
<td>Exchange rate risk</td>
<td>11,709</td>
<td>34,595</td>
<td>4,322</td>
</tr>
<tr>
<td>Interest rate risk</td>
<td>76,808</td>
<td>136,537</td>
<td>38,496</td>
</tr>
<tr>
<td>Equity risk</td>
<td>11,553</td>
<td>49,244</td>
<td>-</td>
</tr>
<tr>
<td>Total VaR</td>
<td>81,055</td>
<td>142,152</td>
<td>42,056</td>
</tr>
</tbody>
</table>

Note 1: Estimated VaR: Time frame = 1 day, confidence level = 99%, decay factor = 0.94.


Bank SinoPac (China)’s trading book VaR overview.

(In Thousands of CNY)

<table>
<thead>
<tr>
<th></th>
<th>For the Year Ended December 31, 2019</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average</td>
<td>Maximum</td>
<td>Minimum</td>
</tr>
<tr>
<td>Exchange rate risk</td>
<td>614</td>
<td>1,738</td>
<td>61</td>
</tr>
<tr>
<td>Interest rate risk</td>
<td>112</td>
<td>1,204</td>
<td>-</td>
</tr>
<tr>
<td>Equity risk</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total VaR</td>
<td>393</td>
<td>1,266</td>
<td>49</td>
</tr>
</tbody>
</table>

Note 1: Estimated VaR: Time frame = 1 day, confidence level = 99%, decay factor = 0.94.

Note 2: Historical data period: 2019.01.01 - 2019.12.31

(In Thousands of CNY)

<table>
<thead>
<tr>
<th></th>
<th>For the Year Ended December 31, 2018</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average</td>
<td>Maximum</td>
<td>Minimum</td>
</tr>
<tr>
<td>Exchange rate risk</td>
<td>271</td>
<td>846</td>
<td>40</td>
</tr>
<tr>
<td>Interest rate risk</td>
<td>179</td>
<td>776</td>
<td>23</td>
</tr>
<tr>
<td>Equity risk</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total VaR</td>
<td>391</td>
<td>1,398</td>
<td>83</td>
</tr>
</tbody>
</table>

Note 1: Estimated VaR: Time frame = 1 day, confidence level = 99%, decay factor = 0.94.

Note 2: Historical data period: 2018.01.02 - 2018.12.31
11) Exchange rate risks

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

<table>
<thead>
<tr>
<th>December 31, 2019</th>
<th>Foreign Currency (In Thousands)</th>
<th>Exchange Rate</th>
<th>Converted to NTD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monetary items</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USD</td>
<td>$10,557,978</td>
<td>30.1122</td>
<td>$317,923,934</td>
</tr>
<tr>
<td>CNY</td>
<td>14,808,959</td>
<td>4.3224</td>
<td>64,010,244</td>
</tr>
<tr>
<td>Nonmonetary items</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USD</td>
<td>410,542</td>
<td>30.1122</td>
<td>12,362,313</td>
</tr>
<tr>
<td><strong>Financial liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monetary items</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USD</td>
<td>14,842,365</td>
<td>30.1122</td>
<td>446,936,263</td>
</tr>
<tr>
<td>CNY</td>
<td>14,152,410</td>
<td>4.3224</td>
<td>61,172,377</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>December 31, 2018</th>
<th>Foreign Currency (In Thousands)</th>
<th>Exchange Rate</th>
<th>Converted to NTD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monetary items</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USD</td>
<td>$9,381,113</td>
<td>30.75146</td>
<td>$288,482,935</td>
</tr>
<tr>
<td>CNY</td>
<td>18,150,153</td>
<td>4.4762</td>
<td>81,243,716</td>
</tr>
<tr>
<td>Nonmonetary items</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USD</td>
<td>406,423</td>
<td>30.75146</td>
<td>12,498,106</td>
</tr>
<tr>
<td><strong>Financial liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monetary items</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USD</td>
<td>12,127,054</td>
<td>30.75146</td>
<td>372,924,622</td>
</tr>
<tr>
<td>CNY</td>
<td>19,117,864</td>
<td>4.4762</td>
<td>85,575,383</td>
</tr>
</tbody>
</table>

12) Compliance with the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Interest rate sensitivity information (New Taiwan dollars)

<table>
<thead>
<tr>
<th>December 31, 2019</th>
<th>Items</th>
<th>1 to 90 Days</th>
<th>91 to 180 Days</th>
<th>181 Days to 1 Year</th>
<th>Over 1 Year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate-sensitive assets</td>
<td>$976,144,175</td>
<td>$24,315,775</td>
<td>$61,828,490</td>
<td>$114,809,584</td>
<td>$1,177,098,024</td>
<td></td>
</tr>
<tr>
<td>Interest rate-sensitive liabilities</td>
<td>309,456,258</td>
<td>310,478,316</td>
<td>93,911,325</td>
<td>58,606,204</td>
<td>922,454,163</td>
<td></td>
</tr>
<tr>
<td>Interest rate-sensitive gap</td>
<td>666,687,917</td>
<td>(480,162,601)</td>
<td>(32,084,835)</td>
<td>56,203,380</td>
<td>204,643,861</td>
<td></td>
</tr>
<tr>
<td>Net worth</td>
<td>132,128,375</td>
<td>121.04%</td>
<td>154.88%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items</td>
<td>1 to 90 Days</td>
<td>91 to 180 Days</td>
<td>181 Days to 1 Year</td>
<td>Over 1 Year</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>----------------------------------</td>
<td>--------------</td>
<td>----------------</td>
<td>-------------------</td>
<td>-------------</td>
<td>----------</td>
<td></td>
</tr>
<tr>
<td>Interest rate-sensitive assets</td>
<td>$ 898,897,239</td>
<td>$ 17,880,514</td>
<td>$ 52,439,135</td>
<td>$ 72,609,131</td>
<td>$ 1,041,826,019</td>
<td></td>
</tr>
<tr>
<td>Interest rate-sensitive liabilities</td>
<td>308,751,126</td>
<td>438,752,661</td>
<td>78,309,021</td>
<td>32,306,599</td>
<td>858,119,407</td>
<td></td>
</tr>
<tr>
<td>Interest rate-sensitive gap</td>
<td>590,146,113</td>
<td>(420,872,147)</td>
<td>(25,869,886)</td>
<td>40,302,532</td>
<td>183,706,612</td>
<td></td>
</tr>
<tr>
<td>Net worth</td>
<td></td>
<td></td>
<td></td>
<td>128,869,604</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ratio of interest rate-sensitive assets to liabilities (%)</td>
<td></td>
<td></td>
<td></td>
<td>121.41%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ratio of interest rate-sensitive gap to net worth (%)</td>
<td></td>
<td></td>
<td></td>
<td>142.55%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note 1: The above amounts include only New Taiwan dollars held by the Bank and exclude contingent assets and contingent liabilities.

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

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

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in New Taiwan dollars).

b) Interest rate sensitivity information (U.S. dollars)

<table>
<thead>
<tr>
<th>Items</th>
<th>1 to 90 Days</th>
<th>91 to 180 Days</th>
<th>181 Days to 1 Year</th>
<th>Over 1 Year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate-sensitive assets</td>
<td>$ 7,714,387</td>
<td>$ 207,535</td>
<td>$ 196,423</td>
<td>$ 1,230,062</td>
<td>$ 9,348,407</td>
</tr>
<tr>
<td>Interest rate-sensitive liabilities</td>
<td>6,574,972</td>
<td>5,487,785</td>
<td>1,098,527</td>
<td>117,341</td>
<td>13,278,625</td>
</tr>
<tr>
<td>Interest rate-sensitive gap</td>
<td>1,139,415</td>
<td>(5,280,250)</td>
<td>(902,104)</td>
<td>1,112,721</td>
<td>(3,930,218)</td>
</tr>
<tr>
<td>Net worth</td>
<td></td>
<td></td>
<td></td>
<td>32,450</td>
<td></td>
</tr>
<tr>
<td>Ratio of interest rate-sensitive assets to liabilities (%)</td>
<td></td>
<td></td>
<td></td>
<td>70.40%</td>
<td></td>
</tr>
<tr>
<td>Ratio of interest rate-sensitive gap to net worth (%)</td>
<td></td>
<td></td>
<td></td>
<td>(12,111.61%)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Items</th>
<th>1 to 90 Days</th>
<th>91 to 180 Days</th>
<th>181 Days to 1 Year</th>
<th>Over 1 Year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate-sensitive assets</td>
<td>$ 6,039,870</td>
<td>$ 300,836</td>
<td>$ 231,234</td>
<td>$ 1,025,167</td>
<td>$ 7,597,107</td>
</tr>
<tr>
<td>Interest rate-sensitive liabilities</td>
<td>4,689,821</td>
<td>4,186,576</td>
<td>1,320,195</td>
<td>156,301</td>
<td>10,353,093</td>
</tr>
<tr>
<td>Interest rate-sensitive gap</td>
<td>1,350,049</td>
<td>(3,885,740)</td>
<td>(1,088,961)</td>
<td>868,666</td>
<td>(2,755,896)</td>
</tr>
<tr>
<td>Net worth</td>
<td></td>
<td></td>
<td></td>
<td>7,025</td>
<td></td>
</tr>
<tr>
<td>Ratio of interest rate-sensitive assets to liabilities (%)</td>
<td></td>
<td></td>
<td></td>
<td>73.38%</td>
<td></td>
</tr>
<tr>
<td>Ratio of interest rate-sensitive gap to net worth (%)</td>
<td></td>
<td></td>
<td></td>
<td>(39,231.12%)</td>
<td></td>
</tr>
</tbody>
</table>

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

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

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

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in USD).
13) Transfers of financial assets

The transferred financial assets of the Group that do not qualify for derecognition in the daily operation are mainly securities sold under repurchase agreements. The transaction transfers the contractual rights to receive the cash flows of the financial assets but the Group retains the liabilities to repurchase the transferred financial assets at fixed price in the future period. The Group cannot use, sell, or pledge these transferred financial assets within the validity period of the transaction. However, the Group still bear the interest rate risk and credit risk thus, the Group do not derecognize it. The analysis of financial assets and related liabilities that did not completely meet the derecognizing condition is shown in the following table:

<table>
<thead>
<tr>
<th>Category of Financial Asset</th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets at fair value through other comprehensive income</td>
<td>$ 4,020,679</td>
<td>$ 3,890,815</td>
</tr>
<tr>
<td>Transactions under repurchase agreements</td>
<td>1,148,567</td>
<td>1,097,935</td>
</tr>
<tr>
<td>Investment in debt instruments at amortized cost</td>
<td>2,822,902</td>
<td>3,047,485</td>
</tr>
</tbody>
</table>

14) Offsetting of financial assets and financial liabilities

The Group did not hold financial instruments covered by Section 42 of the IAS 32 “Financial Instruments: Presentation” endorsed by the Financial Supervisory Commission; thus, it made an offset of financial assets and liabilities and reported the net amount in the balance sheet.
The Group engages in transactions on the following financial assets and liabilities that are not subject to balance sheet offsetting based on IAS 32 but are under master netting arrangements or similar agreements. These agreements allow both the Group and its counterparties to opt for the net settlement of financial assets and financial liabilities. If one party defaults, the other one may choose net settlement.

The netting information of financial assets and financial liabilities is set out below:

**December 31, 2019**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivative instruments</td>
<td>$12,288,648</td>
<td>$ -</td>
<td>$12,288,648</td>
<td>$7,404,285</td>
</tr>
<tr>
<td>Securities purchased under resell agreements</td>
<td>$30,516,733</td>
<td>$ -</td>
<td>$30,516,733</td>
<td>$30,514,936</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$42,805,381</strong></td>
<td><strong>$ -</strong></td>
<td><strong>$42,805,381</strong></td>
<td><strong>$37,919,221</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivative instruments</td>
<td>$14,824,283</td>
<td>$ -</td>
<td>$14,824,283</td>
<td>$7,404,285</td>
</tr>
<tr>
<td>Securities sold under repurchase agreements</td>
<td>$9,082,627</td>
<td>$ -</td>
<td>$9,082,627</td>
<td>$9,066,858</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$23,906,910</strong></td>
<td><strong>$ -</strong></td>
<td><strong>$23,906,910</strong></td>
<td><strong>$16,471,143</strong></td>
</tr>
</tbody>
</table>

Note: Including netting settlement agreements and non-cash financial collaterals.

**December 31, 2018**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivative instruments</td>
<td>$14,896,583</td>
<td>$ -</td>
<td>$14,896,583</td>
<td>$12,043,535</td>
</tr>
<tr>
<td>Securities purchased under resell agreements</td>
<td>$22,710,233</td>
<td>$ -</td>
<td>$22,710,233</td>
<td>$22,709,331</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$37,606,816</strong></td>
<td><strong>$ -</strong></td>
<td><strong>$37,606,816</strong></td>
<td><strong>$34,752,866</strong></td>
</tr>
</tbody>
</table>

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### 45. CAPITAL MANAGEMENT

#### a. Overview

The Group’s capital management goals are as follows:

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

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

#### b. Capital management procedure

The Group’s capital adequacy ratio should meet the regulations announced by the authority. Also, the Group should maintain capital adequacy ratio by considering the Group’s business scale, major operating strategy, risk condition, eligible capital structure, and future capital increase plan, etc. The Group reported to the authority regularly. Overseas subsidiaries’ capital management is in accordance with local regulations.

The Group’s capital maintenance is in accordance with “Regulations Governing the Capital Adequacy and Capital Category of Banks”, etc., and is managed by the Group’s risk management and financing divisions.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivative instruments Securities sold under repurchase agreements</td>
<td>$ 17,637,775</td>
<td>$ -</td>
<td>$ 17,637,775</td>
</tr>
<tr>
<td></td>
<td>$ 25,504,487</td>
<td>$ -</td>
<td>$ 25,504,487</td>
</tr>
<tr>
<td></td>
<td>$ 43,142,262</td>
<td>$ -</td>
<td>$ 43,142,262</td>
</tr>
</tbody>
</table>

Note: Including netting settlement agreements and non-cash financial collaterals.
c. Statement of capital adequacy

<table>
<thead>
<tr>
<th>Analysis Items</th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Standalone</td>
<td>Consolidation</td>
</tr>
<tr>
<td>Common shares equity</td>
<td>$ 123,600,106</td>
<td>$ 125,981,077</td>
</tr>
<tr>
<td>Other Tier 1 capital</td>
<td>8,522,714</td>
<td>10,998,553</td>
</tr>
<tr>
<td>Tier 2 capital</td>
<td>18,789,936</td>
<td>23,741,613</td>
</tr>
<tr>
<td>Eligible capital</td>
<td>150,912,756</td>
<td>160,721,243</td>
</tr>
<tr>
<td>Credit risk</td>
<td>Standardized approach</td>
<td>986,273,556</td>
</tr>
<tr>
<td>Internal rating - based approach</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Securitization</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Basic indicator approach</td>
<td>44,787,770</td>
<td>46,874,538</td>
</tr>
<tr>
<td>Operational risk</td>
<td>Standardized approach</td>
<td>-</td>
</tr>
<tr>
<td>alternative standardized approach</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Advanced measurement approach</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Market risk</td>
<td>Standardized approach</td>
<td>46,858,475</td>
</tr>
<tr>
<td>Internal model approach</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total risk-weighted assets</td>
<td>1,077,919,801</td>
<td>1,126,249,318</td>
</tr>
<tr>
<td>Capital adequacy ratio</td>
<td>14.00%</td>
<td>14.27%</td>
</tr>
<tr>
<td>Common shares equity risk-based capital ratio</td>
<td>11.47%</td>
<td>11.19%</td>
</tr>
<tr>
<td>Tier 1 risk-based capital ratio</td>
<td>12.26%</td>
<td>12.16%</td>
</tr>
<tr>
<td>Leverage ratio</td>
<td>7.49%</td>
<td>7.71%</td>
</tr>
</tbody>
</table>

Note 1: These tables were filled according to “Regulations Governing the Capital Adequacy Ratio of Banks” and related calculation tables.

Note 2: The Bank shall disclose the capital adequacy ratio for the current and previous years in annual financial reports. For semiannual financial report, the Bank shall disclose the capital adequacy ratio for the current period, previous period, and previous year-end.

Note 3: The formula is as follows:

1) Eligible capital = Common shares equity + Other Tier 1 capital + Tier 2 capital.

2) Total risk-weighted assets = Risk-weighted assets for credit risk + (Capital requirements for operational risk + Capital requirement for market risk) x 12.5.

3) Ratio of capital adequacy = Eligible capital ÷ Total risk-weighted assets.

4) Common shares equity risk-based capital ratio = Common shares equity ÷ Total risk-weighted assets.

5) Tier 1 risk-based capital ratio = (Common shares equity + Other Tier 1 capital) ÷ Total risk-weighted assets.

6) Leverage ratio = Tier 1 capital ÷ Total exposure risk.

Note 4: In accordance with Financial Supervisory Commission Guideline No. 09900146911, gains from the sale of idle assets are not to be included in the Bank’s capital adequacy ratio calculation until disposed outside the Group.
46. CROSS-SELLING INFORMATION

For the years ended December 31, 2019 and 2018, the Bank charged SinoPac Securities for $3,133 and $3,439, respectively, as marketing and opening accounts. The rental fee the Bank charged SinoPac Securities for the years ended December 31, 2019 and 2018 were $3,229 and $3,455, respectively.

The Bank paid to SinoPac Securities $4,899 and $4,720 for the years ended December 31, 2019 and 2018 for bonus as part of the cross-selling agreement.

The Bank paid to SinoPac Venture Capital $12 for the year ended December 31, 2019 for bonus as part of the cross-selling agreement.

For other transactions between SPH and its subsidiaries, please refer to Note 40 and Table 2.

47. PROFITABILITY

<table>
<thead>
<tr>
<th>Items</th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on total assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Before income tax</td>
<td>0.76%</td>
<td>0.77%</td>
</tr>
<tr>
<td>After income tax</td>
<td>0.65%</td>
<td>0.66%</td>
</tr>
<tr>
<td>Return on net worth</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Before income tax</td>
<td>9.16%</td>
<td>8.87%</td>
</tr>
<tr>
<td>After income tax</td>
<td>7.83%</td>
<td>7.60%</td>
</tr>
<tr>
<td>Profit margin</td>
<td>37.66%</td>
<td>38.42%</td>
</tr>
</tbody>
</table>

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

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

Note 3: Profit margin = Income after income tax ÷ Total net revenues.

Note 4: Income before (after) income tax represents income for the years ended December 31, 2019 and 2018.
48. TRUST BUSINESS UNDER THE TRUST LAW

a. Balance sheets, income statement and trust properties of trust accounts

These statements were managed by the Bank’s Trust Department. However, these items were not included in the Bank’s financial statements.

<table>
<thead>
<tr>
<th>Trust assets</th>
<th>December 31</th>
<th>2019</th>
<th>%</th>
<th>2018</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank deposits</td>
<td>$2,176,340</td>
<td>$4,648,287</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds</td>
<td>7,491,614</td>
<td>8,252,467</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stocks</td>
<td>17,899,678</td>
<td>13,845,279</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funds</td>
<td>102,502,636</td>
<td>103,185,223</td>
<td>35</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Securities lent</td>
<td>450,060</td>
<td>3,329,979</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>77,409</td>
<td>95,134</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepayments</td>
<td>8,759</td>
<td>15,486</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>5,553,845</td>
<td>3,756,357</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>97,720</td>
<td>149,611</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction in progress</td>
<td>793,194</td>
<td>608,695</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Securities under custody</td>
<td>374,486,273</td>
<td>155,105,417</td>
<td>53</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total trust assets</td>
<td>$511,537,528</td>
<td>100</td>
<td></td>
<td>$292,991,935</td>
<td>100</td>
</tr>
</tbody>
</table>

| Trust liabilities                                |                |          |    |          |    |
| Payables                                         | $ 789         | $ 1,423  |    |          |    |
| Payable on securities under custody              | 374,486,273   | 155,105,417 | 53 |          |    |
| Trust capital                                    | 133,777,969   | 137,615,084 | 47 |          |    |
| Reserves and cumulative earnings                  |                |          |    |          |    |
| Net income                                       | 3,644,585     | (344,821) |    |          |    |
| Cumulative earnings                              | 270,011       | 1,501,796 |    |          |    |
| Deferred amount                                  | (642,099)     | (886,964) |    |          |    |
| Total trust liabilities                          | $511,537,528  | 292,991,935 | 100 |          |    |
Trust Properties of Trust Accounts
December 31, 2019 and 2018

Investment Portfolio

<table>
<thead>
<tr>
<th></th>
<th>December 31 2019</th>
<th>December 31 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank deposits</td>
<td>$ 2,176,340</td>
<td>$ 4,648,287</td>
</tr>
<tr>
<td>Bonds</td>
<td>7,491,614</td>
<td>8,252,467</td>
</tr>
<tr>
<td>Stocks</td>
<td>17,899,678</td>
<td>13,845,279</td>
</tr>
<tr>
<td>Funds</td>
<td>102,502,636</td>
<td>103,185,223</td>
</tr>
<tr>
<td>Securities lent</td>
<td>450,060</td>
<td>3,329,979</td>
</tr>
<tr>
<td>Real estate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>5,553,845</td>
<td>3,756,357</td>
</tr>
<tr>
<td>Buildings</td>
<td>97,720</td>
<td>149,611</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>793,194</td>
<td>608,695</td>
</tr>
<tr>
<td>Securities under custody</td>
<td>374,486,273</td>
<td>155,105,417</td>
</tr>
<tr>
<td>Total</td>
<td>$ 511,451,360</td>
<td>$ 292,881,315</td>
</tr>
</tbody>
</table>

Income Statements of Trust Account
Years Ended December 31, 2019 and 2018

<table>
<thead>
<tr>
<th></th>
<th>Years Ended December 31 2019</th>
<th>%</th>
<th>Years Ended December 31 2018</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>$ 14,533</td>
<td>-</td>
<td>$ 17,175</td>
<td>1</td>
</tr>
<tr>
<td>Borrowed Securities income</td>
<td>10,828</td>
<td>-</td>
<td>15,492</td>
<td>1</td>
</tr>
<tr>
<td>Cash dividends</td>
<td>656,044</td>
<td>16</td>
<td>924,551</td>
<td>44</td>
</tr>
<tr>
<td>Gains from beneficial certificates</td>
<td>1,204</td>
<td>-</td>
<td>3,260</td>
<td>-</td>
</tr>
<tr>
<td>Realized investment income</td>
<td>59,806</td>
<td>2</td>
<td>45,367</td>
<td>2</td>
</tr>
<tr>
<td>Unrealized investment income</td>
<td>3,326,985</td>
<td>82</td>
<td>1,083,941</td>
<td>52</td>
</tr>
<tr>
<td>Other revenues</td>
<td>-</td>
<td>-</td>
<td>1,954</td>
<td>-</td>
</tr>
<tr>
<td>Donation revenue - charitable trust</td>
<td>10,368</td>
<td>-</td>
<td>5,283</td>
<td>-</td>
</tr>
<tr>
<td>Total trust income</td>
<td>4,079,768</td>
<td>100</td>
<td>2,097,023</td>
<td>100</td>
</tr>
<tr>
<td>Trust expense</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trust administrative expenses</td>
<td>4,991</td>
<td>-</td>
<td>6,121</td>
<td>-</td>
</tr>
<tr>
<td>Tax expenses</td>
<td>41</td>
<td>-</td>
<td>27</td>
<td>-</td>
</tr>
<tr>
<td>Donation expense - charitable trust</td>
<td>4,336</td>
<td>-</td>
<td>3,373</td>
<td>-</td>
</tr>
<tr>
<td>Realized investment loss</td>
<td>64,954</td>
<td>2</td>
<td>10,068</td>
<td>1</td>
</tr>
<tr>
<td>Unrealized investment loss</td>
<td>360,579</td>
<td>9</td>
<td>2,421,878</td>
<td>115</td>
</tr>
<tr>
<td>Other expense</td>
<td>282</td>
<td>-</td>
<td>377</td>
<td>-</td>
</tr>
<tr>
<td>Total trust expense</td>
<td>435,183</td>
<td>11</td>
<td>2,441,844</td>
<td>116</td>
</tr>
<tr>
<td>Income before income tax</td>
<td>3,644,585</td>
<td>89</td>
<td>(344,821)</td>
<td>(16)</td>
</tr>
<tr>
<td>Income tax expense</td>
<td></td>
<td>-</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Income after income tax</td>
<td>3,644,585</td>
<td>89</td>
<td>(344,821)</td>
<td>(16)</td>
</tr>
</tbody>
</table>

b. The operations of the Bank’s Trust Department consist of planning, managing and operating of trust business and affiliated business. These operations are governed by the Banking Law and the Trust Law.
49. OTHER

The Bank acquired SinoPac Call Center on May 1, 2019 (Note 1). Business combination involving entities or businesses under common control does not apply the guidance of IFRS 3 “Business Combinations”; therefore, the Group’s business combination was accounted for in accordance with “IFRS Questions and Answers on IFRS 3: Business combination involving entities or business under common control” issued by the Accounting Research and Development Foundation of the Republic of China. The net assets of SinoPac Call Center at the reference date of the consolidation have been transferred to the Bank at book value of $66,859 by cash merger. In consideration of materiality, the Bank did not restate the financial statements retrospectively.

50. ADDITIONAL DISCLOSURES

a. Relevant information of material transaction:

<table>
<thead>
<tr>
<th>No.</th>
<th>Item</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Acquired and disposed of investment at costs or prices of at least NT$300 million or 10% of the issued capital</td>
<td>None</td>
</tr>
<tr>
<td>2</td>
<td>Acquisition of individual real estates at costs of at least NT$300 million or 10% of the issued capital</td>
<td>None</td>
</tr>
<tr>
<td>3</td>
<td>Disposal of individual real estates at prices of at least NT$300 million or 10% of the issued capital</td>
<td>None</td>
</tr>
<tr>
<td>4</td>
<td>Allowance for service fee to related parties amounting to at least NT$5 million</td>
<td>None</td>
</tr>
<tr>
<td>5</td>
<td>Receivables from related parties amounting to at least NT$300 million or 10% of the issued capital</td>
<td>Table 1</td>
</tr>
<tr>
<td>6</td>
<td>Trading information - sale of non-performing loans</td>
<td>None</td>
</tr>
<tr>
<td>7</td>
<td>Financial asset securitization</td>
<td>None</td>
</tr>
<tr>
<td>8</td>
<td>Related parties transaction</td>
<td>Table 2</td>
</tr>
<tr>
<td>9</td>
<td>Other significant transactions which may affect the decisions of financial report users</td>
<td>None</td>
</tr>
</tbody>
</table>
b. Information related to subsidiary:

<table>
<thead>
<tr>
<th>No.</th>
<th>Item</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Financing provided</td>
<td>None (Note)</td>
</tr>
<tr>
<td>2</td>
<td>Endorsements/guarantees provided</td>
<td>None (Note)</td>
</tr>
<tr>
<td>3</td>
<td>Marketable securities held</td>
<td>None (Note)</td>
</tr>
<tr>
<td>4</td>
<td>Acquisition and disposal of investment at costs or prices of at least NT$300 million or 10% of the issued capital</td>
<td>None (Note)</td>
</tr>
<tr>
<td>5</td>
<td>Derivative transactions of the subsidiary</td>
<td>None (Note)</td>
</tr>
<tr>
<td>6</td>
<td>Acquisition of individual real estates at costs of at least NT$300 million or 10% of the issued capital</td>
<td>None (Note)</td>
</tr>
<tr>
<td>7</td>
<td>Disposal of individual real estates at prices of at least NT$300 million or 10% of the issued capital</td>
<td>None (Note)</td>
</tr>
<tr>
<td>8</td>
<td>Allowance for service fee to related parties amounting to at least NT$5 million</td>
<td>None (Note)</td>
</tr>
<tr>
<td>9</td>
<td>Receivables from related parties amounting to at least NT$300 million or 10% of the issued capital</td>
<td>None (Note)</td>
</tr>
<tr>
<td>10</td>
<td>Trading information - sale of non-performing loans</td>
<td>None (Note)</td>
</tr>
<tr>
<td>11</td>
<td>Financial asset securitization</td>
<td>None (Note)</td>
</tr>
<tr>
<td>12</td>
<td>Related parties transaction</td>
<td>Table 2</td>
</tr>
<tr>
<td>13</td>
<td>Other significant transactions which may affect the decisions of financial report users</td>
<td>None (Note)</td>
</tr>
</tbody>
</table>

Note: Subsidiaries which belong to financial, insurance, securities industries and its main business registration include financing provided, endorsements/guarantees provided, acquisition and disposal of marketable securities do not need to disclose above information.

c. The related information and proportionate share in investees: Table 3.

d. Information on investment in Mainland China: Table 4.

51. OPERATING SEGMENT INFORMATION

Based on chief decision maker’s resource allocation and department performance review, the Bank has divided the business segments based on the services and products provided, excluding subsidiary accounted under the equity method.

The accounting standards and policies apply to all the business segments in accordance with IFRS 8 “Operating Segments”. The Bank’s operating segments for the years ended December 31, 2019 and 2018 are without change. The Bank reports the following:

Domestic branches: Provide services and products through 124 branches and Banking Division of the Head Office.

Financial transaction: Provide investment and bonds transaction services through financial operation units.

Overseas branches: Provide services and products for overseas customers through overseas branches.
Other business segments: Include consumer finance, automobile loan and SinoPac Insurance Brokers - the Bank’s subsidiary, SinoPac Capital Limited - the Bank’s subsidiary and Bank SinoPac (China) Ltd. - the Bank’s subsidiary were not identified to disclose as individual segments.

The Group’s reporting segments revenue and operating result are shown in the following table.
### Segment revenues and results

**For the Year Ended December 31, 2019**

<table>
<thead>
<tr>
<th>Segment</th>
<th>Domestic Branches</th>
<th>Financial Transaction</th>
<th>Overseas Branches</th>
<th>Others</th>
<th>Operating Segments</th>
<th>Non-operating Segments</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net interest</strong></td>
<td>$ 11,965,021</td>
<td>$ (185,169)</td>
<td>$ 2,620,320</td>
<td>$ 1,796,410</td>
<td>$ 16,196,582</td>
<td>$ (1,215,428)</td>
<td>$ 14,981,154</td>
</tr>
<tr>
<td>Interest revenue</td>
<td>17,744,451</td>
<td>207,411</td>
<td>5,904,903</td>
<td>2,792,805</td>
<td>26,649,570</td>
<td>4,965,866</td>
<td>31,615,456</td>
</tr>
<tr>
<td>Revenue amount</td>
<td>6,542,743</td>
<td>44,671</td>
<td>(1,447,693)</td>
<td>(298,108)</td>
<td>4,841,613</td>
<td>(4,841,613)</td>
<td>-</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(12,322,173)</td>
<td>(437,251)</td>
<td>(1,836,890)</td>
<td>(698,287)</td>
<td>(15,294,601)</td>
<td>(1,339,701)</td>
<td>(16,634,302)</td>
</tr>
<tr>
<td>Commission and fee</td>
<td>4,843,415</td>
<td>22,724</td>
<td>366,528</td>
<td>728,692</td>
<td>5,915,911</td>
<td>76,750</td>
<td>5,992,661</td>
</tr>
<tr>
<td>Others</td>
<td>495,919</td>
<td>1,598,197</td>
<td>5,19,919</td>
<td>71,360</td>
<td>2,085,295</td>
<td>3,666,948</td>
<td>6,352,243</td>
</tr>
<tr>
<td><strong>Net revenue</strong></td>
<td>17,304,355</td>
<td>1,390,304</td>
<td>3,506,767</td>
<td>2,596,362</td>
<td>24,797,788</td>
<td>2,528,270</td>
<td>27,326,058</td>
</tr>
<tr>
<td><strong>Bad debts expense, commitment and guarantee liability provision</strong></td>
<td>(873,425)</td>
<td>(189,449)</td>
<td>8,269</td>
<td>(1,054,605)</td>
<td>(6,640)</td>
<td>(1,047,965)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Operating expense</strong></td>
<td>(10,334,501)</td>
<td>(358,879)</td>
<td>(228,895)</td>
<td>(1,219,826)</td>
<td>(14,119,101)</td>
<td>(130,471)</td>
<td>(14,249,572)</td>
</tr>
<tr>
<td>Income before income tax</td>
<td>6,096,429</td>
<td>1,031,425</td>
<td>2,088,423</td>
<td>407,805</td>
<td>9,624,082</td>
<td>2,404,439</td>
<td>12,028,521</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(786,621)</td>
<td>(189,449)</td>
<td>(228,895)</td>
<td>(1,219,826)</td>
<td>(14,119,101)</td>
<td>(130,471)</td>
<td>(14,249,572)</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>5,309,808</td>
<td>898,340</td>
<td>1,819,139</td>
<td>335,346</td>
<td>8,362,633</td>
<td>1,928,354</td>
<td>10,290,987</td>
</tr>
</tbody>
</table>

### Area segment

**For the Year Ended December 31, 2019**

<table>
<thead>
<tr>
<th>Area segment</th>
<th>Taiwan</th>
<th>America</th>
<th>Asia</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net revenue</td>
<td>$ 23,120,415</td>
<td>$ 403,345</td>
<td>$ 3,802,298</td>
<td>$ 27,326,058</td>
</tr>
</tbody>
</table>

### Segment revenues and results

**For the Year Ended December 31, 2018**

<table>
<thead>
<tr>
<th>Segment</th>
<th>Domestic Branches</th>
<th>Financial Transaction</th>
<th>Overseas Branches</th>
<th>Others</th>
<th>Operating Segments</th>
<th>Non-operating Segments</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net interest</strong></td>
<td>$ 10,702,542</td>
<td>$ (662,624)</td>
<td>$ 2,201,487</td>
<td>$ 1,592,901</td>
<td>$ 13,834,306</td>
<td>$ 4,883,449</td>
<td>$ 10,517,752</td>
</tr>
<tr>
<td>Interest revenue</td>
<td>15,538,924</td>
<td>1,338,144</td>
<td>4,617,843</td>
<td>2,455,456</td>
<td>22,734,665</td>
<td>755,309</td>
<td>23,490,654</td>
</tr>
<tr>
<td>Revenue amount</td>
<td>4,103,813</td>
<td>1,590,499</td>
<td>442,781</td>
<td>337,232</td>
<td>5,042,514</td>
<td>1,261,449</td>
<td>6,303,963</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(7,892,447)</td>
<td>(446,038)</td>
<td>(1,378,212)</td>
<td>(599,103)</td>
<td>(10,315,800)</td>
<td>(2,080,757)</td>
<td>(12,396,557)</td>
</tr>
<tr>
<td>Commission and fee</td>
<td>4,096,606</td>
<td>1,038,144</td>
<td>2,088,423</td>
<td>407,805</td>
<td>9,624,082</td>
<td>2,404,439</td>
<td>12,028,521</td>
</tr>
<tr>
<td>Others</td>
<td>1,014,255</td>
<td>2,088,423</td>
<td>1,014,255</td>
<td>2,088,423</td>
<td>4,096,606</td>
<td>4,096,606</td>
<td>8,193,211</td>
</tr>
<tr>
<td><strong>Net revenue</strong></td>
<td>15,215,961</td>
<td>1,320,384</td>
<td>2,871,942</td>
<td>2,654,651</td>
<td>22,062,938</td>
<td>6,367,516</td>
<td>28,430,454</td>
</tr>
<tr>
<td><strong>Bad debts expense, commitment and guarantee liability provision</strong></td>
<td>(629,415)</td>
<td>(142,415)</td>
<td>139,133</td>
<td>(632,697)</td>
<td>(126,898)</td>
<td>(759,595)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Operating expense</strong></td>
<td>(7,364,811)</td>
<td>(320,240)</td>
<td>(228,895)</td>
<td>(1,219,826)</td>
<td>(14,119,101)</td>
<td>(130,471)</td>
<td>(14,249,572)</td>
</tr>
<tr>
<td>Income before income tax</td>
<td>7,851,150</td>
<td>(1,038,144)</td>
<td>4,617,843</td>
<td>2,455,456</td>
<td>22,734,665</td>
<td>755,309</td>
<td>23,490,654</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(223,309)</td>
<td>(1,219,826)</td>
<td>(1,219,826)</td>
<td>(10,315,800)</td>
<td>(2,080,757)</td>
<td>(2,080,757)</td>
<td>(12,396,557)</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>6,629,945</td>
<td>868,330</td>
<td>1,333,481</td>
<td>637,760</td>
<td>9,109,516</td>
<td>564,689</td>
<td>9,674,205</td>
</tr>
</tbody>
</table>

### Area segment

**For the Year Ended December 31, 2018**

<table>
<thead>
<tr>
<th>Area segment</th>
<th>Taiwan</th>
<th>America</th>
<th>Asia</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net revenue</td>
<td>$ 21,330,341</td>
<td>$ 321,140</td>
<td>$ 3,802,298</td>
<td>$ 25,180,454</td>
</tr>
</tbody>
</table>
## TABLE 1

**BANK SINOPAC AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NTS300 MILLION OR 10% OF THE ISSUED CAPITAL**

**DECEMBER 31, 2019**

(In Thousands of New Taiwan Dollars)

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Related Party</th>
<th>Relationship</th>
<th>Ending Balance</th>
<th>Turnover Rate</th>
<th>Overdue</th>
<th>Amount</th>
<th>Action Taken</th>
<th>Amount Received in Subsequent Period</th>
<th>Allowance for Bad Debts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank SinoPac</td>
<td>SinoPac Financial Holdings Company Limited</td>
<td>The parent company of the Bank</td>
<td>$ 1,276,300    (Note)</td>
<td>-</td>
<td>$ -</td>
<td>$ -</td>
<td>-</td>
<td>$ -</td>
<td>$ -</td>
</tr>
</tbody>
</table>

**Note:** Most of receivables resulted from the use of the linked-tax system (recognized in current tax assets) and related parties.
## TABLE 2

### BANK SINOPAC AND SUBSIDIARIES

#### RELATED PARTIES TRANSACTIONS

FOR THE YEAR ENDED DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

<table>
<thead>
<tr>
<th>No. (Note 1)</th>
<th>Transaction Company</th>
<th>Counterparty</th>
<th>Nature of Relationship (Note 2)</th>
<th>Description of Transactions</th>
<th>Financial Statements Account</th>
<th>Transaction Amount</th>
<th>Transaction Item</th>
<th>Percentage of Consolidated Revenue/Assets (Note 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>Bank SinoPac</td>
<td>Bank SinoPac (China) Ltd.</td>
<td>a</td>
<td>Due from the Central Bank and call loans to bank, net</td>
<td>$ 2,159,305</td>
<td>Note 4</td>
<td>0.13</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Bank SinoPac (China) Ltd.</td>
<td>a</td>
<td>Receivables, net</td>
<td>113,085</td>
<td>Note 4</td>
<td>0.01</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Bank SinoPac (China) Ltd.</td>
<td>a</td>
<td>Interest revenue</td>
<td>20,915</td>
<td>Note 4</td>
<td>0.08</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Bank SinoPac (China) Ltd.</td>
<td>a</td>
<td>Interest expense</td>
<td>9</td>
<td>Note 4</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>SinoPac Insurance Brokers Ltd.</td>
<td>a</td>
<td>Deposits and remittances</td>
<td>76,012</td>
<td>Note 4</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>SinoPac Insurance Brokers Ltd.</td>
<td>a</td>
<td>Fee revenues, net (fee revenues)</td>
<td>12,381</td>
<td>Note 4</td>
<td>0.05</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>SinoPac Insurance Brokers Ltd.</td>
<td>a</td>
<td>Other noninterest net revenues</td>
<td>147</td>
<td>Note 4</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>SinoPac Capital Limited</td>
<td>a</td>
<td>Deposits and remittances</td>
<td>351,478</td>
<td>Note 4</td>
<td>0.02</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>SinoPac Capital (B.V.I.) Ltd.</td>
<td>a</td>
<td>Deposits and remittances</td>
<td>48,001</td>
<td>Note 4</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>RSP Information Service Company Limited</td>
<td>a</td>
<td>Deposits and remittances</td>
<td>12,135</td>
<td>Note 4</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Bank SinoPac (China) Ltd.</td>
<td>Bank SinoPac</td>
<td>b</td>
<td>Deposits from the Central Bank and banks</td>
<td>2,159,305</td>
<td>Note 4</td>
<td>0.13</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Bank SinoPac</td>
<td>b</td>
<td>Payables</td>
<td>113,085</td>
<td>Note 4</td>
<td>0.01</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Bank SinoPac</td>
<td>b</td>
<td>Interest revenue</td>
<td>9</td>
<td>Note 4</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Bank SinoPac</td>
<td>b</td>
<td>Interest expense</td>
<td>20,915</td>
<td>Note 4</td>
<td>0.08</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>SinoPac Insurance Brokers Ltd.</td>
<td>Bank SinoPac</td>
<td>b</td>
<td>Cash and cash equivalents, net</td>
<td>19,930</td>
<td>Note 4</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Bank SinoPac</td>
<td>b</td>
<td>Other financial assets, net</td>
<td>56,082</td>
<td>Note 4</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Bank SinoPac</td>
<td>b</td>
<td>Fee revenues, net (fee expenses)</td>
<td>12,371</td>
<td>Note 4</td>
<td>0.05</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Bank SinoPac</td>
<td>b</td>
<td>Other operating expenses</td>
<td>157</td>
<td>Note 4</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>SinoPac Capital Limited</td>
<td>Bank SinoPac</td>
<td>b</td>
<td>Cash and cash equivalents, net</td>
<td>11,678</td>
<td>Note 4</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Bank SinoPac</td>
<td>b</td>
<td>Other financial assets, net</td>
<td>339,800</td>
<td>Note 4</td>
<td>0.02</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>SinoPac Capital (B.V.I.) Ltd.</td>
<td>Bank SinoPac</td>
<td>b</td>
<td>Cash and cash equivalents, net</td>
<td>1,652</td>
<td>Note 4</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Bank SinoPac</td>
<td>b</td>
<td>Other financial assets, net</td>
<td>46,349</td>
<td>Note 4</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>RSP Information Service Company Limited</td>
<td>Bank SinoPac</td>
<td>b</td>
<td>Cash and cash equivalents, net</td>
<td>12,135</td>
<td>Note 4</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

Note 1: Transactions between parent company and subsidiaries should be distinguished as follows:

a. Parent company: 0.

b. Subsidiaries are numbered in sequence from 1.

(Continued)
Note 2: Types of transactions with related parties were classified as follows:

a. Parent company to subsidiaries.
b. Subsidiaries to parent company.
c. Subsidiaries to subsidiaries.

Types of transactions with related parties classified as category a, in the trading relationship and material intercompany transactions between parent company and subsidiaries above, are iXBRL reporting items which are based on the Taiwan Stock Exchange letter (Ref. No. 1030005380).

Note 3: In the computation of percentage of consolidated revenue/assets, if the amount is the ending balance of assets or liabilities, the accounts percentage will be calculated by dividing the consolidated assets or liabilities; if the amount is the amount of income or expense, the accounts percentage will be cumulated by dividing the consolidated revenues in the same period.

Note 4: For the transactions between the Bank and related parties, the terms were similar to those for unrelated parties.

(Concluded)
TABLE 3

INFORMATION ON INVESTED ENTERPRISES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars or Shares)

<table>
<thead>
<tr>
<th>Investee Company</th>
<th>Location</th>
<th>Main Businesses and Products</th>
<th>Percentage of Ownership (%)</th>
<th>Carrying Amount (Thousands)</th>
<th>Investment Gains (Losses)</th>
<th>Consolidated Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial related enterprise</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank SinoPac (China) Ltd.</td>
<td>China</td>
<td>Commercial Bank</td>
<td>100.00</td>
<td>$ 9,452,558</td>
<td>$ 106,767</td>
<td>100.00</td>
</tr>
<tr>
<td>SinoPac Capital Limited</td>
<td>Hong Kong</td>
<td>Credit and investment service</td>
<td>100.00</td>
<td>411,905</td>
<td>1,615</td>
<td>29,998</td>
</tr>
<tr>
<td>SinoPac Insurance Brokers Ltd.</td>
<td>Hong Kong</td>
<td>Insurance services</td>
<td>100.00</td>
<td>78,565</td>
<td>14,884</td>
<td>100</td>
</tr>
<tr>
<td>SinoPac Life Insurance Agent Co., Ltd.</td>
<td>Taiwan</td>
<td>Life insurance agent</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>SinoPac Property Insurance Agent Co., Ltd.</td>
<td>Taiwan</td>
<td>Property insurance agent</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Global Securities Finance Corporation</td>
<td>Taiwan</td>
<td>Investment management</td>
<td>2.63</td>
<td>111,223</td>
<td>1,560</td>
<td>11,494</td>
</tr>
<tr>
<td>Taipei Foreign Exchange Inc.</td>
<td>Taiwan</td>
<td>Foreign exchange market maker</td>
<td>3.43</td>
<td>19,836</td>
<td>4,080</td>
<td>680</td>
</tr>
<tr>
<td>Taiwan Futures Exchange</td>
<td>Taiwan</td>
<td>Futures exchange and settlement</td>
<td>1.07</td>
<td>178,958</td>
<td>13,103</td>
<td>7,382</td>
</tr>
<tr>
<td>Fuh Hwa Securities Investment Trust Co., Ltd.</td>
<td>Taiwan</td>
<td>Securities investment trust and consultant</td>
<td>4.63</td>
<td>112,955</td>
<td>22,235</td>
<td>2,779</td>
</tr>
<tr>
<td>Financial Information Service Co., Ltd.</td>
<td>Taiwan</td>
<td>Planning and developing the information system of across banking institution and managing the information web system</td>
<td>2.34</td>
<td>585,236</td>
<td>33,044</td>
<td>12,238</td>
</tr>
<tr>
<td>Taiwan Asset Management Corporation</td>
<td>Taiwan</td>
<td>Evaluating, auctioning, and managing for financial institutions’ loan</td>
<td>0.28</td>
<td>19,890</td>
<td>1,950</td>
<td>3,000</td>
</tr>
<tr>
<td>Taiwan Financial Asset Service Co.</td>
<td>Taiwan</td>
<td>Auction</td>
<td>5.88</td>
<td>68,000</td>
<td>700</td>
<td>10,000</td>
</tr>
<tr>
<td>Sunny Asset Management Corp.</td>
<td>Taiwan</td>
<td>Purchasing for financial institutions’ loan assets</td>
<td>1.42</td>
<td>808</td>
<td>110</td>
<td>85</td>
</tr>
<tr>
<td>Taiwan Depository and Clearing Co.</td>
<td>Taiwan</td>
<td>Computerizing book-entry operation for securities</td>
<td>0.08</td>
<td>15,501</td>
<td>1,076</td>
<td>3,493</td>
</tr>
<tr>
<td>Taiwan Mobile Payment Corporation</td>
<td>Taiwan</td>
<td>Promoting E-commerce and developing E-billing</td>
<td>1.00</td>
<td>1,764</td>
<td>-</td>
<td>600</td>
</tr>
<tr>
<td><strong>Nonfinancial related enterprise</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taiwan Television Enterprise, Ltd.</td>
<td>Taiwan</td>
<td>Wireless television company</td>
<td>4.84</td>
<td>77,527</td>
<td>-</td>
<td>13,729</td>
</tr>
<tr>
<td>Victor Taichung Machinery Works Co., Ltd.</td>
<td>Taiwan</td>
<td>Manufacturer and seller of tool machine, plastic machine and other precise equipment</td>
<td>0.08</td>
<td>1,453</td>
<td>94</td>
<td>157</td>
</tr>
</tbody>
</table>

Note 1: Foreign-currency amounts were translated at the exchange rate on the balance sheet date, except for foreign-currency-denominated income and expenses, which were translated to New Taiwan dollars at the average exchange rate for the year ended December 31, 2019.

Note 2: Investment gains are dividend income.

Note 3: Above shares are in thousands of shares.

Note 4: Acquired by the Bank on August 1, 2019.
## TABLE 4

### BANK SINOPAC AND SUBSIDIARIES

#### INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

<table>
<thead>
<tr>
<th>Investee Company</th>
<th>Main Businesses and Products</th>
<th>Total Amount of Paid-in Capital</th>
<th>Method of Investment</th>
<th>Accumulated Outflow of Investment from Taiwan as of January 1, 2019</th>
<th>Investment Flows</th>
<th>Accumulated Outflow of Investment from Taiwan as of December 31, 2019</th>
<th>Earnings (Losses) of Investee (Notes 2 and 3)</th>
<th>Percentage of Ownership</th>
<th>Equity in the Earnings (Losses) (Notes 2 and 3)</th>
<th>Carrying Value (Notes 2 and 3)</th>
<th>Accumulated Inward Remittance of Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank SinoPac (China) Ltd.</td>
<td>Commercial Bank</td>
<td>$9,752,465</td>
<td>Investment in Mainland China directly</td>
<td>$9,752,465</td>
<td>$ -</td>
<td>$ -</td>
<td>$9,752,465</td>
<td>$94,726</td>
<td>100</td>
<td>$106,767</td>
<td>$9,452,558</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Accumulated Investment in Mainland China as of December 31, 2019</th>
<th>Investment Amounts Authorized by Investment Commission, MOEA</th>
<th>Limit on Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>$9,752,465</td>
<td>$9,752,465</td>
<td>$80,200,810</td>
</tr>
</tbody>
</table>

Note 1: The accumulated investment amounts in Mainland China as of December 31, 2019 are US$323,871 thousand and had been authorized by the Investment Commission, MOEA are US$323,871 thousand.

Note 2: Earnings of investee, equity in the earnings and carrying value for the year ended December 31, 2019 have been audited by independent certified public accountants.

Note 3: Foreign currencies are translated to New Taiwan dollars with current rate of the date of balance sheet, only the gains or losses investments are translated with current period average rate.
Appendix II

Bank SinoPac

Financial Statements for the Years Ended December 31, 2019 and 2018 and Independent Auditors’ Report
INDEPENDENT AUDITORS’ REPORT

The Board of Directors and Shareholder
Bank SinoPac

Opinion

We have audited the accompanying financial statements of Bank SinoPac (the Bank), which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years ended December 31, 2019 and 2018 in conformity with Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Securities Firms and the guidelines issued by the authority.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2019. 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.
The key audit matters of the Bank’s financial statements for the year ended December 31, 2019 are stated as follows:

Estimated Impairment of Discounts and Loans

To assess the estimated impairment of discounts and loans collectively, management makes judgments on assumptions of probability of default and loss given default based on historical experience, current market situation and forward-looking information. Assessment of evidence of default and credit impairment, whether the credit risk has increased significantly since the original recognition (including the adoption of forward-looking factors), and the assessment of the methodology and assumptions used for estimating impairment and the estimation of the amount and timing of future cash flows are critical judgments and estimates; therefore, the estimation of the provision for impairment of discounts and loans is identified as a key audit matter for the year ended December 31, 2019.

Refer to Notes 4, 5 and 45 to the accompanying financial statements for the relevant accounting policies, judgments for estimations, estimation uncertainty and other related disclosures of the estimated impairment of discounts and loans.

Our key audit procedures performed in respect of the above area included the following:

We understood and assessed management’s impairment practices, accounting policies and related internal control procedures for discounts and loans to evaluate whether the methodology, assumptions and inputs used conform to the IFRS 9 impairment model and appropriately reflected the actual outcome. We assessed the rationality and consistency of the probability of default, the estimation of forward-looking factors, loss given default and exposure at default, etc. We performed sampling on discounts and loans to verify their completeness and rationality. Finally, we considered related guidelines issued by the authorities and tested whether the classification and the provision for impairment of discounts and loans complied with the related regulation issued by the authorities.

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

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

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

Those charged with governance, including the audit committee, are responsible for overseeing the Bank’s financial reporting process.
Auditors’ Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank’s internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Bank audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2019 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 Yi-Chun Wu and Cheng-Hung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 13, 2020

Notice to Readers

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

For the convenience of readers, the independent auditors’ report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors’ report and financial statements shall prevail.
### BANK SINOPAC

#### BALANCE SHEETS

**In Thousands of New Taiwan Dollars**

#### ASSETS

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2019</th>
<th>December 31, 2018 (Restated)</th>
<th>January 1, 2018 (Restated)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS</strong> (Notes 4, 6 and 41)</td>
<td>$16,317,113</td>
<td>3</td>
<td>17,972,639</td>
</tr>
<tr>
<td><strong>DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS</strong> (Notes 7 and 41)</td>
<td>135,429,776</td>
<td>8</td>
<td>79,274,753</td>
</tr>
<tr>
<td><strong>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</strong> (Notes 4, 8 and 41)</td>
<td>51,558,237</td>
<td>3</td>
<td>49,067,904</td>
</tr>
<tr>
<td><strong>FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME</strong> (Notes 4, 9 and 41)</td>
<td>230,054,108</td>
<td>14</td>
<td>202,068,642</td>
</tr>
<tr>
<td><strong>INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST</strong> (Notes 4, 10 and 42)</td>
<td>137,940,760</td>
<td>8</td>
<td>93,540,068</td>
</tr>
<tr>
<td><strong>SECURITIES PURCHASED UNDER RESELl AGREEMENTS</strong> (Notes 4, 11 and 41)</td>
<td>30,516,733</td>
<td>2</td>
<td>22,710,233</td>
</tr>
<tr>
<td><strong>RECEIVABLES, NET</strong> (Notes 4, 12 and 41)</td>
<td>43,834,248</td>
<td>3</td>
<td>48,000,144</td>
</tr>
<tr>
<td><strong>CURRENT TAX ASSETS</strong> (Notes 4, 30 and 41)</td>
<td>1,417,082</td>
<td>-</td>
<td>1,394,346</td>
</tr>
<tr>
<td><strong>DISCOUNTS AND LOANS, NET</strong> (Notes 4, 5, 13, 41 and 42)</td>
<td>977,951,529</td>
<td>59</td>
<td>904,614,979</td>
</tr>
<tr>
<td><strong>INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD</strong> (Notes 4 and 14)</td>
<td>9,943,028</td>
<td>1</td>
<td>10,930,880</td>
</tr>
<tr>
<td><strong>OTHER FINANCIAL ASSETS, NET</strong> (Notes 4, 15, 41 and 42)</td>
<td>10,725,059</td>
<td>1</td>
<td>16,994,235</td>
</tr>
<tr>
<td><strong>PROPERTY AND EQUIPMENT</strong> (Notes 4, 16, 18 and 41)</td>
<td>9,091,773</td>
<td>-</td>
<td>8,756,335</td>
</tr>
<tr>
<td><strong>RIGHT-OF-USE ASSETS, NET</strong> (Notes 3, 4 and 17)</td>
<td>2,173,603</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>INVESTMENT PROPERTY, NET</strong> (Notes 4 and 18)</td>
<td>1,083,268</td>
<td>-</td>
<td>1,249,812</td>
</tr>
<tr>
<td><strong>INTANGIBLE ASSETS, NET</strong> (Notes 4, 19 and 41)</td>
<td>1,344,618</td>
<td>-</td>
<td>1,231,354</td>
</tr>
<tr>
<td><strong>DEFERRED TAX ASSETS</strong> (Notes 4 and 30)</td>
<td>1,323,002</td>
<td>-</td>
<td>1,488,513</td>
</tr>
<tr>
<td><strong>OTHER ASSETS, NET</strong> (Notes 4, 20 and 41)</td>
<td>4,096,693</td>
<td>-</td>
<td>3,902,577</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$1,664,601,000</td>
<td>100</td>
<td>$1,463,065,920</td>
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</tbody>
</table>

#### LIABILITIES AND EQUITY

<table>
<thead>
<tr>
<th></th>
<th>January 1, 2018 (Restated)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DEPOSITS FROM THE CENTRAL BANK AND BANKS</strong> (Notes 21 and 41)</td>
<td>$8,749,239</td>
</tr>
<tr>
<td><strong>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</strong> (Notes 4, 8 and 41)</td>
<td>16,010,324</td>
</tr>
<tr>
<td><strong>SECURITIES SOLD UNDER REPURCHASE AGREEMENTS</strong> (Notes 4, 9, 10, 11, 22 and 41)</td>
<td>8,226,792</td>
</tr>
<tr>
<td><strong>PAYABLES</strong> (Notes 23, 28 and 41)</td>
<td>14,537,271</td>
</tr>
<tr>
<td><strong>CURRENT TAX LIABILITIES</strong> (Notes 4, 30 and 41)</td>
<td>882,095</td>
</tr>
<tr>
<td><strong>DEPOSITS AND REMITTANCES</strong> (Notes 24 and 41)</td>
<td>1,369,484,236</td>
</tr>
<tr>
<td><strong>BANK DEBENTURES</strong> (Notes 4, 25 and 41)</td>
<td>33,019,751</td>
</tr>
<tr>
<td><strong>OTHER FINANCIAL LIABILITIES</strong> (Notes 26 and 41)</td>
<td>31,224,814</td>
</tr>
<tr>
<td><strong>PROVISIONS</strong> (Notes 4, 27 and 28)</td>
<td>2,900,307</td>
</tr>
<tr>
<td><strong>LEASE LIABILITIES</strong> (Notes 3, 4 and 17)</td>
<td>2,161,012</td>
</tr>
<tr>
<td><strong>DEFERRED TAX LIABILITIES</strong> (Notes 4 and 30)</td>
<td>812,957</td>
</tr>
<tr>
<td><strong>OTHER LIABILITIES</strong> (Notes 29 and 41)</td>
<td>2,925,185</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>1,530,932,983</td>
</tr>
</tbody>
</table>

#### EQUITY

<table>
<thead>
<tr>
<th></th>
<th>January 1, 2018 (Restated)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Share capital</strong></td>
<td></td>
</tr>
<tr>
<td>Common shares</td>
<td>86,061,159</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>8,076,524</td>
</tr>
<tr>
<td>Others</td>
<td>69,244</td>
</tr>
<tr>
<td><strong>Total capital surplus</strong></td>
<td>12,147,640</td>
</tr>
<tr>
<td><strong>Retained earnings</strong></td>
<td></td>
</tr>
<tr>
<td>Legal reserve</td>
<td>23,853,943</td>
</tr>
<tr>
<td>Special reserve</td>
<td>418,897</td>
</tr>
<tr>
<td>Unappropriated earnings</td>
<td>10,194,458</td>
</tr>
<tr>
<td><strong>Total retained earnings</strong></td>
<td>34,467,390</td>
</tr>
<tr>
<td><strong>Other equity</strong></td>
<td>991,560</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>133,668,017</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$1,664,601,000</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.
## BANK SINOPAC

### STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>%</th>
<th>Amount</th>
<th>%</th>
<th>Percentage Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INTEREST REVENUE</strong></td>
<td>$30,223,678</td>
<td>114</td>
<td>$26,164,850</td>
<td>107</td>
<td>16</td>
</tr>
<tr>
<td><strong>INTEREST EXPENSE</strong></td>
<td>(15,965,732)</td>
<td>(60)</td>
<td>(11,925,766)</td>
<td>(49)</td>
<td>34</td>
</tr>
<tr>
<td><strong>NET INTEREST (Notes 4, 32 and 41)</strong></td>
<td>14,257,946</td>
<td>54</td>
<td>14,239,084</td>
<td>58</td>
<td>-</td>
</tr>
<tr>
<td><strong>NET REVENUES OTHER THAN INTEREST (Note 4)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commission and fee revenues, net (Notes 33 and 41)</td>
<td>5,870,459</td>
<td>22</td>
<td>5,041,495</td>
<td>21</td>
<td>16</td>
</tr>
<tr>
<td>Gains on financial assets and liabilities at fair value through profit or loss (Notes 34 and 41)</td>
<td>4,242,450</td>
<td>16</td>
<td>2,577,497</td>
<td>11</td>
<td>65</td>
</tr>
<tr>
<td>Realized gains on financial assets at fair value through other comprehensive income (Note 35)</td>
<td>616,148</td>
<td>2</td>
<td>61,277</td>
<td>-</td>
<td>906</td>
</tr>
<tr>
<td>Loss arising from derecognition of financial assets measured at amortized cost</td>
<td>(2,322)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Foreign exchange gains, net</td>
<td>759,724</td>
<td>3</td>
<td>1,391,976</td>
<td>6</td>
<td>(45)</td>
</tr>
<tr>
<td>Reversal of impairment loss on assets (Note 5)</td>
<td>103,242</td>
<td>-</td>
<td>42,679</td>
<td>-</td>
<td>142</td>
</tr>
<tr>
<td>Share of profit of subsidiaries (Note 14)</td>
<td>139,058</td>
<td>1</td>
<td>276,176</td>
<td>1</td>
<td>(50)</td>
</tr>
<tr>
<td>Gain on disposal of subsidiary (Note 12)</td>
<td>327,628</td>
<td>1</td>
<td>537,205</td>
<td>2</td>
<td>(39)</td>
</tr>
<tr>
<td>Other non-interest net revenues (Notes 36 and 41)</td>
<td>237,247</td>
<td>1</td>
<td>231,242</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td><strong>Net revenues other than interest</strong></td>
<td>12,293,634</td>
<td>46</td>
<td>10,159,547</td>
<td>42</td>
<td>21</td>
</tr>
<tr>
<td><strong>TOTAL NET REVENUES</strong></td>
<td>26,551,580</td>
<td>100</td>
<td>24,398,631</td>
<td>100</td>
<td>9</td>
</tr>
</tbody>
</table>

**BAD DEBT EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 4, 5, 12, 13, 15 and 27)**

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>%</th>
<th>Amount</th>
<th>%</th>
<th>Percentage Increase (Decrease)</th>
</tr>
</thead>
</table>
| (1,004,258)                    | (4)          |    | (694,941)    | (3) | 45                            | (Continued)
**BANK SINOPAC**

**STATEMENTS OF COMPREHENSIVE INCOME**
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

<table>
<thead>
<tr>
<th>Percentage Increase (Decrease)</th>
<th>For the Years Ended December 31</th>
<th>2019</th>
<th>Amount</th>
<th>%</th>
<th>2018 (Restated)</th>
<th>Amount</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee benefits (Notes 4, 28, 37 and 41)</td>
<td>$ (8,014,298)</td>
<td>(30)</td>
<td>$ (7,418,934)</td>
<td>(30)</td>
<td>8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization (Notes 4, 17, 38 and 41)</td>
<td>(1,228,324)</td>
<td>(5)</td>
<td>(558,656)</td>
<td>(2)</td>
<td>120</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others (Notes 39 and 41)</td>
<td>(4,319,393)</td>
<td>(16)</td>
<td>(4,523,481)</td>
<td>(19)</td>
<td>(5)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>(13,562,015)</td>
<td>(51)</td>
<td>(12,501,071)</td>
<td>(51)</td>
<td>8</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAX</strong></td>
<td>11,985,307</td>
<td>45</td>
<td>11,202,619</td>
<td>46</td>
<td>7</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>INCOME TAX EXPENSE (Notes 4 and 30)</strong></td>
<td>(1,694,320)</td>
<td>(6)</td>
<td>(1,528,414)</td>
<td>(6)</td>
<td>11</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PROFIT (LOSS)</strong></td>
<td>10,290,987</td>
<td>39</td>
<td>9,674,205</td>
<td>40</td>
<td>6</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>OTHER COMPREHENSIVE INCOME</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that will not be reclassified to profit or loss:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remeasurement of defined benefit plans</td>
<td>(120,661)</td>
<td>(1)</td>
<td>(173,445)</td>
<td>(1)</td>
<td>(30)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income (Note 31)</td>
<td>279,244</td>
<td>1</td>
<td>(172,429)</td>
<td>-</td>
<td>262</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in fair value of financial liability attributable to changes in the credit risk of liabilities (Note 31)</td>
<td>(60,206)</td>
<td>-</td>
<td>12,334</td>
<td>-</td>
<td>(588)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method (Note 31)</td>
<td>-</td>
<td>-</td>
<td>(58,631)</td>
<td>-</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income tax relating to items that may not be reclassified subsequently to profit or loss (Notes 4, 5, 30 and 31)</td>
<td>24,132</td>
<td>-</td>
<td>49,946</td>
<td>-</td>
<td>(52)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that will not be reclassified to profit or loss</td>
<td>122,509</td>
<td>-</td>
<td>(342,225)</td>
<td>(1)</td>
<td>136</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Continued)
BANK SINOPAC

STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

<table>
<thead>
<tr>
<th>Items that will be reclassified to profit or loss</th>
<th>Amount</th>
<th>%</th>
<th>Amount</th>
<th>%</th>
<th>Percentage Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exchange differences on translating foreign operations (Note 31)</td>
<td>$(341,716)</td>
<td>(1)</td>
<td>$(484,716)</td>
<td>(2)</td>
<td>(30)</td>
</tr>
<tr>
<td>Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method (Note 31)</td>
<td>51,675</td>
<td>-</td>
<td>29,986</td>
<td>-</td>
<td>72</td>
</tr>
<tr>
<td>Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income (Note 31)</td>
<td>1,035,549</td>
<td>4</td>
<td>(52,991)</td>
<td>-</td>
<td>2,054</td>
</tr>
<tr>
<td>Income tax relating to items that may be reclassified subsequently (Notes 4, 5, 30 and 31)</td>
<td>58,008</td>
<td>-</td>
<td>91,660</td>
<td>-</td>
<td>(37)</td>
</tr>
<tr>
<td>Items that will be reclassified to profit or loss</td>
<td>803,516</td>
<td>3</td>
<td>(416,061)</td>
<td>(2)</td>
<td>293</td>
</tr>
<tr>
<td>Other comprehensive income (loss) for the period, net of income tax</td>
<td>926,025</td>
<td>3</td>
<td>(758,286)</td>
<td>(3)</td>
<td>222</td>
</tr>
</tbody>
</table>

TOTAL COMPREHENSIVE INCOME FOR THE YEAR | $11,217,012 | 42 | $8,915,919 | 37 | 26 |

EARNINGS PER SHARE (Note 40)
| Basic | $1.20 | $1.12 |

The accompanying notes are an integral part of the financial statements. (Concluded)
## BANK SINOPEC

**STATEMENTS OF CHANGES IN EQUITY**

(In Thousands of New Taiwan Dollars)

<table>
<thead>
<tr>
<th>Item</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Other Equity (Note 31)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share Capital</td>
<td>$86,061,159</td>
<td>$12,147,640</td>
</tr>
<tr>
<td>Capital Surplus (Note 31)</td>
<td>$12,147,640</td>
<td>$12,147,640</td>
</tr>
<tr>
<td>Retained Earnings (Note 31)</td>
<td>$18,712,695</td>
<td>$21,049,419</td>
</tr>
<tr>
<td>Other comprehensive income, net of taxes</td>
<td>$505,700</td>
<td>$418,897</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td>$125,002,329</td>
<td>$129,081,499</td>
</tr>
</tbody>
</table>

**Effect of retrospective application and retrospective restatement**

<table>
<thead>
<tr>
<th>Item</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profit for the year ended December 31, 2018</td>
<td>$9,674,205</td>
<td>$10,290,987</td>
</tr>
<tr>
<td>Other comprehensive (loss) income for the year ended December 31, 2018, net of income tax</td>
<td>$(128,613)</td>
<td>$(96,529)</td>
</tr>
<tr>
<td><strong>Total comprehensive income (loss) for the year ended December 31, 2018</strong></td>
<td>$9,545,592</td>
<td>$10,204,458</td>
</tr>
<tr>
<td>Appropriation and distribution of retained earnings generated in 2018</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal reserve</td>
<td>$2,804,524</td>
<td>$3,230,486</td>
</tr>
<tr>
<td>Cash dividends - common stock</td>
<td>$(6,630,694)</td>
<td>$(6,630,694)</td>
</tr>
<tr>
<td><strong>Total Appropriation and distribution of retained earnings generated in 2018</strong></td>
<td>$(3,826,170)</td>
<td>$(6,630,694)</td>
</tr>
<tr>
<td><strong>Capital Surplus (Note 31)</strong></td>
<td>$12,147,640</td>
<td>$12,147,640</td>
</tr>
<tr>
<td>Net profit for the year ended December 31, 2019</td>
<td>$10,290,987</td>
<td>$10,290,987</td>
</tr>
<tr>
<td>Other comprehensive (loss) income for the year ended December 31, 2019, net of income tax</td>
<td>$(96,529)</td>
<td>$(273,601)</td>
</tr>
<tr>
<td><strong>Total comprehensive income (loss) for the year ended December 31, 2019</strong></td>
<td>$10,194,458</td>
<td>$10,017,386</td>
</tr>
<tr>
<td>Appropriation and distribution of retained earnings generated in 2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal reserve</td>
<td>$86,803</td>
<td>$86,803</td>
</tr>
<tr>
<td>Cash dividends - common stock</td>
<td>$(6,630,694)</td>
<td>$(6,630,694)</td>
</tr>
<tr>
<td><strong>Total Appropriation and distribution of retained earnings generated in 2019</strong></td>
<td>$(6,543,891)</td>
<td>$(6,630,694)</td>
</tr>
<tr>
<td><strong>Capital Surplus (Note 31)</strong></td>
<td>$12,147,640</td>
<td>$12,147,640</td>
</tr>
<tr>
<td>Net profit for the year ended December 31, 2020</td>
<td>$10,290,987</td>
<td>$10,290,987</td>
</tr>
<tr>
<td>Other comprehensive (loss) income for the year ended December 31, 2020, net of income tax</td>
<td>$(273,601)</td>
<td>$(60,206)</td>
</tr>
<tr>
<td><strong>Total comprehensive income (loss) for the year ended December 31, 2020</strong></td>
<td>$10,017,386</td>
<td>$9,690,781</td>
</tr>
<tr>
<td>Appropriation and distribution of retained earnings generated in 2020</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal reserve</td>
<td>$86,803</td>
<td>$86,803</td>
</tr>
<tr>
<td>Cash dividends - common stock</td>
<td>$(6,630,694)</td>
<td>$(6,630,694)</td>
</tr>
<tr>
<td><strong>Total Appropriation and distribution of retained earnings generated in 2020</strong></td>
<td>$(6,543,891)</td>
<td>$(6,630,694)</td>
</tr>
<tr>
<td><strong>Capital Surplus (Note 31)</strong></td>
<td>$12,147,640</td>
<td>$12,147,640</td>
</tr>
</tbody>
</table>

**Other Information**

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

STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

<table>
<thead>
<tr>
<th>For the Years Ended</th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Income before income tax</td>
<td>$ 11,985,307</td>
</tr>
<tr>
<td>Adjustments to reconcile profit:</td>
<td></td>
</tr>
<tr>
<td>Depreciation expenses</td>
<td>1,072,958</td>
</tr>
<tr>
<td>Amortization expenses</td>
<td>155,366</td>
</tr>
<tr>
<td>Provision for bad debt expense</td>
<td>1,654,852</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>15,965,732</td>
</tr>
<tr>
<td>Interest revenues</td>
<td>(30,223,678)</td>
</tr>
<tr>
<td>Dividend revenues</td>
<td>(89,302)</td>
</tr>
<tr>
<td>Net change in provisions for guarantee liabilities</td>
<td>38,274</td>
</tr>
<tr>
<td>Net change in other provisions</td>
<td>(76,062)</td>
</tr>
<tr>
<td>Share of profit of subsidiaries</td>
<td>(139,058)</td>
</tr>
<tr>
<td>Losses on disposal or retirement of property and equipment</td>
<td>3,897</td>
</tr>
<tr>
<td>Gain on disposal of investment properties</td>
<td>(64,973)</td>
</tr>
<tr>
<td>Gains on disposal of subsidiary</td>
<td>(327,628)</td>
</tr>
<tr>
<td>Reversal of impairment loss on financial assets</td>
<td>(103,242)</td>
</tr>
<tr>
<td>Net gains on changing in leasing contracts</td>
<td>(45)</td>
</tr>
</tbody>
</table>

Changes in operating assets and liabilities:
Increase in due from the Central Bank and call loans to banks | (8,834,654) | (4,632,848) |
Increase in financial assets at fair value through profit or loss | (2,290,333) | 21,275,924 |
Increase in financial assets at fair value through other comprehensive income | (26,062,641) | (80,738) |
Increase in investments in debt instruments at amortized cost | (44,402,606) | (12,648,527) |
Decrease (increase) in securities purchased under resell agreements | 211,504     | (533,018)     |
Decrease (increase) in receivables | 3,231,276    | (4,149,057)   |
Increase in discounts and loans | (74,941,181) | (53,094,359)  |
Decrease (increase) in other financial assets | 6,448,719    | (11,371,633)  |
Increase in other assets | (325,015)    | (150,198)     |
Increase in deposits from the Central Bank and banks | 14,232,750   | 7,706,440     |
Decrease in financial liabilities at fair value through profit or loss | (3,786,527)  | (539,271)     |
Decrease in securities sold under repurchase agreements | (17,277,695) | (674,321)     |
Decrease (increase) in payables | (2,796,209)  | 605,048        |
Increase in deposits and remittances | 188,847,515  | 43,057,420    |
Increase in other financial liabilities | 14,211,986   | 4,756,411      |
(Decrease) increase in provisions for employee benefits | (3,370)      | 46,661         |
Decrease in other liabilities | (121,864)    | (2,124,884)    |
Net cash generated from (used in) operations | 46,194,053   | (14,731,720)   |
Interest received | 30,386,557   | 25,526,266     |
Dividend received | 114,908      | 109,993        |
Interest paid | (15,194,898) | (11,455,397)   |
Income tax paid | (1,158,656)  | (1,109,156)     |

Net cash generated from (used in) operating activities | 60,341,964   | (1,660,014)    | (Continued)
BANK SINOPAC

STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

For the Years Ended
December 31

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018 (Restated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH FLOWS FROM INVESTING ACTIVITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disposal of subsidiary</td>
<td>327,628</td>
<td>537,205</td>
</tr>
<tr>
<td>Investments accounted for using the equity method for the reduced capital by the investee</td>
<td>867,737</td>
<td>-</td>
</tr>
<tr>
<td>Acquisition of property and equipment</td>
<td>(744,655)</td>
<td>(403,216)</td>
</tr>
<tr>
<td>Proceeds from disposal of property and equipment</td>
<td>168</td>
<td>264</td>
</tr>
<tr>
<td>Acquisition of intangible assets</td>
<td>(169,262)</td>
<td>(55,037)</td>
</tr>
<tr>
<td>Cash from combination</td>
<td>6,451</td>
<td>-</td>
</tr>
<tr>
<td>Acquisition of right-of-use assets</td>
<td>(251)</td>
<td>-</td>
</tr>
<tr>
<td>Acquisition of investment properties</td>
<td>(3,393)</td>
<td>(33,273)</td>
</tr>
<tr>
<td>Proceeds from disposal of investment properties</td>
<td>97,099</td>
<td>25,081</td>
</tr>
<tr>
<td>Net cash generated from investing activities</td>
<td>381,522</td>
<td>71,024</td>
</tr>
<tr>
<td>CASH FLOWS FROM FINANCING ACTIVITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank debentures issued</td>
<td>13,000,000</td>
<td>1,150,000</td>
</tr>
<tr>
<td>Repayment of bank debentures payable</td>
<td>(12,700,000)</td>
<td>(8,000,000)</td>
</tr>
<tr>
<td>Repayments of lease liabilities</td>
<td>(649,449)</td>
<td>-</td>
</tr>
<tr>
<td>Distribution of cash dividends</td>
<td>(6,630,694)</td>
<td>(5,404,219)</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>(6,980,143)</td>
<td>(12,254,219)</td>
</tr>
<tr>
<td>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</td>
<td>(60,496)</td>
<td>54,434</td>
</tr>
<tr>
<td>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</td>
<td>53,682,847</td>
<td>(13,788,775)</td>
</tr>
<tr>
<td>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</td>
<td>86,487,843</td>
<td>100,276,618</td>
</tr>
<tr>
<td>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</td>
<td>$ 140,170,690</td>
<td>$ 86,487,843</td>
</tr>
</tbody>
</table>

(Continued)
BANK SINOPAC

STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

Reconciliation of the amounts in the statement of cash flows with the equivalent items reported in the balance sheets as of December 31, 2019 and 2018:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents in balance sheets</td>
<td>$ 16,317,113</td>
<td>$ 17,972,639</td>
</tr>
<tr>
<td>Due from the Central Bank and call loans to banks reclassified as cash and cash equivalents under IAS 7 “Statement of Cash Flows”</td>
<td>93,659,351</td>
<td>46,338,982</td>
</tr>
<tr>
<td>Securities purchased under resell agreements reclassified as cash and cash equivalents under IAS 7 “Statement of Cash Flows”</td>
<td>30,194,226</td>
<td>22,176,222</td>
</tr>
<tr>
<td>Cash and cash equivalents in statements of cash flows</td>
<td>$ 140,170,690</td>
<td>$ 86,487,843</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements. (Concluded)
1. ORGANIZATION

August 8, 1991  Bank SinoPac (the Bank) obtained government approval to incorporate.

January 28, 1992  The Bank started operations.

May 9, 2002  The Bank swap shares with SinoPac Securities Corporation and SinoPac Securities Co., Ltd. (SPS) to establish SinoPac Financial Holdings Company Limited (SPH), a financial holding company, resulting in the Bank becoming an unlisted wholly owned subsidiary of SPH, the ultimate parent company of SPH.

December 26, 2005  SPH finished the merger with International Bank of Taipei Co., Ltd. (IBT), through a 100% share swap.

May 8, 2006  The board of directors of IBT resolved to transfer credit card business and related assets and liabilities to SinoPac Card Services Co., Ltd. (SinoPac Card). The transaction has been approved by the authorities on June 22, 2006 and the assets have been transferred at the book value of $5,171,080 on August 4, 2006.

November 13, 2006  The preliminary effective date of the share swap and merger. The Bank acquired the assets and liabilities of IBT through a share swap at ratio of 1.175 shares of the Bank to swap for 1 share of IBT.

June 1, 2009  The Bank’s cash merger with SinoPac Card took effect, with this merger amounting to $3,873,675. Under this merger, the Bank was the surviving entity.

November 1, 2015  The Bank assumed all of the assets and liabilities of the Ho Chi Minh City Branch of Far East National Bank and renamed this branch Bank SinoPac, Ho Chi Minh City Branch. The transaction price was US$28,540 thousand.

May 1, 2019  SinoPac Call Center Co., Ltd. (SinoPac Call Center) which is a wholly-owned subsidiary of SPH was cash merged by the Bank. Under this merger, SinoPac Call Center was the dissolved company and the Bank was the surviving entity, assuming all business, assets, liabilities and all rights and obligations.

August 1, 2019  Due to permission, the Bank may also operate within the insurance industry. Then the board of directors of the Bank applied for the qualification to operate as an insurance agency and for the rights to merge SinoPac Life Insurance Agent Co., Ltd. and SinoPac Property Insurance Agent Co., Ltd., which are both 100% shareholding subsidiaries of the Bank. The Bank is the surviving company, and the two subsidiaries were liquidated.

The Bank’s ultimate parent and controller is SinoPac Holdings, which holds 100% common shares of the Bank.

The functional currency of the Bank is the New Taiwan dollar. The financial statements are presented in New Taiwan dollars.
2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on March 13, 2020.

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

a. Initial application of the amendments to Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Securities Firms and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively referred to as IFRSs) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the amendments to Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Securities Firms and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Bank’s accounting policies:

- **IFRS 16 “Leases”**

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

**Definition of a lease**

The Bank elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

**The Bank as lessee**

Upon initial application of IFRS 16, the Bank will recognize right-of-use assets, and lease liabilities for all leases on the balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Bank will present the depreciation expense charged on right-of-use assets separately from interest expense accrued on the lease liability; interest is computed by using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Prior to the application IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the statements of cash flows. Leased assets and finance lease payables were recognized for contracts classified as finance leases.

The Bank is expected to recognize lease liability for leases classified as operating leases on the date of the initial application of IAS 17 and on the basis of individual leases, recognizing the right-of-use assets of lease liability. Comparative information will not be restated.
Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the aforementioned incremental borrowing rate. The Bank accessed the impairment to all right-of-use assets under IAS 36.

The Bank also has applied the following practical expedients:

1) The Bank has applied a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Bank has accounted for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

3) The Bank has excluded initial direct costs from the measurement of right-of-use assets on January 1, 2019.

4) The Bank has used hindsight, such as in determining lease terms, to measure lease liabilities.

The interest rate range using the aforementioned incremental borrowing rate is 0.5609%-4.9329% on January 1, 2019. In compliance with the various types of underlying leases and certain equipment leases that qualifies as low-value assets, for which the recognition exemption is applied. The amount of the lease liability recognized on the initial application date is $1,618,589.

The Bank as lessor

The Bank does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets and liabilities as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

<table>
<thead>
<tr>
<th></th>
<th>Carrying Amount as of December 31, 2018 (Restated)</th>
<th>Adjustments Arising from Initial Application</th>
<th>Adjusted Carrying Amount as of January 1, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property and equipment, net</td>
<td>$8,756,335</td>
<td>$(13,293)</td>
<td>$8,743,042</td>
</tr>
<tr>
<td>Right-of-use assets, net</td>
<td>-</td>
<td>1,645,148</td>
<td>1,645,148</td>
</tr>
<tr>
<td>Other assets, net</td>
<td>3,992,577</td>
<td>(13,266)</td>
<td>3,979,311</td>
</tr>
<tr>
<td>Total effect on assets</td>
<td>$12,748,912</td>
<td>$1,618,589</td>
<td>$14,367,501</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>$-</td>
<td>$1,618,589</td>
<td>$1,618,589</td>
</tr>
<tr>
<td>Total effect on liabilities</td>
<td>$-</td>
<td>$1,618,589</td>
<td>$1,618,589</td>
</tr>
</tbody>
</table>
b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

<table>
<thead>
<tr>
<th>New IFRSs</th>
<th>Effective Date Announced by IASB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amendments to IFRS 3 “Definition of a Business”</td>
<td>January 1, 2020 (Note 1)</td>
</tr>
<tr>
<td>Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”</td>
<td>January 1, 2020 (Note 2)</td>
</tr>
<tr>
<td>Amendments to IAS 1 and IAS 8 “Definition of Material”</td>
<td>January 1, 2020 (Note 3)</td>
</tr>
</tbody>
</table>

Note 1: The Bank shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Bank shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Bank shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

Except for the above impact, as of the date the financial statements were authorized for issue, the Bank assessed that the application of other standards and interpretations will have no material impact on the Bank’s financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<table>
<thead>
<tr>
<th>New IFRSs</th>
<th>Effective Date Announced by IASB (Note)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”</td>
<td>To be determined by IASB</td>
</tr>
<tr>
<td>IFRS 17 “Insurance Contracts”</td>
<td>January 1, 2021</td>
</tr>
<tr>
<td>Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”</td>
<td>January 1, 2022</td>
</tr>
</tbody>
</table>

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

The Bank assessed that the abovementioned amendments had no material impact. Except for the above impact, as of the date the financial statements were authorized for issue, the Bank is continuously assessing the possible impact that the application of other standards and interpretations will have on the Bank’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Securities Firms and the guidelines issued by the authority.
Basis of Preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value, net defined benefit liability which present value of defined benefit obligation deduct fair value of plan assets. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

c. Level 3 inputs are unobservable inputs for the asset or liability.

When preparing its financial statements, the Bank used equity method to account for its investment in subsidiaries and associate or joint venture. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the financial statements to be the same with the amounts attributable to the owner of the Bank in its consolidated financial statements, adjustments arising from the differences in accounting treatment between consolidated and nonconsolidated bases were made to equity investment - equity method and associate or joint venture, share of profit or loss of subsidiaries and share of other comprehensive income of subsidiaries and related equity items and associate or joint venture, as appropriate, in the financial statements.

The accompanying financial statements include the accounts of the Head Office, OBU, all branches and the representative office. All interoffice transactions and balances have been eliminated.

Classification of Current and Non-current Assets and Liabilities

Since the operating cycle in the Banking industry cannot be reasonably identified, the accounts included in the Bank’s financial statements were not classified as current or noncurrent. Nevertheless, accounts were properly categorized in accordance with the nature of each account and sequenced by their liquidity. Please refer to Note 45 for the maturity analysis of assets and liabilities.

Foreign Currencies

a. Foreign currencies

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

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

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.
Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

b. Exchange differences on translating foreign operations

For the purposes of presenting financial statements, the assets and liabilities of the Bank’s foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

On the disposal of a foreign operation (a disposal of the Bank’s entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

**Cash and Cash Equivalents**

Cash and cash equivalent in financial statements includes cash on hand, demand deposits and investments with original maturities within three months from the date of acquisition, highly liquid, readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. For the purposes of presenting cash flows, the cash and cash equivalent includes cash and cash equivalents in balance sheets, due from the Central Bank and call loans to banks and securities purchased under resell agreements under IAS 7.

**Investment Accounted for Using the Equity Method**

The Bank uses the equity method of accounting on investment of subsidiaries.

The subsidiaries are the entities controlled by the Bank.

Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Bank’s share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Bank also recognizes the Bank’s share of the change in other equity of the subsidiary.

When the Bank’s share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in subsidiary accounted for by the equity method and long-term interests that, in substance, form part of the Bank’s net investment in the subsidiary), the Bank continues recognizing its share of further losses.

The acquisition cost in excess of the acquisition-date fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not amortized.

Profits and losses from downstream transactions with a subsidiary are eliminated in full. Profits and losses from upstream with a subsidiary and side stream transactions between subsidiaries are recognized in the financial statements only to the extent of interests in the subsidiary that are not related to the Bank.
The entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

Business combinations involving entities under common control are not accounted for using the acquisition method but are accounted for at the carrying amounts of the entities. Comparative information of the prior period in the consolidated financial statements is restated as if a business combination involving entities under common control had already occurred in that period. The preparation of the financial statements is to continue to process the balance between the investment cost and the net equity value of the original acquisition of the acquiree's control, based on the reasons and treatment methods for the difference analyzed when the equity was originally acquired.

The Bank merged with SinoPac Call Center Co., Ltd., SinoPac Life Insurance Agent Co., Ltd. and SinoPac Property Insurance Agent Co., Ltd. The merger was essentially an organizational restructuring, based on the IFRS Q&A on “Business Combination of Enterprises under Common Control” issued by the Accounting Research and Development Foundation of the Republic of China. In consideration of consolidation accounting concerns and materiality, the merger of SinoPac Life Insurance Agent Co., Ltd. was treated as if it had occurred at the beginning of the period and the comparative financial statements for the prior period have been restated (refer to Note 50).

Financial Instruments

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

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

Financial assets

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

a. Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, and investments in debt instruments and equity instruments at FVTOCI.

1) Financial asset at FVTPL

Financial asset is classified as at FVTPL when the financial asset is mandatorily classified or it is designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria. A financial asset may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

Financial assets at FVTPL are subsequently measured at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 44.
2) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, receivables and discount and loans, are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

a) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and

b) Financial asset that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

3) Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

a) The financial asset is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of the financial assets; and

b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

4) Investments in equity instruments at FVTOCI

On initial recognition, the Bank may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.
Dividends on these investments in equity instruments are recognized in profit or loss when the Bank’s right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b. Impairment of financial assets

The Bank recognizes a loss allowance for expected credit losses on financial assets at amortized cost and investments in debt instruments that are measured at FVTOTC.

The Bank always recognizes lifetime Expected Credit Loss (i.e. ECL) for receivables. For all other financial instruments, the Bank recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Bank measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Bank recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOTC, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

Under the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” (the Regulations), the Bank evaluates credit losses on the basis of the estimated collectability of loans. In accordance with the Regulations, credit assets are classified as normal assets, assets that require special mentioned, assets with substandard credit quality, assets with doubtful collectability, and assets on which there is loss. The Bank evaluates the value of collaterals of specified loans and assesses recoverability of non-performing loans. These will be written off after approved by the board of directors when evaluated as unrecoverable.

Based on the above Regulations, the minimum allowance for credit losses and provision for losses on guarantees for assets that are normal excluding claims against the ROC government agencies that require special mentioned, assets that are substandard, assets with doubtful collectability, and assets on which there is loss were 1%, 2%, 10%, 50% and 100%, respectively of outstanding. In addition, under the Financial Supervisory Commission (FSC) Official Letter No. 10010006830, there should be a provision at more than 1% of the sum of the minimum allowance for credit losses and the provision for losses on guarantees.

For enhanced risk management of banks, the FSC issued Official Letter No. 10300329440, which requires domestic banks to allocate an allowance of at least 1.5% of repair loans and construction loans. In addition, under the FSC Official Letter No. 10410001840, Category 1 credits granted to enterprises in the China region should be covered by an allowance of at least 1.5% of the balance of these credits.

c. Derecognition of financial assets

The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.
On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of a debt instrument at FVTOCI in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss. On derecognition of an equity instrument at FVTOCI in its entirety, cumulative gain or loss is transferred directly to retained earnings instead of reclassifying as profit or loss.

Financial liabilities and equity instruments

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

a. Subsequent measurement

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

1) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or is designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 44.

A financial liability may be designated as at FVTPL upon initial recognition when doing so results in more relevant information and if:

a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

b) The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis, in accordance with the Bank’s documented risk management or investment strategy, and information about the Banking is provided internally on that basis; or

c) The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at FVTPL.

For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability which incorporates any interest or dividend paid on the financial liability is presented in profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liabilities are derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss.
2) Financial guarantee contracts

Financial guarantee contracts issued by the Bank, if not designated as at FVTPL, are subsequently measured at the higher of the amount of the loss allowance reflecting expected credit loss or the amount initially recognized less accumulated amortization.

b. Derecognition of financial liabilities

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

Derivative Financial Instruments

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability. Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in hybrid contracts that contain hosts which are not assets (e.g. financial liabilities) within the scope of IFRS 9 shall be separated from the host and accounted for as a derivative under IFRS 9 if, and only if, the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host.

When they are closely related, the entire hybrid instrument is accounted for by its nature in accordance with the applicable standard. When they are not closely related, the derivative is accounted for differently from the host contract as derivative while the host contract is accounted for by its nature in accordance with the applicable standard. Alternatively, the entire hybrid instrument is designated as a derivative instrument included in financial liabilities at fair value through profit or loss upon initial recognition, and no separate accounting is required.

Repurchase and Reverse Repurchase Transactions

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

Property and Equipment

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

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

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

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

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

**Leases**

**2019**

At the inception of a contract, the Bank assesses whether the contract is, or contains, a lease.

a. **The Bank as lessor**

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

Under finance leases, the lease payments comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The net investment in a lease is measured at the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus initial direct costs and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Bank’s net investment outstanding in respect of leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

When a lease includes both land and building elements, the Bank assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Bank. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

b. **The Bank as lessee**

The Bank recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.
Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Bank uses the lessee’s incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Bank remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

2018

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

a. The Bank as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease unless another system could be more representative of the effectiveness of time consumption of lease assets.

b. The Bank as lessee

The financial leases are accounted at the smaller amount of the fair value of the leased assets at the beginning of the lease and the total amount of minimum lease payment. At the same time, the leasing liabilities are recognized.

The implied interest on the lease payments for each period is the current financial expense and is capitalized if it is directly attributable to the assets that meet the requirements.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term unless another system could be more representative of the effectiveness of time consumption of lease assets.
Intangible Assets

a. Intangible assets acquired separately

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

b. Derecognition of intangible assets

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

Goodwill

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

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

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

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal, and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Bank reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to the individual cash-generating units; otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.
When an impairment loss subsequently is reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**Provisions**

Provisions, including those arising from the contractual obligation specified in the service concession arrangement to maintain or restore the infrastructure before it is handed over to the grantor, are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**Employee Benefits**

a. Short-term employee benefits

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

b. Retirement benefits

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

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

c. Preferential interest on employees’ deposits

The Bank offers preferential interest rate to its current employees for their deposits within a prescribed amount.

Under Article 28 of the Regulation Governing the Preparation of Financial Reports by Public Bank, if the Bank’s preferential deposit interest rate for as stated in the employment contract exceeds the market interest rate, the excess will be subject to IAS 19 “Employee Benefits” upon the employee’s retirement. The actuarial valuation assumptions and parameters are based on those announced by authority, if any.

d. Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Bank can no longer withdraw the offer of the termination benefit and when the Bank recognizes any related restructuring costs.
Share-based Payment Arrangements

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

The shares of the capital increased by cash of SPH were reserved for the Bank’s employees. The grant date was the date that the employee subscription and the fair value determined at the grant date of the equity-settled share-based payments is recognized as an expense and paid-in capital.

Revenue Recognition

a. Interest income and expense

Except for financial assets and liabilities at fair value through profit or loss, interest income and interest expense of all financial instruments are accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, and recognized in the consolidated statements of comprehensive income.

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

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

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

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

b. Commission revenue

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

Annual fee income is the membership fee received from card members and is recognized when card members fail to meet the criteria for annual fee exemption; an allowance is estimated using past experience and is recognized as a deduction from annual fee income within the year the annual fee income is recognized.

Revenue from rendering services is recognized at the amount corresponding to the percentage of services completed as of the balance sheet date.

c. Dividend income

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

Income tax expense represents the sum of the current tax and deferred tax.

a. Current tax

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

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

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are generally recognized for deductible temporary differences, unused loss carryforward and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

c. Current and deferred tax for the period

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

d. Linked-tax system

SPH and its qualified subsidiaries adopted the linked-tax system. The different amounts between tax expense and deferred tax liabilities and assets based on consolidation and SPH with its qualified subsidiaries are adjusted on SPH; related amounts are recognized as current tax assets or current tax liabilities.
The accounting principle of the effect of tax rate amendment are the same as transactions with tax consequences. They are recognized as profit or loss, other comprehensive income or equity when they occurred.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Bank’s accounting policies, which are described in Note 4, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

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

Estimated Impairment of Discounts and Loans

The estimate of impairment of discounts and loans is based on assumptions about probability of default and loss given default. In making these assumptions and in selecting the inputs to the impairment calculation, the bank uses judgement based on the Bank’s past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 45. Where the actual future cash inflows are less than expected, a material impairment loss may arise. Also, the Bank should consider the specifications of the relevant authorities’ letter to make sure that the classification and allowance for impairment are in compliance with the requirements of the regulations.

Impairment losses on discounts and loans are shown in Notes 13 and 45.

6. CASH AND CASH EQUIVALENTS

<table>
<thead>
<tr>
<th>December 31</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on hand</td>
<td>$ 7,101,120</td>
<td>$ 6,917,577</td>
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<tr>
<td>Due from other banks</td>
<td>8,017,978</td>
<td>6,313,716</td>
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<tr>
<td>Notes and checks for clearing</td>
<td>1,198,015</td>
<td>4,741,346</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$ 16,317,113</strong></td>
<td><strong>$ 17,972,639</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>December 31</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Call loans to banks</td>
<td>$ 80,059,464</td>
<td>$ 33,895,991</td>
</tr>
<tr>
<td>Trade finance advance - interbank</td>
<td>2,161,559</td>
<td>568,902</td>
</tr>
<tr>
<td>Deposit reserve - checking accounts</td>
<td>20,432,055</td>
<td>17,364,948</td>
</tr>
<tr>
<td>Due from the Central Bank - interbank settlement funds</td>
<td>2,511,849</td>
<td>1,533,060</td>
</tr>
<tr>
<td>Deposit reserve - demand accounts</td>
<td>29,888,447</td>
<td>25,619,713</td>
</tr>
<tr>
<td>Deposit reserve - foreign currencies</td>
<td>376,402</td>
<td>292,139</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 135,429,776</strong></td>
<td><strong>$ 79,274,753</strong></td>
</tr>
</tbody>
</table>
Under a directive issued by the Central Bank of the ROC, New Taiwan dollar (NTD) - denominated deposit reserves are determined monthly at prescribed rates based on average balances of customers’ NTD-denominated deposits. Deposit reserve - demand account should not be used, except for adjusting the deposit reserve account monthly. In addition, the foreign-currency deposit reserves are determined at prescribed rates based on the balances of foreign-currency deposits. These reserves can be withdrawn momentarily anytime at no interest.

8. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

<table>
<thead>
<tr>
<th>Financial assets mandatorily classified as at fair value through profit or loss</th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Government bonds</td>
<td>$35,641,996</td>
</tr>
<tr>
<td>Certificates of deposits</td>
<td>2,391,984</td>
</tr>
<tr>
<td>Bank debentures</td>
<td>622,689</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>332,424</td>
</tr>
<tr>
<td>Currency swap contracts</td>
<td>6,667,223</td>
</tr>
<tr>
<td>Interest rate swap contracts</td>
<td>2,951,725</td>
</tr>
<tr>
<td>Option contracts</td>
<td>1,048,582</td>
</tr>
<tr>
<td>Forward contracts</td>
<td>784,040</td>
</tr>
<tr>
<td>Hybrid FX swap structured instruments</td>
<td>591,299</td>
</tr>
<tr>
<td>Others</td>
<td>326,275</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$51,358,237</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Held-for-trading financial liabilities</th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Currency swap contracts</td>
<td>$7,356,566</td>
</tr>
<tr>
<td>Interest rate swap contracts</td>
<td>3,341,090</td>
</tr>
<tr>
<td>Option contracts</td>
<td>2,125,043</td>
</tr>
<tr>
<td>Hybrid FX swap structured instruments</td>
<td>590,945</td>
</tr>
<tr>
<td>Forward contracts</td>
<td>780,686</td>
</tr>
<tr>
<td>Others</td>
<td>279,375</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$14,473,705</td>
</tr>
</tbody>
</table>

Financial liabilities designated at fair value through profit or loss

| Bank debentures | 1,536,619 | 1,500,806 |
| **Total** | $16,010,324 | $19,736,645 |

a. The Bank designated to eliminate accounting inconsistencies as financial assets and liabilities at FVTPL.
b. Information on financial liabilities designated at fair value through profit or loss were as follows:

<table>
<thead>
<tr>
<th>Difference between carrying amount and the amount due on maturity</th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value</td>
<td>$ 1,536,619</td>
</tr>
<tr>
<td>Amount due on maturity</td>
<td>(1,688,638)</td>
</tr>
<tr>
<td>$ (152,019)</td>
<td>$ (223,680)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Changes in Fair Value</th>
<th>Attributable to Changes in Credit Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in amount during the year</td>
<td>For the year ended December 31, 2019</td>
</tr>
<tr>
<td></td>
<td>For the year ended December 31, 2018</td>
</tr>
<tr>
<td>Accumulated amount of change</td>
<td>As of December 31, 2019</td>
</tr>
<tr>
<td></td>
<td>As of December 31, 2018</td>
</tr>
</tbody>
</table>

The change in fair value attributable to changes in credit risk recognized as other comprehensive income was calculated as the difference between the total change in fair value of bank debentures and the change in fair value due to the change in market risk factors. The change in fair value due to market risk factors was calculated using benchmark interest yield curves as at the end of the reporting period holding the credit risk margin constant and interest rates swap volatility surface. The fair value of bank debentures was estimated by discounting future cash flows using quoted benchmark interest yield curves as at the end of the reporting period and credit risk margin is estimated by obtaining credit default swap spread of the company with similar credit rating.

On May 19, 2017, the Bank issued unsecured senior bank debentures amounting to US$45,000 thousand with a 30-year maturity and 0% coupon issued and an implicit internal of return of 4.5%. In accordance with the terms of the bank debentures, the Bank may either redeem the bonds at an agreed-upon price after five years from the issue date, or make bond repayments on the maturity date.

c. The Bank engages in derivative transactions mainly to accommodate customers’ needs and manage its own exposure positions. Outstanding derivative contracts (nominal) on December 31, 2019 and 2018 were as follows:

<table>
<thead>
<tr>
<th>Contract Amount</th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Currency swap contracts</td>
<td>$ 1,234,788,205</td>
</tr>
<tr>
<td>Interest rate swap contracts</td>
<td>847,986,496</td>
</tr>
<tr>
<td>Forward contracts</td>
<td>109,640,501</td>
</tr>
<tr>
<td>Option contracts</td>
<td>54,566,050</td>
</tr>
<tr>
<td>Futures contracts</td>
<td>11,076,387</td>
</tr>
<tr>
<td>Cross-currency swap contracts</td>
<td>10,737,880</td>
</tr>
<tr>
<td>Hybrid FX swap structured instruments</td>
<td>9,751,822</td>
</tr>
<tr>
<td>Commodity-linked swap contracts</td>
<td>684,733</td>
</tr>
<tr>
<td>Assets swap contracts</td>
<td>231,900</td>
</tr>
<tr>
<td>Equity-linked swap contracts</td>
<td>48,180</td>
</tr>
</tbody>
</table>
9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

<table>
<thead>
<tr>
<th>December 31</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity instruments at fair value through other comprehensive income</td>
<td>$ 2,218,151</td>
<td>$ 1,938,907</td>
</tr>
<tr>
<td>Debt instruments at fair value through other comprehensive income</td>
<td>227,835,957</td>
<td>200,747,735</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 230,054,108</strong></td>
<td><strong>$ 202,686,642</strong></td>
</tr>
</tbody>
</table>

a. Equity instruments at fair value through other comprehensive income

<table>
<thead>
<tr>
<th>December 31</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unlisted common shares</td>
<td>$ 1,193,151</td>
<td>$ 933,907</td>
</tr>
<tr>
<td>Real estate investment trust beneficiary securities</td>
<td>1,025,000</td>
<td>1,005,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 2,218,151</strong></td>
<td><strong>$ 1,938,907</strong></td>
</tr>
</tbody>
</table>

Since the Bank holds equity instruments for the purpose of long-term strategic investment or acquiring stable income distribution to achieve the goal of increasing the rate of return of investment portfolio instead of for trading, the equity instruments are designated as at fair value through other comprehensive income.

The Bank recognized dividend revenues of $89,302 and $66,411 from the abovementioned equity instruments at fair value through other comprehensive income for the years ended December 31, 2019 and 2018. The dividend revenues are from the equity instruments at fair value through other comprehensive income which are still held by the Bank on December 31, 2019 and 2018.

b. Debt instrument at fair value through other comprehensive income

<table>
<thead>
<tr>
<th>December 31</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificates of deposits</td>
<td>$ 94,954,558</td>
<td>$ 106,476,328</td>
</tr>
<tr>
<td>Commercial paper</td>
<td>53,409,332</td>
<td>42,941,882</td>
</tr>
<tr>
<td>Bank debentures</td>
<td>48,497,464</td>
<td>35,833,238</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>23,227,994</td>
<td>13,187,733</td>
</tr>
<tr>
<td>Others</td>
<td>7,746,609</td>
<td>2,308,554</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 227,835,957</strong></td>
<td><strong>$ 200,747,735</strong></td>
</tr>
</tbody>
</table>

1) Loss allowance of debt instruments at fair value through other comprehensive income were $33,173 and $23,852 on December 31, 2019 and 2018, respectively. Credit risk management and information of impairment valuation of debt instruments at FVTOCI are shown in Note 45.

2) As of December 31, 2019 and 2018, the par value of debt instruments at FVTOCI under repurchase agreement were $3,939,215 and $8,276,597, respectively.
10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

<table>
<thead>
<tr>
<th></th>
<th>December 31 2019</th>
<th>December 31 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government bonds</td>
<td>$ 60,819,177</td>
<td>$ 37,654,712</td>
</tr>
<tr>
<td>Certificates of deposits</td>
<td>45,115,561</td>
<td>32,204,098</td>
</tr>
<tr>
<td>Bank debentures</td>
<td>22,590,903</td>
<td>17,760,343</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>9,423,153</td>
<td>5,255,718</td>
</tr>
<tr>
<td>Others</td>
<td>-</td>
<td>671,430</td>
</tr>
<tr>
<td><strong>Net Amount</strong></td>
<td><strong>$ 137,940,760</strong></td>
<td><strong>$ 93,540,068</strong></td>
</tr>
</tbody>
</table>

Less: Loss allowance  
(8,034)  

As of December 31, 2019 and 2018, the par value of financial assets under repurchase agreements measured at amortized cost were $1,340,761 and $12,467,673, respectively.

11. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

<table>
<thead>
<tr>
<th></th>
<th>December 31 2019</th>
<th>December 31 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bills</td>
<td>$ 20,524,698</td>
<td>$ 9,967,157</td>
</tr>
<tr>
<td>Bonds</td>
<td>9,992,035</td>
<td>12,743,076</td>
</tr>
<tr>
<td><strong>Agreed-upon resell amount</strong></td>
<td><strong>$ 30,516,733</strong></td>
<td><strong>$ 22,710,233</strong></td>
</tr>
<tr>
<td>Par value</td>
<td>31,376,893</td>
<td>24,386,008</td>
</tr>
<tr>
<td>Expiry</td>
<td>March 2020</td>
<td>March 2019</td>
</tr>
</tbody>
</table>

As of December 31, 2019 and 2018, the par value of securities purchased under resell agreements under repurchase agreements were $3,011,220 and $5,698,057, respectively.
12. RECEIVABLES, NET

<table>
<thead>
<tr>
<th></th>
<th>December 31 2019</th>
<th>December 31 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit card receivable</td>
<td>$18,238,445</td>
<td>$15,430,592</td>
</tr>
<tr>
<td>Accounts receivable - factoring</td>
<td>12,020,244</td>
<td>15,146,375</td>
</tr>
<tr>
<td>Accounts receivable - forfaiting</td>
<td>5,194,838</td>
<td>7,507,355</td>
</tr>
<tr>
<td>Interest and revenue receivables</td>
<td>4,043,970</td>
<td>4,051,833</td>
</tr>
<tr>
<td>Accounts and notes receivables</td>
<td>2,344,397</td>
<td>3,241,361</td>
</tr>
<tr>
<td>Acceptances</td>
<td>741,435</td>
<td>1,478,035</td>
</tr>
<tr>
<td>Trust administration fee revenue receivable</td>
<td>704,502</td>
<td>676,184</td>
</tr>
<tr>
<td>Accounts receivable - disposal of subsidiary</td>
<td>211,720</td>
<td>540,536</td>
</tr>
<tr>
<td>Others</td>
<td>1,057,616</td>
<td>728,170</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$44,557,167</td>
<td>48,800,378</td>
</tr>
<tr>
<td><strong>Less: Allowance for credit losses</strong></td>
<td>(722,896)</td>
<td>(800,121)</td>
</tr>
<tr>
<td><strong>Less: Premium or discount on receivables</strong></td>
<td>(23)</td>
<td>(113)</td>
</tr>
<tr>
<td><strong>Net amount</strong></td>
<td>$43,834,248</td>
<td>$48,000,144</td>
</tr>
</tbody>
</table>

The Bank assessed the collectability of receivables to determine the allowance. Movements in the allowance of receivables were as follows:

<table>
<thead>
<tr>
<th></th>
<th>For the Year Ended December 31 2019</th>
<th>For the Year Ended December 31 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, January 1</td>
<td>$800,121</td>
<td>$803,721</td>
</tr>
<tr>
<td>Adjustments of IFRS 9 application</td>
<td>-</td>
<td>1,254</td>
</tr>
<tr>
<td>Provision</td>
<td>67,180</td>
<td>185,407</td>
</tr>
<tr>
<td>Write-off</td>
<td>(135,725)</td>
<td>(193,249)</td>
</tr>
<tr>
<td>Effect of exchange rate changes</td>
<td>(8,680)</td>
<td>2,988</td>
</tr>
<tr>
<td><strong>Balance, December 31</strong></td>
<td>$722,896</td>
<td>$800,121</td>
</tr>
</tbody>
</table>

Please refer to Note 45 for the analysis of receivable impairment loss. The Bank received payments for loans previously written-off $174,531 and $186,597 for the years ended December 31, 2019 and 2018, respectively, which were recognized as deduction of provision expenses.

The board of directors of the Bank has resolved to sell 100% equity of SinoPac Bancorp to Cathay General Bancorp on July 8, 2016. The case was approved by the FSC on July 6, 2017, and the settlement was completed on July 14, 2017 (US time). According to the agreement, the total transaction price is US$351,551 thousand, and the buyer will pay 10% of the total transaction price by issuing 926,192 shares of stock. The Bank has already disposed all the stock. As for the payment schedule of US$100,000 thousand out of total transaction price in the contract (the payment date should not later than one year after the settlement date), the above US$100,000 thousand was total received in November 2017. Besides, according to the stock purchase agreement, the buyer reserved 10% of the transaction price (US$35,155 thousand, listed by the Bank in accounts receivable - disposal of subsidiary) as compensation in the event the Bank breaches the contract. The buyer will repay the amount plus interest within three years after the settlement date. The 50% and 30% (US$17,578 thousand and US$10,546 thousand) of above compensation price had been received in July 2018 and 2019, respectively, and the Bank recognized the gain on disposal of the subsidiary amounting to $537,205 and $327,628.
13. DISCOUNTS AND LOANS, NET

<table>
<thead>
<tr>
<th>Description</th>
<th>December 31 2019</th>
<th>December 31 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export negotiation</td>
<td>$ 621,243</td>
<td>$ 572,583</td>
</tr>
<tr>
<td>Secured overdrafts</td>
<td>62,122</td>
<td>83,772</td>
</tr>
<tr>
<td>Accounts receivable - financing</td>
<td>1,129,339</td>
<td>1,864,897</td>
</tr>
<tr>
<td>Short-term loans</td>
<td>118,058,627</td>
<td>165,327,842</td>
</tr>
<tr>
<td>Secured short-term loans</td>
<td>104,262,790</td>
<td>98,664,302</td>
</tr>
<tr>
<td>Medium-term loans</td>
<td>185,245,716</td>
<td>160,569,468</td>
</tr>
<tr>
<td>Secured medium-term loans</td>
<td>90,584,480</td>
<td>64,356,482</td>
</tr>
<tr>
<td>Long-term loans</td>
<td>7,950,508</td>
<td>5,949,425</td>
</tr>
<tr>
<td>Secured long-term loans</td>
<td>482,338,483</td>
<td>418,413,005</td>
</tr>
<tr>
<td>Non-performing loans transferred from loans</td>
<td>1,631,164</td>
<td>1,890,228</td>
</tr>
<tr>
<td></td>
<td>991,884,472</td>
<td>917,692,004</td>
</tr>
<tr>
<td>Less: Allowance for credit losses</td>
<td>(13,512,646)</td>
<td>(12,765,901)</td>
</tr>
<tr>
<td>Less: Premium or discount on discounts and loans</td>
<td>(420,297)</td>
<td>(311,124)</td>
</tr>
<tr>
<td>Net amount</td>
<td>$ 977,951,529</td>
<td>$ 904,614,979</td>
</tr>
</tbody>
</table>

Please refer to Note 45 for the analysis of impairment loss on discounts and loans, and Note 42 for information relating to discounts and loans pledged as security.

The Bank assessed the collectability of discounts and loans to determine the required allowance. Movements in the allowance of discounts and loans were as follows:

For the Year Ended December 31

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, January 1</td>
<td>$ 12,765,901</td>
<td>$ 12,263,897</td>
</tr>
<tr>
<td>Provision</td>
<td>1,652,607</td>
<td>1,152,434</td>
</tr>
<tr>
<td>Write-off</td>
<td>(857,886)</td>
<td>(700,111)</td>
</tr>
<tr>
<td>Effect of exchange rate changes</td>
<td>(47,976)</td>
<td>49,681</td>
</tr>
<tr>
<td>Balance, December 31</td>
<td>$ 13,512,646</td>
<td>$ 12,765,901</td>
</tr>
</tbody>
</table>

The Bank received payments for loans previously written-off $425,832 and $352,490 for the years ended December 31, 2019 and 2018, respectively, which were recognized as deduction of provision expenses.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

<table>
<thead>
<tr>
<th>Description</th>
<th>December 31 2019</th>
<th>December 31 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments in subsidiaries - unlisted companies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank SinoPac (China) Ltd.</td>
<td>$ 9,452,558</td>
<td>$ 9,629,714</td>
</tr>
<tr>
<td>SinoPac Capital Limited</td>
<td>411,905</td>
<td>1,202,330</td>
</tr>
<tr>
<td>SinoPac Insurance Brokers Ltd.</td>
<td>78,565</td>
<td>64,963</td>
</tr>
<tr>
<td>SinoPac Property Insurance Agent Co., Ltd.</td>
<td>-</td>
<td>33,873</td>
</tr>
<tr>
<td></td>
<td>$ 9,943,028</td>
<td>$ 10,930,880</td>
</tr>
</tbody>
</table>
As of the end of the reporting period, the proportion of ownership and voting rights in subsidiaries held by the Bank were all 100%.

To adjust the investment structure of parent-group, the board of directors of the Bank originally approved the liquidation plan of SinoPac Capital Limited and SinoPac Capital (B.V.I.) Ltd. in June and September 2016. The board of directors of the Bank also resolved the purchase of 100% of the shares of SinoPac Insurance Brokers Ltd., a subsidiary of SinoPac Capital Limited, and transfer 100% of the shares of RSP Information Service Company Limited, a subsidiary of SinoPac Capital (B.V.I.) Ltd., to SinoPac Venture Capital Co., Ltd. The Bank obtained 100% equity of SinoPac Insurance Brokers Ltd., on November 1, 2017 (using the book value on the day before the date of the transfer as the transfer price). In August 2018, the board of directors of the Bank subsequently resolved to adjust the above-mentioned plan, deciding to liquidate RSP Information Service Company Limited directly and no longer transfer it to SinoPac Venture Capital Co., Ltd. RSP Information Service Company Limited has entered into the liquidation process since February 2019. SinoPac Capital (B.V.I.) Ltd. has entered into the liquidation process since March 2019. SinoPac Capital Limited has entered into the liquidation process since April 2019.

Due to permission, the Bank may also operate within the insurance industry. On August 1, 2019, the board of directors of the Bank applied for the qualification to operate as an insurance agency and for the rights to merge 100% shareholding of SinoPac Life Insurance Agent Co., Ltd. and SinoPac Property Insurance Agent Co., Ltd., which are both subsidiaries of the Bank. After the merger, the Bank is the surviving company, and the two subsidiaries will be liquidated, and hence the Bank can achieve the integration of resources, reduced operating costs and improved operational efficiency.

The Bank’s share of profit and other comprehensive income of subsidiaries for the years ended December 31, 2019 and 2018 were based on the subsidiaries’ financial statements audited by the auditors for the same periods. The investments share of profit of subsidiaries were as follows:

<table>
<thead>
<tr>
<th>For the Year Ended December 31</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank SinoPac (China) Ltd.</td>
<td>$ 106,767</td>
<td>$ 221,388</td>
</tr>
<tr>
<td>SinoPac Capital Limited</td>
<td>1,615</td>
<td>19,478</td>
</tr>
<tr>
<td>SinoPac Insurance Brokers Ltd.</td>
<td>14,884</td>
<td>7,704</td>
</tr>
<tr>
<td>SinoPac Property Insurance Agent Co., Ltd.</td>
<td>15,792</td>
<td>27,606</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 139,058</td>
<td>$ 276,176</td>
</tr>
</tbody>
</table>

15. OTHER FINANCIAL ASSETS, NET

<table>
<thead>
<tr>
<th>December 31</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time deposits not belonging to cash and cash equivalent</td>
<td>$ 8,212,560</td>
<td>$ 14,547,650</td>
</tr>
<tr>
<td>Purchase of the PEM Group’s instruments</td>
<td>4,387,361</td>
<td>4,468,375</td>
</tr>
<tr>
<td>Non-performing receivables transferred from other than loans</td>
<td>3,886</td>
<td>93,857</td>
</tr>
<tr>
<td>Others</td>
<td>38,595</td>
<td>47,546</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>12,642,402</td>
<td>19,157,428</td>
</tr>
<tr>
<td>Less: Allowance for credit loss</td>
<td>(5,828)</td>
<td>(96,574)</td>
</tr>
<tr>
<td>Less: Accumulated impairment</td>
<td>(1,911,515)</td>
<td>(2,066,619)</td>
</tr>
<tr>
<td><strong>Net amount</strong></td>
<td>$ 10,725,059</td>
<td>$ 16,994,235</td>
</tr>
</tbody>
</table>

Above time deposits not belonging to cash and cash equivalent included time deposits over three months; no advance termination nor pledged time deposits.

Please refer to Note 42 for information relating to other financial assets pledged as security.
The Bank was delegated by professional investors to sell the PEM Group’s investment products amounting to US$146,000 thousand through private placement. A U.S. Federal Court appointed a receiver for all assets that belonged to, were being managed by, or were in the possession of or control of the PEM Group. To protect the client’s interests, the Bank bought back the products at the price of the initial payment net of the distribution and redemption costs. On December 24, 2010, the Bank’s board of directors resolved to abide by a court’s appointment of a PEM Group receiver to take the PEM Group’s insurance policies at the price of approximately US$40.4 million, and the Bank thus recognized impairment losses of US$11,152 thousand. On March 7, 2011, the receiver transferred a portion of the insurance policies to a trustee established jointly by certain banks to hold insurance policies. And the Bank had submitted to the authorities the results of this policy transfer. As of December 31, 2019, according to trust report, a reserve of US$63,480 thousand (NT$1,911,515) had been set aside to cover the accumulated impairment losses.

The Bank assessed the collectability of other financial assets to determine the required allowance. Movements in the allowance of other financial assets were as follows:

<table>
<thead>
<tr>
<th></th>
<th>For the Year Ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Balance, January 1</td>
<td>$ 96,574</td>
</tr>
<tr>
<td>Adjustments of IFRS 9 application</td>
<td>-</td>
</tr>
<tr>
<td>(Reversal of) provision</td>
<td>(64,400)</td>
</tr>
<tr>
<td>Write-off</td>
<td>(26,327)</td>
</tr>
<tr>
<td>Effect of exchange rate changes</td>
<td>(19)</td>
</tr>
<tr>
<td>Balance, December 31</td>
<td>$ 5,828</td>
</tr>
</tbody>
</table>

The Bank received payments for loans previously written-off $13,079 and $12,052 for the years ended December 31, 2019 and 2018, respectively, which were recognized as deduction of provision expenses.

16. PROPERTY AND EQUIPMENT, NET

The movements of property and equipment for the years ended December 31, 2019 and 2018 are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>Land and Land Improvement</th>
<th>Buildings</th>
<th>Machinery and Computer Equipment</th>
<th>Transportation Equipment</th>
<th>Other Equipment</th>
<th>Leasehold Improvements</th>
<th>Prepayments for Equipment and Construction in Progress</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, January 1</td>
<td>5,520,045</td>
<td>5,178,764</td>
<td>1,795,858</td>
<td>1,177</td>
<td>1,405,895</td>
<td>1,544,610</td>
<td>94,214</td>
<td>15,457,600</td>
</tr>
<tr>
<td>Adjustment on initial application of IFRS 16</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(82,063)</td>
<td></td>
</tr>
<tr>
<td>Balance, January 1 as restated</td>
<td>5,520,045</td>
<td>5,178,764</td>
<td>1,795,858</td>
<td>1,177</td>
<td>1,405,895</td>
<td>1,461,647</td>
<td>94,214</td>
<td>15,457,600</td>
</tr>
<tr>
<td>Addition</td>
<td>290</td>
<td>21,679</td>
<td>286,165</td>
<td>-</td>
<td>39,296</td>
<td>14,478</td>
<td>375,450</td>
<td>737,338</td>
</tr>
<tr>
<td>Deduction</td>
<td>-</td>
<td>160,932</td>
<td>5,237</td>
<td>-</td>
<td>56,554</td>
<td>(8,996)</td>
<td>-</td>
<td>(155,846)</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>58,626</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>113,847</td>
</tr>
<tr>
<td>Effect of exchange rate changes</td>
<td>-</td>
<td>-</td>
<td>(2,584)</td>
<td>(17)</td>
<td>(443)</td>
<td>(1,147)</td>
<td>4</td>
<td>(4,187)</td>
</tr>
<tr>
<td>Other (Note)</td>
<td>-</td>
<td>5,616</td>
<td>14,004</td>
<td>-</td>
<td>13,944</td>
<td>-</td>
<td>-</td>
<td>29,564</td>
</tr>
<tr>
<td>Balance, December 31</td>
<td>5,578,961</td>
<td>5,362,991</td>
<td>2,088,384</td>
<td>1,160</td>
<td>1,404,051</td>
<td>1,469,412</td>
<td>353,377</td>
<td>16,178,316</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Land and Land Improvement</th>
<th>Buildings</th>
<th>Machinery and Computer Equipment</th>
<th>Transportation Equipment</th>
<th>Other Equipment</th>
<th>Leasehold Improvements</th>
<th>Prepayments for Equipment and Construction in Progress</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated depreciation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, January 1</td>
<td>-</td>
<td>2,960,608</td>
<td>1,385,395</td>
<td>1,177</td>
<td>1,113,061</td>
<td>1,323,987</td>
<td>-</td>
<td>6,784,228</td>
</tr>
<tr>
<td>Adjustment on initial application of IFRS 16</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(69,670)</td>
<td></td>
</tr>
<tr>
<td>Balance, January 1 as restated</td>
<td>-</td>
<td>2,960,608</td>
<td>1,385,395</td>
<td>1,177</td>
<td>1,113,061</td>
<td>1,254,317</td>
<td>-</td>
<td>6,714,558</td>
</tr>
<tr>
<td>Depreciation</td>
<td>14</td>
<td>114,701</td>
<td>162,749</td>
<td>-</td>
<td>73,989</td>
<td>64,754</td>
<td>-</td>
<td>416,207</td>
</tr>
<tr>
<td>Deduction</td>
<td>-</td>
<td>92,818</td>
<td>(87,285)</td>
<td>-</td>
<td>(55,712)</td>
<td>(8,928)</td>
<td>-</td>
<td>(151,905)</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>-</td>
<td>199</td>
<td>(199)</td>
<td>-</td>
<td>(199)</td>
<td>(2,378)</td>
<td>-</td>
<td>90,440</td>
</tr>
<tr>
<td>Effect of exchange rate changes</td>
<td>-</td>
<td>-</td>
<td>(2,500)</td>
<td>(17)</td>
<td>(436)</td>
<td>(1,135)</td>
<td>-</td>
<td>(4,088)</td>
</tr>
<tr>
<td>Other (Note)</td>
<td>-</td>
<td>768</td>
<td>9,453</td>
<td>-</td>
<td>11,110</td>
<td>-</td>
<td>-</td>
<td>21,331</td>
</tr>
<tr>
<td>Balance, December 31</td>
<td>14</td>
<td>3,168,899</td>
<td>1,488,851</td>
<td>1,160</td>
<td>1,141,871</td>
<td>1,306,050</td>
<td>-</td>
<td>7,086,543</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Land and Land Improvement</th>
<th>Buildings</th>
<th>Machinery and Computer Equipment</th>
<th>Transportation Equipment</th>
<th>Other Equipment</th>
<th>Leasehold Improvements</th>
<th>Prepayments for Equipment and Construction in Progress</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net amount</td>
<td>5,578,947</td>
<td>2,194,096</td>
<td>540,353</td>
<td>-</td>
<td>262,218</td>
<td>162,782</td>
<td>353,377</td>
<td>9,061,773</td>
</tr>
</tbody>
</table>

- 38 -
For the Year Ended December 31, 2018

<table>
<thead>
<tr>
<th>Cost</th>
<th>Land</th>
<th>Buildings</th>
<th>Machinery and Computer Equipment</th>
<th>Transportation Equipment</th>
<th>Other Equipment</th>
<th>Leasehold Improvements</th>
<th>Prepayments for Equipment and Construction in Progress</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, January 1</td>
<td>$ 5,528,173</td>
<td>$ 5,147,958</td>
<td>$ 1,720,108</td>
<td>$ 1,150</td>
<td>$ 1,379,224</td>
<td>$ 1,525,465</td>
<td>$ 83,272</td>
<td>$ 15,385,350</td>
</tr>
<tr>
<td>Addition</td>
<td>-</td>
<td>32,508</td>
<td>162,457</td>
<td>-</td>
<td>61,753</td>
<td>20,976</td>
<td>125,342</td>
<td>403,216</td>
</tr>
<tr>
<td>Deduction</td>
<td>-</td>
<td>-</td>
<td>(92,091)</td>
<td>-</td>
<td>(42,647)</td>
<td>(28,071)</td>
<td>-</td>
<td>(162,809)</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>(8,128)</td>
<td>(1,702)</td>
<td>1,069</td>
<td>-</td>
<td>6,865</td>
<td>23,826</td>
<td>(114,597)</td>
<td>(92,667)</td>
</tr>
<tr>
<td>Effect of exchange rate changes</td>
<td>-</td>
<td>-</td>
<td>4,315</td>
<td>27</td>
<td>720</td>
<td>2,414</td>
<td>(3)</td>
<td>7,473</td>
</tr>
<tr>
<td>Balance, December 31</td>
<td>$ 5,520,045</td>
<td>$ 5,178,764</td>
<td>$ 1,795,858</td>
<td>$ 1,177</td>
<td>$ 1,405,895</td>
<td>$ 1,544,610</td>
<td>94,214</td>
<td>$ 15,540,583</td>
</tr>
</tbody>
</table>

Accumulated depreciation

<table>
<thead>
<tr>
<th>Cost</th>
<th>Land</th>
<th>Buildings</th>
<th>Machinery and Computer Equipment</th>
<th>Transportation Equipment</th>
<th>Other Equipment</th>
<th>Leasehold Improvements</th>
<th>Prepayments for Equipment and Construction in Progress</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, January 1</td>
<td>-</td>
<td>2,854,140</td>
<td>1,331,539</td>
<td>1,150</td>
<td>1,075,064</td>
<td>1,265,345</td>
<td>-</td>
<td>6,527,238</td>
</tr>
<tr>
<td>Deduction</td>
<td>-</td>
<td>110,856</td>
<td>137,191</td>
<td>-</td>
<td>78,766</td>
<td>82,640</td>
<td>-</td>
<td>409,473</td>
</tr>
<tr>
<td>Deduction</td>
<td>-</td>
<td>-</td>
<td>(87,445)</td>
<td>-</td>
<td>(41,470)</td>
<td>(26,391)</td>
<td>-</td>
<td>(155,306)</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>-</td>
<td>(4,388)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(4,388)</td>
<td>-</td>
</tr>
<tr>
<td>Effect of exchange rate changes</td>
<td>-</td>
<td>-</td>
<td>4,110</td>
<td>27</td>
<td>681</td>
<td>2,393</td>
<td>-</td>
<td>7,211</td>
</tr>
<tr>
<td>Balance, December 31</td>
<td>-</td>
<td>2,960,628</td>
<td>1,385,395</td>
<td>1,177</td>
<td>1,113,061</td>
<td>1,323,987</td>
<td>-</td>
<td>6,784,228</td>
</tr>
<tr>
<td>Net amount</td>
<td>Balance, December 31</td>
<td>$ 5,520,045</td>
<td>$ 2,218,156</td>
<td>$ 410,463</td>
<td>$ 292,834</td>
<td>$ 220,623</td>
<td>$ 94,214</td>
<td>$ 8,756,335</td>
</tr>
</tbody>
</table>

Note: These are assets, liabilities and operations acquired from SinoPac Call Center and SinoPac Property Insurance Agent through merger.

The above property and equipment are depreciated at the following estimated useful lives:

<table>
<thead>
<tr>
<th>Items</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land improvements</td>
<td>8-30 years</td>
</tr>
<tr>
<td>Buildings</td>
<td>2-60 years</td>
</tr>
<tr>
<td>Machinery and computer equipment</td>
<td>0.58-15 years</td>
</tr>
<tr>
<td>Transportation equipment</td>
<td>5 years</td>
</tr>
<tr>
<td>Other equipment</td>
<td>2-15 years</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>2-2.2-15 years</td>
</tr>
</tbody>
</table>

There was no property and equipment pledged as security. The Bank rent other equipment to others. On December 31, 2019, the amount of the equipment was $2,617.

17. LEASE ARRANGEMENTS

a. Right-of-use assets, net

<table>
<thead>
<tr>
<th>Carrying amounts</th>
<th>December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$ 2,717</td>
</tr>
<tr>
<td>Buildings</td>
<td>$ 2,123,066</td>
</tr>
<tr>
<td>Machinery and computer equipment</td>
<td>28,074</td>
</tr>
<tr>
<td>Transportation equipment</td>
<td>9,487</td>
</tr>
<tr>
<td>Other equipment</td>
<td>238</td>
</tr>
<tr>
<td>Decommissioning restoration costs</td>
<td>10,021</td>
</tr>
</tbody>
</table>

$ 2,173,603
For the Year
Ended
December 31,
2019

Additions to right-of-use assets
$ 1,173,129

Depreciation charge for right-of-use assets

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$ 1,578</td>
</tr>
<tr>
<td>Buildings</td>
<td>598,388</td>
</tr>
<tr>
<td>Machinery and computer equipment</td>
<td>26,257</td>
</tr>
<tr>
<td>Transportation equipment</td>
<td>10,016</td>
</tr>
<tr>
<td>Other equipment</td>
<td>589</td>
</tr>
<tr>
<td>Decommissioning restoration costs</td>
<td>4,641</td>
</tr>
</tbody>
</table>

$ 641,469

b. Lease liabilities

December 31, 2019

Carrying amounts
$ 2,160,012

Range of discount rate for lease liabilities was as follows:

December 31, 2019

<table>
<thead>
<tr>
<th></th>
<th>0.7357%-4.8096%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td></td>
</tr>
<tr>
<td>0.5609%-4.8096%</td>
<td></td>
</tr>
<tr>
<td>Machinery and computer equipment</td>
<td>0.7357%-1.7936%</td>
</tr>
<tr>
<td>Transportation equipment</td>
<td>0.5609%-5.5000%</td>
</tr>
<tr>
<td>Other equipment</td>
<td>0.5609%-0.7357%</td>
</tr>
</tbody>
</table>

c. Material lease-in activities and terms

The Bank leases certain buildings for use as business locations and offices with lease terms of 1 year to 20 years. The lease contract for major buildings located in Taiwan for use as offices specifies that lease payments will be adjusted 1% every three years. The lease contract for major buildings located in Hong Kong for the use of management units and branches stipulated fixed lease payments. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

1) Lease arrangements under operating leases for the leasing out of investment properties and equipment are set out in Notes 16, 18 and 45.
2) Other

2019

Expenses relating to short-term leases $ 19,797
Expenses relating to low-value asset leases $ 30,228
Expenses relating to variable lease payments not included in the measurement of lease liabilities $ 7,080
Total cash outflow for leases $ (725,097)

Recognition exemption is applied which qualifies as short-term leases such as various types of assets and low-value asset leases such as other equipment. The Bank has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

18. INVESTMENT PROPERTY, NET

The movements of investment property are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>For the Year Ended December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Land</td>
</tr>
<tr>
<td>Cost</td>
<td></td>
</tr>
<tr>
<td>Balance, January 1</td>
<td>$ 858,377</td>
</tr>
<tr>
<td>Addition</td>
<td>-</td>
</tr>
<tr>
<td>Deduction</td>
<td>(4,136)</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>(58,626)</td>
</tr>
<tr>
<td>Balance, December 31</td>
<td>795,615</td>
</tr>
</tbody>
</table>

Accumulated depreciation

|                      |            |           |           |
| Balance, January 1   | -          | 411,158   | 411,158   |
| Depreciation         | -          | 15,282    | 15,282    |
| Deduction            | -          | (8,942)   | (8,942)   |
| Reclassifications    | -          | (90,440)  | (90,440)  |
| Balance, December 31 | -          | 327,058   | 327,058   |

Net amount

<p>| Balance, December 31 | $ 795,615 | $ 288,023 | $ 1,083,638 |</p>
<table>
<thead>
<tr>
<th></th>
<th>Land</th>
<th>Buildings</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, January 1</td>
<td>$ 855,477</td>
<td>$ 750,555</td>
<td>$ 1,606,032</td>
</tr>
<tr>
<td>Addition</td>
<td>-</td>
<td>33,273</td>
<td>33,273</td>
</tr>
<tr>
<td>Deduction</td>
<td>(5,228)</td>
<td>-</td>
<td>(5,228)</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>8,128</td>
<td>18,765</td>
<td>26,893</td>
</tr>
<tr>
<td>Balance, December 31</td>
<td>$ 858,377</td>
<td>$ 802,593</td>
<td>$ 1,660,970</td>
</tr>
</tbody>
</table>

**Accumulated depreciation**

<table>
<thead>
<tr>
<th></th>
<th>Cost</th>
<th>Cost</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, January 1</td>
<td>-</td>
<td>390,824</td>
<td>390,824</td>
</tr>
<tr>
<td>Depreciation</td>
<td>-</td>
<td>15,946</td>
<td>15,946</td>
</tr>
<tr>
<td>Deduction</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>-</td>
<td>4,388</td>
<td>4,388</td>
</tr>
<tr>
<td>Balance, December 31</td>
<td>-</td>
<td>411,158</td>
<td>411,158</td>
</tr>
</tbody>
</table>

**Net amount**

<table>
<thead>
<tr>
<th></th>
<th>Cost</th>
<th>Cost</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, December 31</td>
<td>$ 858,377</td>
<td>$ 391,435</td>
<td>$ 1,249,812</td>
</tr>
</tbody>
</table>

The above investment properties are depreciated at the following estimated useful lives:

<table>
<thead>
<tr>
<th>Category</th>
<th>Useful Lives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>8-60 years</td>
</tr>
</tbody>
</table>

The above investment property of the Bank is for the purpose of earning rental income or capital appreciation or both. The fair values of investment properties used mainly or partially for leasing as of December 31, 2019 and 2018 were $16,536,599 and $16,554,437, respectively. The fair values, which were based on an internal valuation report instead of an assessment by an independent professional appraiser, were determined assuming unobservable inputs (Level 3).

There was no investment property pledged as security.

**19. INTANGIBLE ASSETS, NET**

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Goodwill</td>
<td>$ 876,717</td>
</tr>
<tr>
<td>Computer software</td>
<td>467,901</td>
</tr>
<tr>
<td></td>
<td><strong>$ 1,344,618</strong></td>
</tr>
</tbody>
</table>
Movements in the Bank’s intangible assets were as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>Goodwill</th>
<th>Computer Software</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2019</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, January 1</td>
<td>$ 876,717</td>
<td>$ 354,637</td>
<td>$ 1,231,354</td>
</tr>
<tr>
<td>Addition</td>
<td>-</td>
<td>159,178</td>
<td>159,178</td>
</tr>
<tr>
<td>Amortization</td>
<td>-</td>
<td>(155,366)</td>
<td>(155,366)</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>-</td>
<td>98,628</td>
<td>98,628</td>
</tr>
<tr>
<td>Effect of exchange rate changes</td>
<td>-</td>
<td>(9)</td>
<td>(9)</td>
</tr>
<tr>
<td>Other (Note)</td>
<td>-</td>
<td>10,833</td>
<td>10,833</td>
</tr>
<tr>
<td><strong>Balance, December 31</strong></td>
<td>$ 876,717</td>
<td>$ 467,901</td>
<td>$ 1,344,618</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Item</th>
<th>Goodwill</th>
<th>Computer Software</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2018</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, January 1</td>
<td>$ 876,717</td>
<td>$ 367,014</td>
<td>$ 1,243,731</td>
</tr>
<tr>
<td>Addition</td>
<td>-</td>
<td>55,038</td>
<td>55,038</td>
</tr>
<tr>
<td>Amortization</td>
<td>-</td>
<td>(133,237)</td>
<td>(133,237)</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>-</td>
<td>65,774</td>
<td>65,774</td>
</tr>
<tr>
<td>Effect of exchange rate changes</td>
<td>-</td>
<td>48</td>
<td>48</td>
</tr>
<tr>
<td><strong>Balance, December 31</strong></td>
<td>$ 876,717</td>
<td>$ 354,637</td>
<td>$ 1,231,354</td>
</tr>
</tbody>
</table>

Note: These are assets, liabilities and operations acquired from SinoPac Call Center and SinoPac Property Insurance Agent through merger.

The above intangible assets are amortized on a straight-line basis over the following estimated useful lives:

<table>
<thead>
<tr>
<th>Item</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer software</td>
<td>5 years</td>
</tr>
</tbody>
</table>

Goodwill includes $876,717, which resulted from the Bank’s cash merger with SinoPac Card Services, and this merger was treated as a reorganization of SPH.

In assessing whether goodwill is impaired, the Bank considers the credit card department as a cash generating unit and estimates the recoverable amount by its value in use. The Bank uses the department’s actual profitability in making key assumption to predict future cash flows and thus calculates its value in use. Under a going-concern assumption, the Bank predicted the net cash flows generated from the investee’s operating activities in the next 5 years and estimated salvage value and used the Bank’s weighted average cost of capital to calculate the value in use.

The goodwill of the Bank’s credit card department was $876,717 as of December 31, 2019 and 2018. The impairment tests on goodwill were conducted on October 31, 2019 and 2018. The actual net income for the years ended December 31, 2019 and 2018 amounted to $119,372 and $190,146, respectively. The expected net income for the years 2019 and 2018 as assessed by the impairment test on goodwill would be $81,907 and $62,319, respectively. The recoverable amount was expected to be higher than the book value. Therefore, the Bank found no objective evidence that goodwill had been impaired as of December 31, 2019 and 2018.
20. OTHER ASSETS, NET

<table>
<thead>
<tr>
<th></th>
<th>December 31 2019</th>
<th>December 31 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guarantee deposits</td>
<td>$ 3,530,853</td>
<td>$ 3,510,583</td>
</tr>
<tr>
<td>Prepayment</td>
<td>323,503</td>
<td>276,970</td>
</tr>
<tr>
<td>Temporary payment and suspense accounts</td>
<td>198,301</td>
<td>151,600</td>
</tr>
<tr>
<td>Others</td>
<td>51,036</td>
<td>64,420</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,103,693</strong></td>
<td><strong>4,003,573</strong></td>
</tr>
<tr>
<td><strong>Less: Accumulated impairment</strong></td>
<td><strong>(7,000)</strong></td>
<td><strong>(10,996)</strong></td>
</tr>
<tr>
<td><strong>Net Amount</strong></td>
<td><strong>$ 4,096,693</strong></td>
<td><strong>$ 3,992,577</strong></td>
</tr>
</tbody>
</table>

21. DEPOSITS FROM THE CENTRAL BANK AND BANKS

<table>
<thead>
<tr>
<th></th>
<th>December 31 2019</th>
<th>December 31 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Call loans from banks</td>
<td>$ 38,476,874</td>
<td>$ 33,868,174</td>
</tr>
<tr>
<td>Redeposits from Chunghwa Post</td>
<td>10,137,905</td>
<td>543,485</td>
</tr>
<tr>
<td>Due to banks</td>
<td>134,460</td>
<td>104,830</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 48,749,239</strong></td>
<td><strong>$ 34,516,489</strong></td>
</tr>
</tbody>
</table>

22. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

<table>
<thead>
<tr>
<th></th>
<th>December 31 2019</th>
<th>December 31 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank debentures</td>
<td>$ 4,038,750</td>
<td>$ 5,144,956</td>
</tr>
<tr>
<td>Bonds purchased under resell agreements</td>
<td>3,047,485</td>
<td>5,346,642</td>
</tr>
<tr>
<td>Government bonds</td>
<td>1,140,557</td>
<td>11,880,350</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>-</td>
<td>3,132,539</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 8,226,792</strong></td>
<td><strong>$ 25,504,487</strong></td>
</tr>
</tbody>
</table>

Agreed-upon repurchase price $ 8,278,908 $ 25,629,241
Par value 8,291,196 26,442,327
Maturity date May 2020 June 2019
23. PAYABLES

<table>
<thead>
<tr>
<th>Description</th>
<th>December 31 2019</th>
<th>December 31 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interests payable</td>
<td>$ 2,960,636</td>
<td>$ 2,212,773</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>2,920,097</td>
<td>2,670,750</td>
</tr>
<tr>
<td>Accounts payable - factoring</td>
<td>2,256,677</td>
<td>2,360,478</td>
</tr>
<tr>
<td>Dividends payable to SPH</td>
<td>1,435,025</td>
<td>1,435,025</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>1,419,605</td>
<td>1,005,917</td>
</tr>
<tr>
<td>Notes and checks in clearing</td>
<td>1,198,015</td>
<td>4,741,346</td>
</tr>
<tr>
<td>Acceptances payable</td>
<td>741,435</td>
<td>1,478,035</td>
</tr>
<tr>
<td>Others</td>
<td>1,605,781</td>
<td>1,413,988</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 14,537,271</strong></td>
<td><strong>$ 17,318,312</strong></td>
</tr>
</tbody>
</table>

The Bank had signed a business-university collaboration contract with National Chung Hsing University in July 2012, to donate for the construction of Food Safety & Agricultural Chemicals and Machinery Research Building. With a budget not more than $300,000, the Bank had obtained the construction permit and signed the contract with building contractor in November 2016. The contract price is $250,998 and will be paid with previously estimated accrued expenses of $295,000. The balance of the accrued expenses was $6,413 as of December 31, 2019.

24. DEPOSITS AND REMITTANCES

<table>
<thead>
<tr>
<th>Description</th>
<th>December 31 2019</th>
<th>December 31 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Checking</td>
<td>$ 11,935,115</td>
<td>$ 14,287,498</td>
</tr>
<tr>
<td>Demand</td>
<td>268,020,272</td>
<td>237,108,961</td>
</tr>
<tr>
<td>Savings - demand</td>
<td>335,780,685</td>
<td>286,800,971</td>
</tr>
<tr>
<td>Time deposits</td>
<td>483,836,684</td>
<td>374,390,286</td>
</tr>
<tr>
<td>Negotiable certificates</td>
<td>11,225,300</td>
<td>25,324,300</td>
</tr>
<tr>
<td>of deposit</td>
<td>256,716,567</td>
<td>241,827,107</td>
</tr>
<tr>
<td>Savings - time</td>
<td>1,853,297</td>
<td>809,448</td>
</tr>
<tr>
<td>Inward remittances</td>
<td>116,316</td>
<td>88,150</td>
</tr>
<tr>
<td>Outward remittances</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 1,369,484,236</strong></td>
<td><strong>$ 1,180,636,721</strong></td>
</tr>
</tbody>
</table>

25. BANK DEBENTURES

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

<table>
<thead>
<tr>
<th>Description</th>
<th>December 31 2019</th>
<th>December 31 2018</th>
<th>Maturity Date</th>
<th>Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Second subordinated bank</td>
<td>$ 2,999,720</td>
<td>$ 2,999,553</td>
<td>2011.08.18-2021.08.18</td>
<td>Fixed interest rate of 2.18%,</td>
</tr>
<tr>
<td>debentures issued in 2011 (B)</td>
<td></td>
<td></td>
<td>Principal is repayable on maturity date.</td>
<td>interest is paid annually.</td>
</tr>
<tr>
<td>First subordinated bank</td>
<td>-</td>
<td>4,690,735</td>
<td>2012.09.18-2019.09.18</td>
<td>Fixed interest rate of 1.53%,</td>
</tr>
<tr>
<td>debentures issued in 2012 (A)</td>
<td></td>
<td></td>
<td>Principal is repayable on maturity date.</td>
<td>interest is paid annually.</td>
</tr>
<tr>
<td>First subordinated bank</td>
<td>1,299,802</td>
<td>1,299,731</td>
<td>2012.09.18-2022.09.18</td>
<td>Fixed interest rate of 1.65%,</td>
</tr>
<tr>
<td>debentures issued in 2012 (B)</td>
<td></td>
<td></td>
<td>Principal is repayable on maturity date.</td>
<td>interest is paid annually.</td>
</tr>
<tr>
<td>First subordinated bank</td>
<td>-</td>
<td>1,499,952</td>
<td>2013.09.27-2019.03.27</td>
<td>Fixed interest rate of 1.80%,</td>
</tr>
<tr>
<td>debentures issued in 2013</td>
<td></td>
<td></td>
<td>Principal is repayable on maturity date.</td>
<td>interest is paid annually.</td>
</tr>
<tr>
<td>Second subordinated bank</td>
<td>-</td>
<td>1,999,873</td>
<td>2013.12.23-2019.06.23</td>
<td>Fixed interest rate of 1.75%,</td>
</tr>
<tr>
<td>debentures issued in 2013</td>
<td></td>
<td></td>
<td>Principal is repayable on maturity date.</td>
<td>interest is paid annually.</td>
</tr>
</tbody>
</table>

(Continued)
Note 1: The bond has neither a maturity date nor fixed callable date. The Bank has the right to call or buy back the bond from the market after five years of its issuance if one of the conditions listed below is met, and bank debenture issuance has been approved by regulatory authorities.

a. The Bank’s ratio of regulatory capital to risk-weighted assets will still meet the minimum requirement prescribed in Article 5 of Section 1 of the Regulations Governing the Capital Adequacy and Capital Category of Banks after bond repayment.

b. The Bank replaces the bond with another capital market instrument that offers interest equal to or higher than that on the bond that has been called.

<table>
<thead>
<tr>
<th>December 31</th>
<th>2019</th>
<th>2018</th>
<th>Maturity Date</th>
<th>Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>First subordinated bank debentures issued in 2014</td>
<td>$ -</td>
<td>$ 1,999,810</td>
<td>2014.03.20-2019.09.20</td>
<td>Fixed interest rate of 1.70%, interest is paid annually.</td>
</tr>
<tr>
<td>Second subordinated bank debentures issued in 2014</td>
<td>-</td>
<td>2,499,690</td>
<td>2014.06.23-2019.12.23</td>
<td>Fixed interest rate of 1.65%, interest is paid annually.</td>
</tr>
<tr>
<td>Third subordinated bank debentures issued in 2014 (A)</td>
<td>1,879,933</td>
<td>1,879,677</td>
<td>2014.09.30-2020.03.30</td>
<td>Fixed interest rate of 1.75%, interest is paid annually.</td>
</tr>
<tr>
<td>Third subordinated bank debentures issued in 2014 (B)</td>
<td>699,747</td>
<td>699,697</td>
<td>2014.09.30-2024.09.30</td>
<td>Fixed interest rate of 2.05%, interest is paid annually.</td>
</tr>
<tr>
<td>First subordinated bank debentures issued in 2015</td>
<td>749,940</td>
<td>749,836</td>
<td>2015.07.22, no maturity date (Note 1).</td>
<td>Fixed interest rate of 3.90% (Note 5).</td>
</tr>
<tr>
<td>Second subordinated bank debentures issued in 2015</td>
<td>459,955</td>
<td>459,891</td>
<td>2015.09.08, no maturity date (Note 2).</td>
<td>Fixed interest rate of 3.90% (Note 5).</td>
</tr>
<tr>
<td>Third subordinated bank debentures issued in 2015</td>
<td>709,915</td>
<td>709,818</td>
<td>2015.11.05, no maturity date (Note 2).</td>
<td>Fixed interest rate of 3.90% (Note 5).</td>
</tr>
<tr>
<td>Fourth subordinated bank debentures issued in 2015</td>
<td>139,980</td>
<td>139,960</td>
<td>2015.12.15, no maturity date (Note 2).</td>
<td>Fixed interest rate of 3.90% (Note 5).</td>
</tr>
<tr>
<td>First subordinated bank debentures issued in 2016</td>
<td>1,499,775</td>
<td>1,499,588</td>
<td>2016.02.23, no maturity date (Note 2).</td>
<td>Fixed interest rate of 3.90% (Note 5).</td>
</tr>
<tr>
<td>Second subordinated bank debentures issued in 2016</td>
<td>1,029,820</td>
<td>1,029,683</td>
<td>2016.03.30, no maturity date (Note 2).</td>
<td>Fixed interest rate of 3.90% (Note 5).</td>
</tr>
<tr>
<td>Third subordinated bank debentures issued in 2016</td>
<td>1,419,498</td>
<td>1,419,376</td>
<td>2016.12.23-2023.12.23</td>
<td>Fixed interest rate of 1.50%, interest is paid annually.</td>
</tr>
<tr>
<td>First subordinated bank debentures issued in 2017 (A)</td>
<td>149,906</td>
<td>149,884</td>
<td>2017.02.24-2024.02.24</td>
<td>Fixed interest rate of 1.60%, interest is paid annually.</td>
</tr>
<tr>
<td>First subordinated bank debentures issued in 2017 (B)</td>
<td>2,099,169</td>
<td>2,099,062</td>
<td>2017.02.24-2027.02.24</td>
<td>Fixed interest rate of 1.90%, interest is paid annually.</td>
</tr>
<tr>
<td>Third subordinated bank debentures issued in 2017 (A)</td>
<td>199,911</td>
<td>199,893</td>
<td>2017.06.28-2024.06.28</td>
<td>Fixed interest rate of 1.70%, interest is paid annually.</td>
</tr>
<tr>
<td>Third subordinated bank debentures issued in 2017 (B)</td>
<td>539,727</td>
<td>539,693</td>
<td>2017.06.28-2027.06.28</td>
<td>Fixed interest rate of 1.95%, interest is paid annually.</td>
</tr>
<tr>
<td>Fourth subordinated bank debentures issued in 2017</td>
<td>2,999,047</td>
<td>2,998,759</td>
<td>2017.06.28, no maturity date (Note 3).</td>
<td>Fixed interest rate of 4.00% (Note 5).</td>
</tr>
<tr>
<td>First subordinated bank debentures issued in 2018 (A)</td>
<td>649,680</td>
<td>649,623</td>
<td>2018.04.30-2025.04.30</td>
<td>Fixed interest rate of 1.40%, interest is paid annually.</td>
</tr>
<tr>
<td>First subordinated bank debentures issued in 2018 (B)</td>
<td>499,729</td>
<td>499,699</td>
<td>2018.04.30-2025.04.30</td>
<td>Fixed interest rate of 1.65%, interest is paid annually.</td>
</tr>
<tr>
<td>First subordinated bank debentures issued in 2019</td>
<td>1,999,028</td>
<td>-</td>
<td>2019.01.25, no maturity date (Note 3).</td>
<td>Fixed interest rate of 2.40% (Note 5).</td>
</tr>
<tr>
<td>Second subordinated bank debentures issued in 2019 (A)</td>
<td>1,199,419</td>
<td>-</td>
<td>2019.01.25-2026.01.25</td>
<td>Fixed interest rate of 1.40%, interest is paid annually.</td>
</tr>
<tr>
<td>Second subordinated bank debentures issued in 2019 (B)</td>
<td>1,799,091</td>
<td>-</td>
<td>2019.01.25-2029.01.25</td>
<td>Fixed interest rate of 1.55%, interest is paid annually.</td>
</tr>
<tr>
<td>Third senior bank debentures issued in 2019</td>
<td>2,999,635</td>
<td>-</td>
<td>2019.06.26-2024.06.26</td>
<td>Fixed interest rate of 0.76%, interest is paid annually.</td>
</tr>
<tr>
<td>Fourth subordinated bank debentures issued in 2019</td>
<td>1,499,155</td>
<td>-</td>
<td>2019.08.23, no maturity date (Note 4).</td>
<td>Fixed interest rate of 2.00% (Note 5).</td>
</tr>
<tr>
<td>Fifth subordinated bank debentures issued in 2019 (A)</td>
<td>1,749,092</td>
<td>-</td>
<td>2019.08.23-2026.08.23</td>
<td>Fixed interest rate of 1.03%, interest is paid annually.</td>
</tr>
<tr>
<td>Fifth subordinated bank debentures issued in 2019 (B)</td>
<td>1,749,077</td>
<td>-</td>
<td>2019.08.23-2029.08.23</td>
<td>Fixed interest rate of 1.13%, interest is paid annually.</td>
</tr>
</tbody>
</table>

$ 33,019,751 $ 32,722,483

(Concluded)
Note 2: The bond has neither a maturity date nor fixed callable date. The Bank has the right to call or buy back the bond from the market after five years of its issuance if both of the conditions listed below are met, and bank debenture issuance has been approved by regulatory authorities.

a. The Bank’s ratio of regulatory capital to risk-weighted assets still meets the minimum requirement prescribed in Article 5 of Section 1 of the Regulations Governing the Capital Adequacy and Capital Category of Banks after bond repayment.

b. The Bank replaces the bond with another capital instrument that offers interest equal to or higher than that on the bond that has been called.

Note 3: The bond has neither a maturity date nor fixed callable date. The Bank has the right to call or buy back the bond from the market after five and half years of its issuance if one of the conditions listed below is met, and bank debenture issuance has been approved by regulatory authorities.

a. The Bank’s ratio of regulatory capital to risk-weighted assets still meets the minimum requirement prescribed in Article 5 of Section 1 of the Regulations Governing the Capital Adequacy and Capital Category of Banks after bond repayment.

b. The Bank replaces the bond with another capital instrument that offers interest equal to or higher than that on the bond that has been called.

Note 4: The bond has neither a maturity date nor fixed callable date. The Bank has the right to call or buy back the bond from the market after five years and one month of its issuance if one of the conditions listed below is met, and bank debenture issuance has been approved by regulatory authorities.

a. The Bank’s ratio of regulatory capital to risk-weighted assets still meets the minimum requirement prescribed in Article 5 of Section 1 of the Regulations Governing the Capital Adequacy and Capital Category of Banks after bond repayment.

b. The Bank replaces the bond with another capital instrument that offers interest equal to or higher than that on the bond that has been called.

Note 5: Interest payment amount on the bond will be based on the Bank’s calculation. Calculation of the interest starts on the issuance date, accrues on the basis of actual days, and is payable annually. The Bank is not obligated to pay interest when the Bank has no profit from the prior year and does not distribute any dividends (both cash and stock dividends). However, this does not apply when accumulated undistributed earnings less the proceeds on unamortized non-performing loans losses is larger than the interest payment amount and payment condition has not been modified. Interest payments that were not paid due to the reason described previously shall not be accumulated nor deferred. If the Bank’s regulatory capital to risk-weighted assets ratio does not meet the minimum requirement prescribed in Article 5, Section 1 of the Regulations Governing the Capital Adequacy and Capital Category of Banks on an interest payment date, the bond shall defer interest payments. Accrued interest on the bond shall be deferred till the next interest payment date that conforms to the condition of an interest payment date described above. Deferred interest does not incur additional interest.
26. OTHER FINANCIAL LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Principal of structured products</td>
<td>$ 31,181,875</td>
</tr>
<tr>
<td>Cumulative earnings on appropriated loan fund</td>
<td>42,939</td>
</tr>
<tr>
<td>Overseas certificate of deposit</td>
<td>-</td>
</tr>
<tr>
<td>Leases payable</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>$ 31,224,814</td>
</tr>
</tbody>
</table>

27. PROVISIONS

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Provision for employee benefits</td>
<td>$ 2,470,019</td>
</tr>
<tr>
<td>Provision for guarantee liabilities</td>
<td>202,768</td>
</tr>
<tr>
<td>Provision for financing commitment</td>
<td>136,323</td>
</tr>
<tr>
<td>Provision for decommissioning liabilities</td>
<td>88,106</td>
</tr>
<tr>
<td>Other provision</td>
<td>3,091</td>
</tr>
<tr>
<td></td>
<td>$ 2,900,307</td>
</tr>
</tbody>
</table>

The movements of provision for financing commitment, provision for guarantee liabilities and other provisions were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Proportion for Financing Commitment</th>
<th>Proportion for Guarantee Liabilities</th>
<th>Other Provision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at January 1, 2019</td>
<td>$ 210,276</td>
<td>$ 164,563</td>
<td>$ 5,331</td>
</tr>
<tr>
<td>(Reversal of) provision</td>
<td>(73,269)</td>
<td>38,274</td>
<td>(2,157)</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Effect of exchange rate changes</td>
<td>(684)</td>
<td>(69)</td>
<td>(83)</td>
</tr>
<tr>
<td>Balance at December 31, 2019</td>
<td>$ 136,323</td>
<td>$ 202,768</td>
<td>$ 3,091</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Proportion for Financing Commitment</th>
<th>Proportion for Guarantee Liabilities</th>
<th>Other Provision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at January 1, 2018</td>
<td>$ -</td>
<td>$ 187,389</td>
<td>$ -</td>
</tr>
<tr>
<td>Adjustments of IFRS application</td>
<td>304,856</td>
<td>-</td>
<td>1,552</td>
</tr>
<tr>
<td>(Reversal of) provision</td>
<td>(96,042)</td>
<td>(16,089)</td>
<td>(3,569)</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>-</td>
<td>(7,311)</td>
<td>7,311</td>
</tr>
<tr>
<td>Effect of exchange rate changes</td>
<td>1,462</td>
<td>574</td>
<td>37</td>
</tr>
<tr>
<td>Balance at December 31, 2018</td>
<td>$ 210,276</td>
<td>$ 164,563</td>
<td>$ 5,331</td>
</tr>
</tbody>
</table>
28. PROVISIONS FOR EMPLOYEE BENEFITS

Recognized in balance sheets (payables and provisions)

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
<td></td>
</tr>
<tr>
<td>Defined contribution plans</td>
<td>$ 38,467</td>
<td>$ 36,347</td>
<td></td>
</tr>
<tr>
<td>Defined benefit plans</td>
<td>2,169,135</td>
<td>2,194,514</td>
<td></td>
</tr>
<tr>
<td>Preferential interest on employees’ deposits</td>
<td>279,377</td>
<td>264,531</td>
<td></td>
</tr>
<tr>
<td>Deferred annual leave and retirement benefits</td>
<td>21,507</td>
<td>14,344</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 2,508,486</strong></td>
<td><strong>$ 2,509,736</strong></td>
<td></td>
</tr>
</tbody>
</table>

a. Defined contribution plans

The Bank adopted a pension plan under the Labor Pension Act (the LPA), which is a state-managed defined contribution plan. Based on the LPA, the Bank makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

The total expenses recognized in profit or loss for the years ended December 31, 2019 and 2018 of $228,430 and $211,007, respectively, represent contributions payable to these plans by the Bank at rates specified in the rules of the plans.

b. Defined benefit plans

For the Bank employees who adopt for defined benefit plans regulated by the Labor Standards Act, the retirement benefits are paid to employees as follow: (i) a lump sum payment equal to two base units for each year of service; (ii) that each year of service exceeding 15 years is entitled to only one base unit of wage; and (iii) that the maximum payment is for up to 45 base units. Any fraction of a year that is equal to six months or more is counted as one year of service, and any fraction of a year that is less than six months is counted as half a year of service.

Pension contributions are deposited in the Trust department of Bank of Taiwan and Bank SinoPac in the Organization of Supervisory Committee of Business Entities’ Labor Retirement Reserve’s name. Before the end of each year, the Bank assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Bank is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund deposited in the Trust department of Bank of Taiwan is managed by the Bureau of Labor Funds, Ministry of Labor (the Bureau); the Bank has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Bank’s defined benefit plans were as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
<td></td>
</tr>
<tr>
<td>Present value of defined benefit obligation</td>
<td>$ 5,150,594</td>
<td>$ 5,097,931</td>
<td></td>
</tr>
<tr>
<td>Fair value of plan assets</td>
<td>(2,981,459)</td>
<td>(2,903,417)</td>
<td></td>
</tr>
<tr>
<td>Deficit</td>
<td>2,169,135</td>
<td>2,194,514</td>
<td></td>
</tr>
<tr>
<td>Asset ceiling</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Net defined benefit liability</strong></td>
<td><strong>$ 2,169,135</strong></td>
<td><strong>$ 2,194,514</strong></td>
<td></td>
</tr>
</tbody>
</table>
Movements in net defined benefit liability (asset) were as follows:

<table>
<thead>
<tr>
<th>Present Value of the Defined Benefit Obligation</th>
<th>Fair Value of the Plan Assets</th>
<th>Net Defined Benefit Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at January 1, 2018</td>
<td>$ 5,007,347</td>
<td>$ (2,834,110)</td>
</tr>
<tr>
<td><strong>Service cost</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current service cost</td>
<td>75,474</td>
<td>-</td>
</tr>
<tr>
<td>Prior service cost</td>
<td>5,875</td>
<td>-</td>
</tr>
<tr>
<td>Net interest expense (income)</td>
<td>61,695</td>
<td>(35,926)</td>
</tr>
<tr>
<td>Recognized in (profit) or loss</td>
<td>143,044</td>
<td>(35,926)</td>
</tr>
<tr>
<td><strong>Remeasurement</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on plan assets (excluding amounts included in net interest)</td>
<td>-</td>
<td>(32,016)</td>
</tr>
<tr>
<td>Actuarial (gain) loss - changes in financial assumptions</td>
<td>143,430</td>
<td>-</td>
</tr>
<tr>
<td>Actuarial (gain) loss - changes in demographic assumptions</td>
<td>764</td>
<td>-</td>
</tr>
<tr>
<td>Actuarial (gain) loss - experience adjustments</td>
<td>46,335</td>
<td>-</td>
</tr>
<tr>
<td>Recognized in other comprehensive income</td>
<td>190,529</td>
<td>(32,016)</td>
</tr>
<tr>
<td>Contributions from the employer</td>
<td>-</td>
<td>(244,354)</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(226,149)</td>
<td>226,149</td>
</tr>
<tr>
<td>Pay off or reduce the payment</td>
<td>(16,840)</td>
<td>16,840</td>
</tr>
<tr>
<td><strong>Balance at December 31, 2018</strong></td>
<td>$ 5,097,931</td>
<td>$ (2,903,417)</td>
</tr>
<tr>
<td>Balance at January 1, 2019</td>
<td>$ 5,097,931</td>
<td>$ (2,903,417)</td>
</tr>
<tr>
<td><strong>Service cost</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current service cost</td>
<td>71,688</td>
<td>-</td>
</tr>
<tr>
<td>Prior service cost</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net interest expense (income)</td>
<td>50,339</td>
<td>(29,483)</td>
</tr>
<tr>
<td>Recognized in (profit) or loss</td>
<td>122,027</td>
<td>(29,483)</td>
</tr>
<tr>
<td><strong>Remeasurement</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on plan assets (excluding amounts included in net interest)</td>
<td>-</td>
<td>(55,425)</td>
</tr>
<tr>
<td>Actuarial (gain) loss - changes in financial assumptions</td>
<td>138,560</td>
<td>-</td>
</tr>
<tr>
<td>Actuarial (gain) loss - changes in demographic assumptions</td>
<td>600</td>
<td>-</td>
</tr>
<tr>
<td>Actuarial (gain) loss - experience adjustments</td>
<td>35,359</td>
<td>-</td>
</tr>
<tr>
<td>Recognized in other comprehensive income</td>
<td>174,519</td>
<td>(55,425)</td>
</tr>
<tr>
<td>Contributions from the employer</td>
<td>-</td>
<td>(239,770)</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(269,203)</td>
<td>269,203</td>
</tr>
<tr>
<td>Pay off or reduce the payment</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Effect of people merged changes</td>
<td>25,320</td>
<td>(22,567)</td>
</tr>
<tr>
<td><strong>Balance at December 31, 2019</strong></td>
<td>$ 5,150,594</td>
<td>$ (2,981,459)</td>
</tr>
</tbody>
</table>

The plan assets’ actual returns were $84,908 and $67,942 for the years ended December 31, 2019 and 2018.
Through the defined benefit plans under the Labor Standards Law, the Bank is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government or corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan’s debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>Discount rate</td>
<td>0.75%</td>
<td>1.00%</td>
</tr>
<tr>
<td>Expected rate of salary increase</td>
<td>1.75%</td>
<td>1.75%</td>
</tr>
<tr>
<td>Turnover rate</td>
<td>0.46%</td>
<td>0.52%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>Discount rate (2019: 0.75%; 2018: 1.00%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.25% increase</td>
<td>$(139,338)</td>
<td>$(143,170)</td>
</tr>
<tr>
<td>0.25% decrease</td>
<td>$ 144,700</td>
<td>$ 148,888</td>
</tr>
<tr>
<td>Expected rate of salary increase (1.75%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.25% increase</td>
<td>$ 142,891</td>
<td>$ 147,395</td>
</tr>
<tr>
<td>0.25% decrease</td>
<td>$(138,326)</td>
<td>$(142,475)</td>
</tr>
<tr>
<td>Turnover rate (2019: 0.46%; 2018: 0.52%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>110% of expected turnover rate</td>
<td>$(300)</td>
<td>$(507)</td>
</tr>
<tr>
<td>90% of expected turnover rate</td>
<td>$ 301</td>
<td>$ 509</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>The expected contributions to the plan for the next year</td>
<td>$ 219,393</td>
<td>$ 221,043</td>
</tr>
<tr>
<td>The average duration of the defined benefit obligation</td>
<td>11 years</td>
<td>11 years</td>
</tr>
</tbody>
</table>

- 51 -
c. Preferential interest on employees’ deposits

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

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

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
<td></td>
</tr>
<tr>
<td>Discount rate</td>
<td>4.00%</td>
<td>4.00%</td>
<td></td>
</tr>
<tr>
<td>Expected interest rate on preferential interest on employees’ deposits</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manager</td>
<td>7.09%</td>
<td>7.09%</td>
<td></td>
</tr>
<tr>
<td>Staff</td>
<td>13.00%</td>
<td>13.00%</td>
<td></td>
</tr>
<tr>
<td>Normal deposit interest rate</td>
<td>1.09%</td>
<td>1.09%</td>
<td></td>
</tr>
<tr>
<td>Return on deposits</td>
<td>2.00%</td>
<td>2.00%</td>
<td></td>
</tr>
<tr>
<td>Excess preferential interest</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manager</td>
<td>4.00%</td>
<td>4.00%</td>
<td></td>
</tr>
<tr>
<td>Staff</td>
<td>9.91%</td>
<td>9.91%</td>
<td></td>
</tr>
<tr>
<td>The probability of preferential interest on employees’ deposits is canceled within ten years</td>
<td>50.00%</td>
<td>50.00%</td>
<td></td>
</tr>
</tbody>
</table>

The amounts included in the balance sheets arising from the Bank’s obligation in respect of its preferential interest on employee’s deposits were as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
<td></td>
</tr>
<tr>
<td>Present value of defined benefit obligation</td>
<td>$ 279,377</td>
<td>$ 264,531</td>
<td></td>
</tr>
<tr>
<td>Fair value of plan assets</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Deficit</td>
<td>279,377</td>
<td>264,531</td>
<td></td>
</tr>
<tr>
<td>Asset ceiling</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Net defined benefit liability</td>
<td>$ 279,377</td>
<td>$ 264,531</td>
<td></td>
</tr>
</tbody>
</table>

Movements in net defined benefit liability (asset) were as follows:

<table>
<thead>
<tr>
<th>Present Value of the Defined Benefit Obligation</th>
<th>Fair Value of the Plan Assets</th>
<th>Net Defined Benefit Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at January 1, 2018</td>
<td>$ 245,096</td>
<td>$ 245,096</td>
</tr>
<tr>
<td>Service cost</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prior service cost</td>
<td>20,278</td>
<td>20,278</td>
</tr>
<tr>
<td>Net interest expense</td>
<td>4,788</td>
<td>4,788</td>
</tr>
<tr>
<td>Recognized in (profit) or loss</td>
<td>25,066</td>
<td>25,066</td>
</tr>
<tr>
<td>Remeasurement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actuarial (gain) loss - experience adjustments</td>
<td>14,932</td>
<td>14,932</td>
</tr>
<tr>
<td>Actuarial (gain) loss - changes in assumptions</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Recognized in other comprehensive income</td>
<td>14,932</td>
<td>14,932</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(20,563)</td>
<td>(20,563)</td>
</tr>
<tr>
<td>Balance at December 31, 2018</td>
<td>$ 264,531</td>
<td>$ 264,531</td>
</tr>
</tbody>
</table>

(Continued)
Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Liability
---|---|---
Balance at January 1, 2019 | $ 264,531 | $ - | $ 264,531
Service cost
   Prior service cost | 29,233 | - | 29,233
Net interest expense | 6,007 | - | 6,007
Recognized in (profit) or loss | 35,240 | - | 35,240
Remeasurement
   Actuarial (gain) loss - experience adjustments | 1,567 | - | 1,567
   Actuarial (gain) loss - changes in assumptions | - | - | -
Recognized in other comprehensive income | 1,567 | - | 1,567
Benefits paid | (21,961) | - | (21,961)

Balance at December 31, 2019 | $ 279,377 | $ - | $ 279,377

(Concluded)

29. OTHER LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>Guarantee deposits received</td>
<td>$ 1,786,473</td>
<td>$ 1,589,881</td>
</tr>
<tr>
<td>Temporary receipt and suspense accounts</td>
<td>652,449</td>
<td>684,658</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>304,542</td>
<td>623,983</td>
</tr>
<tr>
<td>Advance receipts</td>
<td>167,065</td>
<td>134,587</td>
</tr>
<tr>
<td>Others</td>
<td>14,656</td>
<td>13,933</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 2,925,185</strong></td>
<td><strong>$ 3,047,042</strong></td>
</tr>
</tbody>
</table>

30. INCOME TAX

Under Article 49 of the Financial Holding Company Act and related directives issued by the Ministry of Finance, a financial holding company and its domestic subsidiaries that held over 90% of shares issued by the financial holding company for 12 months within the same tax year may choose to adopt the linked-tax system for income tax filings. Thus, SPH adopted the linked-tax system for income tax and unappropriated earnings tax filings with its qualified subsidiaries since 2003.
a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

<table>
<thead>
<tr>
<th></th>
<th>For the Year Ended December 31</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>Current tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current period</td>
<td>$ 1,547,051</td>
<td>$ 1,050,251</td>
</tr>
<tr>
<td>Adjustments for prior period</td>
<td>(15,458)</td>
<td>(1,654)</td>
</tr>
<tr>
<td>Others</td>
<td>5,258</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ 1,536,851</td>
<td>1,048,597</td>
</tr>
<tr>
<td>Deferred tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Temporary adjustment</td>
<td>157,469</td>
<td>639,650</td>
</tr>
<tr>
<td>Adjustments of tax rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ 1,694,320</td>
<td>$ 1,528,414</td>
</tr>
</tbody>
</table>

Income tax expenses recognized in profit or loss

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

<table>
<thead>
<tr>
<th></th>
<th>For the Year Ended December 31</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>$ 11,985,307</td>
<td>$ 11,202,619</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>$ 2,397,061</td>
<td>$ 2,240,524</td>
</tr>
<tr>
<td>calculated at the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>statutory rate (20%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax effect of adjusting</td>
<td></td>
<td></td>
</tr>
<tr>
<td>items:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Permanent difference</td>
<td>(615,187)</td>
<td>(546,551)</td>
</tr>
<tr>
<td>Tax-exempt income</td>
<td>(72,184)</td>
<td>(10,439)</td>
</tr>
<tr>
<td>Additional income tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>under the Alternative</td>
<td></td>
<td></td>
</tr>
<tr>
<td>minimum Tax Act</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>20,853</td>
</tr>
<tr>
<td>Adjustments for prior</td>
<td>(15,458)</td>
<td>(1,654)</td>
</tr>
<tr>
<td>years’ tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrecognized temporary</td>
<td>(5,170)</td>
<td>(14,486)</td>
</tr>
<tr>
<td>difference</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>5,258</td>
<td></td>
</tr>
<tr>
<td>Adjustments of tax rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(159,833)</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>$ 1,694,320</td>
<td>$ 1,528,414</td>
</tr>
<tr>
<td>recognized in profit or</td>
<td></td>
<td></td>
</tr>
<tr>
<td>loss</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In February 2018, the ROC Income Tax Act was amended; based on the amendment, the corporate income tax rate was adjusted from 17% to 20% effective in 2018. In addition, the rate of unappropriated earnings has been reduced from 10% to 5% in 2018.

b. Income tax recognized in other comprehensive income

<table>
<thead>
<tr>
<th></th>
<th>For the Year Ended December 31</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>Deferred tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjustments of tax rate</td>
<td>$ -</td>
<td>$ 4,245</td>
</tr>
<tr>
<td>Adjustments of current</td>
<td></td>
<td></td>
</tr>
<tr>
<td>period</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange difference on</td>
<td></td>
<td></td>
</tr>
<tr>
<td>translating foreign</td>
<td></td>
<td></td>
</tr>
<tr>
<td>operations</td>
<td>68,343</td>
<td>96,943</td>
</tr>
<tr>
<td>Defined benefit plans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>remeasurement</td>
<td>24,132</td>
<td>34,689</td>
</tr>
<tr>
<td>Share of the comprehensive income of subsidiaries accounted for using the equity method</td>
<td>(10,335)</td>
<td>5,729</td>
</tr>
<tr>
<td></td>
<td>$ 82,140</td>
<td>$ 141,606</td>
</tr>
</tbody>
</table>
For the year ended December 31, 2018, included in the effect of tax rate adjustments was $10,143 effect on deferred tax of defined benefit plans remeasurement which was recognized on retained earnings transferred from other comprehensive income.

c. Current tax assets and liabilities

<table>
<thead>
<tr>
<th>December 31</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$1,276,102</td>
<td>$1,276,102</td>
</tr>
<tr>
<td>Receivables from adopting the linked-tax system</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>140,980</td>
<td>118,760</td>
</tr>
<tr>
<td></td>
<td>$1,417,082</td>
<td>$1,394,862</td>
</tr>
<tr>
<td>Current tax liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables for adopting the linked-tax system</td>
<td>$811,552</td>
<td>$272,975</td>
</tr>
<tr>
<td>Others</td>
<td>70,543</td>
<td>211,939</td>
</tr>
<tr>
<td></td>
<td>$882,095</td>
<td>$484,914</td>
</tr>
</tbody>
</table>

d. Deferred tax assets and liabilities

<table>
<thead>
<tr>
<th>December 31</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>$676,725</td>
<td>$688,495</td>
</tr>
<tr>
<td>Provision for defined benefit</td>
<td>437,614</td>
<td>438,281</td>
</tr>
<tr>
<td>Loss carryforwards</td>
<td>-</td>
<td>166,504</td>
</tr>
<tr>
<td>Exchange differences on translating foreign operations</td>
<td>169,563</td>
<td>101,163</td>
</tr>
<tr>
<td>Others</td>
<td>39,100</td>
<td>54,070</td>
</tr>
<tr>
<td></td>
<td>$1,323,002</td>
<td>$1,448,513</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land value increment tax</td>
<td>$587,038</td>
<td>$587,038</td>
</tr>
<tr>
<td>Investments accounted for using the equity method</td>
<td>162,695</td>
<td>140,450</td>
</tr>
<tr>
<td>Exchange and derivative products unrealized gains</td>
<td>16,669</td>
<td>89,335</td>
</tr>
<tr>
<td>Others</td>
<td>46,555</td>
<td>46,555</td>
</tr>
<tr>
<td></td>
<td>$812,957</td>
<td>$863,378</td>
</tr>
</tbody>
</table>
Deferred tax expenses recognized in profit or loss were as follows:

<table>
<thead>
<tr>
<th></th>
<th>For the Year Ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Loss carryforwards</td>
<td>$166,504</td>
</tr>
<tr>
<td>Unrealized gains or losses on exchanges and derivative instruments</td>
<td>(72,666)</td>
</tr>
<tr>
<td>Investments accounted for using the equity method</td>
<td>22,245</td>
</tr>
<tr>
<td>Provision for defined benefit</td>
<td>25,349</td>
</tr>
<tr>
<td>Provision</td>
<td>11,589</td>
</tr>
<tr>
<td>Others</td>
<td>4,448</td>
</tr>
<tr>
<td></td>
<td>$157,469</td>
</tr>
</tbody>
</table>

The Bank did not have unused loss carryforwards as of December 31, 2019.

e. The Bank’s tax returns through 2014 had been assessed by the tax authorities. It was beneficial to the Bank under Ministry of Finance Order No. 10701031420. Therefore, the Bank planned to submit application for correction to the tax authorities.

f. SinoPac Call Center, SinoPac Life Insurance Agent Co., Ltd. and SinoPac Property Insurance Agent Co., Ltd. were merged into Bank SinoPac in 2019. The assessed years of profit-seeking enterprise income tax were as follows:

<table>
<thead>
<tr>
<th>Assessment Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>SinoPac Call Center</td>
</tr>
<tr>
<td>SinoPac Life Insurance Agent Co., Ltd.</td>
</tr>
<tr>
<td>SinoPac Property Insurance Agent Co., Ltd.</td>
</tr>
</tbody>
</table>

31. EQUITY

a. Common shares

The Bank’s authorized capital is $100,000,000. And the Bank issued 10,000,000 thousand common shares with par value of NT$10. The Bank paid-in capital is $86,061,159 with 8,606,116 thousand common shares.

b. Capital surplus

The premium from shares issued in excess of par (share premium from issuance of common stock, conversion of bonds and treasury stock transactions) and donations may be used to offset a deficit; in addition, when the Bank has no deficit, the capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Bank’s paid-in capital and once a year).

On July 25, 2014, the board of directors of the parent company of the Bank, SPH, approved a capital increase and retained 10% of shares for subscription by the Bank’s employees. The Bank’s capital surplus - employee share options, which was determined on the basis of the grant-date fair value of the employee share options, was $67,511 in 2014.
c. Other equity items

<table>
<thead>
<tr>
<th>Exchange Differences Arising on Translating Foreign Operations</th>
<th>Unrealized Gain or Loss on Financial Assets Measured at Fair Value Through Other Comprehensive Income</th>
<th>Change in Fair Value of Financial Liability Attributable to Changes in the Credit Risk of Liabilities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance January 1, 2019</td>
<td>$ (396,410)</td>
<td>$ 552,135</td>
<td>$ (178,523)</td>
</tr>
<tr>
<td>Exchange differences arising on translating foreign operations</td>
<td>(341,716)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Related income tax</td>
<td>68,343</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Financial assets at fair value through other comprehensive income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current adjustment for change in value</td>
<td>-</td>
<td>279,244</td>
<td>1,553,073</td>
</tr>
<tr>
<td>Adjustment for loss allowance of debt instruments</td>
<td>-</td>
<td>-</td>
<td>9,322</td>
</tr>
<tr>
<td>Current disposal</td>
<td>-</td>
<td>-</td>
<td>(526,846)</td>
</tr>
<tr>
<td>Share of gains (losses) of subsidiary and other comprehensive income of those investments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recognition</td>
<td>(285)</td>
<td>-</td>
<td>51,960</td>
</tr>
<tr>
<td>Income tax</td>
<td>57</td>
<td>-</td>
<td>(10,392)</td>
</tr>
<tr>
<td>Change in fair value of financial liability attributable to changes in the credit risk of liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in amount</td>
<td></td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Balance December 31, 2019</td>
<td>$ (670,011)</td>
<td>$ 831,379</td>
<td>$ 898,594</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Exchange Differences Arising on Translating Foreign Operations</th>
<th>Unrealized Gain or Loss on Financial Assets Measured at Fair Value Through Other Comprehensive Income</th>
<th>Unrealized Gain or Loss on Financial Assets Designated as at Fair Value Through Profit or Loss</th>
<th>Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance January 1, 2018 (IAS 39)</td>
<td>$ (9,348)</td>
<td>$ (136,290)</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Effect of retrospective application and restatement</td>
<td>-</td>
<td>136,290</td>
<td>907,531</td>
<td>(149,524)</td>
</tr>
<tr>
<td>Restated balance January 1, 2018</td>
<td>(9,348)</td>
<td>-</td>
<td>907,531</td>
<td>(149,524)</td>
</tr>
<tr>
<td>Exchange differences arising on translating foreign operations</td>
<td>(484,716)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Income tax</td>
<td>97,596</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Financial assets at fair value through other comprehensive income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current adjustment for change in value</td>
<td>-</td>
<td>-</td>
<td>(172,429)</td>
<td>(50,705)</td>
</tr>
<tr>
<td>Adjustment for loss allowance of debt instruments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(7,420)</td>
</tr>
<tr>
<td>Current disposal</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5,134</td>
</tr>
</tbody>
</table>

(Continued)
Exchange Differences Arising on Translating Operations

Unrealized Gain or Loss on Available-for-Sale Financial Assets

Unrealized Gain or Loss on Financial Assets Measured at Fair Value Through Other Comprehensive Income

Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value Through Profit or Loss

Total

<table>
<thead>
<tr>
<th>Share of gains (losses) of subsidiary and other comprehensive income of those investments</th>
<th>Recognition</th>
<th>Gain or loss from disposal reclassified to retained earnings (Note)</th>
<th>Income tax</th>
<th>Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss</th>
<th>Change in amount</th>
<th>Balance December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recognition</td>
<td>$ 94</td>
<td>$ -</td>
<td>$ (58,631)</td>
<td>$ 29,892</td>
<td>$ -</td>
<td>$ (28,645)</td>
</tr>
<tr>
<td>Gain or loss from disposal reclassified to retained earnings (Note)</td>
<td>-</td>
<td>-</td>
<td>(129,450)</td>
<td>-</td>
<td>-</td>
<td>(129,450)</td>
</tr>
<tr>
<td>Income tax</td>
<td>(36)</td>
<td>-</td>
<td>5,114</td>
<td>(5,900)</td>
<td>-</td>
<td>(822)</td>
</tr>
<tr>
<td>Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss</td>
<td>-</td>
<td>-</td>
<td>12,334</td>
<td>12,334</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in amount</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Balance December 31, 2018</td>
<td>$ (396,410)</td>
<td>$ -</td>
<td>$ 552,135</td>
<td>(178,523)</td>
<td>(7,836)</td>
<td>(30,634)</td>
</tr>
</tbody>
</table>

Note: To adjust the investment structure of parent-group, the board of directors approved the liquidation plan of the Bank’s subsidiary, SinoPac Capital Limited, which is recognized by the equity method. SinoPac Capital Limited sold equity instruments at fair value through other comprehensive income to the related party, SinoPac Venture Capital Co., Ltd. in November 2018. The fair value of this investment was $181,278 on the date of derecognition and the disposal gain of $129,450 was transferred from other equity to retained earnings.

d. Earnings distribution and dividend policy

The Bank’s Articles of Incorporation provide that annual net income should be appropriated after it has:

1) Deducted any deficit of prior years;
2) Paid all outstanding taxes;
3) Set aside 30% of remaining earnings as legal reserve;
4) Set aside any special reserve or retained earnings allocated at its option;
5) Allocated shareholders’ dividends.

The Banking Act provides that, before the balance of the reserve reaches the aggregate par value of the outstanding capital stock, above allocation should not exceed 15% of the aggregate par value of the outstanding capital stock of the Bank.

The Bank meets the required financial position; thus, the limitation on the setting aside of earnings to legal reserve under the Company Act is not applicable.

To comply with the Bank’s globalization strategy, strengthen its market position, integrate its diversified business operation and be a major local bank, the Bank has adopted the “Balanced Dividend Policy”.
Under this policy, dividends available for distribution are determined by referring to its capital adequacy ratio (CAR). Cash dividends may be declared if the Bank’s CAR is above 10% and stock dividends may be declared if the CAR is equal to or less than 10%. However, the Bank may make discretionary cash distribution even if the CAR is below 10%, if approved at the shareholders’ meeting, for the purpose of maintaining the cash dividends at a certain level in any given year.

Cash dividends and cash bonus are paid after the approval of the shareholders, while the distribution of stock dividends requires the additional approval of the authorities.

Under the Company Act, legal reserve shall be appropriated until it has reached the Bank’s paid-in capital. This reserve may be used to offset a deficit. When the legal reserve has exceeded 25% of the Bank’s paid-in capital, the excess may be transferred to capital or distributed in cash. In addition, the Banking Act provides that, before the balance of the reserve reaches the aggregate par value of the outstanding capital stock, allocation should not exceed 15% of the aggregate par value of the outstanding capital stock of the Bank.

Under Article 50-2 of the Banking Act revised on December 30, 2008, when legal reserve has meet the total capital reserve or required financial position, the setting aside of earnings to legal reserve under the Company Act is not limited to the restriction that 30% of remaining earnings shall be set aside as legal reserve or the limitation on the appropriation of the remainder and retained earnings from previous year to 15% of total capital reserve when legal reserve has not meet the total capital reserve. The requirements for financial position of banks to be established in accordance with this Act revised on April 30, 2012 shall be as prescribed by the FSC, Executive Yuan, ROC.

According to FSC Order No. 1010012865 and the rule of “Questions and Answers on Special Reserves Appropriated Following the Adoption of IFRSs”, of amount of equal to the net debit balance of shareholders’ other equity items shall be transferred from unappropriated earnings to a special reserve before any appropriation of earnings generated.

Under Order No. 10510001510 (repealed on May 15, 2019, replaced by No. 10802714560 issued by the FSC), issued by the FSC on May 25, 2016, before dispatching the net income of 2016 through 2018, the Public Bank shall reserve 0.5% to 1% of net income as special reserve. Under Order No. 10802714560 issued by the FSC, it is no longer necessary to use special reserve as a way in response to the development of financial technology and the protection of the rights of employees in domestic banks from the fiscal year of 2019. The Bank can reserve the expenditure for employee transfer or placement and for employee training in financial technology development or banking business development.

Under the Financial Holding Company Act, the board of directors is empowered to execute the authority of the shareholders’ meeting, which is under no jurisdiction in the related regulations in the Company Act.

On June 22, 2018, the board of directors (on behalf of the shareholder’s meeting) exercised the power and authority of the shareholders’ meeting and approved the appropriation of the 2017 earnings. The appropriations were as follows:

<table>
<thead>
<tr>
<th>Appropriation of Earnings</th>
<th>Dividends Per Share (NT$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal reserve</td>
<td>$ 2,336,724</td>
</tr>
<tr>
<td>Special reserve</td>
<td>48,135</td>
</tr>
<tr>
<td>Cash dividends</td>
<td>5,404,219</td>
</tr>
<tr>
<td></td>
<td>$ 0.62795102</td>
</tr>
</tbody>
</table>
The appropriations of earnings for 2018 have been proposed by the Bank’s board of directors (on behalf of the shareholder’s meeting) on June 21, 2019. The appropriations and dividends per share were as follows:

<table>
<thead>
<tr>
<th>Appropriation of Earnings</th>
<th>Dividends Per Share (NT$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal reserve</td>
<td>$ 2,804,524</td>
</tr>
<tr>
<td>Reversal of special reserve</td>
<td>(86,803)</td>
</tr>
<tr>
<td>Cash dividends</td>
<td>6,630,694</td>
</tr>
<tr>
<td></td>
<td>$ 0.77046299</td>
</tr>
</tbody>
</table>

The appropriations of earnings for 2019 have been proposed by the Bank’s board of directors on March 13, 2020. The appropriations and dividends per share were as follows:

<table>
<thead>
<tr>
<th>Appropriation of Earnings</th>
<th>Dividends Per Share (NT$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal reserve</td>
<td>$ 3,058,337</td>
</tr>
<tr>
<td>Reversal of special reserve</td>
<td>(45,444)</td>
</tr>
<tr>
<td>Cash dividends</td>
<td>7,181,565</td>
</tr>
<tr>
<td></td>
<td>$ 0.83447222</td>
</tr>
</tbody>
</table>

The board of directors approved the 2019 appropriations of earnings on March 13, 2020, that will be resolved by shareholder’s resolution (on behalf of the shareholder’s meeting) in 2019.

In accordance with FSC Guideline No. 09900146911, cash dividends and bonus to shareholders for 2009 amounting to $1,435,025 shall not be remitted to the parent company until the land transferred to SPL from the Bank is disposed and the gain is realized.

32. INTEREST REVENUE, NET

<table>
<thead>
<tr>
<th>For the Year Ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Interest revenue</td>
</tr>
<tr>
<td>Loans</td>
</tr>
<tr>
<td>Security investments</td>
</tr>
<tr>
<td>Due from the Central Bank and call loans to banks</td>
</tr>
<tr>
<td>Credit card revolving interest rate income</td>
</tr>
<tr>
<td>Securities purchased under resell agreements</td>
</tr>
<tr>
<td>Accounts receivable-forfaiting</td>
</tr>
<tr>
<td>Others</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Interest expense</td>
</tr>
<tr>
<td>Deposits</td>
</tr>
<tr>
<td>Call loans from banks</td>
</tr>
<tr>
<td>Bank debentures</td>
</tr>
<tr>
<td>Interest expense of structured products</td>
</tr>
<tr>
<td>Others</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>
### 33. COMMISSION AND FEE REVENUES, NET

For the Year Ended December 31

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commission and fee revenues</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance services</td>
<td>$2,345,271</td>
<td>$2,013,048</td>
</tr>
<tr>
<td>Trust and related services</td>
<td>1,866,676</td>
<td>1,509,197</td>
</tr>
<tr>
<td>Credit card services</td>
<td>1,024,301</td>
<td>1,082,552</td>
</tr>
<tr>
<td>Loan services</td>
<td>950,168</td>
<td>626,039</td>
</tr>
<tr>
<td>Others</td>
<td>872,254</td>
<td>822,576</td>
</tr>
<tr>
<td></td>
<td><strong>7,058,670</strong></td>
<td><strong>6,053,412</strong></td>
</tr>
<tr>
<td>Commissions and fees expense</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit card services</td>
<td>(512,761)</td>
<td>(454,270)</td>
</tr>
<tr>
<td>Interbank services</td>
<td>(170,002)</td>
<td>(157,281)</td>
</tr>
<tr>
<td>Trust services</td>
<td>(128,542)</td>
<td>(71,794)</td>
</tr>
<tr>
<td>Foreign exchange transaction</td>
<td>(53,906)</td>
<td>(53,749)</td>
</tr>
<tr>
<td>Others</td>
<td>(323,000)</td>
<td>(274,823)</td>
</tr>
<tr>
<td></td>
<td><strong>(1,188,211)</strong></td>
<td><strong>(1,011,917)</strong></td>
</tr>
<tr>
<td></td>
<td><strong>$5,870,459</strong></td>
<td><strong>$5,041,495</strong></td>
</tr>
</tbody>
</table>

### 34. GAINS OR LOSSES ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

For the Year Ended December 31

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Realized gain (loss) on financial assets and liabilities at fair value through profit or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government bonds</td>
<td>$388,606</td>
<td>$(699,044)</td>
</tr>
<tr>
<td>Bank debentures</td>
<td>370,405</td>
<td>(136,484)</td>
</tr>
<tr>
<td>Currency swap contracts and hybrid FX swap structured instruments</td>
<td>2,999,171</td>
<td>1,856,946</td>
</tr>
<tr>
<td>Interest rate swap contracts</td>
<td>757,484</td>
<td>1,165,806</td>
</tr>
<tr>
<td>Forward contracts</td>
<td>282,663</td>
<td>(330,279)</td>
</tr>
<tr>
<td>Option contracts</td>
<td>(176,420)</td>
<td>64,346</td>
</tr>
<tr>
<td>Cross-currency swap contracts</td>
<td>(213,370)</td>
<td>(98,806)</td>
</tr>
<tr>
<td>Others</td>
<td>(14,174)</td>
<td>(83,450)</td>
</tr>
<tr>
<td></td>
<td><strong>4,394,365</strong></td>
<td><strong>1,739,035</strong></td>
</tr>
<tr>
<td>Unrealized gain (loss) on financial assets and liabilities at fair value through profit or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government bonds</td>
<td>(22,202)</td>
<td>(267,937)</td>
</tr>
<tr>
<td>Bank debentures</td>
<td>(217,224)</td>
<td>(15,844)</td>
</tr>
<tr>
<td>Stocks</td>
<td>-</td>
<td>(123,918)</td>
</tr>
<tr>
<td>Currency swap contracts and hybrid FX swap structured instruments</td>
<td>366,709</td>
<td>300,578</td>
</tr>
<tr>
<td>Option contracts</td>
<td>121,117</td>
<td>(109,522)</td>
</tr>
<tr>
<td>Forward contracts</td>
<td>(64,766)</td>
<td>130,368</td>
</tr>
<tr>
<td>Interest rate swap contracts</td>
<td>(579,688)</td>
<td>150,091</td>
</tr>
<tr>
<td>Others</td>
<td>(57,810)</td>
<td>(4,036)</td>
</tr>
<tr>
<td></td>
<td><strong>(453,864)</strong></td>
<td><strong>59,780</strong></td>
</tr>
<tr>
<td>Dividends revenue</td>
<td>-</td>
<td>16,759</td>
</tr>
<tr>
<td>Interest revenue</td>
<td>301,949</td>
<td>761,923</td>
</tr>
<tr>
<td></td>
<td><strong>$4,242,450</strong></td>
<td><strong>$2,577,497</strong></td>
</tr>
</tbody>
</table>
35. REALIZED GAINS (LOSSES) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

<table>
<thead>
<tr>
<th></th>
<th>For the Year Ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Dividends revenue - equity instruments still held during the reporting date</td>
<td>$89,302</td>
</tr>
<tr>
<td>Gain or loss from disposal of debt instruments</td>
<td>$526,846</td>
</tr>
<tr>
<td></td>
<td>$616,148</td>
</tr>
</tbody>
</table>

36. OTHER NONINTEREST NET REVENUES

<table>
<thead>
<tr>
<th></th>
<th>For the Year Ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Rental income</td>
<td>$93,097</td>
</tr>
<tr>
<td>Net gains on disposal of property and equipment</td>
<td>$64,973</td>
</tr>
<tr>
<td>Operating assets rental income</td>
<td>$27,629</td>
</tr>
<tr>
<td>Transaction bonus</td>
<td>$15,240</td>
</tr>
<tr>
<td>Others</td>
<td>$36,308</td>
</tr>
<tr>
<td></td>
<td>$237,247</td>
</tr>
</tbody>
</table>

37. EMPLOYEE BENEFITS EXPENSE

<table>
<thead>
<tr>
<th></th>
<th>For the Year Ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>$6,620,277</td>
</tr>
<tr>
<td>Labor insurance and national health insurance</td>
<td>460,423</td>
</tr>
<tr>
<td>Pension costs</td>
<td>$320,985</td>
</tr>
<tr>
<td>Others</td>
<td>$612,613</td>
</tr>
<tr>
<td></td>
<td>$8,014,298</td>
</tr>
</tbody>
</table>

The Bank’s Articles of Incorporation provide that the Bank shall allocate from annual profit more than 0.5% as employees’ compensation and not more than 1% as remuneration of directors. But if there are accumulated losses, the Bank should make up for the losses first.

The employees’ compensation and the remuneration of directors recognized were estimated on the basis of the provisions of the Bank’s Articles of Incorporation and past experience. The Bank accrued $60,000 and $61,000 as employees’ compensation and $20,000 and $19,523 as remuneration of directors for the years ended December 31, 2019 and 2018.

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

The board of directors approved $60,000 as employees’ compensation and $20,000 as remuneration of directors on January 17, 2020 and March 13, 2020, respectively. These amounts were the same as those recognized in the financial statements and will be delivered entirely in cash.
The board of directors approved $61,000 as employees’ compensation and $19,523 as remuneration of
directors on January 25 and March 15, 2019, respectively. These amounts were the same as those
recognized in the financial statements and will be delivered entirely in cash. The Bank’s board of directors
resolved the remuneration of employees, directors and supervisors on behalf of the shareholder on June 21,
2019.

The information on employees’ compensation and the remuneration of directors is available at the Market
Observation Post System (M.O.P.S.) website of the Taiwan Stock Exchange.

38. DEPRECIATION AND AMORTIZATION EXPENSE

<table>
<thead>
<tr>
<th></th>
<th>For the Year Ended December 31</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>$129,983</td>
<td>$126,802</td>
</tr>
<tr>
<td>Computers and machinery equipment</td>
<td>162,749</td>
<td>137,191</td>
</tr>
<tr>
<td>Other equipment</td>
<td>73,989</td>
<td>78,786</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>64,754</td>
<td>82,640</td>
</tr>
<tr>
<td>Land improvements</td>
<td>14</td>
<td>-</td>
</tr>
<tr>
<td>Right-of-use assets</td>
<td>641,469</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>1,072,958</td>
<td>425,419</td>
</tr>
<tr>
<td>Amortization expense</td>
<td>155,366</td>
<td>133,237</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$1,228,324</td>
<td>$558,656</td>
</tr>
</tbody>
</table>

39. OTHER OPERATING EXPENSES

<table>
<thead>
<tr>
<th></th>
<th>For the Year Ended December 31</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>Taxation and fees</td>
<td>$1,263,711</td>
<td>$1,161,772</td>
</tr>
<tr>
<td>Marketing</td>
<td>656,205</td>
<td>547,564</td>
</tr>
<tr>
<td>Professional advisory</td>
<td>487,642</td>
<td>507,086</td>
</tr>
<tr>
<td>Automated equipment</td>
<td>394,300</td>
<td>305,636</td>
</tr>
<tr>
<td>Location fee</td>
<td>387,155</td>
<td>377,511</td>
</tr>
<tr>
<td>Insurance</td>
<td>285,674</td>
<td>276,772</td>
</tr>
<tr>
<td>Communications expense</td>
<td>250,562</td>
<td>218,265</td>
</tr>
<tr>
<td>Rent</td>
<td>77,211</td>
<td>647,319</td>
</tr>
<tr>
<td>Others</td>
<td>516,933</td>
<td>481,556</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$4,319,393</td>
<td>$4,523,481</td>
</tr>
</tbody>
</table>

40. EARNINGS PER SHARE

Basic earnings per share is calculated by the gain or loss attributed to the Bank’s shareholder divided by the
weighted-average number of common shares outstanding.
The numerators and denominators used in computing earnings per shares (EPS) are summarized as follows:

<table>
<thead>
<tr>
<th>Dollars Per Share</th>
<th>For the Year Ended December 31</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic EPS</td>
<td>$ 1.20</td>
<td>$ 1.12</td>
<td></td>
</tr>
</tbody>
</table>

The weighted-average number of common shares outstanding in the computation of basic EPS are as follows:

<table>
<thead>
<tr>
<th>Net income</th>
<th>For the Year Ended December 31</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income for calculating basic EPS</td>
<td>$ 10,290,987</td>
<td>$ 9,674,205</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Shares</th>
<th>For the Year Ended December 31</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares in Thousands</td>
<td></td>
<td>8,606,116</td>
<td>8,606,116</td>
</tr>
</tbody>
</table>

### 41. RELATED-PARTY TRANSACTIONS

In addition to those disclosed in other notes to the financial statements, transactions, between the Bank and other related parties are summarized as follows:

a. Related parties and their relationships with the Bank

<table>
<thead>
<tr>
<th>Related Party</th>
<th>Relationship with the Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>SinoPac Financial Holdings Company Limited (SPH)</td>
<td>Parent company of the Bank</td>
</tr>
<tr>
<td>SinoPac Securities Corporation (SinoPac Securities)</td>
<td>Subsidiary of SPH</td>
</tr>
<tr>
<td>SinoPac Securities Investment Trust Co., Ltd. (SinoPac Securities Investment Trust)</td>
<td>Subsidiary of SPH</td>
</tr>
<tr>
<td>SinoPac Call Center Co., Ltd. (SinoPac Call Center)</td>
<td>Subsidiary of SPH (merged with the Bank since May 2019)</td>
</tr>
<tr>
<td>SinoPac Leasing Corporation (SPL)</td>
<td>Subsidiary of SPH</td>
</tr>
<tr>
<td>SinoPac Futures Corporation (SinoPac Futures)</td>
<td>Subsidiary of SinoPac Securities</td>
</tr>
<tr>
<td>SinoPac Securities (Asia) Ltd.</td>
<td>Affiliate of SinoPac Securities</td>
</tr>
<tr>
<td>Bank SinoPac (China) Ltd.</td>
<td>Subsidiary of the Bank</td>
</tr>
<tr>
<td>SinoPac Property Insurance Agent Co., Ltd. (SPIA)</td>
<td>Subsidiary of the Bank (merged with the Bank since August 2019)</td>
</tr>
<tr>
<td>SinoPac Insurance Brokers Ltd.</td>
<td>Subsidiary of the Bank</td>
</tr>
<tr>
<td>SinoPac Capital Limited</td>
<td>Subsidiary of the Bank</td>
</tr>
</tbody>
</table>

(Continued)
<table>
<thead>
<tr>
<th>Related Party</th>
<th>Relationship with the Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taipei Forex Inc. (TAIFX)</td>
<td>Affiliate of the Bank’s general manager</td>
</tr>
<tr>
<td>YFY International BVI Corp. (YFY International)</td>
<td>Affiliate of SPH’s corporate director</td>
</tr>
<tr>
<td>Yuen Foong Paper Co., Ltd. (Yuen Foong Paper)</td>
<td>Affiliate of SPH’s corporate director</td>
</tr>
<tr>
<td>YFY Cayman Co., Ltd. (YFY Cayman)</td>
<td>Affiliate of SPH’s director</td>
</tr>
<tr>
<td>Pegatron Corporation (Pegatron)</td>
<td>Affiliate of SPH’s director</td>
</tr>
<tr>
<td>Yuen Foong Shop Co., Ltd. (Yuen Foong Shop)</td>
<td>Affiliate of SPH’s director</td>
</tr>
<tr>
<td>Chunghwa Telecom Co., Ltd. (Chunghwa Telecom)</td>
<td>Affiliate of the Bank’s director</td>
</tr>
<tr>
<td>Taipei Fubon Commercial Bank Co., Ltd (Taipei Fubon Bank)</td>
<td>Affiliate of SPL’s director</td>
</tr>
<tr>
<td>Hua Nan Commercial Bank, Ltd. (Hua Nan Bank)</td>
<td>Affiliate of SPL’s director’s spouse</td>
</tr>
<tr>
<td>Boardtek Electronics Corporation (Boardtek Electronics)</td>
<td>Affiliate of SPH’s manager</td>
</tr>
<tr>
<td>Financial Information Services Co., Ltd. (FISC)</td>
<td>Affiliate of SPH’s manager (before August 2019)</td>
</tr>
<tr>
<td>Tsann Kuen Enterprise Co., Ltd. (Tsann Kuen Enterprise)</td>
<td>Affiliate of the Bank’s manager’s spouse</td>
</tr>
<tr>
<td>Chailease Auto Rental Co., Ltd. (Chailease Auto Rental)</td>
<td>Affiliate of the Bank’s manager’s spouse</td>
</tr>
<tr>
<td>Evercast Precision Industry Corporation (Evercast Precision)</td>
<td>Affiliate of first-degree kin of the Bank’s manager</td>
</tr>
<tr>
<td>Taiwan Printed Circuit Board Techvest Co., Ltd. (Taiwan PCB Techvest)</td>
<td>Affiliate of first-degree kin of the Bank’s manager</td>
</tr>
<tr>
<td>Kim Great Co., Ltd. (Kim Great)</td>
<td>Affiliate of second-degree kin of the Bank’s manager</td>
</tr>
<tr>
<td>Hao-Xin-Di Co., Ltd. (Hao-Xin-Di)</td>
<td>Affiliate of second-degree kin of the Bank’s manager</td>
</tr>
<tr>
<td>Shyang Yih Logistics Co., Ltd. (Shyang Yih Logistics)</td>
<td>Affiliate of second-degree kin of the Bank’s manager</td>
</tr>
<tr>
<td>Bolin Company Ltd. (Bolin Company)</td>
<td>Affiliate of second-degree in-laws of the Bank’s manager</td>
</tr>
<tr>
<td>Greatwell Enterprise Co., Ltd.</td>
<td>Related party</td>
</tr>
<tr>
<td>Kung Sing Engineering Corporation (Kung Sing Engineering)</td>
<td>Related party</td>
</tr>
<tr>
<td>Hoss Venture Inc. (Hoss Venture)</td>
<td>Related party (before July 2019)</td>
</tr>
<tr>
<td>Taiwan Futures Exchange (TAIFEX)</td>
<td>Related party (before July 2018)</td>
</tr>
<tr>
<td>Chunghwa Post Co., Ltd. (Chunghwa Post)</td>
<td>Related party (before December 2018)</td>
</tr>
<tr>
<td>Cathay Securities Corporation (Cathay Securities)</td>
<td>Related party</td>
</tr>
<tr>
<td>Hydis Technologies Co., Ltd.</td>
<td>Related party</td>
</tr>
<tr>
<td>YuanHan Material Inc. (YuanHan Material)</td>
<td>Related party</td>
</tr>
<tr>
<td>Yuen Foong Yu Biotech Co., Ltd. (Yuen Foong Yu Biotech)</td>
<td>The Bank’s directors, managers and their relatives, department chiefs, investments accounted for using the equity method and their subsidiaries, and investees of SPH’s other subsidiaries, etc.</td>
</tr>
<tr>
<td>Others</td>
<td>(Concluded)</td>
</tr>
</tbody>
</table>
b. Significant transactions with related parties

1) Cash and cash equivalents

<table>
<thead>
<tr>
<th>Due from banks</th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Bank SinoPac (China) Ltd.</td>
<td>$ 1,310</td>
</tr>
</tbody>
</table>

2) Due from the Central Bank and call loans to banks

<table>
<thead>
<tr>
<th>Call loans to banks</th>
<th>For the Year Ended December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Ending Balance</td>
</tr>
<tr>
<td>Call loans to banks</td>
<td>$ 2,159,305</td>
</tr>
<tr>
<td>Bank SinoPac (China) Ltd.</td>
<td>$ 1,370,164</td>
</tr>
<tr>
<td>Taipei Fubon Bank</td>
<td>$ 922,544</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Call loans to banks</th>
<th>For the Year Ended December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Ending Balance</td>
</tr>
<tr>
<td>Call loans to banks</td>
<td>$ 1,370,164</td>
</tr>
<tr>
<td>Bank SinoPac (China) Ltd.</td>
<td>$ 1,370,164</td>
</tr>
<tr>
<td>Taipei Fubon Bank</td>
<td>$ 922,544</td>
</tr>
</tbody>
</table>

3) Derivative financial instruments

<table>
<thead>
<tr>
<th>Interest rate swap contracts</th>
<th>Contract (Notional) Amount</th>
<th>Contract Period</th>
<th>Valuation Gains or Losses</th>
<th>Account</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>SinoPac Securities</td>
<td>$ 600,000</td>
<td>2015.1.19-2020.8.26</td>
<td>$ (2,679)</td>
<td>Financial assets at fair value through profit or loss</td>
<td>$ 1,197</td>
</tr>
<tr>
<td>SinoPac Securities</td>
<td>300,000</td>
<td>2015.9.1-2020.9.1</td>
<td>1,019</td>
<td>Financial liabilities at fair value through profit or loss</td>
<td>824</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Forward contracts</th>
<th>Contract (Notional) Amount</th>
<th>Contract Period</th>
<th>Valuation Gains or Losses</th>
<th>Account</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>YFY International</td>
<td>1,957,293</td>
<td>2019.10.8-2020.2.26</td>
<td>24,486</td>
<td>Financial assets at fair value through profit or loss</td>
<td>24,486</td>
</tr>
<tr>
<td>YFY Cayman</td>
<td>1,204,488</td>
<td>2019.11.14-2020.2.12</td>
<td>13,155</td>
<td>Financial assets at fair value through profit or loss</td>
<td>13,155</td>
</tr>
<tr>
<td>Boardtek Electronics</td>
<td>30,112</td>
<td>2019.10.23-2020.1.8</td>
<td>(372)</td>
<td>Financial liabilities at fair value through profit or loss</td>
<td>372</td>
</tr>
</tbody>
</table>
December 31, 2018

<table>
<thead>
<tr>
<th>Contract (Notional) Amount</th>
<th>Contract Period</th>
<th>Valuation Gains or Losses</th>
<th>Account</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Currency swap contracts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taipei Fubon Bank</td>
<td>$ 7,380,350</td>
<td>2018.5.21-2019.8.27</td>
<td>$ 35,831</td>
<td>$ 35,831</td>
</tr>
<tr>
<td>Interest rate swap contracts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SinoPac Securities</td>
<td>900,000</td>
<td>2014.10.2-2020.8.26</td>
<td>(3,258)</td>
<td>6,123</td>
</tr>
<tr>
<td>SinoPac Securities</td>
<td>300,000</td>
<td>2015.9.1-2020.9.1</td>
<td>247</td>
<td>1,843</td>
</tr>
<tr>
<td>Taipei Fubon Bank</td>
<td>3,230,000</td>
<td>2014.6.19-2023.11.16</td>
<td>(3,027)</td>
<td>15,629</td>
</tr>
<tr>
<td>Taipei Fubon Bank</td>
<td>6,523,810</td>
<td>2014.2.24-2023.10.18</td>
<td>6,941</td>
<td>40,088</td>
</tr>
<tr>
<td>Forward contracts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>YFY International</td>
<td>1,691,330</td>
<td>2018.10.18-2019.5.6</td>
<td>19,957</td>
<td>19,957</td>
</tr>
<tr>
<td>YFY Cayman</td>
<td>2,306,360</td>
<td>2018.10.4-2019.5.20</td>
<td>29,084</td>
<td>29,084</td>
</tr>
</tbody>
</table>

4) Securities purchased under resell agreements

2019

<table>
<thead>
<tr>
<th>December 31</th>
<th>Carrying Amount</th>
<th>Interest Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Face Amount</td>
<td>Carrying Amount</td>
<td>Interest Revenue</td>
</tr>
<tr>
<td>SinoPac Securities</td>
<td>$ 2,550,202</td>
<td>$ 2,268,704</td>
</tr>
</tbody>
</table>

2018

<table>
<thead>
<tr>
<th>December 31</th>
<th>Carrying Amount</th>
<th>Interest Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Face Amount</td>
<td>Carrying Amount</td>
<td>Interest Revenue</td>
</tr>
<tr>
<td>SinoPac Securities</td>
<td>$ 4,446,661</td>
<td>$ 3,963,434</td>
</tr>
</tbody>
</table>

5) Receivables

<table>
<thead>
<tr>
<th>December 31</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest receivable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank SinoPac (China) Ltd.</td>
<td>$ 12,873</td>
<td>$ 20,570</td>
</tr>
<tr>
<td>SinoPac Securities</td>
<td>1,955</td>
<td>8,297</td>
</tr>
<tr>
<td>Taipei Fubon Bank</td>
<td>-</td>
<td>5,084</td>
</tr>
<tr>
<td>Other relatives</td>
<td>1,867</td>
<td>555</td>
</tr>
<tr>
<td>Other receivables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank SinoPac (China) Ltd.</td>
<td>104,956</td>
<td>104,956</td>
</tr>
<tr>
<td>Other relatives</td>
<td>5,956</td>
<td>6,271</td>
</tr>
</tbody>
</table>
6) Current tax assets and liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivables from adopting the linked-tax system</td>
<td>$1,276,102</td>
<td>$1,276,102</td>
</tr>
<tr>
<td>Payables from adopting the linked-tax system</td>
<td>$811,552</td>
<td>$272,975</td>
</tr>
</tbody>
</table>

7) Loans

For the Year Ended December 31, 2019

<table>
<thead>
<tr>
<th>Category</th>
<th>Ending Balance</th>
<th>Highest Balance</th>
<th>Interest/ Fee Rates (%)</th>
<th>Interest Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>$9,567,674</td>
<td>$10,574,133</td>
<td>0-11.99</td>
<td>$140,174</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category</th>
<th>Account Volume or Name of Related Party</th>
<th>Highest Balance</th>
<th>Ending Balance</th>
<th>Normal Overdue</th>
<th>Type of Collaterals</th>
<th>Is the Transaction at Arm's Length Commercial Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees' consumer loans</td>
<td>310</td>
<td>$517,710</td>
<td>$467,706</td>
<td>V</td>
<td>None</td>
<td>Yes</td>
</tr>
<tr>
<td>Household mortgage loans</td>
<td>1,016</td>
<td>$5,393,207</td>
<td>$4,998,718</td>
<td>V</td>
<td>Real estate</td>
<td>Yes</td>
</tr>
<tr>
<td>Others:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SPL</td>
<td>975,000</td>
<td>975,000</td>
<td>V</td>
<td>None</td>
<td>Real estate</td>
<td>Yes</td>
</tr>
<tr>
<td>Boardtek Electronics</td>
<td>850,000</td>
<td>700,000</td>
<td>V</td>
<td>Real estate</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Evercast Precision</td>
<td>75,955</td>
<td>51,838</td>
<td>V</td>
<td>Real estate</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Hoss Venture</td>
<td>30,000</td>
<td>30,000</td>
<td>V</td>
<td>Real estate</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Taiwan PCB Techvest</td>
<td>19,938</td>
<td>-</td>
<td>V</td>
<td>None, Note 1</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Kim Great</td>
<td>18,721</td>
<td>17,272</td>
<td>V</td>
<td>Real estate</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Hao-Xin-Di</td>
<td>9,790</td>
<td>9,381</td>
<td>V</td>
<td>Real estate</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Greatwell Enterprise Co., Ltd</td>
<td>8,200</td>
<td>8,200</td>
<td>V</td>
<td>Real estate</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Shyang Yih Logistics</td>
<td>493</td>
<td>38</td>
<td>V</td>
<td>Vehicle</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>2,675,119</td>
<td>2,309,521</td>
<td>V</td>
<td>Certificates of deposit, certificates of fund, vehicle and real estate</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Others subtotal</td>
<td>4,663,216</td>
<td>4,101,250</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$10,574,133</td>
<td>$9,567,674</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

For the Year Ended December 31, 2018

<table>
<thead>
<tr>
<th>Category</th>
<th>Ending Balance</th>
<th>Highest Balance</th>
<th>Interest/ Fee Rates (%)</th>
<th>Interest Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>$8,692,573</td>
<td>$9,696,429</td>
<td>0-8.66</td>
<td>$128,721</td>
</tr>
</tbody>
</table>
### December 31, 2018

<table>
<thead>
<tr>
<th>Category</th>
<th>Account Volume or Name of Related Party</th>
<th>Highest Balance</th>
<th>Ending Balance</th>
<th>Normal</th>
<th>Overdue</th>
<th>Type of Collaterals</th>
<th>Is the Transaction at Arm's Length Commercial Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees’ consumer loans</td>
<td>450</td>
<td>$187,307</td>
<td>$137,893</td>
<td>V</td>
<td>-</td>
<td>None</td>
<td>Yes</td>
</tr>
<tr>
<td>Household mortgage loans</td>
<td>1,369</td>
<td>$7,736,223</td>
<td>$7,072,522</td>
<td>V</td>
<td>-</td>
<td>Real estate</td>
<td>Yes</td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SPL</td>
<td>900,000</td>
<td>900,000</td>
<td>V</td>
<td>-</td>
<td></td>
<td>Real estate</td>
<td>Yes</td>
</tr>
<tr>
<td>Boardtek Electronics</td>
<td>450,000</td>
<td>450,000</td>
<td>V</td>
<td>-</td>
<td></td>
<td>Real estate</td>
<td>Yes</td>
</tr>
<tr>
<td>Taiwan PCB Techvest</td>
<td>216,857</td>
<td>19,938</td>
<td>V</td>
<td>-</td>
<td></td>
<td>None, Note 1</td>
<td>Yes</td>
</tr>
<tr>
<td>Evercast Precision</td>
<td>39,034</td>
<td>36,955</td>
<td>V</td>
<td>-</td>
<td></td>
<td>Real estate</td>
<td>Yes</td>
</tr>
<tr>
<td>Hoss Venture</td>
<td>30,000</td>
<td>30,000</td>
<td>V</td>
<td>-</td>
<td></td>
<td>Real estate</td>
<td>Yes</td>
</tr>
<tr>
<td>Bolin Company</td>
<td>26,400</td>
<td>-</td>
<td>V</td>
<td>-</td>
<td></td>
<td>Real estate</td>
<td>Yes</td>
</tr>
<tr>
<td>Kim Great</td>
<td>20,129</td>
<td>18,721</td>
<td>V</td>
<td>-</td>
<td></td>
<td>Real estate</td>
<td>Yes</td>
</tr>
<tr>
<td>Greatwell Enterprise Co., Ltd.</td>
<td>8,200</td>
<td>8,200</td>
<td>V</td>
<td>-</td>
<td></td>
<td>Real estate</td>
<td>Yes</td>
</tr>
<tr>
<td>Kung Sing Engineering</td>
<td>6,323</td>
<td>-</td>
<td>V</td>
<td>-</td>
<td></td>
<td>None, Note 1</td>
<td>Yes</td>
</tr>
<tr>
<td>Shyang Yih Logistics</td>
<td>936</td>
<td>493</td>
<td>V</td>
<td>-</td>
<td></td>
<td>Vehicle</td>
<td>Yes</td>
</tr>
<tr>
<td>Others</td>
<td>75,020</td>
<td>17,851</td>
<td>V</td>
<td>-</td>
<td></td>
<td>Vehicle, certificates of deposit, certificates of fund and real estate</td>
<td>Yes</td>
</tr>
<tr>
<td>Others subtotal</td>
<td>1,772,899</td>
<td>1,482,158</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$9,696,429</td>
<td>$8,692,573</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Note 1:** It’s non-related party at the Bank at the loan’s sign date.

**Note 2:** Debtors of related party loans are all normal credit ranking. The Bank estimated the provision for doubtful debt periodically in accordance with the guidelines issued by the authority and IFRSs.

8) **Guarantees**

#### December 31, 2019

<table>
<thead>
<tr>
<th>Related Party</th>
<th>Highest Balance in Current Period</th>
<th>Ending Balance</th>
<th>Provision</th>
<th>Rates</th>
<th>Type of Collaterals</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tsann Kuen Enterprise</td>
<td>$28,000</td>
<td>$8,000</td>
<td>-</td>
<td>0.50%</td>
<td>None, Note</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>146</td>
<td>2</td>
<td>-</td>
<td>1.75%-2.25%</td>
<td>None, Note</td>
<td></td>
</tr>
</tbody>
</table>

#### December 31, 2018

<table>
<thead>
<tr>
<th>Related Party</th>
<th>Highest Balance in Current Year</th>
<th>Ending Balance</th>
<th>Provision</th>
<th>Rates</th>
<th>Type of Collaterals</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kung Sing Engineering</td>
<td>$39,027</td>
<td>$-</td>
<td>$-</td>
<td>1.00%</td>
<td>None, Note</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>194</td>
<td>146</td>
<td>-</td>
<td>1.75%-2.25%</td>
<td>None, Note</td>
<td></td>
</tr>
</tbody>
</table>

**Note:** It is non-related party at the Bank at the loan’s sign date.
9) Financial assets at fair value through other comprehensive income

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
<td></td>
</tr>
<tr>
<td>FISC</td>
<td>$ -</td>
<td>$ 394,196</td>
<td></td>
</tr>
<tr>
<td>TAIFEX</td>
<td>-</td>
<td>192,521</td>
<td></td>
</tr>
<tr>
<td>TAIFX</td>
<td>19,836</td>
<td>13,199</td>
<td></td>
</tr>
</tbody>
</table>

10) Other financial assets

The Bank had interest revenue from call loans to security corporations for the years ended December 31, 2019 and 2018 were $133 and $290, respectively.

11) Property and equipment

In the year ended December 31, 2019, the Bank purchased machinery and computer equipment from its related parties for a total price of $17,207, recognized as property and equipment. (For the year ended December 31, 2018: None).

The Bank leased other equipment from SPL with financial leasing, due to the date, December 31, 2019 and 2018, the carrying amount were $188 and $258, respectively.

12) Intangible assets

For the years ended December 31, 2019 and 2018, the Bank purchased computer software from its related parties in the amount of $22,563 and $248, respectively, recognized under intangible assets.

13) Other assets

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
<td></td>
</tr>
<tr>
<td>Prepayments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>$ 5,480</td>
<td>$</td>
<td>-</td>
</tr>
<tr>
<td>Guarantee deposits</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SinoPac Futures</td>
<td>348,052</td>
<td>351,730</td>
<td></td>
</tr>
<tr>
<td>SinoPac Securities (Asia) Ltd.</td>
<td>-</td>
<td>104,240</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>9,370</td>
<td>17,472</td>
<td></td>
</tr>
</tbody>
</table>

The Bank signed an agreement with others for the purchase. The Bank paid $44,482 and $24,602 for the years ended December 31, 2019 and 2018, which were recorded as prepayments (other assets) or other operating expenses.

The amount of undiscounted guarantee deposits from lease contract is $14,162 as of December 31, 2019.

The amount of interest revenue through above guarantee for the years ended December 31, 2019 and 2018 were $366 and $193, respectively.
14) Notes and bonds transaction

<table>
<thead>
<tr>
<th>Purchase of Notes and Bonds</th>
<th>Sell of Notes and Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hua Nan Bank</td>
<td>$ 2,702,672</td>
</tr>
<tr>
<td>Taipei Fubon Bank</td>
<td>$ 2,705,613</td>
</tr>
<tr>
<td>Chailease Auto Rental</td>
<td>2,400,150</td>
</tr>
<tr>
<td>SPL</td>
<td>199,928</td>
</tr>
<tr>
<td>SinoPac Securities</td>
<td>99,962</td>
</tr>
<tr>
<td></td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>8,200,000</td>
</tr>
</tbody>
</table>

15) Deposits from the Central Bank and banks

<table>
<thead>
<tr>
<th>Ending Balance</th>
<th>Interest Rates (%)</th>
<th>Interest Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hua Nan Bank</td>
<td>$ 256,100</td>
<td>0.70-5.00</td>
</tr>
<tr>
<td>Taipei Fubon Bank</td>
<td>-</td>
<td>0.05-4.40</td>
</tr>
<tr>
<td>Bank SinoPac (China) Ltd.</td>
<td>5,655</td>
<td>0-0.25</td>
</tr>
</tbody>
</table>

2018

<table>
<thead>
<tr>
<th>Ending Balance</th>
<th>Interest Rates (%)</th>
<th>Interest Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taipei Fubon Bank</td>
<td>$ 800,043</td>
<td>0.05-4.8</td>
</tr>
<tr>
<td>Chunghwa Post</td>
<td>-</td>
<td>0.001-1.11</td>
</tr>
<tr>
<td>Bank SinoPac (China) Ltd.</td>
<td>1,028</td>
<td>0.15-0.25</td>
</tr>
</tbody>
</table>
16) Payables

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td></td>
</tr>
<tr>
<td>SinoPac Call Center</td>
<td>$ -</td>
</tr>
<tr>
<td>Yuen Foong Paper</td>
<td>63</td>
</tr>
<tr>
<td>Interest payables</td>
<td></td>
</tr>
<tr>
<td>SinoPac Securities (Asia) Ltd.</td>
<td>699</td>
</tr>
<tr>
<td>SinoPac Insurance Brokers Ltd.</td>
<td>320</td>
</tr>
<tr>
<td>SinoPac Capital Limited</td>
<td>280</td>
</tr>
<tr>
<td>SinoPac Securities</td>
<td>273</td>
</tr>
<tr>
<td>SPH</td>
<td>3</td>
</tr>
<tr>
<td>Others</td>
<td>133</td>
</tr>
<tr>
<td>Dividends payables to SPH</td>
<td></td>
</tr>
<tr>
<td>SPH</td>
<td>1,435,025</td>
</tr>
<tr>
<td>Others payable</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>21,243</td>
</tr>
</tbody>
</table>

17) Bank debentures

The Bank’s bank debentures issued for the year ended December 31, 2019 were underwritten by SinoPac Securities who were paid $4,650 commission fee (recognized as discount of bank debentures).

The Bank paid interest of bank debentures for the years ended December 31, 2019 and 2018 were $33,405 and $44,215, respectively.

Third subordinated bank debentures issued in 2015 by the Bank were subscribed by related parties for a total amount of $620,000 and $630,000, respectively, as of the last interest payment date, for the years ended December 31, 2019 and 2018.

18) Deposits

2019

<table>
<thead>
<tr>
<th>Ending Balance</th>
<th>Interest Rates</th>
<th>Interest Expense</th>
<th>For the Year Ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 39,968,836</td>
<td>0-13</td>
<td>$ 301,712</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ending Balance</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pegatron</td>
<td>$ 15,439,232</td>
</tr>
<tr>
<td>SinoPac Securities</td>
<td>4,059,046</td>
</tr>
<tr>
<td>SinoPac Securities (Asia) Ltd.</td>
<td>1,720,251</td>
</tr>
<tr>
<td>Hydis Technologies Co., Ltd.</td>
<td>1,609,009</td>
</tr>
<tr>
<td>YuanHan Material</td>
<td>848,183</td>
</tr>
<tr>
<td>Others</td>
<td>13,293,115</td>
</tr>
</tbody>
</table>

$ 36,968,836
For the Year Ended December 31

<table>
<thead>
<tr>
<th>Ending Balance</th>
<th>Interest Rates (%)</th>
<th>Interest Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 24,317,789</td>
<td>0-13</td>
<td>$ 268,423</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ending Balance</th>
<th>Interest Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 24,317,789</td>
<td></td>
</tr>
</tbody>
</table>

- SinoPac Securities $ 3,914,265 0-1.01
- Chunghwa Post 2,200,000 0.58-0.6
- Hydis Technologies Co., Ltd. 1,597,241 0.35-2.7
- SinoPac Capital Ltd. 1,140,726 0.125-2.7
- SPH 1,029,134 0-3.4
- Others 14,436,423 0-13

- 19) Other financial liabilities

As of December 31, 2018, the lease payable of SPL were $240.

- 20) Other liabilities

<table>
<thead>
<tr>
<th>December 31</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guarantee deposits received</td>
<td>$ 12,171</td>
<td>$ 12,389</td>
</tr>
<tr>
<td>Advance receipts</td>
<td>56</td>
<td>7</td>
</tr>
</tbody>
</table>

- 21) Revenues and expenses

<table>
<thead>
<tr>
<th>For the Year Ended December 31</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease contracts - guarantee deposits interest revenue</td>
<td>$ 331</td>
<td>-</td>
</tr>
<tr>
<td>Lease contracts - interest expenses</td>
<td>7,853</td>
<td>-</td>
</tr>
<tr>
<td>Commissions and fee revenues (Note 1)</td>
<td>84,529</td>
<td>84,090</td>
</tr>
<tr>
<td>Commissions and fee expenses</td>
<td>124,148</td>
<td>175,590</td>
</tr>
<tr>
<td>Realized gains on financial assets at fair value through other comprehensive income</td>
<td>50,226</td>
<td>46,891</td>
</tr>
<tr>
<td>Other revenues</td>
<td>18,401</td>
<td>22,831</td>
</tr>
<tr>
<td>Lease contracts - depreciation expenses</td>
<td>184,365</td>
<td>-</td>
</tr>
<tr>
<td>Other operating expenses (Note)</td>
<td>197,102</td>
<td>294,732</td>
</tr>
</tbody>
</table>

Note 1: The Bank had entered into several co-sell insurance contracts with SPIA. The revenues for the years ended December 31, 2019 and 2018 were $6,812 and $11,948, respectively; which were recorded as commission and fee revenues.

Note 2: Other operating expenses are mainly for professional advisory charges and marketing expenses. The Bank entered into professional advisory contracts with SinoPac Call Center, and the professional advisory charges and other operating expenses paid for the years ended December 31, 2019 and 2018 were $50,043 and $151,864, respectively.
22) Operating lease

The Bank as a lessee

a) Right-of-use assets, net

The Bank is in contract with SPL and others. The amount of right-of-use assets, net is $728,114 on December 31, 2019.

b) Lease liabilities

The Bank is in contract with SPL and others. The amount of lease liabilities is $726,817 on December 31, 2019.

c) Guarantee deposits - 2019

Please refer to Note 41,b.13).

d) The guarantee deposits interest revenue, lease interest expense, lease depreciation expense and other lease expense (recognized as other operating expense), please refer to Note 41,b.21).

e) Operating lease - 2018

<table>
<thead>
<tr>
<th>Other Operating Expense</th>
<th>Lessor</th>
<th>For the Year Ended December 31, 2018</th>
<th>Lease Term</th>
<th>Payment Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SPL</td>
<td>$123,578</td>
<td>August 2024</td>
<td>Rentals paid monthly</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>1,984</td>
<td>January 2021</td>
<td>Rentals paid quarterly or monthly</td>
</tr>
</tbody>
</table>

The Bank as a lessor

<table>
<thead>
<tr>
<th>Rental Income</th>
<th>Lessee</th>
<th>For the Year Ended December 31</th>
<th>Lease Term</th>
<th>Receiving Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SinoPac Securities</td>
<td>$26,106</td>
<td>December 2024</td>
<td>Rentals received monthly</td>
</tr>
<tr>
<td></td>
<td>SinoPac Securities Investment Trust</td>
<td>13,439</td>
<td>July 2024</td>
<td>Rentals received monthly</td>
</tr>
<tr>
<td></td>
<td>SPL</td>
<td>6,354</td>
<td>July 2021</td>
<td>Rentals received monthly</td>
</tr>
<tr>
<td></td>
<td>Yuen Foong Shop</td>
<td>4,339</td>
<td>January 2021</td>
<td>Rentals received monthly</td>
</tr>
<tr>
<td></td>
<td>Yuen Foong Yu Biotech</td>
<td>3,459</td>
<td>December 2023</td>
<td>Rentals received monthly</td>
</tr>
<tr>
<td></td>
<td>SinoPac Call Center</td>
<td>1,190</td>
<td>April 2019 (Note)</td>
<td>Rentals received monthly</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>7,929</td>
<td>November 2024</td>
<td>Rentals received monthly</td>
</tr>
</tbody>
</table>

Note: The Bank has acquired SinoPac Call Center on May 1, 2019.
Transactions between the Bank and the related parties are at arm’s length commercial terms except for the preferential interest rates offered to employees for savings and loans up to prescribed limits.

Under the Banking Act, except for government and consumer loans, credit extended by the Bank to any related party should be fully secured, and the credit terms for related parties should be similar to those for unrelated parties.

c. Compensation of directors, supervisors and management personnel

<table>
<thead>
<tr>
<th>For the Year Ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>Short-term employee benefits</td>
</tr>
<tr>
<td>Post-employment benefits</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

The management personnel are composed of general manager, vice general manager and other employee whose job grade is higher than the former.

42. PLEDGED OR MORTGAGED ASSETS

In addition to those disclosed in other notes, pledged or restricted assets of the Bank are summarized as follows:

<table>
<thead>
<tr>
<th>Restricted Assets</th>
<th>Object</th>
<th>December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Investment in debt instruments at amortized cost</td>
<td>Certificates of deposit</td>
<td>$ 8,150,561</td>
</tr>
<tr>
<td>Investment in debt instruments at amortized cost</td>
<td>Government bonds</td>
<td>1,360,328</td>
</tr>
<tr>
<td>Discounts and loans</td>
<td>Loans</td>
<td>1,656,802</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>Certificates of deposit</td>
<td>2,593,440</td>
</tr>
</tbody>
</table>

Note 1: Pledged in accordance with the Central Bank for foreign-exchange, with the Mega Bank for USD foreign-exchange settlement and with requirements of the California Department of Financial Institutions.

Note 2: Guarantees of dealing and underwriting business, a trust reserve fund, guarantees of bills financial service, reserve for payment of VISA international card, pledged to court as collaterals for filing provisional seizure and disposition, Hong Kong branch’s clearing system of real-time gross settlement and mortgage of derivative instrument outstanding.

Note 3: Pledged with the Federal Reserve Bank under the discount window program.

Note 4: Pledged with intraday overdraft of settlement banks.
43. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. In addition to those disclosed in other notes, significant unrecognized commitments of the Bank as of December 31, 2019 and 2018 were as follows:

<table>
<thead>
<tr>
<th>December 31</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust assets</td>
<td>$511,536,740</td>
<td>$292,990,512</td>
</tr>
<tr>
<td>Securities under custody</td>
<td>152,803,693</td>
<td>147,845,328</td>
</tr>
<tr>
<td>Agent for government bonds</td>
<td>94,873,500</td>
<td>46,772,200</td>
</tr>
<tr>
<td>Receipts under custody</td>
<td>28,417,670</td>
<td>31,867,867</td>
</tr>
<tr>
<td>Guarantee notes payable</td>
<td>11,336,301</td>
<td>9,063,977</td>
</tr>
<tr>
<td>Agent for marketable securities under custody</td>
<td>10,932,600</td>
<td>9,412,200</td>
</tr>
<tr>
<td>Appointment of investment</td>
<td>3,057,796</td>
<td>3,612,119</td>
</tr>
<tr>
<td>Goods under custody</td>
<td>1,124,067</td>
<td>1,295,570</td>
</tr>
<tr>
<td>Travelers’ checks consigned-in</td>
<td>151,268</td>
<td>189,626</td>
</tr>
<tr>
<td>Others</td>
<td>-</td>
<td>3,299</td>
</tr>
</tbody>
</table>

As of December 31, 2019, in addition to above mentioned unrecognized commitments, the Bank and SinoPac Securities had applied for tax concessions to the Ministry of Finance regarding their technical support service expenditure relating to their financial transaction system, and had jointly signed to the system manufacturer the letter of indemnity of which the total compensation is not more than US$1,300 thousand to obtain the proxy of the manufacturer thereof to apply for foresaid tax concession. The compensation distributable to the Bank is US$867 thousand and to the SinoPac Securities is US$433 thousand. The deadline for payment is December 31, 2027.

In response to the development of technology, the Bank signed with National Cheng Kung University an enterprise and industry cooperation and donation agreement with budget amount of $120,000. The donation will be used to build a research center for developing AI depth learning and big data application about FinTech. The cooperation agreement was signed on August 7, 2017, and is valid retrospectively from July 1, 2017. Except when the two parties agreed to extend the maturity date, the agreement is valid from July 1, 2017 to September 30, 2020. As of December 31, 2019, the Bank recognized operating expense in the amount of $115,500 and related payable in the amount of $8,257.

b. The Bank entered into contracts to buy computers and office equipment for $708,298, of which $354,921 had not been paid as of December 31, 2019.
c. Contingencies

1) The Securities and Futures Investors Protection Center (SFIPC) filed a lawsuit against the Bank and SinoPac Leasing Corporation’s (SPL) subsidiary, Grand Capital (renamed as SinoPac Capital International Limited on October 4, 2018) on the ground that Procomp Informatics Ltd. (Procomp) deposited US$10,000 thousand in the Bank’s Shisung Branch (formerly Sungshan Branch) and placed a restriction on the use of this deposit as a condition for a short-term loan to Addie International Limited granted by SPL and for allegedly helping Yeh, Sue-Fei and Procomp do irregular trading but, at the same time, Procomp used the restricted deposit for fictitious sale transactions. Later, when problems on Procomp’s account arose, the Bank and Grand Cathay demanded compensation, which was taken from Procomp’s account, resulting in damage to Procomp. The Bank was suspected of misleading investors by concealing the restricted status of Procomp’s deposit and window dressing Procomp’s financial statements. On behalf of investors, the SFIPC filed a lawsuit against the Bank, SPL and all other parties related to Procomp for $4,207,212. Both the courts of the first instance and the second instance ruled in favor of the Bank and SinoPac Leasing. The court believes that the Bank and SinoPac Leasing are not liable for the damage of Procomp as they do not hold rights and obligations to the edition, approval, recognition and announcement of Procomp’s financial statements and the Bank and SinoPac Leasing did not conspire with Procomp to concealing the restricted status of Procomp.

The Supreme Court reversed the declared judgment on July 26, 2017 and remanded the case to Taiwan High Court. The case is still under process. The SFIPC reduced their declaration to $4,161,366, and once again reduced their declaration to $4,161,219.

2) The SFIPC filed a lawsuit against the Bank on the ground that the Bank’s Tunpei Branch provided National Aerospace Fasteners Corporation (NAFC) with its accounts receivable factoring services. NAFC recorded this significant-amount loan transaction as an accounts receivable financing to window-dress its financial position in order to attract investments. The SFIPC filed a lawsuit against the Bank and other parties and demanded a compensation of approximately $543,233; the court of the first instance ruled in favor of the Bank. However, the SFIPC decided to file an appeal for the second instance and stated to reduce the amount of compensation to $293,940 on November 13, 2015; Taiwan High Court ruled in favor of the Bank on December 13, 2016. Nevertheless, the SFIPC filed another appeal to the Supreme Court on January 6, 2017. The Supreme Court ruled in favor of the Bank on June 13, 2019. The case is closed.

3) The Bank dealt with Skwentex International Corporation (Skwentex) regarding Skwentex’s receivables from Siltrontech Electronics Corporation. The relevant accounts receivable transaction involved suspected false cycle trading and was investigated by the Taiwan New Taipei District Prosecutors in 2015. This case was still under process by the Taiwan New Taipei District Prosecutors in 2016. Due to the abnormal and suspected unlawful accounts receivable transaction, the Bank cannot pay the consideration of accounts receivable to Skwentex in accordance with the credit contract. Skwentex sued the Bank in July 2017 and demanded a compensation of $214,471. Taipei District Court ruled in favor of the Bank on February 27, 2020.
44. HIERARCHY AND FAIR VALUE INFORMATION OF FINANCIAL INSTRUMENTS

a. The definition of the hierarchy:

1) Level one

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

a) All financial instruments in the market are homogeneous;

b) Willing buyers and sellers exist in the market all the time;

c) The public can access the price information easily.

2) Level two

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

a) Quoted prices from the similar products in the active market. This means the fair value can be derived from the current trading prices of similar products. It is also noted that whether they are similar products should be judged by the characteristics and trading rules. The fair value valuation in this circumstance may make some adjustment due to time lags, trading rule’s differences, related parties’ prices, and the correlation of price between itself and the similar instruments.

b) Quoted prices for identical or similar financial instruments in inactive markets.

c) When marking-to-model, the input of model in this level should be observable (such as interest rates, yield curves and volatilities). The observable inputs mean that they can be attained from market and can reflect the expectation of market participants.

d) Inputs which can be derived from other observable prices or whose correlation can be verified through other observable market data.

3) Level three

The fair prices of the products in this level are based on the inputs other than the direct market data.
b. Financial instrument measured at fair value

1) Hierarchy information of fair value of financial instruments

<table>
<thead>
<tr>
<th>Financial Instruments Measured at Fair Value</th>
<th>December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
</tr>
<tr>
<td>Measured on a recurring basis</td>
<td>Level 1</td>
</tr>
<tr>
<td>Non-derivative financial instruments</td>
<td></td>
</tr>
<tr>
<td>Assets</td>
<td></td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td></td>
</tr>
<tr>
<td>Financial assets mandatorily classified as at FVTPL</td>
<td>36,597,109</td>
</tr>
<tr>
<td>Bonds</td>
<td>2,391,984</td>
</tr>
<tr>
<td>Financial assets at fair value through other comprehensive income</td>
<td>2,218,151</td>
</tr>
<tr>
<td>Equity instruments at FVTOCI</td>
<td>79,422,278</td>
</tr>
<tr>
<td>Bonds</td>
<td>148,413,679</td>
</tr>
<tr>
<td>Financial liabilities at fair value through profit or loss</td>
<td>1,536,619</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td></td>
</tr>
<tr>
<td>Assets</td>
<td></td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>12,369,144</td>
</tr>
<tr>
<td>Financial liabilities at fair value through profit or loss</td>
<td>14,473,705</td>
</tr>
</tbody>
</table>
## Financial Instruments Measured at Fair Value

<table>
<thead>
<tr>
<th>Measured on a recurring basis</th>
<th>Total</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-derivative financial instruments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets mandatorily classified as at FVTPL</td>
<td>$30,442,903</td>
<td>$25,079,132</td>
<td>$2,143,884</td>
<td>$3,219,887</td>
</tr>
<tr>
<td>Bonds</td>
<td>2,531,143</td>
<td>-</td>
<td>2,531,143</td>
<td>-</td>
</tr>
<tr>
<td>Financial assets at fair value through other comprehensive income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity instruments at FVTOCI</td>
<td>$1,938,907</td>
<td>-</td>
<td>1,005,000</td>
<td>933,907</td>
</tr>
<tr>
<td>Stocks and others</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt instruments at FVTOCI</td>
<td>51,271,292</td>
<td>39,636,506</td>
<td>10,712,242</td>
<td>922,544</td>
</tr>
<tr>
<td>Bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Certificates of deposit and others</td>
<td>149,476,443</td>
<td>-</td>
<td>149,476,443</td>
<td>-</td>
</tr>
<tr>
<td>Financial liabilities at fair value through profit or loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial liabilities designed at fair value through profit or loss</td>
<td>1,500,806</td>
<td>-</td>
<td>1,500,806</td>
<td>-</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets mandatorily classified as at FVTPL</td>
<td>16,093,858</td>
<td>72,909</td>
<td>14,590,199</td>
<td>1,430,750</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial liabilities at fair value through profit or loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hold-for-trading financial liabilities</td>
<td>18,235,839</td>
<td>73,309</td>
<td>16,952,067</td>
<td>1,210,463</td>
</tr>
</tbody>
</table>

2) Fair value measurement technique

Financial instruments at fair value through profit or loss and financial assets at fair value through other comprehensive income with quoted price in an active market are using market price as fair value; financial instruments above with no quoted price in an active market are estimated by valuation methods. The estimation and assumption of valuation method the Bank used is the same as market participants'. The Bank can obtain this information.

The basis of fair value estimation used by the Bank is as follows:

The fair value of forward contract, interest rate swap contracts and cross-currency swap contracts is measured by the discounted cash flow method; the fair value of option is measured by Black & Scholes Model.

Fair values of forward contracts are estimated on the basis of the foreign exchange rates provided by Reuters. Structured product is measured by opponents’ price based on match basis. This method diminished market risk to zero. Fair value of interest rate swap contracts and cross-currency swap contracts are estimated on the basis of market quotation provided by Reuters.

Fair value is determined as follows: (a) domestic listed stocks, Taipei Exchange Stocks and Stocks of Real Estate Investment Trust - closing prices as of the balance sheet date; (b) beneficial certificates (open-end funds), net asset values as of the balance sheet date; (c) bonds - period-end reference prices published by the Taipei Exchange or internal model price; (d) bank debentures issued overseas and the overseas bonds-period-end reference prices published by Bloomberg, calculated through an internal model or provided by a counter-party.
The Bank assessed the active level of market and the adequacy of fair value of emerging stocks and measured the investments at fair value.

The Bank assessed the fair value of unlisted counters using the following method. The market method uses the price and other relevant information generated by the market transactions involving comparable or comparable assets, liabilities or assets and liabilities.

3) Credit risk valuation adjustment is set out below:

Credit risk valuation consists of credit valuation adjustment and debit valuation adjustment.

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

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

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

The Bank calculates EAD based on mark-to-market fair value of OTC derivative instruments.

The Bank takes 60% as the standard LGD of counter parties, and subject to change under the risk nature and data feasibility.

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

4) Transfer between Level 1 and Level 2

For the year ended December 31, 2019, the Bank transferred part of the foreign bank debentures from Level 1 to Level 2 because the Group determined these investments were not in an active market.

For the year ended December 31, 2018, the Bank transferred part of the NTD corporate bonds and foreign bank debentures from Level 1 to Level 2 because the Bank determined these investments were not in an active market.

5) Reconciliation of Level 3 items of financial instruments

a) Reconciliation of Level 3 items of financial assets

<table>
<thead>
<tr>
<th>Items</th>
<th>Beginning Balance</th>
<th>Gains (Losses) on Valuation</th>
<th>Increase</th>
<th>Decrease</th>
<th>Effects of Changes in Exchange Rate</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Profit and Loss</td>
<td>Other Comprehensive Income</td>
<td>Purchase/ Issued</td>
<td>Transfer to Level 3 (Note 1)</td>
</tr>
<tr>
<td>Non-derivative financial instruments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>3,219,887</td>
<td>$ (169,275)</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 524,749</td>
<td>$(3,524,168)</td>
</tr>
<tr>
<td>Financial assets mandatorily classified as at FVTPL</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets at fair value through other comprehensive income</td>
<td>922,544</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Equity instruments at FVTOCI</td>
<td>922,544</td>
<td>-</td>
<td>289,246</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Debt instruments at FVTOCI</td>
<td>922,544</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>1,430,750</td>
<td>$(790,955)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Financial assets mandatorily classified as at FVTPL</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>
### Non-derivative Financial Instruments

<table>
<thead>
<tr>
<th>Items</th>
<th>Beginning Balance (Note 2)</th>
<th>Gains (Losses) on Valuation</th>
<th>Other Comprehensive Income</th>
<th>Purchase/ Issued</th>
<th>Transfer to Level 3 (Note 1)</th>
<th>Disposed/Sold (Note 3)</th>
<th>Transfer Out of Level 3</th>
<th>Effects of Changes in Exchange Rate</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit and Loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Other</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Comprehensive Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase/ Issued</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Transfer to Level 3 (Note 1)</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disposed/Sold (Note 3)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer Out of Level 3</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Effects of Changes in Exchange Rate</td>
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<td></td>
<td></td>
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<tr>
<td>Ending Balance</td>
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</tr>
</tbody>
</table>

Note 1: Due to the reduced market activity of the securities, the lack of observable market data has led to transfer to Level 3.

Note 2: The beginning balance of equity instruments at FVTOCI contains emerging stocks classified as available-for-sale and unlisted shares measured at cost under IAS 39.

Note 3: Including the reduced by the investee.

For the years ended December 31, 2019 and 2018, the gains or losses on valuation in net gain and loss with assets still held were loss $336,394 and gain $975,124, respectively.

For the years ended December 31, 2019 and 2018, the gains or losses on valuation in other comprehensive income with assets still held were gains $259,244 and losses $177,429, respectively.

b) Reconciliation of Level 3 items of financial liabilities

<table>
<thead>
<tr>
<th>Items</th>
<th>Beginning Balance</th>
<th>Gains (Losses) on Valuation</th>
<th>Other Comprehensive Income</th>
<th>Purchase/ Issued</th>
<th>Transfer to Level 3 (Note 1)</th>
<th>Disposed/Sold (Note 3)</th>
<th>Transfer Out of Level 3</th>
<th>Effects of Changes in Exchange Rate</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit and Loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comprehensive Income</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase/ Issued</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer to Level 3 (Note 1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disposed/Sold (Note 3)</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer Out of Level 3</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effects of Changes in Exchange Rate</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ending Balance</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

For the years ended December 31, 2019 and 2018, the gain or loss on valuation results included in net income from liabilities still held were loss $77,347 and $586,147, respectively.
6) Quantitative information about the significant unobservable inputs (Level 3) used in the fair value measurement

Quantitative information about the significant unobservable inputs is set out below:

**December 31, 2019**

<table>
<thead>
<tr>
<th>Financial Instruments Measured at Fair Value</th>
<th>Financial Assets</th>
<th>Financial Liabilities</th>
<th>Valuation Techniques</th>
<th>Significant Unobservable Inputs</th>
<th>Interval (Weighted-average)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivative financial instruments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial instruments at fair value through profit or loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hybrid FX swap structured instruments</td>
<td>$591,299</td>
<td>$590,945</td>
<td>Sellers’ quote</td>
<td>(Note 1)</td>
<td>-</td>
</tr>
<tr>
<td>Others</td>
<td>88,536</td>
<td>516,243</td>
<td>Sellers’ quote</td>
<td>(Notes 1 and 2)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>$679,835</td>
<td>$1,107,188</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-derivative financial instruments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets at fair value through other comprehensive income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity instruments at FVTOCI</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unlisted shares</td>
<td>$1,193,151</td>
<td></td>
<td>Market method or market value with liquidity valuation discount</td>
<td>Discount factor of liquidity</td>
<td>0%-30%</td>
</tr>
<tr>
<td>Debt instruments at FVTOCI Bonds</td>
<td>$903,366</td>
<td></td>
<td>Taipei Exchange’s quote or Bloomberg’s model price</td>
<td>(Note 3)</td>
<td>-</td>
</tr>
</tbody>
</table>

**December 31, 2018**

<table>
<thead>
<tr>
<th>Financial Instruments Measured at Fair Value</th>
<th>Financial Assets</th>
<th>Financial Liabilities</th>
<th>Valuation Techniques</th>
<th>Significant Unobservable Inputs</th>
<th>Interval (Weighted-average)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivative financial instruments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial instruments at fair value through profit or loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hybrid FX swap structured instruments</td>
<td>$1,040,193</td>
<td>$1,039,128</td>
<td>Sellers’ quote</td>
<td>(Note 1)</td>
<td>-</td>
</tr>
<tr>
<td>Others</td>
<td>390,557</td>
<td>171,335</td>
<td>Sellers’ quote</td>
<td>(Notes 1 and 2)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>$1,430,750</td>
<td>$1,210,463</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-derivative financial instruments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets at fair value through other comprehensive income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity instruments at FVTOCI</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unlisted shares</td>
<td>$3,219,887</td>
<td></td>
<td>Taipei Exchange’s quote or Bloomberg’s model price</td>
<td>(Note 3)</td>
<td>-</td>
</tr>
<tr>
<td>Debt instruments at FVTOCI Bonds</td>
<td>$922,544</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Note 1: On pairs of back-to-back transactions, consequences of significant unobservable inputs and fair values are not fully captured in practice. Therefore, both inputs are not disclosed by the Bank.

Note 2: Considering the risk model, the seller’s quotation is provided for reference, consequences of significant unobservable inputs and fair values are not fully captured in practice. Therefore, both inputs are not disclosed.

Note 3: Due to zero coupon callable bonds and international bonds listed in the OTC market lack liquidity, no observable liquidity reduction factor could be obtained. Therefore, no disclosure has been made.

7) Valuation processes for fair value measurements categorized within Level 3

The Bank assesses the derivative financial instruments’ fair values according to the quote by counterparties; related assessments are compiled as risk-control reports and inform the manager and the board of directors by month.

The risk management department is responsible for independent testify of fair value of non-derivative financial instruments. The team also use the independent source date to bring the assessment results closer to market conditions, confirm that data sources are independent, reliable, consistent with other resources and represent executable price, calibrate the evaluation model periodically and update input values and data required for the evaluation model to ensure the evaluation results are reasonable.

8) The sensitivity analysis of reasonable, possible and alternative hypothesis for the third level of fair value measurements

The Bank evaluates financial instruments reasonably, although using different valuation model and parameter, may cause different valuation results. For financial instruments classified as Level 3 and the fair value source used lacks observable, liquidity reduction factor. If the change of estimated liquidity cost, estimating 99% confidence interval and based on historical data of market turnover in the past two years, are included in the estimation, the impact on profit and loss is as follows:

December 31, 2019

<table>
<thead>
<tr>
<th>Item</th>
<th>Changes in the Fair Value Reflected in Current Profit or Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unfavorable Change</td>
</tr>
<tr>
<td>Asset</td>
<td></td>
</tr>
<tr>
<td>Financial assets at fair value through other comprehensive income</td>
<td></td>
</tr>
<tr>
<td>Debt instruments at fair value through other comprehensive income</td>
<td>$ (20,154)</td>
</tr>
</tbody>
</table>
### December 31, 2018

<table>
<thead>
<tr>
<th>Asset</th>
<th>Changes in the Fair Value Reflected in Current Profit or Loss</th>
<th>Unfavorable Change</th>
<th>Favorable Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets mandatorily classified as at fair value through profit or loss</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets at fair value through other comprehensive income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt instruments at fair value through other comprehensive income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>$(76,197)</td>
<td>$ 76,197</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$(17,802)</td>
<td>17,802</td>
</tr>
</tbody>
</table>

c. Financial instruments not carried at fair value

1) Fair value information of financial instruments

Financial instruments not carried at fair value excluding the table below are reasonably close to their fair value, therefore no additional disclosure, for example: Cash and cash equivalents, due from the Central Bank and other banks, securities purchased under resell agreements, receivables, discounts and loans, some other financial assets, deposits from the Central Bank and other banks, securities sold under repurchase agreements, payables, deposits and remittances and other financial liabilities.

#### December 31, 2019

<table>
<thead>
<tr>
<th>Items</th>
<th>Carrying Amount</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt instrument investments at amortized cost</td>
<td>$ 139,940,760</td>
<td>$ 139,415,810</td>
</tr>
<tr>
<td>Bank debentures</td>
<td>33,019,751</td>
<td>33,466,786</td>
</tr>
</tbody>
</table>

#### December 31, 2018

<table>
<thead>
<tr>
<th>Items</th>
<th>Carrying Amount</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt instrument investments at amortized cost</td>
<td>$ 93,540,068</td>
<td>$ 93,680,529</td>
</tr>
<tr>
<td>Bank debentures</td>
<td>32,722,483</td>
<td>33,208,131</td>
</tr>
</tbody>
</table>

2) Hierarchy information of fair value of financial instruments

<table>
<thead>
<tr>
<th>Assets and Liabilities Item</th>
<th>December 31, 2019</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Level 1</td>
</tr>
<tr>
<td>Debt instrument investments at amortized cost</td>
<td>$ 139,415,810</td>
<td>$ 51,741,668</td>
</tr>
<tr>
<td>Bank debentures</td>
<td>33,466,786</td>
<td>2,198,402</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assets and Liabilities Item</th>
<th>December 31, 2018</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Level 1</td>
</tr>
<tr>
<td>Debt instrument investments at amortized cost</td>
<td>$ 93,680,529</td>
<td>$ 35,070,595</td>
</tr>
<tr>
<td>Bank debentures</td>
<td>33,208,131</td>
<td>2,163,981</td>
</tr>
</tbody>
</table>
3) Methods and assumptions applied in estimating the fair values of financial instruments not carried at fair value are as follows:

a) The carrying amounts of financial instruments such as cash and cash equivalents, due from the Central Bank and other banks, securities purchased under resell agreements, receivables, some of other financial assets, deposits from the Central Bank and other banks, securities sold under repurchase agreements, payables and other financial liabilities approximate their fair value because of the short maturity or the similarity of the carrying amount and future price.

b) Discounts and loans (including non-performing loans): The Bank usually uses base rate (floating rate) as loan rate because it can reflect market rate. Thus, using its carrying amount to consider the probability of repossession and estimate its fair value is reasonable. Long-term loans with fixed rate should estimate its fair value by its discounted value of expected cash flow. Because this kind of loans is not significant in this item, using its carrying amount to consider the probability of repossession and estimate its fair value should be reasonable.

c) The debt instruments investments at amortized cost: Debt instruments investments at amortized cost with quoted price in an active market are using market price as fair value; debt instruments investments at amortized cost with no quoted price in an active market are estimated by valuation methods or opponent’s price.

d) Deposits and remittances: Considering banking industry’s characteristic, since deposits have one-year maturity and measured by market rate (market value), using carrying value to assess fair value is reasonable. For deposits with three-year maturity are measured by discounted cash flow, using carrying value to assess fair value is reasonable.

e) Bank debentures: Bank debentures with quoted price in an active market are using market price as fair value; bank debentures with no quoted price in an active market are estimated by valuation methods or quotes from counterparties.

f) Investment accounted for using the equity method: The fair value of unquoted equity investments cannot be reliably measured because it has no quoted price in an active market, the variability interval of fair value measurements is significant or the probability of the estimations in the variability interval cannot be reasonably assessed. Hence, the fair value is not disclosed.

45. FINANCIAL RISK MANAGEMENT

a. Overview

The Bank documents the risk management policies, including overall operating strategies and risks control philosophy. The Bank’s overall risk management policies are to minimize the possibility of potential unfavorable factors. The board of directors approves the documentation of overall risk management policies and specific risk management policies; including credit risk, liquidity risk, market risk, operational risk, derivative instruments transactions and managements. The board of directors reviews the policies regularly, and reviews the operation to make sure the Bank’s policies are executed properly.
b. Risk management framework

The board of directors is the top risk supervisor of the Bank. The board not only reviewed risk management policies and rules but also authorized management to be in charge of daily risk management work. The Bank has set up a risk management committee under the chairman of the Board to be responsible for the services above; the Bank has also set up a credit committee to review the policies and supervise the abnormal cases. The credit committee also helps the board of directors approve cases over general manager’s authority under the board’s authorization.

The board of directors authorized the Bank’s management to supervise risk management activities, evaluate the performance and confirm every risk management agent having essential code of ethic and professional skills. Internal audit is responsible for the periodic review of risk management and the control environment, then reports the results directly to the board of directors.

The Bank has set up a risk management department to control risk management policies, establish rules, plan and set up risk management system. The risk management department executes these policies based on the board’s approval, then reports the results and performance reviews to the authority or the board.

c. Credit risk

1) Sources and definitions of credit risk

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

2) Policies and strategies

The Bank established policies based on operating goals and strategies, business plans and risk management goals authorized by the board of directors. These policies were established to lower potential financial losses, minimize risks and rewards to raise the performance and protect shareholders’ equity through appropriate managing policies and procedures based on risk-diversification principle.

The Bank’s risk strategy is to strengthen the credit risk management framework, establish complete credit verification system and procedure, develop and use efficient and scientific credit risk managing instruments to identify, measure, manage and supervise credit risks. These strategies transparentize, systematize, specialize and formalize credit risk management to manage loans, non-performing assets and every kind of assets’ credit risk.

The Bank has set up policies of main risks as prime direction based on legislations and operational goals. These policies include risk appetite, management goals, organization structure of responsibility and accountability, measurement, evaluation, supervision and report procedure of risks. These policies are established to reach the purposes of consistency and centralized management and are put into practice in corporate government.
Credit risk management procedures and measurements are as follows:

a) Loan business (includes loan commitment and guarantee)

Loan business classification and qualities are shown as follows:

i. Classification

Under the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” (the Regulations) issued by the Banking Bureau, the Bank evaluates credit losses on the basis of the estimated collectability. In accordance with the Regulations, credit assets are classified as normal assets, assets that require special mentioned, assets with substandard, assets with doubtful collectability, and assets on which there is loss. In order to manage credit problem, the Bank issued “Evaluate Assets and Deal with Non-performing/Non-accrual Loans” for managing credit problem and debt collection.

ii. Credit quality level

The Bank sets up credit quality level (ex. internal credit risk assessment model, credit assessment rules) based on business characteristic and scale to manage risks.

In order to measure clients’ credit risks, the Bank established credit risk assessment model for corporate banking, personal banking and consumer banking through statistic methods, professional judgment and clients’ information. Every model should be reviewed regularly to examine whether the calculations match to the actual conditions or not, then the Bank will adjust parameters to optimize the results.

For personal banking and consumer banking customers, every case will be reviewed individually to assess default risks except that micro-credit and credit card business should be assessed by internal credit assessment model.

b) Investment business

The Bank manages and identifies credit risks of debt investment through credit ratings by outsiders, credit qualities of the debt, regional conditions and counterparties’ risks.

The Bank carry out derivative instrument transactions with counterparties in financial industry which are almost above the investment level. The Bank would control credit risks based on counterparties’ credit lines; counterparties with no credit ratings or at non-investment level should be reviewed individually. Normal customers’ credit exposure positions should be controlled by approved derivative instrument credit line and condition based on normal credit procedure.

3) Credit risk hedge or mitigation policies

a) Collateral

The Bank has set up several standards dealing with credit exposures and collateral requirements in order to mitigate credit risks and maintain creditor’s rights. The standards cover areas such as disposal of collateral, acceptance of real estate as collateral, real estate appraisal; credit policies for every commodity to regulate collateral categories, appraisals, procedures, deduction percentages, loan rate, loan-to-value ratio, maturity analysis, control, and management.
To maintain collateral’s effectiveness, the Bank supervises and manages the collateral by examining the usage, custody and maintenance of collateral regularly and irregularly to avoid selling, leasing, pledging, moving and disposing collaterals without authorization. Once the loan is due but will be extended, the contract should be seen as a new case and the collateral should be revalued.

b) Credit risk limits and credit risk concentration control

The Bank manages credit line and concentration of credit assets through appropriate information managing system that gathers information on credit exposure to centralized conditions, exposure of credit asset combinations, including national risk, large credit exposure, credit line of single corporation, group and industry. For cases approaching credit limit, the concerned unit should report to management and make control strategies; for cases exceeding credit limit, the management should take appropriate action and the Bank should review the credit approval process and authorization level.

c) Agreement of net settlement

The Bank often makes gross settlement on transactions, sign net settlement contract with other counterparties or cancel every transactions and make net settlement when default occurs to mitigate credit risk.

4) The determination since the initial recognition of the credit risk has increased significantly

a) Loan business

The Bank assess the change in the probability of default of various credit assets during the lifetime on each reporting date to determine if the credit risk has increased significantly since the initial recognition.

In order to make this assessment, the main consideration is reasonable and supportable information that the credit risk has increased significantly since the initial recognition (including forward-looking information).

Key indicators include:

i. Quantitative indicators

Information on overdue conditions: When the contractual payments were overdue for more than 30 days to overdue 89 days, it has been determined that credit risk of the financial assets after the initial recognition was significantly increased.

ii. Qualitative indicators

i) Although the loan has not been repaid or due on the maturity date, there are other bad debts and the asset classification is not normal.

ii) The loan review report belonging to an abnormal credit.

iii) The credit card transaction with the Bank is abnormal.

On the basis of various credit asset evaluation benchmark days of the Bank, if the credit risk does not increase significantly and not belong to an impaired financial asset, it can be determined that the credit risk does not increase significantly after the initial recognition.
b) Investment business

The Bank adopts external credit rating scales to measure whether the credit risk after the initial recognition is significantly increased for debt instrument measured at amortized cost and debt instrument measured at fair value through other comprehensive income. The external credit rating is determined by international credit rating agency. When the external credit rating changes and the following situations occur, the credit risk is regarded to have significantly increased after the initial recognition.

i. From investment grade (Aaa-Baa3) to non-investment grade (Ba1 (inclusive) or less, without Ca-D)

ii. From grade Ba1-Ba3 to grade B1-Caa3

iii. The bonds in grade B1-Caa3 at initial recognition.

<table>
<thead>
<tr>
<th>Credit</th>
<th>Moody's</th>
<th>S&amp;P</th>
<th>Fitch</th>
<th>Taiwan Ratings</th>
<th>Fitch (Taiwan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First grade</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aaa</td>
<td>AAA</td>
<td>AAA</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aa1</td>
<td>AA+</td>
<td>AA+</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aa2</td>
<td>AA</td>
<td>AA</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aa3</td>
<td>AA-</td>
<td>AA-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A1</td>
<td>A+</td>
<td>A+</td>
<td></td>
<td>twAAA</td>
<td>AAA (twn)</td>
</tr>
<tr>
<td>A2</td>
<td>A</td>
<td>A</td>
<td></td>
<td>twAA+</td>
<td>AA+ (twn)</td>
</tr>
<tr>
<td>A3</td>
<td>A-</td>
<td>A-</td>
<td></td>
<td>twAA</td>
<td>AA (twn)</td>
</tr>
<tr>
<td>Baa1</td>
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<td>BBB+</td>
<td></td>
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</tr>
<tr>
<td>Baa2</td>
<td>BBB</td>
<td>BBB</td>
<td></td>
<td>twA+</td>
<td>A+ (twn)</td>
</tr>
<tr>
<td>Baa3</td>
<td>BBB-</td>
<td>BBB-</td>
<td></td>
<td>twA</td>
<td>A (twn)</td>
</tr>
<tr>
<td>Second grade</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Ba1</td>
<td>BB+</td>
<td>BB+</td>
<td></td>
<td>twBB-</td>
<td>A- (twn)</td>
</tr>
<tr>
<td>Ba2</td>
<td>BB</td>
<td>BB</td>
<td></td>
<td>twBBB</td>
<td>BB+ (twn)</td>
</tr>
<tr>
<td>Ba3</td>
<td>BB-</td>
<td>BB-</td>
<td></td>
<td>twBBB</td>
<td>BB (twn)</td>
</tr>
<tr>
<td>Third grade</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B1</td>
<td>B+</td>
<td>B+</td>
<td></td>
<td>twBBB</td>
<td>BB+ (twn)</td>
</tr>
<tr>
<td>B2</td>
<td>B</td>
<td>B</td>
<td></td>
<td>twBB</td>
<td>BB (twn)</td>
</tr>
<tr>
<td>B3</td>
<td>B-</td>
<td>B-</td>
<td></td>
<td>twBB-</td>
<td>BB- (twn)</td>
</tr>
<tr>
<td>Caa1</td>
<td>CCC+</td>
<td>CCC+</td>
<td></td>
<td>twBB</td>
<td>B (twn)</td>
</tr>
<tr>
<td>Caa2</td>
<td>CCC</td>
<td>CCC</td>
<td></td>
<td>twCC</td>
<td>B- (twn)</td>
</tr>
<tr>
<td>Caa3</td>
<td>CCC-</td>
<td>CCC-</td>
<td></td>
<td>twCCC</td>
<td>CC- (twn)</td>
</tr>
<tr>
<td>Fourth grade</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ca</td>
<td>CC</td>
<td>CC</td>
<td></td>
<td>twCCC</td>
<td>CC (twn)</td>
</tr>
<tr>
<td>C</td>
<td>C</td>
<td>C</td>
<td></td>
<td>twCC</td>
<td>CCC- (twn)</td>
</tr>
<tr>
<td>SD</td>
<td>DDD</td>
<td>D</td>
<td></td>
<td>twC</td>
<td>CC (twn)</td>
</tr>
<tr>
<td>D</td>
<td>DD</td>
<td>D</td>
<td></td>
<td>twSD</td>
<td>C (twn)</td>
</tr>
<tr>
<td>R</td>
<td>D</td>
<td>D</td>
<td></td>
<td>twD</td>
<td>DDD (twn)</td>
</tr>
<tr>
<td>P-1</td>
<td>A-1</td>
<td>F-1</td>
<td></td>
<td>twA-1</td>
<td>F1 (twn)</td>
</tr>
<tr>
<td>P-2</td>
<td>A-2</td>
<td>F-2</td>
<td></td>
<td>twA-2</td>
<td>F2 (twn)</td>
</tr>
</tbody>
</table>

The external rating of each credit rating agency refers to the conversion chart of Basel III.
If a bond has multiple credit ratings, the lowest rating of such bond will be taken as its credit rating; if the bond itself has no credit rating, the guarantor’s credit rating will be taken; if there is no guarantor, the issuer’s credit rating will be taken. If the bond’s, guarantor’s, or issuer’s external credit rating is not available, the external rating of the bond is based on the internal rating of the bond in SinoPac Holdings.

5) Definition of financial asset default and credit impairment

The Bank’s definition of financial asset default is the same as financial asset credit impairment. If one or more of the following conditions are satisfied, the Bank determines that the financial asset has defaulted and has credit impairment.

a) Quantitative indicators

Principal or interest is overdue for more than three months.

b) Qualitative indicators

If there is evidence that the debtor will not be able to pay the contract money, or the debtor is facing significant financial difficulties, for examples:

i. The main debtor has been chased, or the collateral has been disposed of.

ii. The main debtor has not paid short-term advance to the Bank.

iii. The debtor applies for debt negotiation, debt extension and debt restructuring, etc. due to financial difficulties.

iv. Other situation with objective evidence of impairment.

Bond investment belongs to credit ratings Ca-D bonds when the following situations occur:

i. The issuer probably cannot repay the principal or interest on the bond maturity date.

ii. It could be objectively judged that the issuer will not be able to repay the principal and interest of the bond on time before maturity.

iii. Probability that the debtor will enter into bankruptcy or undergo financial reorganization.

iv. The issuer encounters bankruptcy or being reorganized or taken over due to financial difficulties before bond maturity.

The above definition of default and credit impairment applies to all financial assets held by the Bank. It is consistent with the definition of relevant financial assets for internal credit risk management applying to relevant impairment assessment model as well.

6) Write-off policy

If one of the following situations occurred, overdue and non-performing loans of the Bank, after deducting any estimated recoverable part, will be written off as bad debts.

a) All or part of the creditor’s right could not be enforced due to dissolution, escape, settlement, bankruptcy or other reasons of the debtors.
b) The values of collateral and properties of the main and subordinate debtors are very low, compensation are not available after deducting the first mortgage, or it is unbeneﬁcial that execution fee is close to or may exceed the bank’s reimbursable amount.

c) The collateral and the properties of the main and subordinate debtors are unsold after multiple discount auctions and not beneﬁcial to the Bank.

d) Overdue and non-performing loans have not been recovered after more than 2 years from the maturity date.

The Bank has procedures for recording accounts written-off and for keeping such records for inspection. Relevant business department continues to watch for movements of the main and subordinate debtors all the time. If there is any property available for execution, the Bank will take appropriate legal action.

7) Amendment to ﬁnancial asset contract cash ﬂows

The Bank will amend ﬁnancial asset contract cash ﬂows when borrowers are in ﬁnancial difﬁculties, as a result of improvement of problematic debtors’ recovery rate or for maintenance of customer relationships. Financial asset contract cash ﬂows amendment include extension of contract period, interest payment date modiﬁcation, contract interest modiﬁcation, or exemption from certain requirements of part of debts. The amendment could result in the Bank’s disposal of existing ﬁnancial asset and recording of new ﬁnancial asset at fair value.

If the modiﬁcation of the contractual cash ﬂows of ﬁnancial asset does not result in derecognition of asset, the Bank will assess whether the credit risk of ﬁnancial asset has increased signiﬁcantly by comparing the following:

a) Risk of breaching the contract on the reporting date (based on revised contract terms)

b) The probability of default in the original recognition (based on the original unmodiﬁed contract terms)

The Bank will consider the borrower’s subsequent payment in accordance with the revised terms and several relevant behavior indicators to assess the probability of default on the revised ﬁnancial asset, and conﬁrm whether the contract modiﬁcation improves or restore the Bank’s ability to recover related contract payments.

8) Measurement of Expected Credit Losses

For the purpose of measuring expected credit losses, the Bank will look into the business attributes of the credit assets (such as corporate ﬁnance, personal ﬁnance, consumer ﬁnance, e-ﬁnance, etc.) as well as the size of the company, types of collateral, and remaining period of maturities, etc. and group the credit risk characteristics into three stages: No signiﬁcant increase in credit risk (stage 1), signiﬁcant increase in credit risk (stage 2), and credit impairment (stage 3) according to the credit risk level at the valuation date.

The Bank provides allowance for 12-month expected credit losses when ﬁnancial instruments did not have a signiﬁcant increase in credit risk since the initial recognition. Financial instruments are provided with allowance for full-lifetime expected credit losses when there is signiﬁcant increase in credit risk or credit impairment since the initial recognition.

To measure expected credit losses, the Bank takes into account the borrower’s probability of default (“PD”) for the next 12 months and for the period of existence, and includes loss given default (“LGD”), and exposure at default (“EAD”) taking into account the impact of the time value of money. The expected credit losses for 12 months and for full-lifetime are calculated.
The Bank assesses the amount of Exposure at default of lending based on outstanding loan principal of customers, interest receivable and short-term advances at the end of each period. In addition, when estimating the expected credit losses of lending financing commitments, Exposure at default used to calculate expected credit losses is determined based on the conditions and days of the financing commitment and by reference to the credit risk conversion factor of Basel Capital Accord.

Probability of default is the default probability of the borrower, and the default loss rate is the rate of loss caused by default of the borrower. The default probability and default loss rate used in the impairment assessment and calculation of expected credit losses of the Bank loan business are based on internal historical information (such as credit loss experience, etc.) of each borrower group, with adjustments to the historical data based on the current observable data and forward-looking economic information. The expected loss of debt instrument investment is calculated according to the default rate information and external recovery rate information published by the external credit rating agencies.

9) Forward-looking information considerations

a) Credit assets

The Bank takes forward-looking information into account when determining whether the credit risk of the credit assets has increased significantly since the initial recognition and measures the expected credit losses. The Bank uses historical data and expert judgments to analyze and identify the economic factors that affect the credit risk and expected credit losses of various asset groups, such as GDP and unemployment rate. The Bank obtains quarterly historical data and forecast information of the relevant economic factors from international financial organizations (such as the International Monetary Fund (IMF)). This forecast information contains the best estimate of the economic situation in the next five years.

The relevant economic factors and their impact on PD differ among different credit business. The Bank classifies credit product types as:

i. Enterprise, sovereignty, and bank credit exposure.
ii. Home Mortgage Insurance credit exposure.
iii. Qualified cycling retail credit exposure.
iv. Other retail credit exposure.

With reference to the Basel Capital Accord IRB method, the correlation coefficient of various types of credit products and risk category is calculated and forward-looking information is used to adjust the default probability.

b) Investment business

For the debt instrument investment measured at amortized cost and measured at fair value through other comprehensive income, one of the indicators of significant increase in credit risk is the quantified change in the external rating class announced by the international credit rating agencies, and the measurement of expected credit losses is based on the information of the default ratings and loss given default regularly announced by external rating agencies and international credit rating agencies.

As international credit rating agencies have considered forward-looking information in assessing credit ratings, the Bank’s assessment of forward-looking information is appropriate, and is included in the bank’s assessment of expected credit losses.
10) The allowance for credit losses of the Bank

Changes in allowance for discounts and loans

<table>
<thead>
<tr>
<th>For the Year Ended December 31, 2019</th>
<th>12-month ECL</th>
<th>Lifetime ECL (Collectively Assessed)</th>
<th>Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Asset)</th>
<th>Impairment in Accordance with IFRS 9</th>
<th>The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, January 1</td>
<td>$ 1,294,828</td>
<td>$ 318,552</td>
<td>$ 1,036,959</td>
<td>$ 2,650,339</td>
<td>$ 10,115,562</td>
<td>$ 12,765,901</td>
</tr>
<tr>
<td>Changes due to financial instruments that have been recognized at the beginning of the period:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To lifetime ECL</td>
<td>(6,145)</td>
<td>884,156</td>
<td>(72,130)</td>
<td>805,881</td>
<td>-</td>
<td>805,881</td>
</tr>
<tr>
<td>From conversion to credit-impaired financial assets</td>
<td>(3,795)</td>
<td>(305,468)</td>
<td>653,509</td>
<td>344,306</td>
<td>-</td>
<td>344,306</td>
</tr>
<tr>
<td>To 12-month ECL</td>
<td>1,531</td>
<td>(190,497)</td>
<td>(394)</td>
<td>(197,360)</td>
<td>-</td>
<td>(197,360)</td>
</tr>
<tr>
<td>Derogating financial assets during the current period</td>
<td>(2,224,066)</td>
<td>(285,646)</td>
<td>(402,866)</td>
<td>(2,912,578)</td>
<td>-</td>
<td>(2,912,578)</td>
</tr>
<tr>
<td>Purchased or originated new financial assets</td>
<td>1,917,445</td>
<td>297,804</td>
<td>143,612</td>
<td>2,358,861</td>
<td>-</td>
<td>2,358,861</td>
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<tr>
<td>Adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,333,718</td>
<td>1,333,718</td>
</tr>
<tr>
<td>Write-off</td>
<td>(12,323)</td>
<td>12,945</td>
<td>(397,493)</td>
<td>(460,393)</td>
<td>(857,886)</td>
<td>(857,886)</td>
</tr>
<tr>
<td>Changes in model/risk parameters</td>
<td>(8,375)</td>
<td>(4,944)</td>
<td>(3,592)</td>
<td>(16,912)</td>
<td>(47,976)</td>
<td>(47,976)</td>
</tr>
<tr>
<td>Balance, December 31</td>
<td>$ 959,100</td>
<td>$ 218,902</td>
<td>$ 876,821</td>
<td>$ 2,554,823</td>
<td>$ 19,937,823</td>
<td>$ 13,512,646</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>For the Year Ended December 31, 2018</th>
<th>12-month ECL</th>
<th>Lifetime ECL (Collectively Assessed)</th>
<th>Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Asset)</th>
<th>Impairment in Accordance with IFRS 9</th>
<th>The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, January 1</td>
<td>$ 1,372,062</td>
<td>$ 436,203</td>
<td>$ 975,193</td>
<td>$ 2,783,458</td>
<td>$ 9,480,439</td>
<td>$ 12,263,897</td>
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<td>Changes due to financial instruments that have been identified at the beginning of the period:</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To lifetime ECL</td>
<td>(9,383)</td>
<td>703,150</td>
<td>(26,159)</td>
<td>667,608</td>
<td>-</td>
<td>667,608</td>
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<tr>
<td>From conversion to credit-impaired financial assets</td>
<td>(5,828)</td>
<td>(218,182)</td>
<td>758,098</td>
<td>534,088</td>
<td>-</td>
<td>534,088</td>
</tr>
<tr>
<td>To 12-month ECL</td>
<td>1,667</td>
<td>(141,453)</td>
<td>(4,828)</td>
<td>(144,614)</td>
<td>-</td>
<td>(144,614)</td>
</tr>
<tr>
<td>Derogating financial assets during the current period</td>
<td>(3,547,943)</td>
<td>(467,399)</td>
<td>(565,066)</td>
<td>(4,580,408)</td>
<td>-</td>
<td>(4,580,408)</td>
</tr>
<tr>
<td>Purchased or originated new financial assets</td>
<td>3,474,509</td>
<td>5,666</td>
<td>242,344</td>
<td>3,722,519</td>
<td>-</td>
<td>3,722,519</td>
</tr>
<tr>
<td>Adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>953,241</td>
<td>953,241</td>
</tr>
<tr>
<td>Write-off</td>
<td>-</td>
<td>-</td>
<td>(351,762)</td>
<td>(348,349)</td>
<td>(700,111)</td>
<td>(700,111)</td>
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<tr>
<td>Changes in model/risk parameters</td>
<td>(9,744)</td>
<td>567</td>
<td>9,139</td>
<td>19,450</td>
<td>30,231</td>
<td>49,681</td>
</tr>
<tr>
<td>Balance, December 31</td>
<td>$ 1,294,828</td>
<td>$ 318,552</td>
<td>$ 1,036,959</td>
<td>$ 2,650,339</td>
<td>$ 10,115,562</td>
<td>$ 12,765,901</td>
</tr>
</tbody>
</table>
### Changes in allowance for receivable

<table>
<thead>
<tr>
<th>For the Year Ended December 31, 2019</th>
<th>12-month ECL</th>
<th>Lifetime ECL (Collectively Assessed)</th>
<th>Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Asset)</th>
<th>Impairment In Accordance with IFRS 9</th>
<th>The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, January 1</td>
<td>$ 18,930</td>
<td>$ 5,705</td>
<td>$ 369,656</td>
<td>$ 394,291</td>
<td>$ 499,687</td>
<td>$ 893,978</td>
</tr>
<tr>
<td>Changes due to financial instruments that have been recognized at the beginning of the period:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To lifetime ECL</td>
<td>(103)</td>
<td>16,510</td>
<td>(5,742)</td>
<td>10,665</td>
<td>-</td>
<td>10,665</td>
</tr>
<tr>
<td>From conversion to credit-impaired financial assets</td>
<td>(15)</td>
<td>(11,161)</td>
<td>85,345</td>
<td>74,169</td>
<td>-</td>
<td>74,169</td>
</tr>
<tr>
<td>To 12-month ECL</td>
<td>28</td>
<td>(3,084)</td>
<td>(189)</td>
<td>(3,245)</td>
<td>-</td>
<td>(3,245)</td>
</tr>
<tr>
<td>Derecognizing financial assets during the current period</td>
<td>(30,241)</td>
<td>-</td>
<td>(71,626)</td>
<td>(101,867)</td>
<td>-</td>
<td>(101,867)</td>
</tr>
<tr>
<td>Purchased or originated new financial assets</td>
<td>22,203</td>
<td>296</td>
<td>33,823</td>
<td>56,322</td>
<td>-</td>
<td>56,322</td>
</tr>
<tr>
<td>Adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(48,041)</td>
<td>(48,041)</td>
</tr>
<tr>
<td>Write-off</td>
<td>(2)</td>
<td>(147)</td>
<td>(70,452)</td>
<td>(70,601)</td>
<td>(73,803)</td>
<td>(144,404)</td>
</tr>
<tr>
<td>Changes in model/risk parameters</td>
<td>(162)</td>
<td>(192)</td>
<td>(1,745)</td>
<td>(2,099)</td>
<td>-</td>
<td>(2,099)</td>
</tr>
<tr>
<td>Effect of exchange rate changes and others</td>
<td>(39)</td>
<td>(21)</td>
<td>(5,381)</td>
<td>(5,441)</td>
<td>-</td>
<td>(8,696)</td>
</tr>
<tr>
<td>Balance, December 31</td>
<td>$ 10,599</td>
<td>$ 7,906</td>
<td>$ 333,689</td>
<td>$ 352,194</td>
<td>$ 374,588</td>
<td>$ 726,782</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>For the Year Ended December 31, 2018</th>
<th>12-month ECL</th>
<th>Lifetime ECL (Collectively Assessed)</th>
<th>Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Asset)</th>
<th>Impairment In Accordance with IFRS 9</th>
<th>The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, January 1</td>
<td>$ 17,118</td>
<td>$ 13,247</td>
<td>$ 408,272</td>
<td>$ 438,637</td>
<td>$ 453,111</td>
<td>$ 891,748</td>
</tr>
<tr>
<td>Changes due to financial instruments that have been recognized at the beginning of the period:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To lifetime ECL</td>
<td>(99)</td>
<td>22,446</td>
<td>(7,016)</td>
<td>15,331</td>
<td>-</td>
<td>15,331</td>
</tr>
<tr>
<td>From conversion to credit-impaired financial assets</td>
<td>(20)</td>
<td>(23,434)</td>
<td>85,612</td>
<td>64,158</td>
<td>-</td>
<td>64,158</td>
</tr>
<tr>
<td>To 12-month ECL</td>
<td>9</td>
<td>(2,176)</td>
<td>(588)</td>
<td>(2,755)</td>
<td>-</td>
<td>(2,755)</td>
</tr>
<tr>
<td>Derecognizing financial assets during the current period</td>
<td>(49,230)</td>
<td>(5,256)</td>
<td>(22,933)</td>
<td>(77,419)</td>
<td>-</td>
<td>(77,419)</td>
</tr>
<tr>
<td>Purchased or originated new financial assets</td>
<td>51,010</td>
<td>11</td>
<td>5,665</td>
<td>56,686</td>
<td>-</td>
<td>56,686</td>
</tr>
<tr>
<td>Adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>137,739</td>
<td>137,739</td>
</tr>
<tr>
<td>Write-off</td>
<td>-</td>
<td>(1,085)</td>
<td>(97,674)</td>
<td>(98,759)</td>
<td>(95,739)</td>
<td>(194,498)</td>
</tr>
<tr>
<td>Effect of exchange rate changes and others</td>
<td>142</td>
<td>(48)</td>
<td>(1,682)</td>
<td>(1,588)</td>
<td>4,576</td>
<td>2,988</td>
</tr>
<tr>
<td>Balance, December 31</td>
<td>$ 18,930</td>
<td>$ 5,705</td>
<td>$ 369,656</td>
<td>$ 394,291</td>
<td>$ 499,687</td>
<td>$ 893,978</td>
</tr>
</tbody>
</table>

**Note:** The amounts of receivables include other financial assets’ non-performing loans transferred from loans.

11) The maximum credit exposure of the financial instruments held by the Bank.

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

<table>
<thead>
<tr>
<th>Off-Balance Sheet Items</th>
<th>The Maximum Credit Exposure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>December 31, 2019</td>
</tr>
<tr>
<td>Undrawn credit card commitments</td>
<td>$ 178,670,179</td>
</tr>
<tr>
<td>Undrawn loan commitments</td>
<td>33,254,658</td>
</tr>
<tr>
<td>Guarantees</td>
<td>19,571,738</td>
</tr>
<tr>
<td>Standby letter of credit</td>
<td>3,334,114</td>
</tr>
</tbody>
</table>

- 95 -
The Bank adopt a strict and continuous evaluation procedure and review the result regularly to control and minimize off-balance sheet credit risk exposures.

The contract amount in the credit business and financial instruments may not be fully paid before the maturity; therefore, the contract amount is not deemed as the amount of future cash outflow. In other words, the future cash demand is lower than contract amount. If the credit limit is exceeded and collaterals lose their value, the amount of credit risk is equal to the contract amount which is the possible maximum loss.

12) Credit risk exposures concentration of the Bank

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

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

a) By industry

<table>
<thead>
<tr>
<th>Industries</th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>%</td>
</tr>
<tr>
<td>Private enterprise</td>
<td>$ 452,155,073</td>
<td>45.58%</td>
</tr>
<tr>
<td>Public enterprise</td>
<td>5,546,660</td>
<td>0.56%</td>
</tr>
<tr>
<td>Government sponsored enterprise and business</td>
<td>5,920,883</td>
<td>0.60%</td>
</tr>
<tr>
<td>Nonprofit organization</td>
<td>268,580</td>
<td>0.03%</td>
</tr>
<tr>
<td>Private</td>
<td>516,960,053</td>
<td>52.12%</td>
</tr>
<tr>
<td>Financial institutions</td>
<td>11,033,223</td>
<td>1.11%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 991,884,472</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

b) By region

<table>
<thead>
<tr>
<th>Regions</th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>%</td>
</tr>
<tr>
<td>Domestic</td>
<td>$ 833,900,001</td>
<td>84.07%</td>
</tr>
<tr>
<td>Asia</td>
<td>77,221,986</td>
<td>7.79%</td>
</tr>
<tr>
<td>North America</td>
<td>51,714,212</td>
<td>5.21%</td>
</tr>
<tr>
<td>Others</td>
<td>29,048,273</td>
<td>2.93%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 991,884,472</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

c) By collateral

<table>
<thead>
<tr>
<th>Collaterals</th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>%</td>
</tr>
<tr>
<td>Credit</td>
<td>$ 310,724,029</td>
<td>31.33%</td>
</tr>
<tr>
<td>Secured</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stocks</td>
<td>4,756,937</td>
<td>0.48%</td>
</tr>
<tr>
<td>Bonds</td>
<td>16,419,727</td>
<td>1.65%</td>
</tr>
<tr>
<td>Real estate</td>
<td>610,904,827</td>
<td>61.59%</td>
</tr>
<tr>
<td>Movable collaterals</td>
<td>36,495,270</td>
<td>3.68%</td>
</tr>
<tr>
<td>Guarantees</td>
<td>3,542,926</td>
<td>0.36%</td>
</tr>
<tr>
<td>Others</td>
<td>9,040,756</td>
<td>0.91%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 991,884,472</td>
<td>100.00%</td>
</tr>
</tbody>
</table>
**d) Credit risk exposure rating**

<table>
<thead>
<tr>
<th>Principal</th>
<th>Allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>December 31, 2019</td>
</tr>
<tr>
<td></td>
<td>Stage 1 12 Months ECL</td>
</tr>
<tr>
<td>Discounts and loans</td>
<td></td>
</tr>
<tr>
<td>Corporate banking</td>
<td>$473,060,701</td>
</tr>
<tr>
<td>Consumer banking</td>
<td>508,058,024</td>
</tr>
<tr>
<td>Receivables</td>
<td></td>
</tr>
<tr>
<td>Credit card</td>
<td>17,140,371</td>
</tr>
<tr>
<td>Accounts receivable - factoring (Note 1)</td>
<td>9,763,567</td>
</tr>
<tr>
<td>Other receivable (Note 2)</td>
<td>13,945,219</td>
</tr>
<tr>
<td>The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Non-accrual Loans</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Principal</th>
<th>Allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>December 31, 2018</td>
</tr>
<tr>
<td></td>
<td>Stage 1 12 Months ECL</td>
</tr>
<tr>
<td>Discounts and loans</td>
<td></td>
</tr>
<tr>
<td>Corporate banking</td>
<td>$467,860,996</td>
</tr>
<tr>
<td>Consumer banking</td>
<td>440,539,124</td>
</tr>
<tr>
<td>Receivables</td>
<td></td>
</tr>
<tr>
<td>Credit card</td>
<td>14,289,719</td>
</tr>
<tr>
<td>Accounts receivable - factoring (Note 1)</td>
<td>12,785,897</td>
</tr>
<tr>
<td>Other receivable (Note 2)</td>
<td>17,954,373</td>
</tr>
</tbody>
</table>
Note 1: Accounts receivable - factoring and accounts payable - factoring are offset and presented net.

Note 2: Other receivable contains non-performing receivables transferred other than loan included in other financial assets.
13) The financial impact of credit risk mitigation policies

a) Collateral and other credit enhancements

The Bank implements a series of policies and measures to reduce credit risk for loan business; one of the commonly used methods is to require borrowers to provide collateral. The Bank has designed and follows procedures for enforcing rights to collateral and the valuation, management, and disposal of collateral. The main types of collateral for financial assets of the Bank are as follows:

i. Real estate mortgage loan.

ii. Derivatives margin agreement.

The credit contract has provisions for the preservation of debts and guarantees, which clearly define that when credit incidents occur, the Bank is be able to reduce the credit limit, shorten the loan repayment deadline or treat all of them as due, so as to reduce the credit risk.

Other collateral for non-loan business depends on the nature of the financial instrument. Only asset-based securities and other similar financial instruments are secured by a group of asset-pooled financial instruments.

There was no material change in the collateral policy of the Bank, and there was no significant change in the overall collateral quality on the balance sheet date.

b) Amount of collateral for impaired financial assets

The Bank closely observes the value of the collateral of the financial instruments and considers adequacy of the allowance for the credit-impaired financial assets. On December 31, 2019 and 2018, the amount of discounts and loans were $4,450,358 and $4,309,274, with a provision for loss allowance of $876,821 and $1,036,959 under IFRS 9 Stage 3, and credit guarantees, real estate, movable assets or certificates of deposit, etc., which reduced the potential loss, amounted to $2,789,473 and $2,817,681.

c) The contracted amount of financial assets that have been written off and still have recourse activities

As of December 31, 2019 and 2018, the contracted amount of financial assets that have been written off by the Bank and still have recourse activities is $47,022,061 and $47,276,926.

14) Management policies of collaterals assumed

Collaterals assumed are classified as other assets. According to regulations, the Bank should dispose of collaterals within four years. There are no assumed collaterals of the Bank as of December 31, 2019 and 2018, respectively.
15) Disclosures prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Overdue loans and receivables

<table>
<thead>
<tr>
<th>Date</th>
<th>Non-performing Loan (NPL) (Note 1)</th>
<th>Total Loans</th>
<th>NPL Ratio (Note 2)</th>
<th>Loan Loss Reserves (LLR)</th>
<th>Coverage Ratio (Note 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate loan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secured</td>
<td>$ 839,963</td>
<td>187,393,278</td>
<td>0.34%</td>
<td>$ 2,588,769</td>
<td>404.51%</td>
</tr>
<tr>
<td>Unsecured</td>
<td>356,816</td>
<td>290,519,287</td>
<td>0.12%</td>
<td>4,071,874</td>
<td>1,141.17%</td>
</tr>
<tr>
<td>Mortgate (Note 4)</td>
<td>469,156</td>
<td>290,877,699</td>
<td>0.16%</td>
<td>4,442,885</td>
<td>947.06%</td>
</tr>
<tr>
<td>Cash card</td>
<td>13</td>
<td>4,980</td>
<td>0.26%</td>
<td>13,664</td>
<td>105,167.69%</td>
</tr>
<tr>
<td>Micro credit (Note 5)</td>
<td>62,651</td>
<td>26,284,282</td>
<td>0.31%</td>
<td>213,462</td>
<td>340.72%</td>
</tr>
<tr>
<td>Others (Note 6)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secured</td>
<td>583,291</td>
<td>200,347,184</td>
<td>0.29%</td>
<td>2,153,894</td>
<td>369.27%</td>
</tr>
<tr>
<td>Unsecured</td>
<td>4,249</td>
<td>2,477,462</td>
<td>0.17%</td>
<td>28,158</td>
<td>662.70%</td>
</tr>
<tr>
<td>Total</td>
<td>2,116,139</td>
<td>991,884,472</td>
<td>0.21%</td>
<td>13,512,646</td>
<td>638.55%</td>
</tr>
<tr>
<td>Consumer loan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit card</td>
<td>47,999</td>
<td>18,238,445</td>
<td>0.26%</td>
<td>211,163</td>
<td>439.93%</td>
</tr>
<tr>
<td>Accounts receivable - factoring with no recourse (Notes 7 and 8)</td>
<td>-</td>
<td>12,024,130</td>
<td>-</td>
<td>145,552</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date</th>
<th>Non-performing Loan (NPL) (Note 1)</th>
<th>Total Loans</th>
<th>NPL Ratio (Note 2)</th>
<th>Loan Loss Reserves (LLR)</th>
<th>Coverage Ratio (Note 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate loan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secured</td>
<td>$ 923,217</td>
<td>158,263,492</td>
<td>0.58%</td>
<td>$ 2,258,091</td>
<td>244.59%</td>
</tr>
<tr>
<td>Unsecured</td>
<td>346,673</td>
<td>312,837,925</td>
<td>0.11%</td>
<td>4,532,824</td>
<td>1307.52%</td>
</tr>
<tr>
<td>Mortgate (Note 4)</td>
<td>545,892</td>
<td>247,236,052</td>
<td>0.22%</td>
<td>3,780,926</td>
<td>692.61%</td>
</tr>
<tr>
<td>Cash card</td>
<td>6,586</td>
<td>13,828</td>
<td>-</td>
<td>205,267</td>
<td>334.67%</td>
</tr>
<tr>
<td>Micro credit (Note 5)</td>
<td>61,334</td>
<td>19,211,977</td>
<td>0.32%</td>
<td>1,942,714</td>
<td>498.06%</td>
</tr>
<tr>
<td>Others (Note 6)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secured</td>
<td>390,055</td>
<td>177,660,436</td>
<td>0.22%</td>
<td>12,763,901</td>
<td>561.17%</td>
</tr>
<tr>
<td>Unsecured</td>
<td>7,695</td>
<td>2,475,534</td>
<td>0.31%</td>
<td>32,251</td>
<td>419.12%</td>
</tr>
<tr>
<td>Total</td>
<td>2,274,866</td>
<td>917,029,004</td>
<td>0.25%</td>
<td>12,763,901</td>
<td>561.17%</td>
</tr>
<tr>
<td>Credit card</td>
<td>24,118</td>
<td>15,430,592</td>
<td>0.16%</td>
<td>220,450</td>
<td>914.05%</td>
</tr>
<tr>
<td>Accounts receivable - factoring with no recourse (Notes 7 and 8)</td>
<td>-</td>
<td>15,240,232</td>
<td>-</td>
<td>285,046</td>
<td>-</td>
</tr>
</tbody>
</table>

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

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

Note 2: For loan business: NPL ratio = NPL ÷ Total loans.

For credit card business: Delinquency ratio = Overdue receivables ÷ Accounts receivables.

Note 3: For loan business: Coverage ratio = LLR ÷ NPL.

For credit card business: Coverage ratio = Allowance for credit losses ÷ Overdue receivables.

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

Note 5: Micro credit loan is regulated by the Banking Bureau letter dated December 19, 2005 (Ref. No. 09440010950) and is not credit and debit cards’ micro credit loan.

Note 6: Others in consumer loans refers to secured or unsecured loans excluding mortgage, cash card, micro credit, and credit cards.
Note 7: For accounts receivable - factoring with no recourse, as required by the Banking Bureau letter dated July 19, 2005 (Ref. No. 0945000494), which is equal to dated August 24, 2009 (Ref. 09850003180), and allowance for bad debts is recognized once no compensation is made from factoring or insurance within three months.

Note 8: Part of non-performing receivables transferred from other than loans were included.

b) Excluded NPLs and excluded overdue receivables

<table>
<thead>
<tr>
<th>Date</th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Excluded NPL</td>
<td>Excluded Overdue Receivables</td>
</tr>
<tr>
<td>As a result of debt negotiation and loan agreement (Note 1)</td>
<td>$ 1,132</td>
<td>$ 49,098</td>
</tr>
<tr>
<td>As a result of consumer debt clearance (Note 2)</td>
<td>13,072</td>
<td>663,475</td>
</tr>
<tr>
<td>Total</td>
<td>$ 14,204</td>
<td>$ 712,573</td>
</tr>
</tbody>
</table>

Note 1: The disclosure of excluded NPLs and excluded overdue receivables resulting from debt negotiations and loan agreement is based on the Banking Bureau letter dated April 25, 2006 (Ref. No. 09510001270).

Note 2: The disclosure of excluded NPLs, pre-mediation and excluded overdue receivables resulting from consumer debt clearance is based on the Banking Bureau’s letter dated September 15, 2008 (Ref. No. 09700318940) and September 20, 2016 (Ref. No. 10500134790).

c) Concentration of credit extensions

<table>
<thead>
<tr>
<th>Year</th>
<th>December 31, 2019</th>
<th>Total Credit Consists of Loans (Note 3)</th>
<th>Percentage of Net Worth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rank (Note 1)</td>
<td>Industry Category (Note 2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>A Group (other holding companies)</td>
<td>$ 9,172,083</td>
<td>6.86</td>
</tr>
<tr>
<td>2</td>
<td>B Group (manufacture of computers)</td>
<td>7,032,824</td>
<td>5.26</td>
</tr>
<tr>
<td>3</td>
<td>C Group (manufacture of computers)</td>
<td>6,799,043</td>
<td>5.09</td>
</tr>
<tr>
<td>4</td>
<td>D Group (manufacture of liquid crystal panel and components)</td>
<td>5,801,644</td>
<td>4.34</td>
</tr>
<tr>
<td>5</td>
<td>E Group (rolling of extruding of iron and steel)</td>
<td>5,332,607</td>
<td>3.99</td>
</tr>
<tr>
<td>6</td>
<td>F Group (metal casting)</td>
<td>4,243,672</td>
<td>3.17</td>
</tr>
<tr>
<td>7</td>
<td>G Company (other metalworking activities)</td>
<td>3,500,000</td>
<td>2.62</td>
</tr>
<tr>
<td>8</td>
<td>H Group (real estate development activities)</td>
<td>3,278,000</td>
<td>2.45</td>
</tr>
<tr>
<td>9</td>
<td>I Group (amusement and recreation activities)</td>
<td>3,211,200</td>
<td>2.40</td>
</tr>
<tr>
<td>10</td>
<td>J Company (water transportation)</td>
<td>2,559,456</td>
<td>1.91</td>
</tr>
<tr>
<td>Rank (Note 1)</td>
<td>Industry Category (Note 2)</td>
<td>Total Credit Consists of Loans (Note 3)</td>
<td>Percentage of Net Worth (%)</td>
</tr>
<tr>
<td>--------------</td>
<td>-----------------------------------------------------------------</td>
<td>----------------------------------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>1</td>
<td>A Group (manufacture of other computer peripheral equipment)</td>
<td>$11,562,079</td>
<td>8.96</td>
</tr>
<tr>
<td>2</td>
<td>B Group (spinning of yarn, cotton and wool)</td>
<td>9,029,973</td>
<td>7.00</td>
</tr>
<tr>
<td>3</td>
<td>C Group (manufacture of computers)</td>
<td>8,989,728</td>
<td>6.96</td>
</tr>
<tr>
<td>4</td>
<td>D Group (mechanics, telecommunications and electricity facilities installation)</td>
<td>5,317,254</td>
<td>4.12</td>
</tr>
<tr>
<td>5</td>
<td>E Group (manufacture of monitors and terminals)</td>
<td>5,283,656</td>
<td>4.09</td>
</tr>
<tr>
<td>6</td>
<td>F Company (other metalworking activities)</td>
<td>5,000,000</td>
<td>3.87</td>
</tr>
<tr>
<td>7</td>
<td>G Group (manufacture of computer, other computer peripheral equipment and software in specialized stores)</td>
<td>4,577,166</td>
<td>3.55</td>
</tr>
<tr>
<td>8</td>
<td>H Group (TV programming and communication)</td>
<td>3,462,075</td>
<td>2.68</td>
</tr>
<tr>
<td>9</td>
<td>I Group (real estate development activities)</td>
<td>3,028,000</td>
<td>2.35</td>
</tr>
<tr>
<td>10</td>
<td>J Company (government)</td>
<td>2,767,631</td>
<td>2.14</td>
</tr>
</tbody>
</table>

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

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

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

d. Liquidity risk management

1) Definition of liquidity risk

Liquidity is the Bank’s ability to provide sufficient funding for asset growth and matured liabilities. Liquidity risk means the risk banks cannot obtain sufficient fund with reasonable cost and correct timing, and then suffer losses on earnings or capital.

The measures of enhancing cash liquidity are holding sufficient cash and highly liquidable securities, adjusting maturities differences, savings absorption or arranging borrowings, etc.

a) Strategies

The Bank established a sound liquidity risk managing system based on business’ scale and characteristic, assets and liabilities’ structure, funding strategies and diversity of funding sources to ensure it would have sufficient funding for obligations in normal or worst scenario.

b) Risk measurement

The Bank uses quantitative analysis to manage liquidity risk. Cash flow deficit and liquidity management goals are used as measure instruments to report monthly the analysis results to the assets and liabilities managing committee.
Stress testing is done to ensure the Bank would have sufficient funding for asset growth and matured liabilities despite any internal operating problems or adverse changes in the financial environment.

c) Risk monitoring

The Bank established a liquidity deficit limit and an early warning system to detect liquidity risk and take appropriate action at the right time.

The Bank has formed a crisis management team to handle any liquidity crisis. The general manager is the team convener, and the managers of the financial obligation department and the risk management department are the team members. The general manager can also assign the managers of related departments to join the team, depending on the situation. Members’ rights and responsibilities are listed in “Bank SinoPac’s Liquidity Risk Emergency Response Rule”.

2) Maturity analysis of non-derivative financial liabilities held to manage liquidity risk

Cash outflow analyses of non-derivative financial liabilities of the Bank are summarized in the following tables. The amounts are provided on a contract cash flow basis so some of the amounts will not match the amounts in the balance sheets.

<table>
<thead>
<tr>
<th>December 31, 2019</th>
<th>0-30 Days</th>
<th>31-90 Days</th>
<th>91-180 Days</th>
<th>181 Days to 1 Year</th>
<th>Over 1 Year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits from the Central Bank and banks</td>
<td>$22,893,091</td>
<td>$11,697,518</td>
<td>$14,227,742</td>
<td>$113,661</td>
<td>$-</td>
<td>$48,932,012</td>
</tr>
<tr>
<td>Financial liabilities at fair value through profit or loss</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,688,638</td>
</tr>
<tr>
<td>Securities sold under repurchase agreements</td>
<td>4,050,626</td>
<td>3,698,019</td>
<td>530,263</td>
<td>-</td>
<td>-</td>
<td>8,288,908</td>
</tr>
<tr>
<td>Payables</td>
<td>5,660,732</td>
<td>590,552</td>
<td>43,802</td>
<td>192,545</td>
<td>2,814,383</td>
<td>9,302,014</td>
</tr>
<tr>
<td>Deposits and remittances</td>
<td>788,990,001</td>
<td>189,889,385</td>
<td>152,804,531</td>
<td>217,634,272</td>
<td>26,690,617</td>
<td>1,376,008,806</td>
</tr>
<tr>
<td>Bank debentures</td>
<td>6,095</td>
<td>1,993,152</td>
<td>181,995</td>
<td>2,373,112</td>
<td>31,056,122</td>
<td>35,610,476</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>December 31, 2018</th>
<th>0-30 Days</th>
<th>31-90 Days</th>
<th>91-180 Days</th>
<th>181 Days to 1 Year</th>
<th>Over 1 Year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits from the Central Bank and banks</td>
<td>$20,918,546</td>
<td>$10,159,918</td>
<td>$2,630,152</td>
<td>$948,255</td>
<td>-</td>
<td>$34,656,871</td>
</tr>
<tr>
<td>Financial liabilities at fair value through profit or loss</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,724,486</td>
</tr>
<tr>
<td>Securities sold under repurchase agreements</td>
<td>18,359,589</td>
<td>2,959,860</td>
<td>4,309,792</td>
<td>-</td>
<td>-</td>
<td>25,629,241</td>
</tr>
<tr>
<td>Payables</td>
<td>9,315,463</td>
<td>794,156</td>
<td>455,975</td>
<td>94,401</td>
<td>2,086,294</td>
<td>12,746,289</td>
</tr>
<tr>
<td>Deposits and remittances</td>
<td>681,629,361</td>
<td>161,666,678</td>
<td>116,558,942</td>
<td>201,872,039</td>
<td>25,871,769</td>
<td>1,187,598,789</td>
</tr>
<tr>
<td>Bank debentures</td>
<td>60,504</td>
<td>1,664,195</td>
<td>81,796</td>
<td>11,596,898</td>
<td>-</td>
<td>34,927,549</td>
</tr>
<tr>
<td>Other financial liabilities - certificate of deposit</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>307,838</td>
<td>307,838</td>
</tr>
</tbody>
</table>

3) Maturity analysis of financial derivatives held for liquidity risk management

a) Derivative liabilities settled on a net basis

Derivative liabilities of the Bank settled on a net basis include, but are not limited to:

Foreign exchange derivatives: Non-deliverable foreign exchange forwards, net cash flow settled foreign exchange options, etc.;

Interest rate derivatives: Forward rate agreements, interest rate swaps and interest rate futures contracts;

Other derivatives: Stock options and commodity futures.

A hedging derivative financial instrument is managed within the contract period and it is disclosed as undiscounted cash flow based on its maturity. The Bank uses derivative financial liabilities at fair value through profit or loss mainly to accommodate customers’ needs and manage their own exposure positions, and disclosed at fair value based on shortest period.

<table>
<thead>
<tr>
<th>December 31, 2019</th>
<th>0-30 Days</th>
<th>31-90 Days</th>
<th>91-180 Days</th>
<th>181 Days to 1 Year</th>
<th>Over 1 Year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial liabilities at fair value through profit or loss</td>
<td>$6,659,894</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$6,659,894</td>
</tr>
</tbody>
</table>
b) Derivatives settled on a gross basis

Gross settled derivatives of the Bank include:

Foreign exchange derivatives: Foreign exchange forward agreements, foreign exchange swaps, cross currency swaps and gross settled foreign exchange options.

Among which, foreign exchange forwards, foreign exchange swaps, and cross currency swaps are organized into the corresponding time periods based on the cash flow indicated on the contracts, and therefore the amount disclosed will not correspond to the relevant items in the standalone balance sheet; the gross settled foreign exchange options, as a position reserved for the purpose of transaction, the Bank is able to adjust the position at any time, and therefore the cash inflow and outflow of such are expressed at their fair values, and they are placed in the most recent time period alongside the derivative liabilities settled on a net basis.

(In Thousands of U.S. Dollars)

4) Maturity analysis of off-balance sheet items

Maturity analysis of off-balance sheet items are summarized in the following tables. Financial guarantee contracts of the Bank that assume full amount are available or require to execute at the earliest time. The amounts are provided on a contract cash flow basis so some of the amounts will not match the amounts in the balance sheets.

5) Maturity analysis of operating lease commitments

Operating lease commitment is the minimum lease payment when the Bank is lessee or lessor with non-cancelling condition.
Maturity analysis of operating lease commitments is summarized as follows:

<table>
<thead>
<tr>
<th>December 31, 2019</th>
<th>Less than 1 Year</th>
<th>1-5 Years</th>
<th>Over 5 Years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating lease commitments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating lease expense (lessee)</td>
<td>$601,102</td>
<td>$1,168,949</td>
<td>$697,847</td>
<td>$2,467,898</td>
</tr>
<tr>
<td>Operating lease income (lessor)</td>
<td>$87,495</td>
<td>$165,219</td>
<td>-</td>
<td>$252,714</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>December 31, 2018</th>
<th>Less than 1 Year</th>
<th>1-5 Years</th>
<th>Over 5 Years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating lease commitments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating lease expense (lessee)</td>
<td>$608,936</td>
<td>$990,789</td>
<td>$60,078</td>
<td>$1,659,803</td>
</tr>
<tr>
<td>Operating lease income (lessor)</td>
<td>$95,685</td>
<td>$201,089</td>
<td>3,080</td>
<td>299,854</td>
</tr>
<tr>
<td>Financial lease expense total amount (lessee)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>97</td>
<td>162</td>
<td>-</td>
<td>259</td>
<td></td>
</tr>
<tr>
<td>Financial lease expense present value (lessee)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>86</td>
<td>154</td>
<td>-</td>
<td>240</td>
<td></td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>December 31, 2019</th>
<th>Total</th>
<th>0-10 Days</th>
<th>11-30 Days</th>
<th>31-90 Days</th>
<th>91-180 Days</th>
<th>181 Days to 1 Year</th>
<th>Over 1 Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main capital inflow on maturity</td>
<td>$1,584,282,248</td>
<td>$216,049,339</td>
<td>$215,336,729</td>
<td>$229,156,993</td>
<td>$140,206,154</td>
<td>$116,428,452</td>
<td>$467,104,781</td>
</tr>
<tr>
<td>Main capital outflow on maturity</td>
<td>$1,938,793,240</td>
<td>$148,311,046</td>
<td>$136,713,893</td>
<td>$256,783,722</td>
<td>$362,690,210</td>
<td>$730,945,589</td>
<td></td>
</tr>
<tr>
<td>Gap</td>
<td>($354,510,992)</td>
<td>67,738,093</td>
<td>78,622,836</td>
<td>($14,191,787)</td>
<td>($246,281,758)</td>
<td>($63,840,808)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>December 31, 2018</th>
<th>Total</th>
<th>0-10 Days</th>
<th>11-30 Days</th>
<th>31-90 Days</th>
<th>91-180 Days</th>
<th>181 Days to 1 Year</th>
<th>Over 1 Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main capital inflow on maturity</td>
<td>$1,317,814,824</td>
<td>$153,434,880</td>
<td>$189,730,290</td>
<td>$262,104,934</td>
<td>$81,663,952</td>
<td>$81,328,434</td>
<td>$549,552,334</td>
</tr>
<tr>
<td>Main capital outflow on maturity</td>
<td>$1,636,414,951</td>
<td>$130,314,404</td>
<td>$254,527,428</td>
<td>$221,732,561</td>
<td>$324,968,070</td>
<td>$618,835,466</td>
<td></td>
</tr>
<tr>
<td>Gap</td>
<td>($318,600,127)</td>
<td>67,397,858</td>
<td>59,415,886</td>
<td>($7,577,506)</td>
<td>($140,068,609)</td>
<td>($243,839,838)</td>
<td>($69,283,132)</td>
</tr>
</tbody>
</table>

Note: The amounts shown in this table are the Bank’s position denominated in NTD.

b) Maturity analysis of assets and liabilities of the Bank (U.S. dollars)

(In Thousands of U.S. Dollars)

<table>
<thead>
<tr>
<th>December 31, 2019</th>
<th>Total</th>
<th>0-30 Days</th>
<th>31-90 Days</th>
<th>91-180 Days</th>
<th>181 Days to 1 Year</th>
<th>Over 1 Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main capital inflow on maturity</td>
<td>$35,619,661</td>
<td>$12,054,746</td>
<td>$10,017,115</td>
<td>$5,161,570</td>
<td>$3,359,922</td>
<td>$5,026,308</td>
</tr>
<tr>
<td>Main capital outflow on maturity</td>
<td>$36,926,414</td>
<td>$11,091,598</td>
<td>$11,198,187</td>
<td>$7,273,734</td>
<td>$4,301,525</td>
<td>$3,061,370</td>
</tr>
<tr>
<td>Gap</td>
<td>($1,306,753)</td>
<td>963,148</td>
<td>(1,181,072)</td>
<td>(2,112,164)</td>
<td>(941,603)</td>
<td>1,964,938</td>
</tr>
<tr>
<td>December 31, 2018</td>
<td>Total</td>
<td>0-30 Days</td>
<td>31-90 Days</td>
<td>91-180 Days</td>
<td>181 Days to 1 Year</td>
<td>Over 1 Year</td>
</tr>
<tr>
<td>-----------------</td>
<td>-------</td>
<td>-----------</td>
<td>------------</td>
<td>-------------</td>
<td>-------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>Main capital inflow on maturity</td>
<td>$39,682,973</td>
<td>$13,879,506</td>
<td>$9,107,959</td>
<td>$6,743,952</td>
<td>$6,308,028</td>
<td>$3,643,528</td>
</tr>
<tr>
<td>Main capital outflow on maturity</td>
<td>40,344,509</td>
<td>13,637,277</td>
<td>10,527,766</td>
<td>6,311,254</td>
<td>7,252,993</td>
<td>2,615,219</td>
</tr>
<tr>
<td>Gap</td>
<td>(661,536)</td>
<td>242,229</td>
<td>(1,419,807)</td>
<td>432,698</td>
<td>(944,965)</td>
<td>1,028,309</td>
</tr>
</tbody>
</table>

Note: The amounts shown in this table are the Bank’s position denominated in USD.

**e. Market risk**

1) Definition of market risk

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

The main market risks the Bank should overcome pertain to interest rate, exchange rate and equity securities. Interest rate risks primarily refer to bonds and interest rate related derivative instruments such as fixed rate and floating rate interest rate swaps and bond options; the exchange rate risk refers to foreign currency investments the Bank holds such as exchange rate related derivative instruments and foreign currency bonds; equity securities risk includes listed stocks and equity related derivative financial instruments.

2) Management strategies and procedures

To follow the “Market Risk Management Rule” and other regulations, the Bank established standards for risk identification, measurement, supervision and reporting to set up appropriate risk management framework for every kind of market risk.

In accordance with the risk management limit approved by the board of directors, the Bank supervises every loss limit and position at risk such as interest rate, exchange rate, equity security, spot trading and forward contract, option, future, swap, and related sensitivity information derived from spot trading to confirm that market risk exposure is accepted to the Bank.

The Bank separates its transactions into hedge and non-hedge on the basis of trading purposes. For hedge transactions, the Bank should measure hedge relations, risk management goals and hedge strategies. The Bank should also perform hedge testing for hedging effectiveness.

3) Organization and framework

The board of directors is the top supervision and decision making level of the Bank; it determines every risk management procedure and limit on the basis of its operating strategy and the business environment.

The Bank also set up a risk management department headed by a general manager to establish risk managing principles, regulate risk managing policies, and plan and set up a risk management system.
Following the internal control and segregation of duties principles, the Bank had certain related functions with market risk exposures transformed into three independent departments: Trading, risk control and settlement departments, usually called front office, middle office and back office. Nevertheless, the risk management department remains in charge of market risk control, i.e., it is responsible for identifying, measuring, controlling and reporting market risk.

4) Market risk control procedure

a) Identification and measurement

Risk measurement includes exposures changes in the market of interest rates, exchange rates, and equity securities, which affect spot trading and forward exchange, option, futures, and swap transactions or related combined transactions derived from spot trading. The Bank set up appropriate market risk limits based on commodity category, characteristic and complexity. The limits are the nominal exposure limit, the risk factor sensitivity limit of options as measured by Delta/Vega/DV01 and the loss control limit. These limits are calculated by the risk control department through measurements (such as those of the Black & Scholes Model) provided by financial data and company information providers (e.g. Murex and Bloomberg) based on market prices.

b) Supervision and reporting

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

5) Trading book risk management policies

a) Definitions

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

b) Strategies

The Bank earns revenues from trading spreads or fixed arbitrage debt and equity instruments are held for short periods of time, purchased with the intention of profiting from short-term price changes through properly control short-term fluctuation of market risk factors (interest rate, exchange rate and stock price). It executes hedge transactions as needed.

c) Policies and procedures

The Bank carries out “Market Risk Management Policy” to control market risk.

Under the above policy, traders may autonomously operate and manage positions within the range of authorized limits and the approved trading strategy. The market risk management department supervises trading positions (including limit, liquidity, the ability to establish hedge positions and investment portfolio risk) based on market information and evaluates market information quality, acquirability, liquidity and scale which are calculated into the pricing model.
d) Assessment policies

The Bank assesses financial instruments once a day on the basis of information obtained from independent sources if market prices are acquirable. If the Bank assesses financial instruments using a pricing model, it should be careful in making mathematical calculations and should review the pricing model’s assumptions and parameters regularly.

e) Measurements

i. The risk valuation and calculation methods are described in Note 45 e, 10).

ii. The calculation of the nominal exposure amount and the risk factor sensitivity value Delta/Vega/DV01 is done through the trading systems.

iii. The Bank makes stress tests using a light scenario (change in interest rate ± 100 bp, change in securities ± 15% and change in exchange rate ± 3%) and serious scenario (change in interest rate ± 200 bp, change in securities ± 30% and change in exchange rate ± 6%) and reports the stress test results to the board of directors.

6) Trading book interest rate risk management

a) Definitions

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

b) Procedures

The Bank has a trading limit and a stop-loss limit (which should be applied to trading instrument by the dealing room and dealers) based on management strategy and market conditions; limits have been approved by the board of directors.

c) Measurements

i. The risk valuation assumptions and calculation methods are described in Note 45 e, 10).

ii. DV01 is used daily to measure the impact of interest rate changes on investment portfolios.

7) Trading book exchange rate risk management

a) Definitions

Exchange rate risk refers to the incurrence of loss from the exchange of currencies in different timing. The Bank’s major financial instruments exposed to exchange rate risk spot contract, forward contracts, and FX option.

b) Policies and procedures

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

i. The risk valuation assumptions and calculation methods are described in Note 45 e, 10).

ii. Exposure positions are measured daily for the impact of exchange rate changes on investment portfolio value.

8) Trading book equity risk management

a) Definitions

Market risk of equity securities includes individual risk which arises from volatility of market price on individual equity securities and general market risk which arises from volatility of overall market price.

b) Procedures

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

c) Measurements

i. The risk valuation assumptions and calculation methods are described in Note 45 e, 10).

ii. Exposure positions are measured daily to measure the impact of equity risk on investment portfolio value due from equity risk.

9) Banking book interest rate risk management

Banking book interest rate risk refers to the decrease in the value of the banking book portfolio due to unfavorable interest rate changes. The banking book interest rate risk is not related to the interest rate position shown in the trading book.

Through managing the banking book interest rate risk, the Bank can measure and manage the risk to earnings and financial position caused by interest rate fluctuations.

a) Strategies

To reduce the negative effect of interest rate changes on net interest revenue and economic value, the Bank adjusts positions within certain limits for better performance. It reviews the interest rate sensitivity regularly to create maximum profit and manage interest rate risk.

b) Risk measurement

Risk measurement refers to the interest rate risk of assets, liabilities, and off-balance-sheet positions. The Bank periodically reports interest rate sensitivity positions and measures the impact of interest rate fluctuations on interest rate-sensitive assets and net interest revenue.

c) Risk monitoring

The asset and liability management committee examines and monitors exposure to interest rate risk on the basis of the measurement provided by the risk management sector.
If the risk exposure condition exceeds the limit or target value, the risk management sector should investigate how this condition arose and notify the executive division accordingly. The executive division coordinates with relevant divisions to find solutions to problems. The asset and liability management committee will evaluate solutions for effectiveness. If evaluation results are positive, the relevant division will apply the solutions.

10) Market risk measurement technique

**Value at Risk (VaR)**

The Bank uses the Risk Manager system and stress testing to measure its investment portfolio risk and uses several hypotheses about market conditions to measure market risk and expected maximum loss of holding positions. The Bank’s board of directors has set a VaR limit. The VaR is controlled daily by the market risk management sector and is a widely used risk measure of the risk of loss on a specific portfolio of financial assets.

VaR is the statistical estimate of the potential loss of holding positions due to unfavorable market conditions. For the Bank, VaR refers to a fall in value of its holding position in a day, with a 99% confidence level. The Bank uses VaR and the Monte Carlo simulation method to derive quantitative measures for the market risks of the holding positions under normal conditions. The calculated result is used to test and monitor the validity of parameters and hypotheses periodically. However, the use of the VaR cannot prevent loss caused by huge unfavorable changes in market conditions.

The Bank considers the expected maximum loss, target profit, and operating strategy in setting the VaR, which is proposed by the market risk management sector and approved by the board of directors.

The Bank’s trading book VaR overview.

<table>
<thead>
<tr>
<th></th>
<th>For the Year Ended December 31, 2019</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average</td>
<td>Maximum</td>
<td>Minimum</td>
</tr>
<tr>
<td>Exchange rate risk</td>
<td>12,058</td>
<td>33,253</td>
<td>5,140</td>
</tr>
<tr>
<td>Interest rate risk</td>
<td>61,482</td>
<td>108,926</td>
<td>37,019</td>
</tr>
<tr>
<td>Equity risk</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total VaR</td>
<td>63,449</td>
<td>111,600</td>
<td>37,947</td>
</tr>
</tbody>
</table>

Note 1: Estimated VaR: Time frame = 1 day, confidence level = 99%, decay factor = 0.94.

Note 2: Historical data period: 2019.01.02 - 2019.12.31

<table>
<thead>
<tr>
<th></th>
<th>For the Year Ended December 31, 2018</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average</td>
<td>Maximum</td>
<td>Minimum</td>
</tr>
<tr>
<td>Exchange rate risk</td>
<td>11,709</td>
<td>34,595</td>
<td>4,322</td>
</tr>
<tr>
<td>Interest rate risk</td>
<td>76,808</td>
<td>136,537</td>
<td>38,496</td>
</tr>
<tr>
<td>Equity risk</td>
<td>11,553</td>
<td>49,244</td>
<td>-</td>
</tr>
<tr>
<td>Total VaR</td>
<td>81,055</td>
<td>142,152</td>
<td>42,056</td>
</tr>
</tbody>
</table>

Note 1: Estimated VaR: Time frame = 1 day, confidence level = 99%, decay factor = 0.94.

Note 2: Historical data period: 2018.01.03 - 2018.12.29
11) Exchange rate risks

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

<table>
<thead>
<tr>
<th>December 31, 2019</th>
<th>Foreign Currency (In Thousands)</th>
<th>Exchange Rate</th>
<th>Converted to NTD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monetary items</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USD</td>
<td>$10,268,622</td>
<td>30.1122</td>
<td>$309,210,788</td>
</tr>
<tr>
<td>CNY</td>
<td>14,808,959</td>
<td>4.3224</td>
<td>64,010,244</td>
</tr>
<tr>
<td>Nonmonetary items</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USD</td>
<td>406,092</td>
<td>30.1122</td>
<td>12,228,314</td>
</tr>
<tr>
<td><strong>Financial liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monetary items</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USD</td>
<td>14,394,011</td>
<td>30.1122</td>
<td>433,435,335</td>
</tr>
<tr>
<td>CNY</td>
<td>14,152,410</td>
<td>4.3224</td>
<td>61,172,377</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>December 31, 2018</th>
<th>Foreign Currency (In Thousands)</th>
<th>Exchange Rate</th>
<th>Converted to NTD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monetary items</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USD</td>
<td>$9,006,183</td>
<td>30.75146</td>
<td>$276,953,290</td>
</tr>
<tr>
<td>CNY</td>
<td>18,150,153</td>
<td>4.4762</td>
<td>81,243,716</td>
</tr>
<tr>
<td>Nonmonetary items</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USD</td>
<td>401,973</td>
<td>30.75146</td>
<td>12,361,262</td>
</tr>
<tr>
<td><strong>Financial liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monetary items</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USD</td>
<td>11,858,019</td>
<td>30.75146</td>
<td>364,651,403</td>
</tr>
<tr>
<td>CNY</td>
<td>19,117,864</td>
<td>4.4762</td>
<td>85,575,383</td>
</tr>
</tbody>
</table>

12) Compliance with the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Interest rate sensitivity information (New Taiwan dollars)

<table>
<thead>
<tr>
<th>December 31, 2019</th>
<th>Items</th>
<th>1 to 90 Days</th>
<th>91 to 180 Days</th>
<th>181 Days to 1 Year</th>
<th>Over 1 Year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate-sensitive assets</td>
<td>$976,144,175</td>
<td>$24,315,775</td>
<td>$61,828,490</td>
<td>$114,809,584</td>
<td>$1,177,098,024</td>
<td></td>
</tr>
<tr>
<td>Interest rate-sensitive liabilities</td>
<td>$309,456,258</td>
<td>$510,478,376</td>
<td>$93,913,325</td>
<td>$58,606,204</td>
<td>$922,454,163</td>
<td></td>
</tr>
<tr>
<td>Interest rate-sensitive gap</td>
<td>$666,687,917</td>
<td>$(480,162,601)</td>
<td>$(32,084,835)</td>
<td>$56,203,380</td>
<td>$204,643,861</td>
<td></td>
</tr>
<tr>
<td>Net worth</td>
<td>$132,128,375</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ratio of interest rate-sensitive assets to liabilities (%)</td>
<td>121.04%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ratio of interest rate-sensitive gap to net worth (%)</td>
<td>154.88%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### December 31, 2018

<table>
<thead>
<tr>
<th>Items</th>
<th>1 to 90 Days</th>
<th>91 to 180 Days</th>
<th>181 Days to 1 Year</th>
<th>Over 1 Year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate-sensitive assets</td>
<td>$898,897,239</td>
<td>$17,880,514</td>
<td>$52,439,135</td>
<td>$72,609,131</td>
<td>$1,041,826,019</td>
</tr>
<tr>
<td>Interest rate-sensitive liabilities</td>
<td>308,751,126</td>
<td>438,752,661</td>
<td>78,309,021</td>
<td>32,306,599</td>
<td>858,119,407</td>
</tr>
<tr>
<td>Interest rate-sensitive gap</td>
<td>590,146,113</td>
<td>(420,872,147)</td>
<td>(25,869,886)</td>
<td>40,302,532</td>
<td>183,706,612</td>
</tr>
<tr>
<td>Net worth</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>128,869,604</td>
</tr>
<tr>
<td>Ratio of interest rate-sensitive to liabilities (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>121.41%</td>
</tr>
<tr>
<td>Ratio of interest rate-sensitive gap to net worth (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>142.55%</td>
</tr>
</tbody>
</table>

Note 1: The above amounts include only New Taiwan dollars held by the Bank, and exclude contingent assets and contingent liabilities.

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

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

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in New Taiwan dollars).

### b) Interest rate sensitivity information (U.S. dollars)

#### December 31, 2019

<table>
<thead>
<tr>
<th>Items</th>
<th>1 to 90 Days</th>
<th>91 to 180 Days</th>
<th>181 Days to 1 Year</th>
<th>Over 1 Year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate-sensitive assets</td>
<td>$7,714,387</td>
<td>$207,535</td>
<td>$196,423</td>
<td>$1,230,062</td>
<td>$9,348,407</td>
</tr>
<tr>
<td>Interest rate-sensitive liabilities</td>
<td>6,574,972</td>
<td>5,487,785</td>
<td>1,098,527</td>
<td>117,341</td>
<td>13,278,625</td>
</tr>
<tr>
<td>Interest rate-sensitive gap</td>
<td>1,139,415</td>
<td>(5,280,250)</td>
<td>(902,104)</td>
<td>1,112,721</td>
<td>(3,930,218)</td>
</tr>
<tr>
<td>Net worth</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>32,450</td>
</tr>
<tr>
<td>Ratio of interest rate-sensitive to liabilities (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>70.40%</td>
</tr>
<tr>
<td>Ratio of interest rate-sensitive gap to net worth (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(12,111.61%)</td>
</tr>
</tbody>
</table>

#### December 31, 2018

<table>
<thead>
<tr>
<th>Items</th>
<th>1 to 90 Days</th>
<th>91 to 180 Days</th>
<th>181 Days to 1 Year</th>
<th>Over 1 Year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate-sensitive assets</td>
<td>$6,039,870</td>
<td>$300,836</td>
<td>$196,423</td>
<td>$1,025,167</td>
<td>$7,597,107</td>
</tr>
<tr>
<td>Interest rate-sensitive liabilities</td>
<td>4,689,821</td>
<td>4,186,576</td>
<td>1,320,195</td>
<td>156,501</td>
<td>10,353,093</td>
</tr>
<tr>
<td>Interest rate-sensitive gap</td>
<td>1,350,049</td>
<td>(3,885,740)</td>
<td>(1,088,961)</td>
<td>868,666</td>
<td>(2,755,986)</td>
</tr>
<tr>
<td>Net worth</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>7,025</td>
</tr>
<tr>
<td>Ratio of interest rate-sensitive to liabilities (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>73.38%</td>
</tr>
<tr>
<td>Ratio of interest rate-sensitive gap to net worth (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(39,231.12%)</td>
</tr>
</tbody>
</table>

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

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

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

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in USD).
13) Transfers of financial assets

The transferred financial assets of the Bank that do not qualify for derecognition in the daily operation are mainly securities sold under repurchase agreement.

The transaction transfers the contractual rights to receive the cash flows of the financial assets but the Bank retains the liabilities to repurchase the transferred financial assets at fixed price in the future period.

The Bank cannot use, sell, or pledge these transferred financial assets within the validity period of the transaction. However, the Bank still bear the interest rate risk and credit risk thus, the Bank do not derecognize it.

The analysis of financial assets and related liabilities that did not completely meet the derecognizing condition is shown in the following table:

<table>
<thead>
<tr>
<th>Category of Financial Asset</th>
<th>December 31, 2019</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets at fair value through other comprehensive income Transactions under repurchase agreement</td>
<td>$ 4,020,679</td>
<td>$ 3,890,815</td>
</tr>
<tr>
<td>Investment in debt instruments at amortized cost Transactions under repurchase agreement</td>
<td>1,148,567</td>
<td>1,097,935</td>
</tr>
<tr>
<td>Securities purchased under resell agreements Transactions under repurchase agreement</td>
<td>2,822,902</td>
<td>3,047,485</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category of Financial Asset</th>
<th>December 31, 2018</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets at fair value through other comprehensive income Transactions under repurchase agreement</td>
<td>$ 8,148,104</td>
<td>$ 7,766,751</td>
</tr>
<tr>
<td>Investment in debt instruments at amortized cost Transactions under repurchase agreement</td>
<td>12,388,738</td>
<td>12,160,744</td>
</tr>
<tr>
<td>Securities purchased under resell agreements Transactions under repurchase agreement</td>
<td>5,037,558</td>
<td>5,346,642</td>
</tr>
</tbody>
</table>

14) Offsetting of financial assets and financial liabilities

The Bank did not hold financial instruments covered by Section 42 of the IAS 32 “Financial Instruments: Presentation” endorsed by the Financial Supervisory Commission; thus, it made an offset of financial assets and liabilities and reported the net amount in the balance sheet.
The Bank engages in transactions on the following financial assets and liabilities that are not subject to balance sheet offsetting based on IAS 32 but are under master netting arrangements or similar agreements. These agreements allow both the Bank and its counterparties to opt for the net settlement of financial assets and financial liabilities. If one party defaults, the other one may choose net settlement.

The netting information of financial assets and financial liabilities is set out below:

### December 31, 2019

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivative instruments</td>
<td>$11,602,495</td>
<td>$11,602,495</td>
<td>$11,602,495</td>
<td>$1,742,606</td>
</tr>
<tr>
<td>Securities purchased under resell agreements</td>
<td>$30,516,733</td>
<td>$30,516,733</td>
<td>$30,514,936</td>
<td>$37,657,542</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$42,119,228</strong></td>
<td><strong>$42,119,228</strong></td>
<td><strong>$42,119,228</strong></td>
<td><strong>$79,360,148</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivative instruments</td>
<td>$14,121,533</td>
<td>$14,121,533</td>
<td>$14,121,533</td>
<td>$7,142,606</td>
</tr>
<tr>
<td>Securities sold under repurchase agreement</td>
<td>$8,226,792</td>
<td>$8,226,792</td>
<td>$8,211,023</td>
<td>$15,769</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$22,348,325</strong></td>
<td><strong>$22,348,325</strong></td>
<td><strong>$22,348,325</strong></td>
<td><strong>$8,703,679</strong></td>
</tr>
</tbody>
</table>

Note: Including netting settlement agreements and non-cash financial collaterals.

### December 31, 2018

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivative instruments</td>
<td>$14,861,161</td>
<td>$14,861,161</td>
<td>$14,861,161</td>
<td>$12,039,996</td>
</tr>
<tr>
<td>Securities purchased under resell agreements</td>
<td>$22,710,233</td>
<td>$22,710,233</td>
<td>$22,709,331</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$37,571,394</strong></td>
<td><strong>$37,571,394</strong></td>
<td><strong>$37,571,394</strong></td>
<td><strong>$24,049,327</strong></td>
</tr>
</tbody>
</table>
Recognized Financial Assets Recognized on the Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivative instruments</td>
<td>$ 17,607,505</td>
<td>$ -</td>
<td>$ 17,607,505</td>
<td>$ 12,608,896 $ 1,470,152 $ 3,528,457</td>
</tr>
<tr>
<td>Securities sold under repurchase</td>
<td>$ 25,504,487</td>
<td>$ -</td>
<td>$ 25,504,487</td>
<td>$ 25,504,306 $ - $ 181</td>
</tr>
<tr>
<td>agreement</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ 43,111,992</td>
<td>$ -</td>
<td>$ 43,111,992</td>
<td>$ 38,113,202 $ 1,470,152 $ 3,528,638</td>
</tr>
</tbody>
</table>

Note: Including netting settlement agreements and non-cash financial collaterals.

46. CAPITAL MANAGEMENT

a. Overview

The Bank’s capital management goals are as follows:

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

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

b. Capital management procedure

The Bank’s capital adequacy ratio should meet the regulations announced by the authority. Also, the Bank should maintain capital adequacy ratio by considering the Bank’s business scale, major operating strategy, risk condition, eligible capital structure, and future capital increase plan, etc. The Bank reported to the authority regularly. Overseas subsidiaries’ capital management is in accordance with local regulations.

The Bank’s capital maintenance is in accordance with “Regulations Governing the Capital Adequacy and Capital Category of Banks”, etc., and is managed by the Bank’s risk management and financing divisions.
### c. Statement of capital adequacy

<table>
<thead>
<tr>
<th>Analysis Items</th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Standalone</td>
<td>Consolidation</td>
</tr>
<tr>
<td>Common shares equity</td>
<td>$123,600,106</td>
<td>$125,981,077</td>
</tr>
<tr>
<td>Other Tier 1 capital</td>
<td>8,522,714</td>
<td>10,998,553</td>
</tr>
<tr>
<td>Tier 2 capital</td>
<td>18,789,936</td>
<td>23,741,613</td>
</tr>
<tr>
<td>Eligible capital</td>
<td>150,912,756</td>
<td>160,721,243</td>
</tr>
<tr>
<td>Eligible capital</td>
<td>Standardized approach</td>
<td>986,273,556</td>
</tr>
<tr>
<td></td>
<td>Securitization</td>
<td>-</td>
</tr>
<tr>
<td>Credit risk</td>
<td>Standardized approach</td>
<td>44,787,770</td>
</tr>
<tr>
<td>Operational risk</td>
<td>Standardized approach/</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>alternative standardized approach</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Advanced measurement</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>approach</td>
<td>-</td>
</tr>
<tr>
<td>Risk-weighted assets</td>
<td>Basic indicator approach</td>
<td>-</td>
</tr>
<tr>
<td>Market risk</td>
<td>Standardized approach</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Internal model approach</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Total risk-weighted assets</td>
<td>1,077,919,801</td>
</tr>
<tr>
<td>Capital adequacy ratio</td>
<td>14.00%</td>
<td>14.27%</td>
</tr>
<tr>
<td>Common shares equity risk - based capital ratio</td>
<td>11.47%</td>
<td>11.19%</td>
</tr>
<tr>
<td>Tier 1 risk - based capital ratio</td>
<td>12.26%</td>
<td>12.16%</td>
</tr>
<tr>
<td>Leverage ratio</td>
<td>7.49%</td>
<td>7.71%</td>
</tr>
</tbody>
</table>

Note 1: These tables were filled according to “Regulations Governing the Capital Adequacy Ratio of Banks” and related calculation tables.

Note 2: The Bank shall disclose the capital adequacy ratio for the current and previous years in annual financial reports. For semiannual financial report, the Bank shall disclose the capital adequacy ratio for the current period, previous period, and previous year-end.

Note 3: The formula is as follows:

1) Eligible capital = Common shares equity + Other Tier 1 capital + Tier 2 capital.

2) Total risk-weighted assets = Risk-weighted assets for credit risk + (Capital requirements for operational risk + Capital requirement for market risk) x 12.5.

3) Ratio of capital adequacy = Eligible capital ÷ Total risk-weighted assets.

4) Common shares equity risk-based capital ratio = Common shares equity ÷ Total risk-weighted assets.

5) Tier 1 risk - based capital ratio = (Common shares equity + Other Tier 1 capital) ÷ Total risk-weighted assets.

6) Leverage ratio = Tier 1 capital ÷ Total exposure risk.

Note 4: In accordance with Financial Supervisory Commission Guideline No. 09900146911, gains from the sale of idle assets are not to be included in the Bank’s capital adequacy ratio calculation until disposed outside the Group.
47. CROSS-SELLING INFORMATION

For the years ended December 31, 2019 and 2018, the Bank charged SinoPac Securities for $3,133 and $3,439, respectively, as marketing and opening accounts. The rental fee the Bank charged SinoPac Securities for the years ended December 31, 2019 and 2018 were $3,229 and $3,455, respectively.

The Bank paid to SinoPac Securities $4,899 and $4,720 for the years ended December 31, 2019 and 2018 for bonus as part of the cross-selling agreement.

The Bank paid to SinoPac Venture Capital $12 for the year ended December 31, 2019 for bonus as part of the cross-selling agreement.

For other transactions between SPH and its subsidiaries, please refer to Note 41.

48. PROFITABILITY

<table>
<thead>
<tr>
<th>Items</th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on total assets</td>
<td>Before income tax</td>
<td>0.77%</td>
</tr>
<tr>
<td></td>
<td>After income tax</td>
<td>0.66%</td>
</tr>
<tr>
<td>Return on net worth</td>
<td>Before income tax</td>
<td>9.12%</td>
</tr>
<tr>
<td></td>
<td>After income tax</td>
<td>7.83%</td>
</tr>
<tr>
<td>Profit margin</td>
<td></td>
<td>38.76%</td>
</tr>
</tbody>
</table>

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

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

Note 3: Profit margin = Income after income tax ÷ Total net revenues.

Note 4: Income before (after) income tax represents income for the years ended December 31, 2019 and 2018.

49. TRUST BUSINESS UNDER THE TRUST LAW

a. Balance sheets, income statement and trust properties of trust accounts

These statements were managed by the Bank’s Trust Department. However, these items were not included in the Bank’s financial statements.
### Balance Sheets of Trust Accounts
#### December 31, 2019 and 2018

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
<th>%</th>
<th>December 31</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Trust assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank deposits</td>
<td>$2,176,340</td>
<td>-</td>
<td>$4,648,287</td>
<td>2</td>
</tr>
<tr>
<td>Bonds</td>
<td>7,491,614</td>
<td>2</td>
<td>8,252,467</td>
<td>3</td>
</tr>
<tr>
<td>Stocks</td>
<td>17,899,678</td>
<td>4</td>
<td>13,845,279</td>
<td>5</td>
</tr>
<tr>
<td>Funds</td>
<td>102,502,636</td>
<td>20</td>
<td>103,185,223</td>
<td>35</td>
</tr>
<tr>
<td>Securities lent</td>
<td>450,060</td>
<td>-</td>
<td>3,329,979</td>
<td>1</td>
</tr>
<tr>
<td>Receivables</td>
<td>77,409</td>
<td>-</td>
<td>95,134</td>
<td>-</td>
</tr>
<tr>
<td>Prepayments</td>
<td>8,759</td>
<td>-</td>
<td>15,486</td>
<td>-</td>
</tr>
<tr>
<td>Real estate</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>5,553,845</td>
<td>1</td>
<td>3,756,357</td>
<td>1</td>
</tr>
<tr>
<td>Buildings</td>
<td>97,720</td>
<td>-</td>
<td>149,611</td>
<td>-</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>793,194</td>
<td>-</td>
<td>608,695</td>
<td>-</td>
</tr>
<tr>
<td>Securities under custody</td>
<td>374,486,273</td>
<td>73</td>
<td>155,105,417</td>
<td>53</td>
</tr>
<tr>
<td><strong>Total trust assets</strong></td>
<td>$511,537,528</td>
<td>100</td>
<td>$292,991,935</td>
<td>100</td>
</tr>
<tr>
<td><strong>Trust liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables</td>
<td>$789</td>
<td>-</td>
<td>$1,423</td>
<td>-</td>
</tr>
<tr>
<td>Payable on securities under custody</td>
<td>374,486,273</td>
<td>73</td>
<td>155,105,417</td>
<td>53</td>
</tr>
<tr>
<td>Trust capital</td>
<td>133,777,969</td>
<td>26</td>
<td>137,615,084</td>
<td>47</td>
</tr>
<tr>
<td>Reserves and cumulative earnings</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>3,644,585</td>
<td>1</td>
<td>(344,821)</td>
<td>-</td>
</tr>
<tr>
<td>Cumulative earnings</td>
<td>270,011</td>
<td>-</td>
<td>1,501,796</td>
<td>-</td>
</tr>
<tr>
<td>Deferred amount</td>
<td>(642,099)</td>
<td>-</td>
<td>(886,964)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total trust liabilities</strong></td>
<td>$511,537,528</td>
<td>100</td>
<td>$292,991,935</td>
<td>100</td>
</tr>
</tbody>
</table>

### Trust Properties of Trust Accounts
#### December 31, 2019 and 2018

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment Portfolio</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank deposits</td>
<td>$2,176,340</td>
<td></td>
<td>$4,648,287</td>
</tr>
<tr>
<td>Bonds</td>
<td>7,491,614</td>
<td></td>
<td>8,252,467</td>
</tr>
<tr>
<td>Stocks</td>
<td>17,899,678</td>
<td></td>
<td>13,845,279</td>
</tr>
<tr>
<td>Funds</td>
<td>102,502,636</td>
<td></td>
<td>103,185,223</td>
</tr>
<tr>
<td>Securities lent</td>
<td>450,060</td>
<td></td>
<td>3,329,979</td>
</tr>
<tr>
<td>Real estate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>5,553,845</td>
<td></td>
<td>3,756,357</td>
</tr>
<tr>
<td>Buildings</td>
<td>97,720</td>
<td></td>
<td>149,611</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>793,194</td>
<td></td>
<td>608,695</td>
</tr>
<tr>
<td>Securities under custody</td>
<td>374,486,273</td>
<td></td>
<td>155,105,417</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$511,451,360</td>
<td></td>
<td>$292,881,315</td>
</tr>
</tbody>
</table>
## Income Statements of Trust Account

**Years Ended December 31, 2019 and 2018**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Trust income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>$ 14,533</td>
<td>$ 17,175</td>
</tr>
<tr>
<td>Borrowed Securities income</td>
<td>10,828</td>
<td>15,492</td>
</tr>
<tr>
<td>Cash dividends</td>
<td>656,044</td>
<td>924,551</td>
</tr>
<tr>
<td>Gains from beneficiary certificates</td>
<td>1,204</td>
<td>3,260</td>
</tr>
<tr>
<td>Realized investment income</td>
<td>59,806</td>
<td>45,367</td>
</tr>
<tr>
<td>Unrealized investment income</td>
<td>3,326,985</td>
<td>1,083,941</td>
</tr>
<tr>
<td>Other revenues</td>
<td>-</td>
<td>1,954</td>
</tr>
<tr>
<td>Donation revenue - charitable trust</td>
<td>10,368</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total trust income</strong></td>
<td>4,079,768</td>
<td>2,097,023</td>
</tr>
<tr>
<td><strong>Trust expense</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trust administrative expenses</td>
<td>4,991</td>
<td>6,121</td>
</tr>
<tr>
<td>Tax expenses</td>
<td>41</td>
<td>-</td>
</tr>
<tr>
<td>Donation expense - charitable trust</td>
<td>4,336</td>
<td>3,373</td>
</tr>
<tr>
<td>Realized investment loss</td>
<td>64,954</td>
<td>10,068</td>
</tr>
<tr>
<td>Unrealized investment loss</td>
<td>360,579</td>
<td>2,421,878</td>
</tr>
<tr>
<td>Other expense</td>
<td>282</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total trust expense</strong></td>
<td>435,183</td>
<td>2,441,844</td>
</tr>
<tr>
<td><strong>Income before income tax</strong></td>
<td>3,644,585</td>
<td>(344,821)</td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Income after income tax</strong></td>
<td>$3,644,585</td>
<td>(344,821)</td>
</tr>
</tbody>
</table>

b. The operations of the Bank’s Trust Department consist of planning, managing and operating of trust business and affiliated business. These operations are governed by the Banking Law and the Trust Law.

### 50. OTHER

The Bank acquired SinoPac Call Center on May 1, 2019 and acquired SinoPac Life Insurance Agent Co., Ltd. and SinoPac Property Insurance Agent Co., Ltd. on August 1, 2019. The Bank and SinoPac Call Center were both wholly-owned subsidiary of SPH and SinoPac Life Insurance Agent Co., Ltd. and SinoPac Property Insurance Agent Co., Ltd. were both wholly-owned subsidiary of the Bank. Business combination involving entities or businesses under common control does not apply the guidance of IFRS 3 “Business Combinations”, therefore, the Bank’s business combination was accounted for in accordance with “IFRS Questions and Answers on IFRS 3: Business combination involving entities or business under common control” issued by the Accounting Research and Development Foundation of the ROC.

The net assets of SinoPac Call Center at the reference date of the consolidation have been transferred to the Bank at book value of $66,859 by cash merger. The Bank mergered the book value of all assets and liabilities of SinoPac Life Insurance Agent Co., Ltd. and SinoPac Property Insurance Agent Co., Ltd. into the financial statements. At the reference date of the consolidation, the net assets of SinoPac Life Insurance Agent Co., Ltd. and SinoPac Property Insurance Agent Co., Ltd. were $911,055 and $24,059. In consideration of materiality, the Bank treated the merger of SinoPac Life Insurance Agent Co., Ltd. as if it occurred at the beginning of the period and the comparative financial statements for the prior period have been restated.
51. ADDITIONAL DISCLOSURES

a. Relevant information of material transaction:

<table>
<thead>
<tr>
<th>No.</th>
<th>Item</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Acquired and disposed of investment at costs or prices of at least NT$300 million or 10% of the issued capital</td>
<td>None</td>
</tr>
<tr>
<td>2</td>
<td>Acquisition of individual real estates at costs of at least NT$300 million or 10% of the issued capital</td>
<td>None</td>
</tr>
<tr>
<td>3</td>
<td>Disposal of individual real estates at prices of at least NT$300 million or 10% of the issued capital</td>
<td>None</td>
</tr>
<tr>
<td>4</td>
<td>Allowance for service fee to related parties amounting to at least NT$5 million</td>
<td>None</td>
</tr>
<tr>
<td>5</td>
<td>Receivables from related parties amounting to at least NT$300 million or 10% of the issued capital</td>
<td>Table 1</td>
</tr>
<tr>
<td>6</td>
<td>Trading information - sale of non-performing loans</td>
<td>None</td>
</tr>
<tr>
<td>7</td>
<td>Financial asset securitization</td>
<td>None</td>
</tr>
<tr>
<td>8</td>
<td>Other significant transactions which may affect the decisions of financial report users</td>
<td>None</td>
</tr>
</tbody>
</table>

b. Information related to subsidiary:

<table>
<thead>
<tr>
<th>No.</th>
<th>Item</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Financing provided</td>
<td>None (Note)</td>
</tr>
<tr>
<td>2</td>
<td>Endorsements/guarantees provided</td>
<td>None (Note)</td>
</tr>
<tr>
<td>3</td>
<td>Marketable securities held</td>
<td>None (Note)</td>
</tr>
<tr>
<td>4</td>
<td>Acquisition and disposal of investment at costs or prices of at least NT$300 million or 10% of the issued capital</td>
<td>None</td>
</tr>
<tr>
<td>5</td>
<td>Derivative transactions of the subsidiary</td>
<td>None</td>
</tr>
<tr>
<td>6</td>
<td>Acquisition of individual real estates at costs of at least NT$300 million or 10% of the issued capital</td>
<td>None</td>
</tr>
<tr>
<td>7</td>
<td>Disposal of individual real estates at prices of at least NT$300 million or 10% of the issued capital</td>
<td>None</td>
</tr>
<tr>
<td>8</td>
<td>Allowance for service fee to related parties amounting to at least NT$5 million</td>
<td>None</td>
</tr>
<tr>
<td>9</td>
<td>Receivables from related parties amounting to at least NT$300 million or 10% of the issued capital</td>
<td>None</td>
</tr>
<tr>
<td>10</td>
<td>Trading information - sale of non-performing loans</td>
<td>None</td>
</tr>
<tr>
<td>11</td>
<td>Financial asset securitization</td>
<td>None</td>
</tr>
<tr>
<td>12</td>
<td>Other significant transactions which may affect the decisions of financial report users</td>
<td>None</td>
</tr>
</tbody>
</table>

Note: Subsidiaries which belong to finance, insurance, securities industries and its main business registration include financing provided, endorsements/guarantees provided, acquisition and disposal of marketable securities do not need to disclose above information.

c. The related information and proportionate share in investees: Table 2.

d. Information on investment in Mainland China: Table 3.
BANK SINOPAC

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$300 MILLION OR 10% OF THE ISSUED CAPITAL
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Related Party</th>
<th>Relationship</th>
<th>Ending Balance</th>
<th>Turnover Rate</th>
<th>Overdue Amount</th>
<th>Action Taken</th>
<th>Amount Received in Subsequent Period</th>
<th>Allowance for Bad Debts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank SinoPac</td>
<td>SinoPac Financial Holdings Company Limited</td>
<td>The parent company of the Bank</td>
<td>$1,276,300</td>
<td>-</td>
<td>$ -</td>
<td>-</td>
<td>$ -</td>
<td>$ -</td>
</tr>
</tbody>
</table>

Note: Most of receivables resulted from the use of the linked-tax system (recognized in current tax assets) and related parties.
# Bank SinoPac

**Information on Invested Enterprises for the Year Ended December 31, 2019**

(In Thousands of New Taiwan Dollars or Shares)

<table>
<thead>
<tr>
<th>Investee Company</th>
<th>Location</th>
<th>Main Businesses and Products</th>
<th>Percentage of Ownership (%)</th>
<th>Carrying Amount</th>
<th>Investment Gains (Losses)</th>
<th>Consolidated Investment</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial related enterprise</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank SinoPac (China) Ltd.</td>
<td>China</td>
<td>Commercial Bank</td>
<td>100.00</td>
<td>$9,452,558</td>
<td>$106,767</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>SinoPac Capital Limited</td>
<td>Hong Kong</td>
<td>Credit and investment service</td>
<td>100.00</td>
<td>411,905</td>
<td>1,615</td>
<td>29,998</td>
<td>-</td>
</tr>
<tr>
<td>SinoPac Insurance Brokers Ltd.</td>
<td>Hong Kong</td>
<td>Insurance services</td>
<td>100.00</td>
<td>78,565</td>
<td>14,884</td>
<td>100</td>
<td>-</td>
</tr>
<tr>
<td>SinoPac Property Insurance Agent Co., Ltd.</td>
<td>Taiwan</td>
<td>Property insurance agent</td>
<td>-</td>
<td>-</td>
<td>15,792</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Global Securities Finance Corporation</td>
<td>Taiwan</td>
<td>Securities financing</td>
<td>2.63</td>
<td>111,223</td>
<td>1,560</td>
<td>11,494</td>
<td>-</td>
</tr>
<tr>
<td>Taipei Foreign Exchange Inc.</td>
<td>Taiwan</td>
<td>Foreign exchange market maker</td>
<td>3.43</td>
<td>19,836</td>
<td>4,080</td>
<td>680</td>
<td>-</td>
</tr>
<tr>
<td>Taiwan Futures Exchange</td>
<td>Taiwan</td>
<td>Futures exchange and settlement</td>
<td>1.07</td>
<td>178,958</td>
<td>13,103</td>
<td>7,382</td>
<td>-</td>
</tr>
<tr>
<td>Fuh Hwa Securities Investment Trust Co., Ltd.</td>
<td>Taiwan</td>
<td>Securities investment trust and consultant</td>
<td>4.63</td>
<td>112,955</td>
<td>22,235</td>
<td>100</td>
<td>-</td>
</tr>
<tr>
<td>Financial Information Service Co., Ltd.</td>
<td>Taiwan</td>
<td>Planning and developing the information system of across banking institution and managing the information web system</td>
<td>2.34</td>
<td>585,236</td>
<td>33,044</td>
<td>12,238</td>
<td>-</td>
</tr>
<tr>
<td>Taiwan Asset Management Corporation</td>
<td>Taiwan</td>
<td>Evaluating, auctioning, and managing for financial institutions’ loan</td>
<td>0.28</td>
<td>19,890</td>
<td>1,950</td>
<td>3,000</td>
<td>-</td>
</tr>
<tr>
<td>Taiwan Financial Asset Service Co.</td>
<td>Taiwan</td>
<td>Auction</td>
<td>5.88</td>
<td>68,000</td>
<td>700</td>
<td>10,000</td>
<td>-</td>
</tr>
<tr>
<td>Sunny Asset Management Corp.</td>
<td>Taiwan</td>
<td>Purchasing for financial institutions’ loan assets</td>
<td>1.42</td>
<td>808</td>
<td>110</td>
<td>85</td>
<td>-</td>
</tr>
<tr>
<td>Taiwan Depository and Clearing Co.</td>
<td>Taiwan</td>
<td>Computerizing book-entry operation for securities</td>
<td>0.08</td>
<td>15,501</td>
<td>1,076</td>
<td>3,493</td>
<td>-</td>
</tr>
<tr>
<td>Taiwan Mobile Payment Corporation</td>
<td>Taiwan</td>
<td>Promoting E-commerce and developing E-billing</td>
<td>1.00</td>
<td>1,764</td>
<td>-</td>
<td>600</td>
<td>-</td>
</tr>
<tr>
<td><strong>Nonfinancial related enterprise</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taiwan Television Enterprise, Ltd.</td>
<td>Taiwan</td>
<td>Wireless television company</td>
<td>4.84</td>
<td>77,527</td>
<td>-</td>
<td>13,729</td>
<td>-</td>
</tr>
<tr>
<td>Victor Taichung Machinery Works Co., Ltd.</td>
<td>Taiwan</td>
<td>Manufacturer and seller of tool machine, plastic machine and other precise equipment</td>
<td>0.08</td>
<td>1,453</td>
<td>94</td>
<td>157</td>
<td>-</td>
</tr>
</tbody>
</table>

**Note 1:** Foreign-currency amounts were translated at the exchange rate on the balance sheet date, except for foreign-currency-denominated income and expenses, which were translated to New Taiwan dollars at the average exchange rate for the year ended December 31, 2019.

**Note 2:** Investment gains are dividend income.

**Note 3:** Above shares are in thousands of shares.

**Note 4:** Acquired by the Bank on August 1, 2019.
### TABLE 3

**BANK SINOPAC**

**INFORMATION ON INVESTMENT IN MAINLAND CHINA**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

(In Thousands of New Taiwan Dollars)

<table>
<thead>
<tr>
<th>Investee Company</th>
<th>Main Businesses and Products</th>
<th>Total Amount of Paid-in Capital</th>
<th>Method of Investment</th>
<th>Accumulated Outflow of Investment from Taiwan as of January 1, 2019</th>
<th>Investment Flows</th>
<th>Accumulated Outflow of Investment from Taiwan as of December 31, 2019</th>
<th>Earnings (Losses) of Investee (Notes 2 and 3)</th>
<th>Percentage of Ownership (%)</th>
<th>Equity in the Earnings (Losses) (Notes 2 and 3)</th>
<th>Carrying Value</th>
<th>Accumulated Inward Remittance of Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank SinoPac (China) Ltd.</td>
<td>Commercial Bank</td>
<td>$ 9,752,465</td>
<td>Investment in Mainland China directly</td>
<td>$ 9,752,465</td>
<td>$ -</td>
<td>$ - $ 9,752,465</td>
<td>$ 94,726</td>
<td>100</td>
<td>$ 106,767</td>
<td>$ 9,452,558</td>
<td>$ -</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Accumulated Investment in Mainland China as of December 31, 2019</th>
<th>Investment Amounts Authorized by Investment Commission, MOEA</th>
<th>Limit on Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>$9,752,465</td>
<td>$9,752,465</td>
<td>$80,200,810</td>
</tr>
</tbody>
</table>

**Note 1:** The accumulated investment amounts in Mainland China as of December 31, 2019 are US$323,871 thousand and had been authorized by the Investment Commission, MOEA are US$323,871 thousand.

**Note 2:** Earnings of investee, equity in the earnings and carrying value for the year ended December 31, 2019 have been audited by independent certified public accountants.

**Note 3:** Foreign currencies are translated to New Taiwan dollars with current rate of the date of balance sheet, only the gains or losses investments are translated with current period average rate.
**Major Subsidiaries**

**Bank SinoPac (China) Ltd.**  
Address: Room 3501 & 3601 & 105 (1st & 2nd Floor), Block 4 - Finance City, 248 Lushan Road, Jianye District, Nanjing City, China  
Telephone: 86-25-8886-6000

**SinoPac Capital Ltd.**  
Address: Units 03-06, 12A Floor, One Peking, 1 Peking Rd., Tsim Sha Tsui, Kowloon, Hong Kong  
Telephone: 852-3655-8688

**SinoPac Capital (B.V.I) Ltd.**  
Address: Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands  
Telephone: 852-3655-8688

**SinoPac Insurance Brokers Ltd.**  
Address: Units 03-06, 12A Floor, One Peking, 1 Peking Road, Tsim Sha Tsui, Kowloon, Hong Kong  
Telephone: 852-3655-8688